Broadcast Media and Asset Prices:
The Effect of an Anti-Corruption Message in China

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Abstract

Does broadcast media affect stock prices? We exploit an exogenous event to identify such media effects, namely, the broadcasting of the highly popular TV drama 'In the Name of People' on March 28th, 2017 in China. The TV show contained a strong State-approved anti-corruption message and was expected to raise investors' awareness of potentially high costs of a firm's political connections. We find that stock prices fall in reaction to the broadcast. Importantly, the negative effect on asset prices is higher in magnitude for firms with political connections. Also, privately-owned politically connected firms which need more proactive development in political connections exhibit more substantial adverse price effects compared to state-owned firms. The reduction in investors' valuation of politically connected firms persists over the long run. Our empirical findings support the notion that traditional mass-media (i.e., TV) modifies the information set of investors and has a significant educational value.

Keywords: Broadcast Media, Anti-corruption, China, Political Connections, Event study

JEL Classification: G3, G14, G18, P2

1. Introduction

The use of broadcast media to influence the public has a very long history. In this paper, we investigate the causal effect of a government-sponsored Chinese TV drama ('In the Name of the People') on asset prices and investor decisions. This TV show contains an active State endorsed anti-corruption message. We show that the initial broadcast has both short-term and long-term effects on the value of firms. Politically connected firms suffer negative value consequences. The adverse firm-value effect has a more significant and higher magnitude among privately held firms.

The media is often used by the State to influence the public. The oldest State media organization in the world is the British Broadcasting Company (BBC). Lord Reith, the founder of the BBC, established the so-called Reithian trinity for public broadcasting service in 1927: 'To inform, educate, and entertain.' For instance, the Archers, the longest-running soap opera on BBC radio, was first aired in 1950 under the guidance of the Ministry of Agriculture. Its specific aim was to influence and educate the nation's farmers and thereby increase food production after the chronic supply shortages caused by World War II. Although mass media has evolved considerably over time (especially with the introduction of new technologies), the core values, nevertheless, continue to be the standards guiding media practitioners (Hutchinson, 2017). Studies in media, social psychology, and political communication have confirmed the information and educational power of TV dramas on shaping audiences' social perceptions and behaviors (Nariman, 1993; Brians and Wattenberg, 1996; Blumler and Kavanagh, 1999; Lang and Lang, 2009; Bednar, 2012). In particular, researchers find that the entertaining element of TV makes it easier to deliver a sophisticated concept to a wider audience and to effectively bring about social changes (Delli Carpini and Williams, 2001; Jensen and Oster, 2009; Durante, Pinotti, and Tesei, 2019). If TV dramas are powerful enough to affect audiences' social

perception, it is natural to ask whether it will have the same impact on a specific economic institution: the stock market.

The media can affect stock markets in various ways. These include information discovery, information dissemination, attracting or diverting investors' attentions, and monitoring company decisions (e.g., Barber and Odean, 2007; Dyck, Volchkova, and Zingales, 2008; Bednar, 2012; Jansson, 2013; Baloria and Heese, 2018; Chen and Yang, 2019; Adämmer and Schüssler, 2020; Peress and Schmidt, 2020). The existing literature focuses on professional or information-oriented forms of media. For example, by news coverage of specific firms, analysts' comments, or corporate twitter accounts. This is a very narrow and specific form of information discovery targeted to specific instances. Little is known about the impact of mass-media TV dramas on stock markets, which is a more popular form of media. Our study contributes to the extant literature by showing the economic impact of broadcast media on asset prices.

We study the hit Chinese anti-corruption political TV drama called 'In the Name of the People' (hereafter, INP).[2] With themes and scenes that mirror real life, INP features agents cracking down on corrupt high-ranking officers ('tigers'), low-level ones ('flies'), and connected corporate groups. INP is produced by the film center of China's National Prosecutor's Office (the Supreme People's Procuratorate) and the Golden Shield Television Center as an essential showcase for achievements of the anti-corruption campaign led by President Xi Jinping since 2012.[3] Behind the nerve-racking plots of investigation, this drama

[2] Details related to names of characters and related cases shown in the TV drama and the linked real-life officials are provided in Appendix A. While the storyline of the TV drama is fictional, some characters are alleged to reflect real-life officials. For example, the scene of the house filled with RMB banknotes owned by Dehan Zhao on the first day of the broadcast is allegedly related to a similar situation in real life, namely the case of Pengyuan Wei, who was the Deputy Director of Coal Division, National Energy Administration.

[3] The film center of China's National Prosecutor's Office is established by China's National Prosecutor's Office, and it closely co-operate with China's National Prosecutor's Office to promote legal education. The Golden Shield Television Center is affiliated with Logistic Support Department of the Central Military Commission, and it has produced several TV dramas promoting the spirit of soldiers.

signals the costs of political connections and the need to eradicate corruption. Prior experimental studies using China data show that the acquisition of politically sensitive information might yield permanent changes to knowledge, beliefs, attitudes, and intended behaviors (Chen and Yang, 2019). Our interest is in the information and knowledge impact of a political drama.

In the Name of the People (INP) highlights the potential very high costs of political connections, which are threefold. Firstly, building and developing a relationship with government officials uses the firm's resource and it can lead to potential corruption. Secondly, upon the downfall of a firm's insiders who are related to government officials, all anticipated future benefits from political connections are gone. Investing in political connections can be value-destroying. Thirdly, when the government continues to crack down on the entire corruption group, the vested interests can trigger further collateral damage (e.g., financial penalties and reputational damage) to connected firms and their shareholders.

From a research perspective, the initial broadcast of 'In the Name of the People' (INP) is important because it is an exogenous event.[4] This allows us to study the causal effect of broadcast media on firm valuation, particularly the effect in politically connected firms. First, the core message in INP is anti-corruption. Before INP, there was strict censorship in China on political dramas (Gong, 2003). However, in 2017 the State used the INP broadcast to signal its determination and strength to crackdown on corruption. Notably, INP are produced by two companies affiliated with China's National Prosecutor's Office and the Central Military Commission, respectively. With the endorsement and involvement from the government, the screenwriter can get access to many corruption cases, as well as corrupted officials in jail, and

[4] Unlike most TV dramas, there is almost no massive promotion for INP before the official release, and not much attention was paid on this TV drama. Even though a trailer of INP released on March 20th, 2017 results in limited amount of discussions on internet, the release of INP on March 28th, 2017 is still a shock to the wider audiences.

actors were granted with permission to closely observe how government officials, especially prosecutors, act in real life.

Secondly, INP's political message of anti-corruption did resonate with the public. On the broadcast date (March 28th, 2017), INP attracted a record-breaking audience of about 850 million for TV alone. The highest single episode viewings achieved around 6.6% rating from all TV licenses and 21% share (out of total watchers at that time) based on the data from CSM52 city web, which is a widely accepted website publishing data for television rating. In addition, a staggering 59 billion online views are recorded on iQiyi, one of the three licensed streaming platforms (Zeng, 2017).[5] The broadcasting of INP brings corruption into public's attention (Ju and Clover, 2017). "Corruption" immediately became a major search term. The search results from Baidu (Figure 1) clearly show that public attention on keywords such as "corruption" and "anti-corruption" reached its peak after the premiere of INP, suggesting a link between the premiere of INP and an increasing attention on corruption among the public.[6]

Thirdly, there are reasons to think that INP did have an important social effect. Despite its incredible ratings success, since the initial broadcast, INP has not been shown on a TV station. One might speculate that authorities tried to assuage any undesired social impact triggered by INP. Specifically, INP raised awareness about the prevalence of corruption. Such awareness might affect the public's perception of corruption not only in large companies but also in the government and the justice system. For example, the official *Weibo* (the Chinese version of *Twitter*) account of the Ministry of Public Security complained about the potential

[5] To aid the understanding of INP's popularity, we compare these numbers with Nielsen ratings for some popular TV dramas in the world. For example, one of the most watched US TV series, 'Breaking Bad', received its highest rating of 5.2% in adults 18-49 for the final season (roughly 6.7 million viewers). Regarding to TV dramas aired through online platforms, a popular political drama on Netflix, 'House of Cards', had 31million viewers at the height of its second season.

[6] Figure 1 rules out a seasonality effect as we do not observe a similar trend in either 2016 or 2018. There is a clear spike in interest in 'corruption' around the broadcast of 'In the Name of the People'.

biased image that INP created for the police, worrying that audiences would perceive the police to be corrupt rather than fighting against criminals.[7]

[Insert Figure 1 here]

For econometric purposes, the broadcasting of INP is an exogenous shock. Corruption has always been a taboo on television in China, and the government had banned political TV drama of this genre since 2004. Being the first TV show since the ban, INP was a surprise event to the market, as it is highly unlikely that TV audiences or investors could foresee the government lifting the ban. Also, to draw as much attention from the public as possible, the release date of a TV show in China is often carefully selected to avoid clashing with other major shows, news, or salient events. Indeed, in our analysis below, we fail to find any concurrent events of significant political or economic importance surrounding the premiere date of INP. Taken together, we expect a widely watched anti-corruption TV drama to influence investors' perceived value of political connections and their trading strategies.

We study the economic impact of the TV drama INP on the value of Chinese publicly listed firms, which premiered on March 28th, 2017. The core of our analyses uses event study methods. We complement this with difference-in-difference models to show the causal effect of an anti-corruption message in politically connected firms.

To anticipate our findings, firstly, we find that stock prices decline in politically connected firms following the broadcast of INP. Contrary to the traditional view that political connections add value to firms (Faccio, 2006; Goldman, Rocholl, and So, 2013; Chen et al., 2017; Kim, Li, and Tarzia, 2018), INP raises investors' awareness of the costs related to political connections. That is, under the current anti-corruption campaign, politically connected firms are at the risk of not only losing preferential treatments from the government but also

[7] See http://www.chinadaily.com.cn/interface/toutiaonew/53002523/2017-04-07/cd_28829967.html.

exposing them to collateral damages due to the downfall of corrupt officials. The fact that the current anti-corruption campaign has lasted for an extended period from 2011 and yet we still observe a significant downward valuation of political connections after the INP reinforces our argument that the media can have a long lasting impact on the stock market.

