

# **Appendix for *Disgruntled Cadres: How Tax Reduction Undermines Rural Governance***

**(3/27/2023)**

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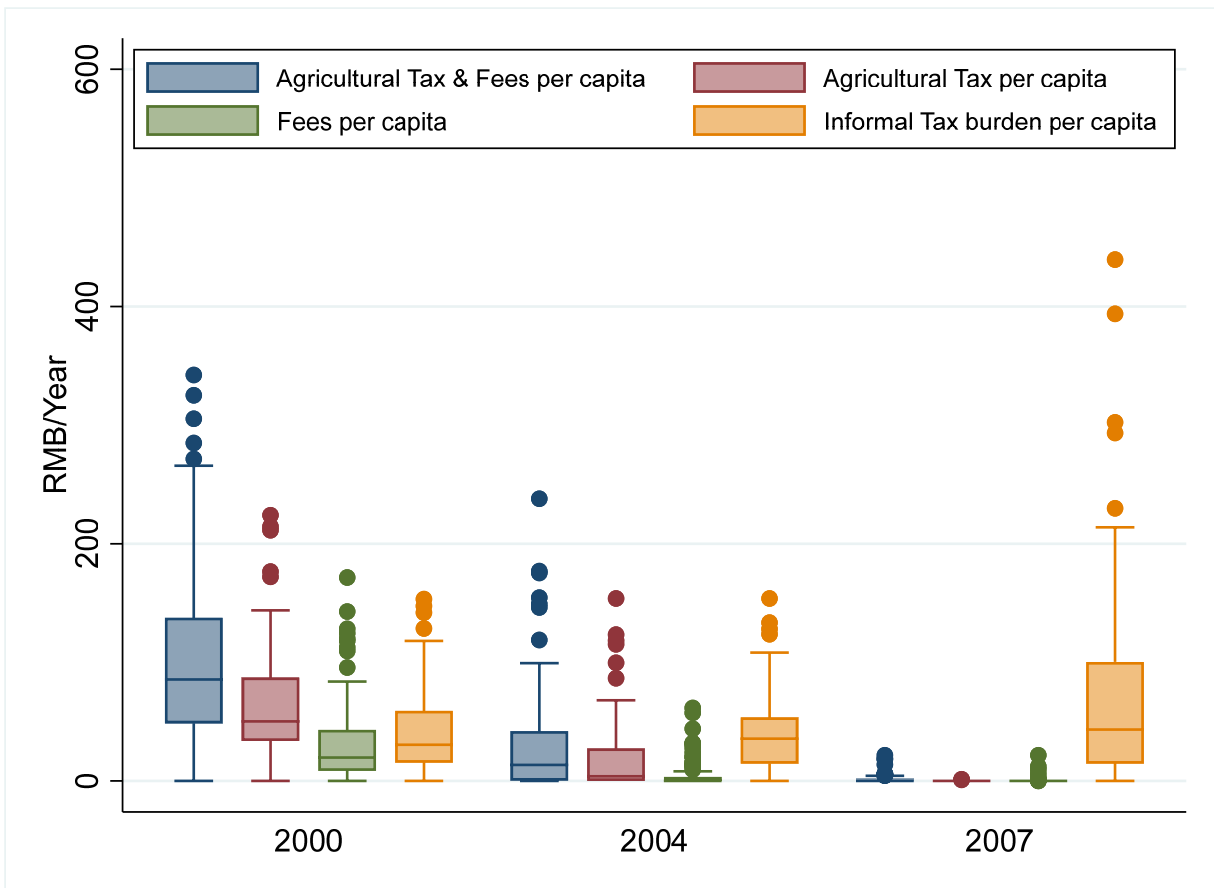
