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Political Visits and Firm Value: Evidence from central leaders' local tours in China[1]

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Abstract

This study investigates how Chinese central leaders choose firms to visit and how these visits affect the firm value and performance of the companies visited. We compile a list of visits made by General Secretary Xi Jinping and Premier Li Keqiang to Chinese listed companies from 2012 to 2022. Together with an event list for the Hu Jintao period, we apply an event study to estimate the determinants of firm selection and the short- and long-term effects of these visits on firm stock price and performance. The results reveal that political visits generated positive cumulative abnormal returns of 1.26%–5.97% for visited companies, depending on the individual leader. The findings also indicate that the visiting effects are qualitatively different among two administrations. Moreover, the visits made during the second term of the Xi administration increased cumulative abnormal returns prior to the visit, implying the possibility of suspicious pre-event trading due to information leaks. Regarding long-term effects, we find positive impacts on sales and bank loans of private firms. Results suggest while the business environments surrounding the Chinese companies have institutionalized, the value of political connections has not been diminished, but the way in which their effects manifest has been transformed.

Keywords: political visit, political connection, event study, suspicious trading, Xi Jinping, Li Keqiang, Hu Jintao, Wen Jiabao, China
JEL classification: D82, G14, K42, P31

[1] This study is conducted as a part of a Chinese economy project titled "Empirical Research on the Transforming Chinese Economy: Upgrading, Expansion, Structural Reform, of the Studies on Transformations of International Systems and Their Impact on Japan's Mid- & Long-term Competitiveness" undertaken at the Research Institute of Economy, Trade, and Industry (RIETI). We thank Masayuki Morikawa, Arata Ito, and the participants at the Chinese Economists Society North American Conference 2023 and RIETI research meetings for their helpful comments and suggestions. Financial support from Harvard-Yenching Institute and RIETI is greatly appreciated.

1. Introduction

While companies' cultivation of political connections is a global phenomenon, it is considered particularly important in emerging and transitional economies, which typically have lower transparency and weaker market institutions (Faccio, 2006; Claessens et al., 2008).[2] In particular, companies in China, especially private companies, face weaker and more unstable legal institutions under a socialist regime that emphasizes the role of the Chinese Communist Party (CCP) and the state; the regime has continuously applied marketization reforms to the business environment since the 1980s. This uncertain business environment incentivizes Chinese companies to establish close ties with the government and the CCP, which can help to overcome market and government failures and avoid ideological discrimination (Li et al., 2008; Hou, 2019).[3] Extensive research has demonstrated that political connectedness positively and negatively affects various aspects of firm practices and performance in China. Political connections have been found to help firms to secure favorable regulatory conditions (Wu et al., 2012), access resources, such as bank loans and subsidies (Cheng, 2018; Liu et al., 2021; Alonso et al., 2022), and more pro-business court decisions (Ang and Jia, 2014; Lu et al., 2015). These advantages buffer firms from government pressure to donate (Zhang et al., 2016), ultimately increasing firms' value (Fisman, 2001; Chen et al., 2017) and enhancing performance (Li et al., 2008; Sharma et al., 2020).

Despite growing evidence of the significance of political–business connections, no consensus has been found regarding the specific magnitude and mechanisms through which these connections lead to different market and regulatory outcomes. Previous studies suggest that collusion between business and government elites and the spread of corrupt practices are potential outcomes (Chen et al., 2011; Tsai et al., 2021); however, understanding these intra-elite interactions, including actual patterns and outcomes, is still limited. This gap is particularly significant given the increasingly institutionalized market environment and a major reform effort undertaken by the Xi administration to strengthen the CCP's ability to regulate and monitor corporate political connections. Along with Xi's intensive anti-corruption efforts, these reforms are expected to diminish the value of political connectedness substantially.[4] In contrast, the centralization of political authority and the

[2] Political connections can be defined as formal or informal social connections with public officials at various levels of administration in local or central government and political parties.

[3] Moreover, in many instances, companies go beyond seeking protection from the State to pursue political rents, seeking favorable treatment from the government through various means (Lin, 2001; Wang, 2016), which can include making political donations, participating in political campaigns, and engaging in lobbying efforts (Kennedy, 2008; Gustaffson et al., 2017).

[4] According to Piatkowski et al. (2020), China improved significantly during the 2010s in its business

concentration of power under Xi Jinping's leadership, which notably intensified during his second term, may have amplified the value of connections with the central leaders.

This study investigates the impact of political connections on firm performance by focusing on visits made by central leaders (President and Premier) from 2002 to 2022. Top leaders may visit companies to promote policies, while companies may host politicians to gain additional policy support or media attention. This study seeks to answer two main questions. How do politicians select companies to visit? What impacts do such visits have on firm value and performance? Previous research has demonstrated that government officials tend to visit larger, more profitable, and younger companies (Wang et al., 2019) and that host firms' stock returns tend to increase following visits (Schuler et al., 2017; Wang et al., 2019; Li et al., 2022). Given the Chinese government's control over policy resources, a visit by central leaders suggests corporate capability and can have a positive signaling effect on the stock market and influence medium- and long-term firm performance.[5]

While studies have examined local tours and political visits, further research is needed to address two crucial aspects. First, quantitative analyses are lacking regarding the determinants and impact of visits made by different administrations and individual leaders. Several studies reported that the estimated magnitude of political connections on firm value is approximately 3.6%–5.3% for politically connected firms[6]; however, this effect may vary depending on the nature and significance of the connections. Second, although existing studies have shown that information on government officials' visits to companies has a strong signaling effect, they have not considered the possibility of this information being leaked in advance.[7] Notably, some studies have shown possible abnormal fluctuations and positive cumulative abnormal returns (CAR) prior to visits, which we discuss in detail in Section 2.

This study addresses the gaps in previous research by constructing a comprehensive list of visits to listed companies covering the entire first and second terms of the Xi Jinping administration in

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environment, including contract enforcement and resolving insolvency. Regarding the effect of Xi's anti-corruption campaign, Ding et al. (2020) present multiple pieces of evidence indicating institutional changes related to the regulatory regime in China and a better business environment after the anti-corruption campaign.

[5] While corporate visits by government officials are a particularly observed phenomenon in China, such connections between politicians and companies are a global issue. For example, Brown and Huang (2020) analyzed company officials' visits to the White House as a connection and found positive abnormal stock returns for event companies.

[6] Examining the sudden deaths of politically connected independent directors, Cheng (2018) found that the sudden loss of connection led to an average 3.61% decline in stock price. Similarly, Fan (2021) determined that high-level government officials' resignations from directorships led to a 5.3% drop in CAR.

[7] In one specific example, on the afternoon of May 26, 2015, General Secretary Xi Jinping toured Hangzhou, Zhejiang Province, China, inspecting Hangzhou Hikvision Technology Company, Ltd., a leading surveillance camera technology company, during his visit. On the day of the visit, the stock price averaged 22.31 Chinese yuan (CNY); however, nine days earlier (May 17, 2015), the price was 15.95 CNY, increasing to 23.24 CNY on May 25, the day before the visit.

China, spanning from November 2012 to October 2022. This list includes 53 visits by General Secretary Xi Jinping and 43 visits by Premier Li Keqiang, totaling 96 events. We also incorporate an event list from the Hu Jintao period from 2002 to 2012, which was previously compiled by Schuler et al. (2017). Using this data, we examine the determinants of choosing the companies visited, the stock market effect (short-term effect), and the firm-level performance effect (long-term effects) from 2002 to 2022.

Compared to previous research, this study contributes empirically in four key areas. First, the study provides comprehensive estimates covering political visits by the four highest political leaders over the last two decades. The estimate confirms the tendency not to visit firms with directors having working experience in the government, which is consistent with the dual-employment regulations announced by the government in October 2013. Second, this study quantifies the effects of visits as a form of political connection, including different administrations and their respective central leaders. The findings indicate that the effects of CAR were 2.20% for Hu Jintao, 1.26% for Wen Jiabao, 5.97% for Xi Jinping, and 3.53% for Li Keqiang. These effects are logically consistent, with general secretaries having a more substantial influence in each administration, which supports findings from previous studies. Third, the analysis considers the possibility of suspicious trading due to information leakage when examining the stock market effects. The estimation suggests that information on Xi Jinping's company visits may be leaked in advance, representing another novel finding of this study. Finally, the study reveals the positive effects of political visits on non-state-owned enterprises' (non-SOE) performance, especially regarding sales and bank loans. This study demonstrates the value and effects of political connections while acknowledging potential side effects.

Based on the empirical findings presented above, this study contributes to understanding the Chinese politico-economic system, mainly how political connections function within the contexts of institutionalization and concentrated power. The empirical findings reveal that while the business environments surrounding Chinese companies have undergone institutionalization from the 2000s to the 2010s, the value of political connections remains significant. Most notably, the short-term effect of the general secretary's visit on stock prices was greater in the 2010s. In comparison, the effect on firm performance did not change qualitatively over the two-decade period. These results provide insights into the complex economic consequences of the anti-corruption campaign and the concentration of power, both of which have occurred under Xi's leadership. They suggest that while the former has improved the regulatory environment for companies, the latter may have increased the value of information related to corporate visits and potentially incentivized suspicious trading.

The remainder of this paper is structured as follows. Section 2 reviews previous studies regarding the relationship between business and government, revealing the lack of clarity concerning the effects

of political visits. Section 3 describes constructing an event list of political visits, and Section 4 details how we empirically test our hypotheses using event analysis. Section 5 reports and interprets the event analysis results, and Section 6 concludes.

2. Background and related literature

2.1. Political visits in China

In contemporary China, CCP leaders pursue the steady implementation of policies through information-gathering visits to various regions. Mao Zedong, a paramount political leader of the CCP, emphasized field research, famously saying that "No investigation, no right to speak (*Meiyou diaocha, Meiyou Fayanquan*)" (Mao, 1966). Between 1949 and 1976, Mao left the political center on 58 occasions for 2,943 days to visit various parts of China (Yuan, 2016). Zhou Enlai also traveled extensively throughout the country to gather information and promote the central government's policies (Cheng, 2009). Chapter 6 of the CCP's Party Constitution lists "serious investigation and research (*Renzhen Diaocha Yanjiu*)" as one of the prerequisites that party leaders at all levels must meet. [8]

Between November 2012 and December 2013, during his first 400 days in office, Xi Jinping conducted 14 domestic inspections totaling 39 days. According to an article published by the *Xinhua News Agency*, these visits involving senior officials aim to reduce information asymmetry. [9] General Secretary Xi Jinping conducted a total of 50 field visits that lasted 151 days across approximately 5 years, through October 2017, during his first term in office. These visits represent about 8% of the 1,800 days. [10] On average, Xi conducted approximately 10 local visits per year.

Previous studies have analyzed the selection and impact of political visits as a function of political connections. [11] From a firm's perspective, a visit by a high-level government official can demonstrate company ties to the government, provide legitimacy from the party and the government, and a signal that preferential policies will ensue (He and Tian, 2008; Schuler et al., 2017). Accepting

[8] However, these field visits did not always provide leaders with accurate information about various regions, as evidenced by the prominent case of false reports of agricultural and industrial production during the Great Leap Forward (Chan, 2001).

[9] "Collective research, as an important mechanism to reduce information asymmetry, is a working mechanism in which members of the Standing Committee of the Political Bureau of the CPC Central Committee personally go to the grassroots throughout the country to understand the actual situation, either by viewing it on the ground or by inviting people who understand the actual situation to hold talks." From "Traveling around the green hills to ask the people - Xi Jinping's domestic research since the 18th National Congress," *Outlook Weekly (Liaowang Xinwen Zhoukan)*, January 26, 2014.

[10] "The full chronicle of the domestic visits of General Secretary Xi Jinping since the 18th Party Congress," *People's Daily*, October 09, 2017.

[11] While this study focuses on political visits, other studies have examined the impact of local tours on governance efficiency in host regions (Ren et al., 2018) and analyzed such visits' impact on air pollution indicators in host regions (Shi et al., 2020).

a visit from a government official also generates coverage in various state-run media outlets (Kennedy, 2008). Furthermore, politicians can use these visits to gather information about companies, technologies, and economic trends and to advocate for specific policies. For example, they may promote support for particular sectors, such as the rare-earth industry (Li et al., 2022). When a high-level politician visits a company, the high-level politician's office selects the company to visit; however, the process is a complex and long-term interaction between the government/party and the company at various levels. Therefore, to host a visit by a high-ranking politician, the company must conduct significant advance lobbying, and the information about the visit is finally disclosed to the public after the visit (Schuler et al., 2017).[1] [2]

Table 1 presents the results of an empirical analysis of the effects of political visits in China. Wang et al. (2019) used probit estimation to identify the factors that influence the companies that government officials choose to visit. Based on data collected from the visiting lists of central, provincial, and local officials, totaling more than 5,000 visits, the authors found that government officials tend to visit more prominent, more profitable, younger companies and those with directors having government-working experiences. Conversely, no such tendency was observed for higher-ranking officials, including central government and national ranking officials, who did not demonstrate a preference for visiting politically connected firms.