Secondly, we highlight different effects of the media on state-owned enterprise (SOEs) and privately-owned firms (non-SOEs) in terms of political connections. A significant portion of Chinese companies are owned by the state, which are connected to the government by nature. In contrast, for privately-owned companies, political connections require proactive efforts from companies and cost a large amount of resources and effort to develop and maintain. Lavish drinking and entertaining expenditures that are incurred while socializing with government officials during political connection development process can technically be attributed to corruption (Cai, Fang, and Xu, 2011). We conduct subsample analyses based on ownership structure and find that the negative effect of political connections is particularly more significant in private firms than in SOEs. The empirical evidence suggests that investors perceive developed political connections as riskier and costlier than inherent ones and incorporate this in the asset pricing process accordingly.

Thirdly, we further explore the educating function of TV drama by investigating the persistence of downward stock performance among politically connected firms via a valuation model (Luo et al., 2016; Liu, Shu, and Wei, 2017). We find that firms with political connections consistently underperform firms without those connections in the long run. Results on state ownership analysis are also consistent with those in the short-window analysis. This evidence suggests that the negative effect of political connections on firm performance is not just a sentimental movement, but rather a persistent asset pricing adjustment. More importantly, this evidence confirms the educational function of the TV drama on investors.

Finally, to support our main inferences, we conduct a series of additional subsample analyses considering several firm and regional characteristics, including: (1) the Chinese media development index; (2) entertainment and travel costs; and (3) the Chinese marketization index. The results reveal that subsequent to the premiere of INP, the negative reactions towards politically connected firms are more pronounced for firms located in regions with less alternative media channels (i.e., lower media development), and for firms whose potential costs of political connections are higher (i.e., firms with higher entertainment and travel costs or those located in areas with lower marketization).

This paper makes several important contributions to the political economy and finance literature. Firstly, this paper documents an important tool used for the institutional transformation attempted in China, answering Jiang and Kim (2020)'s call for more interesting research in China. Due to the strict censorship and state ownership of media outlets, prior studies suggest that media play a limited role as monitors in China (e.g., You, Zhang, and Zhang, 2018). However, our study shows important evidence that TV dramas acted as an effective information intermediary to convey the government's political message in the process of eradicating corruption and sustaining economic growth in China. China may be exceptional with many unique features that differ from Western countries, but it is common that TV dramas have extensive coverage all around the world. Consequentially, our finding of the educational function of TV dramas has a transferable implication to countries beyond China.

Secondly, by studying the impact of TV dramas on stock markets, we expand the scope of how stock markets are influenced. Different from prior studies that largely focus on professional coverage and corporate social media, this paper focuses on an unconventional source of media, TV dramas. While TV dramas are often neglected by finance and economic researchers due to their primary feature of entertaining, our results reveal the educational

function of TV dramas. By documenting significant reactions in stock markets upon INP, we demonstrate the impact of TV dramas as a key form of media on stock market.

Thirdly, this paper demonstrates the net value of political connections. Prior papers stress the benefits of political connections (e.g., Wu et al., 2012; Houston et al., 2014). However, with government involvement in economic affairs, political connections also come at costs, normally in the form of agency costs, firm underperformance, lower financial reporting quality, and excess employment (Fan, Wong, and Zhang, 2007; Cheung, Rau, and Stouraitis, 2010; Chaney et al., 2011; Bertrand et al., 2018). We extend this stream of research by questioning the value of political connections during the period of political instability and inferring collateral damages to companies resulting from the downfall of government officials. Specifically, we find that investors tend to value down firm's political connections subsequent to the INP.

Fourthly, there are potential implications for regulators and the State authorities. The Reithian trinity asserted that the role of the media was to 'To inform, educate, and entertain'. We confirm this, showing how mass media can shape investor behavior, even in one of the most entertaining forms. By conducting the research in China, a country renowned for high censorship and government interventions in media, our results suggest that TV dramas are an effective mechanism to deliver messages from the authority to broader audiences. However, this universal mechanism has the potential to be either beneficial or harmful conditional on the content. Therefore, authorities and regulators could consider using TV dramas as a medium to promote new policies; in the meantime, they should also remain alerted about the negative impact of TV dramas on stock markets.

We organize the paper as follows. Section 2 reviews relevant literature and develops our hypotheses. Section 3 discusses the data and methodology used in our empirical studies. Section 4 presents our main results about the effect of political connections on stock

performance. Section 5 further shows evidence about how the effect of political connections varies across stocks with different firm and regional characteristics. Section 6 offers some concluding remarks.

2. Related Studies and Hypotheses

2.1 The Impact of Mass Broadcast Media

The media acts as a critical information intermediary. In our context, the media can uncover new information about firms. It disseminates this information and reduces information asymmetries between decision makers (Rogers, Skinner, and Zechman, 2016). Studies have found that the media can help improve the information environment (i.e., reduce information asymmetry) in stock markets and thereby lower the cost of capital and the risk of mispricing (Fang and Peress, 2009; Bushee et al., 2010; Drake, Guest, and Twedt, 2014; Miller and Skinner, 2015). A large body of research also reveals the monitoring role of the media in various specific corporate contexts, for example, by highlighting accounting fraud (Miller, 2006; Conyon and He, 2016), voluntary information disclosure (Miller and Skinner, 2015; Lei, Li, and Luo, 2019), share class system (Lauterbach and Pajuste, 2017), insider trading (Dai, Parwada, and Zhang, 2015), and general corporate wrongdoings or scandals (Dyck, Volchkova, and Zingales, 2008; Zavyalova et al., 2012; Jannsson 2013; Baloria and Heese, 2018).

Importantly, these examples focus on revealing information about the firm's operating environment (e.g., by making public the information that was previously privately known by the firm). Generally, studies in finance and economics focus on news reports or firm-based social media information. This changes the information set of various decision makers. However, the broadcast media is much more than this because it can choose what information to reveal and how to shape it. In its simplest form, broadcasters have editorial content as to what information is released and to what objective. Recently, Chen and Yang (2019) use a field

experiment to study media censorship in China and what happens when subjects browse foreign websites. They find that the consumption of such media information can change knowledge, beliefs, attitudes and intended behavior of actors.

The impact of national broadcast media on stock performance is much less studied in economics, especially so for broadcast televisions shows.[8] This is due to the general perception that TV dramas are for entertainment purposes only and they do not provide audiences with direct firm-specific information about corporate fundamentals. However, Boulland, Degeorge, and Ginglinger (2017) suggest that the form of news matters and the stock market reacts more to the form of news dissemination that attract more investors' attentions. Edmans, Garcia, and Norli (2007) find that TV shows, such as sports events, result in traders' mood swings, which influence the asset pricing process.

Other useful insights of TV's impact on audiences can be gained from extensive research in other disciplines, including social psychology, sociology, and political economics. Social cognitive theories provide a conceptual framework within which symbolic messages contained in TV broadcasts affect audiences' thought processes, mood, and actions (Bandura, 1962; Milgram, 1974; Bandura, 2001). Specifically, social learning theory has shown TV's educational function, indicating that TV dramas can bring about behavioral and social changes (Singhal and Rogers, 2002). Heavy watchers of soap operas may risk having a distorted and oversimplified perception of the real world (Buerkel-Rothfuss and Mayes, 1981; Gerbner and Gross, 2006) when TV was first introduced to an information-scarce country. However, researchers find that entertainment and educational dramas make it easier for audiences to understand social concepts such as family planning behavior and gender rights and bring about

[8] The effect of 'news' is, of course, an obvious exception. In our paper, we focus on a TV drama that contains an implicit State-endorsed political message of anti-corruption. This is qualitatively different from reporting new information (i.e., news) about a particular real event.

actual social change (Rogers et al., 1999; Jensen and Oster, 2009). In short, the broadcast media can be used to nudge, influence and change public attitudes and individual choices.

Consistent evidence is reported in political communication studies that TV conveys messages more effectively to the general population than other more rigid forms of media. In particular, televised political commercials have a more powerful impact on audiences compared to television news or newspaper on presidential candidates' issue positions (Brians and Wattenberg, 1996; Blumler and Kavanagh, 1999). According to Brains and Wattengerg (1996), a more symbolic and accessible form of media (i.e., advertisement) leaves constituencies with stronger impression of presidential candidates, compared with more sophisticated and rigid form of media, such as TV news and political newspaper articles. Acknowledging audiences' preferences, American news broadcasting is also found to have shifted from a hard-serious manner to a soft-entertaining approach (Delli Carpini and Williams, 2001). At a macro level, according to political economics research, the educational function of TV enables corporations and governments to shape public consensus and behaviors in ways that naturalize or solidify established political and economic power (Grindstaff and Turow, 2006; Blumler and Coleman, 2015). Also, Gans (1979) argues that the media serves to reinforce the established social order, and the use of television is the best method of attracting and holding viewer attention.

It is vital to understand who has the access to media and who can shape media information and values (Grindstaff and Turow, 2006). In China, TV is a very popular form of media with stable coverage of more than 90% of the population. In 2017, 99.07% of the population in China had access to a television.[9] The high coverage of TV also makes it an effective channel to deliver anti-corruption message through TV drama. Importantly, the TV

[9] See details at: https://www.statista.com/statistics/279098/coverage-rate-of-television-in-china/

industry in China functions differently to that in western countries. In term of ownership, TV stations in mainland China are owned by the government. In contrast, most of cable TV channels in the west are commercial channels, operated by corporations (e.g., Fox News, National Broadcasting Company, Warner Media, etc.). Chinese top-down control of the TV industry is heavily criticized for lack of diversified opinion. However, this predominant state-owned television network enables an effective informing channel for the government to communicate with the public. INP, in particular, is produced by government-affiliated companies. In other words, the content of INP is groomed and approved by the government, so that audiences can learn how determined the current government is in cracking down on putative society-wide corruption. Furthermore, the frequency of a TV drama broadcasted in China contributes to its effectiveness as information intermediary. In China, TV dramas normally have only one season and are broadcasted on a daily basis over a couple of weeks. The whole series of INP was broadcasted for 31 days from March 28th, 2017 to April 27th, 2017. However, in the US, TV series are broadcasted on a weekly basis and it is common to have multiple seasons over a span of months or even years. In this sense, a daily broadcasted show can deliver messages in a more intensive manner to its audiences. Taken together, we argue that messages wrapped in an entertaining format and delivered intensively by a state media in China is expected to have a more significant impact to its audiences.

Although one might argue that our study on TV drama is heavily driven by a specific political regime, the main purpose of our study, however, is to reveal the educational and persuasive function of TV. In other words, our study puts more focus on the impact that a TV drama can cause rather than who controls media. In this sense, the educational function of TV should be generalizable to other countries beyond a country level. Therefore, studying the impact of TV dramas on the stock markets can be a transferrable reference to other countries and any relevant bodies who will be affected by the TV industry.