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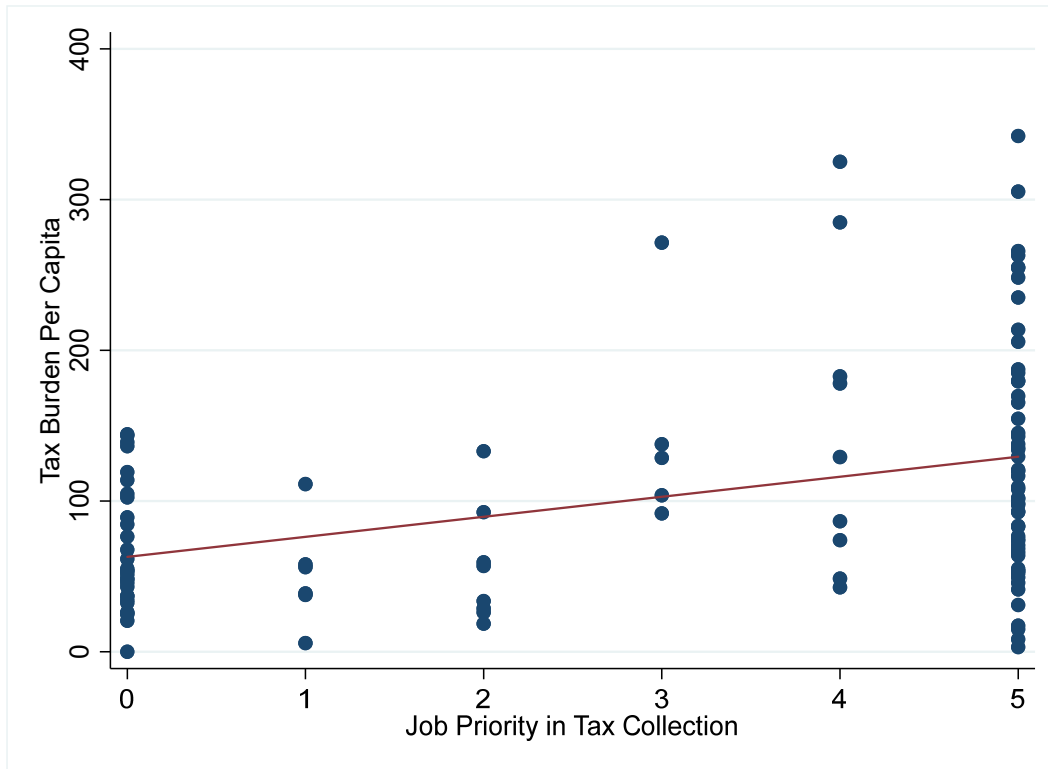
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**FIGURE A1: FORMAL AND INFORMAL TAX BURDEN**



