



# Digital Technology, Meritocracy and Rent-seeking, Experiment in China

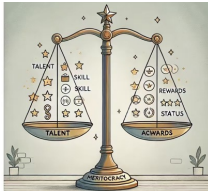


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## Introduction

- More and more digital technology acquired by the government arises some concerns: Increased power centralization and privacy infringement.
- **What motivates government officials to actively support and implement these digital initiatives?**
- Top achievers in civil service examinations, ideally rewarded with higher pay according to traditionally held meritocratic principles, confront the stark reality of their modest salaries further diminishing due to government financial problems, **making rent-seeking justifiable.**



## Questionnaire Design

- Randomized experiment among 2,000 Chinese civil servants
- Applying two types of informational interventions:
  - **The meritocracy intervention** inquires how many competitors they defeat in the civil service examination.
  - **The income intervention** asks if their recent salaries have been lowered.
- Participants face a choice for fire warning system:
  - **Fully automated device:** autonomously uploads data
  - **The semi-automated option:** requires manual intervention to decide on data uploads, **creating rent-seeking opportunities.**

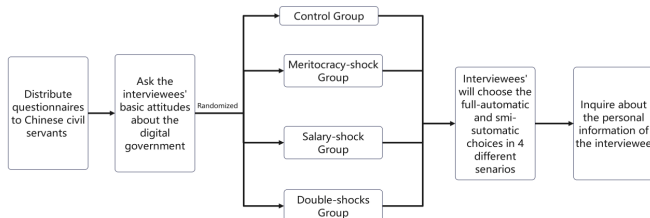


Figure 1. Flow chart of our questionnaire

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## Baseline Results

- **Preference for the semi-automated** is observed when there are opportunities of rent-seeking.
- This phenomenon is **more significant under the combination of the meritocracy and salary intervention** ( their allocation of funds in semi automated projects will increase by about 7%.).

Table 1. Baseline result

Dep. Var.	Semi-automatic (1)	Semi-automatic (2)	Semi-automatic (3)
Meritocracy Shock	+2.21 (0.174)		-1.59 (0.486)
Salary Shock		+1.02 (0.540)	-2.83 (0.221)
Meritocracy * Salary			<b>+7.58** (0.022)</b>
Controls and FE	Yes	Yes	Yes
Obs.	236	236	236
R-squared	0.159	0.153	0.183

## Discussion of the Mechanism

### List experiment

- Civil servants understand that semi-automated systems offer more opportunities for rent-seeking.

### Placebo test

- Dismiss alternative explanations such as technology idolization (supervision senario), technology distrust (supervision senario), desires for power (outsourc senario), and pro-social behavior (college senario).

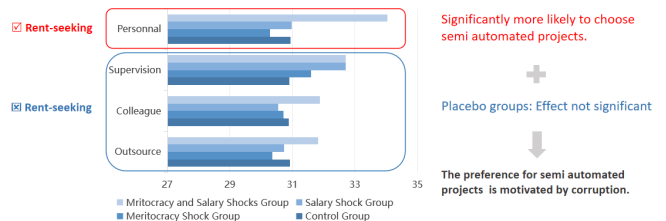


Figure 2. Mechanism: rent-seeking

## Heterogeneity Analysis

- Respondents with **household debt** are more inclined to choose semi-automatic projects.
- The results showed no significant difference between general public and civil servants, indicating that the **mechanism we found is universal** for everyone.

## Main Contribution

- **The motive of corruption is a decisive factor** for civil servants to actively support and implement digital policies.
- Civil servants will **show greater tolerance for corruption** under the meritocracy and salary intervention.