Judicial Transparency and Entrepreneurship: Evidence from Mass Publicity of Chinese Court Decisions

Xing Liu, Xuan Tian, Zhiming Zhu*

January, 2025

Abstract

Exploiting plausibly exogenous variation in litigation information disclosure generated by mandated online publication of court decisions in China, we examine the effect of judicial transparency on entrepreneurship. We show that enhanced judicial transparency promotes entry into entrepreneurship. The effect is more pronounced in industries that are historically more prone to litigation, especially those more inclined to be plaintiffs. Reshaped beliefs on the quality of institutions and enhanced technology-driven legal services are two plausible underlying channels through which judicial transparency promotes entrepreneurship. Textual analysis of judgment document-related innovations reveals the value of judicial data supply in enhancing the predictability of litigation outcomes and assessing entrepreneurial risks for potential entrants. Judicial transparency improves the quality of entrepreneurship in terms of financial, operating, and innovation performance. Overall, our findings highlight the important role of judicial transparency in shaping entrepreneurial ecosystems via its nuanced effects on uncertainty reduction.

Keywords: judicial transparency, information disclosure, litigation risk, court judgment, entrepreneurship, data access, big data, China

JEL Classification: K40, L26, L86, O33, P48

*All authors are affiliated with PBC School of Finance, Tsinghua University. Email addresses: liuxing@pbcsf.tsinghua.edu.cn, tianx@pbcsf.tsinghua.edu.cn, zhuzhm.23@pbcsf.tsinghua.edu.cn. We thank Joan Farre-Mensa, Tse-Chun Lin, and Cameron Peng for helpful comments. Hongru Guo and Rongli Zhu provide excellent research assistance. Liu thanks National Natural Science Foundation of China (No.72403140) for financial support. Tian thanks National Natural Science Foundation of China (No.72425002) for financial support. We remain responsible for all remaining errors.

1 Introduction

Entrepreneurship is risky, and risks permeate every stage of the entrepreneurial process. These risks encompass a spectrum of factors including the founding team, market dynamics, technology, products and services, execution, operations, financing, and even business dissolution, which contribute to the uncertainty surrounding entrepreneurial outcomes. As a result, risk-adjusted returns to entrepreneurs are often remarkably small (Hall and Woodward, 2010). Compounding this uncertainty is the information frictions that hinder potential entrepreneurs from learning about these risks, thereby affecting their ex-ante incentives to enter entrepreneurship due to lack of information disclosure.

In this paper, we examine the effect of information disclosure of entrepreneurial risks on entrepreneurship. We focus on an important type of entrepreneurial risk, the litigation risk, which pervades the entire entrepreneurial process, such as contracting, intellectual property protection, financing, labor, operation, and exits. Litigation risk is complex; it arises not only from entrepreneurs and their own businesses but also involves various market participants and is intertwined with the judicial system. More importantly, litigation risk could be a major barrier that limits entrepreneurial entry, expansion, job creation, and innovation (Cumming, Haslem and Knill, 2017; Appel, Farre-Mensa and Simintzi, 2019). Smaller entrepreneurial firms are particularly burdened by litigation costs, which require substantial financial and resource commitments. Given that entrepreneurial risks are diverse and difficult to quantify systematically, because regulators do not mandate the reporting of entrepreneurial risks as they do in public markets, litigation information is a valuable data source for assessing potential entrepreneurial risks and risks throughout a firm's lifecycle, especially for those aspiring to start a business.

