Unexpected legacies from the rebellion: fiscal transitions in China, 1850s-1900s

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Unexpected Legacies from the Rebellion: Fiscal Transitions in China, 1850s-1900s

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SCENARIO SETTING, the Transition of Imperial Chinese Fiscal Regime in an Era of Political Disorder

Pre-1850s: A Centralized Fiscal Regime

A strict hierarchy where local officials were merely subordinates

Strong dependence on land tax with light tax on commerce

Post-1880s: A Decentralized Fiscal Regime

Local governments with great fiscal autonomy

Rise of commercial tax and debts with the decline of land tax

RESEARCH FOCUS, the Impact of Taiping Rebellion on the Rise of Lijin as a Local Commercial Tax

Question: Regarding the driving forces for fiscal transitions, what was the role of Taiping Rebellion?

Hypothesis: Taiping Rebellion led to the rise of local fiscal autonomy, especially the bouncing commercial tax revenue, lijin, as a local fiscal resource since 1850s.

Mechanism: The central government, given the scarce fiscal resource and the inability to suppress the riots, had to delegate its power to local governments by encouraging their private militias.

EMPIRICAL STRATEGY, the Linkage between the Intensity of War and the Scale of Lijin Later on

Cross Sectional Data for 175 prefectures in China Proper

Descriptive Results (Zhejiang Province as an Example)

EXTENSION OF CURRENT STUDY, Possible Further Econometric Methods for Causal Inference

Alternative 1: Difference in Difference

- Set the Taiping Rebellion as a treatment and divide prefectures in China Proper into two groups.
- The affected prefectures should experience more decline of land tax’s share because of the newly emerging lijin revenue.

Alternative 2: Regression Discontinuity Design

- Take the border of Taiping regime as an exogenous shock and divide the prefectures along the border into two groups.
- The affected prefectures should experience significant decline of land tax’s share and the rise of lijin’s.

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