

Promotion Incentive, Official Characteristics, and Local Debt Scale

Libin Cui^{1,a}

¹School of Economics and Management, Beijing Jiaotong University, Beijing, China

^a1140749072@qq.com

*Libin Cui

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Abstract: Since the reform of tax sharing system, the scale of local government debt in China has been expanding, which has attracted more and more attention. Many scholars have studied the causes of debt scale expansion. This paper mainly combines the micro level and macro level, and studies the relationship between the characteristics of local government officials and debt scale from the perspective of promotion incentive. The research finds that the age, education level, political identity and debt scale of local government officials are negatively related, the relationship between period and debt scale is not significant and uncertain, and the specific reasons need further analysis. The study of this paper will enrich the cause analysis of the scale of local government debt, and this paper also puts forward relevant policy recommendations, which has a certain reference role.

1. Introduction

In 1994, the imperfection of the tax sharing system led to the imbalance of the local government's financial revenue and expenditure. In order to achieve the goal set by the central government, the local government had to borrow a lot, and the scale of local government's debt began to rise gradually. Reading a large number of literature found that there are many reasons for the expansion of local government debt scale. For example, the reform of the tax sharing system is not perfect [1], and the promotion incentive of officials [2], etc. At the micro level, there are also studies that show that the age and working background of provincial officials will affect the scale of local debt [3]. In view of the above research, this paper combines the micro level and macro level to study the influence of local government official's age, tenure, education level and political identity on local government debt scale from the perspective of promotion incentive.

2. Literature review and Hypothesis proposal

2.1 Journals reviewed

Promotion incentives are common among local government officials. Some scholars take urban investment bonds as an example and find that the intensity of promotion incentives has a significant positive effect on the scale of urban investment bonds in all provinces and regions of China [4], in addition, some studies find that the age and tenure of local officials are negatively related to the scale of debt [5], but some scholars think that they are positive correlation[6,7].

2.2 Theoretical analysis and hypothesis

Based on the existing research, this paper mainly believes that: the older the officials are, the smaller the promotion incentive; the longer the tenure, the stronger the promotion desire, the greater the promotion incentive; the higher the education level, the higher the ideological awareness, the smaller the promotion incentive; the higher the political status, the closer the contact with the central government, the smaller the promotion incentive. Therefore, the following assumptions are proposed:

H1: the age of local government officials is negatively related to the scale of local government debt.

H2: the tenure of local government officials is positively related to the scale of local government debt.

H3: the education level of local government officials is negatively related to the scale of local government debt.

H4: the political status of local government officials is negatively related to the scale of local government debt.

3. Research design

3.1 Data sources

The sample data selected in this paper are the personal characteristics of Party committee secretaries of 29 provinces (including autonomous regions, municipalities directly under the central government, excluding Hong Kong, Macao and Taiwan, Tibet Autonomous Region and Hainan Province) and the relevant economic data of their jurisdictions in 2012-2017. Among them, the data on government officials are from the official records of the people's Republic of China; the data on local government debts are from the Statistics Bureau and the Ministry of finance; other economic data are mainly from the National Statistics Bureau and the statistical yearbook of each province.

3.2 Variable selection and description

The dependent variable of this paper is the debt scale of the local government. This paper takes logarithm of the debt scale to express the debt level of each province and municipality. The independent variables are: the age of the local government officials (study year - year of birth), term of office (study year - year of appointment), education level (in this paper, the educational level of local officials is divided into five levels: senior high school graduation and below, junior college, undergraduate, master's degree and doctor's degree. The values are 1, 2, 3, 4 and 5 respectively), political status (in this paper, the members of the Political Bureau and the Central Committee are divided into two grades. The promotion probability is assigned according to the grade itself and the promotion probability. The promotion probability is obtained by the proportion of the number of people elected and the total number of people. The members of the Political Bureau - the members of the Political Bureau are regarded as promotion. The calculated value is 1.2 for the members of the Political Bureau and 0.3 for the members of the Central Committee. See Table 1 for the specific value distribution); control variables are GDP per capita and fiscal decentralization degree (expressed by transfer payment ratio).

