

Economics Seminar, Indian Statistical Institute, New Delhi

SPEAKER: Farzana Afridi, Syracuse University

TITLE: Social Identity and Inequality: The Impact of China's Hukou System

TIME: 11:30 - 1:00 P.M.

DAY & DATE: Friday, August 7th ,2009

PLACE: Seminar Room 2, New Building

Abstract:

We conduct an experimental study to investigate the causal impact of migrant status or hukou identity on individuals' response to economic incentives in China. We examine the role that this internalized social identity may play in the widening economic disparity in urban areas. Our results indicate that making hukou identity salient adversely affects the economic performance of lower ranked hukou holders. Making individuals' hukou status salient and public reduces the performance of rural migrant children on assigned tasks by 12%. We find that among non-migrants, when hukou identity is primed, the proportion with earnings among the bottom 25% drops from 22.2% to 17.2% and increases by almost 8 percentage points in the group of top 25% earners. The effect of hukou shifts the income ranking of rural migrants towards the low end of the income distribution - the percentage of rural migrants in the bottom 25% increases significantly from 11.9% to 30.3%. This suggests that hukou identity imposed and shaped by the existing institution may distort individuals' intrinsic response to incentives. This distortion may serve as an avenue through which the hukou system aggravates rising economic inequality in urban China even in the absence of any discrimination.

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