**FIGURE A2: GEOGRAPHICAL LOCATIONS OF THE SAMPLED COUNTIES**



**FIGURE A3: TAX BURDEN AND VILLAGE ELITES’ EFFORTS PRIOR TO THE AGRICULTURAL TAX REFORM**

Note: The figure is based on the data from *Rural Survey of Land, Migration, and Local Governance*. It plots the average tax burden per capita and village cadres’ efforts in tax collection in 2000. The Job Priority in Tax Collection is self-reported top-five tasks out of 34 tasks that village cadres spend most of the time during that year. It is coded when tax collection was reported as: 5 for Top 1 Task; 4 for Top 2 Task; 3 for Top 3 Task; 2 for Top 4 Task; 1 for Top 5 Task; and 0 for not named in one of the top 5 task.

In our data we assess village cadres’ efforts in various tasks by asking them to rank the top five of their 34 most time-consuming tasks. Approximately 26.55% of the village cadres did not list tax collection as one of the top five tasks at all in 2000, but 48.67% of the village cadres listed tax collection as the most important tasks in 2000.

**TABLE A1 THE DETERMINANTS OF TAX ABOLITION TREATMENT**

	TAX ABOLITION TREATMENT ASSIGNMENT IN 2004			
	(1)	(2)	(3)	(4)
Village Population in 2000 (Log)	0.037 (0.081)	0.040 (0.082)	0.037 (0.082)	0.037 (0.082)
Village Arable Land Per Capita in 2000 (Log)	0.087 (0.058)	0.076 (0.064)	0.085 (0.060)	0.087 (0.059)
Village Income per capita in 2000 (Log)	0.150 (0.093)	0.140 (0.097)	0.152 (0.095)	0.150 (0.094)
% of Tax-Noncompliance Household in 2000		-0.002 (0.002)		
Number of Mass Petition in 2000			-0.010 (0.029)	
Number of Mass Incident in 2000				0.028 (0.429)
Number of Observations	113	113	113	113

Note: Robust standard errors are reported in parentheses. Significant at 0.1 level. \*\* Significant at 0.05 level. \*\*\* Significant at 0.01 level.

**TABLE A2 IMPACT OF TAX CUT ON TAX BURDEN AND LOCAL GOVERNANCE**

	TOTAL TAX BURDEN PER CAPITA	AGRICULT URAL TAX BURDEN PER CAPITA	ASSOCIATED FEES PER CAPITA	% OF TAX- NONCOMPLIA NCE HOUSEHOLDS	MASS PETITION	MASS INCIDENT
	(1)	(2)	(3)	(4)	(5)	(6)
Tax Cut	-75.578*** (6.991)	-46.470*** (4.279)	-25.955*** (3.094)	7.448** (3.269)	0.159** (0.067)	0.102*** (0.029)
Village Characteristics	YES	YES	YES	YES	YES	YES
Village FE Number of Observations	YES 339	YES 339	YES 339	YES 339	YES 339	YES 339

Note: *Tax\_Cut* is an indicator of tax reduction, coded 1 for villages experiencing more than 50% tax burden reduction, zero otherwise. Standard errors clustered by village are reported in parentheses. Village control variables include (*Log*) *Village Population*, (*Log*) *Arable Land per Capita*, and *Village Income per Capita*. Significant at 0.1 level. \*\* Significant at 0.05 level. \*\*\* Significant at 0.01 level.

**TABLE A3 IMPACT OF TAX ABOLITION ON TAX BURDEN AND LOCAL GOVERNANCE**

	<b>TOTAL TAX BURDEN PER CAPITA</b>	<b>AGRICULTURAL TAX BURDEN PER CAPITA</b>	<b>ASSOCIATED FEES PER CAPITA</b>	<b>% OF TAX-NONCOMPLIANCE HOUSEHOLDS</b>	<b>MASS PETITION</b>	<b>MASS INCIDENT</b>
	(1)	(2)	(3)	(4)	(5)	(6)
Tax Abolition	-40.459*** (5.805)	-26.953*** (3.592)	-5.023** (2.159)	7.098** (3.426)	0.181** (0.074)	0.135*** (0.049)
Tax Cut	-54.137*** (5.273)	-32.187*** (3.366)	-23.293*** (2.989)	3.687 (2.707)	0.063 (0.074)	0.030 (0.035)
Village Characteristics	YES	YES	YES	YES	YES	YES
Village FE	YES	YES	YES	YES	YES	YES
Number of Observations	339	339	339	339	339	339

Note: *Tax\_Abolition* is coded 1 when a village experienced complete tax abolition (i.e., 95% or more tax burden reduction), zero otherwise. *Tax\_Cut* is coded 1 for villages experiencing more than 50% tax burden reduction, zero otherwise. Standard errors clustered by village are reported in parentheses. Village control variables include (*Log*) *Village Population*, (*Log*) *Arable Land per Capita*, and *Village Income per Capita*. Significant at 0.1 level. \*\* Significant at 0.05 level. \*\*\* Significant at 0.01 level.

