

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

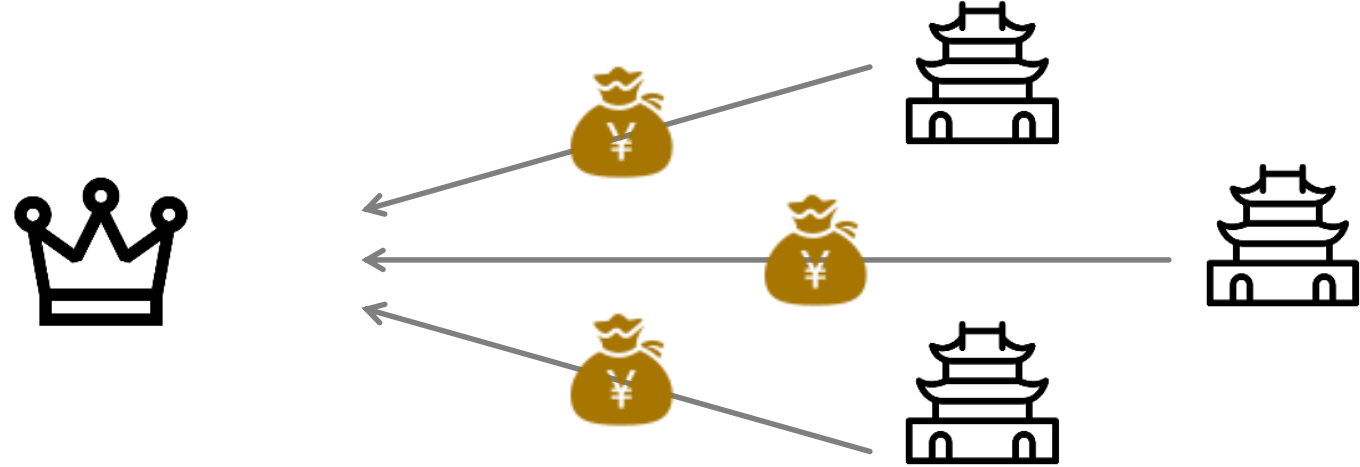
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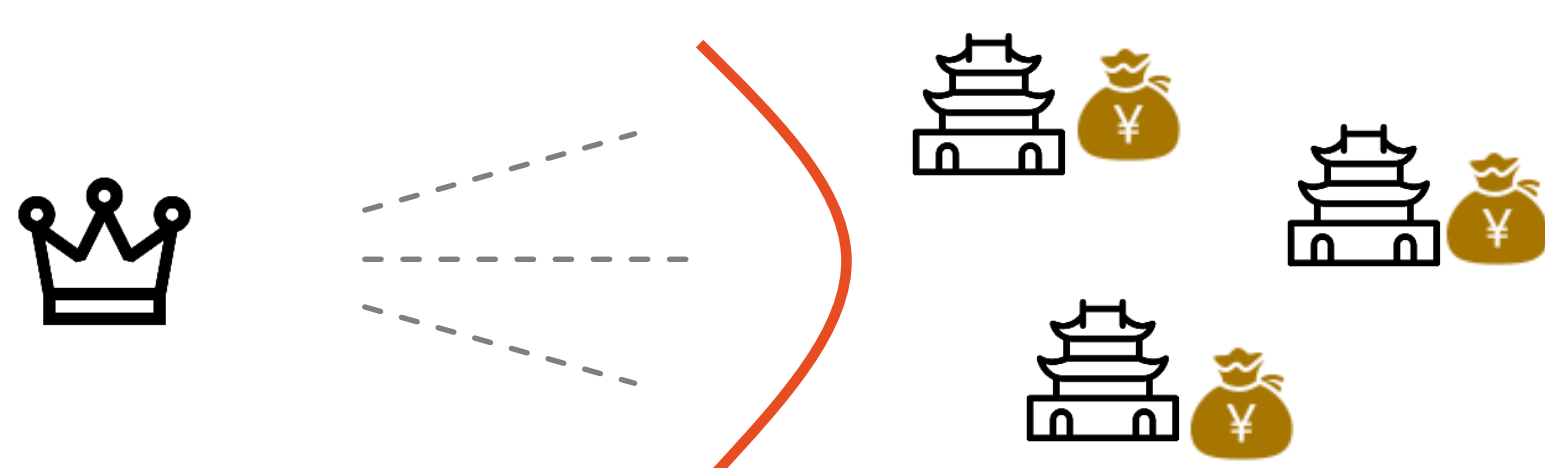
SCENARIO SETTING: Transition of Imperial China's Public Finance in Institution and Taxation Structure

