

Legal Capacity Investment and State-Building: Evidence from Rural China

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(Work in Progress)

Project Summary

This project studies the impact of legal capacity investment on state- and nation-building in contemporary rural China, focusing on its spillovers to other dimensions of state capacity. During the 2010s, China initiated a nationwide program to equip each village with a state-sponsored judicial worker, who periodically disseminates codes of law to villagers and helps moderate local disputes. The identification strategy exploits discontinuous priority rules based on village population thresholds of a large province, using a regression discontinuity design (RDD). Beyond improving law and order, the program has induced positive spillovers to fiscal capacity as measured by fiscal revenue per capita and tax compliance. From the citizen side, legal capacity building increases demand for state services (with weaker demand for non-state forces), property security, and perceived legal authority of the state. From the state side, increased legal cases lead to better bottom-up information. Overall, this project aims to provide novel evidence on complementarities across different dimensions of state-building, offering insights into why strong or weak states tend to self-reinforce.

JEL classification: D73, D74, K40, P00

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