Abstract
Performance-based promotion schemes in administrative hierarchies have limitations. Chinese provincial leaders, despite facing strong career concerns, make different policy decisions depending on their career backgrounds. Provincial party secretaries who rose from low to high positions within the province they govern (“locals”) spend a higher share of budgetary resources on education and health care and invest less in construction infrastructure than party secretaries who made their most significant career advancements in other provinces (“outsiders”). Identification comes from variation in central leadership and term limits. As the promotion mechanism rewards infrastructure investments, locals are less likely to be promoted at the end of the term. We explore various mechanisms and provide evidence that the difference between locals and outsiders is not driven by knowledge or experience. Several pieces of evidence suggest that locals cater to low-level provincial elites, who helped them rise to power. Thus, local career trajectories limit the power of career concerns by fostering competing allegiances. (JEL: H11, H70, P26)

Keywords: career concerns, federalism, hierarchies, public goods, autocracy, China.