Political Trust, Risk Preferences, and Land-Taking Compensation: Evidence from Survey Experiments in China*

Meina Cai†
University of Connecticut

Pengfei Liu
University of Connecticut

Hui Wang
Zhejiang University

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Abstract

Land acquisition becomes a touchstone for protests and conflict during China's urbanization, driving local governments to diversify land-taking compensation from solely one-time cash payments to multiple payments, notably, in the form of pension insurance and yearly dividends. Which form of compensation do farmers prefer and why? This study establishes the importance of political trust and risk preferences on individual compensation decision-making. Political distrust induces farmers to choose traditional one-time cash payments over multiple cash payments. Both risk-averse and risk-seeking individuals prefer one-time cash payments to yearly dividends. The findings are developed using two choice experiments: We elicit individual compensation decision-making by asking farmers to state their preferences over hypothetical alternative compensation instruments; We elicit risk preferences using a lottery-choice experiment with varying probability of winning real monetary rewards. The findings are important to understand to what extent the government efforts in innovative compensation designs are effective at quelling rural anger.

Keywords: land-taking compensation; choice experiment; political trust; risk preferences; China

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†Correspondence to: Meina Cai meina.cai@uconn.edu

INTRODUCTION

China's astonishing economic growth has gone hand-in-hand with urbanization. In 1978 when economic reforms were first launched, 172 million or 18% of people lived in cities. By 2014, urban population had grown to 749 million or 55% of the total population.[1] The same transition took centuries in western countries. This massive urban expansion is far from complete yet. The Chinese government is pushing ahead with another urbanization project of moving 250 million farmers into the urban areas over the next dozen years (Johnson 2013). Nobel economics laureate Joseph Stiglitz cited urbanization in China, along with technology development in the U.S., as the two most important issues that will shape the world's development during the 21st century (Bloomberg 2012). With the unprecedented scale of China's urban explosion, the associated challenges and problems loom large. One of such problems is that an increasingly growing number of farmers were – and are likely to continue to be – deprived of their land. To what extent the landless have been taken care of has a significant impact on social justice and equality as well as regime stability. Thus, an examination of farmers who are affected by land acquisition during industrialization and urbanization provides a uniquely valuable window through which to examine urban development and wealth distribution in China.

Both the literature and media reports reveal that farmers throughout China are ripped off and left in destitution during urban expansion (e.g., Guo 2001; Cai 2003; Liu, Fang and Li 2014; Cui et al. 2015). Inadequate compensation and forced eviction are commonplace in affected rural and peri-urban areas, triggering escalating grievances and protests against land expropriation. This forces the communist party, which concerns first and foremost about regime stability, to call for solutions. Career concerns – the need for government officials to demonstrate competence to the party so as to increase the chance of promotion – motivate local governments to design compensation packages alternative to one-time cash

[1] National Bureau of Statistics of China, available at http://www.stats.gov.cn/tjsj/ndsj/2015/indexch.htm.

payments, the primary land-taking compensation instrument that has been used for decades. Some local governments provide land-losing farmers with social welfare benefits, typically in the form of a pension insurance (Cai 2016), while others return a small parcel of land to affected villages, which in turn use the land to generate a regular income (e.g., rents) and distribute this income among affected farmers in the form of regular yearly dividends (Cai 2003; Jiang, Liu and Li 2010; Liu 2011). What's common between these alternative compensation schemes is that local governments are replacing one-time cash with regular payments with an attempt to address the concerns of affected farmers about their long-term livelihood and ultimately to ease their anger. This, however, only considers the supply side. To see to what extent these alternative compensation instruments are welcomed by farmers requires an examination from the demand side. This is the focus of this study.

What form of land-taking compensation do affected farmers prefer and why? This article establishes the importance of political trust and risk preferences on individual compensation preferences. Political distrust increases the fear of uncertainty over whether the government will deliver future payments that it promised today and consequently influences how individuals respond to government policies. Results indicate that individual preferences for pension payments positively correlate with political trust in the local government, the pension provider; Political distrust in village cadres induce farmers to favor one-time cash payments over yearly dividends. Risk preferences have a statistically significant impact on individual compensation decision-making: both risk-averse and risk-seeking individuals prefer one-time cash payments to yearly dividends. The findings are developed using two choice experiments: We elicit individual compensation preferences by presenting farmers with a set of paired compensation forms, from which they are asked to choose; We elicit risk preferences by presenting farmers with a menu of dichotomous lotteries with varying probability of winning real monetary rewards. The two experiments are embedded in an original survey of over 300 randomly selected rural households in twenty villages, which, in an absence of reliable village-level data, are sampled by taking advantage of the publicly accessible NOAA-NASA

nighttime light intensity data, in Zhejiang, China in 2015.

LAND-TAKING COMPENSATION FROM THE SUPPLY SIDE

Private ownership to land remains prohibited in China today. A legacy from the communist past, land is segmented into urban land owned by the state, and rural land owned by rural collectives. Not being treated as a commodity, land was allocated administratively by the state, free of charge, in the communist era. As the economic reforms proceed, land purchases and sales are increasingly subject to market forces, but this has been largely limited to the urban land market. Thanks to the rural decollectivization introduced in the early 1980s, individual rural households gained the right to use land and to claim residual income generated from their designated land. The time guaranteed for rural households to hold onto land use rights was extended originally from 3 years to 30 years by 1993, significantly improving the security of rural land tenure and consequently contributing to a dramatic increase in agricultural output (Lin 1992; Kung 1995, 2000). The 30-year land tenure, however, fails to prevent rural land being encroached by the state, which has the legal authority to override individual land use rights for the sake of "public interest" (Property Rights Law, 2007, Article 42), a term that is not clearly defined and constantly leads to abuses of power by local authorities in land acquisition.

The state's undiminishing enthusiasm for land acquisition is ignited by the multifunctions that land plays in the Chinese economy. Land functions more than just a basic means of production that accommodates economic activities; What's more, it provides the state with a source of revenue, an instrument with which to intervene in the economy, and a financing vehicle by which the state uses land as a collateral to solicit bank loans to support state investment (e.g., Lin 2009; Hsing 2010; Tao et al. 2010; Whiting 2011; Wong 2013; Rithmire 2015; Cai 2015, 2016). These functions become even more crucial to local governments once we take into account their financial situation – due to the 1994 fiscal reform,

most, if not all, local governments have been running budget deficits (The World Bank 2002, 2007; Wong 2013) – and China's state capitalism, the growth model that creates China's economic miracle but requires local governments to constantly pump a significant amount of money into the economy (Huang 2008).

The increasing appetite of local governments for rural land is facilitated by institutional design. Farmers, the original land users, are entirely excluded from participation in land conveyance, the process of which is monopolized by the state (Land Administration Law, LAL thereafter, 2004, Article 2). In the presence of segmented land markets, the state – the exclusive body with authority to expropriate rural land – acquires land from farmers with seriously miscalculated compensation. The current land-taking compensation is comprised of three components: compensation for the loss of arable land, resettlement subsidies, and compensation for the loss of on-site property and agricultural products, all of which are, in the absence of well-functioning rural land market, calculated based on the annual agricultural output value prior to land acquisition without taking into account the land's future market value (LAL 2004, Article 47). Upon the completion of land acquisition, the state – the exclusive body that monopolies land supply in the primary land market – auctions off acquired land to the highest bidder in a fully-functioning urban land market. The price differential resulting from the distorted land markets is phenomenal. A 2011 survey of nearly 1,800 rural households across 17 provinces reveals that local authorities paid farmers an average compensation of approximately $17,850 per acre, but resold the land to commercial land users at an average of $740,000 per acre (Landesa 2011). What's worse, some local governments siphon land-taking compensation for other purposes, leading affected farmers not able to receive the full amount of compensation, which is already a small fraction of their land's true worth. The Ministry of Land and Resources (2004) reported that affected farmers were owed at least 17.5 billion RMB in arrears from 1999 to 2004. With the excessive extraction from farmers, it is not surprising that land acquisition has become a touchstone for rural protests. Of the 187,000 mass incidents that occurred in China in 2010, 65 percent

were triggered by conflicts over land (Landesa 2012). The frequency of land-related protests forces the state to revise land-centered rules and regulations. One of the areas that need to be revised is land-taking compensation, which has been distributed in the form of one-time cash payments for nearly two decades.

Despite its authoritarian nature, China nonetheless has a highly decentralized policymaking process whereby local governments are given enough room to experiment with policy innovations within their jurisdictions, some of which eventually diffused nationwide and drove larger processes of change (Heilmann 2008*a*,*b*; Heilmann and Perry 2011; Teets and Hurst 2015). Barry Weingast (1995) and his coauthors (Montinola, Qian and Weingast 1995; Qian and Weingast 1997; Jin, Qian and Weingast 2005) consider the "market preserving federalism" – a particular type of decentralized mechanism that incentivizes local governments to innovate but also forces them to credibly commit to protecting property rights – to be the institutional foundation underpinning China's thriving economy. Like other policy areas, land-taking compensation also displays the decentralized policymaking feature. In 2004 the central government officially encouraged local governments at the county level and above to provide affected farmers with additional compensation to maintain their living standards prior to land acquisition (State Council 2004, Article 12). In response, local governments have designed various compensation instruments to cure the long-term livelihood of the landless, a problem deemed to be unsolvable by the traditional one-time cash payments. Among various alternative compensation instruments, the following two have been popular.

Future pension payments. The first alternative is the "land for welfare" program whereby local governments provide farmers with social welfare benefits in return for their land (Cai 2016). Rural residents have been discriminated against and treated as second-class citizens since Mao's communism. They have been denied access to social welfare benefits that are made available only for urban residents (Cheng and Selden 1994; Knight and Song 1999; Wang 2005; Whyte 2010). As a result, land functions as a social insurance as well

as an income-generating property for rural residents. However, land's insurance function has been almost entirely ignored in calculating the one-time cash compensation using the law prescribed formula. As a remedy to this problem, some local governments provide farmers with social welfare benefits, generally in the form of a pension plan that guarantees eligible affected farmers monthly pension payments for life. There exists local variation in whether the land for welfare program is offered and in the way how the program, if offered, is implemented. Despite this variation, an examination of local official documents (Zhejiang Government 2002; Jiangsu Government 2005) suggests some common features in the policy implementation process. Instead of distributing the entire compensation all at once at the time of land acquisition, local governments withhold resettlement subsidies – a land-taking compensation component – as farmer's one-time lump-sum upfront payment. Matching funds are generally contributed by city- and county-level governments from their land-generated revenue. Those who "purchased" pension insurance will receive monthly pension payments once they reach the eligible age, typically age 55 for women and 60 for men.

Regular yearly dividends. The age eligibility for receiving pension payments determines that the affected working-age farmers are left not taken care of in the sense that even if they chose a pension insurance as their compensation, they will not be able to receive pension payments immediately after land acquisition. The second alternative is regular payments without an age constraint. Perhaps no other basic means of production is more valuable than land in today's rural China; As a consequence, land becomes the primary source of generating this regular income. Some local governments initiated a land return policy, whereby in the process of land acquisition local governments provide affected villages with a parcel of land, called the returned land (*fanhuan di*), the area of which is proportional to the total area of expropriated land. Empirical evidence shows that this proportion varies across localities, usually between 10 to 15 percent, and in practice is often negotiated between local governments and rural collectives (Yueqing Government 1999, Article 10; Liu 2011). To maximize its market value, the returned land is usually located within an area

zoned for industrial or commercial development, which is not necessarily located within the affected village boundary. Rural collectives then take advantage of the land's geographical location to build factory buildings, employee dorms, grocery stores, shops, and so on to generate a short-term or long-term rent, which becomes the source of a regular income to be distributed among affected farmers, regardless of age, in the form of yearly dividends (Jiang and Liu 2003; Liu 2011; Su, Tao and Wang 2013). These local innovations were first created in Guangdong, a province geographically proximate to Hong Kong, and have spread to other parts of China (e.g., Fujian, Hunan, Jiangsu, and Zhejiang provinces) with more or less variation (Ministry of Land and Resources 2003).

