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and Background Risk**

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Household Financial Decisions, the Role of Child Gender and Background Risk*

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ABSTRACT

We investigate the role of child gender in financial responses to shocks among households in China, where having a son has deep historical cultural roots, especially in rural areas. Specifically, we compare investment and savings decisions between families with daughters and those with sons in both rural and urban settings by leveraging two quasi-natural experiments: land expropriation and housing demolition in China. Land expropriation primarily affects rural households, while housing demolition predominantly impacts urban households, offering a comparative lens to understand how households adjust financial portfolios under different contexts. We find that expropriation with *hukou* changes increases stock investments and reduces savings rates for rural households with a daughter relative to those with a son. In urban areas, households with a daughter are also more likely to invest in the stock market following housing demolition, but their savings rates remain unchanged. Our findings reveal the differential impact of child gender on household financial decisions following background risk shocks (expropriation) and wealth shocks net of background risk changes (demolition).

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1 Introduction

Household financial decisions are central to our understanding of financial markets and household behaviors. An expanding literature on household finance has moved beyond seeing households as simplistic representative agents and acknowledged that behavioral factors and household specificities are crucial to the understanding of household financial decisions (Guiso and Sodini, 2013; Gomes et al., 2021). Investment and savings behaviors within households are complex, heterogeneous, and shaped by many factors. It is well documented that social environment/institution, culture, financial literacy, financial wealth, cognitive skills, and educational attainment are all relevant contributors to investment and savings decisions at the household level. Institutional changes as well as large wealth shocks can have substantial influences on how households adjust their financial portfolios. Household financial decisions are often made on a joint basis depending on household characteristics such as the number and age of dependent children, the gender mix of the children, or the labor market status of the prime-aged couple. Although rarely observed, when major economic shocks occur, households with different characteristics are expected to react differently as their incentives and priorities differ according to these characteristics. It is important to understand how these shocks affect household financial decision-making. We believe that child gender plays an important role in household financial decisions in the face of substantial economic shocks, especially in a cultural environment that favors boys over girls. In the past several decades, China has experienced both tremendous economic growth and rapid urbanization, which offers a unique opportunity to explore how child gender affects households' financial choices in the face of institutional changes and large wealth shocks.

We focus on two closely related economic shocks in the Chinese economy: land expropriation with *hukou* changes in rural China, and housing demolition in urban China. We believe that either of these shocks is large enough to alter many critical decisions

within a household over its life cycle. Land expropriation and housing demolition both involve taking land/property rights from the household with different forms of compensation. Land expropriation often commences in rural China during urbanization, when nearby cities demand more land in their expansion. We utilize land expropriation accompanied by *hukou* changes as a major part of the compensation package, as it is a natural experiment that reduces the background risk for the expropriated households. These households typically gain access to quality public goods as a result of the change in *hukou* status. [Wang et al. \(2024\)](#) have shown that major institutional changes such as *hukou* changes in China constitute a major shock that reduces background risk which further leads households to invest more in risky assets (for example, in the stock market). Housing demolition is another featured phenomenon that characterizes fast urbanization when less developed and older urban areas are replaced by modern communities with larger capacity and better facilities. Housing demolition often comes with generous financial compensation in the form of cash or relocated new residential units, which constitutes a substantial wealth shock. In this paper, we investigate whether and how child gender alters the effects of these two similar shocks on household investment and savings decisions.

The role of child gender and related background information has been well established in different countries. Existing studies suggest that both cultural expectations and psychological factors influence these dynamics. Using the US data, [Bogan \(2013\)](#) finds that having only female offspring can significantly increase the probability of holding stocks. [Antman \(2015\)](#) focuses on Mexico migrant households and finds that a greater share of resources goes to boys and greater authority to the head of the household. [Basu et al. \(2023\)](#) use lab-in-the-field experiments to show that the preference for boys is possibly due to their higher productivity in rural Côte d’Ivoire.

Evidence from Chinese data indicates that children’s gender significantly influences household financial decisions, shaped by cultural norms, which is also observed in broader

Asian contexts. Whether a family has a son or daughter impacts financial behavior in distinct ways. [Li et al. \(2022\)](#) analyze how high sex ratios (more men than women) influence household portfolio choices with data from the China Household Finance Survey (CHFS). Their findings suggest that rising sex ratios account for approximately 10 percent of the substantial growth in the size of the Chinese stock market in recent decades. [Tani et al. \(2023\)](#) investigate the relationship between child gender and household financial decisions in a cultural environment that favors sons. Using CHFS and controlling for unobserved heterogeneity, they find that having a daughter is associated with a lower savings rate. Their findings are consistent with the hypothesis that daughter-present families face less competition from the future marriage market and have a lower incentive to save for female heirs. [Wei and Zhang \(2011\)](#) proposed a “competitive saving motive”: as the sex ratio (male-to-female) rises, parents of sons increase savings to enhance their sons’ marriage prospects. Using data from the Chinese Household Income Project (CHIP), they found that around 60 percent of the observed household savings rate increase from 1990 to 2007 can be explained by skewed regional sex ratios. These studies highlight a marked difference in financial decision-making depending on the gender mix of children in the household.

Given the evidence above, an open question still remains: how does child gender affect household financial decisions differently in urban and rural regions when households experience background risk shocks (such as expropriation) and significant wealth shocks independent of background risk (such as demolition)? Leveraging these two unique exogenous policy shocks in China, our study aims to analyze the influence of child gender on household financial decisions after institutional changes and wealth shocks. We utilize the Longitudinal Survey on Rural-Urban Migration in China (RUMiC) and the China Household Finance Survey (CHFS) in our empirical analysis. Both surveys contain a rich set of household and individual characteristics as well as information on investment and savings decisions. More importantly, the RUMiC has detailed information on land expro-

priation with *hukou* changes, and the CHFS has detailed information on the incidence of housing demolition, which help us identify households treated by the policy shocks.

We find that households with daughters have a higher probability to participate in the stock market after land expropriation with *hukou* changes in rural areas and housing demolition in urban areas. The causal effects are large in magnitude, between 38% and 53%. We also find that in rural China, land expropriation with the reduction in the background risk makes daughter-present households save much less (27%) than non-daughter households, suggesting that rural households become more precautious in investing in risky assets and save more if they have only sons in the family. We do not find significant evidence of different savings patterns following housing demolition between daughter and non-daughter households. There is a substantial amount of heterogeneity in the effects of child gender on investment and savings choices after land expropriation and housing demolition, and the effects vary with household members' educational levels, household income as well as number of children.

We explore two potential mechanisms that can explain the role of child gender. Parents make different financial decisions considering both retirement funds and expected child-related expenditures in the future. The expected financial support from children and the expected expenditure on children's marriage can differ with the child's gender. We also perform a series of robustness checks to ensure that we capture meaningful causal evidence and guard our identification strategy against potential biases.

Our study contributes to the literature on gender and financial decisions in the face of major economic shocks in two important ways. First, this paper is the first to analyze the effects of two major natural experiments, rural land expropriation and urban housing demolition, on household financial decisions via child gender. These shocks are quite substantial and, as a result, have sparked numerous studies examining their effects on Chinese households and economy; however, none of these studies have focused on the role of child gender in financial decisions. Second, our study provides the first evidence on

the comparison of household financial responses to two major shocks between rural and urban settings related to child gender. It is interesting to see that reduced background risk due to *hukou* changes does generate differential savings effects for rural households with daughters, while the pure wealth shock brought by housing demolition in urban areas does not produce any significant impact on savings for similar households.

The paper proceeds as follows. Section 2 gives an overview of the background of land expropriation and housing demolition in China. Section 3 reviews the data used in the empirical analysis. Section 4 presents the econometric analysis. Section 5 discusses the results, and Section 6 summarizes the key findings and provides concluding remarks.

2 Background

In this section, we provide a brief background on land expropriation and housing demolition in China. In China, all land is publicly owned. The farmers lease agricultural land to produce; meanwhile, the urban homeowners own the property, not the land. Local governments have stringent control over land expropriation and housing demolitions. Certain compensation rules will apply to these processes accordingly.

2.1 Land expropriation

Land expropriation is the process where the state reassigns rural land for urban development during China's rapid urbanization. After private land ownership ended in 1956, reforms in 1978 allowed farmers to lease agricultural land, driving productivity and demand for urban land. The land ownership is tied with the *hukou* system in China. Introduced in 1958, the *hukou* system restricted rural-to-urban migration to support industrialization, and it continues to determine access to jobs and public services like welfare and public schools. Reforms since 1984 have gradually opened the urban labor market to rural migrants, weakening the rural-urban divide. Simultaneously, land reforms

have opened rural land markets. By 1988, China allowed cities to commercialize land use rights. However, forced land expropriations in the 1980s and 1990s triggered resistance. To ease tensions, local governments began offering urban *hukou* and welfare benefits as compensation, turning many rural residents into urban citizens after losing their land rights. Local government decides whether, when, and where land is expropriated – often motivated by fiscal revenue generation – and households cannot lobby expropriation or predict it well before the official announcement (Sha, 2023). Therefore, land expropriation is an exogenous and substantial shock for rural residents during economic growth that lends proper context for a quasi-experimental research design.

