

# Web Appendix

## Betting on a Princeling

July 20, 2016

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# **1 CODING POLITICAL CONNECTION**

## **1.1 An Example of Board Members' Bios**

<b>Name</b>	Liuping Xu	<b>Gender</b>	Male	<b>Education</b>	PhD
<b>Position</b>	Chairman of the board	<b>Starting date</b>	2009-01-06	<b>Salary</b>	
<b>Total shares held</b>					
<b>Bio</b>	<p>Liuping Xu, Han nationality, born in October 1964 in Jiangsu and graduated from Beijing Institute of Technology with his PhD degree. He was awarded as Chinese Annual Economic Figure in 2009. He joined China North Industries Group Corporation (CNGC) in 1988 and served as the director of general office in the Commission for Science, Technology and Industry for National Defense (COSTIND). In 2000, he joined China South Industries Group Corporation (CSGC) and served as the director of planning and development department, director of automobile department, and general manager assistance. He has been a Party member and vice general manager in CSGC. He served as CSGC executive director and senior vice president from 2005 to 2009. He started to serve as the chairman of the board and Party secretary in Chongqing Changan Automobile Company in December, 2008. In 2009, he served as the director, president and Party secretary in China Chang'an Automobil (Group) Co., Ltd. (CCAG). In July 2010, he started to serve as the deputy chairman, president and Party secretary in CCAG. Mr. Xu is now the deputy secretary of the Party and vice general manager of CSGC, the chairman and Party secretary in CCAG, as well as the chairman of Chongqing Chang'an Automobil Co., Ltd. Beginning in November, 2002, he has served as the chairman of Jiangling Motors Co., Ltd.</p>				

<b>Name</b>	Baolin Zhang	<b>Gender</b>	Male	<b>Education</b>	M.S.
<b>Position</b>	Director, President	<b>Starting date</b>	2001-05-16	<b>Salary</b>	
<b>Total shares held</b>					
<b>Bio</b>	<p>Mr. Baolin Zhang, M.S., Senior Economist, Senior Political Engineer, was born in 1962. Mr. Zhang is now the general manager assistance in China South Industries Group Corporation (CSGC) and the director of China Chang'an Automobil (Group) Co., Ltd. (CCAG). He used to serve as the deputy secretary and secretary of the Youth League Committee in Southwest Ordance Bureau of China North Industries Group Corporation (CNGC). Mr. Zhang also served as the Party secretary of Chongqing Changfeng Machinery Co., Ltd, the standing vice manager and general manager of Chengdu Wanyou Co., the director and vice president of Chang'an Automobil (Group) Co., Ltd, the standing vice manager of Chongqing Chang'an Automobil Co., Ltd, the deputy secretary of the Party of CCAG, and the director and president of Chongqing Changfeng Machinery Co., Ltd.</p>				

## **1.2 Code Book for Government Connections**

### **1.2.1 National Government Organizations**

Please regard the following organizations/positions as national government organizations/positions. Any organizations/positions outside the list should be coded after consulting with the principal investigator.

General Office of the Communist Party of China (CPC), Organization Department of the CPC Central Committee, Publicity Department of the CPC Central Committee, United Front Work Department of the CPC Central Committee, International Department of the CPC Central Committee, Committee of Political and Legal Affairs of the CPC Central Committee (Central Committee for Comprehensive Social Management), Central Policy Research Office of the CPC Central Committee, Taiwan Work Office of the CPC Central Committee (Taiwan Affairs Office of the State Council), International Communication Office of the CPC Central Committee (State Council Information Office), Central Security Bureau, Party School of the CPC Central Committee.

State Council, Supreme People's Court of the People's Republic of China, Supreme People's Procuratorate, Vice-Chairman of the National People's Congress or of the Chinese Peoples Political Consultative Conference, Ministry of National Defense, Commission of Science, Technology, and Industry for National Defense, Ministry of Foreign Affairs, Ministry of Public Security, Ministry of State Security, Ministry of Justice, Ministry of Supervision, State Planning Commission, State Economic Commission, State Construction Commission, National Development and Reform Commission, Ministry of Finance, Ministry of Housing and Urban-Rural Development, Ministry of Geology and Mining, Ministry of Water Resources, Ministry of Agriculture, Ministry of Light Industry, State Economic and Trade Commission, Ministry of Internal Trade, Ministry of Foreign Trade and Economic Co-operation, State Commission for Economic Restructuring, Peoples Bank of China, National Audit Office, Ministry of Power Industry, Ministry of Coal Industry, Ministry of Metallurgical Industry, Ministry of Machine Industry, Ministry of Electronics Industry, Ministry of Chemical Industry, Ministry of Forestry/State Forestry Administration, Ministry of Transport, Ministry of Railways, Ministry of Posts and Telecommunications, State Education Commission, State Science and Technology Commission, Ministry of Culture, Ministry of Radio, Film and Television, State Physical Culture and Sports Commission, Ministry of Health, State Ethnic Affairs Commission, National Population and Family Planning Commission, Ministry of Labor, Ministry of Personnel, Ministry of Civil Affairs, State Administration of State-owned Assets.

### **1.2.2 Local Government Organizations**

Please regard the following organizations/positions as local government organizations/positions. Any organizations/positions outside the list should be coded after consulting with the principal investigator.

Party committee at all levels from province to township (excluding village), general office of Party committee, local organization department of the (CPC), local publicity department of the CPC, local united front work department of the CPC, local international department of the CPC,

local committee of political and legal affairs of the CPC.

Vice-chairman of local peoples congress or local Chinese peoples political consultative conference, general office of government at all levels, high/intermediate/basic peoples courts, high/intermediate/basic peoples procuratorates, public security bureau/department, state security bureau, bureau of justice, bureau of supervision, planning commission, economic commission, construction commission, development of reform commission, bureau of finance, bureau of housing and urban-rural development, bureau of geology and mining, bureau of water resources, bureau of agriculture, economic and trade commission, bureau of light industry, bureau of internal trade, bureau of foreign trade and economic co-operation, commission for economic restructuring, Peoples Bank of China branches, audit office, bureau of power industry, bureau of coal industry, bureau of metallurgical industry, bureau of machine industry, bureau of electronics industry, bureau of chemical industry, bureau of forestry/ forestry administration, bureau of transport, bureau of railways, bureau of posts and telecommunications, education commission, science and technology commission, bureau of culture, bureau of radio, film and television, physical culture and sports commission, bureau of health, ethnic affairs commission, national population and family planning commission, bureau of labor, bureau of personnel, bureau of civil affairs, local administration of state-owned assets.

## 2 FIRMS AND THEIR CONNECTEDNESS

Tables 1 and 2 present lists of firms in Shanghai (2006) and Chongqing (2012) and their connectedness. A firm is defined as connected if one of its board members is connected.

