Local leaders' promotion pressure and tourism development: Evidence from China

Abstract

The growing importance of tourism management within local governance highlights the imperative role of local leaders' involvement. However, the understudied influence of promotion pressure, a key determinant of their behavior, remains largely unexplored. This study employs a novel institutional economics approach to investigate the impact of local leaders' promotion pressure on tourism development in China. We analyze data from 334 prefecture-level cities spanning 1999 to 2019. Our findings reveal a positive correlation between promotion pressure and tourism development. Notably, this effect is amplified in economically advanced cities and those with a lower dependence on tourism. Further analysis using an instrumental variable-based mediation model suggests that promotion pressure shapes tourism development by influencing the structure of local government fiscal expenditure. These findings shed light on the intricate interplay between political incentives, fiscal policy, and the evolution of the tourism industry, offering valuable insights for crafting effective tourism governance strategies.

Keywords

Tourism development, new institutional economics, local leaders, promotion pressure, fiscal expenditure

1. Introduction

The importance of government quality and effective governance has been a longstanding theme within new institutional economics literature. Since the 1990s, empirical studies on economic transition have explored how institutional elements influence regional disparities in economic development (Barro, 1990). Among these factors, public officials stand out as a crucial determinant of regional economic performance (Li, 1998). Local leaders, the highest-ranking chief executives in local governments, wield significant power over the implementation of social, economic, and political policies (Bo, 2002). Their governance capabilities directly impact the efficiency of entire governmental organizations (Han & Han, 2021).

Research suggests a connection between a nation's economic performance and the power of its leaders (Acemoglu, 2005). This leadership power has two key dimensions: economic power, or the resources available to finance government operations, and political power, which relates to the ease of replacing the leader. Power can be viewed as an institutional asset, influencing the stakeholder behavior and attitudes (Beritelli & Laesser, 2011). Building on this concept, Li and Zhou (2005) studied provincial leaders in China and found that political promotion is the primary driver of career advancement for government officials. Leaders facing high promotion pressure are more likely to be replaced, suggesting a weaker political position.

In China's transitional economy, economic growth reigns supreme as the key performance metric for local leaders, with their promotions directly tied to their jurisdiction's

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economic ranking (Chen et al., 2005).This prioritization incentivizes leaders to pursue political objectives through short-term economic gains. One key strategy involves directing local government spending towards productive investment, particularly in infrastructure development (Li & Zhou, 2005; Zhang, 2013).

Prior research has extensively investigated the impact of promotion pressure on Chinese local leaders' behavior, focusing primarily on economic growth (Zeng et al., 2021), credit allocation (Qian et al., 2011), corporate investment (Cao et al., 2014), urban development (Wu & Zhou, 2018), and technological innovation (Cheng et al., 2020). However, the influence of this pressure on tourism development remains underexplored. Above outcomes can indirectly boost tourism, thereby generating employment and further economic benefits, it is vital to examine the relationship between promotion pressure and tourism development. Understanding this dynamic is critical for tourism stakeholders, particularly public entities, and can inform strategic planning and policy decisions within local governments.

Existing literature often utilizes multi-agent governance models to explore the complexities of tourism governance, emphasizing the interplay between different institutional powers within decentralized policy networks (Bianchi, 2018; Bramwell, 2011). However, the specific impact of key governance actors, particularly local leaders, on tourism development within a dominant policy network and its framework remains unclear (Bevir, 2009). This study investigates how local leaders' promotion pressures influence tourism development and examines whether local government spending patterns act as a mediating mechanism in this relationship. This inquiry is particularly pertinent to China, a unique and evolving socio-economic and political environment, and one of the world's leading tourist destinations.

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This study makes several key contributions to the field of tourism development. First, we move beyond the limitations of traditional neoclassical economics. While this approach focuses on economic factors, it often overlooks the broader influence of the institutional environment. By adopting a new institutional economics perspective, we examine how political power, alongside established economic factors like government spending patterns, influences tourism development. Second, we contribute to a broader understanding of institutional contexts. Past research has primarily focused on decentralized settings. This study investigates tourism development within a centralized environment, exemplified by China, thus expanding the scope of existing knowledge. Third, this study pioneers the use of a mediation model with macro-economic variables in tourism economics. This model sheds light on the complex causal relationship between local leaders' promotion pressure (reflecting political power) and tourism development, mediated by the structure of local government fiscal expenditure (representing economic power). Finally, the findings of this study provide valuable practical implications for policymakers, offering strategic guidance for tourism revitalization in the post-pandemic era.

The remainder of this paper is organized as follows. Section 2 provides a brief review of relevant literature. Section 3 introduces our methodology and data. Section 4 presents the main findings and discussion. Section 5 concludes this study.

2. Literature review

2.1 Tourism governance and institutional environment

Tourism governance involves the process of regulating and mobilizing social action, and producing social order within the tourism sector (Bramwell & Lane, 2011). According to early literature on tourism governance, the power, expertise, and resources of tourism management are distributed among public, private, and non-governmental actors, all of whom play a role in effective governance (Valente et al., 2015). Recent years have seen the rise of sophisticated multi-agent governance models in many developed nations (Beritelli & Bieger, 2014; Dredge & Thomas, 2009; Zehrer et al., 2014). These models have spurred nuanced theorizations of power, focusing on the concept of governance to analyze the diverse and multi-layered institutional apparatuses of power that influence tourism policymaking and development (Bianchi, 2018; Bramwell, 2011). Furthermore, research on tourism governance highlights the importance of "relational networks" that underpin power and influence decision-making in tourism development (Bianchi, 2018; Dredge, 2006).

While existing research predominantly focuses on decentralized policy networks, governance structures exhibit greater diversity. Developed countries often feature more dispersed policy networks, while others, like China, are characterized by a relatively dominant hierarchical state. The role of the state in tourism governance within these centralized systems has been largely overlooked in the literature (Bevir, 2009). Wang and Bramwell's (2012) case study on heritage protection and tourism development in Hangzhou, China, exemplifies this gap. Their findings revealed a concentrated policy community

dominated by state actors. Similarly, Dai et al. (2021) found that local governments exert dominant influence in in typical Chinese villages, despite the acknowledged importance of residents' social capital. This dominance extends to the network connecting tourism developers, local residents, and the government itself. These findings highlight the tendency to utilize governance models that emphasize strong government and bureaucratic influence in the context of tourism governance in China (Wang & Bramwell, 2012).

Stemming from political economics and emphasized in new institutional economics (North, 1986), the concept of institutions refers to the "rules of the game" within a society (Acemoglu & Robinson, 2010). Institutions are humanly devised constraints structuring political, economic, and social interaction, encompassing informal elements like customs and traditions, and formal elements like constitutions and laws (North, 1990). Institutional factors significantly contribute to disparities in tourism development observed across countries and regions. Empirical studies have focused on the influence of institutional quality on tourism development (Ghalia et al., 2019; Saha et al., 2017). High-quality institutions foster trust, cooperation, and investment, creating an environment conducive to economic growth and tourism development. Conversely, weak institutions can hinder tourism market growth through factors such as stagnation, corruption, and political instability.