2.2 Political Connections and Corruption

As featured in this anti-corruption TV drama, the so-called 'political resources' is highly valued in both politics and business world. 'Political resources' are an intangible asset when a person is connected with higher ranked government officials. In reality, 'political resources' is more of a euphemism for political connections, or even 'corruption' in some extreme contexts. According to Faccio (2006), political connections are particularly common in countries with higher levels of corruption, and lower levels of law enforcement. This is the case in China, where government officials are endowed with overwhelming power over resource allocation and high incentives to seek rents (Coase, 1965; La Porta et al., 1999). Consequently, firms can avoid being overly expropriated by developing political connections with the government (Chen et al., 2011). With many associated benefits of political connections, businesses in China recognized that investing in official connections generate much higher and reliable returns than investments in capital or technology (Morck and Yeung, 2014). Studies have found that companies with political connections are associated with preferential treatments such as more tax benefits (Wu et al., 2012), lower external finance costs (Sapienza, 2004; Houston et al., 2014), more procurement contracts (Schoenherr, 2019), and higher market power (Faccio, 2010). In addition, Giannetti et al. (2020) find that corruption in China creates negative externalities.

However, political connections can be costly. One of the most striking and direct costs during when fostering political connections is the lavish drinking and entertaining expenditures that might incur while socializing with government officials, which can technically be attributed to corruption (Cai, Fang, and Xu, 2011). Prior to the anti-corruption campaign, developing political connections are seen as a positive net present value 'project', as benefits brought by political connections may offset or even exceed considerable costs of developing them (Lin et al., 2018). However, after the current President Xi's government vowing to

eliminate corruption,[10] it is less likely for connected firms to enjoy the same level of privileges and yet costs of developing and maintaining political connects have already incurred (i.e., sunk costs). Giannetti et al. (2020) document that China's anti-corruption campaign reduces the effectiveness of corruption and large firms lost their ill-gotten financing advantages. Consistently, Yan (2018) find that firms lost their political connections after Rule 18 and found it difficult to obtain bank loans. Hope, Yue and Zhong (2020) find that firms with discontinued political connections improve their financial reporting quality. Furthermore, connected firms may suffer from collateral damages upon the downfalls of related government officials. As featured in the show, when corrupt officials get caught or punished, connected companies are also held to account and may end up with bankruptcy due to economic links between them. Overall, costs of political connections are expected to be more salient subsequent to the anti-corruption campaign, and INP helps to highlight and publicize such notion.

Although costs and benefits of political connections have been investigated in prior research, and the 2012 anti-corruption campaign in China is a well-known event (Habib and Zurawicki, 2002; Fan, Wong, and Zhang, 2007; Chen, Ding, and Kim, 2010; Chen et al., 2011; Chen et al., 2017), our main research question is different. We ask whether political messages contained in broadcast media (i.e., a TV drama) can systematically affect investors' perception of political connections. As highlighted in the drama, the development and maintenance of political connections with state and regional officials are costly. In consequence, value of political connections can be risky and volatile during unstable political circumstances such as China's anti-corruption period. What is the mechanism that influences investor decision

[10] Xi Jinping became the President of China in November of 2012 and then launched an anti-corruption campaign with a series of events. The Chinese Communist Party announced its "Eight-point" Policy on 4th December 2012 that prohibits government officials and top executives of SOEs from demanding or accepting extravagant perks. The Central Commission for Discipline Inspection announced that it would conduct inspections of provincial governments on 17th May 2013. The "Rule 18" is issued on 19th October 2013 to prohibit party and government officials from serving as directors for publicly listed firms.

making? The mass broadcast and political signal contained in INP sends a clear message to the public and investors. Corruption by officials will be punished (e.g., by imprisonment). Bandura's (1978, 2001) social learning theory asserts that people learn from observing such messages. Hence, we expect that the initial broadcast of INP modifies investors' beliefs of the role of political connections in the realm of business activities.

Specifically, in the period prior to the broadcast of INP, investors attribute value to political connections in conducting businesses. For example, the power of politicians to grant economic favors to firms. In the period after the broadcast of INP, investors are expected to be more aware of costs related to political connections. For example, the damages to the firm if connected officials are corrupt and cracked down by government agencies. Accordingly, we expect of the credible political signal contained in the TV series INP will adversely affect the value of firms. It signals the Chinese government's readiness to stem all forms of corruption. More specifically, this effect is expected to be more pronounced in firms with connections to the Chinese political establishment. Our primary claim is:

Hypothesis: *The broadcast of the TV drama 'In the Name of the People', which contains an anti-corruption message, predicts that asset prices will be lower in politically connected firms compared to firms that are not politically connected.*

3. Data

3.1 Data

The data are obtained from the China Stock Market & Accounting Research (CSMAR). This is a commonly used data source in the economics and finance literature (e.g., Conyon and He, 2011). The sample for this study consists of A shares of individual firms listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange. We collect firm-year level characteristics at the end of 2016 and stock return information around the event date. The event

date is the premiere of INP on March 28th in 2017.[11] After excluding firms in finance and public utility sectors and firms with missing data, the final sample consists of 1,720 firms.[12] This set of firms is then categorized into the treatment group (politically connected firms) which are expected to be affected by the premiere of INP, and a control group (non-politically connected firms). This identifies the causal effect of the broadcast message on politically connected firms.[13]

3.2 Model Specification

To estimate the political signaling effect of broadcast media, we use an event study method. Such techniques have been used in Chinese studies to identify asset price effects of exogenous events (e.g., Conyon, He, and Zhou, 2015). Specifically, we first calculate cumulative abnormal returns (CAR) surrounding the event window, which is the premiere of INP on March 28th, 2017.

To compare differential market responses from politically connected firms and non-connected firms upon the premiere of the INP, we use the following model,

$$CAR_i = a + \sum_{j=1}^{J} \gamma^j PC_i^j + \sum_{k=1}^{K} \gamma^k CONTROL_i^k + \sum_{l=1}^{L} \gamma^l INDUSTRY_i^l + \varepsilon_i \quad (1)$$

where CAR is the cumulative abnormal returns around the event, which we elaborate in the next sub-section. Our treatment variable of interest is political connections (PC), an indicator

[11] The short window event study approach could reduce the likelihood of having confounding events and increase the reliability and validity of event studies (de Jong and Naumovska, 2016). Nevertheless, we have also conducted a detailed check about the macro-economic, policy, law and regulatory events around the INP broadcasting period (summarized in Appendix B) to alleviate concern about con-current events.

[12] Our results persist when including firms in finance and public utility sectors.

[13] The same econometric strategy is used in Bell and Machin (2018). They identify the stock market effect of a government national minimum wage (NMW) announcement by splitting a sample of firms into those firms potentially most affected by a minimum wage (the treatment group) and those which are not (the control group). Empirically, they find that the exogenous NMW announcement affects only asset prices among the treatment group of firms.

variable which is defined as one if a firm retains a politically connected CEO, and zero otherwise. Following prior literature, $CONTROL$ includes control variables on firm economic and corporate governance characteristics: state ownership, size, return on assets, leverage, board size, non-executive ratio, and CEO duality. We also control for a set of industry dummies to capture inter-industry heterogeneity. Definitions of the main variables are in Appendix C.

3.3 Measuring Cumulative Abnormal Return

To calculate cumulative abnormal return, we firstly estimate the Capital Asset Pricing Model (CAPM) for each individual stock using previous 255 daily observations on a rolling basis at the daily frequency. The CARs are calculated for all firms, as well as the treatment firms (politically connected enterprises) and control firms (non-politically connected firms):

$$r_{i,t} - r_{f,t} = \alpha_i + \beta_i(r_{m,t} - r_{f,t}) + \varepsilon_{i,t} \quad (2)$$

where $r_{i,t}$ is the return on firm i on day t, $r_{f,t}$ is the risk-free rate on day t, $r_{m,t}$ is the market return on day t. From Equation (2), we get the estimated value for α_i and β_i for each individual stock i.

Secondly, by using the estimated value of α_i and β_i obtained from Equation (2), we calculate the expected return on firm i on the following trading day $t+1$:

$$E(r_{i,t+1}) = r_{f,t+1} + \alpha_i + \beta_i(r_{m,t+1} - r_{f,t+1}) \quad (3)$$

Then, we estimate the abnormal return on firm i on the trading day $t+1$ as the difference between the observed real return and the expected return based on the following equation:

$$AR_{i,t+1} = r_{i,t+1} - E(r_{i,t+1}) = r_{i,t+1} - [r_{f,t+1} + \alpha_i + \beta_i(r_{m,t+1} - r_{f,t+1})] \quad (4)$$

Finally, we calculate the cumulative abnormal return of each individual firm around the premiere of INP. We treat the event day (i.e., the date of the premiere of INP) as day 0, and calculate the cumulative abnormal return during the event window from n days before the event day to n days after the event day (i.e., $[-n, +n]$):

$$CAR_{i,[-n,+n]} = \sum_{\tau=-n}^{n} AR_{i,\tau} \quad (5)$$

In our empirical setting, we consider the most commonly used three-day event window $[-1,+1]$, and two longer event windows $[-5,+5]$ and $[-10,+10]$ to take into account the pre-premiere promotion and post-premiere persistent effect of INP.

3.4 Measuring Political Connections

Our variable of interest is political connections (PC), an indicator variable which is defined as one if a firm retains a CEO who is a current or former member of the government, the Communist Party committee, the People's Congress, and the People's Political Consultative Conference (Fan, Wong, and Zhang, 2007; Conyon, He, and Zhou, 2015; Luo et al., 2016). The Chinese government possesses the right, but not necessarily the obligation, to appoint the CEO of a State-Owned public company. It, therefore, can influence a firm via its CEO appointments (Fan, Wong, and Zhang, 2007). Also, the CEO provides the most visible signals to the public and has the most influence on firms compared to other top managers (Conyon et al., 2019). For our specific context, CEO political connections are directly observable to investors, as they could just Baidu the CEO of a company and see his/her employment history. Hence, the CEO's political connection is a suitable proxy for capturing government intervention in the firm and investors' perception of firm potential corruptions. The focus on CEO political connections is consistent with prior literature (e.g., Fan, Wong, and Zhang, 2007; Bertrand et al., 2018).[14]

3.5 Control Variables

Following prior research on firm value in the Chinese market (Luo et al., 2016; Liu, Shu and Wei, 2017), we include following control variables in our main models. In terms of

[14] In untabulated results not reported here, we found that our inferences are not sensitive to using the Chairman's political connection as an alternative proxy for political connection.

firm economic characteristics, we control for state ownership (SOE), which is an indicator variable equals to one if a firm is owned by the government, and zero otherwise; firm size ($SIZE$), which is a natural logarithm of sales; firm operational performance (ROA), which is the ratio of net income to total assets; firm risk ($LEVERAGE$), which is the ratio of total liabilities divided to total assets; the largest single share ownership ($Top1\_SH$), which is the ratio of the shares owned by the largest shareholder to the total number of common shares outstanding. In terms of firm's internal corporate governance characteristics, we control for board size ($BOARD\ SIZE$), which is the number of directors on the board; non-executive ratio ($NED\ RATIO$), which is the ratio of independent directors to total directors; and CEO duality ($CEO\ DUALITY$), which is an indicator variable equal to one if the CEO also holds the chairman position, and zero otherwise. Each of these governance variables have been used in prior studies (e.g., Conyon and He, 2011).