LAND-TAKING COMPENSATION FROM THE DEMAND SIDE

Thanks to decentralized policymaking, land-taking compensation generally takes three forms in many localities in relatively rich areas in China: one-time cash payments, future monthly pension payments, and regular yearly dividends. These together create a somewhat complex array of cost and benefit considerations that shapes how self-interested farmers choose from a set of compensation options they are presented with at the time of land acquisition. While local governments design pensions and yearly dividends as alternative instruments to cure the problem of quick money depletion associated with the one-time cash compensation, we will have to examine how, if at all, farmers embrace these local policy innovations.

Political Trust and Land-Taking Compensation

Political trust is defined as a basic evaluative or affective orientation toward the government (Miller 1974*a*) relative to one's normative expectations of how government should function (Miller 1974*b*). Political trust influences how citizens respond to existing authorities and public policies. When citizens perceive the government to be trustworthy, they are more willing to voluntarily comply with or even consent to government demands and regulations

(Levi 1997; Tyler 2006). In contrast, distrust stimulates negative evaluation of government institutions or of politicians and leads to reduced public support for government action (Hetherington 1998; Chanley, Rudolph and Rahn 2000). Distrust in government also has a potential to trigger citizens, particularly those who have high political efficacy, to participate in noninstitutionalized mobilization – citizen-directed activities such as protests, demonstrations, and riots – in an attempt to challenge the political authority or to influence policymaking (Gamson 1968; Seligson 1980; Hooghe and Marien 2013). Hetherington and Globetti (2002) argue that political trust becomes influential especially when policies require personal sacrifice, with the magnitude of trust's effect dependent upon the degree to which a policy encroaches on a person's self-interest.

Land-taking compensation in China serves as an example where political trust is activated as various compensation instruments alter one's cost and benefit calculation. The traditional one-time cash compensation is distributed around the time of land acquisition; While its amount can be – though not always – less than the total amount of regular payments (i.e., pension payments and yearly dividends), it is tangible and, once released from the local authority, allows individual farmers to immediately gain a complete control over its use. In contrast, both monthly pension payments and yearly dividends provide farmers with a source of sustainable income. Meanwhile, however, both options make farmers enter into a long-term relationship with their local authorities that entails a possibility of risk or vulnerability; To seek either of the options, farmers must forgo a portion of their immediate tangible cash benefits, which will be withheld by local governments or rural collectives. Under this setting, political trust becomes essential for farmers to be willing to make such sacrifice.

Trust has two quite distinct dimensions: commitment to act in the interest of the truster and competence to perform what one is trusted to do (Levi and Stoker 2000; Hardin 2000). That is, political distrust can be caused by a lack of confidence in political leaders'

commitment to act in the public interest or by ineptitude and malevolence of government officials. In the domain of pension policy, farmers who distrust their local government may doubt if the promise to deliver monthly pension payments for life today will be credible tomorrow due to unforeseeable changes. Credibility becomes even more important considering that a high turnover of local officials – the actual tenure length for local officials to serve in a position is generally less than one institutionally stipulated five-year term (Landry 2008; Guo 2009) – allows those who promised pension payments to pass on the responsibility of delivering payments to their successors. At the time of land acquisition, farmers have no clue about who will lead their local government by the time when they become eligible to receive pension payments and how well the leader will implement pension policies made by his predecessors. Moreover, as the Chinese economy is slowing down and a crisis for pension funds looms large, those who have low political trust may also suspect if the local government would be fiscally capable of delivering as much as what was promised to farmers. Indeed, the fiscal burden in a rapidly aging society is so severe that the Chinese government is planning to raise the retirement age – currently 50 or 55 for women and 60 for men – by five years each in a progressive way (Economist 2014; China Daily 2015). Despite currently still being at a preparation stage, the Minister of Human Resources and Social Security promised to introduce the reform of raising the retirement age no later than 2020. The implementation of this reform entails that farmers would probably have to wait longer than what they were promised to receive their pension payments.

In the domain of yearly dividends, village cadres take the responsibility to generate a sustainable income, the source to distribute dividends among farmers. Rural governments in China were notorious for excessive extraction of taxes and the like from farmers, who were put in a situation of "taxation without representation" and had to voice their grievances through such actions as peaceful petitioning, illegal demonstrations, sit-ins, rightful resistance, and so on (e.g., Li 2008; Bernstein and Lü 2000, 2003; O'Brien and Li 2006). Rural discontent and unrest remain a salient issue even after the Chinese government abolished the centuries-old

agricultural tax in 2006. Dense networks within the village make it easier for farmers to observe and discover misconduct of local cadres, such as secret and illegal land sales, forced demolition and eviction, and pocketing land-generated income, consequently eroding their trust in village collectives and local leaders. Survey research confirms that Chinese farmers feel the central government is more trustworthy than the local government (Li 2004; Cui et al. 2015). Moreover, even if village cadres have a benign intention to act in the public interest, their competence also influences how much farmers trust them – after all, negotiating with the local government to obtain a parcel of returned land is one thing; enabling this land to function as a money generating machine to support yearly dividends is another. The latter requires village cadres to act competently, fairly, and honestly.

In sum, future pension payments and regular yearly dividends come with a cost of farmers surrendering immediate monetary benefits. We expect that political trust influences individual compensation preferences in the following ways.

Hypothesis 1: Individuals who distrust their local government prefer one-time cash payments to future pension payments.
Hypothesis 2: Individuals who distrust their rural collectives prefer one-time cash payments to yearly dividends.

Risk Preferences and Land-Taking Compensation

Individual preferences influence personal choice when tradeoffs are involved and lead to heterogeneities in observed behavior. While neoclassical economics assumes self-interested individuals to be risk-averse, experimental research shows that individuals differ in their risk-taking preferences (Binswanger 1980; Holt and Laury 2002; Andersen et al. 2006). Economists discover that on average Chinese are more risk-seeking than Westerners in experimental settings where participants were all college students (Kachelmeier and Shehata 1992; Weber and Hsee 1998; Bruhin, Fehr-Duda and Epper 2010).

In our context, risk attitudes are expected to be paramount to predict economic decision-making as the land-taking compensation instruments exhibit variation in certainty of expected benefits. The one-time cash compensation, once paid, provides farmers with a certain profit over which farmers have a complete control. In contrast, regular yearly dividends involve a large variation in profits due to change in circumstances. For example, a common way for village cadres to generate income from the returned land is to build factory or dorm buildings to seek rents. Under a good economic situation where firms grow and demand more space and employees, rural collectives face an increased probability of receiving more rents, which in turn are transformed into more yearly dividends for individual farmers. However, when firms face a hard time and many have to lay off workers or shut down during an economic downturn, many factory or dorm buildings are left in empty, producing a reduced amount of dividends, as was the case during the 2008 financial crisis. That is, yearly dividends provide farmers with a relatively sustainable but risky option with the prospect of fluctuating profits. By taking this option, farmers must forgo their right to manage and allocate the one-time cash compensation. The associated opportunity cost is how much farmers would have earned if they chose to manage compensation on their own.

Comparing the one-time cash compensation with the prospect of certain profits and yearly dividends with the prospect of fluctuating profits, we expect the choice of land-taking compensation to vary with risk preference as follows.

Hypothesis 3: Risk-averse individuals prefer one-time cash payments to yearly dividends.

Hypothesis 4: Risk-seeking individuals prefer yearly dividends to one-time cash payments, provided that the expected average return from the fluctuating yearly dividends is greater than the expected value of the one-time cash compensation.

RESEARCH DESIGN

Survey and Sampling

The hypotheses above are tested through an original survey conducted in Hangzhou, the capital of Zhejiang province, in summer 2015. Neither the province nor the city is a probability sample. Decades of reform experience proves that coastal provinces have acted as laboratories for China's economic reform. Numerous innovations (e.g., special economic zones) were initiated from coastal provinces and gradually diffused elsewhere in China. In contrast to inland areas where the one-time cash payments remain the only compensation form and will likely still be the case for a period of time, farmers in rich coastal provinces, like Zhejiang selected in our survey, are relatively familiar with such concepts as pension payments and yearly dividends, both of which have been implemented for years in many localities as alternatives to the one-time cash compensation.

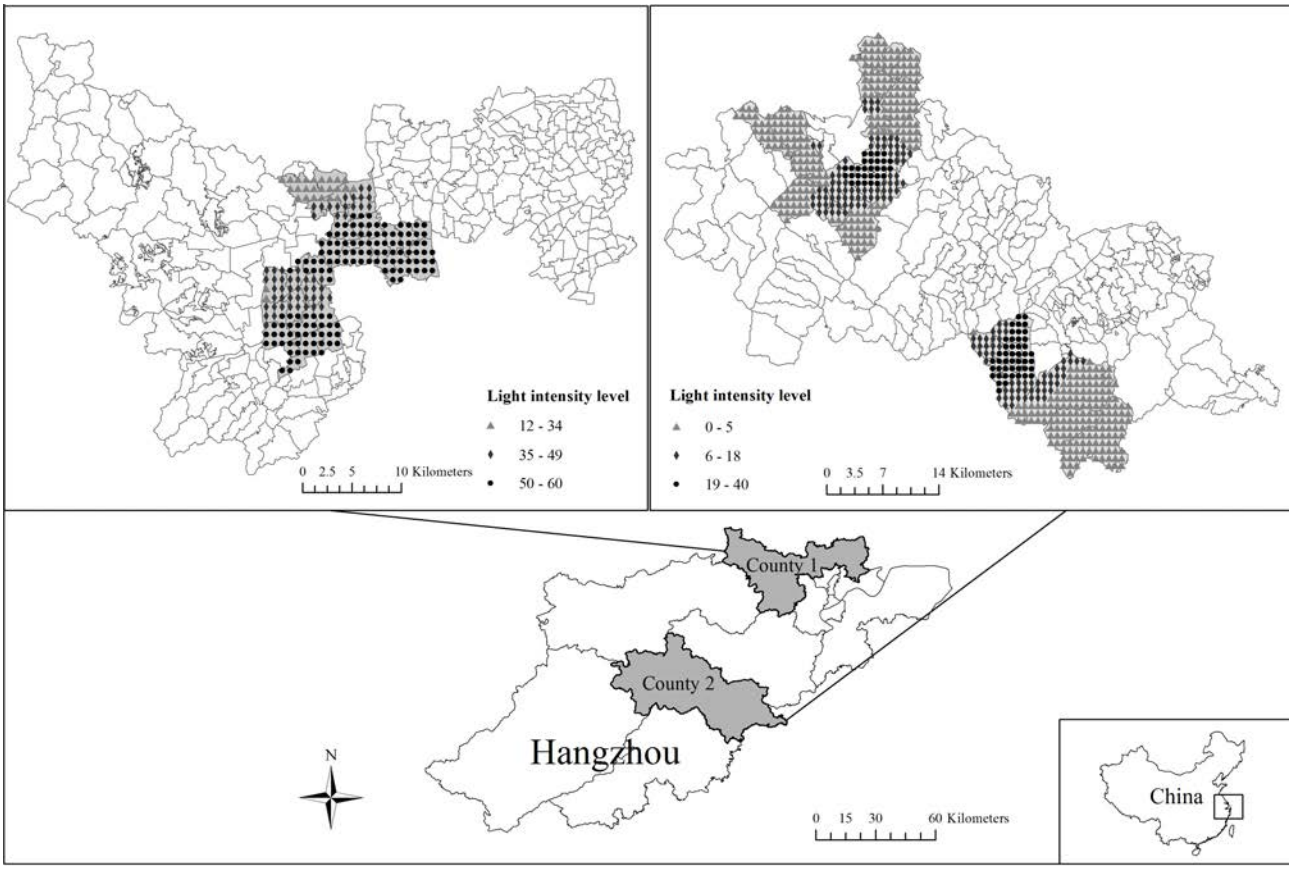
Within the city Hangzhou, localities are probability samples. Counties were first stratified by per capita income into two strata. We selected one county in each stratum into the sample, with probability of selection proportionate to size of county population. Within each selected county, two townships were selected, with probability of selection proportionate to size of township population. Both county and township population figures are available from the most recent 2010 China census data. Below the township, data on the village level is absent. We use the publicly accessible NOAA-NASA nighttime light intensity data[2] in combination with the village boundary map to get nighttime light intensity data for all villages in selected townships. We then selected five villages in each township into the sample, with probability of selection proportionate to size based on light intensity. Figure 1 shows the light intensity of all villages in selected four townships. If we use the light intensity as a proxy to measure the level of economic development, it suggests there exists a large variation

[2]Nighttime lights data is available at the following webpage, http://ngdc.noaa.gov/eog/dmsp/downloadV4composites.html.

in the economic development across townships within the same province.