The effect of enhanced litigation information disclosure on entrepreneurship is ambiguous. On the one hand, historical judgment documents provide entrepreneurs with detailed judicial opinions and court decisions that can be legally referenced during potential litigation. Enhanced predictability of litigation outcomes helps to reduce the uncertainty surrounding future litigations, and hence the perceived litigation risk or expected costs of enforcement, creating ex-ante incentives for more informed entry (Kerr, Nanda and Rhodes-Kropf, 2014; Ewens, Nanda and Rhodes-Kropf, 2018). Meanwhile, a more transparent judicial environment could better restrain judges' discretionary power. Anticipated enhancement in judicial justice could reshape beliefs on the quality of institutions, further reduce the uncertainty of litigation outcomes and the expected costs of entry, thereby encouraging more entry into entrepreneurship. On the other hand, however, litigation has an

uncertain payoff and could lead to reputational costs and unfavorable career outcomes for entrepreneurs, which might affect their ability to raise external finance in the future (Cumming, Haslem and Knill, 2017). Therefore, a deterrence effect is also possible if enhanced litigation information disclosure increases perceived risk or downside of pursuing entrepreneurship and discourages some would-be entrepreneurs from entry.

We test the above two competing arguments by examining whether enhanced litigation information disclosure promotes or impedes entrepreneurship. A major challenge we are facing, however, is that litigation information disclosure is likely endogenous with market and legal characteristics. Therefore, a correlation between litigation information disclosure and entrepreneurship tells us little about the causal effect of information disclosure of entrepreneurial risks on entrepreneurship. To mitigate this concern, we exploit plausibly exogenous variation in litigation information disclosure generated by mandated online publication of court decisions in China to examine the effect of enhanced litigation information disclosure on entrepreneurship. Over the past two decades, China has been committed to improving the disclosure of court judgments, with the aim of promoting judicial transparency and procedural justice. The disclosure regime of court judgments has undergone a profound transformation. There have been voluntary attempts at court judgment disclosure in China since the early 2000s, with the degree of enforcement varying by region. The Supreme People's Court (SPC) of China implemented the mandatory policy nationwide in July 2013, requiring all levels of courts to upload all judgment documents to the centralized website, China Judgments Online (CJO), within seven days of trial conclusions, effective from January 1, 2014. Since 2014, the number of publicized court judgment documents in China has surged dramatically (Figure 1). The CJO website has now become one of the largest collections of court judgments globally.

The above regulatory change offers us a good laboratory to examine the effect of enhanced litigation information disclosure on entrepreneurship. First, the civil law system in China is primarily based on statutory law rather than case law. That is, courts are not bound by judicial precedents *de jure*. However, in order to bridge potential gaps between codified laws and judicial practice, the SPC encourages courts to use case precedents when adjudicating cases. Therefore, in practice, historical cases can serve as important references for judges when handling similar cases. This practice highlights the importance of judicial data availability to those (e.g., potential entrepreneurs) who usually lack law expertise but need to make decisions under uncertainty. Second, the mandatory disclosure of judicial documents online applies to all courts starting from 2014, circumscribing the issue of non-randomness that could arise from the staggered roll-out of reforms in

different regions or policy experimentation (Karpoff and Wittry, 2018; Wang and Yang, 2021). Third, the centralized platform publishes realized litigation data predominantly from other market participants, as well as anticipated future litigation that may involve the entrepreneurs themselves. Both types of disclosure contribute to perceived litigation risk, although the effect may not be uniformly experienced by all. This setting offers us a unique opportunity to explore the nuanced effects of judicial transparency on entry into entrepreneurship. Fourth, in addition to entrepreneurs, the legal services industry, an important but overlooked intermediary in the entrepreneurship ecosystem, is also the user of judicial information. We explore how the supply of judicial data nurtures the technology-driven legal services industry.

To estimate the effect of enhanced judicial transparency caused by mandated online publication of court judgments, we take advantage of the fact that some local courts have a higher ex-ante level of judicial transparency than do others due to voluntary publication practices prior to 2014. We conduct a difference-in-differences (DID) analysis in which we contrast cities with low versus high ex-ante judicial transparency, before and after the mandate. The challenge here is to construct a city-level measure of judicial transparency when there were no mandates, hence no centralized data infrastructure. Our approach is to exploit the incentives of the third-party commercial law databases to collect judicial data from various sources. Our main measure of ex-ante judicial transparency is the city-level number of judicial documents collected by the database scaled by local population size, i.e., per capita publication of court judgment documents. We gauge the validity of our measures by comparing the time variation of the number of judicial documents collected within the commercial database, within the CJO website, and across the two.

