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The Effects of Agricultural Market Liberalization and Commercialization on Household Food Security in Rural China

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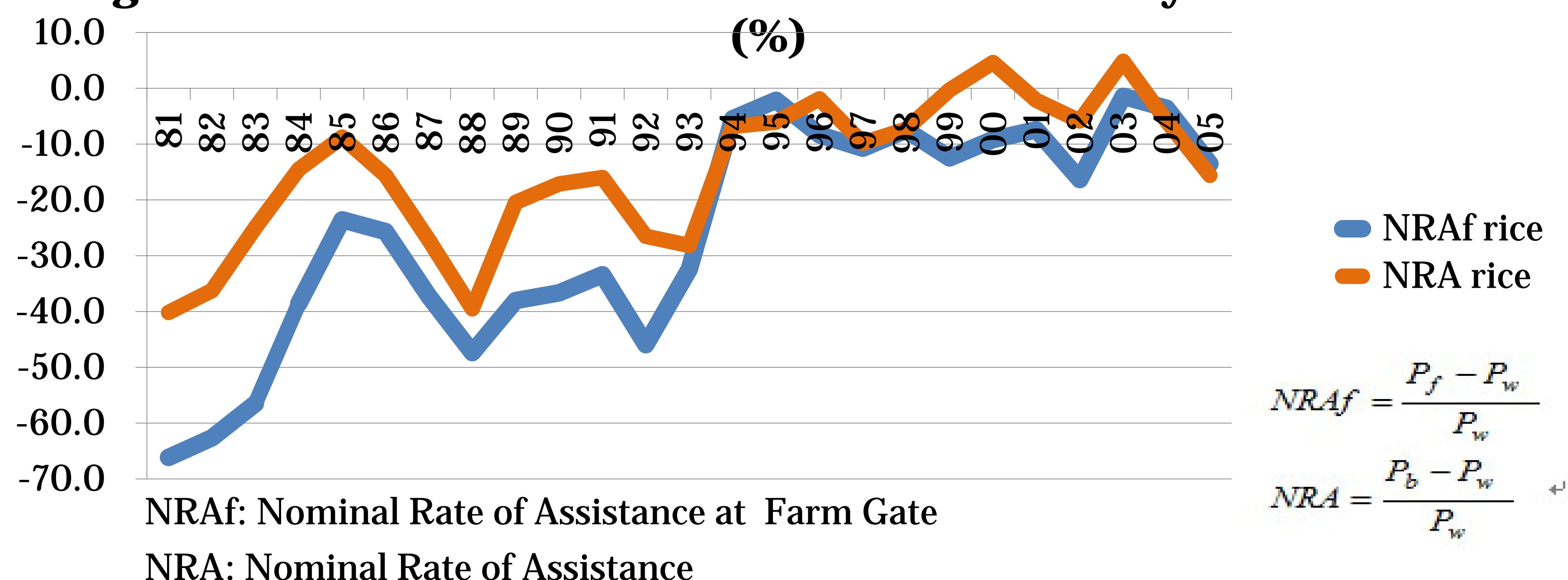
The Effects of Agricultural Market Liberalization and Commercialization on Household Food Security in Rural China

Kathy Baylis, Linlin Fan and Lia Nogueira: University of Illinois Urbana-Champaign

Research Question:

- How did market liberalization affect rural households in China in the 1990s?
 - **Commercialization**
 - **Nutrition (share of calories from non-staples)**

Change in Market Distortion in China Measured by NRA and NRAf



Methodology:

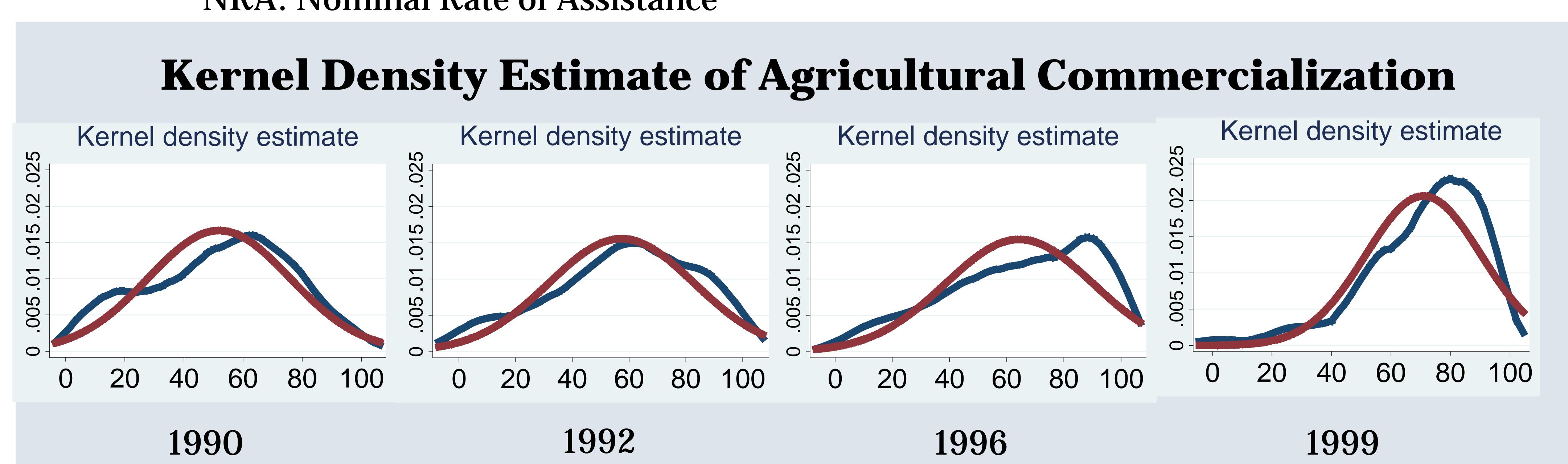
- Ag production, commercialization and nutrition jointly determined – 3SLS
- Instruments for ag production – capital variables
- Instruments for commercialization – number of private enterprises, grain quota before and after 1995
- ✓ **Hansen's overidentification test of instruments**
- ✓ **Under identification test of instruments**

Robustness tests:

1. Definition of farmers and market liberalization index
2. Nutritional outcome 3. Instruments 4. Fixed effects

Results are **robust** to different specifications

Estimated Coefficients of Commercialization on Nutrition



Take-home message:

- Commercialization **increases** nutrition for undernourished households
- 10% **increase** in commercialization = $> + 4.29\%$ more calories from non-staples (= **a banana**)
- The commercialization of field crops and horticulture **increases** nutrition significantly