4. Empirical Results

4.1 Descriptive Statistics

Table I presents summary statistics of main variables in our paper. About 13% of firms in our sample are politically connected, providing ample variation for empirical analysis. In terms of the market reactions, the mean percentage values of $CAR_{[-1,+1]}$, $CAR_{[-5,+5]}$, and $CAR_{[-10,+10]}$ are -0.419, -2.730, and -3.439, respectively. This implies that the general market reaction is negative around the broadcasting of INP. In terms of firm fundamental characteristics, the mean values of $SIZE$, ROA, $LEVERAGE$, SOE, and ETC are 21.75, 0.038, 0.45, 0.21, and 0.018, respectively. In terms of corporate governance characteristics, the mean board size is ten directors, the mean proportion of non-executive directors out of all directors is 38%, and there are 27.5% of firms with CEO duality. The descriptive statistics of key

variables are consistent with other studies based on the Chinese data (Fan, Wong, and Zhang, 2007; Conyon and He, 2011; Luo et al., 2016).

[Insert Table I here]

Table II presents the univariate analysis for key variables in our paper. It provides initial evidence on differences between politically and non-politically connected Chinese firms. We find that politically connected firms, on average, have lower cumulative abnormal returns across event windows with different lengths. In terms of firm characteristics, we find that politically connected firms are smaller and less risky. Importantly, State versus non-State governance matters. Politically connected firms are less likely to be state owned enterprises (SOEs). In terms of internal corporate governance characteristics, we find that politically connected firms have a smaller board size, higher proportions of independent directors, and their CEOs are more likely to also hold chairman position.

[Insert Table II here]

4.2 Political Connections Results

Figure 2 shows the cross-sectional average of CARs over a 41-day event window [-20, +20] around INP's premiere. The stock market is relatively stable during the pre-INP period but starts to decrease significantly around and after the INP release. More importantly, the difference in returns between politically connected firms and non-connected firms opens up in the short event window (i.e., $[-1, +1]$) and becomes statistically significant from the first trading day since the INP release (as shadowed in Figure 2). Overall, this provides the initial evidence that the premiere of INP affects stock returns in a negative way and the negative effect is stronger for politically connected firms.

[Insert Figure 2 here]

Table III Panel A shows mean abnormal returns and cumulative abnormal returns from 10 days before the premiere of INP to 10 days after for the full sample and firms with and without political connections, respectively. The impact is reported as percentage effect. Panel B shows CARs surrounding the premiere of INP for windows of (-1, +1), (-5, +5) and (-10, +10), respectively. Two-tailed t-statistics and rank-sum tests are performed for equal-weighted mean and equal-weighted median between firms with and without political connections. The results show that the broadcast of INP generally had a negative and significant effect on asset prices. This confirms our general view that media containing clear political signals affect the real economy, in this case stock prices.

[Insert Table III here]

Table IV shows our main regression results. Cumulative Abnormal Returns (CARs) are lower in politically connected firms compared to non-politically connected firms. The estimated effect is statistically significant at conventional levels. The broadcast of INP represents an exogenous event. We interpret these results as that the anti-corruption political signal contained in the TV show had a causal negative effect on asset prices in politically connected Chinese firms.

To elaborate, political connections are negatively associated with CARs and the magnitude of the negative coefficient on PC increases with the length of event window from Columns (1) to (3). Specifically, in Column (1), when looking at a three-day event window, we find that, on average, firms with political connections have lower cumulative abnormal returns than those with no political connections. That is, CARs for politically connected firms are, on average, around 0.6% (significant at a 1% level) lower than CARs for non-politically connected firms. When looking at longer event windows (i.e., $[-5, +5]$ and $[-10, +10]$), the

significantly negative effect of CEO_PC still persists. Over a $[-5,+5]$ / $[-10,+10]$ event window, CARs for politically connected firms are, on average, 1.4% / 2.0% lower than CARs for non-politically connected firms. The results indicate that investors are influenced by the initial premiere of INP and start to incorporate potential costs into stock price of politically connected firms.

Columns (4) and (5) in Table IV implicitly show the difference-in-difference causal effect of broadcast media on stock prices, as illustrated also in Figure 2. The difference between politically connected firms (the treatment group) and non-politically connected firms (the control group) in the 10 days leading up the broadcast event is not statistically significant. In contrast, during the 10-day period following the event, CARs decline for the both the treatment and control group, but the fall is much steeper for politically connected firms. The exogenous shock (the broadcast event) relies on the validity of the common trend assumption (Angrist and Pischke, 2008). Figure 2 confirms this in the 10-window leading up the broadcast of INP.[15, 16]

As noted, INP premiere can be treated as an exogenous shock since, prior to INP, such political dramas were forbidden by Chinese State broadcasters. Appendix A shows other potential contaminating events near the broadcast date. The only one that is potentially confounding is that of the statement by Xiaochuan Zhou (the governor of the People's Bank of China) on the March 27th, 2017 about monetary policy. However, further investigation reveals that the first appearance of Xiaochuan Zhou in news in 2017 was on March10th, which attracted 27 news according to news information data in CSMAR, while the news appearance of Xiaochuan Zhou on March 27th attracted 4 news. Also, Xiaochuan Zhou talked about monetary

[15] Our main empirical results remain intact if we use propensity score matching methods to isolate the set of politically connected firms (treatment group) and non-politically connected firms (control group).

[16] While political connections are a more conventional proxy to capture the extent of firm potential corruption, Giannetti et al. (2020) use business entertainment expenses as an alternative proxy. In non-tabulated results, we found that the results established in this paper are qualitatively similar if we use an indicator for high business entertainment expenses. Specifically, we used a cut-off at industry-median in place of the CEO political connections indicator variable used throughout this paper.

policy several times in 2017: March 10th (27 relevant news), March 20th (1 relevant news), March 21st (4 relevant news), March 27th (4 relevant news), and April 24th (3 relevant news). It is believed that the information content of the news is the highest on its first appearance, leading to the strongest market reaction, if any. Given that the talk by Xiaochuan Zhou on March 10th attracted the highest number of new coverage and was the first time he talked about monetary policy, we conduct an event study and we estimate the market reaction to speeches given by Xiaochuan Zhou on March 10th, 2017. Non-tabulated results show that the difference in CARs between politically connected and non-politically connected firms are not generally significant following Zhou's speeches. Specifically, there was no statistical difference between PC and non-PC firms in the event windows $[-1,+1]$, $[-5,+5]$ and $[-10,+10]$. We also provide information about other macro-economic, policy, law and regulatory events around the premiere of INP in Appendix B. These together help alleviate concerns about significant concurrent events.

[Insert Table IV here]

4.3 Ownership Results

Ownership patterns in China are significant and unique (Kato and Long, 2006). Firstly, State Owned Enterprises (SOEs) are a dominant organizational structure. Conyon and He (2011) show that in the early 2000s government controlled SOEs account for approximately 80% of firms. However, as equity market deepens in China, and the number of public firms increases, the importance of SOEs declines. Table I shows that, in our sample of firms, about one-quarter are SOEs. This accords with prior studies.

Secondly, the single largest shareholder can own a significant percentage of the firm's shares affording control of the enterprise. It is not unusual for the single-largest shareholder to own thirty to forty percent of a firm's shares. In our sample of firms, the average shareholding of the largest single shareholder is about 35%. Such ownership concentration differs radically

from Western economies, where the single largest shareholder might own about three to five percent of a firm (Conyon and He, 2011).

Thirdly, state owned enterprises have different objectives to private companies. In privately owned companies, profit maximization on behalf of shareholders can be safely assumed. However, state owned enterprises often have other 'social' objectives, such as the maintenance of employment stability or the pursuit of other stakeholder objectives. Recently, Wen (2020) calibrates a model of civil unrest behavior and firm employment, which predicts that labor demand increases in SOEs following destabilizing shocks. Wen (2020) finds evidence for this claim, showing that SOEs persist as an organizational form as a mechanism to promote social stability. The effect is not observed in non-SOE control group of firms.

SOEs are implicitly politically connected to the government by design. However, whether or not the CEO is explicitly 'politically connected' is a different matter, as there are non-politically connected CEOs among SOEs. In non-SOE private companies, however, the development of political connections requires proactive efforts from companies or executives. Such efforts bind firms with the government and lavish expenses that might incur in the political connection development process can be easily attributed to bribery and corruption (Zhang, Marquis, and Qiao, 2016). Developing and further maintaining political connections by private firms are considered to be more costly, unstable, and prone to corruption. The broadcast of INP, with its emphasis on anti-corruption, is expected to have more of an effect in privately controlled firms compared to state run firms.

Table V shows results and confirms our expectation. We split the data sample by firm type, namely SOEs and non-SOEs. We find that there is a significantly negative impact of political connections on CARs for privately controlled non-SOEs. There is no statistical evidence that political connections matter for SOEs. The anti-corruption message contained in the exogenous INP broadcast matters for privately controlled firms only, whereas state-

controlled firms are insulated from the adverse asset price effect. We find evidence, therefore, that political signals contained in broadcast media matter for asset prices.

[Insert Table V here]

4.4 Longer-Term Analysis

In an attempt to see whether the anti-corruption message persists over the longer term, we estimate a difference-in-difference market valuation model using annual data. The results so far, based on daily excess returns data, find strong evidence that stock price performance of politically connected firms is significantly worse than that of non-politically connected firms during short windows around the premiere of INP. It is worthwhile to exam whether the difference in firm value induced by political connections persists over a longer horizon, even though this a potentially noisy measure and may be impacted by other factors as time advances.