Three papers have analyzed the impact of visits from the government and party officials to firms on financial performances and corporate behaviors. Li et al. (2016) examined the effects of such visits on the Shanghai and Shenzhen Stock Exchanges, confirming that companies that accepted government visits experienced higher returns on assets and market-to-book ratios. The authors interpreted this outcome as a signaling effect that indicates a firm's unobserved capability as the government and party have various channels to collect information. This typical information asymmetry problem stems from government officials having more inside information than market participants. Wang et al. (2019) conducted a year-firm-level estimation with rich information on political visits, determining that government officials' visits are associated with high investment, increased new bank loans, and better corporate governance. Tan et al. (2022) investigated whether firms listed on the Shanghai Stock Exchange moved to fulfill the government's employment policy goals after a government official's visit. The study demonstrated that host firms increased the employment of relatively less educated workers to meet the government's total employment target.

Three studies have conducted estimations regarding stock market reactions (short-term effects) to visits. Schuler et al. (2017) examined the effect of visits by General Secretary Hu Jintao and

[1] [2] Schuler et al. (2017) also interviewed experts but found that they could not identify protocols for high-ranking politicians' preparation for corporate visits.

Premier Wen Jiabao to firms between 2003 and 2011. They found that firms visited by government officials had CAR approximately 2.89% higher than those in the control group; this effect was larger for the private companies, which they interpret as being due to a certification effect that led to an increased likelihood of receiving additional resources and a certificate from the government. Li et al. (2022) focused on the single event of General Secretary Xi Jinping's visit to a rare-earth company (Jiangxi Jinli Permanent Magnet Technology Co, Ltd.) on May 2, 2019, analyzing the impact of this visit on the stock prices of 11 rare-earth companies. Their results indicated that the visit caused fluctuations in the stock prices of related companies and raised the CAR.[1 3] Furthermore, Wang et al. (2019) found positive effects of CAR and that the effect is larger for a higher government official.

Table 1. Previous studies on the effects of political visits

Previous research is valuable as it has empirically examined the impact of political visits on stock prices, profit margins, and employment indicators; however, two specific aspects require further analysis.

First, no studies have covered the entire first and second periods of the Xi Jinping administration or compared it with the previous Hu Jintao administration. Schuler et al. (2017) focused on the Hu administration period, while Li et al. (2022) and Tan et al. (2022) examined the Xi Jinping administration period; however, Li et al. (2022) only studied a single case of a visit to a rare-earth company in May 2019, and Tan et al. (2022) only analyzed data until 2016. Examining the entire period of the Xi administration is significant, particularly given Xi's strengthened authority. Xi is often referred to as the "chairman of everything" (Ang, 2022; Shirk, 2022) because his expanded power indicates that he has increased the policy resources that he can mobilize, making it crucial to conduct a more in-depth empirical analysis of signaling effects and certification effects.

Second, existing studies on Chinese political visits have not thoroughly investigated pre-event stock price fluctuations and CAR increases. For example, Li et al.'s (2022) main results (Figures 3–7 and Tables 2–5) demonstrated that abnormal returns and CAR began to fluctuate prior to the event ($t < 0$). The authors stated that "developed regions (high-income areas) began to fluctuate abnormally in the two trading days before the leaders visited" (Li et al., 2022, p. 49); however, they do not provide a detailed explanation for these fluctuations. Similarly, Schuler et al. (2017) compared treatment and control groups in their baseline analysis (Figure 1), finding a slight increase in CAR from three to

[1 3] Liu et al. (2018) presented another important work focusing on the relationship between political connection and CAR, investigating how the new regulation regarding the political leaders' part-time jobs in companies (issued on October 19, 2013), demonstrating that the securities market reacted negatively toward companies with clear political connection during the event.

two days before the event (Schuler et al., 2017, p. 1682); however, the authors chose not to elaborate on this point.

2.2. Suspicious pre-event trading and regulatory settings

In financial research, empirical studies have identified pre-event fluctuations in stock prices that suggest the possibility of insider trading. Specifically, studies on financial events, such as mergers, have highlighted pre-event stock price fluctuations and increases in CAR as potential signs of insider trading (Mandelker, 1974; Keown and Pinkerton, 1981); the US Supreme Court has used these indicators to identify insider trading (MacKinlay, 1997). Previous studies have also used trading reports from chief financial officers and independent board directors as evidence of insider trading (Ravina and Sapienza, 2010; Wang et al., 2012). In particular, Acharya and Johnson (2010) labeled the increase in abnormal returns before a buyout as "suspicious pre-vid trading."[14] Therefore, the presence or absence of pre-event price fluctuations can be a critical factor that alters the significance of politicians' corporate visits. As previously noted, previous studies have considered political visits as a signal to the market regarding the host firm's undisclosed capabilities; however, the occurrence of prices fluctuations or increased CAR before the event suggests that insiders may have obtained the benefits of this signaling effect through information leakage before the event.

The regulations on insider trading are gradually becoming stricter in China. The Securities Law of the People's Republic of China has undergone five revisions since its implementation in 1998, with three revisions occurring during the Xi Jinping administration, specifically on June 29, 2013, August 31, 2014, and December 28, 2019. The most recent securities law came into effect on March 1, 2020. While the provisions on insider trading remained generally unchanged during this period, the Securities Law defines 19 items as "important matters" related to insider trading.

The items related to political visits in this study can be included in the category of "Other important information that has a significant impact on the trading price of securities as determined by the securities regulatory authority of the State Council." The recent revision at the end of 2019 increased the number of regulatory items from 19 to 22, changing the category above to "Other matters specified by the securities regulatory authority of the State Council." As a result, the legal framework surrounding insider trading has become more stringent, with increased fines for insider trading and refinement in the text regarding the offending items. To implement these "other information/matters" in practice, the China Securities Regulatory Commission imposed

[14] Acharya and Johnson (2010) analyzed the firm-level determinants of suspicious pre-vid trading by using firm-level pre-event max abnormal return and the sum of positive returns (an index similar to the CAR) as dependent variables in regression analysis. The authors found that the probability of suspicious pre-vid trading increases as the number of participants in private-equity buyouts rises.

administrative penalties for 10 cases between 2007 and 2016 due to violations of "other items" (Zhang, 2017). These penalties were primarily related to insider trading in areas such as earnings (upside and downside), stock incentive item revisions, and new technology development. Notably, no cases were related to visits by government officials or other parties.

Next, we must consider the extent to which information about political visits by high-level government officials is classified. Since the Mao era, visits by the government's highest officials have been kept confidential to ensure their safety; however, hosting such a visit requires preparations. Although the information on the preparation period is limited, Shi et al. (2020) found that the local air quality index tended to improve about 20 days before General Secretary Xi visited local cities from November 2013 to May 2017, returning to standard levels after the visits. A similar trend was observed for Premier Li Keqiang but with a relatively small effect. In other words, local governments seek to temporarily improve air quality by conserving energy and reducing emissions through administrative guidance, creating a political "blue sky" in preparation for the visits. These results suggest that local government begins preparing to receive a visiting official about three weeks before the visit; however, it is unlikely that the final visit destinations will have been decided three weeks in advance. The final decision is expected closer to the visit date when specific candidate destinations are selected.

3. Data

3.1. Definition of events

To investigate the impact of political visits, we must identify the specific events that qualify as such. This study defined a political visit as a visit from General Secretary (Hu Jintao and Xi Jinping) or Premier (Wen Jiabao and Li Keqiang) to a company listed on the Shanghai and Shenzhen Stock Exchanges. A visit is considered to have taken place if either official toured the company's headquarters and related facilities, including branch offices, subsidiaries, and research and development centers. The event date is identified in the YYYY-MM-DD format based on information obtained from publicly available media coverage and corporate website announcements.

3.2. Event list construction procedure

This study compiled a list of events in four stages. Our primary data collection method involved creating a database of news articles covering the entire first and second terms of the Xi Jinping administration. We extracted relevant event information from this text dataset, which enabled us to comprehensively track the actions of high-level officials and systematically collect data regarding their visits.

For Xi Jinping, we obtained text data from the *Database of Xi Jinping's Important Speech Series* (*Xi Jinping Xilie Zhongyao Jianghua Shujuku*)[15] and the official website of the State Council for Li Keqiang.[16] The former database is a web-based source of Xi Jinping-related speeches and reports. Article coverage began on November 15, 2012, the day Xi Jinping took office as the General Secretary of the CCP. The material is primarily from the Chinese state media, including the *People's Daily* (domestic and international editions), the *Xinhua News Agency*, local newspapers, and several state and CCP publications, such as *Qiushi*. The articles include speeches, activity reports, field visits, press conferences, meetings, telegrams (e.g., ceremonial), and other relevant materials. The data contain Xi Jinping's statements and activities and relevant notes and reports from CCP and central government meetings. The latter website collects Premier Li's political meetings, speeches, and other activities, including local and foreign visits.

The Xi Jinping text dataset includes 12,532 articles from November 15, 2012, to October 23, 2022, totaling 18,106,826 Chinese characters. The Li Keqiang text data includes 5,170 articles from March 15, 2013, to October 23, 2022, comprising 3,698,499 Chinese characters. To construct our visiting event list, we searched the entire body of articles using the individual names of listed companies (Shanghai and Shenzhen Stock Exchange A-shares) and keywords related to political visits (in Chinese, *kaocha*, *diaoyan*, *canguan, youxian gongsi,* and *jituan*). After manually reviewing each article containing keywords, we constructed an initial list of events; the Appendix Note presents some examples. We also supplemented the list by examining diverse sources and adding events that were not listed. For example, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) website lists 42 visits to state-owned enterprises during the first and second terms of the Xi Jinping administration (SASAC, 2022). Furthermore, the State Council website has a special section on local and foreign tours by Premier Li, which we double-checked.[17]

Figure 1 presents the results of the political visits to mainland listed companies. We obtained 53 visits by Xi and 43 visits by Li, representing 96 events. While Premier Li conducted several local visits, the number of visits to listed companies was relatively small, as Premier Li often visits small- and medium-sized companies and venture companies. We also included the event list for the Hu Jintao period developed by Schuler et al. (2017) to compare the impact of political visits. This list contains 84 political visits by General Secretary Hu Jintao and Premier Wen Jiabao to the Shanghai Stock Exchange, ranging from 2003 to 2011.

[15] http://jhsjk.people.cn/ (Final access on March 10, 2023).
[16] http://www.gov.cn/premier/index.htm (Final access on March 10, 2023).
[17] Premier's Footprint (*Zongli Zuji*) section on the State Council website was available until March 2023.

Figure 1. Number of high officials' visits to mainland listed companies (2003–2022)

Two issues are crucial when compiling an event list. First, while we can identify the timing of an event at the daily level, it is difficult to identify whether the event was publicly reported when the securities markets were open on that day.[18] Since the securities market closes at 15:00 in China, if a news report occurs in the morning or before around 14:00, market participants would have sufficient access to the event information on the day of the visit ($t = 0$). While breaking news on the day of the event may be publicized through social media sites such as Weibo, in many cases, market participants receive information later in the evening on the day of the event. For this reason, our analysis includes cases where market participants are informed on the day of the event ($t = 0$) and those in which they are not. Regardless, we assume that in the days before the event ($t \leq -1$), information about the visit is not publicly provided.

The second issue is determining how to manage visits to affiliated companies. No issue arises if the visited firm is listed on a major stock exchange; however, visits to parent companies, subsidiaries, and group companies generate an event identification problem. This study traced direct corporate relationships, and if the visited firm was not directly listed, we determined whether the parent company (e.g., group firm) or subsidiary was listed. If a listed company was identified, we treated that listed company as a visited firm. If neither the parent company nor its subsidiary could be confirmed as a listed company, then no companies were considered targets of the visit. For example, a case may exist in which Xi Jinping visited Company A, a group company of X Group; the parent company is not listed, but another group-affiliated company (Company B) is. In this case, the visit to A company (non-listed) is not treated as visiting Company B.