[Figure 1 is about here]

Figure 1: NOAA-NASA nighttime lights intensity and sampling



In each selected village, we randomly selected 15 households from household registration lists. In general, the head of the selected households was surveyed. When he or she was not available, we replaced him/her with another household member who understands his/her land acquisition process, if it occurred. This sampling process yields a sample size of about 300 rural households in 20 villages. A survey team comprised of graduate and undergraduate students conducted face-to-face one-hour-long interviews with individuals selected into the sample and recorded their answers. Survey subjects who completed the entire survey earned RMB 40 *yuan* at the end of their interview. In addition, there was a lottery-choice experiment with real monetary payoffs ranging from 1 to 38.5 *yuan* that we designed to measure

risk preferences located in the middle of the survey. All together, a respondent can receive a payment, at its maximum, of 78.5 *yuan*, almost five times higher the local minimum wage (13.5 *yuan* per hour).[3] We believe our monetary rewards provided respondents with a good incentive to participate in our survey seriously.

Discrete Choice Experimental Design

We elicit compensation preferences using a discrete choice experiment where farmers are asked to make their choice over a set of hypothetical compensation packages. Each compensation package is described by three attributes: land compensation fees, resettlement subsidies, and compensation from the returned land, all of which, if combined, constitute of the lion's share of the total compensation.[4] The levels of attributes are designed to reflect the range of situations that farmers are expected to experience in the real world. Table 1 details the attributes and levels identified in this study. This design produces 18 scenarios (i.e., $3 \times 2 \times 3$) for one compensation package. As shown from Table 1, land-taking compensation takes more than the three compensation forms discussed in this paper. For example, benefits generated from the returned land can be distributed in the physical form (e.g., land or houses) as well as the monetary form. We include these scenarios to reflect some local variations we observed in the field and to present farmers with a set of choices that we believe best mimic their real-world decision making.

[Table 1 is about here]

A pair of compensation packages that vary in the attributes and levels indicated in Table 1 yields 306 possible combinations (i.e., 18×17). We use Ngene – a software for gen-

[3]The minimum wage across China in 2015 is available from http://www.china-briefing.com/news/2015/05/26/complete-guide-2015-minimum-wage-levels-across-china.html. Accessed on May 24, 2016.

[4]The only compensation component missing in our design is the compensation for the loss of agricultural products, which accounts for only a small proportion of the total compensation, and, more importantly, has been always offered in the form of one-time cash. This lack of variation led us to deliberately exclude it in our design.

Table 1: Attributes and levels for the discrete choice experiment

Attribute	Levels	Variable names
Land compensation fees (LCFs)	◦ All distributed in the form of one-time cash payments	*LCF_baseline*
	◦ About 10-20% of LCF kept by the village as the public funds and the rest distributed among affected farmers in the form of one-time cash	*LCF_public*
	◦ All kept by the village to develop village collective economy and generate benefits which will be distributed in the form of yearly dividends	*LCF_dividends*
Resettlement subsidies (RS)	◦ Distributed in the form of one-time cash payments	*RS_baseline*
	◦ Distributed in the form of pensions: farmers pay nothing and start receiving monthly pension payments when women reach to 55 and men reach to 60	*RS_pension*
Returned land (RL)	◦ The rural collective sells the land and distributs the land-generated income in the form of one-time cash payments	*RL_baseline*
	◦ Distributed in the form of land or houses	*RL_physical*
	◦ The rural collective first uses land to generate benefits, which will be distributed in the form of yearly dividends	*RL_dividends*

erating optimal experimental designs that are used in stated choice experiments – to reduce to 12 combinations under the principle of maximizing the D-efficiency. Figure 2 provides an example of a paired choice set. To avoid boredom, each survey subject was presented with a sequence of three paired choice sets and asked to make a choice for each.

[Figure 2 is about here]

To randomize 12 versions of questionnaires in a paper-format survey is cumbersome, but still manageable. We first generated a set of random numbers that follow a uniform distribution ranging from 1 to 12 and assigned each individual subject 3 random numbers. We separated the experiment component from the rest of the questionnaire, which was printed as a booklet used for all respondents. We manually picked up 3 paired choice sets corresponding to the 3 randomly generated numbers from 12 versions of questionnaires, and attached this random component to the survey booklet. For example, if an individual is assigned a sequence of 3 computer randomly generated number: 2-7-11, her questionnaire will be comprised of a survey booklet and three additional pages of papers that contain 3

Figure 2: Example of a paired choice set from questionnaire

Compensation package A	Compensation package B
◦ The village will take all land compensation fees to develop village collective economy and distribute the benefits generated from the collective economy in the form of yearly dividends	◦ The village will take about 10-20% of the land compensation fees for local public goods and services, and distribute all the remaining among affected farmers in the form of one-time cash
◦ Resettlement subsidies will be distributed in the form of one-time cash payments	◦ Resettlement subsidies will be distributed in the form of pensions: you don't need to pay anything; women at the age of 55 and men at the age of 60 start receiving monthly pension payments
◦ The rural collective will first use the returned land to develop collective economy and generate benefits, which will be distributed in the form of yearly dividends	◦ The rural collective will first sell the returned land and distribut the land-generated income in the form of one-time cash payments
Between packages 1 and 2, which one will you choose?	
	1 Package A 2 Package B

paired choice sets (e.g., Figure 2 is 1 paired choice set) numbered 2, 7, 11 from a total of 12 versions of paired choice sets. We repeated this process for all survey subjects to form individualized questionnaires for all.

Variables and Measurement

Political Trust. Levi and Stoker (2000) remind us "[t]rust is seldom unconditional; it is given to specific individuals or institutions over specific domains" (p.476). Following this suggestion, our measurement of political trust is domain-specific. Doing so helps reduce the potential systematic measurement errors caused by the fact that political trust in land-related policy arena could be systematically different from political trust in other policy arenas. Rather than leaving the concept of trust open to be interpreted by survey respondents, we specify the attributes of political trust and tap respondents' perceptions with respect to these attributes. Below are the questions in our survey.

1. Many people don't trust government policies, because these policies may change in the

future or won't be well implemented. Generally speaking, how much do you trust your county-level government in rural land-related policies?

2. How much do you trust your village cadres to manage and distribute collective assets?

Answers to both questions include options of "trust," "trust neutral," "distrust," "don't know (DK)," "refuse to answer," and "not applicable (N/A)." Nobody chose "refuse to answer" to both questions. In data analysis, we treated trust neutral as the baseline and generated three dummies to measure trust: *Trust* (trust=1), *Distrust* (distrust=1), and *Trust_DK* where DK and N/A categories are grouped together (DK=1 & N/A=1). We use "_LG" and "_village" to denote political trust with respect to different bodies (e.g., *Trust_LG*, *Distrust_village*).

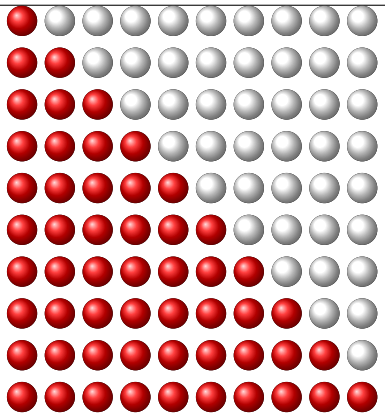
Risk preferences. We elicit risk preferences through a series of dichotomous lotteries with varying probabilities of winning real money, a method that has long been used by experimental economists (e.g., Binswanger 1980; Kachelmeier and Shehata 1992; Holt and Laury 2002), but not yet by political scientists who primarily use subjective measure of risk preferences (e.g., Stokes et al. 2013). In this study, we replicate the lottery-choice experiment by Holt and Laury (2002).[5] Our study differs from Holt and Laury in two ways. First, their experiment took place in lab settings in American universities – which is the case for most such studies; we embedded this experimental design in the survey conducted in China. Second, their experiment participants consisted of college undergraduate students, MBA students, and business school faculty; our experiment participants were farmers, a less educated group of people.

[Table 2 is about here]

The experiment consists of 10 choices between the paired lotteries with actual monetary payments shown in Table 2. The amount of monetary payoffs is 10 times that of payoffs in

[5]The experiment by Holt and Laury contains lottery choices over low- vs. high- real money payoffs and real vs. hypothetical money payoffs. We only replicated part of their study.

Table 2: The ten paired lottery-choice decisions with payoffs

No.	Decision	Option 1	Option 2	Expected payoff difference[a]	Your choice
1		 = ¥20  = ¥16	 = ¥38.5  = ¥1	¥1.17	1 or 2
2				¥0.83	1 or 2
3				¥0.50	1 or 2
4				¥0.16	1 or 2
5				¥-0.18	1 or 2
6				¥-0.51	1 or 2
7				¥-0.85	1 or 2
8				¥-1.18	1 or 2
9				¥-1.52	1 or 2
10				¥-1.85	1 or 2

[a] The column of expected payoff difference was not provided to subjects in survey implementation.

Holt and Laury's study without considering the currency exchange. For example, a payoff of \$3.85 in Holt and Laury's experiment is transformed into ¥38.5 in our study. The payoffs for Option 1 (¥20 vs. ¥16) have a smaller variation than those for Option 2 (¥38.5 vs. ¥1), suggesting that between the two options, Option 1 is safe and Option 2 is risky. In the first lottery decision where the probability of winning high payoffs for both options is 1/10, only an extreme risk-seeking individual would choose Option 2. As the probability of winning high payoffs increases (moving down the table), individuals are expected to switch from Option 1 to Option 2. The point where the switch occurs reveals individual risk preferences. In the 10th decision where the probability of winning high payoffs is 10/10, even the extreme risk-averse individual should switch to Option 2 which yields a sure payoff of ¥38.5.

The experiment implementation consists of two stages. In the first stage, subjects were presented with the 10 lottery choices (as listed in Table 2), with a promise that *one* of these choices would be selected at random *ex post* and actually played with a real monetary reward, the amount of which is determined by the choice made in this stage. In the second stage, we delivered our promise by instructing subjects to play the lottery game *once* and paying them immediately after their play. Figure 3 details the implementation procedure.

For example, if a respondent selected a random number 5 from a deck of cards ranging from 1 to 10, she will play the 5th lottery game in Table 2; Assuming that she picked up a white ball in the actual play, she will receive ¥16 if she chose Option 1 in the first stage and ¥1 if she chose Option 2 in the first stage.