We explore the impact of broadcast media on the association between political connection and firm value utilizing annual data with a difference-in-differences (DiD) specification model as below:

$$MV_{i,t} = \alpha + \beta_1 PC_{i,t} + \beta_2 POST_{i,t} + \beta_3 (POST_{i,t} \times PC_{i,t}) + \sum_{k=1}^{K} \gamma_k \times CONTROL_{i,t-1}^{k} + \epsilon_{i,t} \quad (5)$$

where MV is the market value of the firm, measured as the sum of the market value of equity and the book value of short-term and long-term debt to total assets. $POST$ is an indicator variable which equals to one if the observation is in post-INP period, and zero otherwise. Specifically, the post-INP period is 2017 and the pre-INP period is 2016. We use the same set of firm-level controls as in our main model, including firm fundamental characteristics and proxies for corporate governance quality. In addition, we control for firm- and industry-fixed effects. We expect that, if INP causes long-run wariness of the dark side of political connections,

the impact of political connections on firm value should be negative after the broadcasting of INP. That is, we expect β_3 to be negative.

Table VI presents corresponding results for the DiD specification model. Column (1) presents regression results of the full sample.[17] We find that the coefficient of the interaction term $POST_{i,t} \times PC_{i,t}$ (β_3) is negative and significant, consistent with our expectation. After the premiere of INP, market values for politically connected firms are, on average, 0.284 million lower than market values for non-politically connected firms. Columns (2) and (3) present the subsample analyses grouped by the state ownership. Again, we find that the negative coefficient on the interaction term $POST_{i,t} \times PC_{i,t}$ (β_3) is stronger in privately-owned firms rather than SOEs. Taken together, results in this subsection reinforce results for short window analysis, suggesting that the impact of INP on firm value persists in the longer run, as defined here.

[Insert Table VI here]

5. Additional Analyses

Our results up to this point provide compelling evidence that broadcast political messages have economically significant effects on the real economy. We find that the exogenous broadcast event lowers asset prices relative to expected values. The channels for these are politically connected firms and firm ownership. The anti-corruption political message is most important in privately-owned firms run by CEOs with political connections.

In this section, building upon our earlier analyses, we test whether our findings are robust to alternative definitions of political connectedness; the importance of agency costs

[17] Comparing to the short window analysis in our analysis, the long-term analysis might be more affected by the on-going anti-corruption campaign since 2012, which is against us from finding significant results.

measured by entertainment expenses, and regional variation in the media broadcast and marketization environment.

5.1 Types of Political Connections

We test whether our results to this point are sensitive to the way in which political connections are defined. Following both Conyon and He (2015) and Luo et al. (2016), we further classify CEO political connections into two types: connections with government officials (PC_GOV) and connections with People's Congress and People's Political Consultative Conference (PC_DBWY). Table VII shows regression results using alternative measures. We find that negative returns for the non-SOEs are driven by firms with CEOs that are member of People's Congress or People's Political Consultative Conference, rather than firms with CEOs that have government official backgrounds. These results are consistent with Conyon and He (2015), who show firm value differences between CEOs that are member of People's Congress or People's Political Consultative Conference and other types of political connectedness. Also, the results resonate with Luo et al. (2016)'s argument that, for non-SOEs, CEOs attach a pivotal importance to developing and further maintaining connections with the government, which might be at the cost of shareholders' benefits and more prone to corruption.

[Insert Table VII here]

5.2 Chinese Media Development Index

To provide further support on the impact of broadcast media on the stock market, we consider a region-level characteristic, Chinese media development index ($CMDI$). We obtain the information from the Chinese Media Development Index Report (Yu, 2012), which proxies for the degree of regional media supervision. Given the concurrent anti-corruption campaign starting from 2012 in China, investors in better media developed regions might be more aware of potential costs of political connection from alternative media channels, such as social media,

whereas investors in less media developed regions might rely less on alternative media and therefore the TV drama might be more likely to be channel where they receive similar information. Also, Zhang and Su (2015) suggest that media governance can act as an external mechanism of governance and monitoring which can help curb firms' sub-optimal behaviors. Accordingly, we expect that the impact of INP on the stock market is stronger for firms located in the areas with lower media development. We define firms with a high (low) CMDI when firms are located in regions where the CMDI is above (equal or below) the industry sample median. Main results are shown in Table VIII, Panel A. We find that the negative market reactions on the political connected firms are stronger among firms located in less media developed regions, consistent with our expectation.

[Insert Table VIII here]

5.3 Entertainment and Travel Costs

We consider whether a firm's entertainment and travel costs (ETC) affect the influence of political connections on stock returns. According to Cai et al. (2011), ETC could proxy for the grease money that firms use to bribe government officials in the purpose of obtaining resources. In other words, ETC captures a firm's investment in connections. We expect that, if the premiere of INP raises the wariness of the potential conflicts of interest between political connections and firm value, such wariness should be stronger for firms that are more likely to involve in bribery in the form of higher levels of investment in connections. We follow Cai et al. (2011) and measure ETC as the ratio of entertainment and travel costs to sales. We then define firms with a high (low) ETC when their ETC is above (equal or below) the industry sample median. Corresponding results are shown in Table VIII, Panel B. We find that coefficients on PC are negative and significant for firms with high ETC, but the impact is noticeably weaker in firms whose ETC is low, consistent with our expectation.

5.4 Chinese Marketization Index

Lastly, we consider another region-level characteristic, Chinese marketization index ($MKTI$). One important feature of Chinese economy is the variation in the economic development across different regions (Liu et al., 2018). In comparison to highly developed regions, less developed regions tend to have greater political uncertainty to businesses as market institutions and legal protection are weaker (Li et al., 2008; Li, Poppo, and Zhou, 2008). Also, Chen et al. (2011) considers the $MKTI$ as an inverse score of government control over economic resources. As a result, political connections are more important for firms in less developed regions with greater governmental control, where firms are more prone to invest in connections that are essential to "getting anything done". Accordingly, we expect that the wariness raised by INP about the potential downside of political connection is stronger among firms located in less developed regions. We utilize a Chinese marketization index constructed by Fan, Wang, and Zhu (2011), which captures regional market development and is measured as the marketization index of the province where a firm is located. We define firms with a high (low) $MKTI$ when firms are located in regions where the $MKTI$ is above (equal or below) the industry sample median. Our results are shown in Table VIII, Panel C. Consistent with our prediction, we find that negative market reactions on politically connected firms are stronger among firms in less developed regions than those in more developed regions.

6. Conclusions

Do political messages contained in broadcast media affect firm stock prices? The findings strongly suggest: "yes". We construct a unique and significant database which exploits an exogenous broadcast event: the premiere of INP in March of 2017 in China. The show ran for one season only, was extremely popular, and has not been re-broadcast. It contained a strong anti-corruption political message. This is an important political signal sent to investors and

firms. The show was encouraged by the Chinese government to re-enforce its wider anti-corruption policies; it was broadcast on state-controlled TV services. The general finding of our study is that the political signal contained in the show has a negative impact on stock prices. In short, investors take seriously the costs of being perhaps too politically connected to officials that might come under the scrutiny of the State.

We document several important empirical findings. Firstly, we find compelling evidence that the initial broadcast of INP raises investors' awareness of the high potential costs of political connections. Our event study analysis shows that abnormal stock returns are negatively correlated to politically connected firms (the treatment group), but not non-political connected firms (the control group). Secondly, we show that, over a longer horizon, firm market values are lower in the treatment group of politically connected firms. The findings are based on annual data suggesting that the anti-corruption message/signal is not merely a short-lived phenomenon. Thirdly, we find that ownership matters. The negative stock reaction is restricted to privately owned firms. We find no evidence that the anti-corruption message matters for SOEs. Fourthly, further analyses show that empirical effects are nuanced depending on the definition of political connectedness. Using alternative measures, we find the strongest effects when political connectedness is constrained to connections with People's Congress or People's Political Consultative Conference. Lastly, we find that the effect of political connections on stock-market performance is more pronounced for firms located in less media developed regions, with higher entertainment and travel costs, and located in less market developed regions.

Our paper offers valuable insights about how the broadcast media affects equity markets. Specifically, we focus on the political signals contained in a popular TV show, but more generally we show that the media can alter people's preferences and choices. Although our study focuses on China, insights can clearly be extended to other countries and contexts.

On the one hand, TV dramas are the most widely received form of media all around the world. On the other hand, political connections are not a Chinese specific phenomenon; countries such as the US, the UK, France, Ireland, Russia, and India are reported to have a substantial number of firms that are politically connected (Faccio, 2006; Goldman, Rocholl, and So, 2013). This paper therefore offers transferable evidence to other countries, and is of interest to both scholars and practitioners, and warrants further research in this area.

Appendix A: Summary of Characters in "In the Name of the People"

Name of the Character	Level	Related Case / Company
Liangping Hou	Director of the Anti-Corruption Bureau of the People's Procuratorate in Handong Province (Deputy-Bureau-Director Level)	He is the classmate of Haichen, the alumni of Tongwei Qi, and the student of Yuliang Gao. He is framed a case by criminals and is vindicated.
Hai Chen	Deputy-Bureau-Director Level	Being hit in a car accident, which is arranged on purpose by criminals (including government officials). He is the student of Yuliang Gao.
Dakang Li	Secretary of Minicipal Committee of the CPC in Jingzhou, Member of Provincial Committee of the CPC in Handong Province (Sub-Provincial-Ministerial Level)	He was the secretary of Lichun Zhao, the previous Secretary of Provincial Committee of the CPC and the current Sub-National Leader, and he is also the ex-husband of Jing Ouyang. He is keen on his political career.
Dehan Zhao (Corrupt Government Official)	Director of the Second Division of the State-owned Resources Management Department (Division-Head Level)	A house filled with RMB notes (in walls, in bed mattress, and in fridges) in the first episode.
Yizhen Ding (Corrupt Government Official)	Vice Mayor of Jingzhou, Handong Province (Deputy-Bureau-Director Level)	The Chief in Charge for Guangmingfeng Project. He escaped to the US before being investigated.
Tongwei Qi (Corrupt Government Official)	Director of Public security department in Handong Province (Bureau-Director Level)	He is the student of Yuliang Gao. He is keen on his political career. He holds some shares of Shanshui Group, and is connected with Xiaoqin Gao and Ruilong Zhao. Finally, he commits suicide after the corruption case being investigated.
Jing Ouyang (Corrupt Bank Official)	Deputy Chief of Jingzhou City Bank	She is a successful and famous businesswoman. She is accused of crime of bribery, and is sentenced to 10 years of fixed-term imprisonment.
Yuliang Gao (Corrupt Government Official)	Deputy secretary of the provincial Committee of CPC in Handong Province, Secretary of the Provincial Political and Legal Committee of CPC (Sub-Provincial-Ministerial Level)	He was a professor at Handong University, and taught Tongwei Qi, Liangping Hou, and Hai Chen during their undergraduate studies. He wants to be promoted to secretary of the provincial Committee of CPC in Handong Province. He involves in illegal activities and disciplinary offenses. He is double designated by the Central Commision for Discipline Inspection of the Communist Party of China. He is