2.2 Housing demolition

The higher economic growth in urban areas triggered a substantial flow of rural-to-urban migrants, creating a strong demand for housing. Public rental housing has declined since the 1998 housing reforms, and private ownership now dominates urban areas. Chai (2014) finds that the real state boom since the 2000s accelerated the pace of housing demolition to provide land for real state development. When the homeowners are required to leave their property, they can negotiate compensation, often benefiting from rising property values during real estate booms. Following the “Regulation on the Dismantlement of Urban Houses”, monetary compensation was usually offered to the homeowners alongside property exchanges. Displaced homeowners from demolitions were either given monetary compensation or relocated to designated residential units. The rules were updated in 2011 to continue offering in-kind and monetary compensation, determined by factors such as location and construction area. The windfall from housing demolition might influence the financial behavior of affected urban residents. Similar to land expropriation, the timing and location of housing demolition is determined by the local government and Wang et al. (2023) show that housing demolition is largely exogenous, with no evidence of households selecting into housing demolition.

3 Data

Our empirical analysis is based on random samples of Chinese households drawn from two high-quality, large-scale, and nationally representative surveys: the Longitudinal Survey on Rural-Urban Migration in China (RUMiC) and the China Household Finance Survey (CHFS).

3.1 Longitudinal Survey on Rural-Urban Migration in China

3.1.1 Data description

To analyze how rural households make financial decisions in response to background risk shocks, we use data from the RUMiC – a collaborative project initiated in 2008 by a team of researchers from Australia and China.¹ The RUMiC provides data on a range of household and personal characteristics and includes detailed questions about *hukou* status, family farmland, household consumption, assets, and expenditures. This information offers a good opportunity to investigate the gender-specific impact of *hukou*-changing expropriation on the financial decisions of rural households. The RUMiC comprises three independent surveys: the Rural Household Survey (RHS), the Urban Household Survey (UHS), and the Migrant Household Survey (MHS). For the purpose of our analysis, we use data from the 2009 and 2010 waves of the RHS.² The RHS was conducted in villages across nine provinces, with around 8,000 households interviewed in each wave.³

We restrict our analysis to rural households with at least one child, where both parents

¹Akgüç et al. (2014) provide a good overview of this dataset. The RUMiC data are publicly available at <http://idsc.iza.org/rumic>.

²Although the RUMiC covers rural, urban, and migrant populations, we exclude urban and migrant respondents from our analysis because land expropriation occurs exclusively in rural villages. Additionally, since questions on household finances and individual risk attitudes (a key factor in understanding financial decision-making) were only collected after the first round of the survey, we cannot rely on data from the 2018 wave of the RHS.

³The RHS was conducted in the following nine provinces, which are major migrant outflow and inflow regions: Anhui, Chongqing, Guangdong, Hebei, Henan, Hubei, Jiangsu, Sichuan, and Zhejiang.

(i.e., household heads and their spouses) are aged between 22 and 65, and the eldest child is under the age of 18. These children have not reached legal adulthood and are therefore less likely to influence the financial decisions of their parents. As panel data estimation methods require repeated observations of parents from the same household in different time periods, we retain only those who appear in both waves of the survey. After excluding observations with missing values in any variable used in the empirical analysis, we are left with 2,320 observations in the balanced panel dataset, corresponding to 1,160 individuals observed over a two-year period.

According to Table 1, there are three distinct types of households in our working sample: those with only female children, those with both female and male children, and those with only male children. For analytical purposes, we categorize the first two types together as “households with at least one daughter”. In one-child households, 35.2 percent of rural parents have a daughter and the rest (64.8%) have a son. For multi-child households, 20.4 percent of rural parents have exclusively daughters, 62.6 percent have a mix of daughters and sons, and 17 percent have exclusively sons.

One unique aspect of the RUMiC dataset is that respondents are asked whether they have changed their *hukou* status and, if so, the reasons for the change. Besides, respondents provide information about the specific year of *hukou* change. We define individuals whose *hukou* status has been converted from rural to urban as a result of land expropriation as having undergone an “expropriation shock”.⁴ Table 2 shows that 4.8 percent of rural parents have experienced a *hukou* change due to land expropriation. The majority of *hukou*-changing expropriation cases in the RUMiC took place in the mid-to-late 1990s. To assess the gender composition of children, we create a binary variable equal to one if there is at least one female child living in the household and zero otherwise. In the RUMiC sample, 1,279 (55.1%) rural parents have at least one daughter.

The outcome variables of interest are household investment and savings decisions.

⁴We exclude few cases of rural-rural migrants to ensure that the reference group is composed of rural stayers, who do not migrate to urban areas or to other rural areas.

We employ a dummy variable for stock market participation to measure household investment, which takes a value of one if the household holds any stocks, bonds, or other types of valued securities, and zero otherwise. To measure household savings, we focus on savings rate, which is defined as the fraction of household financial assets held in savings.⁵ The savings rate is set to zero for non-savers (i.e., those with zero savings) by our definition.

3.1.2 Summary statistics

Table 2 presents summary statistics for the entire RUMiC sample (column 1) and the two subsamples of households with and without at least one daughter (columns 2 and 3). The rural parents in our sample are on average 39 years old. They are typically married (98.5%), employed (91.4%), and hold an agricultural *hukou* (95.6%). Their self-reported willingness to take risks is approximately 3 on a 0–10 scale.⁶ We classify the education level of parents into three categories: primary education or below, secondary education, and higher education. More than 96 percent of rural parents have only acquired a primary or secondary degree. The average household consists of 3.73 persons, and the average number of children per household is 1.46. The relatively high dependency ratio (64.1%) implies that economically active household members face a greater burden in supporting and providing care for children and older adults.⁷ The average monthly household labor income is 1,860 yuan and the total household financial wealth is 32,660 yuan.

With regards to financial decision outcomes, rural households hold more than half of their financial assets in savings (56%), and their participation rate in the stock market is

⁵In the RUMiC questionnaire, respondents reported the year-end balance of family financial assets, which is the total value of savings, risky assets (such as stocks and bonds), lending money, liquid assets occupied by family business, investment in other enterprises, and other financial assets held by the households.

⁶The individual risk attitudes in the questionnaire are measured on a scale from 0 to 10, where 0 indicates “never take a risk” and 10 indicates “most likely to take a risk”.

⁷The dependency ratio is defined as the sum of the young population (under age 15) and elderly population (aged 65 and over) relative to the working-age population (aged 16 to 64).

rather low (1.7%). These patterns are consistent with previous findings of high household savings rates and limited household investment in risky assets in China, especially in rural areas (Wei and Zhang, 2011; Li et al., 2022). There are significant differences in the investment and savings behavior between the two types of households distinguished by child gender. Specifically, households with a daughter are more likely to invest in stocks (2.4% vs. 0.9%) and have a lower savings rate (54.1% vs. 58.2%) than those with a son. It is worth noting that we are more interested in seeing whether these two types of households would react differently to economic shocks when choosing their financial portfolios, which we will rigorously explore through regression analysis in the later section.

3.2 China Household Finance Survey

3.2.1 Data description

The data for urban analysis come from the CHFS, a biennial longitudinal survey conducted by the Survey and Research Center for China Household Finance of the Southwestern University of Finance and Economics, covering the years 2011, 2013, 2015, 2017, and 2019.⁸ The first wave in 2011 covers 8,438 households in 25 provinces, 82 counties, and 320 communities. The sample size expanded over time, with the most recent wave in 2019 covering 34,643 households across 29 provinces, 346 counties, and 1,365 communities. The CHFS questionnaire contains comprehensive information on housing and household financial circumstances, including housing demolition, home ownership, stock market participation, savings deposits, income, wealth, and expenditures, as well as household members' demographic, socioeconomic, and labor market characteristics, such as age, gender, education, employment status, and risk attitudes. Due to the availability of information on housing demolition, we employ the 2011, 2013, 2017, and 2019

⁸For further details and access to the CHFS datasets, please refer to Gan et al. (2014) and the official website at <https://www.swufe.edu.cn/>.

waves of the CHFS data.⁹ The sample is restricted in a similar fashion to the RUMiC in order to maximize comparability between the results. We focus on urban parents aged 22 to 65 whose children are under the age of 18. In addition, we retain individuals who have stayed in the survey for two or more periods, as our identification strategy requires individuals to be observed at least twice during the panel. The final urban sample is an unbalanced panel of 10,611 individual-period observations.