[Figure 3 is about here]

Figure 3: Proceedings of collecting risk preferences

Preparation

Prior to the survey, each survey enumerator was provided with the following items:

(a) 10 poker cards numbered from 1 to 10
(b) 1 non-transparent box
(c) 20 ping pang balls (10 of each color), allowing the enumerator to get any combination of the 10 decisions shown in Table 2

Implementation process

(1) Survey enumerators read instructions to survey subjects
(2) Enumerators ask 10 rounds of lottery games shown in Table 2 and record decisions for each round
(3) Enumerators ask subjects to draw one card numbered from 1 to 10. The number selected determines which lottery game to play
(4) Based on the selected card number, enumerators mix the ping pang balls of two colors and put them in a non-transparent box
(5) Enumerators ask the subjects to draw a ball from the box
(6) Enumerators provide participants with monetary rewards, the amount of which depends on the color of the selected ball in part (5) and the decision that subjects made in part (2)
(7) Enumerators get the card and ball back from the subjects, reshuffule the cards for the next use

Additional information to record

Enumerators record the following information for expense caculation and information check:

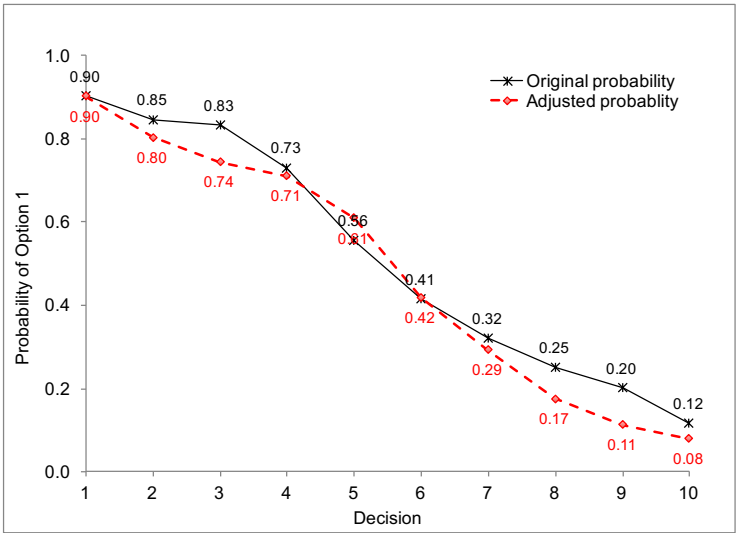
(a) results from part (3) (i.e., a number ranging from 1 to 10)
(b) results from part (5) (i.e., the color of the ball selected)
(c) the amount of payments that each subject received

In a situation where individuals have more than one switch point, we assume that the first one reveals the true preferences, a standard procedure consistent with the literature (Holt and Laury 2002). For example, if an individual switches to the risky choice (i.e.,

Option 2) at the third payoff decision and then switches back and forth between safe and risky options in subsequent choices, we took "3" as her switch point in data operation. Figure 4 displays the proportion of safe options (i.e., Option 1) for each of the ten lottery decisions. The horizontal axis is the decision number. The solid line shows the proportion of individuals who chose the safe choice for each decision, calculated using the original data. The dashed line shows the adjusted proportion with the problem of multiple switch points being taken care of. A comparison between the two lines indicates that our adjustment only slightly deviates from the original data, with less than 10% difference for each payoff decision. Both lines are declining from lottery decision 1 to 10, indicating that more people switched to risky option as the probability of winning high payoffs increases, which is consistent with our expectation.

[Figure 4 is about here]

Figure 4: Proportion of safe choices in each decision



We divided adjusted risk preferences into three categories: risk seeking where the switch from safe to risky choice occurred at decision 1 through 3, risk neutral where the switch occurred at decision 4 through 6, and risk averse where the switch occurred at decision 7 through 10. The way we divided risk categories is based on the value of expected payoff difference shown in Table 2. We treated risk neutral as the baseline and generated two

dummies to measure risk preferences: *Risk seeking* (risk seeking =1) and *Risk averse* (risk averse=1).

Demographic controls. Individual age, sex, and income are controlled for in the analysis. Farmers who are closer to 55 (for women) or 60 (for men) may be more likely to prefer pension payments to one-time cash payments because it's sooner for them to receive pension payments than for those who are further away from the required age. Individual income is measured as an ordinal variable ranging from 1 to 20. Due to diminishing marginal utility of income, rich farmers may prefer yearly dividends to one-time cash compensation, while the poor prefer the opposite. Table 3 provides summary statistics of the key variables.

[Table 3 is about here]

Table 3: Summary Statistics

Panel A: independent variables					
	Obs.	Percentage			
Political Trust_LG	303	100%			
Trust_LG	193	63.70%			
Distrust_LG	21	6.93%			
Trust neutral_LG	78	26.07%			
Trust_DK	11	3.58%			
Political Trust_village	303	100%			
Trust_village	167	55.12%			
Distrust_village	37	12.21%			
Trust neutral_village	80	26.40%			
Trust_DK	19	6.19%			
Risk preferences	303	100%			
Risk seeking	52	17.16%			
Risk neutral	163	53.79%			
Risk averse	88	29.04%			
Panel B: demographic controls					
	Obs.	Mean	Std. Dev.	Min	Max
Age	303	55.04	10.86	20	78
Personal income	303	9.99	4.33	1	20
Sex (female=1)	303	0.24	0.43	0	1

DATA ANALYSIS

Model

We use a standard discrete choice, multinomial logit model to analyze individual compensation preferences. Consistent with the random utility framework (McFadden 1973; Hanemann 1984), we assume individual i's utility from choosing a land compensation package j, denoted as U_{ij}, consists of an econometrically measurable, deterministic component, V_{ij}, and a random component, ϵ_{ij}, which is unobservable and assumed to follow an independent and identical extreme value type I distribution. The measurable component V_{ij} depends on the attributes of land-taking compensation (see Table 1), denoted by X_j, and the characteristics of individual i, including the key sets of independent variables (i.e., political trust, risk preferences) and demographic controls (i.e., age, sex, and income), denoted by the vector S_i. Specifically, individual i's utility from choosing land compensation package j is

$$U_{ij} = U(X_j, S_i) = V(X_j, S_i) + \epsilon_{ij} \tag{1}$$

In the choice experiment setting, each individual is asked to choose between two land compensation packages, A and B. If individual i's choice implies her utility is higher for alternative $j \in \{A, B\} \equiv J$, providing utility U_{ij} compared to all the other alternatives $U_{ik}(k \neq j, k \in J)$, the probability for individual i to choose land compensation package j is calculated by

$$\begin{aligned} P_i(j) &= Pr(U_{ij} > U_{ik}, k \neq j, k \in J) \\ &= Pr(V_{ij} + \epsilon_{ij} > V_{ik} + \epsilon_{ik}, k \neq j, k \in J) \\ &= Pr(\epsilon_{ij} - \epsilon_{ik} > V_{ik} - V_{ij}, k \neq j, k \in J) \end{aligned} \tag{2}$$

where $Pr(\cdot)$ represents the probability operator. Based on the error structure (McFadden 1973), the probability can be simplified as:

$$P_i(j) = \frac{e^{V_{ij}}}{e^{V_{ij}} + e^{V_{ik}}} \tag{3}$$

In our model, the measurable component is a function of attributes contained in the land compensation package X_j and individual characteristics S_i,

$$V(X_j, S_i) = V(x_{11}, ..., x_{hl}, ..., s_{i1}, ..., s_{iq}, ...) \tag{4}$$

where the subscript hl indicates the attribute h with the level l in the land compensation package j. The subscript iq indicates individual characteristic q for individual i. It is not possible to identify individual specific characteristics in a standard conditional logit model since such characteristics do not vary for the same individual across different choice alternatives. Therefore, individual characteristic variables are interacted with alternative specific variables,

$$V(X_j, S_i) = \sum_h (\beta_{hl} x_{hl} + \sum_q \gamma_{hlq} x_{hl} \times s_{iq}) \tag{5}$$

where x_{hl} is a set of dummy variables that differentiate the selected level from its corresponding baseline in a land compensation package. The β_{hl} and γ_{hlq} are the set of coefficients to be estimated. In particular,

$$\begin{aligned} V(X_j, S_i) &= \beta_{11} LCF\_public + \beta_{12} LCF\_dividends + \beta_{21} RS\_pension \\ &+ \beta_{31} RL\_physical + \beta_{32} RL\_dividends \\ &+ \gamma_{11q} LCF\_partial \times s_{iq} + \gamma_{12q} LCF\_dividends \times s_{iq} + \gamma_{21q} RS\_pension \times s_{iq} \\ &+ \gamma_{31q} RL\_physical \times s_{iq} + \gamma_{32q} RL\_dividends \times s_{iq} \end{aligned} \tag{6}$$

We substitue Equation (6) into Equation (3) and estimate the coefficients using maximize likelihood estimation.

Main Results

Table 4 reports the multinomial logit regression results. Model 1 presents the results from the baseline model where only the attributes and levels specified in our experiment (i.e., Table 1) are included. The option of one-time cash payment is treated as the baseline and omitted from regressions to avoide perfect collinearity. The coefficients can be interpreted as the difference in utility between its associated variable and its corresponding baseline, with the sign reflecting whether the associated variable yields higher or lower ulitity compared to its baseline. For example, the positive coefficient 0.439 associated with *RS_pension* indicates that between the two options (levels) of distributing resettlement subsidies, farmers prefer pension payments (*RS_pension*) to one-time cash payments (*RS_baseline*). Models 2 to 7 show the results with respect to each set of key independent variable, with demographic controls excluded (Models 2, 4, and 6) and included (Models 3, 5, 7). Due to statistically insignificant effect of political trust in the local government (Models 2 and 3), Models 8 and 9 consider only two sets of independent variables, political trust in village cadres and risk preferences. Models 10 and 11 include all three sets of independent variables.

[Table 4 is about here]

[Table 5 is about here]

The coefficient of the interaction term *RL_dividends* × *Distrust_village* is negative and statistically significant at the 5% level (1% level in Model 11), reflecting that those who distrust village cadres prefer one-time cash payments to yearly dividends in face of decisions on how to distribute benefits from the returned land, consistent with Hypothesis 2. The preference of one-time cash over yearly dividends also applies to risk-averse individuals, as indicated by the negative and significant coefficient of the interaction term *RL_dividends* × *Risk averse*. However, the effect of political distrust on this preference is greater than the effect of risk aversion, as indicated by the magnitude of the two co-

Table 4: Multinomial Logit Regression Estimates of Land-Taking Compensation

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
LCF_public	0.0545	-0.171	-0.456	-0.0498	-0.258	0.192	-0.326	0.125	-0.315	0.0246	-0.511
	(0.101)	(0.207)	(0.870)	(0.213)	(0.876)	(0.131)	(0.817)	(0.234)	(0.858)	(0.263)	(0.895)
LCF_dividends	0.107	-0.192	-0.271	-0.143	-0.213	0.292**	-0.164	0.0889	-0.326	-0.0476	-0.532
	(0.103)	(0.204)	(0.884)	(0.213)	(0.900)	(0.132)	(0.885)	(0.233)	(0.925)	(0.267)	(0.947)
RS_pension	0.439***	0.249	0.441	0.319**	0.628	0.432***	0.797	0.291	0.674	0.191	0.500
	(0.0817)	(0.156)	(0.636)	(0.148)	(0.645)	(0.111)	(0.653)	(0.181)	(0.655)	(0.213)	(0.666)
RL_physical	0.138	0.126	0.434	0.285	0.512	0.188	0.273	0.378	0.365	0.308	0.323
	(0.106)	(0.211)	(0.921)	(0.204)	(0.914)	(0.142)	(0.898)	(0.237)	(0.918)	(0.267)	(0.947)
RL_dividends	0.533***	0.261	-0.407	0.615***	-0.173	0.673***	-0.457	0.843***	-0.363	0.639**	-0.483
	(0.106)	(0.198)	(0.862)	(0.219)	(0.870)	(0.147)	(0.805)	(0.275)	(0.863)	(0.295)	(0.891)
interaction with political trust in local government (LG)											
LCF_public × Trust_LG		0.296	0.240							0.265	0.227
		(0.244)	(0.244)							(0.280)	(0.275)
LCF_dividends × Trust_LG		0.390	0.323							0.266	0.199
		(0.242)	(0.253)							(0.270)	(0.276)
RS_pension × Trust_LG		0.297	0.337*							0.238	0.290
		(0.186)	(0.190)							(0.197)	(0.204)
RL_physical × Trust_LG		0.0335	0.0259							0.0678	0.0547
		(0.249)	(0.254)							(0.293)	(0.299)
RL_dividends × Trust_LG		0.399*	0.378							0.463*	0.411
		(0.241)	(0.242)							(0.279)	(0.274)
LCF_public × Distrust_LG		0.725	0.626							0.858*	0.770
		(0.466)	(0.448)							(0.517)	(0.498)
LCF_dividends × Distrust_LG		0.765*	0.648							0.881*	0.794*
		(0.461)	(0.455)							(0.489)	(0.471)
RS_pension × Distrust_LG		0.258	0.368							0.122	0.235
		(0.380)	(0.384)							(0.384)	(0.384)
RL_physical × Distrust_LG		-0.341	-0.300							-0.295	-0.240
		(0.556)	(0.555)							(0.587)	(0.563)
RL_dividends × Distrust_LG		0.212	0.267							0.652	0.735
		(0.440)	(0.449)							(0.494)	(0.489)
interaction with political trust in village											
LCF_public × Trust_village				0.189	0.117			0.181	0.113	0.0515	-0.00265
				(0.253)	(0.257)			(0.255)	(0.257)	(0.291)	(0.287)
LCF_dividends × Trust_village				0.358	0.315			0.303	0.263	0.206	0.200
				(0.254)	(0.258)			(0.259)	(0.263)	(0.283)	(0.282)
RS_pension × Trust_village				0.162	0.181			0.190	0.212	0.116	0.118
				(0.186)	(0.189)			(0.192)	(0.194)	(0.201)	(0.204)
RL_physical × Trust_village				-0.139	-0.134			-0.199	-0.195	-0.187	-0.159
				(0.248)	(0.259)			(0.256)	(0.266)	(0.291)	(0.299)
RL_dividends × Trust_village				0.0306	0.0473			-0.0624	-0.0532	-0.244	-0.203
				(0.259)	(0.267)			(0.272)	(0.277)	(0.296)	(0.301)