**TABLE A4 THE IMPACTS OF TAX ABOLITION ON LOCAL GOVERNANCE (CONTROLLING FOR TRUST IN GOVERNMENT 2004-2007)**

	% OF TAX-NONCOMPLIANCE HOUSEHOLD		MASS PETITION		MASS INCIDENT	
	(1)	(2)	(3)	(4)	(5)	(6)
Tax Abolition	6.400 (4.652)	6.754 (4.357)	0.222** (0.085)	0.188** (0.081)	0.155** (0.062)	0.138** (0.063)
Trust in the Township Government	3.644 (13.726)		-0.287 (0.242)		-0.057 (0.201)	
Trust in the Central Government		1.717 (20.853)		-0.023 (0.421)		0.198 (0.271)
Village Characteristics	YES	YES	YES	YES	YES	YES
Village FE	YES	YES	YES	YES	YES	YES
Number of Observations	226	226	226	226	226	226

Note: Standard errors clustered by village are reported in parentheses. Village control variables include (*Log*) *Village Population*, (*Log*) *Arable-land per capita*, and *Village Income per capita*. Significant at 0.1 level. \*\* Significant at 0.05 level. \*\*\* Significant at 0.01 level.



**TABLE A5 IMPACT OF TAX ABOLITION ON LOCAL GOVERNANCE (BY TAX NONCOMPLIANCE IN 2000)**

	2000 Tax Noncompliance 4th Quartile		2000 Tax Noncompliance 3rd Quartile		2000 Tax Noncompliance 2nd Quartile		2000 Tax Noncompliance 1st Quartile	
	MASS PETITION	MASS INCIDENT	MASS PETITION	MASS INCIDENT	MASS PETITION	MASS INCIDENT	MASS PETITION	MASS INCIDENT
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Tax Abolition	0.374** (0.165)	0.094 (0.097)	0.143 (0.129)	0.185** (0.087)	0.254 (0.161)	0.231** (0.096)	0.195** (0.098)	0.093 (0.081)
Village Characteristics	YES	YES	YES	YES	YES	YES	YES	YES
Village FE	YES	YES	YES	YES	YES	YES	YES	YES
Number of Observations	84	84	87	87	84	84	84	84

Note: Standard errors clustered by village are reported in parentheses. Village control variables include *(Log) Village Population*, *(Log) Arable Land per Capita*, and *Village Income per Capita*. Significant at 0.1 level. \*\* Significant at 0.05 level. \*\*\* Significant at 0.01 level.

**TABLE A6 IMPACT OF TAX ABOLITION ON LOCAL GOVERNANCE  
(EXCLUDING UNSTABLE VILLAGES IN 2000)**

	<b>% OF TAX- NONCOMPLIANCE HOUSEHOLDS</b>	<b>MASS PETITION</b>	<b>MASS INCIDENT</b>
	(1)	(2)	(3)
Tax Abolition	9.847** (4.144)	0.329*** (0.063)	0.167*** (0.044)
Village Characteristics	YES	YES	YES
Village FE	YES	YES	YES
Number of Observations	267	267	267

Note: Standard errors clustered by village are reported in parentheses. Village control variables include (*Log*) *Village Population*, (*Log*) *Arable Land per Capita*, and *Village Income per Capita*. Significant at 0.1 level. \*\* Significant at 0.05 level. \*\*\* Significant at 0.01 level.

**TABLE A7 IMPACT OF TAX ABOLITION AND VILLAGE SPENDING**

	<b>VILLAGE PUBLIC SPENDING PER CAPITA</b>	<b>% OF TAX- NONCOMPLIANCE HOUSEHOLDS</b>	<b>MASS PETITION</b>	<b>MASS INCIDENT</b>
	(1)	(2)	(3)	(4)
Tax Abolition	-23.989 (29.378)	8.836** (3.603)	0.213*** (0.067)	0.148*** (0.041)
Village Public Spending per capita		-0.005 (0.010)	-0.000 (0.000)	-0.000 (0.000)
Village Characteristics	YES	YES	YES	YES
Village FE	YES	YES	YES	YES
Number of Observations	339	339	339	339

Note: Standard errors clustered by village are reported in parentheses. Village control variables include *(Log) Village Population*, *(Log) Arable Land per Capita*, and *Village Income per Capita*. Significant at 0.1 level. \*\* Significant at 0.05 level. \*\*\* Significant at 0.01 level.