Table 1: Firms and Their Connectedness in Shanghai (2006)

Company Code	Company Name	National Government	Local Government	National Parliament	Local Parliament	National Party Congress	Local Party Congress	People's Liberation Army	Party Member
000668	RFKG	0	0	0	0	0	0	0	1
002022	KHSW	0	0	0	0	0	0	0	0
002028	SYDQ	0	0	0	0	0	0	0	0
002058	WET	0	0	0	0	0	0	0	0
600000	PFYH	1	1	0	1	0	0	0	1
600009	SHJC	0	1	0	0	0	0	0	1
600018	SGJT	1	1	0	0	0	0	0	1
600019	BGGF	0	0	0	0	0	0	0	1
600021	SHDL	1	0	0	1	0	0	0	1
600026	ZHFZ	1	0	0	0	0	0	0	1
600050	ZGLT	1	0	0	0	0	0	0	1
600061	ZFTZ	0	0	0	0	0	0	0	1
600072	ZCGF	0	0	0	0	0	0	0	1
600073	SHML	0	0	0	0	0	0	0	1
600081	DFKJ	0	0	0	0	0	0	0	1
600088	ZSCM	0	0	0	0	0	0	0	1
600094	DMC	1	0	0	0	0	0	0	1
600097	KCGJ	1	0	0	0	0	0	0	0
600104	SQJT	0	1	0	1	0	0	0	1
600115	DFHK	0	0	0	0	0	0	0	1
600119	CJTZ	0	0	0	0	0	0	0	1

600150	ZGCB	1	0	0	0	0	0	0	1
600151	HTJD	0	0	1	1	0	0	0	1
600170	SHJG	0	0	0	0	0	0	0	1
600171	SHBL	0	0	0	0	0	0	0	1
600193	CXZY	0	0	0	0	0	0	0	0
600196	FXYY	0	0	0	0	0	0	0	1
600210	ZJQY	0	1	1	1	0	0	0	1
600272	KKSY	0	0	0	0	0	0	0	1
600278	DFCY	0	1	0	1	0	0	0	1
600284	PDJS	0	1	0	0	0	0	1	1
600315	SHJH	0	0	1	1	0	0	0	1
600320	ZHZG	1	0	0	0	0	0	0	1
600420	XDZY	1	1	1	1	0	0	0	1
600490	ZKHC	1	0	0	1	0	0	0	1
600500	ZHGJ	0	0	0	0	0	0	0	1
600503	HLJZ	1	0	0	0	0	0	0	0
600508	SHNY	1	0	0	0	0	0	0	1
600517	ZXDQ	0	1	0	1	0	0	0	1
600530	JDAL	0	0	0	1	0	0	1	1
600555	JLS	0	0	0	0	0	0	0	0
600601	FZKJ	1	0	0	0	0	0	0	0
600602	YDDZ	0	1	0	0	0	0	1	1
600603	ST XY	0	0	0	0	0	0	0	1
600604	SBGX	0	0	0	0	0	0	0	1
600605	HTNY	0	0	0	0	0	0	0	1
600606	JFTZ	0	1	0	0	0	0	0	1
600608	ST HK	0	0	0	0	0	0	0	1
600610	S ZFJ	0	0	0	0	0	0	0	1
600611	DZJT	0	0	0	0	0	0	0 1	
600612	LFX	0	0	0	0	0	0	0	1
600613	YSTZ	0	0	0	0	0	0	0	0
600614	DLGF	0	0	0	0	0	0	0	1



600615	FHGF	0	0	0	0	0	0	0	1
600616	JFY	0	0	0	0	0	0	0	1
600617	ST LH	0	0	0	0	0	0	0	0
600618	LJHG	0	1	0	1	0	0	0	1
600619	HLGF	0	0	0	0	0	0	0	1
600620	TCGF	0	1	0	0	0	0	0	1
600621	SHJL	0	0	0	0	0	0	0	1
600622	JB JT	0	1	0	1	0	0	0	1
600623	SQGF	0	1	0	0	0	0	0	1
600624	FDFH	0	1	0	0	0	0	0	1
600626	SDGF	0	1	0	0	0	0	0	1
600628	XSJ	0	1	0	0	0	0	0	1
600630	LTGF	0	0	0	0	0	0	0	1
600633	ZBCM	0	1	0	0	0	0	0	1
600634	ST CH	0	1	0	0	0	0	0	1
600635	DZGY	1	1	0	0	0	0	0	1
600636	SAF	0	0	0	0	0	0	0	1
600637	BST	0	1	0	0	0	0	0	1
600638	XHP	0	1	0	0	0	0	0	1
600639	PDJQ	0	1	0	1	0	0	0	1
600640	HBKG	0	1	0	0	0	0	1	1
600641	WYQY	0	1	0	0	0	0	0	1
600642	SNGF	0	1	0	0	0	0	0	1
600643	AJGF	0	1	1	1	0	0	0	1
600647	TDCY	0	0	0	0	0	0	0	0
600648	WGQ	0	1	0	0	0	0	0	1
600649	CTKG	0	1	0	0	0	0	0	1
600650	JTZ	0	0	0	0	0	0	0	1
600651	FLYX	1	1	0	0	0	0	0	1
600652	ASGF	0	0	0	0	0	0	0	0
600653	SHKG	0	0	0	0	0	0	0	1
600654	FLGF	0	0	0	0	0	0	0	1

600655	YYSC	0	0	0	0	0	0	0	1
600661	XNY	0	1	0	0	0	0	0	1
600662	QSKG	1	1	0	0	0	0	0	1
600663	LJZ	0	0	0	0	0	0	0	1
600665	TDY	0	0	0	0	0	0	1	1
600675	ZHQY	0	1	0	0	0	0	0	1
600676	JYGF	0	0	0	0	0	0	0	1
600679	JSKF	0	1	0	0	0	0	0	1
600680	SHPT	0	0	0	0	0	0	0	1
600688	S SSH	0	1	0	0	0	0	0	1
600689	SHSM	1	1	0	0	0	0	0	1
600692	YTGF	0	1	0	0	0	0	1	1
600695	DJGF	0	0	0	0	0	0	0	1
600696	DLGF	0	0	0	0	0	0	0	1
600708	HBGF	0	1	0	0	0	0	0	1
600730	ZGGK	0	0	0	0	0	0	0	1
600732	SHXM	0	0	0	0	0	0	0	0
600741	HYQC	1	1	0	1	0	0	0	1
600748	SSFZ	0	1	0	0	0	0	0	1
600754	JJGF	1	0	0	0	0	0	0	1
600781	SHFR	0	0	0	0	0	0	0	0
600816	AXXT	0	0	0	0	0	0	0	0
600817	ST HS	1	1	0	0	0	0	0	1
600818	ZLGF	0	0	0	1	0	0	0	1
600819	YPBL	0	1	1	1	0	0	0	1
600820	SDGF	0	1	0	0	0	0	0	1
600822	SHWM	0	1	0	0	0	0	0	1
600823	SMGF	0	0	0	0	0	0	0	1
600824	YMJT	0	0	0	0	0	0	0	1
600825	XHCM	0	1	0	0	0	0	0	1
600826	LSGF	0	1	0	0	0	0	0	1
600827	YYGF	0	0	0	0	0	0	0	1