Table 1 Political Identity Assignment of Local Government Officials

Party posts	Numerical value	Promotion value	Number of Party Position Identity
Member of the Political Bureau of the CPC Central Committee	1.00	0.20	1.20
Members of the Central Committee	0.25	0.05	0.30

3.3 Model building

This paper constructs a linear regression model for empirical analysis, and constructs the following two models:

Model 1 is as follows:

$$Debt_{it} = \alpha_0 + \alpha_i + \gamma_t + \beta_1 Age_{it} + \beta_2 Time_{it} + \beta_3 Edu_{it} + \beta_4 PS_{it} + \varepsilon_{it} \quad (1)$$

The control variables GDP per capita and the degree of fiscal decentralization are introduced. Model 2 is as follows:

$$Debt_{it} = \alpha_0 + \alpha_i + \gamma_t + \beta_1 Age_{it} + \beta_2 Time_{it} + \beta_3 Edu_{it} + \beta_4 PS_{it} + \beta_5 Per - GDP_{it} + \beta_6 FD + \varepsilon_{it} \quad (2)$$

Among them, subscripts *i* and *t* represent different provinces and time respectively, debt on the left side of the equation represents the logarithm of the debt scale of a province at a certain time. Age represents the age of the Provincial / Municipal Party Secretary, Time represents the tenure years of the Provincial / Municipal Party Secretary, Edu represents the education level of the Provincial / Municipal Party Secretary, PS represents the political identity. Per-GDP represents the Per-capita GDP level, FD represents the degree of fiscal decentralization, and epsilon represents random interference.

4. Empirical analysis

Table 2 shows the regression results of the relationship between the characteristics of local government officials and the scale of local debt. It can be seen from the data in the table that the age, education level and political identity of local government officials are negatively related to the scale of local government debt, and the negative correlation is significant at different significance levels in different models, which is consistent with our hypothesis. The relationship between the tenure of local government officials and the scale of debt is positive in model 1, and is positive in model 2. It is difficult to determine the relationship between the tenure of officials and the scale of local government debt, which may be related to data processing.

Table 2 Regression Results of Relationship between Local Government Official Characteristics and Debt Scale

variable	Model 1	Model 2
Age	-0.019* (-1.710)	-0.023** (-2.390)
Time	0.013 (0.570)	-0.006 (-0.320)
Edu	-0.134** (-2.180)	-0.062 (-1.180)
PS	-0.090 (-0.790)	-0.366*** (-3.360)
Per-GDP		-4.442** (-2.340)
FD		-2.043*** (-6.810)
Individual Effect	Control	Control
Time Effect	Control	Control
F	1.660	11.950
Adj-R2	0.018	0.310

5. Conclusions and Suggestions

5.1 The main conclusion of this paper

This paper selects the debt scale of 29 provinces (including municipalities directly under the central government and autonomous regions, excluding Hong Kong, Macao and Taiwan, Tibet Autonomous Region and Hainan Province) from 2012 to 2017, as well as the personal characteristics of government officials in corresponding years, the level of economic development of each region and the degree of Fiscal Decentralization for empirical analysis, and finds that: the age, education level

and political status of local government officials are negatively related to the scale of local government debt, but the relationship between tenure and debt size cannot be determined, which needs further study.

5.2 Policy suggestions of this paper

This paper puts forward some policy suggestions from the aspects of the performance appraisal mechanism and the appointment of officials: first, the fiscal decentralization system in China needs to be further improved; second, China should accelerate the implementation of multi-dimensional performance appraisal mechanism, and consider the public satisfaction into the scoring system of local government officials; finally, the appointment of local government officials should be carefully considered and measurement, the early warning system of local government debt risk should be popularized, and this should be monitored in real time to deal with debt risk.

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