The economic shock variable is constructed based on the survey question: “Has the household ever experienced a housing demolition (*chaiqian*)?” We generate a dummy variable that equals one if the answer to the above question is “yes” and zero otherwise. Housing demolition does not seem to be a rare event for households in urban China. According to Table 3, 12.5 percent of parents in urban households experienced housing demolition during the years covered by the CHFS. The measure for children’s gender composition – a dummy for daughter presence – is defined analogously to that in the RUMiC. In the CHFS sample, 5,688 (53.6%) urban parents have at least one daughter.

As shown in Panel B of Table 1, 73.4 percent of households in the CHFS have only one child, and this number is much higher than that calculated from the RUMiC sample (58.3%). This is not surprising as the one-child policy was relatively strictly enforced for urban residents, but rural parents in most provinces were allowed to have a second child if the first was a girl. The sex composition of children in urban households with two or more children is similar to that in the corresponding households in rural areas. More precisely, 20.7 percent of urban parents have only daughters, 60.1 percent have both daughters and sons, and 19.2 percent have only sons. However, compared to the rural case where only one-third of single-child households have a daughter, we observe a more balanced child sex ratio in urban households that have only one child, reflecting the historical preference for sons in rural China.

⁹We do not have complete information from the 2015 CHFS questionnaire regarding whether households experienced housing demolition, because questions related to housing demolition were only asked of a subset of respondents (45.8%).

We construct two measures of household financial decisions from the CHFS data. The first measure is a dummy variable indicating stock market participation, which takes a value of one if the household holds stock accounts at the time of the survey and zero otherwise. The second measure is the household savings rate (as a percentage of household financial assets).¹⁰

3.2.2 Summary statistics

The summary statistics for all CHFS households (column 1), daughter-present households (column 2), and non-daughter households (column 3) are reported in Table 3. A comparison of unconditional means unravels noteworthy disparities between urban and rural areas. For instance, urban parents in the CHFS sample generally have more education, more wealth, and a higher level of risk tolerance than rural parents in the RUMiC sample.¹¹ More importantly, the average savings rate of urban households (47.4%) is lower than that of their rural counterparts (56%). This may be attributed to the fact that the urban safety net has traditionally been more adequate compared to rural areas; thus, urban people have less incentive to accumulate savings as a precautionary measure against future uncertainty. Furthermore, unlike the case in the rural setting, stock investment appears to be an important part of household investments for urban households. In the urban sample, 18.6 percent of households participate in the stock market. This stands in stark contrast with the much lower participation rate of rural households (1.7%), possibly due to a lack of financial literacy and low income levels in rural areas.

¹⁰In the CHFS survey, household financial assets are the sum of risky assets (e.g., stocks, bonds, mutual funds, financial derivatives, bank wealth-management products, etc.), risk-free assets (i.e., cash and savings accounts), gold, outstanding liabilities, and other financial assets owned by the households.

¹¹The risk attitudes question in the CHFS questionnaire is “What is your choice among combinations of risk and return? a. high risk, high return; b. slightly above-average risk, slightly above-average return; c. average risk, average return; d. slightly below-average risk, slightly below-average return; e. unwilling to take any risk”. To facilitate the interpretation, we reversed the measurement scale so that 1 represents unwillingness to take any risk, and 5 represents preferences for high-risk and high-return projects.

4 Empirical Strategy

To examine the gender-specific effect of economic shocks on household financial decisions, we estimate the following regression equation:

$$y_{ht} = \beta_0 + \beta_1 Dau_{iht} + \beta_2 Shock_{iht} + \beta_3 Dau_{iht} \times Shock_{iht} + X_{iht}\beta_4 + \gamma_i + \epsilon_{iht} \quad (4.1)$$

where the dependent variable, y_{ht} , measures the financial choice of household h surveyed at time t . We employ two measures to assess household investment and savings decisions, namely: a binary indicator for whether the household invests in the stock market (stock market participation) and the share of savings in household financial portfolios (savings rate). Dau_{iht} is a dummy variable equal to one if parent i has a daughter living in household h at time t and zero otherwise. $Shock_{iht}$ is a dummy variable indicating whether parent i in household h has experienced a background risk shock (as a result of land expropriation) or a wealth shock (as a result of housing demolition) at time t . It is interacted with the presence of a daughter to allow the effect of economic shocks to differ depending on the child's gender. X_{iht} is a vector of parental and household characteristics, which includes age, gender, marital status, education, risk attitudes, employment status, *hukou* status, number of children, household size, an indicator of single-parent household type, household dependency ratio, household income and wealth, land size (exclusively for the rural sample), and property ownership (exclusively for the urban sample). We also control for province fixed effects and year fixed effects. γ_i captures time-invariant unobserved heterogeneity at the individual parent level and ϵ_{iht} denotes a random error term. We cluster the standard errors at the province level to allow for arbitrary correlation within individuals living in the same region.

The coefficient of interest is β_3 on the interaction term, which gives us an estimate of the gender-specific effect of economic shocks on the financial decisions of affected

households. In other words, it reveals the *additional* or *marginal* effect on the financial choices of households with a daughter, over and above any main effects of the shock itself which would be common to all households regardless of the sex composition of children in the household.

Our identification strategy exploits two major economic shocks in China – land expropriation and housing demolition – as a quasi-natural experiment that induces exogenous shocks to individual and household choices. Land expropriation mostly occurs in rural areas, while housing demolition predominantly targets urban households and normally provides much more generous compensation. We treat land expropriation as a positive and permanent shock to individuals’ background risk (i.e., the unobserved uncertainty surrounding financial and other decisions), because their newly acquired urban *hukou* endows them with a comprehensive safety net encompassing health care, housing subsidies, unemployment insurance, age pension, and other benefits. In a similar spirit, we use the incidence of housing demolition as an exogenous wealth shock to explore gender differences in household financial behavior within the urban context. The identification of causal effects hinges on the assumption that, given observed differences in covariates, the shock variables are uncorrelated with any other factors that determine household financial choices (i.e., conditional exogeneity). On the one hand, both land expropriation and home demolition in China are state-mandatory and typically determined by local governments. Since such events could not be anticipated or negotiated by affected households and individuals, it is unlikely for them to self-select into the changes bestowed upon them. On the other hand, rural residents are unable to shift their residence due to the rigidity of China’s *hukou* system. Similarly, urban dwellers cannot refuse to move out of houses slated for demolition because of Chinese regulations and policies. These together ensure the plausibility of the identifying assumption and the validity of a causal interpretation of our estimates.

We perform the ordinary least squares (OLS) and panel random effects (RE) regres-

sions on both the RUMiC and CHFS samples. We draw the main reference based on estimates from the RE model (our preferred specification) and show the robustness of our estimation results in Section 5.3.

5 Results

In this section, we present the empirical results obtained from our main specification. The key parameter of interest is β_3 in Equation 4.1 in Section 4. It measures how the gender composition of children shapes the impact of either background risk shock or property wealth shock on household financial decisions. In particular, we focus on how having a daughter shapes the differences in these impacts among Chinese households.

We first present the main results, then we show the heterogeneity analysis. We next provide several exercises to test the robustness of our results against several major concerns on identification conditions. We finally show some potential mechanisms behind our results.

5.1 Main results

We first estimate Equation 4.1 on a sample of households extracted from the RUMiC (2009 and 2010). The households that experienced expropriation with a *hukou* change (rural-to-urban) are exposed to reduced background risk due to obtaining a local urban *hukou* that comes with access to a rich set of welfare benefits as well as good job opportunities. The parameter β_3 in Equation 4.1 captures how such major institutional shock affects investment and saving decisions of families differently depending on the gender of children in the households.

Panel A of Table 4 shows that *hukou*-changing expropriation significantly increases the daughter-present households' probability to invest in the stock market relative to non-daughter households. The OLS estimates and RE estimates are very close numerically

and we are going to take the results from the RE estimation for interpretation. Combining estimates from 2nd and 3rd rows we find that daughter families are more likely to invest in the stock market compared to non-daughter families by about 0.9 percentage points ($0.053 - 0.044$) after land expropriation, which translates into a 53% increase when compared to the sample mean. This substantial effect is not entirely driven by compensation because we control for predicted wealth level instead of actual wealth level in the robustness check. Turning to saving decisions, we find that daughter families save much less than non-daughter families after the *hukou*-changing expropriation shock. Our estimates show that they save on average 15 percentage points less, which is about 27% less relative to the mean. Taken these results, we find that *hukou*-changing expropriation makes families with daughters more likely to invest in the stock market and save less compared to families without daughters. This implies that in a rural China environment, when facing a reduction in background risk, households with only male children are less likely to invest in high-risk assets, but rather save more relative to daughter-present households. This may suggest that parents with sons intend to save more for themselves or for their children and are reluctant to put their money in the risky market after a major institutional shock that even reduces background risk.