600832	DFMZ	0	1	0	0	0	0	0	1
600833	DYYY	0	0	0	0	0	0	0	1
600834	STDT	0	1	0	0	0	0	0	0
600835	SHJD	0	1	0	0	0	0	0	1
600836	JLSY	0	0	0	0	0	0	0	0
600837	HTZQ	0	1	0	0	0	0	0	1
600838	SHJB	0	1	0	0	0	0	0	1
600841	SCGF	1	0	0	0	0	0	0	1
600843	SGSB	0	0	0	1	0	0	0	1
600844	DHKJ	0	1	0	0	0	0	0	1
600845	BXRJ	0	0	0	0	0	0	0	1
600846	TJKJ	0	0	0	0	0	0	0	1
600850	HDDN	0	0	0	0	0	0	0	1
600851	HXGF	0	1	0	1	0	0	0	1
600895	ZJGK	0	1	0	0	0	0	0	1
601607	SHYY	0	0	0	1	0	0	1	1

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Table 2: Firms and Their Connectedness in Chongqing (2012)

Company Code	Company Name	National Government	Local Government	National Parliament	Local Parliament	National Party Congress	Local Party Congress	People's Liberation Army	Party Member
000514	YKF	0	1	0	0	0	0	0	1
000565	YSXA	0	1	0	0	0	0	0	1
000591	TJG	0	1	0	0	0	0	0	1
000603	SDKY	0	0	1	1	0	0	0	1
000625	CAQC	1	1	1	1	0	0	0	1
000656	JKGF	0	1	0	1	0	0	0	1
000736	ZFDC	1	0	1	1	0	0	0	1
000788	XNHC	0	1	0	1	0	0	0	1
000892	ST XM	0	0	0	0	0	0	0	1
000950	JFHG	0	1	0	1	0	0	1	1
001696	ZSDL	1	1	1	1	0	0	0	1
002004	HBZY	0	0	0	0	0	0	0	1
002507	FLZC	0	1	0	1	0	0	0	1
002558	SJYL	0	0	0	0	0	0	0	0
300006	CQLP	0	0	0	1	0	0	1	1
300122	ZFBP	0	1	0	0	0	0	0	1
300194	FAP	0	1	0	1	0	0	0	1
300275	CQMAS	0	0	0	0	0	0	1	1
600106	CQLQ	0	1	0	0	0	0	1	1
600116	SXSL	1	1	1	1	0	0	0	1
600129	TJJT	0	1	1	1	0	0	0	1
600132	CQPJ	0	1	0	1	0	0	0	1
600279	CQGJ	0	1	0	0	0	0	0	1
600292	JLDL	1	1	0	1	0	0	0	1
600369	XNZQ	1	1	0	0	0	0	0	1
600452	FLDL	0	0	0	0	0	0	1	1
600565	DMGF	0	1	0	0	0	0	0	1

600666	XNYY	0	1	0	1	0	0	0	1
600847	WLGF	0	1	1	1	0	0	1	1
600877	ST JL	0	0	0	0	0	0	0	1
601005	CQGT	0	1	0	1	0	0	0	1
601158	CQSW	0	1	1	1	0	0	0	1
601777	LFGF	0	1	1	1	0	0	0	1
601965	ZGQY	1	0	0	1	0	1	0	1
603766	LXTY	0	1	1	1	0	0	0	1

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### 3 EVENT STUDY PROCEDURE

I estimate the abnormal return and cumulative abnormal return during the event window  $[-2,2]$  using the standard event study methodology. Normal return is the expected return without conditioning on the event taking place. Abnormal return (AR) is defined as the actual *ex post* return of security during the event window  $[-2,2]$  minus the normal return of the firm during the event window  $[-2,2]$ . I use the estimation window  $[-110,-10]$  to estimate the normal return based on the “market model:”

$$NORMAL\ RETURN_{it} = \alpha_i + \beta_i MARKET\ RETURN_{mt} + \epsilon_{it}, \quad (1)$$

where  $NORMAL\ RETURN_{it}$  and  $MARKET\ RETURN_{mt}$  are the period- $t$  (in this case  $[-110, -10]$ ) returns on security  $i$  and the market portfolio, respectively, and  $\epsilon_{it}$  is the zero mean disturbance term with variance of  $\Sigma_\epsilon^2$ .  $\alpha_i$  and  $\beta_i$  are the parameters of the market model. Since firms were listed either on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, the Hu-Shen (Shanghai-Shenzhen) 300 Index was used for the market portfolio.

With the estimated parameters  $\hat{\alpha}_i$  and  $\hat{\beta}_i$ , the AR is:

$$AR_{i\tau} = RETURN_{i\tau} - \hat{\alpha}_i - \hat{\beta}_i NORMAL\ RETURN_{m\tau}, \quad (2)$$

where  $RETURN_{i\tau}$  is the daily return of stock  $i$  during event window  $\tau$   $[-2,2]$ , and  $NORMAL\ RETURN_{m\tau}$  is the estimated normal return based on Equation (1) during event window  $\tau$ .

And the cumulative abnormal return (CAR) is the sum of the abnormal return during the event window,

$$CAR_i(\tau_1, \tau_2) = \sum_{\tau=\tau_1}^{\tau_2} AR_{i\tau}. \quad (3)$$

The CAR in Shanghai has a mean of -1.13% with a standard deviation of 4.76%, and the CAR in Chongqing has a mean of -0.21% with a standard deviation of 5.95%. Tables 3 and 4 present the results of t-tests of CARs between connection and unconnected firms in Shanghai and Chongqing.