3.4. Financial data

We obtained indices for individual stocks and the market as a whole for Shanghai and Shenzhen A-shares from Refinitiv Datastream; the data includes 2,607 trading days. Firm-level financial data were obtained from the China Stock Market & Accounting Research Database (CSMAR), covering the fourth quarter of 2002 to the fourth quarter of 2019. Our data include listed firms in manufacturing and non-manufacturing sectors and exclude the financial and real estate sectors because firms' practices significantly differ between sectors. We adopt firm-level panel estimations on the determinants of political visits and their effects on firm performance; therefore, missing values and

[18] The Shanghai and the Shenzhen Stock Exchanges' trading hours are from Monday through Friday each week, from 09:30 to 11:30 and from 13:00 to 14:57 for bidding, and from 14:57 to 15:00 for the closing set bidding time. The market is closed on Saturdays and Sundays and on announced days.

outliers may cause econometric issues. We first exclude listed firms with abnormal financial conditions that received special treatment shares according to the stock listing rules. Furthermore, to be included in our estimation, a firm must not have missing observations for at least two years (eight quarters). We drop the top and bottom 1% values of continuous variables to reduce the impact of outliers. Following these cleaning procedures, we obtain 3,279 unique firms with 74,364 firm-quarter observations.

4. Estimation strategy

4.1. Determinants of political visits

This section describes our empirical strategy and presents several testable hypotheses. We first estimate a probit model to investigate the mechanism by which firms are selected for visits. We estimate the probit model as follows:

$$Probit(Visit_{it}) = \alpha + \beta X_{it} + FE_t + \varepsilon_{it} \quad (1)$$

where i represents firms and t indexes calendar quarters. The explained variable $Visit_{it}$ is a visit dummy that equals one for firms that received high official visit(s) and zero otherwise. X_{it} includes political connections measurements, such as an SOE dummy, CCP membership, and government working experience of board members. SOEs are firms with the state holding more than 50% of the shares (i.e., wholly-owned and majority SOEs). CCP equals one if any of the firm's board members are CCP members. GOV is a dummy variable that equals one if any of the firm's board members have experience working as government officials. We also include firm characteristics such as firm size (the number of employees), profitability (profits to sales), and research and development (R&D) intensity (R&D investment to sales).[19] Furthermore, we consider industry and region characteristics and include a defense industry dummy and a local political uncertainty dummy. The local policy uncertainty dummy variable equals one if there is a change of party secretary in the city where the listed firms are headquartered; otherwise, the variable is zero.[20] Finally, FE_t represents the time fixed effects.

4.2. Stock market effect of political visits

Second, we apply the market model, a standard method using securities market data, to

[19] Note that we use annual information regarding the firm size and R&D intensity because quarterly information on these two variables is unavailable.

[20] We manually collected the data on the change of municipal party secretary at the city level from Zechengwang (https://www.hotelaah.com/, accessed on January 15, 2023).

estimate the short-term impact of an event (MacKinlay, 1997; McWilliams and Siegel, 1997; Liu et al., 2018). An abnormal return (AR_{it}) is calculated as Equation (1) as follows:

$$AR_{it} = R_{it} - (\alpha_i + \beta_i R_{mt}) \quad (2)$$

where R_{it} refers to the market return of firm i and time t. In the case of daily estimation, R_{it} is calculated as the daily growth rate of market return in day (t) compared with the day before ($t-1$). R_{mt} refers to the average market return (e.g., Shanghai Stock Exchange A-shares index).

The CAR is calculated for an event window t_1 to t_2 by summing AR_{it} as follows:

$$CAR_i(t_1, t_2) = \sum_{i=t_1}^{t_2} AR_{it} \quad (3)$$

An average abnormal return for a specific time point is calculated as Equation (4) by summing AR_{it} for the observations experienced the event as follows:

$$AAR_t = \frac{1}{N}\sum_{i=1}^{N} AR_{it} \quad (4)$$

The average CAR (ACAR) for a specific time point is calculated as follows:

$$ACAR_t = \frac{1}{N}\sum_{i=1}^{N} CAR_{it} \quad (5)$$

Event studies set an estimate window and an event study to conduct calculations. The estimated window is set to estimate the normal return using Equation (2) before the event. Our baseline estimations adopt an estimation window of $[-180, -8]$, i.e., Equation (1) is estimated by only using the stock return data of firm i from 180 days before the event to 8 days before the event. The event window refers to the period when the event occurs, which is often set to just a few days before and after the event; however, as our research aims to test the possible information leakages regarding the event, it is logical to cover a broader range of days as an event window.[21] Therefore, we set the event window $[-7, 7]$ as our baseline, capturing seven days before to seven days after the event.[22]

[21] McWilliams and Siegel (1997, p. 636) stated, "For example, where it can be shown that leakage of information is likely, the window should include some time prior to the announcement of the event so that abnormal returns associated with the leakage will be captured."

[22] In related literature, Schuler et al. (2017) adopted the estimation window of $[-210, -11]$ and the event

Alternative windows are tested in our robustness check.

4.3. The firm performance effect of political visits

Third, we conduct a panel data analysis using quarterly-level financial data to estimate the impact of visits by government officials on firms' behavior and performance, running the following regression:

$$Y_{it+n} = \alpha + \beta Visit_{it} + \gamma X_{it} + prob_{it} + FE_s + FE_t + \varepsilon_{it} \quad (6)$$

Where Y_{it+n} is firm performance and possible preferential treatment received from the government in $t + n$ (n = 1, 2, 3, 4) following a visit in t. Specifically, we use firms' quarterly-level sales (in logarithm), investment rate (firm i's capital investment during period t normalized by total assets during the previous period $t - 1$), bank loans (the sum of short- and long-term bank loans, in logarithm), and tax rate (taxes payable to sales) as explained variables (outcome variables). We use a dummy variable ($Visit_{it}$) for firm visits by government officials as an explanatory variable, focusing on whether the firm visit dummy has an effect after controlling for general firm characteristics (X_{it}), including Tobin's Q and cash flow. Since firms' financial data are at the quarterly level, the baseline estimation analyzes whether accepting a firm visit in period t affects the various outcome variables in period $t + 1$ to $t + 4$. To control for the potential selection effect of the companies visited, we include the probability of visiting ($prob_{it}$) in independent variables. FE_s and FE_t are industry and time fixed effects, respectively.

4.4. Testable hypotheses

4.4-1. Determinants of visits

Previous studies have shown that visits to companies by government officials aim to demonstrate the government's policy focus to the rest of the country (Li et al., 2022). The first possibility would be to visit more prominent, more profitable firms more frequently since larger firms indicate success, and visiting unsuccessful firms could attract negative domestic and international attention (Wang et al., 2019).

Hypothesis-1-a: Government officials visit more prominent and more profitable companies.

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window of [0, 1], and Li et al. (2022) used the estimation window of $[-70, -10]$ and the event window $[-5, 15]$.

Considering the policy focus of the Chinese government over the past two decades, particularly during the Xi Jinping administration, the emphasis has been on the high-tech sector. Therefore, high-level government officials likely focus their visits more on the high-tech sector and companies with high R&D intensity.

Hypothesis-1-b: There is a higher probability of government officials visiting companies with higher R&D intensity.

In addition to firms' sectoral and R&D characteristics, the presence or absence of political connections may also influence visit acceptance. It is logical to assume that firms with political connections would be more likely to accept a visit; however, a regulation established in October 2013 (often called "Regulation No.18") prohibits all government officials—including former officials who resigned or retired within the last three years—from holding positions in firms or receiving any payment from firms (Liu et al., 2018; Fan, 2021). [2] [3] Although former government work experience is not entirely prohibited, the part-time appointment is strictly approved following cadre management authority. As the new regulation aims to strictly regulate and limit the part-time positions as board members, it should indirectly affect the decision to make a political visit, as visiting a company with a board member with former government working experience may entail political risk. Under this new regulatory setting, the status of a board member with previous government work experience may negatively impact the hosting probability. We present two competing hypotheses as follows:

Hypothesis-1-c: There is a higher probability of government officials visiting firms with a board member(s) with government working experience.
Hypothesis-1-c': There is a lower probability of government officials visiting firms with a board member(s) with government working experience.

If a high degree of political uncertainty exists where the firm is located (e.g., at the city level), such as a change at the top of the local government, a firm in that region may be less likely to accept a visit.

Hypothesis-1-d: In regions with high political uncertainty, the probability of a high government

[2] [3] "On further standardization of party and government leading cadres in enterprises Opinions on the issue of part-time jobs (employment)," issued by the Organization Department of the Central Committee of the CCP, October 19, 2013.

official company visit is lower.

Compared with the above factors, visits to SOEs and firms in the defense sector may be influenced more by differences between the president and the premier and the political ideology of the individual leader. Whether SOEs are a policy priority is a highly sensitive issue for the Chinese political economy. At the very least, the state president may attach importance to the visit in the sense of upholding the role of the state-owned economy. In contrast, the prime minister, who oversees economic policy development, may emphasize the role of private enterprises, which are the driving force of the modern Chinese economy. In China's political system, the state president is also the supreme commander of the Chinese People's Liberation Army and the chairman of the Central Military Commission of the Party and the state. From this perspective, the General Secretary is more likely to visit companies in the defense sector.

Hypothesis-1-e: There is a higher probability of the General Secretary visiting SOEs and defense sector companies than the premier.

4.4.2. Stock market effects

Our focus regarding the stock market effect is the movement of stock returns before and after the event date. The visits of the central leaders should positively affect stock prices, as the visits have both signal and certificate effect on market participants; the former indicates the hidden capabilities of the firms in question, and the latter creates expectations for future policy support (Li et al. 2016; Schuler et al. 2017; Li et al. 2022). The assumption is that the government/party collects information on the firm concerned from various channels. Furthermore, the existence of political connections embodied in the visits of Central leaders is finally made publicly known by the visits.

Nonetheless, this study considers the following two opposing hypotheses testable. The first is when no event information is leaked in advance. In this case, before the event ($t < 0$), no abnormal return movements should be observed, and the CAR should not have begun to increase; an increase in stock returns is thus expected after the event ($t \geqq 1$).

Hypothesis 2-a: A firm's stock return rises after a high-ranking government official's visit (AR begins to fluctuate, and CAR rises following the event: the $t > 0$ period).

We next consider the case in which the event information is leaked to related personnel before the event. As already discussed, information asymmetry about the hidden capabilities of the firms in

question makes the information about the central leaders' visits valuable; therefore, an incentive to buy shares in the stock market occurs before the visit if valuable information is available in advance. In this case, abnormal return fluctuations should have begun before the event, and the CAR will be above 0 at the pre-event period ($t < 0$) at the 95% confidence level.

Hypothesis 2-a': A firm's stock return rises before a high-ranking government official's visit (AR begins to fluctuate, and CAR starts to rise before the event: $t < 0$ period).

Following a broader range of existing literature on the political connections in China, we assume that the effects of the connection are significantly stronger for non-SOE firms, including private firms (Li et al., 2008; Chen et al., 2011; Cheng, 2018; Pan and Tian, 2020).

Hypothesis 2-b: The visiting effects on the stock return are more significant for non-SOEs than SOEs.

4.4.3. Firm performance effects

The following points are considered possible impacts of political visits on firms' performance. First, if firm visits are a sign of strong political connections, firms may receive more substantial policy support in the medium to long-term following the visit (the certification effects). For example, tax benefits may lead to lower tax payments, and preferential policy may increase borrowing from state-owned banks. Furthermore, hosting visits may lead to an increase in investment as gaining a more significant investment opportunity. Moreover, government officials' company visits are highly publicized by state media, particularly in China, and may increase sales by gaining advertisement effect. To simplify, we assume that political visits positively affect a company's medium- to long-term performance (Wang et al., 2019). Again, following existing literature, we assume that the effects on performance are more substantial for non-SOE firms.

Hypothesis 3: Visits by high officials to companies increase sales, investment, and borrowing and reduce tax payments, especially for non-SOE firms.

5. Results

5.1. Determinants of political visit

Table 2 presents the estimation results of the probit model in which the companies accepting

political visits take one; for basic statistics and correlation matrixes, see Appendix Tables A1 and A2. Column (1) presents the aggregated model for visits by Hu Jintao and Wen Jiabao, column (2) reports visits by Hu Jintao, and column (3) presents visits by Wen Jiabao. Similarly, columns (4)–(6) provide estimates of visits by Xi Jinping and Li Keqiang.

The results reveal commonalities among the four politicians. First, firm size is positive and statistically significant in all four estimates, confirming that officials tend to visit large firms. Profit margin is also positive and statistically significant in columns (1) and (4), indicating a general tendency to visit firms with high-profit margins. Furthermore, political uncertainty at the provincial level is negative in all models, suggesting that visits by government officials do not occur immediately after a change in personnel at the city level. These results support Hypotheses 1-a and 1-d.