		accused of the crime of bribery, and abuse of power. He is sentenced to 18 years of fixed-term imprisonment.
Lichun Zhao (Corrupt Government Official)	Sub-National Leader	He develops a network among various-level government officials. The illegal activities of his son attract attention from Central Commision for Discipline and Central Inspection Team. He is double designated by the Central Commision for Discipline Inspection of the Communist Party of China. He is accused of the crime of bribery, and abuse of power. He is sentenced to life-time imprisonment.
Xiaoqin Gao	The Chairman of Shanshui Group	She is the concubine of Tongwei Qi. She and her younger sister, Xiaofeng Gao, are trained by Ruilong Zhao and Bozhong Du for sexual bribe. She is accused of crime of offering bribes and illegal business operations, and is sentenced to 15 years of fixed-term imprisonment.
Ruilong Zhao	The Chairman of Huilong Group	He is the son of Lichun Zhao, the previous Secretary of Provincial Committee of the CPC the current Sub-National Leader. He is involved in offering bribes to government officials at various levels, such as Tongwei Qi and Yuliang Gao. He also hires killers to kill Yizhen Ding. He is accused of offering bribed, illegal business operations, organizing an organization with characteristics of a criminal syndicate, intentional homicide, and he is sentenced to death.

Appendix B: Macroeconomic, Policy, Law and Regulatory Events around the Premiere of INP

Date	Event Details	Expected Effect on Stock Market
23/03/2017 – 26/03/2017	The 2017 Boao Forum for Asia was held on March 23rd to March 26th, 2017. At this forum, 42 sub-forums and 12 close-door meetings were organized in fields of macro economy, regional cooperation, industrial transformation, technological innovation, political security, and people's livelihood. This annual forum also covered popular topics, such as "One Belt and One Road", "Sharing Economy", and "Craftsman's Spirit".	Positive
25/03/2017	The Chinese Premier, Li Keqiang, held the fifth annual meeting with the Australian Prime Minister, Malcolm Turnbull. They jointly witnessed the signing of a number of bilateral cooperation documents on trade, innovation, agriculture, food, and etc.	Positive
25/03/2017	The Chinese Vice Premier, Zhang Gaoli, pointed out that it was necessary to concentrate on reducing excess stocks of real estate in the third- and fourth-tier cities, and simultaneously curbing the excessive rise in house prices in hot spots.	Negative
27/03/2017	Zhou Xiaochuan, the former governor of the people's bank of China, said that the Chinese government should remain fully vigilant against reflation and that loose monetary policy had reached the end of the cycle.	Negative
28/03/2017	General Office of the Ministry of Science and Technology of China announces a Notice on Organizing the 2017 National Science Popularization Contest from the General Office of the Ministry of Science and Technology. This relates to the area of Popular Science.	Positive
28/03/2017	The State Post Bureau released a report on the development index of express delivery in China in 2016. According to the report, China's express delivery development index was 538.5 in 2016, increasing by 40.8% from the previous year. China's express delivery business continued to be the largest in the world, taking more than 40% of the global total sum, and contributed to 60% of the increase in global express delivery business.	Positive
29/03/2017	According to "The Interim Regulation on the Budgetary Expenditures from the Central State-Owned Capital Operation" released by the Ministry of Finance of the People's Republic of China, the capital injection to state-owned enterprises should adopt three methods: injecting capital into operation companies, industrial investment funds, and central enterprises.	Positive
31/03/2017	The National Bureau of Statistics and the China Federation of Logistics and Purchasing jointly announced that China's Manufacturing Purchasing Managers' Index (PMI) increased in continuous two months, and was 51.8% in March, which is 0.2% higher than the previous month.	Positive

Appendix C: Variables Definition

Dependent Variable	
$CAR_{[-n,+n]}$	Cumulative abnormal return of firm i around the event window $[-n, +n]$.
Key Variables	
PC	An indicator variable which equals to one if a firm retains a CEO who is a current or former member of government, the Communist Party committee, the People's Congress, and the People's Political Consultative Conference, and zero otherwise.
PC_GOV	An indicator variable which equals to one if a firm retains a CEO who is a current or former member of government, and zero otherwise.
PC_DBWY	An indicator variable which equals to one if a firm retains a CEO who is a current or former member of the People's Congress and the People's Political Consultative Conference, and zero otherwise.
Control Variables	
SOE	An indicator variable which equals to one if a firm is owned by the government, and zero otherwise.
SIZE	The natural logarithm of the sales.
ROA	The ratio of net income to total assets.
LEVERAGE	The ratio of total liabilities to total assets.
Top1_SH	The ratio of shares owned by the largest shareholders to total shares.
BOARD SIZE	The number of directors on the board.
NED RATIO	The ratio of independent directors to total directors.
CEO DUALITY	An indicator variable which equals to one if the CEO holds the chairman position, and zero otherwise.
Other Variables	
ETC	The ratio of entertainment and travel costs to sales.
MKTI	The Chinese marketization index constructed by Fan et al. (2011) which captures regional market development and is measured as the marketization index of the of the province where the firm is located.
CMDI	The index from Chinese Media Development Index Report (Yu, 2012), which proxies for the degree of regional media supervision.
MV	The ratio of the sum of the market value of equity and the book value of short-term and long-term debt to total assets.
POST	An indicator variable which equals to one if any given year is post-INP period, and zero otherwise.

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Figure 1. Search Index for “Corruption” and “Anti-Corruption” in Chinese in Baidu from 2016 to 2018

This figure shows the search index for “Corruption” (the blue line) and “Anti-Corruption” (the green line) in Chinese in Baidu from January 2016 to December 2018, and it is obtained from “index.baidu.com”. The search index is calculation based on the number of online searches using keywords of “Corruption” and “Anti-Corruption” in Baidu.

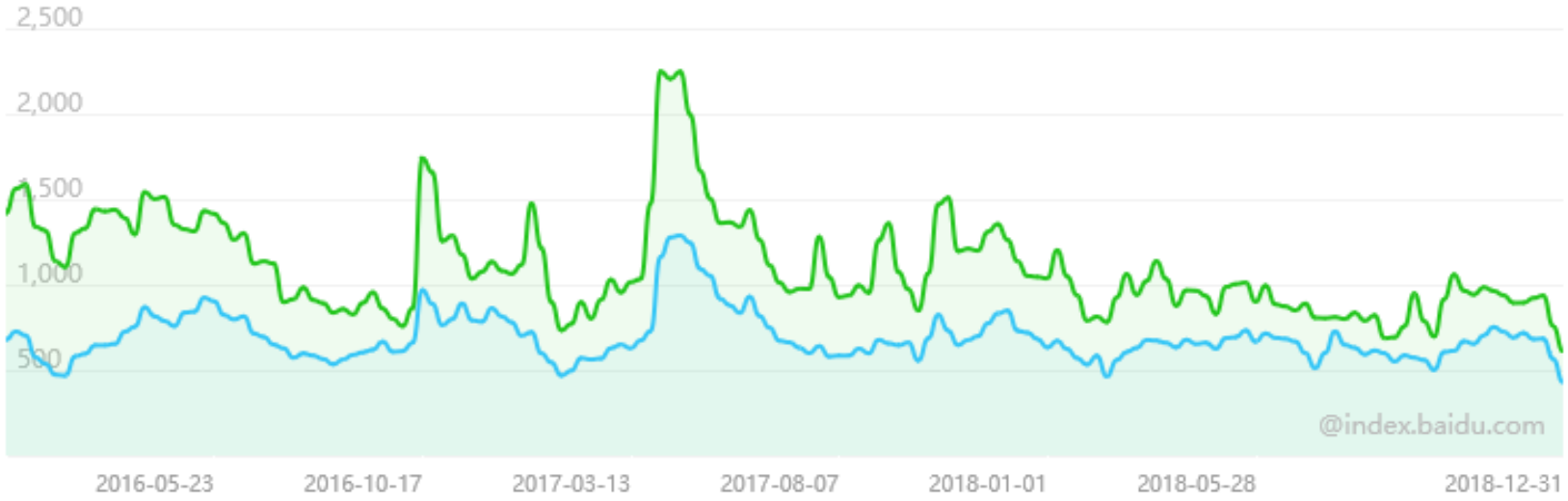

Figure 2. Mean Cumulative Abnormal Return during the Event Window $[-20, +20]$

This figure plots the mean of cumulative abnormal return during the event window [-20, +20] for two groups of individual stocks: all individual stocks whose CEOs have political connections (the solid line) and those whose CEOs have no political connections (the dash line). The shadowed area denotes that two groups of stocks have significantly different cumulative abnormal returns at 1% level.