Tourism development hinges on the broader political and economic environment, with institutions shaping government intervention in tourism governance (Wang & Ap, 2013). In China, a developing economy undergoing transition, the government plays a dominant role in both policy formulation and implementation (Wang & Xu, 2014). However, the multifaceted nature of tourism has led to fragmented authority within the Chinese bureaucracy, with final

decision-making power residing at different administrative levels (Airey & Chong, 2010).

Existing research on institutional factors in China's tourism development has largely focused on government involvement and local leaders. Studies have examined the impact of government involvement on tourism investment and the performance of resource-dependent tourism companies (Wang & Xu, 2011, 2014). Additionally, research has explored the influence of local leaders' socio-demographic characteristics capturing their policy preferences and administrative capabilities (Deng et al., 2022; Shi et al., 2022).

The distinct institutional environments of developed and developing countries have fostered diverse tourism governance models, profoundly shaping specific practices of tourism development. While factors like institutional quality, government involvement, and local leader characteristics can be correlated with tourism development, a deeper understanding is needed to understand how and why tourism thrives within specific institutional contexts. To illuminate the mechanism connecting institutional arrangements with tourism development, further research is necessary on internal factors such as local leaders' promotion pressure (reflecting political power) and government fiscal expenditure (representing economic power), as suggested by Acemoglu (2005).

2.2 Political promotion and fiscal expenditure

Since China's economic reforms began in 1978, local economic performance, particularly GDP growth, has emerged as the primary metric for promoting government officials (Chen et al., 2005). This emphasis aligns with China's multi-tiered administrative structure, where regions at the same level (central, provincial, prefectural, county, and

township) can be directly compared (Li & Zhou, 2005). This "multidivisional" system fosters a natural competition for economic growth, directly linking an official's career advancement to their region's economic success. One peculiarity in the career profiles of Chinese government officials is that they have limited options beyond the internal political labor market. This lack of external options, coupled with the significant benefits associated with retaining power, creates a strong incentive for officials to prioritize policies that drive economic growth (Li & Zhou, 2005).

China's economic system is uniquely characterized by fiscal decentralization, where substantial control over financial resources has shifted from the central government to local governments. This decentralization empowers local leaders with significant autonomy over fiscal and tax policies, granting them the ability to directly influence and intervene in the market (Cheng et al., 2020). Consequently, local officials wield considerable power to allocate resources strategically, prioritizing industries that contribute to both economic growth and their own career advancement (Chen et al., 2005; Li & Zhou, 2005; Luo et al., 2015).

This fiscal decentralization reform has fundamentally transformed local governments from passive regulators within a planned economy to proactive agents actively driving local development (Oi, 1995). Similar to entrepreneurs, local governments now strategically allocate resources, with their policies guided by leadership acting as market-oriented agents and "bureaucratic entrepreneurs" (Walder, 1995). Motivated by both personal values and their understanding of local priorities, these leaders actively participate in economic development through their entrepreneurial actions (Wang & Ap, 2013).

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Drawing on the concept of bounded rationality, upper echelon theory argues that leaders' unique idiosyncrasies significantly influence their interpretation of the strategic environment. This, in turn, shapes their strategic decisions and ultimately impacts organizational performance (Hambrick, 2007). In governance research, researchers often address the challenge of measuring psychological constructs of leaders (e.g., cognitive ability, perceived ability, and values) by using objectively measurable demographic characteristics like age, tenure, occupation, and education (Cannella et al., 2009). This approach is particularly relevant for studying local leaders, as their demographic traits, such as educational background, can introduce heterogeneity in their impact on the local economy (Song & Chen, 2016).

Evidence suggests that personal traits of government leaders influence various aspects of the regional economy, including their preferences for fiscal expenditure. For example, Hayo and Neumeier (2014) found that leaders in German states prioritized fiscal spending that benefited their social class, while leaders from lower socioeconomic backgrounds allocated more resources to improve livelihoods for the general population. Similarly, research on leaders of prefecture-level cities in China demonstrates that personal traits, educational background, and work experience significantly affect local government's education spending (Song & Chen, 2016).

2.3 Fiscal expenditure and tourism development

Fiscal policy plays a pivotal role in supporting tourism development worldwide (Elliott, 2002). Tourism's inherent social nature aligns well with the functional scope of fiscal

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spending, which often targets areas like infrastructure, human resource development, and marketing – all crucial aspects of tourism promotion. For many countries, tourism serves as a strategic pillar industry, further highlighting the importance of fiscal support. This support extends beyond economic benefits, fostering positive social, cultural, and environmental benefits for tourism destinations, which aligns with the core objectives of fiscal policy. As a key tool for allocating public resources, fiscal expenditure directly enhances the effectiveness of tourism promotion strategies.

Governments globally employ diverse fiscal instruments to stimulate tourism development. These instruments include direct budget allocations, tax breaks, low-interest loans, subsidies, and funding for tourism marketing and workforce training (Wang, 2011). Economic theory and the success stories of leading tourist destinations support the effectiveness of these measures in spurring tourism development. For example, Deskins and Seevers (2011) found a positive correlation between public spending on tourism promotion and state tourism growth in the United States between 1985 and 2003. Similarly, Yang et al. (2019) observed that significant investment in transportation infrastructure positively impacted tourism demand in Chinese prefecture-level cities.

The impact of fiscal policy on promoting tourism development is multifaceted. It encompasses enhancing and safeguarding tourism resources, developing human capital, regulating the tourism market, constructing tourism infrastructure, and implementing tax policy (Wang, 2011). The development of tourism resources, human capital, and tourism infrastructure often exhibits characteristics of public goods and externalities. Market failures in these areas could lead to issues such as resource over-exploitation, inadequate talent

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supply, and poor infrastructure. Fiscal policy can effectively rectify these externalities, ensuring the healthy and sustainable development of the tourism sector. Additionally, information asymmetry is prevalent in the tourism industry, significantly hindering the enhancement of tourism quality. Fiscal measures can play a crucial role in bridging this information gap and strengthening market regulation. Tax policy also contributes to promoting tourism development by influencing industry structure, economic aggregates, and income distribution.

2.4 Political promotion and tourism development

New institutional economics suggests that promotion pressure incentivizes local leaders to prioritize economic growth, potentially impacting tourism development. However, empirical evidence remains limited. Since the mid-1990s, Chinese local governments have witnessed a surge in fiscal expenditure fueled by rapid economic growth. However, this growth comes with a structural challenge: a significant portion of funds is allocated to productive items like infrastructure, while non-productive sectors such as healthcare and education receive less attention (Chen, 2017; Yan & Xu, 2016).

The emphasis on productive fiscal spending in China stems from a unique incentive structure for local government officials (Zhang, 2013; Zhou, 2007). Local leaders compete in a "promotion tournament" incentivizing them to prioritize economic growth, while neglects government spending on public services that do not directly contribute (Barro, 1990). While this structure has fueled economic growth, it can hinder sustainable development, particularly in labor-intensive industries like tourism. Chronic underinvestment in non-productive areas

like education and healthcare can weaken the appeal and competitiveness of tourism destinations.

Furthermore, this distorted fiscal structure impedes the transition from a construction-focused fiscal system to a public service-oriented one, potentially limiting domestic demand and sustainable economic growth (Yan & Xu, 2016; Zhang, 2013; Zhou, 2007). In the context of tourism, research suggests that nearly 80% of China's annual tourism expenditure is allocated to infrastructure development, with less focus on improving promotion and information systems (Wang, 2011).

Despite extensive research on the economic impacts of promotion pressure on local leaders, the link between this pressure and tourism development remains underexplored. This study breaks new ground by analyzing the effect of promotion pressure on tourism development, mediated by the structure of fiscal expenditure. It is one of the first studies in tourism economics to examine this causal mechanism using a mediation model with macroeconomic variables and instrumental variables to address potential endogeneity issues. By investigating the relationship between promotion pressure and tourism development from a new institutional economics perspective, this study aims to contribute not only to academic understanding but also to provide practical implications for the tourism industry and policymakers.

3. Methodology

3.1 Measurement and data collection

Given China's position as a leading global tourist destination, analyzing its institutional environment for tourism development is crucial. This knowledge benefits not only China's domestic market but also competing destinations and investors in neighboring countries and the broader Asia-Pacific region. To ensure sufficient data for analysis, we focus on prefecture-level government leaders. China's unique political system involves a dual-track leadership structure with both the Communist Party and the government playing a role. Local city leaders comprise a mayor (i.e., prefectural governor) and a party secretary, with the prefectural party secretary holding the most power (Li & Zhou, 2005).

Table 1 presents the key variables of this study: local leaders' promotion pressure, fiscal expenditure structure, and tourism development. Tourism development is measured by domestic tourism revenue due to its larger market share and fewer missing data points compared to international tourism revenue.

[Insert Table 1 about here]

China's central government retains significant control over the appointment of local officials (Cheng et al., 2020). Since the economic reforms began in 1978, the evaluation of local leaders has shifted focus from political loyalty to economic performance. This performance is primarily measured by GDP growth rate, a key factor in their promotion prospects (Chen et al., 2016; Chen et al., 2005; Deng et al., 2022; Li & Zhou, 2005; Shi et al., 2022; Wang & Xu, 2014).

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Consequently, most research on promotion pressure relies on GDP growth rate as the main indicator. The first method uses a single indicator, such as the GDP growth rate itself (Zhu & Xu, 2013), the average GDP growth rate during a leader' tenure (Chen et al., 2022; Chen et al., 2005; Li & Zhou, 2005), or the relative GDP growth rate compared to a regional or national average (Wang et al., 2022; Zhang et al., 2022). The second method employs multiple economic indicators, such as GDP growth rate, fiscal surplus, and unemployment rate, to create a composite index of promotion pressure (Chang et al., 2021; Qian et al., 2011). The third method takes the age or tenure of local leaders as a proxy for promotion pressure, assuming closer proximity to retirement age increases promotion pressure (Ji et al., 2014).

Studies by Chen et al. (2005) and Li and Zhou (2005) found that the turnover of local leaders is more sensitive to their overall performance during their term than their annual performance. Since economic growth achieved during a local leader's tenure is a key performance metric, the moving average growth rate provides a robust method to capture average growth over a specific period (Chen et al., 2005; Li & Zhou, 2005). Therefore, we adopt the moving average GDP growth rate during local leaders' tenure (*MA_GDPGR*) as our measure of promotion pressure (Cao et al., 2014; Chen et al., 2022). A lower *MA_GDPGR* indicates poorer economic performance, higher risk of replacement, and greater pressure for promotion; conversely, a higher value suggests better performance and less pressure (Cao et al., 2014; Chen et al., 2022). To align it with promotion pressure, we take the inverse of *MA_GDPGR* (Cao et al., 2014; Chen et al., 2022).

Productive fiscal expenditure is categorized based on domestic statistical documents in

China and the functional classification of government expenditure outlined in the International Monetary Fund's Government Finance Statistics. This categorization includes education expenditure, healthcare and family planning expenditure, and social security and employment expenditure as non-productive (Chen, 2017). Fiscal investment in education enhances the human capital within the service industry, with improvements in worker productivity playing a critical role in tourism industry advancement. Similarly, healthcare and family planning expenditure, along with social security and employment expenditure, indirectly impact tourism through their influence on resident consumption and social resource distribution.

Considering data availability, we measure productive fiscal expenditure as the sum of agriculture, forestry and water affairs expenditure, and transportation expenditure (Fan et al., 2015). Tourism is an industry that thrives on connections with other sectors, and transportation infrastructure development is crucial for its success. Furthermore, China's agricultural sector holds significant importance, and expenditure in this area supports smooth agricultural production and overall economic development (Yan & Xu, 2016). The ratio of productive to non-productive fiscal expenditure is used to determine the overall fiscal expenditure structure.

Table 1 presents data collected at the prefecture level for the period 1999-2019. This includes information on government leaders, macroeconomic indicators, tourism statistics, and fiscal expenditure details for 334 prefecture-level cities (encompassing 15 sub-provincial cities). All cities in the sample fall under the unified jurisdiction of central and provincial governments and are not municipalities.

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3.2 Empirical design

(1) Econometric model

Our econometric model can be written as follows:

$$\ln(TD_{i,t}) = \alpha + \beta PP_{i,t} + \gamma_m \sum_{m=1}^{M} \ln(X_{i,t-1}) + \delta_n \sum_{n=1}^{N} Y_{i,t} + c_i + \theta_t + \varepsilon_{i,t} \quad (1)$$

where i denotes the city and t denotes the year. *TD* represents tourism development, and *PP* represents a local leader's promotion pressure. *X* represents city-related control variables affecting local tourism development, including GDP per capita (*PGDP*), industrial structure (*IS*), foreign direct investment (*FDI*), the number of star-rated hotels (*SRH*), and road passenger volume (*RPV*). *PGDP* illustrates a city's economic development level and scale, influencing tourism supply, while *IS* reflects a city's economic structure, another important factor in tourism planning (Hung et al., 2013). Following the studies by Deng et al. (2022) and Shi et al. (2022), we introduce *FDI* and *RPV* to control for a city's economic openness and transportation accessibility, as these variables significantly impact tourist inflow. Additionally, we utilize *SRH* to represent a city's tourism endowment and the construction level of tourism facilities. These macroeconomic variables are introduced into Equation (1) with a one-period lag to address potential endogeneity where local leaders could influence tourism development through other channels when facing promotion pressure.

Y is a set of leader-related control variables: *Age*, *Tenure*, *Doctor*, *Major*, and *Local*. c_i and θ_t respectively denote city-specific and time-specific effects, and ε_{it} is the residual term. Definitions and measures of the variables are presented in Table 1. The influence of local leaders' career stage on their promotion pressure has been a well-researched topic (Ji et al.,

2014; Qian et al., 2011). China's unique cadre appointment system directly links these characteristics to a leader's motivation for advancement. Ji et al. (2014) examined the relationship between age and promotion prospects for prefectural leaders in China, finding that the likelihood of promotion decreased with age. This suggests a corresponding rise in promotion pressure for younger leaders. However, as leaders approach retirement age, their expectations for promotion and, by extension, their promotion pressure, tend to decline significantly (Qian et al., 2011).

Zhang and Gao (2007) examined the relationship between provincial leaders' tenure and economic growth in China. Their research suggests that promotion pressure on local leaders intensifies with increasing tenure, up to a certain point. However, regulations limiting tenure length lead to diminishing promotion expectations for long-serving leaders, who anticipate they will not be considered for significant future positions. We calculate tenure based on the duration (in years) a leader serves in the same city, starting from the year they take office (until they leave that position) (Deng et al., 2022). If a leader assumes office in June or earlier, their tenure begins in that year; otherwise, it starts in the following year. Consistent with prior studies, we include *Age* and *Tenure* as control variables in our model (Ji et al., 2014; Qian et al., 2011; Zeng et al., 2021).

Scholars have highlighted the importance of local leaders' educational background for effective public sector management (Hayo & Neumeier, 2014). Educational attainment serves as a key indicator of an official's administrative capabilities, with a stronger academic background suggesting a higher potential for sound decision-making (Besley et al., 2011). We employ a dummy variable, *Doctor*, to indicate whether a leader holds a doctoral degree.

Expanding on previous research, we consider not only the education level but also the field of study for local leaders' highest degree. A leader's field of study can shape their beliefs and influence long-term policymaking strategies (Carter & Irons, 1991). We categorize majors into two broad groups: social sciences (e.g., economics, finance, management, history) and natural sciences (e.g., aeronautics, mechanical engineering, chemistry). Leaders with social science backgrounds are likely to possess knowledge and skills more directly relevant to public policy compared to those in the natural sciences. We introduce a dummy variable, *Major*, to indicate if a leader majored in the social sciences.

Finally, we include a dummy variable, *Local,* to denote whether a leader is native to the province they govern. Indigenous (local) leaders, compared to non-indigenous leaders, typically possess greater familiarity and affinity for the city under their jurisdictions. This is likely due to stronger social networks established by the leader and their family within the local community. We consider a leader's birthplace to capture this potential influence (Wu & Zhou, 2018; Zhang & Gao, 2007).

(2) Model estimation

Our model design could present an endogeneity issue because the promotion pressure on local leaders may be influenced by tourism development or other omitted variables. To address this concern, we employ instrumental variables. The selection of appropriate instrumental variables should satisfy both the correlation condition and the exogeneity condition. Specifically, instrumental variables should be correlated with the endogenous independent variable and uncorrelated with the error term (Wooldridge, 2016).

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The evaluation of local leaders' performance by China's central government involves two benchmarks: (1) economic performance compared to that of their immediate predecessors, and (2) economic performance compared to other cities at the same administrative level (Chen et al., 2005; Qian et al., 2011; Zhou, 2004). Luo et al. (2015) emphasized the significance of former leaders' economic achievements as a benchmark for current leaders. For example, Chen et al. (2005) measured provincial leaders' relative performance by comparing their GDP growth rate with that of their immediate predecessors and neighbouring provinces.

To address potential endogeneity concerns, we introduce two instrumental variables following Chen et al. (2005). The first, *GDPGR_PRE,* captures the moving average GDP growth rate of a city during the tenure of its previous leader. This variable serves as a vertical comparison, measuring current leaders' performance against the economic achievements of their predecessor. The second instrumental variable, *GDPGR_AVG*, is the GDP-weighted average GDP growth rate of other cities within the same province (for prefecture-level cities) or sub-provincial cities (for higher-level administrative cities). This variable provides a horizontal comparison, evaluating current leaders' performance against the economic performance of their peers at the same administrative level. These two instrumental variables jointly measure a local leader's relative performance over their term in office.

To account for the fact that local leader assessments are based on economic indicators from the previous year, we lag *GDPGR_AVG* by one period. We employ the weak identification test and the over-identification test to examine the correlation and exogeneity of the instrumental variables. Finally, to address both potential endogeneity problem from omitted variables and possible heteroscedasticity, we estimate a two-way fixed effects model

with heteroskedasticity-robust standard errors.

(3) Mediation analysis

This study applies the causal steps approach developed by Baron and Kenny (1986) to examine the mediating effect of fiscal expenditure structure on the relationship between promotion pressure and tourism development. This established method is particularly well-suited for analyzing how institutional frameworks influence local leaders' decisions, specifically their use of fiscal policy to consolidate political power. We employ three econometric models to trace the impact pathway of local leaders' promotion pressure on tourism development. The first model, represented by Equation (1), examines the direct effect of promotion pressure on tourism development. The second model, represented by Equation (2), focuses on the determinants of fiscal expenditure structure (*FES*) for city *i* and year *t*.

$$FES_{i,t} = \alpha + \beta PP_{i,t} + \gamma_m \sum_{m=1}^{M} \ln(X'_{i,t-1}) + \delta_n \sum_{n=1}^{N} Y'_{i,t} + c_i + \theta_t + \varepsilon_{i,t} \quad (2)$$

City-level control variables are included in *X'*, such as GDP per capita (*PGDP*), the proportion of secondary industry (*IS_2*) and tertiary industry (*IS_3*), the ratio of foreign direct investment to *GDP* (*RFDI*), and the fiscal adequacy ratio (*FAR*). *RFDI* indicates a city's ability to attract foreign capital (Zhang, 2013), while *FAR,* the ratio of fiscal revenue to expenditure, reflects the self-sufficiency of local finance (Ma et al., 2019). *Y'* includes leader-related variables such as *Age* and *Tenure* (Wu & Zhou, 2018).

The third model, as expressed in Equation (3), builds upon Equation (1) by adding *FES* as an independent variable to examine the effect of fiscal expenditure structure on tourism development.

$$\ln(TD_{i,t}) = \alpha + \beta PP_{i,t} + \eta FES_{i,t} + \gamma_m \sum_{m=1}^{M} \ln(X_{i,t-1}) + \delta_n \sum_{n=1}^{N} Y_{i,t} + c_i + \theta_t + \varepsilon_{i,t} \quad (3)$$

As outlined by Baron and Kenny (1986), analyzing all three equations together is essential to determine if a mediating effect exists. In other words, this methodology allows us to comprehensively investigate whether and how fiscal expenditure structure mediates the relationship between promotion pressure and tourism development.

Analysis of the correlation matrix in Table 2 reveals that most correlations between variables of interest are moderate (below 0.5). This is desirable as it minimizes concerns about multicollinearity, which can affect model estimates. Encouragingly, the variables related to leadership traits, central to our analysis, demonstrate statistically significant correlations with the dependent variable (tourism development) at a 5% significance level. This suggests these variables have a meaningful relationship with tourism development. Additionally, their correlations with the independent variables (including promotion pressure) fall within a normal range, mitigating concerns about spurious correlations.

[Insert Table 2 about here]

4. Findings and discussion

4.1 Main effect analysis

The main effect analysis results in Table 3 demonstrate the model's overall significance based on the F statistic. Additionally, the model exhibits a strong fit, with an R^2 value of 0.916. The endogeneity test confirms that promotion pressure is endogenous, as the null hypothesis of exogeneity is rejected ($\chi^2 = 5.302$, $p < 0.05$). This highlights the importance of using instrumental variables to address potential bias in the estimates. To ensure the validity of our instrumental variables, we conducted several tests. The Kleibergen-Paap rk LM statistic rejects the null hypothesis of under-identification at the 1% significance level (Kleibergen & Paap, 2006), indicating that the instrumental variables have sufficient information to identify the effect of promotion pressure. Similarly, the Kleibergen-Paap rk Wald F statistic in the weak identification test exceeds the 10% critical value (19.93) of the Stock-Yogo weak ID test (Stock & Yogo, 2005), further supporting the relevance of our instrumental variables. Finally, the over-identification test using the Hansen J statistic rejects the null hypothesis of all instruments being exogenous, confirming the validity of our chosen instrumental variables.

[Insert Table 3 about here]

The estimated coefficient for promotion pressure is significantly positive at the 5% level, indicating that local tourism develops more favorably when the local leader faces greater promotion pressure. GDP per capita (*PGDP*) reflects a city's economic development level, and *FDI* denotes the degree of openness, both of which are positively correlated with

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tourism development, significant at the 1% level. This aligns with our hypotheses. Additionally, factors such as a city's tourism endowment (*SRH*) and transportation accessibility (*RPV*) positively influence tourism development, with significance levels of 1% and 5% respectively, aligning with our expectations. Interestingly, the age of local leaders does not significantly influence tourism development, suggesting that this effect might be mediated through promotion pressures. In contrast, the tenure of local leaders has a significantly positive effect at the 5% level, implying that longer tenures benefit local tourism development. This could be due to the combined effects of increasing promotion pressure with longer service (Zhang & Gao, 2007), and the disruption caused by frequent leadership changes on policy continuity (Yang et al., 2015).

The regression analysis reveals a stronger positive effect of a social sciences major compared to a natural sciences major on local tourism development. This finding, significant at the 1% level, suggests that the skillset fostered by social science education aligns well with public sector management. It complements Shi et al.'s (2022) research demonstrating a positive impact of local leaders with social sciences backgrounds on inbound tourism revenue. Similarly, the coefficient for the *Doctor* variable is positive and significant at the 10% level, indicating that cities with leaders holding doctoral degrees tend to experience greater tourism development compared to those without. This supports Besley et al. (2011), who noted that economic growth tends to increase under more highly educated leaders, highlighting the importance of educational diversity among local leaders.

The analysis also finds a positive and significant relationship at the 5% level between tourism development and the *Local* variable, which indicates leaders being natives or long-

term residents. Leaders with deep roots in their communities have a better understanding of local culture, customs, and history, and possess extensive network resources. This familiarity can inspire a desire to improve their hometowns, a phenomenon Wu and Zhou (2018) refer to as a "hometown complex" (Wu & Zhou, 2018). Consequently, cities with indigenous leaders often outperform those with leaders from outside the region in terms of tourism development. These findings align with literature on shared/community-based leadership, suggesting that leaders' formative local experiences contribute to the development of bonding social capital, while their educational and knowledge backgrounds foster bridging social capital. Together, these elements of social capital enhance trust, reciprocity, and cooperation among local stakeholders, including government officials, private investors, and business owners, fostering successful tourism development within the community (McGehee et al., 2015).

4.2 Heterogeneity analysis

Building on the findings in Table 3, we conducted heterogeneity analyses to explore how differences in economic development and tourism reliance across cities affect the impact of promotion pressure. This approach was motivated by the observation that the incentive effect of promotion pressure varies in economically developed and tourism-dependent cities compared to their counterparts.

(1) The moderating effect of economic development

This study classified cities into groups based on their level of economic development by calculating the annual average GDP per capita. Cities exceeding this average in any given year were labeled as "more economically developed", while those below the average were

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considered "less economically developed". Table 4 reveals that in the more developed city group, the positive impact of local leaders' promotion pressure on tourism development is statistically significant at the 1% level. However, this effect is not observed in the less economically developed group. This pattern mirrors the findings in Table 3, showing consistent effects of various variables across economic development levels.

[Insert Table 4 about here]

In China, fiscal expenditure is managed through a combination of appropriations, credits, subsidies, and taxes (Chen, 2017). Notably, local governments in less economically developed cities often wield significant economic influence, frequently acting as the largest shareholders in local banks and state-owned enterprises (Cao et al., 2014; Ji et al., 2014; Qian et al., 2011). Driven by the imperative of achieving economic growth for promotion purposes, local leaders in these cities tend to favor certain projects with immediate economic returns. These initiatives may not always align with long-term development objectives, particularly in resource-constrained cities with limited economic opportunities (Zhou, 2004). Additionally, the investment in these cities might prioritize local benefits over potentially more lucrative opportunities elsewhere. This can lead to a reliance on government support through subsidies and tax incentives for struggling enterprises (Wang & Xu, 2014).

Zhou (2004) also highlighted how competition for political promotion can lead to redundant construction projects and local protectionism, with many areas investing in infrastructure as part of their economic growth efforts. However, in less developed regions, this can result in underutilized resources and significant financial losses, contributing to

inefficient fiscal fund usage. This inefficiency helps explain why the promotional impact of leadership pressure on tourism development is not evident in less developed cities.

(2) The moderating effect of tourism dependence

In China, tourism-dependent cities rely heavily on tourism as their primary industry, with state-owned tourism enterprises often playing a dominant role. The growth of these cities relies not just on natural and cultural resources but also on effective local governance. Wang and Xu (2014) aptly point out that a region's natural or cultural resources serve as the initial seed capital for tourism development. However, sustained development hinges on the ability to leverage business diversification and the multiplier effects of the tourism industry, alongside efficient management of natural and cultural resources (Wang & Xu, 2014).

To assess tourism dependence, we calculated the annual ratio of domestic tourism revenue to GDP for each city. Cities in the top quartile of this ratio were categorized as "tourism-dependent," while the rest formed the "non-tourism-dependent" group. Interestingly, roughly half of the tourism-dependent cities are located in the Shanxi, Sichuan, Yunnan, Guangxi, and Liaoning provinces. An independent sample t-test reveals a significant difference ($t = 8.58$, $p < 0.01$) in GDP per capita, with non-tourism-dependent cities having a higher average. This suggests that cities more reliant on tourism generally report lower GDP per capita figures.

Limited sample size can pose challenges, particularly for non-tourism-dependent cities where Equation (1)'s estimates may be unreliable. To explore how tourism dependence moderates the effect of promotion pressure on a city's reliance on tourism, this study

introduces an interaction term. A dummy variable, *Tourdepend* (coded 1 for tourism-dependent cities), captures tourism dependence. For addressing endogeneity concerns in causal analysis, we employ the Two-Stage Least Squares (2SLS) method, a prevalent regression analysis technique in economic analyses (Wooldridge, 2016). In the first stage, we regress promotion pressure on instrumental variables (detailed in the Appendix). The second stage incorporates the predicted value of promotion pressure and its interaction with *Tourdepend* into the main effects model (Equation (1)).

The regression results are presented in Table 5. The Hausman test results (χ^2 = 493.34, p < 0.01) support the use of a fixed-effect model. An R^2 value of 0.921 indicates a strong fit for the model. The analysis reveals a significant positive effect of promotion pressure on tourism in non-tourism-dependent cities ($p < 0.01$). However, for tourism-dependent cities, the effect is reversed. The interaction term is significantly negative at the 1% level, with its absolute value exceeding that of the promotion pressure coefficient. This finding aligns with Wang and Xu (2014), suggesting that excessive government intervention can result in negative consequences for tourism-dependent destinations, potentially reducing economic benefits for tourism companies and leading to overcrowding at attractions.

[Insert Table 5 about here]

This study also reveals distinct fiscal expenditure patterns across different city types. Notably, tourism-dependent cities exhibit a significantly lower fiscal adequacy ratio than their counterparts (t = 4.07, p < 0.01), indicating constrained financial resources. Furthermore, these cities demonstrate a significant shift in their fiscal expenditure structure towards

productive expenditure ($t = -9.02$, $p < 0.01$). This finding aligns with prior research suggesting that local governments with limited fiscal resources prioritize economic growth strategies by allocating resources towards productive investment (Zhang, 2013).

Tourism-dependent cities, while rich in natural and cultural resources, face inherent challenges in development. These resources often necessitate stricter regulations for conservation, potentially limiting tourism activities. Successful development in this sector hinges on a multitude of supporting factors (Ruhanen & Reid, 2014). For example, Lai et al. (2006) studying Anhui province, China, found that over half of the proposed tourism initiatives failed due to limitations on planning, funding shortages, issues with market demand, and a lack of qualified personnel. These challenges are inherently complex and require long-term solutions. Compounding these issues is the chronic underfunding of non-productive areas, such as education, by local governments. This impedes the development of a skilled tourism workforce, ultimately jeopardizing not only tourism growth but also the broader service industry.

The majority of tourism-dependent cities in our sample are located along China's border or in less developed regions. These cities typically possess unique natural and cultural resources that could be strategically leveraged to revitalize both the tourism industry and the local economy. However, their weak economic bases and narrow industrial focus complicate the initial stages of tourism development and the realization of its multiplier effects. These intertwined factors collectively weaken the promotional effect of local leaders' efforts.

4.3 Mediation analysis

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Tables 6 and 7 summarize the results of the mediation analysis. Table 6 presents the regression results for Equation (2). An endogeneity test flags a potential issue ($\chi^2 = 2.953$, $p <$ 0.1). To address this concern, a 2SLS estimation with instrumental variables is adopted. The under-identification test confirmed an appropriate number of instruments relative to the endogenous variables, while the weak identification test ensured their sufficient correlation with promotion pressure. Finally, the over-identification test validated the exogeneity assumption of the instrumental variables. Notably, the results reveal a positive and statistically significant relationship ($p < 0.05$) between local leaders' promotion pressure and local governments' fiscal expenditure structure. This suggests a shift towards productive expenditure in response to increased promotion pressure, aligning with prior research (Li & Zhou, 2005; Zhang, 2013; Zhou, 2007).

[Insert Tables 6 and 7 about here]

Table 7 presents the key regression results from Equation (3), which directly assess the mediation mechanism. With the inclusion of fiscal expenditure structure (*FES)* as the mediator, the coefficient of promotion pressure remains positive and significant ($p<0.01$). Additionally, the coefficient of *FES* is positively significant at the 10% level. These findings, along with the results from Equations (1) and (2), suggest that local governments' fiscal expenditure structure partially mediates the effect of promotion pressure on tourism development. In essence, leaders facing promotion pressure strategically adjust their fiscal spending towards productive investment, which in turn, influences tourism development. Increased promotion pressure, often indicative of less secure political standing, motivates leaders to leverage economic power to strengthen their promotion prospects and solidify their

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political positions. This strategic use of economic power, within the broader institutional framework, fosters not only economic growth but also positive outcomes for local tourism development.

5. Conclusions and implications

This study breaks new ground by investigating the influence of local leaders' promotion pressure on tourism development. Our empirical findings reveal a positive influence of promotion pressure on tourism development. Further heterogeneity analyses demonstrate a stronger effect in economically developed and non-tourism-dependent cities. These variations in the impact across city types offer valuable insights. Finally, a mediation analysis identifies that promotion pressure shapes local government's fiscal expenditure structure. These findings confirm the influence of local leaders' political power (promotion pressure) on tourism development, and shed light on the underlying mechanism driven by their economic power (fiscal authority).

Tourism development is inherently multi-faceted, relying heavily on the prevailing political and economic environment (Wang & Ap, 2013). Developed and developing countries adopt distinct tourism governance models based on their institutional settings. In a dominant hierarchical state like China, local governments, led by local leaders, play a crucial role in managing and developing tourism through active participation and strong intervention capabilities. Existing research on tourism governance focuses primarily on decentralized economic contexts. This study aims to shed light on the impact of centralized governance on tourism development from a new institutional economics perspective. We illuminate how China's unique political climate shapes its tourism sector. By employing an instrumental variable-based mediation model and heterogeneity analyses, our work innovatively explores how, why, and under what conditions promotion pressure on local leaders affects tourism development in China. This work broadens our understanding of the institutional

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determinants of tourism development and introduces a valuable research paradigm from mainstream economics into the tourism domain.

This study offers valuable insights for policymakers navigating the complex relationship between tourism development and sustainable governance. First, striking a balance between economic growth and sustainability is crucial for successful tourism development. Many countries, including China, have prioritized economic growth to overcome recurring crises. However, achieving sustainability is becoming increasingly critical (Gill & Williams, 2014). This necessitates a shift from growth-centric models towards sustainable governance approaches. During the transition process, Çakar and Uzut (2020) emphasize the importance of "collective action" that empowers a knowledgeable civil society and participatory public to serve alongside sustainable destination governance (p. 5). While fostering public involvement in local affairs remains a challenge in China's early stage of development (Wang & Bramwell, 2012), destinations can directly benefit from the community leadership framework in addressing specific contextual challenges (Beritelli & Bieger, 2014).

