

> Tuesday, June 7th, 2022

12:00 - 13:30

IFLAME RESEARCH SEMINAR

**RESEARCH
SEMINAR**



EMPOWERING CHANGEMAKERS FOR A BETTER SOCIETY



ABSTRACT

‘FAREWELL PRESIDENT! POLITICAL FAVORITISM, ECONOMIC INEQUALITY, AND POLITICAL POLARIZATION’

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This paper examines the effect of political favoritism on economic inequality in the short run and political polarization in the long run. We exploit the sudden death of an authoritarian leader - President Chiang Ching-Kuo of Taiwan - in 1988 to generate plausibly exogenous variation in partiality. We find that Chiang's nationalist regime conducted political favoritism broadly toward political immigrants via cronyism (allocating public sector positions) and also differentially toward specific subgroups of political immigrants via wage discrimination (offering higher wages to these subgroups within the public sector). Favoritism led to a 7.2 percent immigrant wage premium, which accounted for nearly three quarters of the immigrant-native wage gap at the time. This in turn propelled overall income inequality by 4.5 percent. Moreover, political favoritism breeds political polarization in the long run by pulling apart the political views of immigrants and natives. Compared with natives, immigrants who were exposed to favoritism tend to adopt political positions that are aligned with the nationalist party today: they are more likely to support unification with China, and are more inclined to trust the mainland Chinese government and its citizens. Exposed immigrant (native) swing voters are also more (less) likely to vote for the nationalist party today.



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