Table 3: T-Tests of Cumulative Abnormal Return Between Non-Connected and Connected Firms in Shanghai

<b>National Government</b>		<b>N</b>	<b>Mean</b>	<b>Std. Err.</b>
Non-Connected		100	-1.45	0.48
Connected		21	0.42	0.96
Diff.			-1.87	
<i>t</i>			-1.65	
<b>Local Government</b>		<b>N</b>	<b>Mean</b>	<b>Std. Err.</b>
Non-Connected		71	-0.30	0.58
Connected		50	-2.30	0.62
Diff.			2.00	
<i>t</i>			2.32	

Table 4: T-Tests of Cumulative Abnormal Return Between Non-Connected and Connected Firms in Chongqing

<b>National Government</b>		<b>N</b>	<b>Mean</b>	<b>Std. Err.</b>
Non-Connected		24	0.80	1.24
Connected		6	-4.26	1.33
Diff.			5.06	
<i>t</i>			1.95	
<b>Local Government</b>		<b>N</b>	<b>Mean</b>	<b>Std. Err.</b>
Non-Connected		8	0.68	2.48
Connected		22	-0.54	1.21
Diff.			1.22	
<i>t</i>			0.49	

## 4 RANKS OF FORMER BUREAUCRATS

Tables 5 and 6 present lists of firms in Shanghai (2006) and Chongqing (2012) and their former bureaucrats' rank. According to China's Civil Service Code, the variable "RANK" is coded in the following way: ministerial (*bu*) level=8, vice ministerial (*fubu*) level=7, bureau (*ju*) level=6, deputy bureau (*fuju*) level=5, department (*chu*) level=4, deputy department (*fuchu*) level=3, office (*ke*) level=2, deputy office (*fuke*) level=1.

Table 5: Rank of Former Bureaucrats in Shanghai (2006)

Company Code	Company Name	National Rank	Local Rank
000668	RFKG	0	0
002022	KHSW	0	0
002028	SYDQ	0	0
002058	WET	0	0
600000	PFYH	9	41
600009	SHJC	0	17
600018	SGJT	7	16
600019	BGGF	0	0
600021	SHDL	6	0
600026	ZHFZ	5	0
600050	ZGLT	38	0
600061	ZFTZ	0	0
600072	ZCGF	0	0
600073	SHML	0	0
600081	DFKJ	0	0
600088	ZSCM	0	0
600094	DMC	3	0
600097	KCGJ	1	0
600104	SQJT	0	6
600115	DFHK	0	0
600119	CJTZ	0	0



600150	ZGCB	2	0
600151	HTJD	0	0
600170	SHJG	0	0
600171	SHBL	0	0
600193	CXZY	0	0
600196	FXYY	0	0
600210	ZJQY	0	3
600272	KKSY	0	0
600278	DFCY	0	9
600284	PDJS	0	14
600315	SHJH	0	0
600320	ZHZG	7	0
600420	XDZY	4	1
600490	ZKHC	9	0
600500	ZHGJ	0	0
600503	HLJZ	4	0
600508	SHNY	7	0
600517	ZXDQ	0	12
600530	JDAL	0	0
600555	JLS	0	0
600601	FZKJ	1	0
600602	YDDZ	0	7
600603	ST XY	0	0
600604	SBGX	0	0
600605	HTNY	0	0
600606	JFTZ	0	21
600608	ST HK	0	0
600610	S ZFJ	0	0
600611	DZJT	0	0
600612	LFX	0	0
600613	YSTZ	0	0
600614	DLGF	0	0

600615	FHGF	0	0
600616	JFY	0	0
600617	ST LH	0	0
600618	LJHG	0	7
600619	HLGF	0	0
600620	TCGF	0	6
600621	SHJL	0	0
600622	JB JT	0	11
600623	SQGF	0	10
600624	FDFH	0	7
600626	SDGF	0	4
600628	XSJ	0	11
600630	LTGF	0	0
600633	ZBCM	0	10
600634	ST CH	0	1
600635	DZGY	3	4
600636	SAF	0	0
600637	BST	0	4
600638	XHP	0	4
600639	PDJQ	0	12
600640	HBKG	0	13
600641	WYQY	0	6
600642	SNGF	0	13
600643	AJGF	0	14
600647	TDCY	0	0
600648	WGQ	0	9
600649	CTKG	0	4
600650	JTZ	0	0
600651	FLYX	10	5
600652	ASGF	0	0
600653	SHKG	0	0
600654	FLGF	0	0

600655	YYSC	0	0
600661	XNY	0	2
600662	QSKG	6	3
600663	LJZ	0	0
600665	TDY	0	0
600675	ZHQY	0	15
600676	JYGF	0	0
600679	JSKF	0	2
600680	SHPT	0	0
600688	S SSH	0	10
600689	SHSM	0	8
600692	YTGF	0	5
600695	DJGF	0	0
600696	DLGF	0	0
600708	HBGF	0	3
600730	ZGGK	0	0
600732	SHXM	0	0
600741	HYQC	1	14
600748	SSFZ	0	12
600754	JJGF	6	0
600781	SHFR	0	0
600816	AXXT	0	0
600817	ST HS	1	4
600818	ZLGF	0	0
600819	YPBL	0	4
600820	SDGF	0	4
600822	SHWM	0	4
600823	SMGF	0	0
600824	YMJT	0	0
600825	XHCM	0	11
600826	LSGF	0	14
600827	YYGF	0	0

600832	DFMZ	0	36
600833	DYYY	0	0
600834	STDT	0	5
600835	SHJD	0	14
600836	JLSY	0	0
600837	HTZQ	0	8
600838	SHJB	0	1
600841	SCGF	4	0
600843	SGSB	0	0
600844	DHKJ	0	4
600845	BXRJ	0	0
600846	TJKJ	0	0
600850	HDDN	0	0
600851	HXGF	0	2
600895	ZJGK	0	8
601607	SHYY	0	0

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Table 6: Rank of Former Bureaucrats in Chongqing (2012)

<b>Company Code</b>	<b>Company Name</b>	<b>National Rank</b>	<b>Local Rank</b>
000514	YKF	0	6
000565	YSXA	0	16
000591	TJG	0	4
000603	SDKY	0	0
000625	CAQC	11	6
000656	JKGF	0	3
000736	ZFDC	7	0
000788	XNHC	0	6
000892	ST XM	0	0
000950	JFHG	0	15
001696	ZSDL	7	6
002004	HBZY	0	0
002507	FLZC	0	11
002558	SJYL	0	0
300006	CQLP	0	0
300122	ZFBP	0	6
300194	FAP	0	7
300275	CQMAS	0	0
600106	CQLQ	0	19
600116	SXSL	14	4
600129	TJJT	0	4
600132	CQPJ	0	13
600279	CQGJ	0	10
600292	JLDL	2	22
600369	XNZQ	5	20
600452	FLDL	0	0
600565	DMGF	0	4
600666	XNYY	0	13

600847	WLGf	0	8
600877	ST JL	0	0
601005	CQGT	0	5
601158	CQSW	0	25
601777	LFGF	0	14
601965	ZGQY	18	0
603766	LXTY	0	1

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## 5 PANEL DATA OF SHANGHAI, CHONGQING AND SICHUAN

Tables 7, 8, and 9 present lists of firms in Shanghai (2006-2012), Chongqing (2001-2006-2012) and Sichuan (2006-2012) and their changes in connectedness.