There were no significant results for visits to R&D-intensive firms under the Hu Jintao administration; however, the results show that General Secretary Xi Jinping is more likely to visit R&D-intensive firms. Thus, Hypothesis 1-b holds for the Xi Jinping administration.

Regarding political connection, Table 2 indicates that board members' CCP membership has no effect on the visiting probability, and government work experience negatively affects columns (4)–(6), falling under the Xi Jinping administration. For the Xi Jinping administration, Hypothesis 1-c is rejected, and Hypothesis 1-c' is supported instead. Regarding visits to SOEs and defense industries, a trend toward visiting SOEs was confirmed for both presidents. Conversely, the probability of visiting defense industries was lower for General Secretary Hu Jintao, while the coefficient was positive but not statistically significant for General Secretary Xi Jinping. These results partially support hypothesis 1-e. Table 3 presents the marginal effects of each variable.

Table 2. Determinants of highest-ranking officials' visits

Table 3. Marginal effects

5.2. Stock market effects of visits

Figure 2 presents the results of stock market estimations, where panels (A-1) and (A-2) show the AR and CAR of political visits under the Hu Jintao administration, representing the aggregated effect of General Secretary Hu Jintao and Premier Wen Jiabao. These results are generally consistent with those of Schuler et al. (2017). Taking the day of the event as Time = 0, the AR rises after the event. Considering the CAR, the sum of ARs until time *t*, the CAR becomes positive following the event. In contrast, panels (B-1) and (B-2) in Figure 2 show that the results of the Xi Jinping administration are qualitatively different. Panel (B-1) in Figure 3 shows that AR increases before the event. The CAR in panel (B-2) had already reached approximately +3% by the day before the event

(t = −1).

Figure 2. The effect of political visits on security returns (2012–2022)

Figure 3 shows the effects of individual leaders' visits on CAR, and Table 4 presents the corresponding average AR and average CAR by time. First, panels (A) and (B) in Figure 3 show that the effect of General Secretary Hu's and Premier Wen Jiabao's visits on the CAR peaks around the day following the event to four days after. Calculating the average CAR effect, the effect of General Secretary Hu's visit peaks 5 days after the event at 2.20% (t = 5) (Table 4). The effect of Premier Wen Jiabao's visits is relatively small, resulting in 1.26% for the CAR (t = 7). During the Xi Jinping administration, the effects of visits to the CAR are generally positive; however, the manifestation of the effect differs significantly between General Secretary Xi Jinping and Premier Li Keqiang. For General Secretary Xi Jinping, the CAR peaks at 5.97% on the day before the event (t = −1), while for Premier Li Keqiang, the average CAR peaks 2 days after the visit at 3.53% (t = 2). Notably, the average CAR of Xi's visits reached 3.16% four days before the event (t = −4). Appendix Figure A1 also presents visiting effect on CAR by period. A particularly notable result is that CAR increases significantly in the second period of the Xi administration. Within the event window, the CAR is greatest on the event day, reaching 7.14%, as panel (B) in appendix Figure A1 indicates.

Based on the above estimates, Hypothesis 2-a holds for General Secretary Hu Jintao, Premier Wen Jiabao, and Premier Li Keqiang, while Hypothesis 2-a' holds for General Secretary Xi Jinping's visits.[24] We discuss how this result should be interpreted in the next section.

Figure 3. Visiting effect on CAR by individual leader

Table 4. Comparison of Hu and Xi administrations

Figure 4 shows the effect of visits by ownership. Panel (A) shows the effect during the Hu Jintao administration, showing that the effect is significantly larger for non-SOEs than for SOEs. This result is consistent with the results reported by Schuler et al. (2017). In contrast, the appearance of the visiting effect differs during the Xi Jinping administration period, which was analyzed with this

[24] To assess the robustness of our event analysis results, we ran the estimation using different event and estimation windows, but the results did not change qualitatively. (For a shorter window, we checked the event windows of [–5, 5] and the estimation window of [–90, –6], and for longer alternative event windows of [–10, 10] and the estimation window of [–300, –11]). The AR and CAR calculations also assume that the market model has explanatory power; therefore, estimation is also performed by dropping data with less than 0.2 in the market model R-squared, but the results remain qualitatively robust.

study's newly constructed event list. As shown in Panel (B), the effect is larger for SOEs than for non-SOEs during the Xi Jinping administration. The 95% confidence intervals of the approximate lines for SOEs and non-SOEs overlap, and no significant difference exists between the two. Therefore, Hypothesis 2-b was valid during the Hu Jintao administration but not during the Xi Jinping administration. The results suggest that the manifestation of the effects of political connections varied significantly between the two administrations.

Figure 4. Visiting effect on CAR by ownership

5.3. The firm performance effect of visits

Tables 5–8 report the impact of political visits on sales, investment, bank borrowing, and tax payments, respectively. Table 5 shows the impact on sales, where column (1) estimates the impact of political visits on sales in the next quarter, column (2) estimates the impact on sales two quarters ahead, and column (4) estimates the impact on sales four quarters ahead. The results generally show large standard deviations of the coefficients and no statistically significant positive effects. Table 6 shows positive and significant effects on the investment amount in columns (3) and (4). In Table 7, the significant effects of bank borrowing are unobservable. Table 8 reveals no systematically consistent results regarding the amount of taxes paid.

Table 5. Effect of political visits on sales

Table 6. Effect of political visits on investment

Table 7. Effect of political visits on banking loan

Table 8. Effect of political visits on tax payment

These weak results are attributed to the heterogeneous effects caused by firm characteristics. Models estimated in Tables 9–12 include the SOE dummy variable and its interaction term with the political visit dummy variable. Table 9 indicates that the visit dummy variable has a positive and significant effect on sales, while the coefficients of the interaction terms (visit_HuWen_SOE and visit_XiLi_SOE) are negative. Furthermore, Table 11 indicates a positive effect on bank loans; however, Table 10 and Table 12 show no apparent effect of political visits on investment and tax payments, respectively. These findings suggest that political visits have specific positive performance effects, particularly on sales and bank loans of non-SOE firms. In conclusion, a series of evidence

supports Hypothesis 3.

Table 9. Heterogeneous effect on sales

Table 10. Heterogeneous effect on investment

Table 11. Heterogeneous effect on bank loans

Table 12. Heterogeneous effect on tax payment

5.4. Discussion

We summarize the determinants of destination, stock market effects, and firm behavior and performance effects below to discuss how the above analysis results relate to previous studies.

First, our results on the determinants of visits were generally consistent with Wang et al. (2019), indicating that high-ranking officials tended to visit more prominent and profitable firms. Our analysis also shows that while general secretaries were more likely to visit SOEs, prime ministers did not demonstrate this tendency. Moreover, the Xi Jinping administration appeared to prioritize visits to high-tech and R&D-intensive firms. Furthermore, firms with board members with previous government experience are less likely to attract high-level official visits under the Xi administration, which is consistent with Wang et al.'s (2019) finding that directors with government-working experiences have a limited impact among high-level officials. This finding is also consistent with the influence of working regulations for government officials introduced in October 2013 (Liu et al., 2018; Fan, 2021).

Second, the stock market effects confirm a positive effect on CAR during the Hu Jintao and Xi Jinping administrations, which indicates that visits by high-level officials have positive signaling and certification effects, consistent with Schuler et al. (2017) and Li et al. (2022). Comparing the absolute value of the effects of visits by the general secretary and the prime minister reveals that the effect is more significant for the general secretary. This result is congruent with the fact that the general secretary has significant political power, which supports Wang et al. (2019). The estimation results show that the average absolute effect of a visit by the general secretary on CAR is around 2.22%–5.51%, while it is around 1.26%–3.53% for the prime minister.

When focusing on the stock market effects, we find qualitative differences between the two administrations. Heterogeneity based on ownership differed significantly between the two regimes. While the effect of visits on stock prices was more significant for privately owned firms under Hu

Jintao, under Xi Jinping, the differences between ownership systems were unclear, indicating that the effect may be greater for SOEs. Moreover, concerning Xi Jinping's visits, stock prices began to exhibit abnormal fluctuations prior to the visit, with the CAR reaching its peak on the day preceding the visit ($t = -1$). According to financial research, such abnormal fluctuations and a rising CAR before an event suggest suspicious trading activity. Therefore, information about General Secretary Xi Jinping's company visits may have been leaked to relevant parties before the visit. Figure 5 presents the CAR for the day before visits. While Hu Jintao and other leaders displayed a relatively diversified CAR, including positive and negative values, the CAR for Xi's visit was predominantly positive.

Figure 5. Cumulative abnormal return on the day before a visit ($t = -1$)

We estimate the determinants of positive pre-event CAR to examine the mechanism behind this phenomenon, as shown in Table 13. According to existing literature, the more people have access to insider information, and the greater the profit gained from a suspicious transaction, the greater the likelihood of insider trading (Acharya and Johnson, 2010). The results suggest that higher board shares (the number of shares held by the board of directors) and board manager salaries (total annual remuneration of directors, supervisors, and executives) are associated with higher positive pre-event CAR; however, the number of directors is negatively associated with pre-event CAR. These results suggest that while mutual monitoring mechanisms among board members are at work for larger boards, suspicious trading is more likely to occur when the number of shares held by board members is significant, as it establishes greater incentives to conduct insider trading in China.[25]

Table 13. Determinants of Pre-event CAR

Third, we find evidence that political visits positively affect firms' performance, consistent with Wang et al. (2019) and other previous studies. Wang et al. (2019) analyzed visits by government officials at central and local levels between 2004 and 2014; however, we focus on data from 2002 to 2022, examining visits by the most senior political officials over the same period. Throughout the two decades, we confirmed that visits to firms by high-ranking politicians have almost consistently

[25] We also tested whether there was a statistical difference between SOEs and Non-SOEs in the level of CAR on the day before the visit by adding SOEs dummies to the model in Table 13. The results do not confirm statistical significance between the ownership types at the time ($t = -1$). Figure 4 shows that the heterogeneous effects based on the ownership are opposite among the two administrations at the time, so the effects cancel each other out.

positively affected firm performance. The results suggest that political connections continue to function despite the institutionalization that has progressed in the Chinese economy during this period.

6. Conclusion

This study focuses on the visits of China's top leaders to firms, investigating the factors influencing the selection of firms and their impact on short- and long-term firm performance from 2002 to 2022. We find that Chinese central leaders tend to visit more prominent and profitable companies, consistent with previous studies (Wang et al. 2019); however, substantial variations exist among leaders and administrations. In particular, the Xi Jinping administration is more likely to visit high-tech companies, reflecting the administration's focus on this sector. Furthermore, visits to firms with directors who previously held government positions decreased during the Xi Jinping administration, possibly due to the restrictions imposed on government officials in October 2013.

Our market model finds a positive impact on stock returns resulting from political visits. On average, visits by Xi Jinping have a 5.97% impact on CAR, while visits by Li Keqiang have an approximate impact of 3.5%. We also observe abnormal stock price appreciation before leadership visits, particularly during the second term of the Xi administration (2017–2022). This trend—suspicious pre-event trading—is noteworthy instead of the gradual strengthening of insider trading regulations during the same period. Our analysis of firm performance suggests that political visits positively affect non-SOE firms' sales and bank loans. These heterogeneous effects are generally consistent with the existing literature, which emphasizes the greater incentive of private companies to seek political connections.

Our findings highlight the performance effects and differences between administrations and the potential side effects of political connections in business. Most notably, we identify a pattern of abnormal stock price increases before General Secretary Xi visits, suggesting suspicious pre-event trading. This issue has not been explicitly examined in previous studies, specifically by Schuler et al. (2017) and Li et al. (2022), suggesting an alternative mechanism through which political–business connections can result in specific—suboptimal in this case—market outcomes. Our finding indicates that as Xi accumulated more power and authority, the information about his actions became increasingly valuable. Despite Xi's efforts to combat corruption by implementing new regulations on establishing political connections, the heightened value of information on the general secretary's visit paradoxically increases suspicious trading among those involved in such events.

In conclusion, this study contributes valuable quantitative evidence regarding the economic implications of visits conducted by top leaders in China. By analyzing a comprehensive dataset spanning two decades, we comprehensively assess both short- and long-term effects resulting from

these visits. The findings indicate that the significance of political connections remains unabated despite the institutionalization of the business environment for Chinese companies during the 2000s and 2010s. In certain aspects, the impact of political connections has even intensified in the 2010s. Chinese business executives continue to navigate their operations amidst a certain level of political-economic uncertainty.