Table 4: **(continued)**

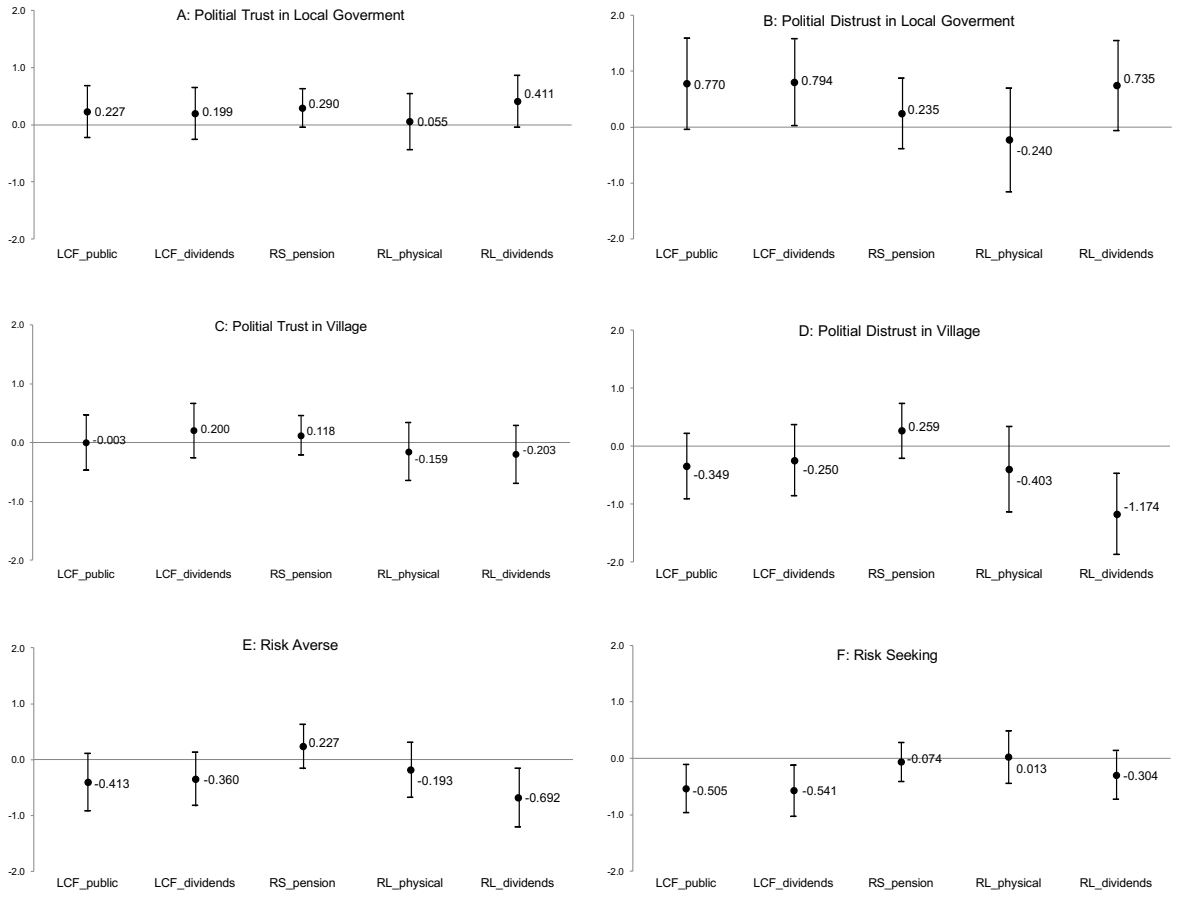
Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
LCF_public × Distrust_village				-0.0743	-0.0982			-0.150	-0.183	-0.331	-0.349
				(0.313)	(0.319)			(0.317)	(0.318)	(0.338)	(0.343)
LCF_dividends × Distrust_village				-0.00261	-0.0155			-0.101	-0.121	-0.260	-0.250
				(0.351)	(0.359)			(0.346)	(0.350)	(0.372)	(0.373)
RS_pension × Distrust_village				0.220	0.236			0.225	0.250	0.242	0.259
				(0.277)	(0.280)			(0.286)	(0.287)	(0.285)	(0.286)
RL_physical × Distrust_village				-0.426	-0.410			-0.447	-0.431	-0.428	-0.403
				(0.397)	(0.410)			(0.413)	(0.425)	(0.442)	(0.447)
RL_dividends × Distrust_village				-0.813**	-0.842**			-0.925**	-0.972**	-1.122**	-1.174***
				(0.386)	(0.381)			(0.406)	(0.395)	(0.441)	(0.424)
interaction with individual risk preferences											
LCF_parial × Risk averse						-0.270	-0.299	-0.325	-0.351	-0.379	-0.413
						(0.292)	(0.298)	(0.296)	(0.302)	(0.307)	(0.314)
LCF_dividends × Risk averse						-0.264	-0.327	-0.270	-0.336	-0.291	-0.360
						(0.276)	(0.287)	(0.276)	(0.287)	(0.277)	(0.290)
RS_pension × Risk averse						0.155	0.155	0.158	0.164	0.230	0.227
						(0.225)	(0.239)	(0.226)	(0.240)	(0.228)	(0.241)
RL_physical × Risk averse						-0.178	-0.152	-0.184	-0.179	-0.187	-0.193
						(0.285)	(0.291)	(0.287)	(0.293)	(0.295)	(0.301)
RL_dividends × Risk averse						-0.444	-0.506*	-0.512*	-0.590*	-0.622**	-0.692**
						(0.288)	(0.299)	(0.303)	(0.310)	(0.313)	(0.321)
LCF_public × Risk seeking						-0.415*	-0.433*	-0.461*	-0.497**	-0.505**	-0.541**
						(0.242)	(0.246)	(0.246)	(0.250)	(0.255)	(0.260)
LCF_dividends × Risk seeking						-0.530**	-0.550**	-0.519**	-0.555**	-0.541**	-0.582**
						(0.263)	(0.268)	(0.263)	(0.269)	(0.268)	(0.276)
RS_pension_Risk seeking						-0.0806	-0.0918	-0.0769	-0.0801	-0.0746	-0.0737
						(0.192)	(0.201)	(0.198)	(0.206)	(0.201)	(0.210)
RL_physical × Risk seeking						-0.0102	-0.00492	-0.0275	-0.0284	0.0261	0.0133
						(0.261)	(0.271)	(0.265)	(0.273)	(0.274)	(0.283)
RL_dividends × Risk seeking						-0.198	-0.239	-0.220	-0.277	-0.246	-0.304
						(0.244)	(0.248)	(0.257)	(0.259)	(0.257)	(0.261)
Controls included?	No	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes
RL_dividends × Income			0.0362		0.0366		0.0417		0.0450*		0.0481*
			(0.0276)		(0.0273)		(0.0263)		(0.0270)		(0.0284)
N	1816	1816	1816	1816	1816	1816	1816	1816	1816	1816	1816
Log likelihood	-591.3	-583.9	-579.1	-583.6	-578.3	-586.3	-580.5	-578.2	-572.2	-570.9	-565.1
$d.f.$	5	20	35	20	35	15	30	30	45	45	60

Source: Authors' dataset.

Robust standard errors clustered at the individual level appear in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Due to space limit, results on control variables are included in Supplementary material.

Figure 5: Political Trust, Risk Preferences, and Compensation Choices



Notes: Estimates based on Model 11 in Table 4. Verticle lines are 90% confidence intervals from robust stanard errors. Panel (A)-(B) shows how political trust/distrust in local governments influences individual compensation choices. Panel (C)-(D) shows how political trust/distrust in village influences individual choices. Panel (E)-(F) shows how risk-averse and risk-seeking preferences influence individual choices, respectively. All panels set the one-time cash compensation as the baseline for comparison. A positive coefficient of an alternative compensation instrument indicates on average farmers prefer the alternative to the one-time cash payment.

efficients. The negative and significant coefficients associated with the interaction terms $LCF\_public \times Risk\ seeking$ and $LCF\_dividends \times Risk\ seeking$ suggest that risk-seeking individuals perceive the expected utility from distributing land compensation fees in the form of public funds or yearly dividends to be smaller than the expected utility of receiving one-time cash payments. All these results exhibit a high degree of consistency across different model specifications.

Individual income influences compensation preferences. The positive and significant coefficients of the interaction term $RL\_dividends \times Income$ (Models 9 and 11) reflect that individuals prefer yearly dividends to one-time cash payments as their income increases, which is consistent with our expectation due to diminishing marginal utility of income.

Robustness Checks

We performed additional analysis to check the robustness of our findings. Individual preferences for land-taking compensation can be influenced by household income rather than individual income. Thus, we replaced individual income with household income and found our results remain unchaged. We separated the two counties we surveyed and reran all the regressions in Table 4 for each county to check if there exists some locality-specific characteristics that may influence individual compensation decision-making but are not captured in our analysis. Table 5 shows the subsample regression results with only the selected variables that are directly relevant to our hypothesis testing. Complete results with respect to these robustness checks are reported in the Supplementary Material.

[Table 5 is about here]

The coefficient of the interaction term $Trust\_LG \times RS\_pension$ is statistically insignificant in Table 4 (with an exception of weak significance in Model 3). The subsample analysis in Table 5 shows that it becomes significant in County 1 but remains insignificant in County 2, suggesting that the effect of political trust in the local government on pension preferences varies across localities. The negative coefficient of the interaction of $Distrust\_village \times RL\_dividends$ is significant in the full sample and in County 1, but not in County 2. However, the positive coefficient associated with the interaction term of $Trust\_village \times LCF\_dividends$ in County 2 indicates that those who *trust* village cadres prefer dividends to one-time cash payments, which is another way of stating Hypothesis 2. In County 1 both risk-averse and risk-seeking individuals prefer one-time cash payments

Table 5: Estimates of Land-Taking Compensation for Each County

	County 1 (rich)		County 2 (poor)	
Variable	(1)	(2)	(3)	(4)
H1: impact of political trust in local government				
RS_pension × Trust_LG	0.531**	0.487*	0.0007	0.119
	(0.268)	(0.285)	(0.317)	(0.346)
H2: impact of political trust in village				
LCF_dividends × Trust_village	-0.620	-0.767*	1.050**	0.949*
	(0.418)	(0.422)	(0.463)	(0.494)
RL_dividends × Distrust_village	-1.255*	-1.358**	-0.876	-0.999
	(0.643)	(0.613)	(0.599)	(0.613)
H3 & H4: impact of risk preferences				
LCF_public × Risk averse	-1.842***	-1.952***	0.231	0.124
	(0.551)	(0.561)	(0.447)	(0.498)
LCF_dividends × Risk averse	-1.354**	-1.353**	-0.0726	-0.298
	(0.606)	(0.598)	(0.400)	(0.451)
RL_dividends × Risk averse	0.0501	-0.0845	-1.174***	-1.192**
	(0.650)	(0.651)	(0.427)	(0.474)
LCF_public × Risk seeking	-0.733**	-0.663*	-0.334	-0.353
	(0.335)	(0.346)	(0.423)	(0.445)
LCF_dividends × Risk seeking	-0.488	-0.490	-0.628	-0.727*
	(0.376)	(0.405)	(0.403)	(0.404)
Controls included?	No	Yes	No	Yes
RL_dividends × Income		0.0805**		-0.0237
		(0.0393)		(0.0489)
N	892	892	924	924
Log likelihood	-272.7	-266.1	-260.5	-251.1
$d.f.$	45	60	45	60

Source: Authors' dataset.
Robust standard errors clustered at the individual level appear in parentheses.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Results on selected variables only. Results on the full models are available in Supplementary material.

to alternative compensation instruments (i.e., *LCF_public*, *LCF_dividends*); In County 2 risk-averse individuals favor one-time cash payments over yearly dividends. More importantly, all the signs of coefficients in the subsample analysis are consistent with the full sample analysis, suggesting that our baseline results remain unchanged qualitatively.

