

*Extra-budget Spending, Infrastructure Investment, and Effects on City Revenue Structure: Evidence from China*

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Little was known about how sub-national governments in China has responded to the financial crisis that also hits China hard due to its heavy dependence on the export as an economic growth engine. As a national economic development strategy, provincial and local governments in China have long been encouraged to increase infrastructure investment to stimulate economic growth. In order to meet the national mandate, the fiscally strained sub-national governments turn to land leasing fees and borrowing to finance urban infrastructure investment and development. This study will analyze the impact of extra-budget spending and infrastructure investment on municipal government revenue structure change using data from 276 Chinese prefecture level cities from 1999 to 2007. It aims to test hypothesis that needs for financing infrastructure investment and economic development have contributed to the structural change of local government revenue and increased reliance on leasing fees of land use as an extra-budget financing source at the sub-national level in China.