We first examine whether enhanced judicial transparency affects overall entrepreneurship. Our baseline results show that cities with low ex-ante per capita publication (bottom tercile) exhibit an increase in new firm entries by 9.2% more than in cities with high ex-ante per capita publication, after mandated online publication of judicial documents. This finding suggests that the mandated disclosure of court judgments promotes overall entrepreneurship in China. We then provide a more nuanced picture of entrepreneurial activities. First, regarding the types of entrepreneurial activities, we find that enhanced judicial transparency fosters entrepreneurship for the formation of incorporated businesses, rather than self-employment, in which uncertainties surrounding litigation risks are particularly pertinent and enhanced disclosure of judicial information can benefit more. Second, the mass publicity of court judgments increases capital injections for new ventures, suggesting that these entrepreneurs could perceive more promising prospects for their business ideas, thereby becoming more inclined to scale up by injecting capital. Third, the increase in newly

registered firms mostly comes from the private sector. Finally, focusing on technology-based entrepreneurship, we show that enhanced judicial transparency reduces patent transfers by individual inventors, suggesting an increased willingness to bear risks associated with patent ownership. These findings suggest that increased transparency in judicial disclosures could promote higher-quality entries.

We conduct a range of tests to address potential identification concerns. First, we examine the satisfaction of the parallel trends assumption of the DID analysis. We find that the ex-ante low-publication cities are not on track to the observed outcome before the mandate. Second, to rule out the possibility that local levels of ex-ante judicial transparency are driven by contemporaneous or pre-existing trends of economic conditions, we predict ex-ante judicial transparency by these covariates and do not find evidence of such selection. Third, given the decision to formulate and enforce policies regarding court judgment disclosure prior to 2014 is left to the discretion of provincial-level courts, we hand collect the resumes of presidents of provincial-level courts and find that our estimates remain robust after controlling for their personal characteristics. Fourth, our results are robust to controlling for the effects from potential confounding reforms enacted in parallel with the mandatory disclosure policy for court judgments. Fifth, due to the inaccessibility of annual caseload data at the city level, we show that our results are robust when using three alternative denominators to measure ex-ante judicial transparency: the city-level GDP, the total number of cases accepted, and the total number of cases closed by provincial courts, in addition to the city population used in our baseline measure.

Since the ex-ante level of judicial transparency are mainly driven by the heterogeneous disclosure policies voluntarily enacted by different provinces, our baseline result should be similar to that of comparing the effect of the mandated disclosure policy between provinces without prior voluntary enforcement of court judgment disclosure and those that had *de facto* enforcement in place before the mandate. To test this conjecture, we manually search provincial court websites and news reports for provincial disclosure policies before 2014, whether formulated in government documents or simply proclaimed by provincial court presidents. We show that the effect is mainly driven by the regions without any ex-ante disclosure policies. Given regional disclosure policies before 2014 are voluntarily enacted by provincial courts, it is also meaningful to examine whether the voluntary disclosure regime has promoted entrepreneurship. We implement a staggered DID design based on the timing of initiating voluntary disclosure practices using the pre-2014 sample. We find much weaker effects in comparison to those of the mandatory publication, reinforcing the validity of our baseline results.