Fiscal Institution: From Centralization to Decentralization

Pre-1850: A strict hierarchy where local governments were tax collectors

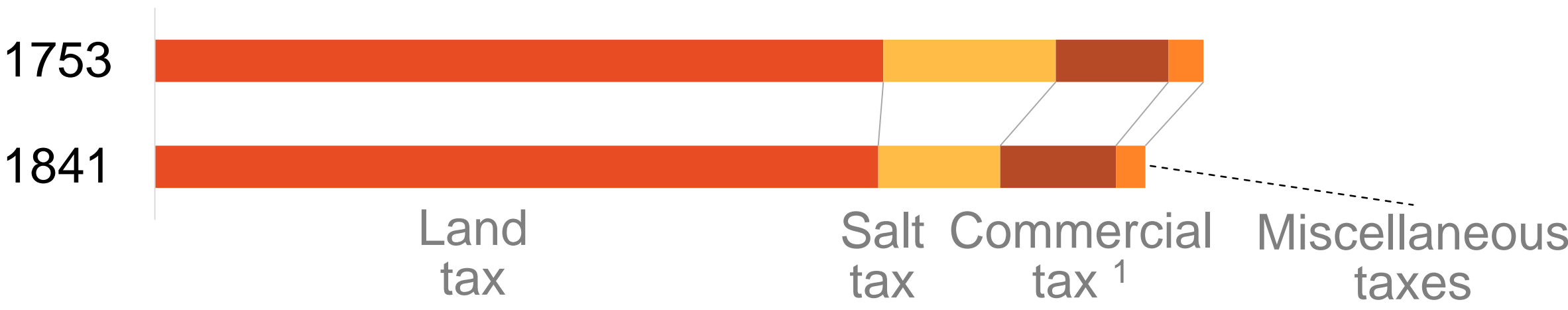


Post-1850: Local governments with great autonomy out of central control

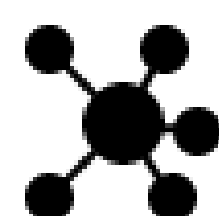
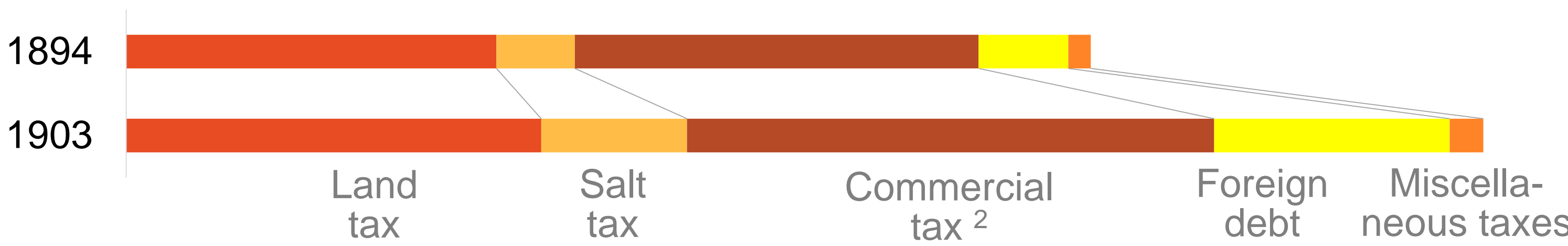


Taxation Structure: From Rigidity to Flexibility

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)

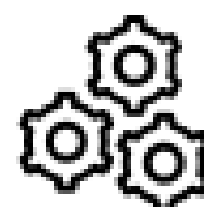
The largest internal war in Chinese history