Table 7: A Panel of Listed Firms in Shanghai (2006-2012)

<b>Company Code</b>	<b>National Government 2006</b>	<b>National Government 2012</b>	<b>Local Government 2006</b>	<b>Local Government 2012</b>
000668	0	1	0	0
002022	0	0	0	0
002028	0	0	0	1
002058	0	0	0	0
600000	1	1	1	1
600009	0	0	1	1
600018	1	1	1	1
600019	0	1	0	0
600021	1	1	0	1
600026	1	1	0	0
600050	1	1	0	1
600061	0	1	0	0
600072	0	0	0	1
600073	0	0	0	1
600081	0	0	0	0
600088	0	1	0	0
600094	1	0	0	1
600097	1	0	0	1
600104	0	0	1	1
600115	0	1	0	0
600119	0	0	0	1

600150	1	1	0	1
600151	0	0	0	1
600170	0	0	0	1
600171	0	1	0	0
600193	0	0	0	1
600196	0	0	0	1
600210	0	0	1	1
600272	0	0	0	1
600278	0	0	1	1
600284	0	0	1	1
600315	0	0	0	0
600320	1	0	0	0
600420	1	0	1	1
600490	1	0	0	1
600500	0	1	0	1
600503	1	0	0	0
600508	1	1	0	0
600517	0	1	1	0
600530	0	0	0	1
600555	0	1	0	0
600601	1	0	0	0
600602	0	0	1	0
600603	0	0	0	0
600604	0	0	0	1
600605	0	0	0	0
600606	0	0	1	1
600608	0	0	0	1
600610	0	1	0	1
600611	0	0	0	1
600612	0	0	0	1
600613	0	0	0	0
600614	0	0	0	0



600615	0	0	0	0
600616	0	0	0	0
600617	0	0	0	0
600618	0	1	1	0
600619	0	0	0	0
600620	0	0	1	1
600621	0	0	0	1
600622	0	0	1	1
600623	0	0	1	1
600624	0	0	1	1
600626	0	0	1	0
600628	0	0	1	1
600630	0	1	0	1
600633	0	0	1	0
600634	0	0	1	0
600635	1	0	1	1
600636	0	0	0	1
600637	0	0	1	1
600638	0	1	1	1
600639	0	1	1	1
600640	0	1	1	1
600641	0	0	1	1
600642	0	0	1	1
600643	0	1	1	1
600647	0	1	0	0
600648	0	0	1	1
600649	0	0	1	1
600650	0	0	0	0
600651	1	1	1	0
600652	0	0	0	0
600653	0	0	0	0
600654	0	0	0	0

600655	0	0	0	1
600661	0	0	1	0
600662	1	0	1	1
600663	0	0	0	1
600665	0	0	0	0
600675	0	0	1	1
600676	0	0	0	1
600679	0	0	1	0
600680	0	0	0	1
600688	0	0	1	1
600689	1	0	1	1
600692	0	0	1	1
600695	0	0	0	1
600696	0	0	0	0
600708	0	0	1	0
600730	0	0	0	0
600732	0	0	0	0
600741	1	0	1	1
600748	0	0	1	1
600754	1	0	0	1
600781	0	0	0	0
600816	0	0	0	0
600817	1	0	1	0
600818	0	0	0	1
600819	0	1	1	1
600820	0	0	1	1
600822	0	0	1	1
600823	0	0	0	0
600824	0	0	0	1
600825	0	0	1	1
600826	0	0	1	1
600827	0	0	0	1

600832	0	0	1	1
600833	0	0	0	1
600834	0	1	1	1
600835	0	0	1	1
600836	0	0	0	0
600837	0	1	1	1
600838	0	0	1	1
600841	1	0	0	0
600843	0	0	0	1
600844	0	0	1	0
600845	0	1	0	0
600846	0	0	0	1
600850	0	0	0	1
600851	0	1	1	1
600895	0	1	1	1
601607	0	1	0	1

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Table 8: A Panel of Listed Firms in Chongqing (2000-2012)

<b>Company Code</b>	<b>National Gov. 2000</b>	<b>National Gov. 2006</b>	<b>National Gov. 2012</b>	<b>Local Gov. 2000</b>	<b>Local Gov. 2006</b>	<b>Local Gov. 2012</b>
000514	0	0	0	1	1	1
000565	0	0	0	0	1	1
000591	0	0	0	1	1	1
000603	0	0	0	0	0	0
000625	1	1	1	0	0	1
000656	0	0	0	0	1	1
000736	0	0	1	0	1	0
000788	0	0	0	1	1	1
000892	0	0	0	0	0	0
000950	0	0	0	0	1	1
001696	0	0	1	1	0	1
600106	0	1	0	1	1	1
600116	1	1	1	0	1	1
600129	0	0	0	0	1	1
600132	0	0	0	1	1	1
600279	0	0	0	0	1	1
600292	0	0	1	1	1	1
600369	0	0	1	1	1	1
600565	0	0	0	1	0	1
600666	0	0	0	0	0	1
600847	0	0	0	1	1	1
600877	0	0	0	0	0	0

Table 9: A Panel of Listed Firms in Sichuan (2006-2012)

<b>Company Code</b>	<b>National Government 2006</b>	<b>National Government 2012</b>	<b>Local Government 2006</b>	<b>Local Government 2012</b>
000155	0	0	1	0
000509	1	0	1	0
000510	0	0	1	1
000568	0	0	1	1
000584	0	0	1	1
000586	0	0	1	1
000593	0	0	0	0
000598	0	0	0	1
000628	0	0	1	1
000629	0	1	1	0
000710	0	0	0	0
000731	0	0	1	1
000757	0	0	0	1
000790	0	0	1	1
000801	0	0	0	0
000803	0	0	1	1
000810	0	1	1	1
000835	0	1	0	1
000838	1	0	0	1
000858	0	0	1	1
000876	1	1	1	1
000888	0	0	1	1
000912	0	0	0	1
000935	0	0	1	0
002023	1	0	1	1
600039	1	0	1	1
600093	0	0	0	0

600101	0	0	1	1
600109	0	1	1	1
600131	1	1	1	1
600137	0	0	0	0
600139	0	0	1	1
600321	0	0	0	1
600331	0	0	1	1
600353	0	0	0	0
600378	0	0	0	0
600391	0	1	0	0
600438	0	0	1	1
600466	0	0	0	0
600505	0	1	1	1
600528	0	1	0	0
600558	0	0	0	0
600644	0	1	1	1
600674	1	1	1	1
600678	0	0	1	1
600691	0	0	1	1
600702	1	0	1	1
600733	1	0	1	0
600779	0	0	1	1
600793	0	0	0	1
600804	0	0	1	0
600828	0	0	1	0
600839	1	1	1	1
600875	1	1	1	1
600880	0	0	1	0
600979	0	0	0	1

Table 10 presents the former positions of board members in Chongqing's affected firms.