Discussion

The effect of political trust in the local government on preferences for pension payments is positive across all model specifications in Tables 4 and 5 and is statistically significant in the subsample analysis for County 1. The consistent positive signs confirm our Hypothesis 1 that political trust in the local government induces farmers to prefer pension payments to one-time cash payments. More specifically, the importance of political trust on individual preferences for pension payments is significantly greater for rich areas than for poor areas, as indicated by the relative magnitude of the coefficients in Table 5. Several reasons explain why political trust matters less in relatively poor areas. First of all, pensions carry an insurance function, which is valuable to Chinese farmers who have been denied access to social welfare benefits for decades and use land to function as a social insurance (Cai 2016). This is especially the case for farmers in poor areas who, unlike farmers from rich areas, have fewer opportunities to find a substitute for land to secure their life after land is taken. A pension insurance fills this void. Under this situation, pension's insurance function carries an extra value and induces those who are not confident with the local government to choose pension payments over one-time cash payments. Second, farmers believe that the local government that promises pension payments for life will not default. In China where maintaining regime stability has been taken as the first priority, the state would bail out the local government when it ran out of money and became fiscally incapable of delivering pensions. That is, high decentralization is not equivalent to a complete hands-off approach from the central government. As a result, local governments face a soft budget constraint, which in turn induces farmers to believe that, with the backup from the central government, local social security entitlement programs like pensions, once promised, are not easily to be reversed. With this belief in mind, farmers whose expected utility of lifetime pension payments is greater than the immediate benefits of the one-time cash compensation will choose the former over the latter.

The impact of political trust in village cadres on individual compensation preferences

is statistically significant across all model specifications in both full sample and subsample analysis, supporting Hypothesis 2 that individuals who distrust village cadres prefer one-time cash payments to yearly dividends.

Risk-averse individuals prefer one-time cash payments to yearly dividends; this relationship is statistically significant across all model specifications, providing support to Hypothesis 3. One concern is to what extent our measure of risk preferences reflects individual risk preferences in the real world. Experimental economists discover that individuals become more risk-averse when dealing with high payoffs (Binswanger 1980; Holt and Laury 2002). Kachelmeier and Shehata (1992) examined risk preferences using large real monetary rewards in China – the amount, at its maximum, was three times the normal monthly income – and confirmed a statistically significant impact of the level of monetary incentives on revealed risk preferences, consistent with the findings from experimental studies using hypothetical high monetary payoffs. Given the fact that land-taking compensation carries high stakes, farmers are expected to be more risk-averse in face of real-life land-taking compensation options than what we discovered in this study. Individuals who were risk-seeking or risk-neutral in our lottery-choice experiment are expected to switch to be risk-averse in reality. The actual objection to yearly dividends due to sharply increased risk aversion is expected to be stronger than what our analysis estimated here.

Risk-seeking individuals prefer one-time cash payments to alternative compensation options. The first alternative they reject is that rural collectives take about 10-20% of land compensation fees as the public funds to provide public services and distribute the rest. It is understandable that self-interested farmers are not willing to contribute part of their compensation to the local public funds because the non-excludable and non-rival characteristics of local public goods permit farmers to be free riders who can take all land compensation fees on their own but still enjoy the public services. The second alternative they reject is yearly dividends. If one-time cash payments could provide farmers with an opportunity to

make investment elsewhere and generate more return than the expected average return from fluctuating yearly dividends, farmers would prefer one-time cash payments. In sum, the results that even risk-seeking individuals also prefer one-time cash option to other alternatives suggest that the condition of Hypothesis 4 (i.e., the expected average return from alternative compensation options is greater than the expected value of one-time cash payments) is violated.

CONCLUSION

This study makes substantive, methodological, and empirical contributions. On a substantive level, it demonstrates a statistically significant impact of political trust and risk preferences on individual land-taking compensation preferences. Political trust is not just about the government; Moreover, the government is not a unified political authority. In our examination of political trust, we distinguish political elites from the government and we specify the level of the government with which farmers form a relationship with to influence their compensation choice-making. We found that political trust in the local government induces Chinese farmers to prefer pension payments to one-time cash payments; political trust in village cadres induces farmers to prefer yearly dividends to one-time cash payments.

On a methodological level, identifying political trust to be a cause or a consequence is challenging. Recent studies gained leverage by working with panel data or by employing complex statistical techniques (e.g., Hetherington 1998; Chanley, Rudolph and Rahn 2000). Our survey-based choice experiment solves the endogeneity problem due to reciprocal causality or omitted variables and enhances our understanding of the impact of political trust on policy preferences. Second, we introduced a lottery-choice experiment with real monetary payoffs to measure risk preferences, a method that has been long and widely used by economists but not yet by political scientists. Last but not least, we bring your attention to the NOAA-NASA nighttime light intensity data, which is a public accessible source. While

we used it as a sampling strategy to overcome the problem of a lack of village population data, it should surely have more extensive use elsewhere in our field.

On an empirical level, our findings suggest two dramatically different policy implications with respect to the two alternative compensation instruments: the prospect of success for future pension payments and the prospect of failure for yearly dividends. Individual preferences for pension payments over one-time cash payments increase the likelihood for the pension option to be successful in policy implementation. Moreover, it is possible, though not easy, to improve the trustworthiness of the government, making the pension option more appealing to farmers. This, however, is not the case for yearly dividends, which are also influenced by the risk appetite of farmers that the government has no control over whatsoever. The prospect for yearly dividends as an alternative compensation instrument to be successful is dull as both risk-averse and risk-seeking individuals favor one-time cash payments. While policy diffusion is common in China, our findings warn local policymakers to take an extra caution when trying to emulate the yearly dividends policy, which can lead to a failure even though it proves to be effective in some localities.

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SUPPLEMENTARY MATERIAL

A note on data operation

Three respondents did not play the lottery-choice experiment that was used to measure risk preferences. One respondent did not answer the questions on the choice experiment about land-taking compensation. As a result, four observations were deleted in analysis. We did not delete additional observation due to missing data or "Don't Know (DK)" answers in other variables. Table A1 details what we did with respect to this problem.

Table A1: Data operation

Variable	Data problem	Frequency	Percentage	Data operation
Political Trust_LG	DK	10	3.3%	DK and N/A were
	"Refuse to answer"	0	0	combined to form a
	"Not Applicable" (N/A)	1	0.33%	new variable
Political Trust_village	DK	15	4.95%	$Trust\_DK$ in data
	"Refuse to answer"	0	0	analysis
	N/A	4	1.32%	
Income	DK	8	2.64%	replaced with the
	"Refuse to answer"	13	4.29%	mean

Table A2: Regression estimates not shown in Table 4 due to space limit

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
results with respect to political trust DK variable in local government (LG)											
LCF_public × Trust_DK_LG		0.121	0.198							0.153	0.245
		(0.469)	(0.469)							(0.478)	(0.467)
LCF_dividends × Trust_DK_LG		0.287	0.294							0.276	0.288
		(0.544)	(0.554)							(0.546)	(0.566)
RS_pension × Trust_DK_LG		-0.194	-0.201							-0.334	-0.354
		(0.530)	(0.547)							(0.549)	(0.563)
RL_physical × Trust_DK_LG		-0.354	-0.481							-0.184	-0.313
		(0.632)	(0.680)							(0.668)	(0.726)
RL_dividends × Trust_DK_LG		0.152	0.0746							0.395	0.280
		(0.702)	(0.710)							(0.692)	(0.709)
results with respect to political trust DK variable in village											
LCF_public × Trust_DK_village				0.194	0.0700			0.137	0.0191	-0.0318	-0.148
				(0.449)	(0.451)			(0.445)	(0.447)	(0.484)	(0.479)
LCF_dividends × Trust_DK_village				0.856*	0.794*			0.743*	0.691	0.561	0.522
				(0.454)	(0.449)			(0.448)	(0.440)	(0.466)	(0.466)
RS_pension × Trust_DK_village				0.171	0.212			0.246	0.288	0.169	0.197
				(0.396)	(0.403)			(0.395)	(0.404)	(0.389)	(0.402)
RL_physical × Trust_DK_village				-0.0804	-0.116			-0.0907	-0.107	-0.0621	-0.0171
				(0.409)	(0.407)			(0.407)	(0.409)	(0.440)	(0.447)
RL_dividends × Trust_DK_village				0.279	0.215			0.179	0.118	0.0187	0.0230
				(0.513)	(0.507)			(0.508)	(0.501)	(0.514)	(0.515)
results with respect to demographic controls											
LCF_public × Age			0.0118		0.0125		0.0144		0.0154		0.0160
			(0.0114)		(0.0112)		(0.0112)		(0.0113)		(0.0116)
LCF_dividends × Age			0.00722		0.00812		0.0123		0.0126		0.0127
			(0.0108)		(0.0108)		(0.0111)		(0.0113)		(0.0116)
RS_pension × Age			-0.00666		-0.00727		-0.00781		-0.00812		-0.00822
			(0.00853)		(0.00845)		(0.00881)		(0.00884)		(0.00911)
RL_physical × Age			-0.0101		-0.00923		-0.00693		-0.00718		-0.00869
			(0.0118)		(0.0118)		(0.0118)		(0.0120)		(0.0124)
RL_dividends × Age			0.00309		0.00484		0.00984		0.0106		0.00830
			(0.0109)		(0.0107)		(0.0108)		(0.0110)		(0.0112)
LCF_public × Income			-0.0194		-0.0271		-0.0156		-0.0218		-0.0166
			(0.0268)		(0.0261)		(0.0256)		(0.0263)		(0.0277)
LCF_dividends × Income			-0.0160		-0.0228		-0.0125		-0.0159		-0.00988
			(0.0303)		(0.0301)		(0.0305)		(0.0313)		(0.0322)
RS_pension × Income			0.0107		0.00622		0.00677		0.00474		0.00835
			(0.0208)		(0.0204)		(0.0211)		(0.0210)		(0.0218)
RL_physical × Income			0.0180		0.0205		0.0197		0.0283		0.0313
			(0.0275)		(0.0266)		(0.0269)		(0.0273)		(0.0288)
RL_dividends × Income			0.0362		0.0366		0.0417		0.0450*		0.0481*
			(0.0276)		(0.0273)		(0.0263)		(0.0270)		(0.0284)
LCF_public × Sex			-0.346		-0.356		-0.329		-0.312		-0.287
			(0.293)		(0.281)		(0.276)		(0.281)		(0.301)
LCF_dividends × Sex			-0.312		-0.292		-0.243		-0.191		-0.148
			(0.280)		(0.276)		(0.284)		(0.286)		(0.295)
RS_pension × Sex			0.0396		0.0164		-0.0504		-0.0199		0.00350
			(0.229)		(0.229)		(0.232)		(0.236)		(0.247)
RL_physical × Sex			0.130		0.0978		0.170		0.191		0.260
			(0.290)		(0.292)		(0.293)		(0.300)		(0.309)
RL_dividends × Sex			0.190		0.231		0.310		0.354		0.377
			(0.295)		(0.288)		(0.287)		(0.294)		(0.305)

Robust standard errors clustered at the individual level appear in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A3: Robustness check 1: individual income being replaced with household income