12 provinces occupied

171M silver taels of military spending





14 years for suppression



70M casualties



Mechanism:

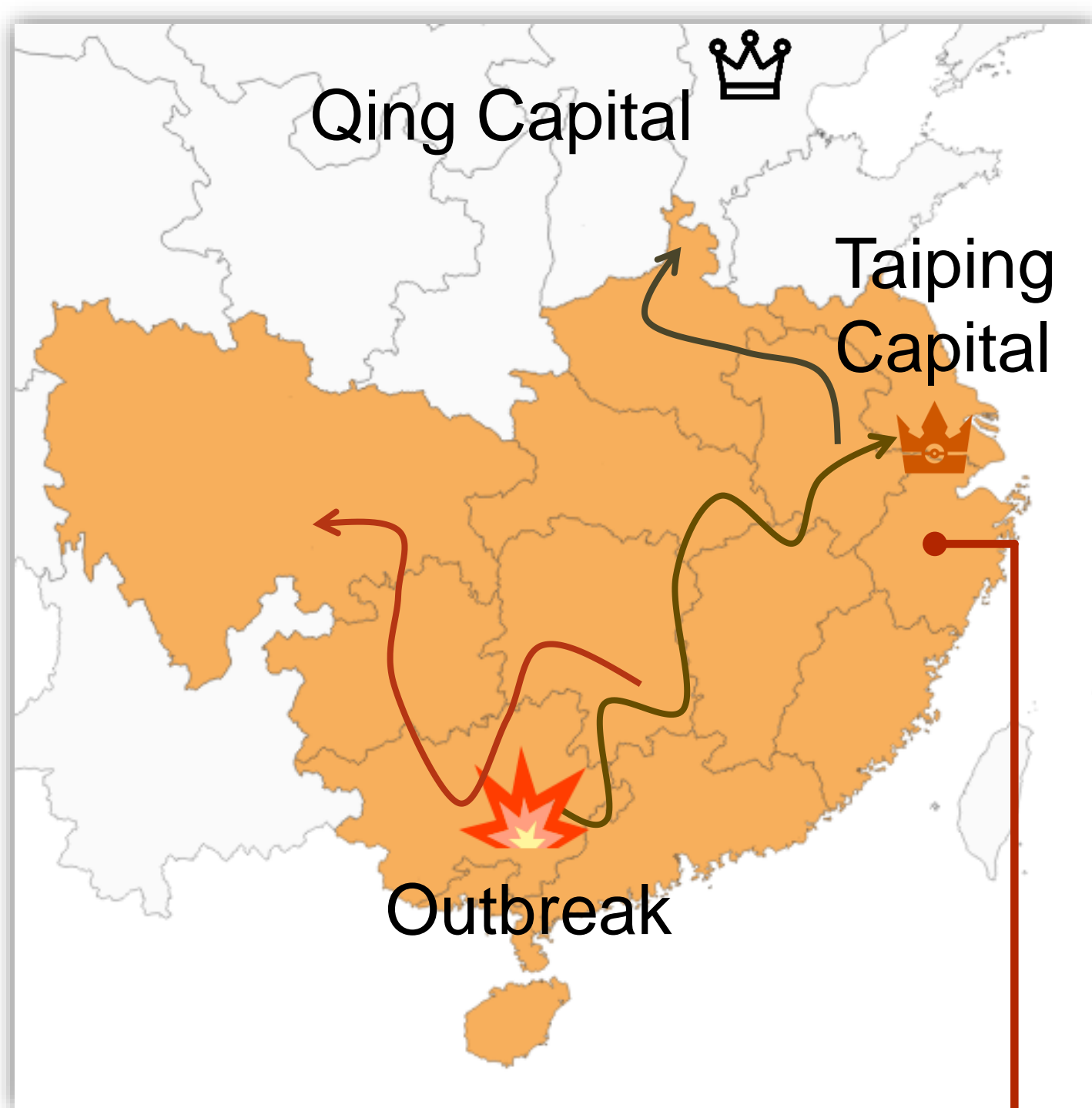


The central government , given the scarce fiscal resource and the inability to suppress the riots , had to delegate its power to local governments  by encouraging their private militias .