To further strengthen the causality from litigation information disclosure to entrepreneurship, we

explore the heterogeneous effects of judicial transparency across industries with different levels and types of litigation exposure. As we posit that the mandated policy of judgment disclosure could reduce the perceived litigation risk for entrepreneurs, we expect the effect to be more pronounced in industries that are more susceptible to litigation. While it is empirically challenging to gauge the litigation propensity ex-ante, we construct industry-level measures of litigation exposures based on realized litigation data, and break our baseline effect across industries. We find that the effect of enhanced judicial transparency on entrepreneurship is more pronounced in industries with higher levels of litigation exposure, especially for industries with a higher propensity to be plaintiffs in litigation. Aspiring entrepreneurs in industries more prone to initiate lawsuits could better leverage enhanced judicial transparency to understand the expected costs of enforcement, thereby reducing litigation uncertainty. In contrast, the effect on industries that more frequently act as defendants in litigation is less pronounced or even opposite. We interpret this as a potential deterrent effect, as entrepreneurs who are more susceptible to reputational costs may be discouraged by the mandatory disclosure of court judgments. Overall, the industry heterogeneity results strongly demonstrate how perceived litigation risk influences the decisions to enter entrepreneurship.

We then examine two plausible underlying economic channels though which enhanced judicial transparency promotes entrepreneurship. The first plausible channel is reshaping beliefs on the quality of institutions via improved judicial justice. The primary goal of online publication of court judgments is to prevent the abuse of discretion by judges, thereby increasing fairness in trial outcomes. This reduction in uncertainty regarding litigation outcomes is posited to decrease perceived litigation risks and entry costs for entrepreneurs. We show that our effect is mainly concentrated in regions with lower initial trust in institutions (e.g., government officials and judges) or a poorer business environment, in which anticipated enhancement in judicial justice is likely to have a stronger effect on reshaping beliefs on the quality of institutions, thus encouraging more entries into entrepreneurship in these areas.

The second plausible underlying channel is the surge in technology-driven legal services following the mandated publication of court judgments. We first provide evidence of a significant increase in the establishment of LegalTech firms, venture capital deals in the LegalTech sector, academic research on judgment documents, and judgment document-related patents post-2014. These developments are attributed to the availability of judicial data (i.e., more legal precedents), which fuels legal analytic tools that predict case outcomes and assist legal professionals, and thus enhancing the quality of legal services for entrepreneurs. For entrepreneurs, accessing higher-quality legal services may lead to less uncertain litigation outcomes, which can help mitigate perceived litigation risks and reduce expected

costs of entry. By exploiting the timings of the establishment of the first LegalTech firm across cities, we estimate a staggered DID model and show that LegalTech firm entry is associated with more entry into entrepreneurship. Our results thus highlight the importance of an understudied intermediary market in the entrepreneurial ecosystem: the legal services industry.

We further conduct textual analysis on judgment document-related patents to identify key topics and trends in the legal technology ecosystem. By categorizing innovations into targeted service sectors and procedural tasks in the legal information workflow, we observe a significant increase in AI-related technologies since 2014, particularly those serving the legal services industry and judicial systems. The rise in technologies for precedent search, case retrieval, and predictive analytics reinforces our core mechanism: the mandated publication of judicial documents could reduce litigation uncertainty potentially by enhancing the predictability of litigation outcomes and improving perceived judicial justice. Moreover, the emergence of technologies related to corporate risk assessment and management based on judgment documents, especially in evaluating corporate credit risk, suggests that litigation history is increasingly considered a risk factor in evaluating opportunities such as financing for entrepreneurs. For potential entrants, this finding also highlights the value of litigation information in assessing entrepreneurial risks.

Finally, we examine the effects of enhanced judicial transparency on the performance of entrepreneurial firms. Relying on firm-level data, we find that the mandated publication policy of court judgments has significantly enhanced the performance of new firms in terms of financial, operating, and innovation outcomes, with the positive effects being both immediate and enduring. These findings suggest that enhanced judicial transparency following the mandated policy improves the overall quality of entrepreneurship.