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
LCF_public	0.0545	-0.171	-0.0759	-0.0498	0.114	0.192	0.0574	0.125	0.0720	0.0246	-0.0300
	(0.101)	(0.207)	(0.931)	(0.213)	(0.995)	(0.131)	(0.902)	(0.234)	(0.984)	(0.263)	(1.027)
LCF_dividends	0.107	-0.192	0.100	-0.143	0.0484	0.292**	0.233	0.0889	0.00103	-0.0476	-0.0518
	(0.103)	(0.204)	(0.964)	(0.213)	(0.991)	(0.132)	(0.952)	(0.233)	(1.001)	(0.267)	(1.023)
RS_pension	0.439***	0.249	0.502	0.319**	0.745	0.432***	0.846	0.291	0.738	0.191	0.524
	(0.0817)	(0.156)	(0.692)	(0.148)	(0.708)	(0.111)	(0.694)	(0.181)	(0.714)	(0.213)	(0.729)
RL_physical	0.138	0.126	0.726	0.285	0.890	0.188	0.545	0.378	0.857	0.308	0.872
	(0.106)	(0.211)	(0.982)	(0.204)	(0.982)	(0.142)	(0.970)	(0.237)	(0.998)	(0.267)	(1.024)
RL_dividends	0.533***	0.261	-0.710	0.615***	-0.237	0.673***	-0.584	0.843***	-0.323	0.639**	-0.421
	(0.106)	(0.198)	(0.923)	(0.219)	(0.931)	(0.147)	(0.873)	(0.275)	(0.932)	(0.295)	(0.956)
interaction with political trust in local government (LG)											
LCF_public × Trust_LG		0.296	0.237							0.265	0.217
		(0.244)	(0.245)							(0.280)	(0.277)
LCF_dividends × Trust_LG		0.390	0.299							0.266	0.176
		(0.242)	(0.252)							(0.270)	(0.276)
RS_pension × Trust_LG		0.297	0.351*							0.238	0.309
		(0.186)	(0.191)							(0.197)	(0.202)
RL_physical × Trust_LG		0.0335	0.0300							0.0678	0.0515
		(0.249)	(0.256)							(0.293)	(0.301)
RL_dividends × Trust_LG		0.399*	0.398							0.463*	0.433
		(0.241)	(0.244)							(0.279)	(0.274)
LCF_public × Distrust_LG		0.725	0.687							0.858*	0.837*
		(0.466)	(0.450)							(0.517)	(0.505)
LCF_dividends × Distrust_LG		0.765*	0.698							0.881*	0.832*
		(0.461)	(0.461)							(0.489)	(0.482)
RS_pension × Distrust_LG		0.258	0.366							0.122	0.231
		(0.380)	(0.386)							(0.384)	(0.389)
RL_physical × Distrust_LG		-0.341	-0.345							-0.295	-0.288
		(0.556)	(0.572)							(0.587)	(0.583)
RL_dividends × Distrust_LG		0.212	0.167							0.652	0.600
		(0.440)	(0.446)							(0.494)	(0.494)
interaction with political trust in village											
LCF_public × Trust_village				0.189	0.104			0.181	0.101	0.0515	-0.00724
				(0.253)	(0.258)			(0.255)	(0.257)	(0.291)	(0.287)
LCF_dividends × Trust_village				0.358	0.293			0.303	0.242	0.206	0.190
				(0.254)	(0.260)			(0.259)	(0.264)	(0.283)	(0.283)
RS_pension × Trust_village				0.162	0.165			0.190	0.197	0.116	0.101
				(0.186)	(0.190)			(0.192)	(0.194)	(0.201)	(0.203)
RL_physical × Trust_village				-0.139	-0.131			-0.199	-0.190	-0.187	-0.160
				(0.248)	(0.257)			(0.256)	(0.265)	(0.291)	(0.295)
RL_dividends × Trust_village				0.0306	0.0453			-0.0624	-0.0480	-0.244	-0.211
				(0.259)	(0.267)			(0.272)	(0.280)	(0.296)	(0.301)

Table A3: **(continued)**

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
LCF_public × Distrust_village				-0.0743	-0.147			-0.150	-0.229	-0.331	-0.403
				(0.313)	(0.335)			(0.317)	(0.331)	(0.338)	(0.362)
LCF_dividends × Distrust_village				-0.00261	-0.0686			-0.101	-0.172	-0.260	-0.305
				(0.351)	(0.362)			(0.346)	(0.352)	(0.372)	(0.376)
RS_pension × Distrust_village				0.220	0.209			0.225	0.224	0.242	0.230
				(0.277)	(0.284)			(0.286)	(0.291)	(0.285)	(0.291)
RL_physical × Distrust_village				-0.426	-0.409			-0.447	-0.423	-0.428	-0.397
				(0.397)	(0.410)			(0.413)	(0.425)	(0.442)	(0.446)
RL_dividends × Distrust_village				-0.813**	-0.819**			-0.925**	-0.935**	-1.122**	-1.107***
				(0.386)	(0.381)			(0.406)	(0.397)	(0.441)	(0.427)
interaction with individual risk preferences											
LCF_public × Risk averse						-0.270	-0.316	-0.325	-0.380	-0.379	-0.430
						(0.292)	(0.296)	(0.296)	(0.300)	(0.307)	(0.312)
LCF_dividends × Risk averse						-0.264	-0.331	-0.270	-0.352	-0.291	-0.366
						(0.276)	(0.281)	(0.276)	(0.282)	(0.277)	(0.284)
RS_pension × Risk averse						0.155	0.164	0.158	0.172	0.230	0.236
						(0.225)	(0.235)	(0.226)	(0.236)	(0.228)	(0.237)
RL_physical × Risk averse						-0.178	-0.136	-0.184	-0.143	-0.187	-0.161
						(0.285)	(0.286)	(0.287)	(0.289)	(0.295)	(0.296)
RL_dividends × Risk averse						-0.444	-0.464	-0.512*	-0.531*	-0.622**	-0.634**
						(0.288)	(0.300)	(0.303)	(0.313)	(0.313)	(0.323)
LCF_public × Risk seeking						-0.415*	-0.441*	-0.461*	-0.504**	-0.505**	-0.542**
						(0.242)	(0.243)	(0.246)	(0.247)	(0.255)	(0.256)
LCF_dividends × Risk seeking						-0.530**	-0.526**	-0.519**	-0.536**	-0.541**	-0.552**
						(0.263)	(0.266)	(0.263)	(0.265)	(0.268)	(0.272)
RS_pension × Risk seeking						-0.0806	-0.0997	-0.0769	-0.0871	-0.0746	-0.0841
						(0.192)	(0.198)	(0.198)	(0.204)	(0.201)	(0.208)
RL_physical × Risk seeking						-0.0102	0.00717	-0.0275	-0.00341	0.0261	0.0464
						(0.261)	(0.265)	(0.265)	(0.268)	(0.274)	(0.278)
RL_dividends × Risk seeking						-0.198	-0.223	-0.220	-0.247	-0.246	-0.273
						(0.244)	(0.244)	(0.257)	(0.256)	(0.257)	(0.258)
Controlsincluded?	No	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes
RL_divident_ Household income			0.0494		0.0380		0.0472		0.0418		0.0439
			(0.0319)		(0.0314)		(0.0311)		(0.0313)		(0.0321)
N	1816	1816	1816	1816	1816	1816	1816	1816	1816	1816	1816
Log likelihood	-591.3	-583.9	-577.9	-583.6	-577.7	-586.3	-579.8	-578.2	-571.8	-570.9	-564.7
d.f.	5	20	35	20	35	15	30	30	45	45	60

Source: Authors' dataset.

Robust standard errors clustered at the individual level appear in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A4: Robustness check 2: Estimates of land-taking compensation for county 1 (rich)

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
LCF_public	-0.0559	-0.138	0.703	-0.0311	1.016	0.243	0.674	0.341	0.840	0.284	0.489
	(0.134)	(0.276)	(1.091)	(0.271)	(1.136)	(0.161)	(1.044)	(0.280)	(1.143)	(0.311)	(1.167)
LCF_dividends	0.0198	-0.0435	-0.00440	0.195	0.487	0.202	-0.242	0.448	0.108	0.366	-0.0997
	(0.151)	(0.266)	(1.236)	(0.271)	(1.318)	(0.182)	(1.189)	(0.282)	(1.343)	(0.322)	(1.359)
RS_pension	0.303***	0.0410	-0.0264	0.178	0.245	0.301**	0.252	0.104	0.209	-0.00677	0.111
	(0.111)	(0.197)	(0.751)	(0.210)	(0.803)	(0.147)	(0.789)	(0.247)	(0.839)	(0.273)	(0.852)
RL_physical	0.336**	0.186	-1.295	0.224	-1.577	0.200	-1.190	0.131	-1.594	0.0889	-1.485
	(0.148)	(0.256)	(1.029)	(0.270)	(1.074)	(0.193)	(1.021)	(0.307)	(1.113)	(0.329)	(1.148)
RL_dividends	0.583***	0.308	-0.722	0.664**	-0.528	0.465**	-0.331	0.613*	-0.425	0.479	-0.371
	(0.149)	(0.240)	(1.050)	(0.303)	(1.103)	(0.193)	(1.037)	(0.363)	(1.138)	(0.364)	(1.168)
interaction with political trust in local government (LG)											
LCF_public × Trust_LG		0.125	0.0751							0.358	0.409
		(0.323)	(0.335)							(0.379)	(0.373)
LCF_dividends × Trust_LG		0.109	0.0759							0.385	0.442
		(0.334)	(0.355)							(0.405)	(0.424)
RS_pension × Trust_LG		0.434*	0.414*							0.531**	0.487*
		(0.239)	(0.248)							(0.268)	(0.285)
RL_physical × Trust_LG		0.210	0.197							-0.156	-0.106
		(0.324)	(0.333)							(0.365)	(0.405)
RL_dividends × Trust_LG		0.475	0.398							0.617	0.659*
		(0.318)	(0.328)							(0.396)	(0.400)
LCF_public × Distrust_LG		-0.190	-0.176							0.0268	0.0347
		(0.491)	(0.527)							(0.606)	(0.638)
LCF_dividends × Distrust_LG		-0.248	-0.251							0.0886	0.0686
		(0.528)	(0.572)							(0.580)	(0.622)
RS_pension × Distrust_LG		0.540	0.564							0.494	0.472
		(0.603)	(0.607)							(0.604)	(0.625)
RL_physical × Distrust_LG		0.385	0.310							0.373	0.314
		(0.806)	(0.786)							(0.785)	(0.802)
RL_dividends × Trust_LG		0.394	0.304							0.960	1.001
		(0.754)	(0.741)							(0.819)	(0.832)
interaction with political trust in village											
LCF_public × Trust_village				-0.118	-0.274			-0.166	-0.274	-0.387	-0.540
				(0.330)	(0.350)			(0.322)	(0.340)	(0.398)	(0.392)
LCF_dividends × Trust_village				-0.406	-0.529			-0.445	-0.537	-0.620	-0.767*
				(0.358)	(0.366)			(0.355)	(0.364)	(0.418)	(0.422)
RS_pension × Trust_village				0.238	0.214			0.321	0.288	-0.000639	-0.0131
				(0.258)	(0.266)			(0.264)	(0.268)	(0.287)	(0.299)
RL_physical × Trust_village				0.327	0.287			0.301	0.223	0.411	0.339
				(0.343)	(0.359)			(0.348)	(0.364)	(0.374)	(0.412)
RL_dividends × Trust_village				0.141	-0.00358			0.140	-0.0288	-0.247	-0.428
				(0.366)	(0.379)			(0.383)	(0.391)	(0.434)	(0.444)