We now turn to the urban sample extracted from the CHFS. The results are presented in Table 4, Panel B. We find similar results on the effects of housing demolition on stock market participation for daughter-present families; however, we do not find any significant results on savings. The demolition of houses are often observed in Chinese urban areas with potential households' residential relocations within the same city and without rural-to-urban *hukou* changes. In this case, our empirical model captures mainly a wealth shock to the households. The estimated parameters in Panel B of Table 4 show that daughter-present families are more likely to invest in the stock market by almost 7 percentage points ($0.069 - 0.000$) relative to non-daughter families, this translates into a 38% increase in the probability of investing in the stock market when compared to the mean. We do not

find any significant evidence on differences in savings although the estimated coefficients are negative. This evidence suggests that in urban China, a major positive wealth shock brought by home demolition makes families with daughters more likely to invest in risky assets while making no obvious impact on savings. Overall, we find that in urban China, parents with only sons are more precautionary in risky asset investment after substantive positive wealth shocks.

In summary, we find that both expropriation with background risk changes and housing demolition with positive wealth shocks increase the probability of investing in the stock market for households with daughters relative to households without daughters. These shocks make families with only sons more precautionary in investing in risky assets in both rural and urban settings. Interestingly, these shocks generate differential impacts on the savings behavior for households with and without daughters. In the rural setting, *hukou*-changing expropriated households with daughters save much less than non-daughter expropriated households, and this effect is driven by background risk reductions. A pure wealth shock in urban China does not generate different savings effects among households that experienced home demolition and with different children gender compositions. The complete regression results are reported in Tables A.1 and A.2 in the Appendix. We find that the estimated coefficients of other control variables all have the expected signs.

So far, we have presented the results on average for all households with children. There is potential heterogeneity in the results among households with different characteristics, which will be interesting to see. We next provide heterogeneity analysis.

5.2 Heterogeneity

We now explore some important dimensions of heterogeneity in our main results by focusing on the following household characteristics: gender of the household head, educational levels of the household head, single-child versus multi-child households, and low-income

versus high-income households. We show these heterogeneous results in Table 5.

The first row of the table shows that for the expropriated households in the rural sample, the results are completely driven by male-headed households, this is because the vast majority of households in rural China are headed by males. While in urban areas, housing demolition exerts similar effects on both female and male-headed households.

Lower educated household heads who have daughters are more likely to participate in the stock market than higher educated household heads who also have daughters (2nd row in Table 5, 0.099 vs. 0.039) after being expropriated. However, the differences in savings behavior are expressed in highly educated household-headed families with daughters. This implies that relative to the same families with lower educated household heads, highly educated household heads save much less if they have daughters instead of sons. The opposite must be true for households with only sons but no daughters, which suggests that households with higher education are more precautionary and therefore save more if they have only sons. In the urban setting, when facing housing demolition, households with highly educated household heads are more likely to invest in the stock market and it seems to drive the overall effects on investment.

Among single-child households, we find that land expropriation with *hukou* changes makes households with a daughter more likely to invest and less likely to save (−0.16), while multi-child households with daughters save even less (−0.22). Therefore, the effects are more pronounced on investment decisions for single-child households, and more pronounced on savings for multi-child households. The investment effect is only driven by single-daughter urban households that experienced housing demolition.

In the case of expropriated households, low-income families with daughters save less (−0.12) than those without daughters. High-income households are more likely to invest in stocks (0.051) and save less to a smaller degree (−0.08). On the other hand, daughter-present households with higher incomes are driving the results on investment probabilities (0.099) after housing demolition in urban areas.

We document a substantial amount of heterogeneity in the effects of child gender on the financial decisions of households facing major institutional and wealth shocks. For example, *hukou*-changing expropriation appears to be more impactful to daughter-present rural households with male household heads, single child, and higher income levels. Housing demolition has a larger effect on the probability of investing in the stock market for households with higher education, single child, and higher income levels. The child gender-specific institutional effects from *hukou*-changing expropriation and income shocks from housing demolition differ widely depending on household characteristics, which suggests that gender plays quite different roles among different types of households in China.

5.3 Robustness

In order to address potential identification concerns regarding our empirical results, we carry out a series of robustness exercises to safeguard the causal interpretation of our main findings.

Selection on the unobservables

There can be potentially unobserved elements that are correlated with the institutional shock (expropriation with *hukou* changes) in rural China, and with the wealth shock (housing demolition) in urban China. The estimated parameter of interests will be biased if such elements are also correlated with financial decisions made by households. To check whether the amount of unobserved characteristics is large enough to remove our identified causal effects of the shocks, we utilize the method provided in [Oster \(2019\)](#). Table 6 presents the results with Oster’s approach: it is obvious that the amount of selection on unobservables is too large to be realistic in order to completely remove the causal effects (3rd row in Table 6). Limiting the selection of unobserved characteristics to a reasonable range (0 to 1) offers us a narrowly defined range for the estimates that includes our key

parameter of estimates. We are hence confident that the identification condition is not violated by the selection on unobservables.

Alternative measures of child-gender composition

We realize that the dummy variable on whether the household has a daughter(s) might not well represent the actual gender composition in the household and might not be very clear to interpret, for example, some families may have several daughters or a mix of daughters and sons. Although it is only legal to have one child in China after the one-child policy, exceptions may apply if one child is visibly disabled (or if the first child is a girl in most rural areas), the family is officially permitted to have a second child, or it could be the case that a family has twin births. In order to show the clear pattern of the role of daughters in shaping the causal effects of land expropriation and housing demolition, we use alternative daughter definitions and provide the estimates in Table 7. It is reassuring to see from the table that the results are very similar across different definitions of daughter dummies in both the RUMiC sample and the CHFS sample. The estimates in Table A.3 confirm that the patterns of savings results are very similar when we use alternative measures to capture children's gender composition.

Controlling for financial compensation and imposing other sampling criteria

In order to cleanse the effects of wealth from the background risk shock via land expropriation, we use the predicted wealth level to control for the financial compensation effects, and it does not change the qualitative results, see Table A.4 Panel A.¹² In Panel A of Table A.5, we further control the amount of compensation in the demolition of urban housing and find that the estimated coefficient on the interaction term becomes

¹²We replaced the expropriated households' observed wealth with a *predicted* wealth value. This value is calculated using the coefficients of a linear regression of the total level of wealth on a set of control variables based on the non-expropriated sample. In so doing, we are able to capture the causal impact of background risk changes brought about by the expropriation instead of a combination of *hukou* change and wealth endowment.

smaller, indicating the importance of the income channel in affecting household financial decisions.

We also excluded Nanjing from our estimation sample, because Nanjing is the city that offered households a choice of either an urban *hukou* or a higher monetary compensation or both via land expropriation. For urban sample, we excluded households with multiple properties and effectively restrict the analysis to those whose only house was demolished. The results are shown in Panel B of Tables A.4 and A.5, respectively. These alternative sample results are largely unchanged from the benchmark ones.

Finally, we excluded households with zero savings from the analysis and check whether our results are affected by these extreme observations. The estimated causal effects do not change very much as we can see from Panel C of Tables A.4 and A.5.

We are confident that our results are quite robust towards a series of sampling and model specification tests.

5.4 Mechanisms

This section explores the potential mechanisms driving the observed household financial choices, especially the differences in savings rates related to children’s gender.

Differential expectations for old age support

We have found that rural households that experienced *hukou*-changing expropriation are more likely to hold risky assets and reduce savings if they have a daughter, and similar patterns emerge among households that experienced housing demolition in urban areas. This pattern points to a possible difference in household’s anticipated future expenditures based on their children’s gender. One of the largest anticipated expenditures that shape household savings decisions is old-age support: households may save to build a fund for retirement and future medical expenses.

A substitute for building a retirement fund is financial support from children. If

parents have different expectations for support from male and female children, that can lead to differences in current-day savings choices. Specifically, the patterns in Table 4 are consistent with the scenario where daughters are expected to provide more old-age support than sons. Because the services or financial support daughters provide act as substitutes for precautionary savings, we expect both households with and without land expropriation to exhibit lower savings rates, which aligns with the negative coefficients on the daughter dummy and the daughter–expropriation interaction term.

However, there are several threats to this conjecture. First, Chinese parents are more likely to live with sons than daughters when they are old and, traditionally, sons are expected to provide the majority of the old-age support (Lei et al., 2015). Second, if the conjecture holds, we expect the coefficient of the daughter dummy to be more negative than the coefficient of the interaction term, but we observe the opposite. Land expropriation presumably provides an additional source of old-age security by reducing background risk and could lighten the burden on daughters, thus reducing the child-gender differential in savings rate for the households that experienced land expropriation.