This paper contributes to several strands of literature. The first is the literature on entrepreneurship. Previous work has examined how entrepreneurship is affected by entry regulations (Djankov et al., 2002; Klapper, Laeven and Rajan, 2006), tax policy (Gentry and Hubbard, 2000; Denes et al., 2023), financial constraints (Hurst and Lusardi, 2004; Schmalz, Sraer and Thesmar, 2017; Hombert et al., 2020; Bellon et al., 2021), the broader banking system (Bertrand, Schoar and Thesmar, 2007; Kerr and Nanda, 2009), entrepreneurship training or exposure to entrepreneurial peers (Karlan and Valdivia, 2011; Lerner and Malmendier, 2013), job protection or career risk (Gottlieb, Townsend and Xu, 2022), and fallback opportunities created by gig economy (Barrios, Hochberg and Yi, 2022). Our paper focuses on litigation risk and litigation risk disclosure in particular, which has received little attention in the entrepreneurship literature.[1] The risks in the

[1]Our paper also adds to the broader corporate litigation literature. See, for example, early works by Karpoff and Lott Jr (1993),

existing works mostly refer to the ones that are related to the payoff or net present value of entrepreneurial projects, emphasizing the ultimate outcome of these projects. Litigation risks, either realized or perceived, however, permeate the entire process of entrepreneurship and can affect new business formation through revealing information about a project's expected return. We also highlight the role of legal services industry in ameliorating litigation risk for entrepreneurs.

Second, we contribute to the literature on the effect of risk information disclosure, which has primarily focused on publicly listed firms, examining the information content of mandatory risk factor disclosures in corporate filings (Bao and Datta, 2014; Campbell et al., 2014; Hope, Hu and Lu, 2016), and the capital market effects of information that concerns the riskiness of firms' cash flows (Lambert, Leuz and Verrecchia, 2007; Heinle and Smith, 2017). These disclosure requirements are initiated and increasingly emphasized by regulators. We make contributions in at least three ways. First, we focus on litigation information disclosure and its effect on private markets where the information environment is poorer. In face of uncertainty about a project's payoff, litigation information from other market participants is a signal that directly concerns the cash flow variance. Our setting points to the effects of litigation information about incumbent firms on potential entrants. Second, our results speak to the dual effects of enhanced disclosure of litigation information, uncertainty reduction and deterrence, based on industry heterogeneities prone to being plaintiffs or defendants in litigations. Third, enhanced litigation risk disclosure, in our setting, comes from enhanced predictability of legal outcomes because more precedents are available due to mandated disclosure of judicial documents. Previous work, however, has focused on firm-level disclosure of risk factors or realized risks.

The third strand of literature we contribute to is the literature on deciphering the role of institutions in economic development. Seminal works, for example, include North (1981), Acemoglu, Johnson and Robinson (2001), and Acemoglu and Johnson (2005). Regarding the economic consequences of the institutional architecture of the legal system, prior work has examined particular aspects such as stronger investor protections (McLean, Zhang and Zhao, 2012; Brown, Martinsson and Petersen, 2013), protections of private property (Claessens and Laeven, 2003; Berkowitz, Lin and Ma, 2015), strengthened creditor rights (Qian and Strahan, 2007; Bae and Goyal, 2009; Vig, 2013), and the quality of court enforcement (Djankov et al., 2003, 2008; Ponticelli, 2013; Gopalan, Mukherjee and Singh, 2016; Brown, Cookson and Heimer, 2017). Our paper differs in its focus on judicial transparency.[2] We are not aware of any other work examining whether judicial

Bhagat, Brickley and Coles (1994), Bizjak and Coles (1995), Lanjouw and Lerner (1997), and Bhagat, Bizjak and Coles (1998), and recent works by Appel, Farre-Mensa and Simintzi (2019), Cohen, Gurun and Kominers (2019), Lin, Liu and Manso (2021), and Mezzanotti (2021), among others. We contribute by focusing on the effect of litigation information disclosure from the judicial system on the entry of small private firms into entrepreneurship, who are mostly resource-constrained.