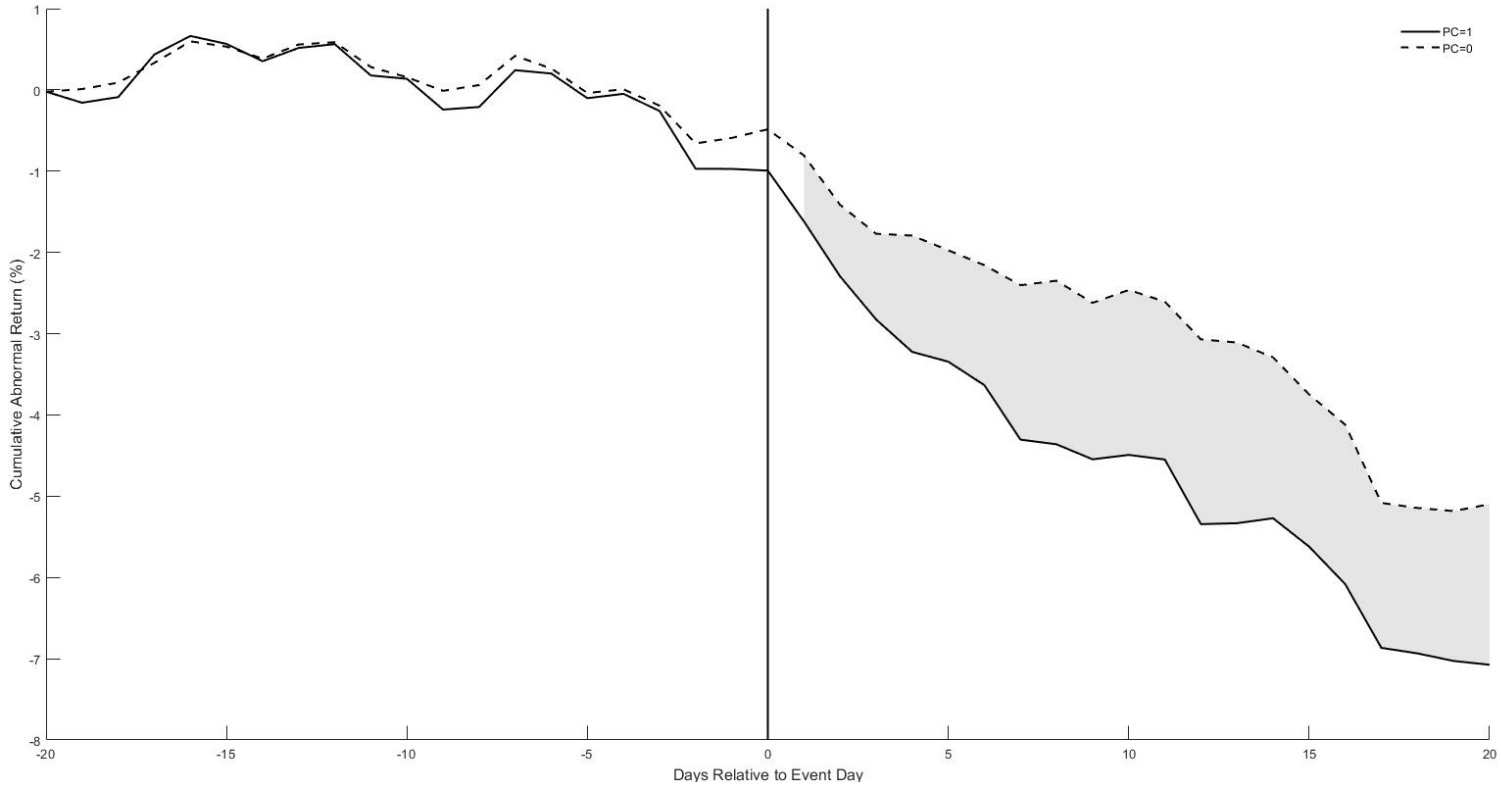

Table I. Descriptive Statistics

This table presents the descriptive statistics (i.e., the number of observations, mean, standard deviation, 25th percentile, median, and 75th percentile) of variables used in our empirical analyses. Appendix C contains definitions of the variables. CAR is cumulative abnormal return, PC is a politically connected firm dummy, SOE is a State-Owned Enterprise dummy, $SIZE$ is the log of firm sales, ROA is return on assets, $LEVERAGE$ is the firm's debt ratio, $Top1\_SH$ is the percentage ownership of the largest shareholders, $NED\ RATIO$ is the fraction of non-executive directors on the board, $CEO\ DUALITY$ is a dummy equal to one if the posts of CEO and chairman are combined, ETC is the ratio of entertainment to travel costs, $MKTI$ is the Chinese marketization index (Fan et al. 2011), $CMDI$ is the Chinese Media Development Index (Yu, 2012). All continuous variables are winsorized at the 1st and 99th percentile.

Variable	Number of Obs	Mean	Std Dev	P25	Median	P75
$CAR_{[-1,+1]}$	1720	-0.419	2.943	-1.847	-0.485	0.991
$CAR_{[-5,+5]}$	1720	-2.730	6.624	-6.210	-3.040	0.351
$CAR_{[-10,+10]}$	1720	-3.439	10.245	-8.277	-3.714	1.075
PC	1720	0.141	0.348	0.000	0.000	0.000
SOE	1720	0.214	0.410	0.000	0.000	0.000
$SIZE$	1720	21.746	1.454	20.772	21.658	22.605
ROA	1720	0.038	0.058	0.010	0.032	0.066
$LEVERAGE$	1720	0.451	0.209	0.285	0.443	0.613
$Top1\_SH$	1720	0.350	0.148	0.234	0.330	0.449
$BOARD\ SIZE$	1720	10.417	2.600	9.000	10.000	12.000
$NED\ RATIO$	1720	0.380	0.073	0.333	0.364	0.429
$CEO\ DUALITY$	1720	0.275	0.447	0.000	0.000	1.000
ETC	1720	0.018	0.044	0.003	0.009	0.020
$MKTI$	1720	8.043	1.786	6.790	8.070	9.630
$CMDI$	1720	64.534	9.674	57.090	64.450	73.990

Table II. Univariate Analysis

This table shows results for univariate analysis for different variables used in our empirical analysis across firms with and without political connections. Appendix C contains definitions of the variables. CAR is cumulative abnormal return, PC is a politically connected firm dummy, SOE is a State-Owned Enterprise dummy, $SIZE$ is the log of firm sales, ROA is return on assets, $LEVERAGE$ is the firm's debt ratio, $Top1\_SH$ is the percentage ownership of the largest shareholders, $NED\ RATIO$ is the fraction of non-executive directors on the board, $CEO\ DUALITY$ is a dummy equal to one if the posts of CEO and chairman are combined, ETC is the ratio of entertainment to travel costs, $MKTI$ is the The Chinese marketization index (Fan et al. 2011), $CMDI$ is the Chinese Media Development Index (Yu, 2012). All continuous variables are winsorized at the 1st and 99th percentile. *, ** and *** stand for significance at 10%, 5% and 1% levels, respectively.

	Political Connection 1/0			
	No (0)	Yes (1)	Difference (0) - (1)	t-stat
$CAR_{[-1,+1]}$	-0.310	-1.090	0.781***	(3.841)
$CAR_{[-5,+5]}$	-2.460	-4.375	1.915***	(4.189)
$CAR_{[-10,+10]}$	-3.045	-5.848	2.804***	(3.964)
SOE	0.225	0.149	0.0759***	(2.672)
$SIZE$	21.78	21.54	0.235**	(2.333)
ROA	0.0373	0.0423	-0.00500	(-1.249)
$LEVERAGE$	0.456	0.419	0.0371**	(2.562)
$Top1\_SH$	0.352	0.337	0.0147	(1.435)
$BOARD\ SIZE$	10.44	10.26	0.178	(0.988)
$NED\ RATIO$	0.378	0.392	-0.0136***	(-2.691)
$CEO\ DUALITY$	0.226	0.574	-0.348***	(-11.68)
ETC	0.0181	0.0188	-0.000758	(-0.248)
$MKTI$	8.046	8.024	0.0215	(0.174)
$CMDI$	64.60	64.12	0.481	(0.717)

Table III. Market Reactions to Broadcast Media

This table reports mean of (cumulative) abnormal return around the event window. Panel A of this table shows mean abnormal returns and cumulative abnormal returns from 10 days before the premiere of INP to 10 days after for the full sample and firms with and without political connections respectively. Impact is reported as percentage effect. Panel B shows CARs surrounding the premiere of INP for the windows of (-1, +1), (-5, +5) and (-10, +10), respectively. Two-tailed t-statistics and rank-sum tests are performed for equal-weighted mean and equal-weighted median between firms with and without political connections. All continuous variables are winsorized at the 1st and 99th percentile. *, ** and *** stand for significance at 10%, 5% and 1% levels, respectively.

Panel A: Daily Averages AR (%) and CARs (%) Surrounding Announcements

	AR (%)			CAR (%)			
Event Day	Full Sample	PC	Non-PC	Full Sample	PC	Non-PC	t-stat of t-test
-10	-0.105	0.011	-0.124	-0.105	0.011	-0.124	-1.29
-9	-0.173	-0.404	-0.135	-0.278	-0.393	-0.259	0.83
-8	0.037	-0.069	0.054	-0.241	-0.462	-0.205	1.43
-7	0.386	0.481	0.371	0.145	0.019	0.166	0.70
-6	-0.135	-0.044	-0.15	0.01	-0.025	0.016	0.16
-5	-0.322	-0.342	-0.318	-0.312	-0.366	-0.303	0.25
-4	0.068	0.12	0.059	-0.244	-0.246	-0.244	0.01
-3	-0.234	-0.331	-0.218	-0.478	-0.577	-0.462	0.36
-2	-0.559	-0.831	-0.514	-1.037	-1.408	-0.976	1.26
-1	0.026	-0.134	0.053	-1.01	-1.542	-0.923	1.77*
0	0.093	0.003	0.108	-0.917	-1.539	-0.815	1.98**
1	-0.525	-1.007	-0.446	-1.442	-2.546	-1.262	3.09***
2	-0.707	-0.985	-0.661	-2.149	-3.53	-1.923	3.38***
3	-0.321	-0.448	-0.301	-2.47	-3.978	-2.223	3.71***
4	-0.033	-0.293	0.01	-2.503	-4.272	-2.213	4.17***
5	-0.217	-0.128	-0.231	-2.72	-4.4	-2.445	3.76***
6	-0.182	-0.234	-0.174	-2.902	-4.634	-2.619	3.68***
7	-0.35	-0.743	-0.285	-3.252	-5.377	-2.904	3.85***
8	-0.003	-0.135	0.019	-3.255	-5.512	-2.885	3.80***
9	-0.286	-0.186	-0.302	-3.54	-5.698	-3.187	3.71***
10	0.101	-0.15	0.143	-3.439	-5.848	-3.045	3.96***

Panel B: CARs (%) Surrounding Announcement Windows

CAR Windows	Full Sample Mean (Median)	PC Mean (Median)	Non-PC Mean (Median)	t-stat of t-test/ (Rank-sum test)
(-1, +1)	-0.419	-1.090	-0.310	3.84***
	(-0.485)	(-0.885)	(-0.425)	(3.19)***
(-5, +5)	-2.730	-4.375	-2.460	4.19***
	(-3.040)	(-3.855)	(-2.891)	(3.34)***
(-10, +10)	-3.439	-5.848	-3.045	3.96***
	(-3.714)	(-5.012)	(-3.587)	(3.59)***

Table IV. Regression Results for Political Connections and Cumulative Abnormal Returns (CARs)