To further test this hypothesis, we estimate Equation 4.1 using subsamples of the households, dividing them by whether the parents in the households have access to a safety net in the form of pension or insurance (injury or unemployment insurance). Only 13 percent of individuals have some safety net from any source, and 9.5 and 9.4 percent of them have pension and insurance, respectively. If the conjecture that daughters bear more expectation of old-age support is true, then we should see a stronger decrease in savings rate for families with daughters who do not have access to safety net. Families with safety nets have pensions or insurance to finance their retirement expenditures, and their savings decisions should be less affected by the gender of their children. The results in Table A.6 suggest the opposite: households with safety nets display larger child-gender differential regarding savings decisions. In conclusion, the results in Table A.6 suggest that the parents likely do not consider daughters to be a substitute for old-age support

any more than sons, and the patterns in Table 4 must be explained by other underlying mechanisms.

Expected Housing Expenditures for Sons

In addition to retirement savings, another household expenditure related to children's gender is the expected expenditures on housing for children's marriage, especially the sons' marriage. Previous research has shown that the bargaining power in the marriage market is intricately intertwined with the financial decisions of families with sons. Since savings and home ownership are important sorting mechanisms in the marriage market, families with young unmarried sons tend to save more and buy homes to increase the male children's attractiveness in the marriage market (Wei and Zhang, 2011; Wei et al., 2017). This cultural expectation is forceful enough to affect the value of housing: housing prices are relatively high in regions with high male-female ratios, and Wei et al. (2017) find that a sex ratio imbalance (more males than females) can account for 30%-48% of the increase in real housing prices in cities during 2003-2009. Home ownership is not an individual decision for young people in China: parents, especially parents of young men, are expected to contribute a substantial share of the home payment (Wei et al., 2017; Jiang et al., 2015). On the contrary, parents with daughters face less anticipated financial burdens than parents with sons, which can lead to lower savings rates and higher risk tolerance.

To test this potential mechanism, we take advantage of the shift from rural to urban residence following land expropriation. For a family with sons, becoming urban residents means they now have to purchase homes (houses or apartments) for their sons in the urban areas instead of building them in the village. The former costs more than the latter, and the difference is much higher in regions with a high urban-rural house price differentials (Jiang et al., 2015). Households living in these regions observed higher housing prices after moving to urban areas. If they have sons, they may anticipate a large lump sum

expenditure when their sons reach adulthood, thus choosing to save more and hold less risky assets.

We collected the average resident home prices for all provinces and major cities in China from the National Bureau of Statistics (NBS) and computed the city-province resident home price ratios for all provinces. We use the resident home price ratio as a proxy for the urban-rural house price differential in all provinces. We then divide provinces in our sample into three groups based on the resident home price ratios and estimate Equation 4.1 for each group. To highlight the financial burden on families with sons, we control for the dummy of having at least one son instead of at least one daughter.

We find that after the rural-to-urban shift caused by land expropriation, families with sons indeed save more (Table A.7, column 1). The positive coefficient in the full sample is primarily driven by families living in provinces that have the highest city-province home price ratio. Families with sons save more and hold less risky assets, consistent with what Wei et al. (2017) found. The increase in the savings rate and reduction in investment is particularly prominent in households that experienced *hukou* changes due to land expropriation. The reduction in background risk seems to have encouraged households to put more resources towards savings, especially if they live in regions with high urban-rural housing price ratios. This is consistent with the scenario that, with access to better public services, households can now divert more financial resources to boost their sons' marriage market competitiveness. Table A.8 shows that the impact of housing demolition on urban households with sons is less clear. Households with sons tend to save more and hold less risky assets, but those living in areas with different city-province housing price ratios demonstrate similar tendencies to savings rates – all not statistically different from zero. For urban households, higher housing prices in cities increase the compensation they receive for the housing demolition (wealth effect) but also increase the cost of new housing for their unmarried children (price effect). Panel B of Table A.8 shows that the wealth effect and price effect almost cancel each other, leading to a small impact on the

savings rates.

6 Conclusions

In this paper, we utilize two major household shocks to estimate how child gender shapes household financial decisions in the face of substantive shocks in China. In particular, we explore the effects of reducing background risk brought by land expropriation with *hukou* changes on household investment and savings decisions depending on the gender composition of children in rural households. On the other front, we also explore how housing demolition differentially affects households with and without daughters in urban China. Our empirical analysis provides interesting evidence on how child gender affects the causal effects of these shocks.

We find that expropriation with *hukou* changes reduces background risk for rural households in China; the impacted households with daughters are more likely to invest in the risky stock market and save less on the margin compared to non-daughter households. In urban areas, we find similar evidence that housing demolition positively affects the probability of participating in the stock market for households with daughters, and we find no effects on their savings rates. The heterogeneity analysis shows a wide range of heterogeneous effects of having daughters on the impacts of land expropriation and housing demolition on household investment and savings. The presence of girls in expropriated households has a larger impact on the probability of investing in stocks for those with lower education, fewer children, and higher income in rural China. The impact of less savings for daughter-present households is more pronounced for households with higher education, and lower income. The effects of housing demolition on stock participation of daughter-present urban households are concentrated on those with higher education, fewer children, and higher income.

We tested several mechanisms that could drive our results, especially for the differ-

ences in savings rates related to children's gender after the shocks. The gender composition of children could shape the financial decisions of the households through anticipated household expenditures. Households may save to build funds for retirement or to improve children's marriage market prospects. We find no evidence that parents substitute daughters for retirement savings more than sons, but households with sons are more likely to save more towards sons' future marriage market bargaining powers given the positive background risk shocks. This can be seen in places that have relatively larger housing price differences between rural and urban areas.

We believe that our findings on the role of child gender in shaping household financial decisions after major shocks in China are both important and interesting. We remind policymakers and researchers of the importance of the gender of the next generation in understanding how institutional changes and other major wealth shocks may affect household financial decision-making.

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Table 1: Child-gender composition of households.

	Single-child households (1)	Multi-child households (2)
<i>Panel A: RUMiC rural sample</i>		
Daughter only	0.352 (0.478)	0.204 (0.403)
Daughter and son		0.626 (0.484)
Son only	0.648 (0.478)	0.170 (0.376)
Observations	1,352	968
<i>Panel B: CHFS urban sample</i>		
Daughter only	0.438 (0.496)	0.207 (0.405)
Daughter and son		0.601 (0.490)
Son only	0.562 (0.496)	0.192 (0.394)
Observations	7,788	2,823

Source: RUMiC (2008-2009) & CHFS (2011, 2013, 2017, 2019).

Notes: Statistics are based on rural sample of RUMiC households and urban sample CHFS households. The table reports means and standard deviations (in parentheses) for child gender variables.

Table 2: Descriptive statistics of RUMiC sample.

	Full sample (1)	Households with at least one daughter (2)	Households without daughters (3)	Difference in means (4)
Stock market participation	0.017 (0.130)	0.024 (0.154)	0.009 (0.093)	0.016*** [0.005]
Savings rate	0.560 (0.382)	0.541 (0.384)	0.582 (0.378)	-0.041*** [0.016]
Land expropriation	0.048 (0.214)	0.040 (0.196)	0.059 (0.235)	-0.019** [0.009]
Age	38.828 (4.821)	39.168 (4.854)	38.409 (4.749)	0.759*** [0.201]
Female	0.462 (0.499)	0.454 (0.498)	0.472 (0.499)	-0.017 [0.201]
Married	0.985 (0.122)	0.988 (0.108)	0.981 (0.137)	0.007 [0.005]
Primary education or below	0.286 (0.452)	0.283 (0.451)	0.289 (0.454)	-0.006 [0.019]
Secondary education	0.679 (0.467)	0.689 (0.463)	0.667 (0.472)	0.022 [0.019]
Higher education	0.035 (0.185)	0.028 (0.165)	0.044 (0.206)	-0.016** [0.008]
Risk attitudes (0-10)	2.996 (2.397)	2.928 (2.370)	3.080 (2.427)	-0.152 [0.100]
Employed	0.914 (0.281)	0.912 (0.283)	0.915 (0.278)	-0.003 [0.012]
Rural <i>hukou</i>	0.956 (0.204)	0.964 (0.186)	0.947 (0.224)	0.017** [0.009]
Number of children	1.458 (0.584)	1.697 (0.604)	1.165 (0.394)	0.531*** [0.022]
Household size	3.733 (0.843)	3.921 (0.830)	3.502 (0.800)	0.419*** [0.034]
Single-parent household	0.018 (0.132)	0.017 (0.130)	0.018 (0.134)	-0.001 [0.006]
Dependency ratio	0.641 (0.428)	0.739 (0.442)	0.521 (0.377)	0.217*** [0.017]
Household labor income (Yuan/10,000)	0.186 (0.265)	0.181 (0.263)	0.192 (0.268)	-0.012 [0.011]
Household financial wealth (Yuan/10,000)	3.266 (7.204)	3.069 (7.982)	3.508 (6.110)	-0.438 [0.301]
Household land (Mu)	3.984 (4.584)	4.190 (4.620)	3.732 (4.528)	0.458** [0.191]
Observations	2,320	1,279	1,041	

Source: RUMiC (2009-2010).