[2]Given that judicial data originates from the public sector, our paper is also related to the literature on government transparency.

transparency encourages entry into entrepreneurship. We use within-country variation and trace out the mechanisms through which regional differences in judicial transparency matter for entrepreneurial activity, namely, shaping beliefs on the quality of institutions, enhancing predictability of legal outcomes, and reducing uncertainty.[3] As such, our findings should be as interesting to policy makers concerned about the broader information role of judicial system in the economy, beyond its role in enforcing contracts to facilitate transactions (North, 1990). Moreover, we uncover how institutional reforms that supply judicial data to the public can nurture the private legal services industry, an important but understudied market in the entrepreneurship ecosystem.

Finally, our paper contributes to the literature on the economics of data (Brynjolfsson and McElheran, 2016; Farboodi et al., 2019; Goldfarb and Tucker, 2019; Jones and Tonetti, 2020; Farboodi and Veldkamp, 2023; Veldkamp and Chung, 2024). In particular, we enhance the understanding of how access to public data shapes market entry and firm performance in the private sector. Existing literature primarily focuses on the value of opportunity-related information that public data—such as geographic, administrative, or scientific data—brings to market participants, including demand, business prospects, and scientific search/discoveries (Williams, 2013; Furman, Nagler and Watzinger, 2021; Nagaraj, 2022; Beraja, Yang and Yuchtman, 2023; Babina et al., 2024). Judicial document data, however, mainly encompasses risk-related information in business operations, particularly litigation risks. We contribute by showing that mandated publication of judgment documents foster entry into entrepreneurship in China, with the underlying mechanisms depending on how judicial data is used. From an information economics perspective, enhanced predictability of litigation outcomes helps to reduce litigation uncertainty and expected entry costs, with heterogeneous effects across industries based on their exposures to litigation risks. From a production-input perspective, we demonstrate that such risk-related data also acts as a catalyst for technological innovation in the legal services industry, further enhancing an intermediary market for entrepreneurship. Among the various ways policies intervene to foster innovation (Bloom, Van Reenen and Williams, 2019; Howell, 2024), we highlight public data infrastructure, although not always motivated by overcoming major market failures such as positive externalities (e.g., knowledge spillovers) and financial frictions, may indirectly stimulate entrepreneurship.

Previous research has examined the role of government transparency in government quality (Mattozzi and Merlo, 2007; Djankov et al., 2010; Cordis and Warren, 2014; Mas, 2017), fiscal policy (Gavazza and Lizzeri, 2007, 2009), financial crises (Faria-e Castro, Martinez and Philippon, 2017), and investment (Angeletos and Pavan, 2004; Gelos and Wei, 2005), and their underlying mechanisms. The types of information include macroeconomic data, fiscal spending, banks, and governmental activities.

[3]Emphasizing the perceived uncertainty view, Lee, Schoenherr and Starmans (2024) theoretically and empirically examine the effect of legal uncertainty on economic activity. As one of the policy implications, they discuss that reforms of the judicial or legal systems, such as increasing transparency and utilizing information technology to enhance the predictability of legal outcomes, help to reduce both idiosyncratic and systematic legal uncertainty. We focus on entrepreneurship as an outcome and provide empirical evidence on the effectiveness of such policy interventions.

The rest of the paper is organized as follows. Section 2 introduces the institutional background. Section 3 describes the data, variable construction, and summary statistics. Section 4 introduces the empirical strategy, and presents the baseline results and robustness tests. Section 5 presents the results of industry-level analysis. Section 6 discusses the plausible underlying mechanisms. Section 7 examines the effects on firm-level performance, and Section 8 concludes.