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Tables

Table 1 Previous studies on the effects of political visits

Paper	Studied period	Number of events	Type of event	Coverage of company	Dependent variables	Baseline estimation model	Findings
Li et al (2016)	2004-2007	380	Government official's visit (including local officials)	Manufacturing companies in Shanghai and Shenzhen Stock Exchange	Performance (ROA and market-to-book ratio)	Firm-Year-level ROA function	Receiving government officials' visit improve firm-level financial performance
Schuler et al (2017)	2003-2011	84	President Hu Jintao's and Premier Wen Jiabao's visit	Shanghai Stock Exchange A shares	Stock price (CAR)	Propensity score matching, firm-level estimation, and event study	Investors responded positively to host firms. The greatest positive reactions accrued to firms experiencing weaker prior period and to firms that are privately compared to state-controlled
Wang et al (2019)	2004-2014	5207	Central, provincial, and local government visit	Non-financial listed companies in Shanghai Stock Exchange A shares	Visit dummy, performance (ROA, TFP, ROE, investment, loans, debt, and corporate governance), and stock price (CAR)	Firm-Year-level functions and market model	Government officials tend to visit larger, profitable, younger, and politically connected companies. Government officials' visits are associated with larger investment, bank loans, higher corporate governance index, and also result in positive abnormal stock returns
Li et al (2022)	2019	1	President Xi Jinping's visit to Jiangxi Jinli Permanent Magnet Technology Co., Ltd.	Rare earth related companies in Shanghai and Shenzhen Stock Exchange	Stock price (AR, CAR, and buy-and-hold abnormal return)	Market model	Political visit caused abnormal fluctuations in the stock prices and a significantly positive CAR of the 11 companies. Firms located in developing regions, younger firms, firms with poor historical performance, and firms with high ownership concentration generate higher CAR
Tan et al (2022)	2006-2016	499	Government official's visit to company (including local officials)	Non-financial listed companies in Shanghai Stock Exchange A shares	Corporate behavior (number and educational level of employees)	Propensity score matching and DID estimations	Official inspections increase the number and proportion of employees below college level

Source: Authors' compilation.

Table 2. Determinants of highest-ranking officials' visits

	(1)	(2)	(3)	(4)	(5)	(6)
	visit_HuWen	visit_Hu	visit_Wen	visit_XiLi	visit_Xi	visit_Li
SOE	0.181*	0.381**	0.0523	0.303***	0.422***	0.119
	(0.107)	(0.191)	(0.122)	(0.107)	(0.141)	(0.158)
CCP member	0.0226	-0.144	0.111	-0.0680	-0.0540	-0.0774
	(0.0792)	(0.118)	(0.0973)	(0.101)	(0.122)	(0.155)
Government working experience	-0.0901	0.0609	-0.187	-3.508***	-3.412***	-3.253***
	(0.231)	(0.310)	(0.302)	(0.106)	(0.133)	(0.142)
Firm size	0.251***	0.221***	0.246***	0.265***	0.261***	0.233***
	(0.0350)	(0.0524)	(0.0413)	(0.0332)	(0.0416)	(0.0458)
Profitability	0.579**	0.671**	0.485	0.397*	0.474	0.217
	(0.233)	(0.306)	(0.296)	(0.240)	(0.316)	(0.275)
R&D intensity	0.375	-2.497	0.808	1.500***	1.809***	0.507
	(0.712)	(4.307)	(0.500)	(0.309)	(0.324)	(0.584)
Defense industry	-0.173	-2.920***	0.0152	0.106	0.246	-3.138***
	(0.303)	(0.0824)	(0.303)	(0.198)	(0.203)	(0.107)
Local political uncertainty	-3.270***	-3.009***	-2.958***	-3.205***	-3.112***	-3.040***
	(0.0929)	(0.125)	(0.0921)	(0.0599)	(0.0730)	(0.0920)
Time FE	Yes	Yes	Yes	Yes	Yes	Yes
Period		Q4 2002 - Q3 2012			Q4 2012- Q4 2019	
N	59491	59491	59491	81247	81247	81247
pseudo R-sq	0.112	0.127	0.099	0.145	0.162	0.111

Note: Robust standard errors are in the parentheses. Significance levels are * 0.10, ** 0.05, and *** 0.01.

Table 3. Marginal effects

	(1)	(2)	(3)	(4)	(5)	(6)
dy/dx	visit_HuWen	visit_Hu	visit_Wen	visit_XiLi	visit_Xi	visit_Li
SOE	0.0007166	0.0006194	0.0001342	0.0006806	0.0005925	0.0001156
CCP member	0.0000893	-0.0002344	0.0002842	-0.0001528	-0.0000758	-0.0000749
Government working experience	-0.0003567	0.0000991	-0.0004798	-0.0078782	-0.0047922	-0.0031505
Firm size	0.0009955	0.0003599	0.0006319	0.0005957	0.0003663	0.000226
Profitability	0.0022921	0.0010924	0.0012434	0.0008922	0.0006652	0.0002099
R&D intensity	0.0014836	-0.0040653	0.002073	0.0033693	0.0025398	0.0004915
Defense industry	-0.0006836	-0.0047531	0.000039	0.0002371	0.0003449	-0.0030387
Local political uncertainty	-0.0129452	-0.0048978	-0.0075905	-0.0071989	-0.0043708	-0.0029438

Note: This table reports the marginal effects (dy/dx) of the determinants of political visits. Standard errors and z values are omitted to save space.

Table 4. Comparison of Hu and Xi administrations

Hu Jintao administration							Xi Jinping administration					
Hu Jintao			Wen Jiabao				Xi Jinping			Li Keqiang		
Time	Average AR	Average CAR	Time	Average AR	Average CAR		Time	Average AR	Average CAR	Time	Average AR	Average CAR
-7	0.22	0.22	-7	0.13	0.13		-7	1.24	1.24	-7	-0.06	-0.06
-6	-0.30	-0.19	-6	-0.03	-0.04		-6	0.64	1.63	-6	-0.15	0.03
-5	-0.04	-0.19	-5	-0.68	-0.69		-5	1.05	2.32	-5	0.69	0.62
-4	-0.53	-0.74	-4	-0.20	-0.86		-4	0.76	3.16	-4	0.23	0.32
-3	-0.18	-0.15	-3	0.67	-0.06		-3	1.18	2.73	-3	-0.50	-0.54
-2	0.11	0.08	-2	0.01	0.48		-2	0.88	4.32	-2	0.46	-0.06
-1	0.21	-1.14	-1	0.42	0.06		-1	1.30	5.97	-1	0.51	0.96
0	0.71	-0.02	0	-0.13	0.30		0	0.80	5.90	0	1.37	2.14
1	1.44	1.93	1	-0.01	0.76		1	-1.01	4.42	1	0.49	2.61
2	0.60	1.79	2	0.69	0.69		2	-0.83	3.57	2	0.28	3.53
3	-0.07	1.24	3	0.28	0.97		3	-0.65	2.54	3	-0.04	2.96
4	-0.09	2.11	4	-0.20	0.76		4	0.27	2.58	4	-0.60	0.48
5	-0.07	2.20	5	-0.17	0.44		5	-0.43	3.46	5	-0.20	0.60
6	-0.25	-2.34	6	-0.08	0.06		6	-0.75	3.00	6	-0.43	1.89
7	0.32	-0.41	7	0.02	1.26		7	-0.64	1.81	7	-0.11	1.46

Table 5. Effect of political visits on sales

	(1) F1.sales	(2) F2.sales	(3) F3.sales	(4) F4.sales	(5) F1.sales	(6) F2.sales	(7) F3.sales	(8) F4.sales
Panel A.								
visit_HuWen	0.142	0.161	0.176	0.172				
	(0.350)	(0.350)	(0.350)	(0.348)				
visit_Hu					0.194	0.194	0.187	0.144
					(0.431)	(0.428)	(0.424)	(0.426)
visit_Wen					0.139	0.171	0.202	0.226
					(0.351)	(0.354)	(0.357)	(0.352)
N	53928	53891	53861	53822	53928	53891	53861	53822
R-sq	0.569	0.563	0.555	0.550	0.566	0.559	0.552	0.546
Panel B.								
visit_XiLi	0.250	0.224	0.0882	0.140				
	(0.201)	(0.213)	(0.215)	(0.217)				
visit_Xi					0.0637	0.0707	0.0633	0.0632
					(0.284)	(0.300)	(0.304)	(0.299)
visit_Li					0.588*	0.540	0.333	0.495
					(0.344)	(0.363)	(0.380)	(0.375)
N	71294	68121	64884	61583	71294	68121	64884	61583
R-sq	0.578	0.570	0.565	0.564	0.588	0.579	0.573	0.571

Notes: Probability of a political visit, Tobins'q, cash flow, industry fixed effects, and time fixed effects are included in all regressions. Standard errors are clustered at the firm level. * 0.10 ** 0.05 *** 0.01

Table 6. Effect of political visits on investment

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	IoverK1	IoverK2	IoverK3	IoverK4	IoverK1	IoverK2	IoverK3	IoverK4
Panel A.								
visit_HuWen	0.00752	0.00438	0.00576**	0.00793**				
	(0.00493)	(0.00402)	(0.00281)	(0.00340)				
visit_Hu					0.0129	0.00833	0.00642	0.00620
					(0.00786)	(0.00688)	(0.00600)	(0.00513)
visit_Wen					0.00460	0.00211	0.00580	0.00951*
					(0.00584)	(0.00441)	(0.00382)	(0.00497)
N	52681	52734	52810	52866	52681	52734	52810	52866
R-sq	0.238	0.244	0.248	0.248	0.239	0.246	0.249	0.249
Panel B.								
visit_XiLi	-0.00338	-0.00157	0.00136	-0.000226				
	(0.00364)	(0.00328)	(0.00439)	(0.00366)				
visit_Xi					-0.00402	-0.000465	0.00165	-0.00285
					(0.00437)	(0.00407)	(0.00541)	(0.00415)
visit_Li					-0.00297	-0.00369	0.00174	0.00560
					(0.00616)	(0.00560)	(0.00801)	(0.00692)
N	70782	67616	64392	61140	70782	67616	64392	61140
R-sq	0.243	0.239	0.244	0.257	0.245	0.242	0.247	0.259

Notes: Probability of a political visit, Tobins'q, cash flow, industry fixed effects, and time fixed effects are included in all regressions. Standard errors are clustered at the firm level. * 0.10 ** 0.05 *** 0.01

Table 7. Effect of political visits on banking loan

	(1) F1.loans	(2) F2.loans	(3) F3.loans	(4) F4.loans	(5) F1.loans	(6) F2.loans	(7) F3.loans	(8) F4.loans
Panel A.								
visit_HuWen	-0.194	-0.0119	-0.232	-0.695				
	(0.648)	(0.658)	(0.674)	(0.797)				
visit_Hu					-0.582	-0.0316	-0.685	-0.454
					(0.960)	(0.959)	(1.011)	(1.029)
visit_Wen					0.112	0.0533	0.127	-0.795
					(0.740)	(0.755)	(0.751)	(0.924)
N	53955	53947	53931	53898	53955	53947	53931	53898
R-sq	0.205	0.205	0.204	0.203	0.206	0.205	0.204	0.203
Panel B.								
visit_XiLi	0.783	0.584	0.311	0.0146				
	(0.606)	(0.646)	(0.680)	(0.681)				
visit_Xi					0.926	0.732	0.732	0.456
					(0.890)	(0.916)	(0.943)	(0.933)
visit_Li					0.596	0.432	-0.0480	-0.320
					(1.040)	(1.163)	(1.266)	(1.280)
N	71304	68132	64895	61595	71304	68132	64895	61595
R-sq	0.229	0.222	0.217	0.211	0.231	0.225	0.219	0.213

Notes: Probability of a political visit, Tobins'q, cash flow, industry fixed effects, and time fixed effects are included in all regressions. Standard errors are clustered at the firm level. * 0.10 ** 0.05 *** 0.01