Table 10: Positions of Former Government Officials in Affected Firms in Chongqing (2012)

<b>Company Code</b>	<b>Company Name</b>	<b>Board Member</b>	<b>Former Position</b>
000625	CAQC	Xu Liuping Dong Yang	Director of the general office, Commission of National Defense Science and Technology Deputy bureau head, State Machine-Building Bureau
000736	ZFDC	Shi Qiangjun Xu Yongjian	Deputy office director, Central Disciplinary Committee of the CPC Secretary, State Commodities Bureau
001696	ZSDL	Zhang Xiaoyu	Deputy bureau head, State Machine-Building Bureau
600116	SXSL	Ye Jianqiao Wang Peng Zhao Haishen Li Lei	Deputy director, Ministry of Water Resources Office head, Ministry of Water Resources Office head, Ministry of Water Resources Deputy office head, Ministry of Water Resources
600292	JLDL	Xie Xingwang	Office staff, Ministry of Energy
600369	XNZQ	Liu Ping	Deputy director, State Assets Commission

## 6 CAUSAL MECHANISMS

Tables 11 and 12 present lists of firms in Shanghai (2006) and Chongqing (2012) and the numbers of former bureaucrats in each category.

Table 11: Positions of Former Bureaucrats in Shanghai (2006)

Company Code				TAX	LAW	LABOR			TOTAL
	GENERALIST	REGULATOR	BANKER	COLLECTOR	ENFORCER	LICENSER	OFFICER	OTHER	
600000	3	3	1	1	1	0	0	0	9
600009	0	3	0	1	1	0	0	0	5
600018	0	3	0	1	0	0	0	1	5
600050	2	5	0	0	1	0	0	0	8
600097	0	0	0	0	0	0	0	1	1
600104	1	0	0	0	0	0	0	0	1
600278	0	2	0	0	0	0	0	0	2
600284	2	1	0	2	0	0	0	0	5
600320	0	2	0	0	0	0	0	0	2
600420	1	1	0	0	0	0	0	0	2
600490	0	2	0	0	0	0	0	0	2
600508	0	1	0	0	0	0	0	0	1
600517	1	2	0	0	0	0	0	0	3
600606	0	6	0	0	0	0	0	0	6
600618	1	0	0	0	0	0	0	0	1
600620	0	1	0	0	0	0	0	1	2
600622	0	3	0	0	0	0	0	0	3
600624	1	0	0	0	0	0	0	0	1
600626	1	0	0	0	0	0	0	0	1
600633	0	0	0	0	0	0	0	2	2
600637	0	1	0	0	0	0	0	0	1
600638	0	1	0	0	0	0	0	0	1
600642	0	2	1	0	0	0	0	0	3



600648	2	1	0	0	0	0	0	0	0	3
600649	0	1	0	0	0	0	0	0	0	1
600651	1	2	0	0	0	0	0	0	0	3
600661	0	1	0	0	0	0	0	0	0	1
600675	0	5	0	0	0	0	0	0	0	5
600689	0	2	0	0	0	0	0	0	0	2
600692	0	3	1	0	0	0	0	0	0	4
600708	1	0	0	0	0	0	0	0	0	1
600741	1	2	0	0	0	0	0	0	1	4
600748	2	1	0	0	0	0	0	0	0	3
600819	0	1	0	0	0	0	0	0	0	1
600822	0	1	0	0	0	0	0	0	0	1
600834	1	0	0	0	0	0	0	0	0	1
600835	1	2	0	0	0	0	0	0	0	3
600838	1	0	0	0	0	0	0	0	0	1
600844	0	0	0	0	0	0	0	0	1	1
600851	1	0	0	0	0	0	0	0	0	1
600895	2	1	0	0	0	0	0	0	0	3
Total	26	62	3	5	3	0	0	0	7	106

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Table 12: Positions of Former Bureaucrats in Chongqing (2012)

Company Code				TAX	LAW	LABOR			TOTAL
	GENERALIST	REGULATOR	BANKER	COLLECTOR	ENFORCER	LICENSER	OFFICER	OTHER	
000514	0	1	1	0	0	0	0	0	2
000565	1	2	0	0	0	0	0	0	3
000591	1	0	0	0	1	0	0	0	2
000625	1	1	0	0	0	0	0	1	3
000656	0	1	0	0	0	0	0	0	1
000736	0	1	1	0	1	0	0	0	3
000788	0	1	0	0	0	0	0	0	1
000950	1	2	0	0	1	0	0	0	4
001696	1	1	0	0	0	0	0	1	3
002507	0	1	0	4	1	0	0	0	6
300122	0	0	0	1	0	0	0	0	1
300194	0	0	0	1	0	0	0	1	2
600106	0	1	1	1	2	0	0	0	5
600116	0	5	1	0	0	0	0	0	6
600129	0	0	0	0	0	0	0	1	1
600132	1	0	0	0	1	0	0	1	3
600279	0	2	0	0	0	0	0	0	2
600292	0	5	0	1	0	0	0	0	6
600369	0	2	3	0	1	0	0	0	6
600565	0	1	0	0	0	0	0	0	1
600666	0	3	0	0	0	0	0	0	3
600847	1	1	0	0	0	0	0	0	2
601005	1	0	0	0	0	0	0	0	1
601158	1	6	0	0	0	0	0	0	7
601777	1	1	0	1	0	0	0	0	3
601965	0	2	0	0	1	0	0	0	3
603766	0	0	0	1	0	0	0	0	1

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TOTAL	10	40	7	10	9	0	0	5	81
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## **7 MAIN RESULTS IN TABLES**

### **7.1 Figure 1**

Tables 13 and 14 present results that generate Figure 1 in the paper.

Table 13: The Value of Political Connections in the Chen Liangyu 2006 Event

<b>Variable</b>	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)
NATIONAL GOVERNMENT	2.22 (1.23)	-	-	-	-	-	-	-
LOCAL GOVERNMENT	-	-2.29 (0.88)	-	-	-	-	-	-
NATIONAL PARLIAMENT	-	-	0.02 (2.34)	-	-	-	-	-
LOCAL PARLIAMENT	-	-	-	-1.83 (1.37)	-	-	-	-
PEOPLE'S LIBERATION ARMY	-	-	-	-	1.11 (0.57)	-	-	-
STATE OWNED ENTERPRISE	-	-	-	-	-	0.48 (1.01)	-	-
NATIONAL RANK	-	-	-	-	-	-	0.05 (0.08)	-
LOCAL RANK	-	-	-	-	-	-	-	-0.11 (0.08)
AGE	0.23 (0.14)	0.22 (0.12)	0.18 (0.13)	0.15 (0.13)	0.17 (0.13)	0.16 (0.14)	0.19 (0.14)	0.19 (0.13)
INDUSTRY FIXED EFFECT	YES	YES	YES	YES	YES	YES	YES	YES
INTERCEPT	-7.43 (2.60)	-2.82 (1.79)	-4.56 (1.88)	-2.33 (2.51)	-4.49 (1.83)	-4.25 (2.01)	-5.21 (2.48)	-0.33 (3.46)
N	121	121	37 121	121	121	98	121	121
R <sup>2</sup>	0.07	0.10	0.05	0.06	0.05	0.03	0.05	0.06