Notes: Statistics are based on rural sample of RUMiC households. Primary education or below: elementary school, literacy class, or no schooling; secondary education: junior high school, senior high school, or technical secondary school; higher education: college or university education. Risk attitudes measure willingness to take risks, ranging from 0 "never take a risk" to 10 "most likely to take a risk". Dependency ratio is the sum of the young population (under age 15) and elderly population (aged 65 and over) relative to the working-age population (aged 16 to 64). Column 4 presents the results of a *t*-test for whether the difference in means between the two groups is statistically significant. Standard deviations are given in parentheses. Standard errors are given in squared brackets.

Significance levels: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table 3: Descriptive statistics of CHFS sample.

	Full sample (1)	Households with at least one daughter (2)	Households without daughters (3)	Difference in means (4)
Stock market participation	0.186 (0.389)	0.184 (0.388)	0.187 (0.390)	−0.003 [0.008]
Savings rate	0.474 (0.377)	0.464 (0.379)	0.485 (0.375)	−0.021*** [0.007]
Housing demolition	0.125 (0.330)	0.130 (0.336)	0.119 (0.324)	0.011* [0.006]
Age	38.124 (6.461)	38.015 (6.331)	38.249 (6.608)	−0.234* [0.126]
Female	0.406 (0.491)	0.403 (0.490)	0.411 (0.492)	−0.008 [0.010]
Married	0.979 (0.142)	0.980 (0.140)	0.978 (0.145)	0.001 [0.003]
Primary education or below	0.083 (0.275)	0.091 (0.288)	0.073 (0.260)	0.018*** [0.005]
Secondary education	0.544 (0.498)	0.548 (0.498)	0.539 (0.499)	0.009 [0.010]
Higher education	0.373 (0.484)	0.361 (0.480)	0.388 (0.487)	−0.028*** [0.009]
Risk attitudes (1-5)	2.450 (1.176)	2.432 (1.155)	2.470 (1.198)	−0.038* [0.023]
Employed	0.854 (0.354)	0.849 (0.358)	0.859 (0.348)	−0.011 [0.007]
Rural <i>hukou</i>	0.346 (0.476)	0.369 (0.483)	0.319 (0.466)	0.050*** [0.009]
Number of children	1.290 (0.514)	1.444 (0.592)	1.114 (0.327)	0.330*** [0.009]
Household size	3.685 (0.999)	3.859 (1.070)	3.484 (0.867)	0.375*** [0.019]
Single-parent household	0.023 (0.150)	0.023 (0.151)	0.023 (0.150)	0.000 [0.003]
Dependency ratio	0.629 (0.387)	0.697 (0.419)	0.550 (0.328)	0.146*** [0.007]
Household income (Yuan/10,000)	11.920 (27.985)	11.701 (25.253)	12.172 (30.843)	−0.471 [0.545]
Own a house	0.896 (0.305)	0.897 (0.304)	0.896 (0.306)	0.001 [0.006]
Observations	10,611	5,688	4,923	

Source: CHFS (2011, 2013, 2017, 2019).

Notes: Statistics are based on urban sample of CHFS households. Primary education or below: elementary school or no schooling; secondary education: junior high school, senior high school, or technical secondary school; higher education: college or university education. Risk attitudes measure preferences over risk-return combinations of financial assets, 1 represents “unwillingness to take any risk” and 5 represents “preferences for high-risk and high-return projects”. Dependency ratio is the sum of the young population (under age 15) and elderly population (aged 65 and over) relative to the working-age population (aged 16 to 64). Column 4 presents the results of a *t*-test for whether the difference in means between the two groups is statistically significant. Standard deviations are given in parentheses. Standard errors are given in squared brackets. Significance levels: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table 4: Baseline results: child gender-specific household financial decisions in response to economic shocks.

Dependent variable	Stock market participation		Savings rate	
	OLS (1)	RE (2)	OLS (3)	RE (4)
<i>Panel A: RUMiC rural sample</i>				
Any daughter	0.018 (0.010)	0.017* (0.010)	-0.009 (0.022)	-0.015 (0.021)
Land expropriation	-0.050* (0.025)	-0.044** (0.020)	0.080 (0.146)	0.087 (0.137)
Any daughter $\times$ land expropriation	0.062** (0.020)	0.053*** (0.019)	-0.141*** (0.040)	-0.147*** (0.046)
Mean of dependent variable	0.017	0.017	0.560	0.560
Observations	2,320	2,320	2,320	2,320
R^2	0.028	0.028	0.084	0.081
<i>Panel B: CHFS urban sample</i>				
Any daughter	0.004 (0.015)	0.007 (0.014)	-0.011 (0.012)	-0.010 (0.012)
Housing demolition	-0.043** (0.019)	-0.030 (0.019)	0.037 (0.024)	0.032 (0.023)
Any daughter $\times$ housing demolition	0.094*** (0.025)	0.069*** (0.025)	-0.029 (0.030)	-0.020 (0.032)
Mean of dependent variable	0.186	0.186	0.474	0.474
Observations	10,611	10,611	10,611	10,611
R^2	0.166	0.162	0.030	0.029
Individual and household controls	Yes	Yes	Yes	Yes
Province fixed effects	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes

Source: RUMiC (2009-2010) & CHFS (2011, 2013, 2017, 2019).

Notes: The sample is composed of parents aged 22 to 65 with children under 18. Regression models are estimated using the ordinary least squares and panel random effects specification. The control variables are listed in Tables 2 and 3. Robust standard errors clustered at the province level are given in parentheses.

Significance levels: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table 5: Heterogeneity of the gender-specific effect on household financial decisions.

Dependent variable	RUMiC rural sample			CHFS urban sample		
	Stock (1)	Savings (2)	Stock (3)	Savings (4)	Stock (5)	Savings (6)
	Females		Males		Females	Males
Estimated coefficient for β_3	0.005 (0.020)	-0.079 (0.085)	0.105* (0.056)	-0.218*** (0.052)	0.075** (0.035)	-0.012 (0.040)
Observations	1,072	1,072	1,248	1,248	4,312	4,312
R^2	0.090	0.084	0.026	0.114	0.165	0.030
	Low education		High education		Low education	High education
Estimated coefficient for β_3	0.099*** (0.037)	-0.123 (0.229)	0.039* (0.021)	-0.125** (0.049)	-0.015 (0.046)	-0.050 (0.107)
Observations	663	663	1,657	1,657	877	877
R^2	0.092	0.101	0.029	0.097	0.108	0.100
	Single-child HH.		Multi-child HH.		Single-child HH.	Multi-child HH.
Estimated coefficient for β_3	0.076*** (0.017)	-0.160*** (0.045)	-0.069* (0.038)	-0.219* (0.132)	0.081** (0.032)	-0.035 (0.083)
Observations	1,352	1,352	968	968	7,788	7,788
R^2	0.054	0.111	0.029	0.078	0.17	0.031
	Low-income HH.		High-income HH.		Low-income HH.	High-income HH.
Estimated coefficient for β_3	-0.000 (0.011)	-0.119** (0.060)	0.051** (0.023)	-0.080*** (0.030)	0.069 (0.042)	-0.034 (0.052)
Observations	1,248	1,248	1,072	1,072	5,307	5,307
R^2	0.024	0.140	0.054	0.081	0.076	0.045
Individual and household controls	Yes	Yes	Yes	Yes	Yes	Yes
Province fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes

Source: RUMiC (2009-2010) & CHFS (2011, 2013, 2017, 2019).

Notes: This table reports estimates from panel random effects regressions for different subgroups based on sample of parents aged 22 to 65 with children under 18. Individuals with low education are those who have less than secondary education and individuals with high education are those who have completed secondary education or above. Low-income HH. refer to households whose income is less than the sample median and high-income HH. are those whose income is more than the sample median. The control variables are listed in Tables 2 and 3. Robust standard errors clustered at the province level are given in parentheses.

Significance levels: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table 6: Robustness check: Oster endogeneity check.

Dependent variable	RUMiC rural sample		CHFS urban sample	
	Stock market participation	Savings rate	Stock market participation	Savings rate
	(1)	(2)	(3)	(4)
Estimated coefficient for β_3	0.062** (0.020)	-0.141*** (0.040)	0.094*** (0.025)	-0.029 (0.030)
R_{max}	0.037	0.109	0.216	0.039
δ for $\beta_3 = 0$ given R_{max}	2.325	-1.287	4.837	-3.922
Identified set for β_3 (given R_{max} , $\delta \in [0, 1]$)	[0.061, 0.062]	[-0.305, -0.141]	[0.094, 0.134]	[-0.064, -0.029]

Source: RUMiC (2009-2010) & CHFS (2011, 2013, 2017, 2019).