Table 8. Effect of political visits on tax payment

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	F1.taxrate	F2.taxrate	F3.taxrate	F4.taxrate	F1.taxrate	F2.taxrate	F3.taxrate	F4.taxrate
Panel A.								
visit_HuWen	-0.00595	-0.00398	-0.0100	-0.0120*				
	(0.00793)	(0.00703)	(0.00756)	(0.00690)				
visit_Hu					-0.0197*	-0.0146*	-0.00797	-0.0198**
					(0.0110)	(0.00827)	(0.00801)	(0.00932)
visit_Wen					0.00308	0.00267	-0.0119	-0.00714
					(0.00981)	(0.00961)	(0.0105)	(0.00790)
N	52508	52387	52284	52193	52508	52387	52284	52193
R-sq	0.142	0.146	0.150	0.150	0.142	0.146	0.150	0.150
Panel B.								
visit_XiLi	0.00560*	0.00195	-0.00125	0.00323				
	(0.00330)	(0.00650)	(0.00478)	(0.00386)				
visit_Xi					0.0102***	-0.000639	-0.00144	0.00315
					(0.00388)	(0.00816)	(0.00618)	(0.00459)
visit_Li					-0.00179	0.00577	-0.00213	0.000846
					(0.00497)	(0.0103)	(0.00731)	(0.00650)
N	70527	67466	64276	60978	70527	67466	64276	60978
R-sq	0.244	0.247	0.247	0.246	0.244	0.247	0.247	0.246

Notes: Probability of a political visit, Tobins'q, cash flow, industry fixed effects, and time fixed effects are included in all regressions. Standard errors are clustered at the firm level. * 0.10 ** 0.05 *** 0.01

Table 9. Heterogeneous effect on sales

	F1.sales	F2.sales	F3.sales	F4.sales	F1.sales	F2.sales	F3.sales	F4.sales
Panel A.								
visit_HuWen	1.086***	1.130***	1.207***	1.215***				
	(0.250)	(0.243)	(0.232)	(0.228)				
visit_Hu					1.113*	1.121*	1.233**	1.178**
					(0.633)	(0.573)	(0.604)	(0.573)
visit_Wen					0.983***	1.033***	1.098***	1.120***
					(0.270)	(0.278)	(0.251)	(0.255)
SOE	0.359***	0.358***	0.358***	0.357***	0.407***	0.407***	0.408***	0.408***
	(0.0488)	(0.0496)	(0.0504)	(0.0513)	(0.0483)	(0.0490)	(0.0499)	(0.0509)
visit_HuWen_SOE	-1.122**	-1.155**	-1.231***	-1.246***				
	(0.478)	(0.474)	(0.469)	(0.465)				
visit_Hu_SOE					-0.991	-1.000	-1.133	-1.120
					(0.774)	(0.723)	(0.744)	(0.721)
visit_Wen_SOE					-1.062**	-1.085**	-1.130**	-1.130**
					(0.499)	(0.506)	(0.497)	(0.493)
N	53928	53891	53861	53822	53928	53891	53861	53822
R-sq	0.578	0.572	0.564	0.558	0.577	0.570	0.562	0.557
Panel B.								
visit_XiLi	1.163***	1.229***	0.959***	0.956***				
	(0.274)	(0.273)	(0.283)	(0.276)				
visit_Xi					0.604***	0.681***	0.584**	0.624**
					(0.226)	(0.237)	(0.261)	(0.288)
visit_Li					1.034***	1.102***	0.864**	0.851**
					(0.383)	(0.382)	(0.396)	(0.369)
SOE	0.276***	0.265***	0.252***	0.232***	0.402***	0.391***	0.380***	0.359***
	(0.0472)	(0.0471)	(0.0473)	(0.0480)	(0.0454)	(0.0462)	(0.0473)	(0.0488)
visit_XiLi_SOE	-1.267***	-1.427***	-1.169***	-1.094***				

	(0.359)	(0.370)	(0.374)	(0.374)				
visit_Xi_SOE					-0.633	-0.711*	-0.575	-0.612
					(0.403)	(0.428)	(0.438)	(0.448)
visit_Li_SOE					-0.886	-1.158*	-1.004	-0.704
					(0.609)	(0.641)	(0.649)	(0.644)
N	71294	68121	64884	61583	71294	68121	64884	61583
R-sq	0.583	0.574	0.568	0.568	0.598	0.588	0.581	0.578

Notes: Probability of a political visit, Tobins'q, cash flow, industry fixed effects, and time fixed effects are included in all regressions. Standard errors are clustered at the firm level. * 0.10 ** 0.05 *** 0.01

Table 10. Heterogeneous effect on investment

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	IoverK1	IoverK2	IoverK3	IoverK4	IoverK1	IoverK2	IoverK3	IoverK4
Panel A.								
visit_HuWen	0.00384	0.00716	0.00854*	0.00716				
	(0.00615)	(0.00775)	(0.00463)	(0.00642)				
visit_Hu					-0.00239	-0.00430	0.0202*	0.0242**
					(0.00327)	(0.00780)	(0.0111)	(0.0116)
visit_Wen					0.00403	0.00884	0.00400	0.00112
					(0.00751)	(0.00888)	(0.00516)	(0.00635)
SOE	-0.00799***	-0.00772***	-0.00735***	-0.00691***	-0.00741***	-0.00717***	-0.00683***	-0.00639***
	(0.00102)	(0.000999)	(0.000972)	(0.000943)	(0.00102)	(0.00100)	(0.000975)	(0.000946)
visit_HuWen_SOE	0.00368	-0.00434	-0.00425	0.000183				
	(0.00868)	(0.00908)	(0.00573)	(0.00753)				
visit_Hu_SOE					0.0165*	0.0135	-0.0159	-0.0206
					(0.00928)	(0.0110)	(0.0129)	(0.0129)
visit_Wen_SOE					-0.000314	-0.01000	0.00143	0.0102
					(0.0107)	(0.0103)	(0.00688)	(0.00870)

N	52681	52734	52810	52866	52681	52734	52810	52866
R-sq	0.245	0.250	0.254	0.253	0.245	0.251	0.254	0.254
Panel B.								
visit_XiLi	0.000611	-0.00215	-0.00576	-0.00294				
	(0.00883)	(0.00465)	(0.00744)	(0.00656)				
visit_Xi					-0.00403	-0.00771*	-0.0161	-0.0148
					(0.0125)	(0.00405)	(0.0107)	(0.00953)
visit_Li					0.00136	-0.000982	-0.000128	0.00399
					(0.0118)	(0.00636)	(0.00793)	(0.00725)
SOE	-0.00801***	-0.00804***	-0.00788***	-0.00740***	-0.00749***	-0.00746***	-0.00733***	-0.00689***
	(0.000741)	(0.000757)	(0.000759)	(0.000745)	(0.000736)	(0.000751)	(0.000760)	(0.000751)
visit_XiLi_SOE	-0.00551	0.000492	0.00951	0.00356				
	(0.00957)	(0.00649)	(0.00922)	(0.00798)				
visit_Xi_SOE					-0.000490	0.00812	0.0203*	0.0132
					(0.0133)	(0.00646)	(0.0121)	(0.0105)
visit_Li_SOE					-0.00562	-0.00346	0.00512	0.00461
					(0.0129)	(0.0110)	(0.0148)	(0.0130)
N	70782	67616	64392	61140	70782	67616	64392	61140
R-sq	0.252	0.248	0.253	0.265	0.253	0.249	0.254	0.266

Notes: Probability of a political visit, Tobins'q, cash flow, industry fixed effects, and time fixed effects are included in all regressions. Standard errors are clustered at the firm level. * 0.10 ** 0.05 *** 0.01

Table 11. Heterogeneous effect on bank loans

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	F1.loans	F2.loans	F3.loans	F4.loans	F1.loans	F2.loans	F3.loans	F4.loans
Panel A.								
visit_HuWen	1.467	2.606**	2.555**	2.504**				

	(1.340)	(1.133)	(1.127)	(1.117)				
visit_Hu					-1.077	4.371***	4.293***	4.374***
					(3.441)	(1.223)	(1.204)	(1.178)
visit_Wen					1.886	1.847	1.801	1.710
					(1.328)	(1.335)	(1.332)	(1.311)
SOE	0.597***	0.541***	0.486**	0.438**	0.698***	0.642***	0.589***	0.543***
	(0.202)	(0.202)	(0.203)	(0.203)	(0.200)	(0.200)	(0.201)	(0.201)
visit_HuWen_SOE	-1.980	-3.165**	-3.379**	-3.893***				
	(1.524)	(1.355)	(1.357)	(1.441)				
visit_Hu_SOE					0.603	-4.848***	-5.491***	-5.331***
					(3.578)	(1.576)	(1.590)	(1.591)
visit_Wen_SOE					-2.252	-2.290	-2.139	-3.246*
					(1.583)	(1.600)	(1.594)	(1.724)
N	53955	53947	53931	53898	53955	53947	53931	53898
R-sq	0.207	0.206	0.205	0.203	0.208	0.207	0.206	0.204
Panel B.								
visit_XiLi	2.586***	2.406***	1.951*	1.274				
	(0.795)	(0.815)	(1.001)	(1.090)				
visit_Xi					2.421***	2.216**	2.829***	1.650
					(0.934)	(0.875)	(1.014)	(1.460)
visit_Li					1.661	1.526	0.633	0.354
					(1.116)	(1.174)	(1.391)	(1.420)
SOE	0.0372	-0.0274	-0.104	-0.189	0.285	0.221	0.135	0.0453
	(0.231)	(0.232)	(0.234)	(0.236)	(0.233)	(0.236)	(0.239)	(0.243)
visit_XiLi_SOE	-2.500**	-2.608**	-2.206*	-1.696				
	(1.095)	(1.157)	(1.296)	(1.368)				
visit_Xi_SOE					-1.811	-1.818	-2.502*	-1.427
					(1.416)	(1.414)	(1.495)	(1.817)
visit_Li_SOE					-1.940	-2.129	-1.195	-1.159

					(1.935)	(2.231)	(2.358)	(2.390)
N	71304	68132	64895	61595	71304	68132	64895	61595
R-sq	0.229	0.222	0.217	0.211	0.232	0.225	0.219	0.213

Notes: Probability of a political visit, Tobins'q, cash flow, industry fixed effects, and time fixed effects are included in all regressions. Standard errors are clustered at the firm level. * 0.10 ** 0.05 *** 0.01

Table 12. Heterogeneous effect on tax payment

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	F1.taxrate	F2.taxrate	F3.taxrate	F4.taxrate	F1.taxrate	F2.taxrate	F3.taxrate	F4.taxrate
Panel A.								
visit_HuWen	-0.00240	-0.0120	-0.0209	-0.0403***				
	(0.0242)	(0.00803)	(0.0137)	(0.0116)				
visit_Hu					-0.0582***	-0.0303	-0.00448	-0.0312
					(0.0191)	(0.0200)	(0.0116)	(0.0296)
visit_Wen					0.0150	-0.00497	-0.0236	-0.0407***
					(0.0259)	(0.00751)	(0.0159)	(0.0145)
SOE	-0.00964***	-0.0101***	-0.0101***	-0.0104***	-0.0103***	-0.0108***	-0.0109***	-0.0111***
	(0.00346)	(0.00348)	(0.00349)	(0.00357)	(0.00354)	(0.00356)	(0.00356)	(0.00364)
visit_HuWen_SOE	-0.00555	0.00878	0.0122	0.0337**				
	(0.0255)	(0.0114)	(0.0158)	(0.0138)				
visit_Hu_SOE					0.0420*	0.0167	-0.00469	0.0119
					(0.0223)	(0.0218)	(0.0143)	(0.0310)
visit_Wen_SOE					-0.0175	0.00864	0.0137	0.0431***
					(0.0275)	(0.0146)	(0.0200)	(0.0166)
N	52508	52387	52284	52193	52508	52387	52284	52193
R-sq	0.143	0.147	0.151	0.152	0.143	0.147	0.152	0.152
Panel B.								
visit_XiLi	-0.00279	0.0104	0.000819	-0.00567				

	(0.00600)	(0.0118)	(0.00389)	(0.00779)				
visit_Xi					0.00949	0.00546	0.00279	-0.0100
					(0.00863)	(0.00801)	(0.00400)	(0.0114)
visit_Li					-0.00691	0.0177	0.00263	0.00162
					(0.00719)	(0.0187)	(0.00611)	(0.00904)
SOE	-	-	-	-	-	-	-	-
	0.00780***	0.00782***	0.00791***	0.00825***	0.00871***	0.00875***	0.00896***	0.00974***
	(0.00224)	(0.00228)	(0.00225)	(0.00229)	(0.00235)	(0.00239)	(0.00236)	(0.00249)
visit_XiLi_SOE	0.0117*	-0.0124	-0.00284	0.0119				
	(0.00693)	(0.0138)	(0.00698)	(0.00866)				
visit_Xi_SOE					0.000210	-0.00867	-0.00639	0.0141
					(0.00963)	(0.0125)	(0.00832)	(0.0123)
visit_Li_SOE					0.0113	-0.0206	-0.00571	0.00136
					(0.00960)	(0.0206)	(0.0127)	(0.0122)
N	70527	67466	64276	60978	70527	67466	64276	60978
R-sq	0.245	0.248	0.248	0.247	0.246	0.249	0.249	0.248

Notes: Probability of a political visit, Tobins'q, cash flow, industry fixed effects, and time fixed effects are included in all regressions. Standard errors are clustered at the firm level. * 0.10 ** 0.05 *** 0.01

Table 13. Determinants of Pre-event CAR

CAR_t_minus_1	(1)	(2)	(3)	(4)	(5)	(6)
N of board members	-0.0446		0.0266	0.00441	-0.0547	-0.0506
	(0.329)		(0.313)	(0.315)	(0.401)	(0.407)
N of board shares	0.0962		0.369*	0.283*	0.297*	0.301*
	(0.111)		(0.194)	(0.161)	(0.159)	(0.154)
N of managers		-0.249	-0.211	-0.477**	-0.472**	-0.477**
		(0.202)	(0.201)	(0.199)	(0.199)	(0.202)
N of manager shares		0.0356	-0.345	-0.264	-0.272	-0.283
		(0.122)	(0.224)	(0.200)	(0.200)	(0.198)
Board & manager salaries				1.698***	1.686***	1.682***
				(0.580)	(0.579)	(0.576)
N of auditors					0.115	0.120
					(0.428)	(0.431)
Chairman & CEO dummy						0.469
						(1.641)
N	107	107	107	107	107	107
R-sq	0.007	0.011	0.036	0.084	0.085	0.085

Note: Robust standard errors are in the parentheses. Significance levels are * 0.10, ** 0.05, and *** 0.01.