This table shows regression results for political connections and cumulative abnormal returns (CARs). All continuous variables are winsorized at the 1st and 99th percentile. T-statistics reported in parentheses are based on robust standard errors. *, ** and *** stand for significance at 10%, 5% and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)
	$CAR_{[-1,+1]}$	$CAR_{[-5,+5]}$	$CAR_{[-10,+10]}$	$CAR_{[-10,0]}$	$CAR_{[0,+10]}$
PC	-0.589***	-1.379***	-1.998***	-0.511	-1.487**
	(-2.811)	(-3.024)	(-2.866)	(-1.431)	(-2.563)
SOE	0.243	0.854**	1.113*	0.473	0.640
	(1.457)	(2.171)	(1.811)	(1.520)	(1.281)
$SIZE$	0.160**	1.388***	1.902***	0.309***	1.593***
	(2.499)	(10.743)	(8.857)	(2.946)	(8.948)
ROA	-3.909***	4.906*	3.218	7.153***	-3.934
	(-2.667)	(1.666)	(0.701)	(2.891)	(-0.981)
$LEVERAGE$	0.229	-0.127	0.044	0.864	-0.820
	(0.472)	(-0.130)	(0.029)	(1.065)	(-0.657)
$Top1\_SH$	0.114	-2.078**	-5.012***	-2.416***	-2.596**
	(0.228)	(-2.004)	(-3.030)	(-2.883)	(-1.978)
$BOARD\ SIZE$	0.005	-0.006	0.066	-0.073	0.139*
	(0.206)	(-0.113)	(0.733)	(-1.578)	(1.771)
$NED\ RATIO$	-1.050	-0.408	-6.363**	1.654	-8.017***
	(-1.102)	(-0.199)	(-2.011)	(1.023)	(-2.981)
$CEO\ DUALITY$	-0.261	-0.698**	-0.981*	-0.243	-0.738
	(-1.551)	(-2.015)	(-1.824)	(-0.879)	(-1.614)
Constant	-3.536***	-31.295***	-40.586***	-7.432***	-33.154***
	(-2.665)	(-11.655)	(-9.279)	(-3.355)	(-9.172)
Observations	1720	1720	1720	1720	1720
Adjusted R-square	0.023	0.115	0.120	0.017	0.132
Industry fixed effect	Yes	Yes	Yes	Yes	Yes

Table V. Subsample Analyses Results of State Ownership for Political Connections and Cumulative Abnormal Returns (CARs)

This table shows subsample regression results for political connections and cumulative abnormal returns (CARs), focusing on state ownership. All continuous variables are winsorized at the 1st and 99th percentile. T-statistics reported in parentheses are based on robust standard errors. *, ** and *** stand for significance at 10%, 5% and 1% levels, respectively.

	State Owned Firm			Privately Owned Firm		
	(1)	(2)	(3)	(4)	(5)	(6)
	$CAR_{[-1,+1]}$	$CAR_{[-5,+5]}$	$CAR_{[-10,+10]}$	$CAR_{[-1,+1]}$	$CAR_{[-5,+5]}$	$CAR_{[-10,+10]}$
PC	-0.061	-0.790	-0.602	-0.678***	-1.509***	-2.304***
	(-0.144)	(-0.686)	(-0.324)	(-2.866)	(-3.029)	(-3.078)
$SIZE$	0.085	1.512***	1.981***	0.165**	1.317***	1.826***
	(0.622)	(5.273)	(4.240)	(2.261)	(8.992)	(7.467)
ROA	-10.320***	2.471	12.795	-2.933*	6.120*	2.673
	(-2.687)	(0.316)	(0.900)	(-1.823)	(1.887)	(0.546)
$LEVERAGE$	-0.641	0.554	1.758	0.401	-0.134	-0.011
	(-0.695)	(0.237)	(0.453)	(0.722)	(-0.124)	(-0.007)
$Top1\_SH$	-0.044	0.199	-1.516	0.155	-2.728**	-5.891***
	(-0.051)	(0.090)	(-0.404)	(0.261)	(-2.321)	(-3.223)
$BOARD\ SIZE$	-0.036	-0.168	-0.081	0.019	0.044	0.114
	(-0.856)	(-1.407)	(-0.398)	(0.616)	(0.741)	(1.137)
$NED\ RATIO$	0.955	6.382	1.127	-1.481	-2.011	-7.797**
	(0.476)	(1.311)	(0.141)	(-1.371)	(-0.896)	(-2.293)
$CEO\ DUALITY$	-0.684*	-0.445	-1.223	-0.166	-0.756**	-0.927
	(-1.834)	(-0.524)	(-0.929)	(-0.878)	(-1.990)	(-1.575)
Constant	-1.366	-36.950***	-48.755***	-3.737**	-28.862***	-37.299***
	(-0.457)	(-6.149)	(-5.215)	(-2.483)	(-9.538)	(-7.462)
Observations	368	368	368	1352	1352	1352
Adjusted R-square	0.017	0.090	0.078	0.021	0.110	0.122
Industry fixed effect	Yes	Yes	Yes	Yes	Yes	Yes

Table VI. Regression Results for Investors' Valuation of Political Connection Post-INP

This table shows regression results for political connection and firm value over long horizon after the premiere of INP for the full sample, state owned firms and private firms, through a difference-in-differences specification. All continuous variables are winsorized at the 1st and 99th percentile. T-statistics reported in parentheses are based on robust standard errors. *, ** and *** stand for significance at 10%, 5% and 1% levels, respectively.

	MV		
	(1)	(2)	(3)
	Full Sample	State Owned Firm	Privately Owned Firm
PC	0.114	-0.096	0.109
	(0.922)	(-0.593)	(0.781)
$POST$	-0.490***	-0.332***	-0.543***
	(-8.908)	(-4.212)	(-8.173)
$PC \times POST$	-0.284*	0.095	-0.316*
	(-1.899)	(0.444)	(-1.859)
SOE	-0.080		
	(-1.588)		
$SIZE$	-0.744***	-0.464***	-0.807***
	(-18.684)	(-9.550)	(-17.267)
ROA	5.764***	5.752***	6.037***
	(6.599)	(3.747)	(6.082)
$LEVERAGE$	-0.005	-0.838**	0.173
	(-0.018)	(-2.548)	(0.571)
$Top1\_SH$	0.632***	0.754***	0.587***
	(3.647)	(2.703)	(2.830)
$BOARD\ SIZE$	0.008	-0.003	0.011
	(0.693)	(-0.227)	(0.783)
$NED\ RATIO$	1.381***	0.212	1.555***
	(3.880)	(0.425)	(3.678)
$CEO\ DUALITY$	0.230***	0.082	0.250***
	(3.454)	(0.766)	(3.263)
Constant	17.327***	11.300***	18.962***
	(19.967)	(12.066)	(17.161)
Observations	3340	706	2634
Adjusted R-squared	0.382	0.423	0.375
Industry fixed effect	Yes	Yes	Yes
Year fixed effect	Yes	Yes	Yes

Table VII. Different Types of Political Connections for Privately Owned Firms and Cumulative Abnormal Returns (CARs)

This table shows subsample regression results for political connections and cumulative abnormal returns (CARs) using only the private owned firms. All continuous variables are winsorized at the 1st and 99th percentile. T-statistics reported in parentheses are based on robust standard errors. *, ** and *** stand for significance at 10%, 5% and 1% levels, respectively.

	(1) $CAR_{[-1,+1]}$	(2) $CAR_{[-5,+5]}$	(3) $CAR_{[-10,+10]}$
PC_GOV	0.278	0.095	-0.200
	(0.877)	(0.147)	(-0.213)
PC_DBWY	-1.103***	-2.068***	-3.073***
	(-3.841)	(-3.356)	(-3.236)
$SIZE$	0.172**	1.329***	1.842***
	(2.353)	(9.073)	(7.530)
ROA	-3.025*	5.991*	2.522
	(-1.885)	(1.841)	(0.514)
$LEVERAGE$	0.376	-0.167	-0.056
	(0.680)	(-0.154)	(-0.034)
$Top1\_SH$	0.210	-2.644**	-5.783***
	(0.356)	(-2.253)	(-3.173)
$BOARD\ SIZE$	0.018	0.043	0.113
	(0.599)	(0.726)	(1.125)
$NED\ RATIO$	-1.310	-1.758	-7.449**
	(-1.214)	(-0.782)	(-2.188)
$CEO\ DUALITY$	-0.119	-0.692*	-0.824
	(-0.630)	(-1.823)	(-1.393)
Constant	-4.009***	-29.317***	-37.906***
	(-2.662)	(-9.695)	(-7.561)
Observations	1352	1352	1352
Adjusted R-square	0.026	0.112	0.123
Industry fixed effect	Yes	Yes	Yes

Table VIII. Subsample Analyses Results for Political Connections and Cumulative Abnormal Returns (CARs)

This table report the subsample regression results for political connections and cumulative abnormal returns (CARs), focusing on Chinese Media Development Index (as shown in Panel A), entertainment and travel cost (as shown in Panel B), and Chinese Marketization Index (as shown in Panel C), respectively. All continuous variables are winsorized at the 1st and 99th percentile. T-statistics reported in parentheses are based on robust standard errors. *, ** and *** stand for significance at 10%, 5% and 1% levels, respectively.

	High/Yes			Low/No		
	(1)	(2)	(3)	(4)	(5)	(6)
	$CAR_{[-1,+1]}$	$CAR_{[-5,+5]}$	$CAR_{[-10,+10]}$	$CAR_{[-1,+1]}$	$CAR_{[-5,+5]}$	$CAR_{[-10,+10]}$
Panel A: Chinese Media Development Index						
PC	-0.153	-1.335**	-1.145	-1.152***	-1.634**	-3.179***
	(-0.521)	(-2.081)	(-1.245)	(-3.768)	(-2.440)	(-2.894)
Observations	906	906	906	814	814	814
Adjusted R-squared	0.024	0.171	0.153	0.023	0.063	0.093
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry fixed effect	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Entertainment and Travel Cost						
PC	-0.699**	-1.745**	-2.421**	-0.509*	-1.034**	-1.639**
	(-2.226)	(-2.349)	(-2.180)	(-1.862)	(-1.987)	(-1.999)
Observations	860	860	860	860	860	860
Adjusted R-squared	0.015	0.127	0.133	0.019	0.085	0.092
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry fixed effect	Yes	Yes	Yes	Yes	Yes	Yes
Panel C: Chinese Marketization Index						
PC	-0.269	-0.916	-1.097	-0.976***	-1.921***	-2.925***
	(-0.852)	(-1.388)	(-1.193)	(-3.427)	(-3.021)	(-2.758)
Observations	904	904	904	816	816	816
Adjusted R-squared	0.026	0.152	0.149	0.020	0.073	0.088
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry fixed effect	Yes	Yes	Yes	Yes	Yes	Yes