Notes: This table summarizes the sensitivity of baseline results to omitted variable bias based on methodology from Oster (2019) and implemented using Stata's command *psacalc*. The identified set is bounded by β_3 and β_3^* calculated based on R_{max} given above and $\delta = 1$. The calculation of R_{max} is as below: $R_{max} = \min\{1.3\bar{R}, 1\}$, $\bar{R}$ is the R -squared value from OLS regression results in Table 4. The control variables are listed in Tables 2 and 3. Robust standard errors clustered at the province level are given in parentheses.

Significance levels: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table 7: Robustness check: child-gender composition, household investment decisions.

Dependent variable	Stock market participation					
	OLS (1)	RE (2)	OLS (3)	RE (4)	OLS (5)	RE (6)
<i>Panel A: RUMiC rural sample</i>						
First daughter $\times$ land expropriation	0.059** (0.020)	0.051*** (0.019)				
Share of daughters $\times$ land expropriation			0.078*** (0.019)	0.071*** (0.018)		
Daughter only $\times$ land expropriation					0.090*** (0.019)	0.086*** (0.018)
Observations	2,320	2,320	2,320	2,320	2,320	2,320
R^2	0.030	0.030	0.031	0.031	0.033	0.032
<i>Panel B: CHFS urban sample</i>						
First daughter $\times$ housing demolition	0.084*** (0.026)	0.052** (0.026)				
Share of daughters $\times$ housing demolition			0.100*** (0.027)	0.069** (0.027)		
Daughter only $\times$ housing demolition					0.085*** (0.026)	0.052** (0.026)
Observations	10,611	10,611	10,611	10,611	10,611	10,611
R^2	0.165	0.162	0.166	0.162	0.165	0.161
Individual and household controls	Yes	Yes	Yes	Yes	Yes	Yes
Province fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes

Source: RUMiC (2009-2010) & CHFS (2011, 2013, 2017, 2019).

Notes: The sample is composed of parents aged 22 to 65 with children under 18. Regression models are estimated using the ordinary least squares and panel random effects specification where stock market participation dummy is used as the dependent variable. The control variables are listed in Tables 2 and 3. Robust standard errors clustered at the province level are given in parentheses.

Significance levels: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Appendix A: Tables

Table A.1: Full estimates of the gender-specific effect of land expropriation on household financial decisions, RUMiC sample.

Dependent variable	Stock market participation		Savings rate	
	OLS (1)	RE (2)	OLS (3)	RE (4)
Any daughter	0.018 (0.010)	0.017* (0.010)	-0.009 (0.022)	-0.015 (0.021)
Land expropriation	-0.050* (0.025)	-0.044** (0.020)	0.080 (0.146)	0.087 (0.137)
Any daughter $\times$ land expropriation	0.062** (0.020)	0.053*** (0.019)	-0.141*** (0.040)	-0.147*** (0.046)
Age	0.000 (0.001)	0.000 (0.001)	0.005* (0.002)	0.005** (0.002)
Female	0.001 (0.005)	0.002 (0.006)	0.023 (0.027)	0.023 (0.027)
Married	-0.041 (0.045)	-0.032 (0.038)	-0.042 (0.091)	0.047 (0.094)
Primary education or below	0.007 (0.018)	0.006 (0.017)	-0.028 (0.064)	-0.027 (0.064)
Secondary education	0.003 (0.015)	0.003 (0.014)	0.045 (0.053)	0.046 (0.055)
Risk attitudes (0-10)	0.002 (0.002)	0.002 (0.002)	0.010 (0.006)	0.007 (0.005)
Employed	0.008 (0.008)	0.010 (0.007)	0.004 (0.025)	-0.023 (0.027)
Rural <i>hukou</i>	-0.026 (0.024)	-0.026 (0.021)	-0.124 (0.141)	-0.129 (0.136)
Number of children	-0.004 (0.007)	-0.004 (0.007)	-0.034 (0.036)	-0.038 (0.037)
Household size	-0.011*** (0.003)	-0.011*** (0.003)	-0.004 (0.023)	-0.005 (0.024)
Single-parent household	-0.012 (0.024)	-0.006 (0.027)	-0.161 (0.099)	-0.106 (0.110)
Dependency ratio	0.017** (0.006)	0.018** (0.007)	-0.014 (0.029)	-0.007 (0.027)
Household labor income (Yuan/10,000)	0.024** (0.008)	0.022*** (0.008)	0.102*** (0.027)	0.076*** (0.013)
Household financial wealth (Yuan/10,000)	0.001** (0.000)	0.001** (0.000)	0.004 (0.004)	0.002 (0.003)
Household land (Mu)	-0.000 (0.001)	-0.000 (0.001)	-0.002 (0.004)	-0.002 (0.004)
Mean of dependent variable	0.017	0.017	0.560	0.560
Observations	2,320	2,320	2,320	2,320
R^2	0.028	0.028	0.084	0.081
Province fixed effects	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes

Source: RUMiC (2009-2010).

Notes: The sample is composed of rural parents aged 22 to 65 with children under 18. Regression models are estimated using the ordinary least squares and panel random effects specification. Robust standard errors clustered at the province level are given in parentheses. Significance levels: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table A.2: Full estimates of the gender-specific effect of housing demolition on household financial decisions, CHFS sample.

Dependent variable	Stock market participation		Savings rate	
	OLS (1)	RE (2)	OLS (3)	RE (4)
Any daughter	0.004 (0.015)	0.007 (0.014)	-0.011 (0.012)	-0.010 (0.012)
Housing demolition	-0.043** (0.019)	-0.030 (0.019)	0.037 (0.024)	0.032 (0.023)
Any daughter $\times$ housing demolition	0.094*** (0.025)	0.069*** (0.025)	-0.029 (0.030)	-0.020 (0.032)
Age	0.004*** (0.001)	0.003*** (0.001)	-0.004*** (0.001)	-0.004*** (0.001)
Female	0.032*** (0.004)	0.030*** (0.005)	-0.004 (0.004)	-0.004 (0.004)
Married	0.038 (0.042)	0.037 (0.034)	-0.009 (0.039)	-0.013 (0.034)
Primary education or below	-0.136*** (0.018)	-0.128*** (0.017)	-0.065*** (0.023)	-0.063*** (0.023)
Secondary education	-0.094*** (0.016)	-0.089*** (0.014)	0.015* (0.009)	0.010 (0.009)
Risk attitudes (1-5)	0.059*** (0.008)	0.040*** (0.006)	-0.016** (0.006)	-0.012** (0.006)
Employed	0.022** (0.010)	0.036*** (0.009)	0.048*** (0.012)	0.045*** (0.012)
Rural <i>hukou</i>	-0.071*** (0.017)	-0.070*** (0.017)	-0.004 (0.012)	-0.000 (0.012)
Number of children	-0.027 (0.022)	-0.022 (0.018)	-0.024 (0.014)	-0.030** (0.014)
Household size	-0.009 (0.007)	-0.013** (0.006)	-0.001 (0.007)	0.002 (0.006)
Single-parent household	-0.060 (0.046)	-0.056 (0.041)	-0.018 (0.038)	-0.021 (0.034)
Dependency ratio	0.012 (0.022)	0.006 (0.016)	-0.013 (0.013)	-0.009 (0.012)
Household income (Yuan/10,000)	0.001*** (0.000)	0.001*** (0.000)	-0.000* (0.000)	-0.000* (0.000)
Own a house	0.020 (0.015)	0.020* (0.011)	-0.014 (0.021)	-0.018 (0.021)
Mean of dependent variable	0.186	0.186	0.474	0.474
Observations	10,611	10,611	10,611	10,611
R^2	0.166	0.162	0.030	0.029
Province fixed effects	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes

Source: CHFS (2011, 2013, 2017, 2019).

Notes: The sample is composed of urban parents aged 22 to 65 with children under 18. Regression models are estimated using the ordinary least squares and panel random effects specification. Robust standard errors clustered at the province level are given in parentheses.

Significance levels: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table A.3: Robustness check: child-gender composition, household savings decisions.

Dependent variable	Savings rate					
	OLS (1)	RE (2)	OLS (3)	RE (4)	OLS (5)	RE (6)
<i>Panel A: RUMiC rural sample</i>						
First daughter $\times$ land expropriation	-0.140** (0.048)	-0.148*** (0.053)				
Share of daughters $\times$ land expropriation			-0.130** (0.044)	-0.132*** (0.048)		
Daughter only $\times$ land expropriation					-0.096** (0.041)	-0.095** (0.045)
Observations	2,320	2,320	2,320	2,320	2,320	2,320
R^2	0.084	0.081	0.085	0.081	0.085	0.082
<i>Panel B: CHFS urban sample</i>						
First daughter $\times$ housing demolition	-0.036 (0.033)	-0.026 (0.032)				
Share of daughters $\times$ housing demolition			-0.051 (0.034)	-0.043 (0.035)		
Daughter only $\times$ housing demolition					-0.061* (0.033)	-0.054* (0.032)
Observations	10,611	10,611	10,611	10,611	10,611	10,611
R^2	0.030	0.029	0.030	0.030	0.030	0.030
Individual and household controls	Yes	Yes	Yes	Yes	Yes	Yes
Province fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes

Source: RUMiC (2009-2010) & CHFS (2011, 2013, 2017, 2019).