Figures

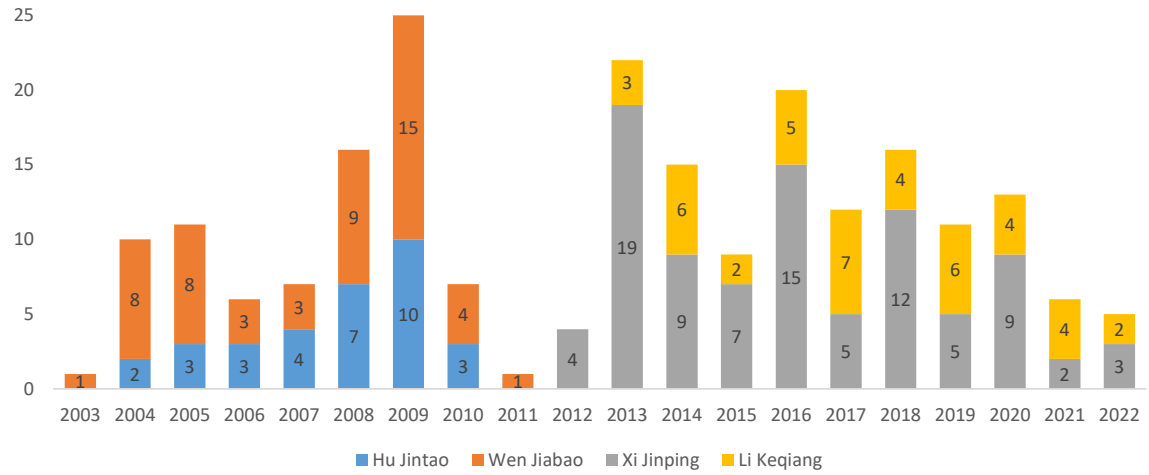

Figure 1. Number of high officials' visits to mainland listed companies (2003–2022)

Source: Data on Hu Jintao period (2003–2011) is from Schuler et al. (2017), and Xi Jinping period (2012–2022) is compiled by authors.

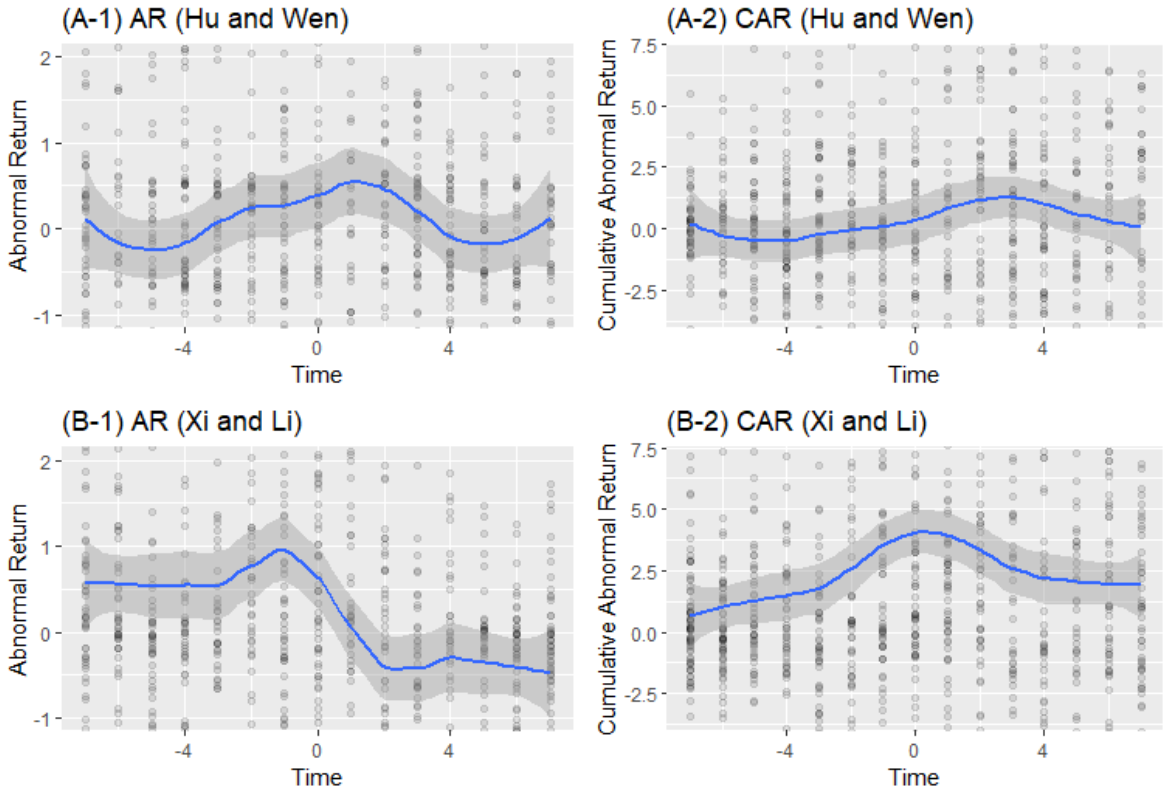

Figure 2. The effect of political visits on security returns (2012–2022)

Note: The fitted line is based on locally weighted regression (loess). Time zero indicates the day of event. Dashed lines indicate the 95% confidence interval. We analyzed whether the company had certain stock market data for the estimation window (more than five days), otherwise it was excluded. We also dropped an outlier company in terms of CAR (over 40). After this cleaning process, we obtained 76 events for the Hu administration among 84 events, and 80 events for the Xi administration among 96 events.

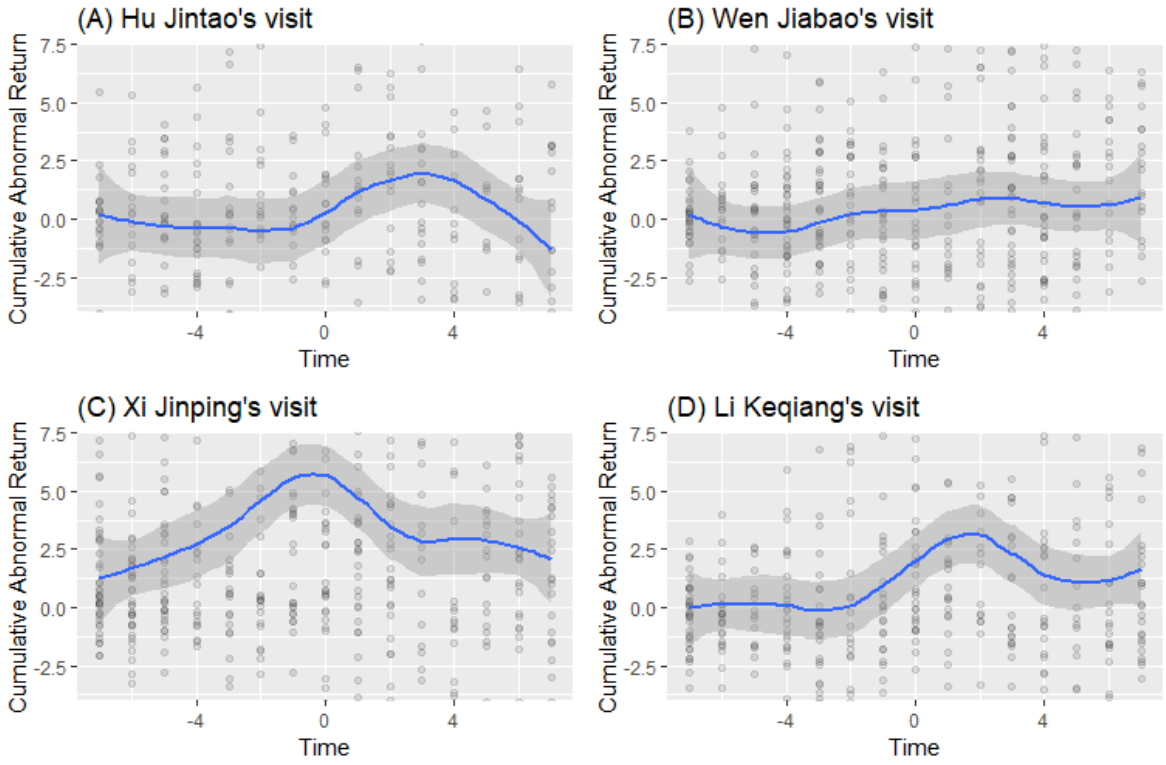

Figure 3. Visiting effect on CAR by individual leader

Note: The fitted line is based on locally weighted regression (loess). Time zero indicates the day of event. Dashed lines indicate the 95% confidence interval. Estimations are based on 28 events for Hu Jintao, 48 events for Wen Jiabao, 45 events for Xi Jinping, and 35 events for Li Keqiang.

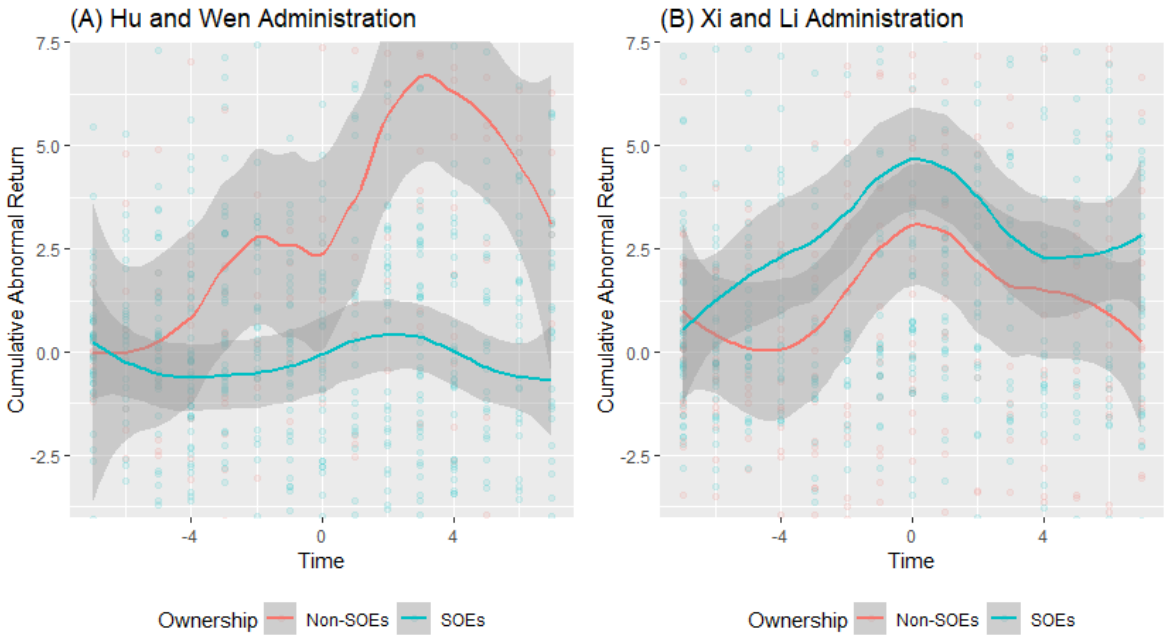

Figure 4. Visiting effect on CAR by ownership

Note: The fitted line is based on locally weighted regression (loess). Time zero indicates the day of event. Dashed lines indicate the 95% confidence interval.