Table 14: The Value of Political Connections in the Bo Xilai 2012 Event

<b>Variable</b>	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)
NATIONAL GOVERNMENT	-2.91 (1.29)	-	-	-	-	-	-	-
LOCAL GOVERNMENT	-	-1.35 (2.77)	-	-	-	-	-	-
NATIONAL PARLIAMENT	-	-	-2.46 (1.54)	-	-	-	-	-
LOCAL PARLIAMENT	-	-	-	-2.84 (1.94)	-	-	-	-
PEOPLE'S LIBERATION ARMY	-	-	-	-	4.91 (3.75)	-	-	-
STATE OWNED ENTERPRISE	-	-	-	-	-	-3.40 (3.87)	-	-
NATIONAL RANK	-	-	-	-	-	-	-0.30 (0.12)	-
LOCAL RANK	-	-	-	-	-	-	-	0.09 (0.19)
AGE	0.30 (0.29)	0.29 (0.26)	0.24 (0.26)	0.29 (0.27)	0.35 (0.31)	0.25 (0.29)	0.29 (0.29)	0.30 (0.32)
INDUSTRY FIXED EFFECT	YES	YES	YES	YES	YES	YES	YES	YES
INTERCEPT	-5.08 (6.41)	-6.48 (7.14)	-6.71 (6.09)	-7.85 (6.21)	-9.22 (7.04)	-3.50 (7.49)	-6.30 (6.47)	-9.63 (9.86)
N	27	27	38	27	27	27	26	27
R <sup>2</sup>	0.43	0.41	0.44	0.44	0.48	0.44	0.43	0.41

## 7.2 Figure 2

Tables 15 and 16 present results that generate Figure 2 in the paper.

Table 15: Causal Mechanisms in the Chen Liangyu 2006 Event

<b>Variable</b>	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)
GENERALIST	-0.60 (0.68)	-	-	-	-	-
REGULATOR	-	-0.35 (0.26)	-	-	-	-
BANKER	-	-	1.87 (1.17)	-	-	-
TAX COLLECTOR	-	-	-	0.45 (0.80)	-	-
LAW ENFORCER	-	-	-	-	-0.81 (0.47)	-
OTHER	-	-	-	-	-	-1.00 (2.14)
INTERCEPT	-0.95 (0.48)	-0.87 (0.52)	-1.21 (0.45)	-1.15 (0.45)	-1.11 (0.45)	-1.04 (0.42)
N	121	121	121	121	121	121
R <sup>2</sup>	0.01	0.01	0.01	0.00	0.00	0.00



Table 16: Causal Mechanisms in the Bo Xilai 2012 Event

<b>Variable</b>	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)
GENERALIST	-2.72 (2.01)	-	-	-	-	-
REGULATOR	-	-0.88 (0.38)	-	-	-	-
BANKER	-	-	-0.58 (1.48)	-	-	-
TAX COLLECTOR	-	-	-	1.51 (1.02)	-	-
LAW ENFORCER	-	-	-	-	2.23 (3.16)	-
OTHER	-	-	-	-	-	0.57 (3.10)
INTERCEPT	0.60 (1.42)	0.87 (1.40)	-0.08 (1.06)	-0.67 (1.06)	-0.81 (1.16)	-0.31 (1.20)
N	30	30	30	30	30	30
R <sup>2</sup>	0.05	0.06	0.00	0.04	0.04	0.00

## **8 ROBUSTNESS CHECKS**

### **8.1 Longer Event Window**

Tables 17 and 18 present results that use  $[-10, 10]$  as event window.

Table 17: The Value of Political Connections in the Bo Xilai 2012 Event (Longer Time Horizon)

EVENT DATE	Coefficient (Robust Standard Error)																				
	-10	-9	-8	-7	-6	-5	-4	-3	-2	-1	0	1	2	3	4	5	6	7	8	9	10
NAT. GOV.	-1.20 (1.05)	1.21 (0.78)	0.95 (1.14)	-0.62 (0.73)	1.48 (1.61)	-0.28 (1.01)	-0.54 (0.69)	-0.48 (0.62)	-1.19 (0.84)	-1.52 (0.50)	-2.28 (1.08)	1.17 (1.25)	0.90 (0.81)	0.47 (2.44)	0.85 (1.10)	-1.38 (0.74)	3.57 (2.15)	-0.59 (0.96)	-1.69 (0.92)	-1.38 (1.77)	-0.43 (1.47)
AGE	-0.02 (0.11)	-0.06 (0.08)	-0.07 (0.05)	-0.11 (0.10)	0.13 (0.08)	-0.04 (0.07)	0.00 (0.04)	0.01 (0.05)	0.15 (0.06)	-0.12 (0.06)	0.25 (0.13)	-0.01 (0.16)	0.03 (0.07)	-0.07 (0.11)	0.08 (0.07)	-0.05 (0.08)	0.11 (0.06)	-0.13 (0.10)	-0.09 (0.10)	-0.10 (0.12)	-0.05 (0.19)
IND. F.E.	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
INTERCEPT	1.74 (2.70)	-0.71 (1.85)	1.43 (1.53)	4.84 (2.75)	-1.67 (3.23)	4.26 (1.54)	4.03 (0.93)	1.27 (1.41)	-2.68 (1.69)	2.70 (1.62)	-3.58 (3.06)	-0.48 (3.12)	-1.03 (1.74)	1.76 (3.43)	-3.60 (1.48)	2.68 (1.69)	-5.56 (2.32)	2.55 (2.69)	1.45 (2.58)	3.39 (3.65)	2.53 (4.55)
N	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27
R <sup>2</sup>	0.27	0.23	0.26	0.28	0.27	0.11	0.47	0.20	0.64	0.66	0.26	0.43	0.14	0.06	0.11	0.28	0.42	0.51	0.17	0.11	0.05

Table 18: The Value of Political Connections in the Chen Liangyu 2006 Event (Longer Time Horizon)