**TABLE A8 IMPACT OF TAX ABOLITION ON LOCAL GOVERNANCE  
(EXCLUDING UNRESTS RELATED TO PUBLIC SPENDING)**

	<b>% OF TAX- NONCOMPLIANCE HOUSEHOLDS</b>	<b>MASS PETITION</b>	<b>MASS INCIDENT</b>
	(1)	(2)	(3)
Tax Abolition	8.577** (3.554)	0.174** (0.069)	0.110*** (0.040)
Village Characteristics	YES	YES	YES
Village FE	YES	YES	YES
Number of Observations	323	323	323

Note: Standard errors clustered by village are reported in parentheses. Village control variables include (*Log*) *Village Population*, (*Log*) *Arable Land per Capita*, and *Village Income per Capita*. Significant at 0.1 level. \*\* Significant at 0.05 level. \*\*\* Significant at 0.01 level.

**TABLE A9 IMPACT OF TAX ABOLITION AND AD HOC FEES**

	<b>AD HOC FEES PER CAPITA</b>	<b>% OF TAX- NONCOMPLIANCE HOUSEHOLDS</b>	<b>MASS PETITION</b>	<b>MASS INCIDENT</b>
	(1)	(2)	(3)	(4)
Tax Abolition	16.902* (9.060)	8.093** (3.574)	0.209*** (0.067)	0.146*** (0.041)
Ad Hoc Fees per capita		0.051** (0.023)	0.000 (0.001)	0.000 (0.000)
Village Characteristics	YES	YES	YES	YES
Village FE	YES	YES	YES	YES
Number of Observations	339	339	339	339

Note: Standard errors clustered by village are reported in parentheses. Village control variables include (*Log*) *Village Population*, (*Log*) *Arable Land per Capita*, and *Village Income per Capita*. Significant at 0.1 level. \*\* Significant at 0.05 level. \*\*\* Significant at 0.01 level.

**TABLE A10 IMPACT OF TAX ABOLITION AND GRASSROOTS CCP PARTY PENETRATION**

	<b>PARTY MEMBERSHIP PER CAPITA</b>	<b>% OF TAX- NONCOMPLIANCE HOUSEHOLDS</b>	<b>MASS PETITION</b>	<b>MASS INCIDENT</b>
	(1)	(2)	(3)	(4)
Tax Abolition	0.218*** (0.051)	7.673** (3.517)	0.220*** (0.066)	0.154*** (0.042)
Party Membership per capita		5.848* (3.101)	-0.031 (0.051)	-0.017 (0.024)
Village Characteristics	YES	YES	YES	YES
Village FE	YES	YES	YES	YES
Number of Observations	339	339	339	339

Note: Standard errors clustered by village are reported in parentheses. Village control variables include *(Log) Village Population*, *(Log) Arable Land per Capita*, and *Village Income per Capita*. Significant at 0.1 level. \*\* Significant at 0.05 level. \*\*\* Significant at 0.01 level.

**TABLE A11 IMPACT OF TAX ABOLITION AND INFORMAL INSTITUTION**

	<b>% OF TAX- NONCOMPLIANCE HOUSEHOLDS</b>	<b>MASS PETITION</b>	<b>MASS INCIDENT</b>
	(1)	(2)	(3)
Tax Abolition	9.918** (3.952)	0.212*** (0.075)	0.132** (0.053)
Tax Abolition × Informal Institution	-2.842 (4.922)	0.004 (0.113)	0.052 (0.076)
Village Characteristics	YES	YES	YES
Village FE	YES	YES	YES
Number of Observations	339	339	339

Note: Standard errors clustered by village are reported in parentheses. Village control variables include *(Log) Village Population*, *(Log) Arable Land per Capita*, and *Village Income per Capita*. Significant at 0.1 level. \*\* Significant at 0.05 level. \*\*\* Significant at 0.01 level.