Notes: The sample is composed of parents aged 22 to 65 with children under 18. Regression models are estimated using the ordinary least squares and panel random effects specification where the share of savings in household financial portfolio is used as the dependent variable. The control variables are listed in Tables 2 and 3. Robust standard errors clustered at the province level are given in parentheses.

Significance levels: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table A.4: Other robustness checks for gender-specific effect of land expropriation on household financial decisions, RUMiC sample.

Dependent variable	Stock market participation		Savings rate	
	OLS (1)	RE (2)	OLS (3)	RE (4)
<i>Panel A: Controlling for financial compensation</i>				
Any daughter $\times$ land expropriation	0.071*** (0.018)	0.066*** (0.016)	-0.111** (0.038)	-0.125** (0.057)
Observations	2,320	2,320	2,320	2,320
R^2	0.030	0.03	0.095	0.092
<i>Panel B: Excluding Nanjing sample</i>				
Any daughter $\times$ land expropriation	0.062** (0.020)	0.053*** (0.019)	-0.143*** (0.039)	-0.150*** (0.045)
Observations	2,276	2,276	2,276	2,276
R^2	0.029	0.029	0.085	0.081
<i>Panel C: Excluding zero savings rate</i>				
Any daughter $\times$ land expropriation	0.063** (0.022)	0.057*** (0.021)	-0.118*** (0.034)	-0.112*** (0.034)
Observations	1,733	1,733	1,733	1,733
R^2	0.030	0.030	0.083	0.082
Individual and household controls	Yes	Yes	Yes	Yes
Province fixed effects	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes

Source: RUMiC (2009-2010).

Notes: The sample is composed of rural parents aged 22 to 65 with children under 18. In Panel A, we further control for the effect of financial compensation by replacing the actual value of household financial wealth with a predicted wealth value for the expropriated group. Panel B excludes households from the city of Nanjing. Panel C excludes households with zero savings rates. Regression models are estimated using the ordinary least squares and panel random effects specification. The control variables are listed in Table 2. Robust standard errors clustered at the province level are given in parentheses.

Significance levels: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table A.5: Other robustness checks for gender-specific effect of housing demolition on household financial decisions, CHFS sample.

Dependent variable	Stock market participation		Savings rate	
	OLS (1)	RE (2)	OLS (3)	RE (4)
<i>Panel A: Receiving housing compensation</i>				
Any daughter $\times$ housing compensation	0.058** (0.024)	0.037* (0.021)	0.006 (0.027)	0.013 (0.026)
Observations	10,611	10,611	10,611	10,611
R^2	0.165	0.161	0.029	0.029
<i>Panel B: Excluding multi-property households</i>				
Any daughter $\times$ housing demolition	0.080** (0.033)	0.073** (0.032)	-0.007 (0.042)	-0.008 (0.042)
Observations	6,086	6,086	6,086	6,086
R^2	0.134	0.131	0.033	0.033
<i>Panel C: Excluding zero savings rate</i>				
Any daughter $\times$ housing demolition	0.118*** (0.027)	0.092*** (0.027)	-0.026 (0.023)	-0.017 (0.026)
Observations	8,232	8,232	8,232	8,232
R^2	0.167	0.164	0.060	0.059
Individual and household controls	Yes	Yes	Yes	Yes
Province fixed effects	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes

Source: CHFS (2011, 2013, 2017, 2019).

Notes: The sample is composed of urban parents aged 22 to 65 with children under 18. In Panel A, we use a dummy for receiving compensation from housing demolition as the dependent variable. Panel B excludes households owning more than one property. Panel C excludes households with zero savings rates. Regression models are estimated using the ordinary least squares and panel random effects specification. The control variables are listed in Table 3. Robust standard errors clustered at the province level are given in parentheses.

Significance levels: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table A.6: Estimates of the effect of land expropriation on household savings rates, by safety net access.

Sample	Pension or Insurance		Pension Only		Insurance Only	
	Yes (1)	No (2)	Yes (3)	No (4)	Yes (5)	No (6)
Any daughter	−0.136* (0.070)	0.005 (0.019)	−0.184** (0.055)	0.010 (0.021)	−0.125 (0.083)	−0.001 (0.019)
Land expropriation	0.286*** (0.050)	0.061 (0.149)	0.066* (0.035)	0.093 (0.154)	0.349*** (0.089)	0.054 (0.138)
Any daughter × land expropriation	0.005 (0.081)	−0.182*** (0.037)	0.014 (0.090)	−0.154** (0.052)	−0.046 (0.092)	−0.163*** (0.034)
Individual and household controls	Yes	Yes	Yes	Yes	Yes	Yes
Province fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Mean of dependent variable	.63	.548	.652	.548	.62	.553
Observations	333	1,987	257	2,063	228	2,092
R^2	.19	.087	.241	.087	.212	.083

Source: RUMiC (2009-2010).

Notes: The sample is composed of rural parents aged 22 to 65 with children under 18. Regression models are estimated using the ordinary least squares. The control variables are listed in Table 2. Robust standard errors clustered at the province level are given in parentheses.

Significance levels: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table A.7: The effect of land expropriation on household financial decisions by city-rural house price differential, RUMiC sample

Sample by house price differential	Full Sample (1)	Lowest (2)	Mid (3)	Highest (4)
<i>Panel A: Stock market participation</i>				
Any son	−0.020* (0.009)	−0.025 (0.025)	−0.018 (0.009)	−0.019 (0.009)
Land expropriation	0.040*** (0.009)	−0.009 (0.029)	0.056 (0.038)	−0.050** (0.014)
Any son × land expropriation	−0.090*** (0.019)	0.019** (0.005)	−0.134* (0.050)	0.025 (0.012)
Mean of dependent variable	.017	.019	.018	.015
Observations	2,320	626	886	808
R^2	.033	.038	.067	.032
Individual and household controls	Yes	Yes	Yes	Yes
Province fixed effects	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes
<i>Panel B: Savings rate</i>				
Any son	0.037 (0.036)	0.032 (0.065)	−0.011 (0.048)	0.106** (0.021)
Land expropriation	−0.053 (0.110)	0.192 (0.152)	−0.106 (0.153)	−0.112*** (0.018)
Any son × land expropriation	0.096** (0.041)	0.118 (0.063)	0.113 (0.101)	0.134** (0.037)
Mean of dependent variable	.56	.57	.566	.545
Observations	2,320	626	886	808
R^2	.085	.135	.124	.115
Individual and household controls	Yes	Yes	Yes	Yes
Province fixed effects	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes

Source: RUMiC (2009-2010).

Notes: The sample is composed of rural parents aged 22 to 65 with children under 18. Regression models are estimated using the ordinary least squares. The control variables are listed in Table 2. Robust standard errors clustered at the province level are given in parentheses.

Significance levels: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table A.8: The effect of land expropriation on household financial decisions by city-rural house price differential, CHFS sample

Sample by house price differential	Full Sample (1)	Lowest (2)	Mid (3)	Highest (4)
<i>Panel A: Stock market participation</i>				
Any son	−0.004 (0.017)	0.009 (0.028)	0.027 (0.024)	−0.038 (0.027)
Housing demolition	0.058** (0.022)	0.111** (0.049)	0.058** (0.027)	0.015 (0.030)
Any son × housing demolition	−0.085*** (0.026)	−0.153*** (0.048)	−0.058 (0.048)	−0.045* (0.023)
Mean of dependent variable	.186	.139	.478	.477
Observations	10,611	3,048	3,203	4,360
R^2	.165	.	.116	.
Individual and household controls	Yes	Yes	Yes	Yes
Province fixed effects	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes
<i>Panel B: Savings rate</i>				
Any son	−0.001 (0.015)	−0.007 (0.033)	−0.009 (0.030)	0.007 (0.013)
Housing demolition	−0.014 (0.024)	−0.001 (0.052)	0.017 (0.051)	−0.048 (0.040)
Any son × housing demolition	0.061* (0.033)	0.048 (0.076)	0.082 (0.059)	0.063 (0.046)
Mean of dependent variable	.474	.466	.478	.477
Observations	10,611	3,048	3,203	4,360
R^2	.03	.05	.045	.038
Individual and household controls	Yes	Yes	Yes	Yes
Province fixed effects	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes

Source: CHFS (2011, 2013, 2017, 2019).

Notes: The sample is composed of urban parents aged 22 to 65 with children under 18. Regression models are estimated using the ordinary least squares. The control variables are listed in Table 3. Robust standard errors clustered at the province level are given in parentheses.

Significance levels: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

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