EVENT DATE	Coefficient (Robust Standard Error)																				
	-10	-9	-8	-7	-6	-5	-4	-3	-2	-1	0	1	2	3	4	5	6	7	8	9	10
LOC. GOV.	0.46 (0.37)	-0.24 (0.26)	-0.55 (0.31)	-0.16 (0.40)	-0.22 (0.35)	0.32 (0.32)	-0.23 (0.33)	0.33 (0.38)	-0.31 (0.33)	0.21 (0.34)	-0.80 (0.41)	-0.48 (0.43)	-0.91 (0.40)	-0.20 (0.22)	0.77 (0.37)	0.14 (0.53)	-0.12 (0.44)	0.13 (0.46)	0.34 (0.51)	-0.12 (0.38)	-1.21 (0.50)
AGE	0.00 (0.05)	0.01 (0.04)	-0.01 (0.05)	0.13 (0.06)	-0.03 (0.05)	0.01 (0.04)	0.03 (0.04)	-0.01 (0.07)	0.02 (0.04)	-0.02 (0.04)	0.05 (0.05)	-0.04 (0.06)	0.21 (0.06)	-0.07 (0.03)	-0.06 (0.04)	-0.21 (0.08)	-0.02 (0.08)	0.05 (0.06)	-0.05 (0.07)	0.02 (0.06)	0.18 (0.07)
IND. F.E.	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
INTERCEPT	2.42 (0.78)	-1.42 (0.57)	2.07 (0.73)	-2.91 (0.83)	-0.97 (0.71)	-3.72 (0.62)	0.78 (0.71)	1.70 (1.01)	1.94 (0.59)	-1.28 (0.67)	-2.80 (0.73)	-0.04 (0.95)	-0.63 (0.77)	0.60 (0.48)	0.36 (0.62)	10.45 (1.02)	0.99 (1.16)	0.41 (0.91)	2.37 (0.91)	-0.14 (0.71)	1.26 (0.92)
N	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121
R <sup>2</sup>	0.15	0.03	0.06	0.06	0.18	0.07	0.04	0.08	0.05	0.01	0.11	0.03	0.18	0.10	0.09	0.24	0.13	0.07	0.07	0.06	0.10

## **8.2 Wang Lijun Incident as the Event**

Table 19 presents results that use the Wang Lijun incident as the event.

Table 19: The Value of Political Connections in the Bo Xilai 2012 Event (Robustness Check Using the Wang Lijun Incident)

<b>Variable</b>	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)
NATIONAL GOVERNMENT	-4.42 (2.92)	-	-	-	-
LOCAL GOVERNMENT	-	-1.19 (3.25)	-	-	-
NATIONAL PARLIAMENT	-	-	-3.36 (2.82)	-	-
LOCAL PARLIAMENT	-	-	-	0.57 (3.20)	-
PEOPLE'S LIBERATION ARMY	-	-	-	-	3.49 (5.04)
AGE	0.06 (0.32)	0.03 (0.31)	-0.02 (0.29)	0.02 (0.32)	0.06 (0.32)
INDUSTRY FIXED EFFECT	YES	YES	YES	YES	YES
INTERCEPT	0.52 (7.29)	-2.00 (7.79)	-2.16 (6.56)	-2.97 (7.25)	-4.02 (7.30)
N	28	28	28	28	28
R <sup>2</sup>	0.13	0.07	0.12	0.07	0.10

### **8.3 Confounding Events**

Table 20 present results that exclude all Chongqing's real estate firms.

Table 20: The Value of Political Connections in the Bo Xilai 2012 Event (Robustness Check Excluding All Real Estate Firms)

<b>Variable</b>	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)
NATIONAL GOVERNMENT	-2.80 (1.52)	-	-	-	-
LOCAL GOVERNMENT	-	-1.98 (3.04)	-	-	-
NATIONAL PARLIAMENT	-	-	-2.34 (1.67)	-	-
LOCAL PARLIAMENT	-	-	-	-2.84 (1.92)	-
PEOPLE'S LIBERATION ARMY	-	-	-	-	4.91 (3.71)
AGE	0.30 (0.29)	0.29 (0.25)	0.24 (0.26)	0.29 (0.27)	0.35 (0.30)
INDUSTRY FIXED EFFECT	YES	YES	YES	YES	YES
INTERCEPT	-5.15 (6.30)	-5.83 (6.99)	-6.71 (6.04)	-7.74 (6.15)	-9.11 (6.96)
N	25	25	25	25	25
R <sup>2</sup>	0.34	0.33	0.35	0.36	0.41



## **8.4 The Interactive Effects of SOE and CONNECTION**

Tables 21 and 22 show the results of the interactive effects between connections and SOE.

Table 21: Testing the Interactive Effects of Connections and SOE (Shanghai 2006)

<b>Variable</b>	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)
NATIONAL GOVERNMENT	1.56 (1.04)	-
LOCAL GOVERNMENT	-	-0.85 (1.14)
SOE	0.13 (0.99)	1.06 (1.47)
NATIONAL GOVERNMENT×SOE	2.43 (2.41)	-
LOCAL GOVERNMENT×SOE	-	-0.10 (1.98)
AGE	0.25 (0.16)	0.20 (0.15)
INDUSTRY FIXED EFFECT	YES	YES
INTERCEPT	-7.08 (2.86)	-3.96 (2.04)
N	98	98
R <sup>2</sup>	0.07	0.05

Table 22: Testing the Interactive Effects of Connections and SOE (Chongqing 2012)

Variable	Coeff. (R.S.E.)	Coeff. (R.S.E.)
NATIONAL GOVERNMENT	-2.95 (1.81)	-
LOCAL GOVERNMENT	-	-1.10 (4.32)
SOE	-5.76 (9.89)	-4.68 (4.44)
NATIONAL GOVERNMENT×SOE	6.39 (9.89)	-
LOCAL GOVERNMENT×SOE	-	1.73 (7.89)
AGE	0.23 (0.31)	0.25 (0.27)
INDUSTRY FIXED EFFECT	YES	YES
INTERCEPT	-4.15 (7.26)	-2.94 (9.22)
N	26	26
R <sup>2</sup>	0.47	0.44

## **8.5 Politically Connected Firms in Guangdong Province**

Table 23 presents results using firms in Guangdong Province.

Table 23: The Value of Political Connections in the Chen Liangyu 2006 Event

<b>Variable</b>	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)	<b>Coeff.</b> (R.S.E.)
NATIONAL GOVERNMENT	-0.37 (0.85)	-	-	-	-	-
LOCAL GOVERNMENT	-	-0.27 (0.83)	-	-	-	-
NATIONAL PARLIAMENT	-	-	-1.86 (1.33)	-	-	-
LOCAL PARLIAMENT	-	-	-	1.33 (0.81)	-	-
PEOPLE'S LIBERATION ARMY	-	-	-	-	0.11 (1.07)	-
SOE	-	-	-	-	-	-1.03 (1.93)
AGE	-0.15 (0.07)	-0.15 (0.07)	-0.15 (0.07)	-0.15 (0.07)	-0.15 (0.07)	-0.15 (0.07)
INDUSTRY FIXED EFFECT	YES	YES	YES	YES	YES	YES
INTERCEPT	2.33 (1.69)	2.15 (1.57)	2.72 (1.66)	1.54 (1.54)	2.01 (1.48)	2.01 (1.48)
N	247	247	247	247	247	247
R <sup>2</sup>	0.10	0.10	0.10	0.11	0.10	0.10