UNEXPECTED LEGACIES FROM THE REBELLION: FISCAL TRANSITIONS IN LATE QING CHINA, 1850-1900

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SCENARIO SETTING: Transition of Imperial China’s Public Finance in Institution and Taxation Structure

Fiscal Institution: From Centralization to Decentralization
Pre-1850: A strict hierarchy where local governments were tax collectors
Post-1850: Local governments with great autonomy out of central control

Taxation Structure: From Rigidity to Flexibility
Pre-1850: Strong dependence on land tax with light commercial taxation
Post-1850: Rise of commercial taxation with the decline of land tax

RESEARCH FOCUS: How Taiping Rebellion Was Linked to the Rise of the Lijin Taxation

Question: Besides international wars as the driving force for fiscal changes, what was the role of the devastating domestic chaos?

Taiping Rebellion (1851-1864)
The largest internal war in Chinese history

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

To finance the militias, local governments started levying lijin from commercial activities: this autonomous and considerable revenue made the local governments out of the central control even after the suppression of the Rebellion.

Hypothesis: Taiping Rebellion was correlated to the rise of local fiscal autonomy, in the form of commercial tax, lijin, as an autonomous fiscal resource that persisted locally in a long run.

EMPIRICAL STRATEGY: the Linkage between the Intensity of Warfare and the Scale of Lijin Later on

Cross Sectional Data for 175 prefectures in Qing China

Preliminary Results (Zhejiang Province as an Example)

Lijin\[i\] = α + β\(Rebellion\[i\] + \gamma\) Controls\[i\] + ε\[i\]

Measured by the share of lijin in total revenue, or per capita owned number of lijin stations in the prefecture in 1890s

Measured by the lasting years of disorder, the severity of war, or the total population loss from the Rebellion

Other factors that influenced the amount of lijin (initial economic conditions, foreign presence, dummies for other insurrections, etc.)

EXTENSION OF CURRENT STUDY: Proposals for Causal Inference

Alternative 1: Instrumental Variable
Endogeneity exists: the Taiping troops may firstly attack the more developed regions, with better economic conditions.

Regarding Anqing Battle, the most influential battle as a ‘treatment’, and take the distance from Anqing to a prefecture as an IV for the degree of war severity.

Alternative 2: Regression Discontinuity Design
Regard the border of Taiping Kingdom as an exogenous shock and divide the prefectures along the border into two groups

The prefectures occupied by the Taiping regime should experience more significant rise of lijin taxation.

Footnotes:
1 The ‘commercial tax’ for 1753 and 1841 refers to the customs tax.
2 The ‘commercial tax’ for 1894 and 1903 consists of customs tax and newly emerging domestic commercial tax, the lijin.
3 The lijin was an autonomous local tax out of central control. Local lijin bureaus set lijin stations and levied on all goods in transit.
4 The cross sectional data for 1890s was the most reliable on a prefecture level the gazetteers were compiled in this decade.
5 The population loss estimates the gap from pre-20th century to the 1880s (a relatively peaceful and disaster-free era).

References: