

**The Competitive Saving Motive:
Evidence from Rising Sex Ratios and
Saving Rates in China**

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Discussion by

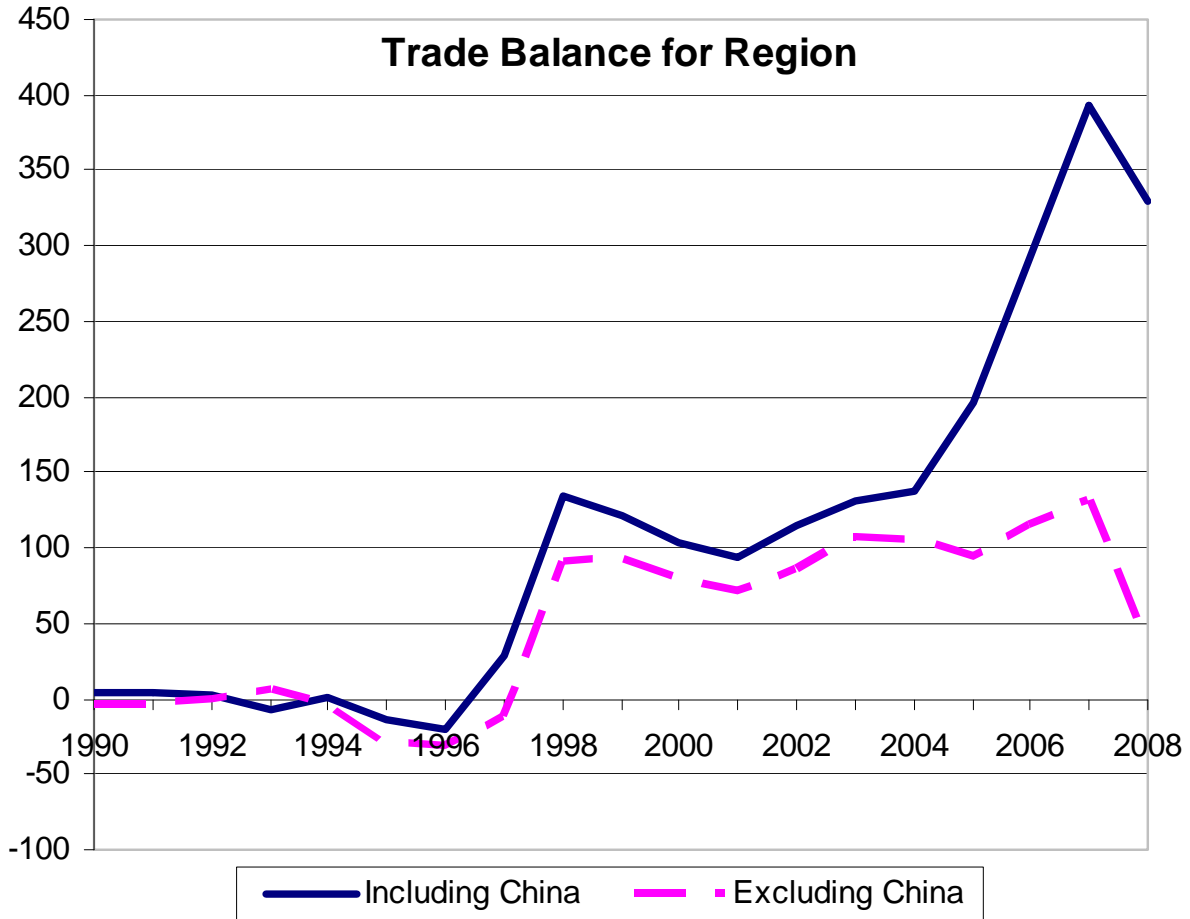
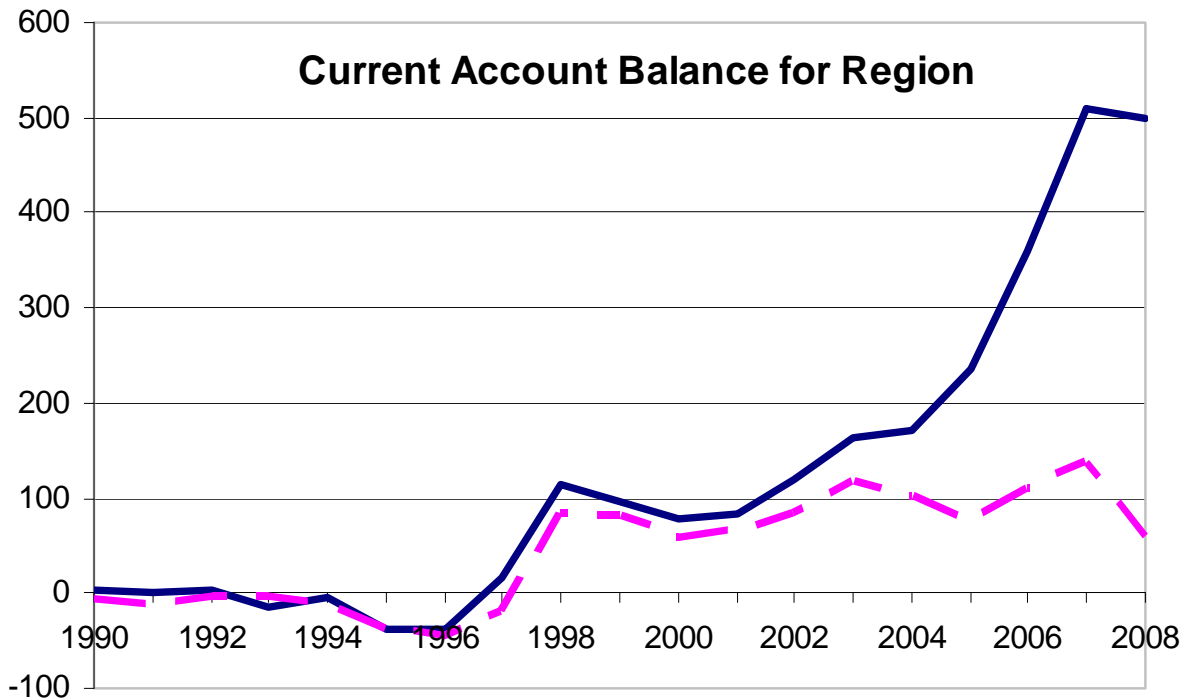
Eswar Prasad

Cornell University, Brookings Institution and NBER

Outline of Discussion

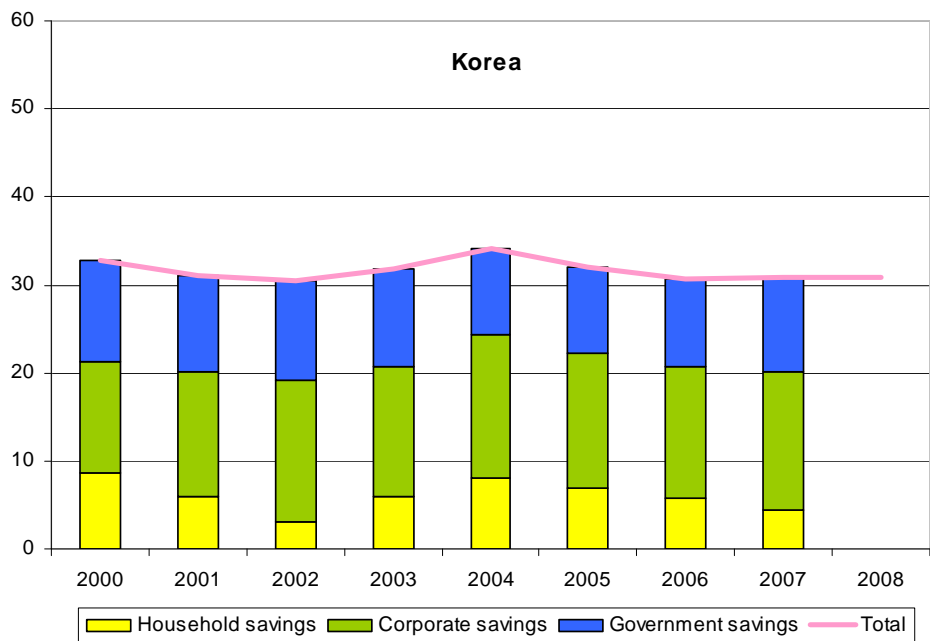
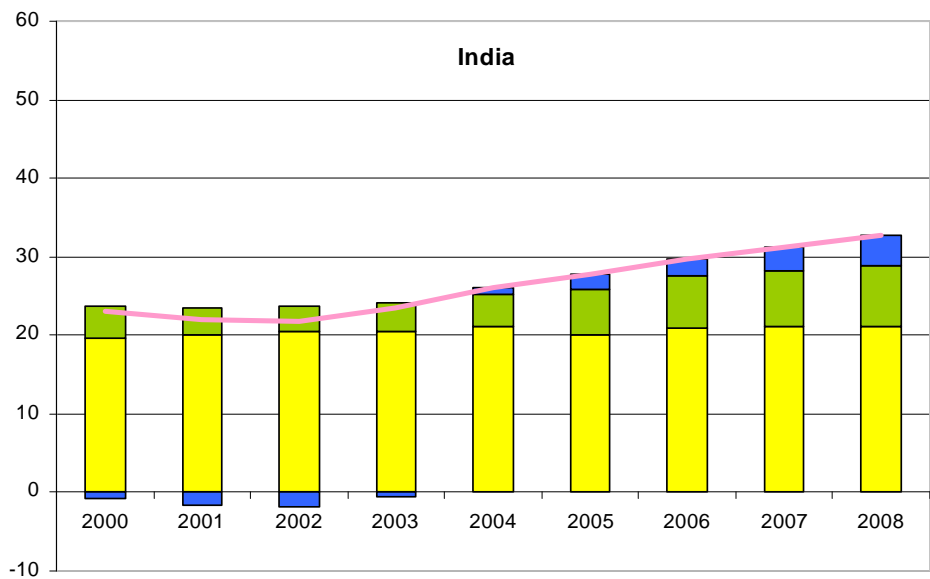
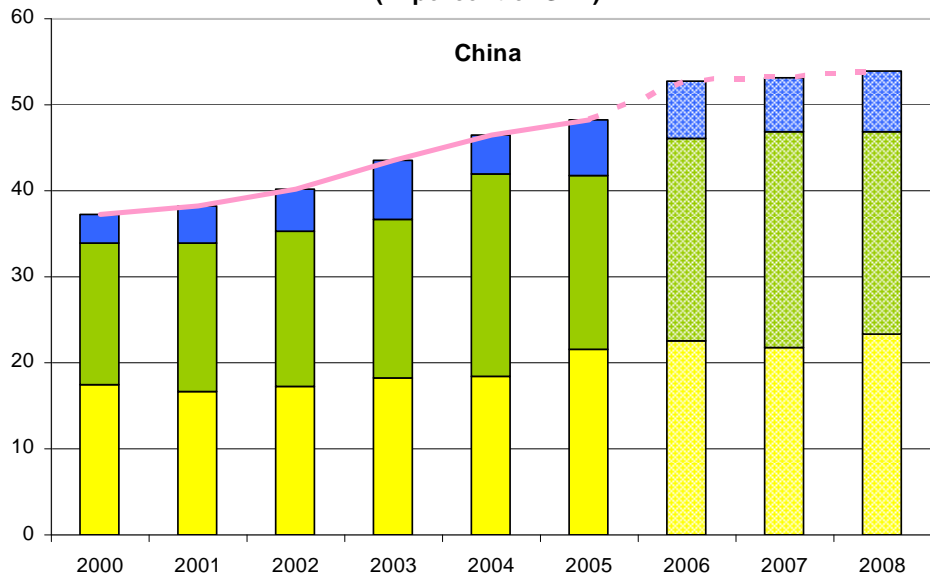
- Why should we care about this paper?
- What does the paper do?
- Another look at conventional explanations
- Thoughts on empirical analysis

Aggregate Current Account and Trade Balances for Developing Asia (billions of US dollars)



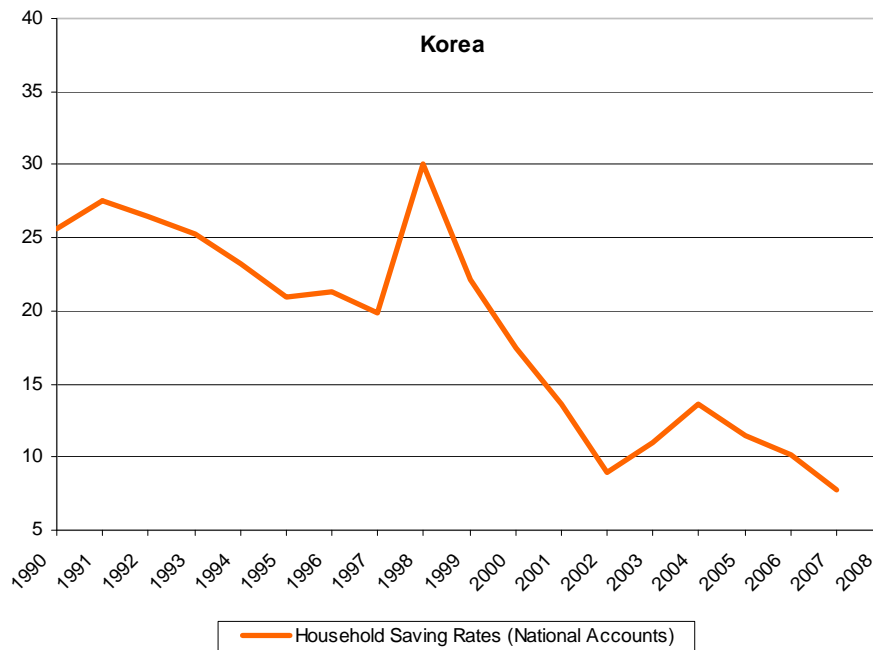
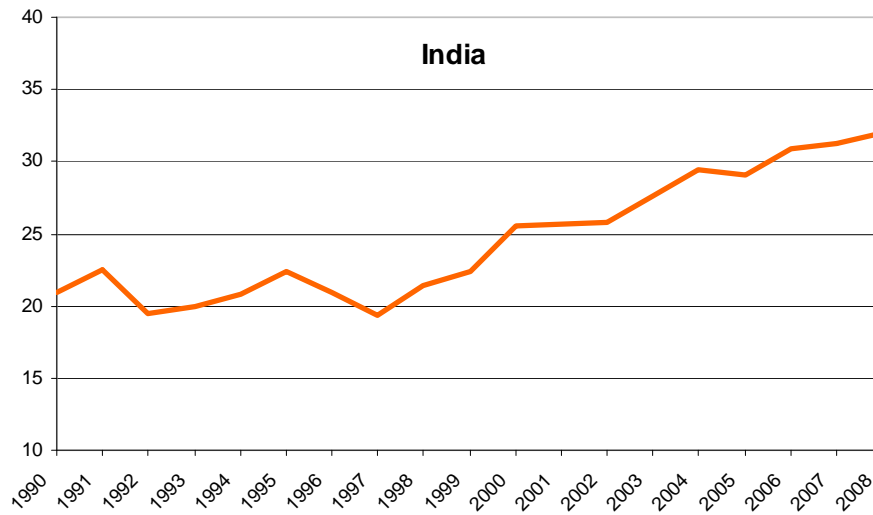
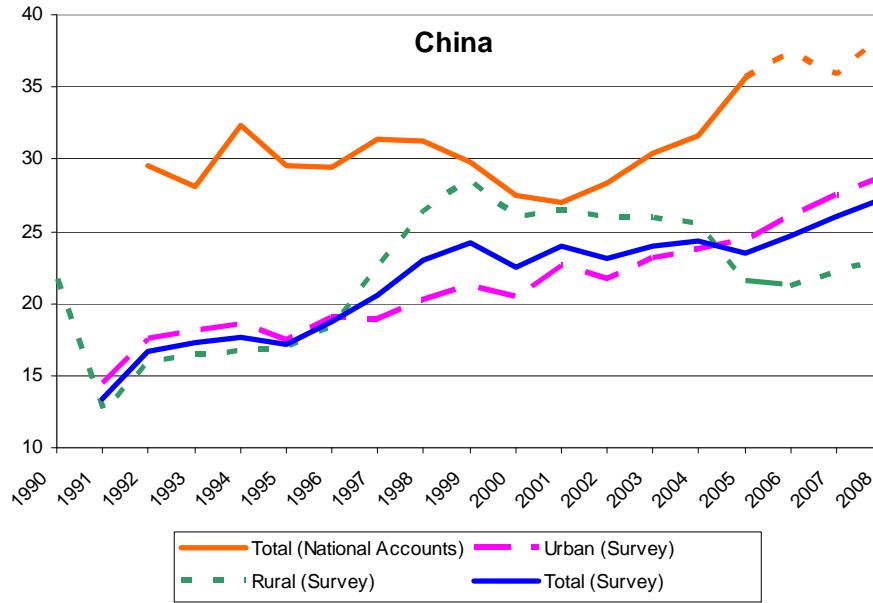
Including China
 Excluding China

**Composition of National Saving
(in percent of GDP)**



Household savings Corporate savings Government savings Total

Household Saving Rates (as percent of household disposable income)



What the Authors Do

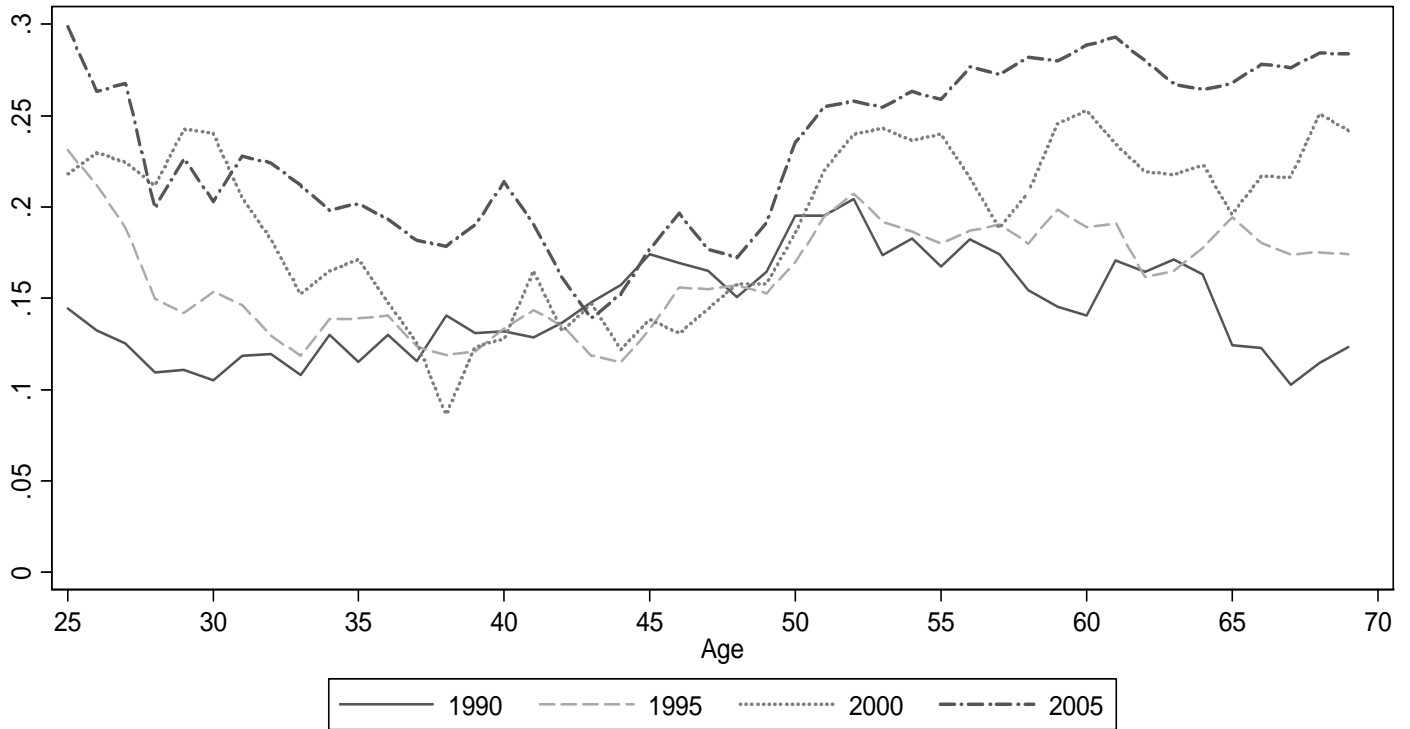
- Seek an explanation for the increase in the household saving rate during 1990-2007
- Posit that sex ratio imbalance can lead to competitive saving behavior in order to generate better marriage prospects for sons
- Argue that savings behavior of parents with sons leads to higher house prices, which in turn leads to higher saving levels across the board
- Use province-level data over time to test that sex ratio imbalance positively correlated with saving rates, after controlling for demographics, income levels etc.
- Look at household-level data for one year to show that this holds up in the cross section
- Contend that a higher local sex ratio is associated with larger average housing size and higher housing value (cross-sectional evidence, county-level data for one year)

Conventional Explanations

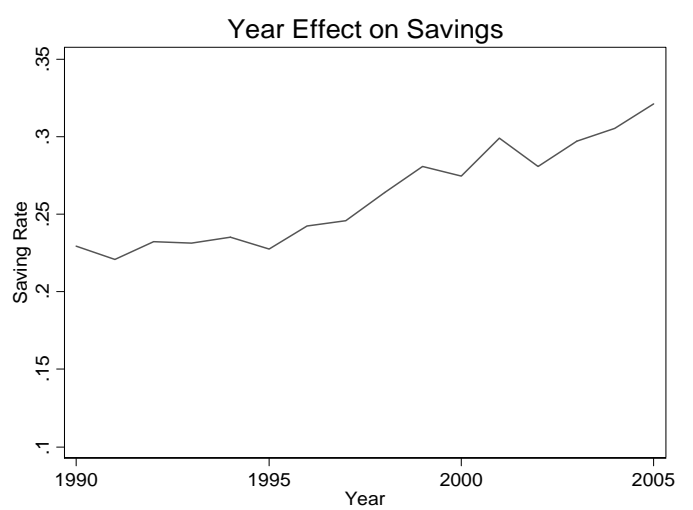
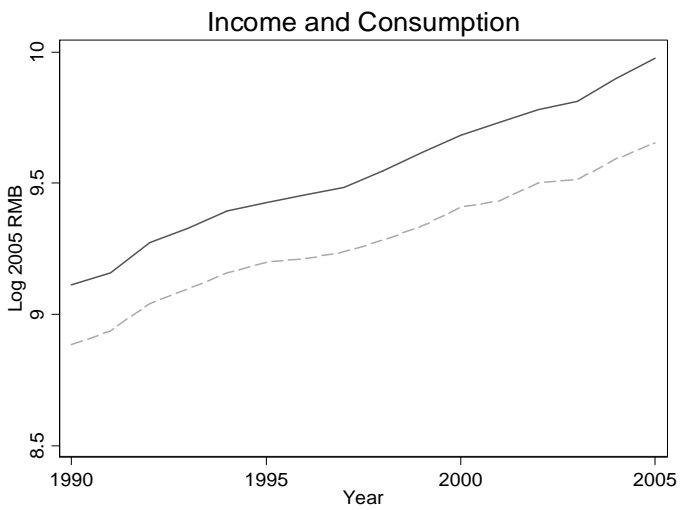
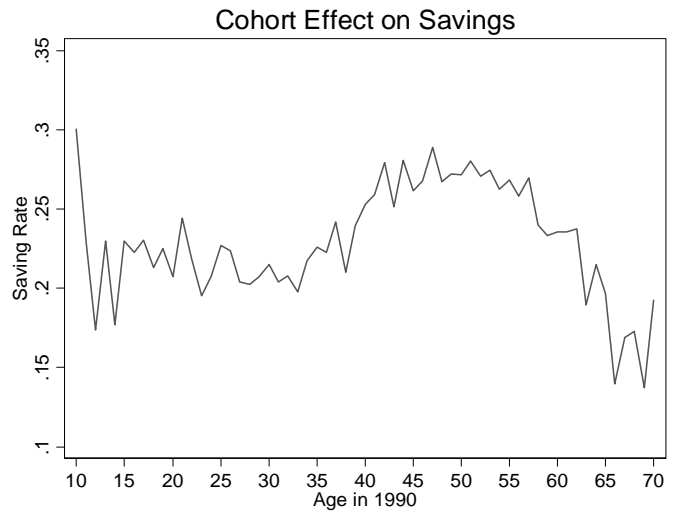
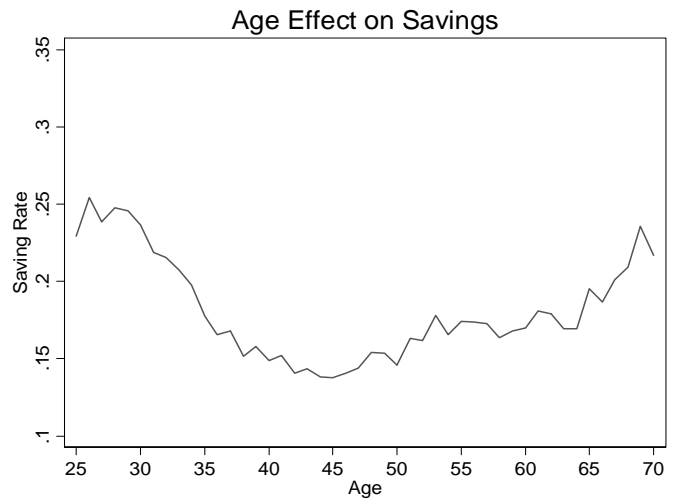
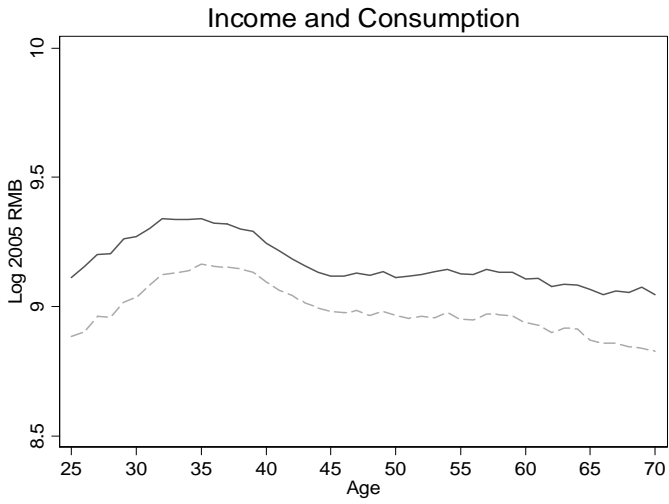
- Life cycle model and demographics
- Habit persistence
- Cultural norms
- Precautionary savings
 - Income risk
 - Health risk
- Financial development

Average Saving Rates by Age of Head of Household

(Saving Rate = $1 - \text{Consumption/Disposable Income}$)



Age, Cohort, and Year Effects on Income, Consumption, and Saving Rates



Issues / Alternative Interpretations

- Does higher wealth lead to better outcomes in marriage market?
- Story about signaling effect shifts in different parts of paper
 - Quality/size of house as indicator of wealth
 - Other forms of conspicuous consumption
 - Evidence on wedding expenditures

CM effect may differ by country's income level and degree of financial development

Issues / Alternative Interpretations

- Saving for education
 - Returns to education higher for men
 - Returns to education rising
 - More investment in education in households with sons?
- Level versus change in saving rates
 - Analysis of housing values
 - Bank deposits
- International evidence
 - Korea, India: examples or counter-examples?

Material Girl (1984)

Some boys try and some boys lie but
I don't let them play
Only boys who save their pennies
Make my rainy day, cause they are

Chorus
(repeat)

Boys may come and boys may go
And that's all right you see
Experience has made me rich
And now they're after me, cause everybody's

Chorus
(repeat and fade)

Material Girl (1984)

Some boys kiss me, some boys hug me
I think they're o.k.
If they don't give me proper credit
I just walk away

They can beg and they can plead
But they can't see the light, that's right
cause the boy with the cold hard cash
Is always mister right, cause we are

Chorus:

Living in a material world
And I am a material girl
You know that we are living in a material world
And I am a material girl

Some boys romance, some boys slow dance
That's all right with me
If they can't raise my interest then I
Have to let them be

Material Girl (1984)

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I think they're o.k.

If they don't give me proper credit
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Hanky Panky (1990)

Some girls, they like candy, and others, they
like to grind,

I'll settle for the back of your hand somewhere
on my behind.