Second, optimizing fiscal expenditure specifically for tourism development requires a multi-pronged approach. China's current level of tourism-related fiscal investment fails to recognize tourism's growing importance as a pillar industry. Increased fiscal support is crucial to promote the industry's transformation and upgrade. Compared to world-renowned destinations that prioritize marketing efforts, China's tourism fiscal spending on information systems and promotion remains insufficient. Local governments need to recognize the urgency of adjusting both the amount and structure of tourism-related fiscal expenditure. Moving away from an extensive development model and learning from successful practices

in developed countries are key steps. Additionally, the relatively low efficiency of China's tourism fiscal expenditure highlights the need for a robust system for monitoring and evaluating the use of public funds.

Third, strengthening local leadership capabilities is essential for effective tourism governance, particularly in regions with weak economic foundation. Stricter requirements regarding local leaders' governance capabilities are necessary. The selection process should carefully consider leaders' educational and professional backgrounds, as these factors influence their social capital and leadership styles. The government needs to take a proactive role in nurturing and attracting tourism professionals. This will ensure a skilled workforce that can propel the destination towards competitiveness in the global market (Baum & Szivas, 2008).

Our study examines the relationship between municipal leadership and tourism development prior to the COVID-19 pandemic. While travel restrictions implemented at various governmental levels have undoubtedly impacted tourism, we believe our findings will remain relevant post-pandemic, assuming the core institutional framework for local leader promotion and incentive systems remain largely unchanged. The pandemic's rapid spread and extended duration have severely disrupted tourism globally, posing a significant challenge for local governments. Consequently, our research offers two key implications for post-pandemic tourism governance. First, during the recovery phase, limited fiscal revenue will necessitate that local leaders maximize their economic power to optimize the use of public funds and prevent waste. In tourism-dependent regions, local leaders will need to strategically deploy fiscal tools like loans, subsidies, and tax breaks to support struggling tourism businesses and

appease entrepreneurs facing financial losses. Second, as tourism plays a crucial role in driving economic recovery during the normalization phase, local authorities must make strategic adjustments to the structure of government spending. These adjustments will ensure that fiscal resources effectively support tourism development initiatives.

While our study offers valuable insights, it also has some limitations that can guide future research. First, our analysis is constrained by the limited availability and scope of fiscal data, suggesting a need for more extensive data collection in future studies. Second, subsequent research could benefit from developing an evaluation system to quantitatively assess the promotional pressures faced by local officials, complementing qualitative interviews. Third, although China serves as a valuable research setting for this topic, our findings may not be universally applicable across different governance models. Future research should consider a broader array of countries to enhance the applicability of our conclusions.

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Tables

Table 1. Definition of variables

Type		Symbol	Variables	Measurement	Data source
Dependent variable		*TD*	Tourism development	Annual domestic tourism revenue (100 million CNY in current price)	
Independent variable		*PP*	Promotion pressure	The inverse of moving average GDP growth rate during the local leader's tenure (%)	
Mediating variable		*FES*	Fiscal expenditure structure	The ratio of productive to non-productive fiscal expenditure (%)	
Control variables	City features	*PGDP*	GDP per capita	GDP per capita (10,000 CNY in current price)	WIND database (WIND, 2023)
		IS_2	Share of secondary industry	Share of secondary industry GDP in total GDP (%)	
		IS_3	Share of tertiary industry	Share of tertiary industry GDP in total GDP (%)	
		FDI	Foreign direct investment	Foreign direct investment (10,000 CNY in current price)	
		RFDI	The ratio of *FDI* to *GDP*	The ratio of FDI to GDP (%)	
		FAR	Fiscal adequacy ratio	The ratio of fiscal revenue to expenditure (%)	
		SRH	Number of star-rated hotels	Number of star-rated hotels	CEIC database (CEIC, 2023)
		RPV	Volume of road passengers	Number of road passengers (10,000 people)	*China City Statistical Year Books*
	Leader features	*Age*	Age	Age of the local leader	*Renmin* website (https://ldzl.people.com.cn) and the historical data of Chinese Research Data Services (CNRDS) platform (https://www.cnrds.com)
		Tenure	Tenure length	Tenure of the local leader	
		Doctor	Educational level	The local leader holds a doctoral degree (yes = 1, no = 0).	
		Major	Major category	The local leader's field of study at his/her highest degree is in social science (yes = 1, no = 0).	
		Local	Local people	The leader is local to the province where he/she works (yes = 1, no = 0).	

Table 2. Correlation matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
(1) $\ln(TD_{i,t})$	1.000															
(2) $PP_{i,t}$	0.363*	1.000														
(3) $FES_{i,t}$	-0.188*	0.043	1.000													
(4) $\ln(PGDP_{i,t})$	0.684*	0.241*	-0.165*	1.000												
(5) $\ln(IS\_2_{i,t})$	-0.042*	-0.246*	-0.224*	0.244*	1.000											
(6) $\ln(IS\_3_{i,t})$	0.485*	0.290*	-0.085*	0.310*	-0.644*	1.000										
(7) $\ln(FDI_{i,t})$	0.628*	0.038*	-0.222*	0.542*	0.131*	0.256*	1.000									
(8) $\ln(RFDI_{i,t})$	0.267*	-0.094*	-0.125*	0.203*	0.124*	0.135*	0.674*	1.000								
(9) $\ln(FAR_{i,t})$	0.368*	-0.091*	-0.374*	0.549*	0.405*	0.132*	0.562*	0.450*	1.000							
(10) $\ln(SRH_{i,t})$	0.585*	-0.003	0.016	0.313*	-0.100*	0.424*	0.521*	0.347*	0.454*	1.000						
(11) $\ln(RPV_{i,t})$	0.366*	-0.126*	-0.183*	0.051*	0.069*	0.044*	0.446*	0.264*	0.310*	0.488*	1.000					
(12) $Age_{i,t}$	0.287*	0.144*	-0.012	0.210*	0.009	0.115*	0.161*	0.045*	0.080*	0.117*	0.016	1.000				
(13) $Tenure_{i,t}$	-0.169*	-0.215*	0.047	-0.189*	0.073*	-0.130*	-0.017	0.079*	0.050*	0.086*	0.106*	-0.072*	1.000			
(14) $Doctor_{i,t}$	0.205*	0.076*	0.013	0.133*	0.017	0.084*	0.096*	0.042*	0.067*	0.098*	0.072*	-0.161*	-0.015	1.000		
(15) $Major_{i,t}$	-0.047*	-0.016	-0.013	-0.051*	-0.050*	-0.011	-0.031*	0.003	-0.038*	-0.010	-0.003	0.007	-0.011	-0.209*	1.000	
(16) $Local_{i,t}$	-0.005	0.019	-0.024	-0.067*	0.083*	-0.117*	0.043*	-0.020	-0.009	-0.062*	0.000	0.069*	-0.011	-0.104*	0.066*	1.000

Note: * $p<0.05$.