To finance the militias, local governments started levying *lijin*  from commercial activities³ ; 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

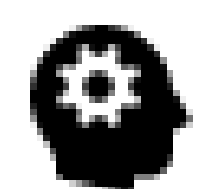
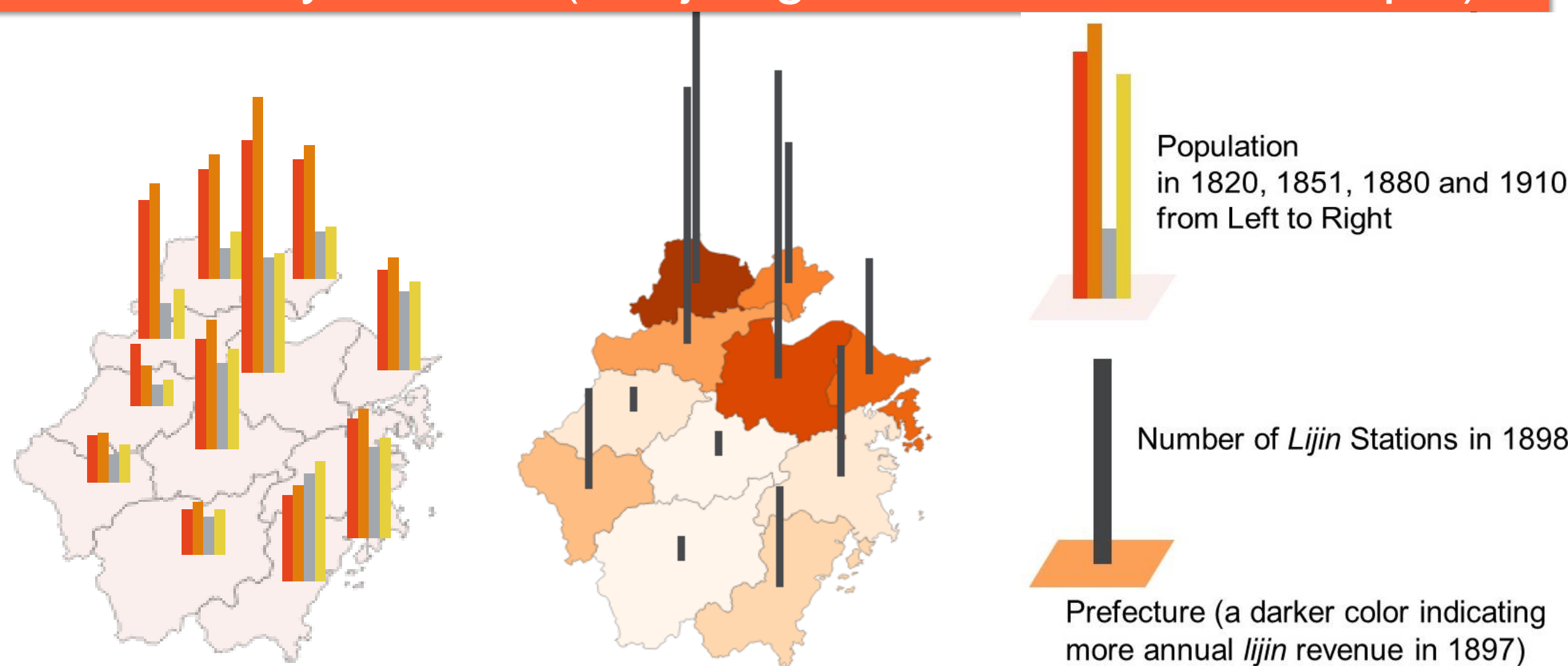
$$Lijin_i = \alpha + \beta Rebellion_i + \gamma Controls_i + \epsilon_i$$

Measured by the **share of *lijin*** in total tax revenue, or per capita owned **number of *lijin* stations** in the prefecture in 1890s⁴

Measured by the lasting **years** of disorder, the **severity** of war, or the total **population loss** from the Rebellion⁵