**TABLE A12 IMPACT OF TAX ABOLITION AND LAND EXPROPRIATION**

	<b>% OF TAX- NONCOMPLIANCE HOUSEHOLDS</b>	<b>MASS PETITION</b>	<b>MASS INCIDENT</b>
	(1)	(2)	(3)
Tax Abolition	9.105*** (3.493)	0.189*** (0.065)	0.134*** (0.043)
Logged Size of Land Expropriation (Current Year)	-0.460 (1.491)	0.068** (0.030)	0.045* (0.027)
Village Characteristics	YES	YES	YES
Village FE	YES	YES	YES
Number of Observations	339	339	339

Note: Standard errors clustered by village are reported in parentheses. Village control variables include *(Log) Village Population*, *(Log) Arable Land per Capita*, and *Village Income per Capita*. Significant at 0.1 level. \*\* Significant at 0.05 level. \*\*\* Significant at 0.01 level.



**TABLE A13 LAND EXPROPRIATION FREQUENCY AND SOCIAL UNREST**

	NEVER LAND EXPROPRIATION		LAND EXPROPRIATION TWICE		LAND EXPROPRIATION TWICE, INCLUDING 2000		LAND EXPROPRIATION THREE TIMES	
	MASS PETITION	MASS INCIDENT	MASS PETITION	MASS INCIDENT	MASS PETITION	MASS INCIDENT	MASS PETITION	MASS INCIDENT
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Tax Abolition	0.121 (0.084)	0.117** (0.047)	0.096 (0.221)	0.085 (0.112)	-0.073 (0.294)	0.129 (0.104)	-0.328 (0.446)	0.263 (0.312)
Village Characteristics	YES	YES	YES	YES	YES	YES	YES	YES
Village FE	YES	YES	YES	YES	YES	YES	YES	YES
Number of Villages	59	59	22	22	13	13	5	5
Number of Observations	177	177	66	66	39	39	15	15

Note: Standard errors clustered by village are reported in parentheses. Village control variables include *(Log) Village Population*, *(Log) Arable Land per Capita*, and *Village Income per Capita*. Significant at 0.1 level. \*\* Significant at 0.05 level. \*\*\* Significant at 0.01 level.

**TABLE A14 THE IMPACTS OF TAX ABOLITION AND PROMOTION INCENTIVE**

	<b>% OF TAX- NONCOMPLIANCE HOUSEHOLD</b>	<b>MASS PETITION</b>	<b>MASS INCIDENT</b>
	(1)	(2)	(3)
Tax Abolition	8.853** (3.613)	0.212*** (0.067)	0.146*** (0.042)
Township Government Offered Promotion Incentives	-1.637 (4.149)	-0.015 (0.087)	-0.071 (0.056)
Village Characteristics Control	YES	YES	YES
Village FE	YES	YES	YES
Number of Observations	339	339	339

Note: Standard errors clustered by village are reported in parentheses. Village control variables include *(Log) Village Population*, *(Log) Arable-land Per Capita*, and *(Log) Village Income per capita*. Significant at 0.1 level. \*\* Significant at 0.05 level. \*\*\* Significant at 0.01 level.

**TABLE A15 IMPACT OF TAX ABOLITION ON VILLAGE CADRE CHARACTERISTICS**

	YEAR OF SCHOOLING		VETERAN STATUS		SERVED IN VC		OWNED SMALL BIZ		WORKED IN TVE/TVG	
	V-SEC (1)	V-HEAD (2)	V-SEC (3)	V-HEAD (4)	V-SEC (5)	V-HEAD (6)	V-SEC (7)	V-HEAD (8)	V-SEC (9)	V-HEAD (10)
Tax Abolition	0.335** (0.170)	0.203 (0.163)	-0.010 (0.031)	0.020 (0.032)	0.002 (0.036)	-0.039 (0.044)	0.013 (0.031)	0.021 (0.034)	-0.017 (0.026)	-0.003 (0.034)
Village Characteristics	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Village FE Number of Observations	YES 289	YES 284	YES 290	YES 284	YES 295	YES 284	YES 293	YES 284	YES 295	YES 284

Note: All the dependent variables are coded binary, with the exception of year of schooling. Standard errors clustered by village are reported in parentheses. Village control variables include *(Log) Village Population*, *(Log) Arable Land per Capita*, and *Village Income per Capita*. Significant at 0.1 level. \*\* Significant at 0.05 level. \*\*\* Significant at 0.01 level.