The Social Costs of Patronage Ties: Lessons from the 2008 Sichuan Earthquake

Overview
• Question: Do patron-client connections lead to more or less corruption?
• Context: The 2008 Sichuan earthquake in China
• Data: 1,065 buildings in the quake-affected area
• Identification: Difference-in-differences

Research Design

<table>
<thead>
<tr>
<th>Year of construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>County A</td>
</tr>
<tr>
<td>Not connected</td>
</tr>
</tbody>
</table>

• Treated buildings were constructed when the county official had the same hometown with a prefectural official

Main results

- Having a connected county official increases the probability of a partial or complete collapse increases by 13 percentage points (83 percent)

Evidence of corruption

- Most effects come from regions moderately affected by the earthquake, in which buildings should not have collapsed if they were compliant to the building code

Selection vs. Incentive

- Coef. (2) represents the effect from political selection
- Coef. (3) represents the effect from changes in incentive

Takeaway

- The costs of corruption and rent-seeking may be latent and hard to observe in normal time. They create societal vulnerabilities, which may build up over time and only to be revealed after a much later exogenous shock.

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