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

Preliminary Results (Zhejiang Province as an Example)



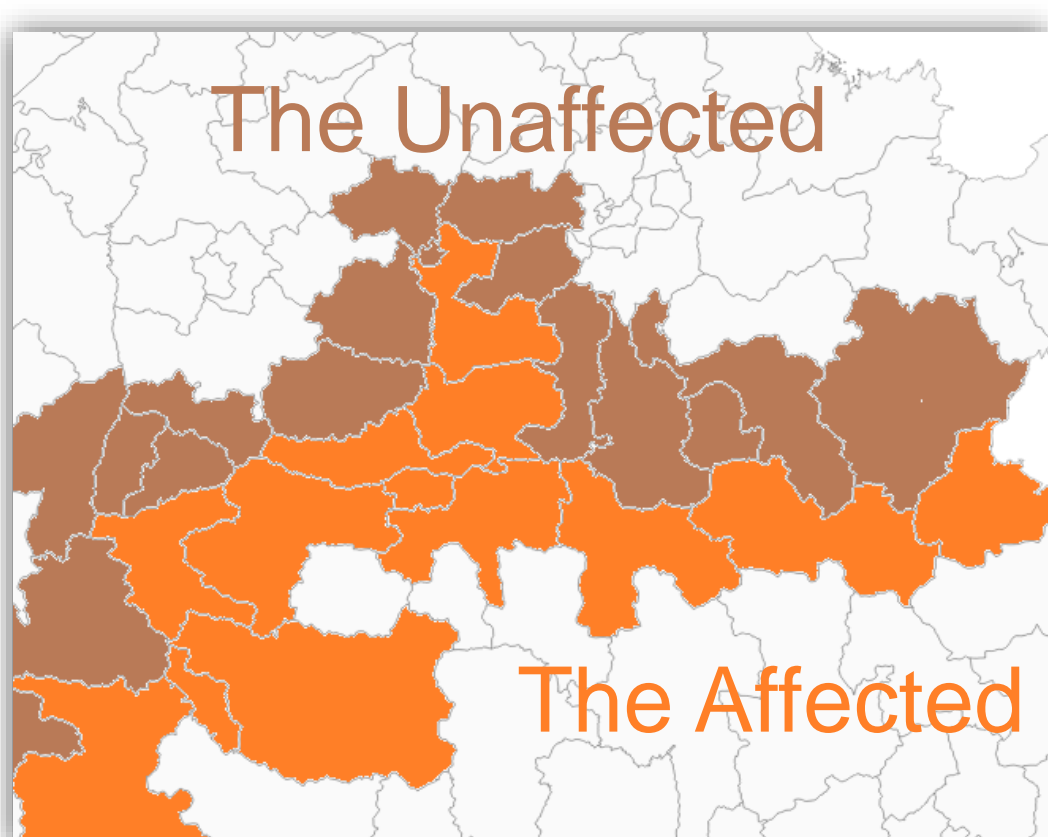
EXTENSION OF CURRENT STUDY: Proposals for Causal Inference

Alternative 1: Instrumental Variable



- Endogeneity exists: the Taiping troops may firstly attack the more developed regions, with better economic conditions.
- Regard 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 warfare 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 as the gazetteers were compiled in this decade. (5) The 'population loss' estimates the gap from pre-Rebellion era to the 1880s (a relatively peaceful and disaster-free era).

References: (1) Cao, S., 2001, 中国人口史第五卷 (History of China's Population, Vol. 5), Fudan University Press. (2) Chen, F., 2010, 清代财政史论稿 (Papers on Qing Fiscal History), Commercial Press. (3) Luo, E., 2007, 太平天国史 (A History of the Taiping Heavenly Kingdom), Zhonghua Shuju. (4) Luo, Y., 1936 (2010), 中国厘金史 (The History of Lijin in China), Commercial Press. (5) Ni, Y., 2017, 从国家财政到财政国家: 清朝咸同年间财政与社会 (From the Finance of State to a Fiscal State: Public Finance and Society in Qing's Xianfeng and Tongzhi), Science Press.