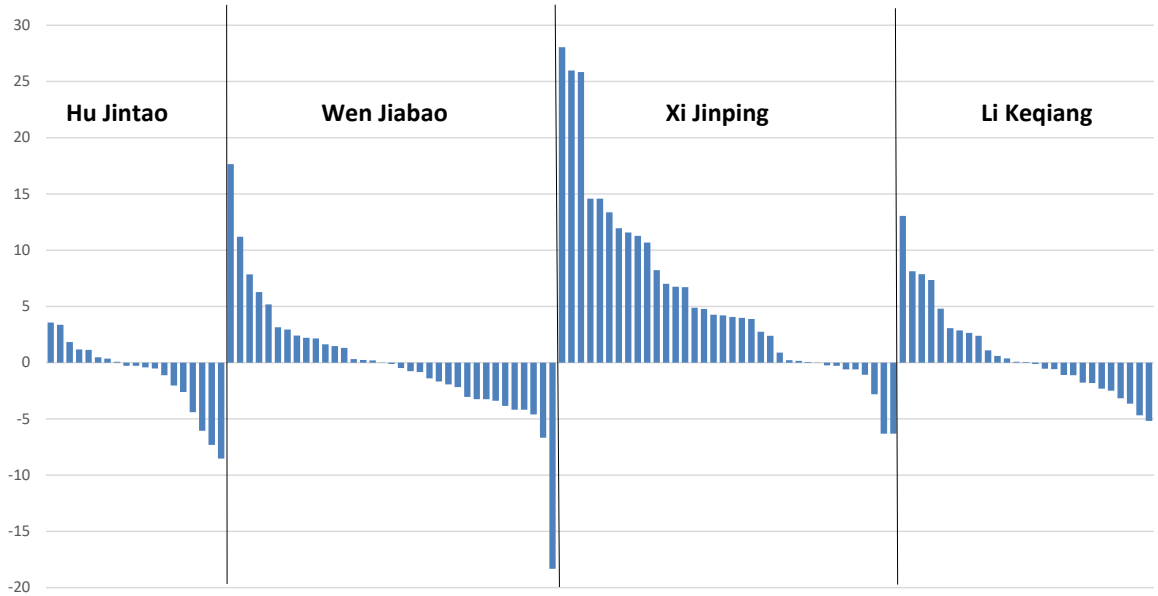

Figure 5. Cumulative abnormal return on the day before a visit (t = −1).

Note: We obtain the CAR for the day before the visit (t = −1) for 19 samples for Hu Jintao, 35 samples for Wen Jiabao, 36 samples for Xi Jinping, and 27 sample for Li Keqiang.

Appendix: Table, figures, and notes

Table A1. Basic statistics of financial statement data

Variable	Obs	Mean	Std. dev.	Min	Max
visit_Xi	83,775	0.000430	0.020725	0	1
visit_Li	83,775	0.000310	0.017614	0	1
visit_Hu	60,974	0.000492	0.022176	0	1
visit_Wen	60,974	0.000787	0.028047	0	1
SOE	143,682	0.464	0.499	0	1
CCP member	144,749	0.322	0.467	0	1
Government working experience	144,749	0.029	0.168	0	1
Firm size (log)	144,184	7.562	1.400	0	13.223
Profitability	142,080	0.069	0.237	-1.440	0.674
R&D intensity	144,749	0.027	0.047	0	1
Defense industry	144,749	0.023	0.149	0	1
Local political uncertainty	144,749	0.060	0.238	0	1
Investment rate	138,755	0.031	0.038	0	0.217
Sales	144,445	20.558	1.757	6.492	28.718
Bank loans	144,749	16.658	7.578	0	26.827
Tax rate	141,545	0.047	0.109	-0.187	1.225

Source: Authors' compilation based on the CSMAR database.

Table A2. Correlation matrix of financial statement data

(A) Hu Jintao period

	Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	visit_Hu	1.00													
2	visit_Wen	0.00	1.00												
3	SOE	0.01	0.01	1.00											
4	CCP	0.00	0.00	0.28	1.00										
5	GOV	0.00	0.00	0.08	0.22	1.00									
6	Firm size	0.03	0.03	0.21	0.06	-0.01	1.00								
7	Profitability	0.01	0.00	-0.02	-0.06	-0.01	0.04	1.00							
8	R&D intensity	0.00	0.00	-0.20	-0.18	-0.03	-0.06	0.06	1.00						
9	Defense industry	0.00	0.00	0.08	0.02	0.00	0.01	-0.01	0.06	1.00					
10	Local pol. uncertain.	-0.01	-0.01	0.00	-0.01	0.00	0.00	0.01	0.01	0.00	1.00				
11	Investment rate	0.01	0.01	-0.04	-0.08	-0.02	0.18	0.14	0.07	-0.02	-0.01	1.00			
12	Sales	0.04	0.04	0.24	0.07	-0.02	0.65	0.16	-0.11	-0.06	0.01	0.09	1.00		
13	Bank loans	0.01	0.01	0.17	0.15	0.02	0.25	-0.13	-0.23	-0.03	0.00	0.04	0.29	1.00	
14	Tax rate	0.00	-0.01	-0.03	0.01	0.01	-0.18	-0.07	-0.03	-0.03	-0.01	-0.12	-0.30	-0.03	1.00

(B) Xi Jinping period

	Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	visit_Xi	1.00													
2	visit_Li	0.00	1.00												
3	SOE	0.02	0.01	1.00											
4	CCP	0.00	0.00	0.43	1.00										
5	GOV	0.00	0.00	0.13	0.23	1.00									
6	Firm size	0.03	0.02	0.28	0.12	0.03	1.00								
7	Profitability	0.00	0.00	-0.06	-0.05	0.02	0.00	1.00							
8	R&D intensity	0.00	0.00	-0.23	-0.19	-0.05	-0.14	-0.03	1.00						
9	Defense industry	0.01	0.00	0.09	0.05	0.01	0.03	-0.01	0.10	1.00					
10	Local pol. uncertain.	-0.01	0.00	-0.01	0.00	0.00	0.00	-0.01	-0.01	0.00	1.00				
11	Investment rate	0.00	0.00	-0.11	-0.10	-0.01	0.09	0.09	0.06	-0.03	-0.01	1.00			
12	Sales	0.03	0.02	0.32	0.17	0.03	0.74	0.08	-0.28	-0.02	-0.03	-0.01	1.00		
13	Bank loans	0.01	0.01	0.18	0.15	0.03	0.35	-0.14	-0.22	0.01	0.00	0.02	0.40	1.00	
14	Tax rate	-0.01	0.00	-0.02	0.04	0.02	-0.16	0.02	-0.01	-0.02	0.01	-0.12	-0.23	-0.01	1.00

Source: Authors' compilation based on the CSMAR database.

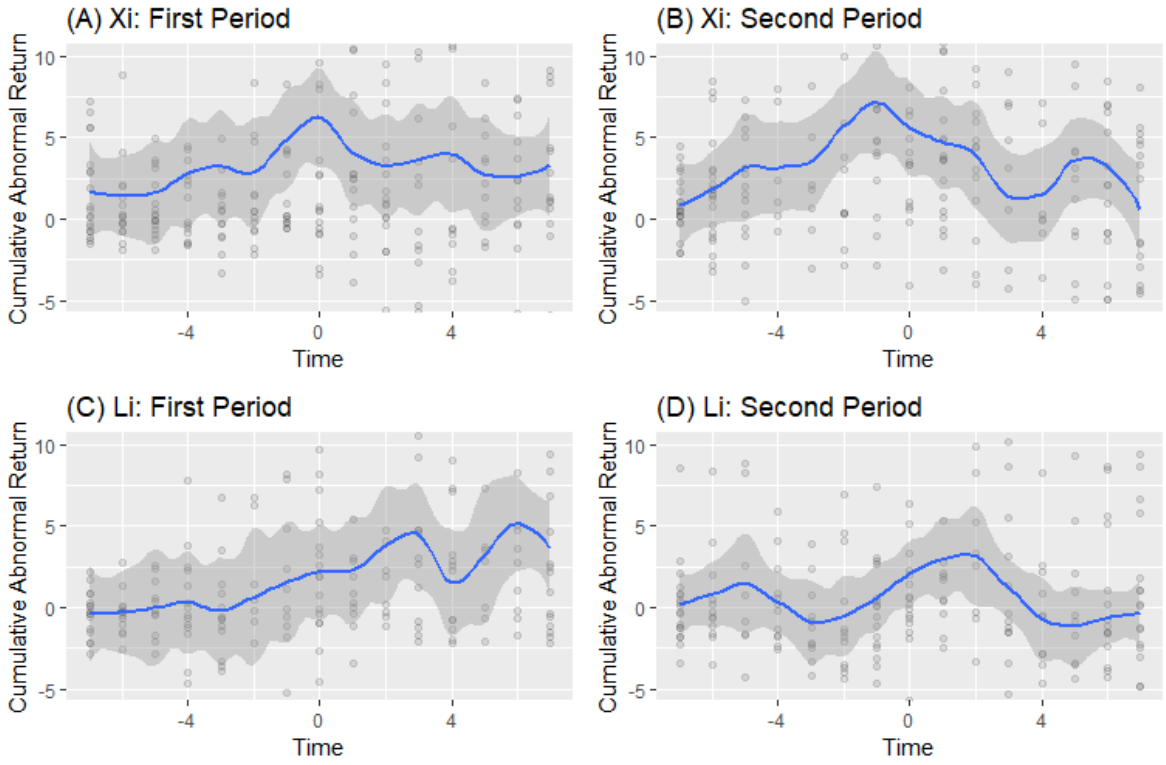

Figure A1. Visiting effect on CAR under the Xi administration by period

Appendix Note

Article Example 1: Visiting Shenzhen Green Eco-Manufacture Hi-tech Co., Ltd. (*格林美高新技术股份有限公司*) on July 22, 2013

Xi Jinping came to the Wuhan branch of Green Eco-Manufacture to inspect the green recycling of waste. On the production line, a waste refrigerator, computer and TV set were dismantled, and aluminum, copper and plastic were recycled. The general secretary said that turning waste into treasure and recycling is a sunrise industry. Garbage is a misplaced resource. It is an art to resource the garbage and turn decay into magic, so you should make further efforts. [1]

Article Example 2: Visiting Neusoft Group (*东软集团股份有限公司*) on August 29, 2013

Xi Jinping came to Neusoft Group (Dalian) Co. In front of the display of the telemedicine system, hearing that China-Japan Friendship Hospital had established connections with more than 1,000 medical institutions, he asked the hospital director, who was far away in Beijing, "Is the system working well?" "It works very well."" Using the information system to improve medical care is called like a tiger with wings. We have to make good use of the system to better serve the public. [2]

Article Example 3: Shandong Ruyi Technology Group Co., Ltd. (*山东如意科技集团有限公司*) on Nov 25, 2013

Xi Jinping also came to Shandong Ruyi Technology Group Co., Ltd. located in Jining to listen to the product introduction, see the production plant, and understand the production and operation of enterprises. Knowing that they rely on science and technology to create a number of well-known textile and clothing brands, to expand the international market achievements, Xi Jinping was affirmed. [3]

Article Example 4: Guangxi Liugong Machinery Co., Ltd. (*广西柳工机械股份有限公司*) on April 26, 2021

On the afternoon of the 26th, Xi Jinping and the general secretary of Guangxi, who is

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[1] *Xinhua News Agency*, July 22, 2013, "Xi Jinping: 'Turning waste into treasure' is art."
[2] *Xinhua News Agency*, August 29, 2013, "Xi Jinping: Information technology can be 'like a tiger with wings.'"
[3] *People's Daily*, Dec 29, 2013, "Xi Jinping's visit in Shandong."

investigating and researching, came to Guangxi LiuGong Group Co. Xi Jinping pointed out that high-quality development is the 14th Five-Year period of China's economic development must be the road, and high-quality development of the equipment manufacturing industry is the top priority. He stressed that high-quality development innovation is very important, only innovation can be self-improvement, in order to compete with the first, in the road of independent innovation to be steadfast and continue to work harder and higher. [4]

[4] *Xinhua News Agency*, April 27, 2021, "Xi Jinping visited the equipment manufacturing industry, emphasizing that only innovation can be self-improvement."