Table 3. Main effect analysis (Equation (1))

Variables	$\ln(TD_{i,t})$
$PP_{i,t}$	0.715**
	(2.47)
$\ln(PGDP_{i,t-1})$	0.272***
	(4.41)
$\ln(IS\_3_{i,t-1})$	-1.416***
	(-6.46)
$\ln(FDI_{i,t-1})$	0.029***
	(3.70)
$\ln(SRH_{i,t-1})$	0.188***
	(6.42)
$\ln(RPV_{i,t-1})$	0.027**
	(2.29)
$Age_{i,t}$	0.001
	(0.49)
$Tenure_{i,t}$	0.008**
	(2.01)
$Doctor_{i,t}$	0.026*
	(1.82)
$Major_{i,t}$	0.049***
	(3.15)
$Local_{i,t}$	0.035**
	(2.24)
Year	Control
City	Control
Observations	2,452
F statistic	750.09***
Kleibergen-Paap rk LM statistic	77.484***
Kleibergen-Paap rk Wald F statistic	57.673
Hansen J statistic	0.101
χ^2 statistic	5.302**

Notes: (1) robust z statistics in parentheses; (2) *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 4. Heterogeneity analysis (Economic development level)

Variables	ln $(TD_{i,t})$	
	More economically developed cities	Less economically developed cities
$PP_{i,t}$	1.850***	1.022
	(4.10)	(1.37)
ln $(PGDP_{i,t-1})$	0.192**	-0.123
	(2.25)	(-0.92)
ln $(IS\_3_{i,t-1})$	-0.783***	-2.478***
	(-3.02)	(-5.34)
ln $(FDI_{i,t-1})$	0.025*	0.024*
	(1.78)	(1.95)
ln $(SRH_{i,t-1})$	0.173***	0.153***
	(4.40)	(3.28)
ln $(RPV_{i,t-1})$	0.001	0.020
	(0.09)	(1.05)
$Age_{i,t}$	0.000	0.001
	(0.04)	(0.20)
$Tenure_{i,t}$	-0.001	0.014**
	(-0.21)	(2.10)
$Doctor_{i,t}$	0.016	0.013
	(0.94)	(0.44)
$Major_{i,t}$	0.061***	0.045
	(3.47)	(1.40)
$Local_{i,t}$	0.088***	-0.013
	(4.30)	(-0.48)
Year	Control	Control
City	Control	Control
Observations	1,209	1,031
F statistic	498.14***	373.95***
Kleibergen-Paap rk LM statistic	38.900***	22.034***
Kleibergen-Paap rk Wald F statistic	18.885	23.757
Hansen J statistic	0.410	2.567
χ^2 statistic	5.844**	3.694*

Notes: (1) robust z statistics in parentheses; (2) *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 5. Heterogeneity analysis (Tourism dependent level)

Variables	$\ln(TD_{i,t})$
$\widehat{PP}_{i,t}$	1.395***
	(2.88)
$\widehat{PP}\_x\_Tourdepend_{i,t}$	-1.492***
	(-7.70)
$\ln(PGDP_{i,t-1})$	0.316**
	(2.36)
$\ln(IS\_3_{i,t-1})$	-1.270***
	(-3.47)
$\ln(FDI_{i,t-1})$	0.021*
	(1.96)
$\ln(SRH_{i,t-1})$	0.184***
	(3.69)
$\ln(RPV_{i,t-1})$	0.019
	(0.85)
$Age_{i,t}$	0.001
	(0.31)
$Tenure_{i,t}$	0.014**
	(2.25)
$Doctor_{i,t}$	0.004
	(0.17)
$Major_{i,t}$	0.051**
	(1.98)
$Local_{i,t}$	0.033
	(1.45)
Constant	5.294***
	(12.66)
Year	Control
City	Control
Observations	2,281
σ_u	0.844
σ_ε	0.215

Notes: (1) robust t statistics in parentheses; (2) *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 6. Mediation analysis (Equation (2))

Variables	$FES_{i,t}$
$PP_{i,t}$	0.307**
	(1.97)
$\ln(PGDP_{i,t-1})$	-0.115***
	(-3.66)
$\ln(IS\_2_{i,t-1})$	0.279
	(1.55)
$\ln(IS\_3_{i,t-1})$	0.318
	(1.62)
$\ln(RFDI_{i,t-1})$	0.000
	(0.27)
$\ln(FAR_{i,t-1})$	-0.001
	(-0.02)
$Age_{i,t}$	0.002
	(1.49)
$Tenure_{i,t}$	-0.001
	(-0.26)
Year	Control
City	Control
Observations	1,277
F statistic	8.89***
Kleibergen-Paap rk LM statistic	34.355***
Kleibergen-Paap rk Wald F statistic	32.760
Hansen J statistic	1.496
χ^2 statistic	2.953*

Notes: (1) robust z statistics in parentheses; (2) *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 7. Mediation analysis (Equation (3))

Variables	$\ln(TD_{i,t})$
$PP_{i,t}$	1.397***
	(3.61)
$FES_{i,t}$	0.121*
	(1.72)
$\ln(PGDP_{i,t-1})$	0.185
	(1.57)
$\ln(IS\_3_{i,t-1})$	0.397
	(1.36)
$\ln(FDI_{i,t-1})$	-0.002
	(-0.21)
$\ln(SRH_{i,t-1})$	0.066
	(1.39)
$\ln(RPV_{i,t-1})$	-0.015
	(-0.83)
$Age_{i,t}$	-0.006
	(-1.39)
$Tenure_{i,t}$	0.014**
	(1.96)
$Doctor_{i,t}$	0.042*
	(1.91)
$Major_{i,t}$	0.069***
	(2.62)
$Local_{i,t}$	-0.017
	(-0.63)
Year	Control
City	Control
Observations	883
F statistic	147.30***
Kleibergen-Paap rk LM statistic	23.327***
Kleibergen-Paap rk Wald F statistic	16.135
Hansen J statistic	0.351
χ^2 statistic	11.652***

Notes: (1) robust z statistics in parentheses; (2) *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Appendix

Table 8. 2SLS regression (First stage)

Variables	$PP_{i,t}$
$GDPGR\_AVG_{i,t-1}$	-0.621***
	(-9.76)
$GDPGR\_PRE_{i,t}$	-0.117***
	(-3.21)
$\ln(PGDP_{i,t-1})$	0.009**
	(2.10)
$\ln(IS\_3_{i,t-1})$	-0.010
	(-0.37)
$\ln(FDI_{i,t-1})$	-0.002
	(-1.25)
$\ln(SRH_{i,t-1})$	-0.001
	(-0.32)
$\ln(RPV_{i,t-1})$	0.000
	(0.05)
$Age_{i,t}$	-0.001
	(-1.25)
$Tenure_{i,t}$	-0.004**
	(-2.28)
$Doctor_{i,t}$	0.000
	(0.08)
$Major_{i,t}$	0.000
	(0.05)
$Local_{i,t}$	0.000
	(0.03)
Constant	0.044
	(0.94)
Year	Control
Observations	2,522
σ_u	0.026
σ_ε	0.068

Notes: (1) robust z statistics in parentheses; (2) *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$; (3) the result of Hausman test suggests using a random effect model ($\chi^2 = 22.14$, $p = 0.81$).