Table A4: **(Continues)**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
LCF_public × Distrust_village				-0.157	-0.137			-0.299	-0.301	-0.355	-0.400
				(0.403)	(0.433)			(0.404)	(0.429)	(0.495)	(0.515)
LCF_dividends × Distrust_village				-0.419	-0.421			-0.547	-0.548	-0.540	-0.548
				(0.442)	(0.465)			(0.450)	(0.469)	(0.544)	(0.551)
RS_pension × Distrust_village				0.208	0.239			0.273	0.344	0.241	0.333
				(0.377)	(0.406)			(0.388)	(0.415)	(0.380)	(0.427)
RL_physical × Distrust_village				-0.517	-0.503			-0.542	-0.562	-0.595	-0.542
				(0.553)	(0.566)			(0.569)	(0.577)	(0.722)	(0.740)
RL_dividends × Distrust_village				-0.888	-0.926*			-0.968*	-1.046*	-1.255*	-1.358**
				(0.541)	(0.535)			(0.553)	(0.539)	(0.643)	(0.613)
interaction with individual risk preferences											
LCF_public × Risk averse						-1.646***	-1.725***	-1.731***	-1.809***	-1.842***	-1.952***
						(0.523)	(0.552)	(0.516)	(0.538)	(0.551)	(0.561)
LCF_dividends × Risk averse						-1.130**	-1.054*	-1.188**	-1.134**	-1.354**	-1.353**
						(0.574)	(0.575)	(0.583)	(0.578)	(0.606)	(0.598)
RS_pension × Risk averse						0.736*	0.792*	0.788**	0.868**	0.714*	0.809*
						(0.416)	(0.436)	(0.390)	(0.403)	(0.404)	(0.422)
RL_physical × Risk averse						0.483	0.473	0.419	0.328	0.657	0.552
						(0.340)	(0.392)	(0.400)	(0.447)	(0.453)	(0.497)
RL_dividends × Risk aversee						0.177	0.118	0.0342	-0.0708	0.0501	-0.0845
						(0.547)	(0.558)	(0.608)	(0.604)	(0.650)	(0.651)
LCF_public × Risk seeking						-0.612*	-0.517	-0.677**	-0.591*	-0.733**	-0.663*
						(0.321)	(0.332)	(0.317)	(0.330)	(0.335)	(0.346)
LCF_dividends × Risk seeking						-0.374	-0.363	-0.412	-0.406	-0.488	-0.490
						(0.368)	(0.395)	(0.360)	(0.394)	(0.376)	(0.405)
RS_pension × Risk seeking						-0.102	-0.0743	-0.0703	-0.0335	-0.136	-0.0935
						(0.254)	(0.274)	(0.256)	(0.276)	(0.263)	(0.279)
RL_physical × Risk seeking						0.222	0.145	0.129	-0.0154	0.211	0.0786
						(0.352)	(0.382)	(0.365)	(0.396)	(0.376)	(0.406)
RL_dividends × Risk seeking						0.247	0.308	0.102	0.0943	0.0156	0.0204
						(0.354)	(0.381)	(0.366)	(0.384)	(0.362)	(0.379)
Controls included?	No	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes
RL_dividends × Income			0.0739**		0.0870**		0.0737**		0.0859**		0.0805**
			(0.0373)		(0.0366)		(0.0365)		(0.0382)		(0.0393)
N	892	892	892	892	892	892	892	892	892	892	892
Log likelihood	-295.8	-286.6	-280.1	-289.7	-282.6	-289.4	-282.3	-282.9	-276.1	-272.7	-266.1
$d.f.$	5	20	35	20	35	15	30	30	45	45	60

Robust standard errors clustered at the individual level appear in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A5: Robustness check 2: Estimates of land-taking compensation for county 2 (poor)

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
LCF_public	0.203	-0.170	-2.063	-0.0885	-1.630	0.149	-1.720	-0.146	-1.607	-0.588	-2.292
	(0.157)	(0.316)	(1.549)	(0.351)	(1.481)	(0.219)	(1.459)	(0.388)	(1.472)	(0.489)	(1.611)
LCF_dividends	0.213	-0.425	-0.956	-0.513	-0.837	0.380**	-0.291	-0.326	-0.728	-0.864	-1.875
	(0.143)	(0.312)	(1.263)	(0.372)	(1.476)	(0.186)	(1.275)	(0.414)	(1.512)	(0.534)	(1.481)
RS_pension	0.592***	0.576**	1.311	0.413*	1.351	0.567***	1.727	0.428	1.413	0.206	0.931
	(0.121)	(0.243)	(1.260)	(0.222)	(1.211)	(0.170)	(1.224)	(0.270)	(1.253)	(0.387)	(1.391)
RL_physical	-0.0830	0.0433	3.112*	0.390	2.800	0.174	2.307	0.781*	2.730	1.034*	3.812*
	(0.160)	(0.386)	(1.832)	(0.343)	(1.826)	(0.215)	(1.702)	(0.403)	(1.870)	(0.561)	(1.975)
RL_dividends	0.487***	0.202	0.0229	0.565*	0.116	0.928***	-0.759	1.172***	-0.197	0.881	0.244
	(0.153)	(0.360)	(1.429)	(0.339)	(1.591)	(0.228)	(1.310)	(0.446)	(1.585)	(0.546)	(1.600)
interaction with political trust in local government (LG)											
LCF_public × Trust_LG		0.451	0.302							0.484	0.320
		(0.375)	(0.379)							(0.401)	(0.421)
LCF_dividends × Trust_LG		0.742**	0.526							0.517	0.284
		(0.356)	(0.374)							(0.393)	(0.425)
RS_pension × Trust_LG		0.0527	0.164							0.000726	0.119
		(0.287)	(0.308)							(0.317)	(0.346)
RL_physical × Trust_LG		-0.0944	-0.154							-0.0835	-0.0798
		(0.427)	(0.425)							(0.508)	(0.564)
RL_dividends × Trust_LG		0.377	0.190							0.466	0.157
		(0.408)	(0.395)							(0.434)	(0.438)
LCF_public × Distrust_LG		2.089**	1.817**							2.277**	2.122**
		(0.919)	(0.861)							(0.898)	(0.887)
LCF_dividends × Distrust_LG		2.459***	2.197***							2.635***	2.573***
		(0.724)	(0.662)							(0.697)	(0.674)
RS_pension × Distrust_LG		0.395	0.582							0.322	0.587
		(0.558)	(0.539)							(0.622)	(0.600)
RL_physical × Distrust_LG		-1.701	-1.631							-1.560	-1.670*
		(1.073)	(0.997)							(0.991)	(0.936)
RL_dividends × Distrust_LG		-0.0139	-0.0960							0.504	0.296
		(0.636)	(0.644)							(0.697)	(0.673)
interaction with political trust in village											
LCF_public × Trust_village				0.471	0.321			0.500	0.369	0.594	0.494
				(0.403)	(0.410)			(0.404)	(0.416)	(0.446)	(0.470)
LCF_dividends × Trust_village				1.037**	0.871**			0.952**	0.775*	1.050**	0.949*
				(0.407)	(0.437)			(0.418)	(0.441)	(0.463)	(0.494)
RS_pension × Trust_village				0.167	0.232			0.150	0.235	0.369	0.426
				(0.276)	(0.289)			(0.285)	(0.298)	(0.318)	(0.343)
RL_physical × Trust_village				-0.554	-0.567			-0.694*	-0.678	-0.860*	-0.870
				(0.399)	(0.441)			(0.418)	(0.460)	(0.471)	(0.538)
LCF_dividends × Trust_village				-0.0148	-0.0611			-0.291	-0.334	-0.380	-0.390
				(0.390)	(0.411)			(0.424)	(0.438)	(0.422)	(0.443)

Table A5: **(Continues)**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
LCF_public × Distrust_village				0.0774	-0.108			0.0719	-0.150	0.120	-0.0108
				(0.506)	(0.533)			(0.495)	(0.532)	(0.524)	(0.596)
LCF_dividends × Distrust_village				0.396	0.209			0.368	0.168	0.526	0.358
				(0.579)	(0.593)			(0.556)	(0.571)	(0.600)	(0.626)
RS_pension × Distrust_village				0.318	0.415			0.315	0.427	0.521	0.674
				(0.408)	(0.415)			(0.408)	(0.420)	(0.432)	(0.456)
RL_physical × Distrust_village				-0.364	-0.353			-0.468	-0.429	-0.603	-0.639
				(0.592)	(0.641)			(0.597)	(0.673)	(0.659)	(0.747)
RL_dividends × Distrust_village				-0.728	-0.788			-0.864	-0.950	-0.876	-0.999
				(0.577)	(0.590)			(0.579)	(0.588)	(0.599)	(0.613)
interaction with individual risk preferences											
LCF_public × Risk averse						0.352	0.220	0.244	0.169	0.231	0.124
						(0.402)	(0.438)	(0.423)	(0.463)	(0.447)	(0.498)
LCF_dividends × Risk averse						-0.0194	-0.232	0.0294	-0.158	-0.0726	-0.298
						(0.352)	(0.386)	(0.386)	(0.416)	(0.400)	(0.451)
RS_pension × Risk averse						0.0507	0.140	0.00936	0.129	0.207	0.322
						(0.299)	(0.327)	(0.314)	(0.343)	(0.333)	(0.360)
RL_physical × Risk averse						-0.661	-0.454	-0.705	-0.527	-0.794*	-0.600
						(0.418)	(0.419)	(0.449)	(0.462)	(0.468)	(0.498)
RL_dividends × Risk averse						-0.929**	-0.972**	-0.946**	-1.000**	-1.174***	-1.192**
						(0.388)	(0.426)	(0.416)	(0.438)	(0.427)	(0.474)
LCF_public × Risk seeking						-0.120	-0.151	-0.116	-0.138	-0.334	-0.353
						(0.387)	(0.377)	(0.399)	(0.397)	(0.423)	(0.445)
LCF_dividends × Risk seeking						-0.564	-0.617*	-0.459	-0.519	-0.628	-0.727*
						(0.375)	(0.372)	(0.381)	(0.377)	(0.403)	(0.404)
RS_pension × Risk seeking						0.00866	0.00628	-0.0817	-0.0451	0.0437	0.0890
						(0.301)	(0.317)	(0.316)	(0.330)	(0.350)	(0.370)
RL_physical × Risk seeking						-0.334	-0.114	-0.446	-0.252	-0.384	-0.207
						(0.409)	(0.403)	(0.415)	(0.417)	(0.440)	(0.443)
RL_dividends × Risk seeking						-0.746**	-0.680*	-0.644*	-0.618*	-0.624	-0.635
						(0.351)	(0.352)	(0.379)	(0.372)	(0.400)	(0.393)
Controls included?	No	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes
RL_divident × Income			-0.0243		-0.0210		0.00583		-0.00504		-0.0237
			(0.0457)		(0.0506)		(0.0438)		(0.0495)		(0.0489)
N	924	924	924	924	924	924	924	924	924	924	924
Log likelihood	-290.8	-281.0	-270.0	-276.5	-264.5	-284.5	-271.5	-271.8	-260.0	-260.5	-251.1
$d.f.$	5	20	35	20	35	15	30	30	45	45	60

Robust standard errors clustered at the individual level appear in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table A6: Summary Statistics for County 1 (rich)

Panel A: independent variables					
	Obs.	Percentage			
Political Trust_LG	149	100%			
Trust_LG	91	60.40%			
Distrust_LG	9	6.04%			
Trust neutral_LG	46	30.87%			
Trust_DK	3	2.01%			
Political Trust_village	149	100%			
Trust_village	71	47.65%			
Distrust_village	20	13.42%			
Trust neutral_village	44	22.15%			
Trust_DK	14	9.40%			
Risk preferences	149	100%			
Risk seeking	17	11.41%			
Risk neutral	82	55.03%			
Risk averse	50	33.56%			
Panel B: demographic controls					
	Obs.	Mean	Std. Dev.	Min	Max
Age	149	52.83	11.16	20	78
Personal income	149	10.43	4.52	1	20
Sex (female=1)	149	0.24	0.43	0	1

Table A7: Summary Statistics for County 2 (poor)

Panel A: independent variables					
	Obs.	Percentage			
Political Trust_LG	154	100%			
Trust_LG	102	66.23%			
Distrust_LG	12	7.79%			
Trust neutral_LG	32	20.78%			
Trust_DK	8	5.19%			
Political Trust_village	154	100%			
Trust_village	96	62.34%			
Distrust_village	17	11.04%			
Trust neutral_village	36	23.34%			
Trust_DK	5	3.25%			
Risk preferences	154	100%			
Risk seeking	38	24.68%			
Risk neutral	81	52.60%			
Risk averse	35	22.72%			
Panel B: demographic controls					
	Obs.	Mean	Std. Dev.	Min	Max
Age	154	57.18	10.14	27	77
Personal income	154	9.56	4.12	1	20
Sex (female=1)	154	0.25	0.44	0	1