2 Institutional Background

Court judgment documents disclose case information, trial outcomes, as well as detailed judicial opinions. Potential audiences of judgment documents include legal professionals such as judges, lawyers, advocates, attorneys, and ordinary people making decisions on their own. Despite the high demand for court judgment information, the actual practices of disclosing court judgments exhibit significant variation worldwide, even across developed economies. In the US, for example, under Section 205 of the E-Government Act, federal courts are mandated to make all electronically filed documents accessible online. The public could access most court judgment filings through the Public Access to Court Electronic Records (PACER) service.[4] In contrast, UK does not mandate the publication of all judgments. Typically, only those deemed newsworthy are published on the *Judiciary* website, while legally significant rulings are made available on the non-profit British and Irish Legal Information Institute (BAILII) platform.[5] As the world's largest developing economy, China has established standardized protocols for the disclosure of court judgments, and has one of the largest online centralized collections and publications of court judgments in the world (Liebman et al., 2023). During the 2010s, China transforms its judgment disclosure system from a decentralized, voluntary approach to a centralized, mandatory one, presenting a compelling case for in-depth investigation.

2.1 China's Judicial System

In parallel with the administrative system, China has a four-level court system. From top to bottom they are: the Supreme People's Court (SPC) at the central level, High People's Courts at the provincial level, Intermediate People's Courts at the prefectural (city) level, and Basic People's Courts at the county/district level. The upper-level courts, especially the SPC, are responsible for guiding and supervising trial works of the lower-level courts. Although China's judiciary is not

[4] See: https://www.uscourts.gov/statistics-reports/accessing-court-documents-journalists-guide.

[5] Source: The European Network of Councils for the Judiciary (ENCJ) Project Team Justice, Society and Media 2011-2012, https://encj.eu/images/stories/pdf/workinggroups/encj_pt_judiciary_media_replies_national_practices.pdf.

independent from the government as it is in Western countries, the upper-level courts, particularly the SPC, are responsible for guiding and supervising the trial affairs of lower-level courts. Hence, court-related policies are mostly promoted by the SPC or by provincial-level courts, and implemented by lower-level courts. The mass publication of court judgments follows a similar spirit, which is introduced by the SPC and enforced by local-level courts without much interference from local governments.

It is important to note that China's civil law system is primarily based on statutory law rather than case law. Courts are generally not bound by judicial precedents. Nonetheless, the system does incorporate aspects of the *Stare Decisis* principle. The SPC emphasizes the consideration of case precedents in adjudicating cases to bridge potential gaps between codified laws and judicial practice.[6] As a result, in practice, historical cases usually serve as important references for judges when dealing with similar matters.

2.2 Early Attempts of Court Judgment Disclosure (before 2014)

The earliest attempt to promote court judgment disclosure in China dates back to the early 2000s. In June 2000, the SPC for the first time proposed a general recommendation for selective publication of court judgments.[7] The call for judicial transparency has become increasingly emphatic since June 2007, following the SPC's formal recommendation that all provincial-level courts establish specific rules for the publication of judgment documents.[8] In 2009, the SPC set judicial transparency as a goal in its third five-year plan for judicial reform and encouraged local courts to enhance the online availability of their judgments. The phrase "judicial openness" is mentioned every year in the annual work reports of the SPC during 2009 to 2013.

According to the SPC, the overarching goal of publishing court judgments online is to enhance judicial democracy and justice, More specifically, it aims to "enhance the responsibility, capability, and professionalization of judges, and ensure the people's right to be informed, participate, express, and supervise the judicial work".[9] Recent scholarly work in law, such as Liebman et al. (2020), views these early attempts of judicial disclosure as moves to respond to calls from legal academics, combat corruption, and restore public confidence in the courts.

[6] In 2010, the SPC issued the *Provisions on Case Guidance*, outlining how courts should refer to judicial precedents in their adjudication of cases.

[7] See: *Administrative Measures for the Proclamation of Document of Judgment by the Supreme People's Court* (No.4 [2000] issued by the Legal Office).

[8] See: *Notice of the Supreme People's Court on Issuing the Opinions on Strengthening the Work on Judicial Openness in the People's Courts* (No.20 [2007] of the Supreme People's Court).

[9] Source: https://www.chinacourt.org/article/detail/2013/11/id/1151559.shtml.

However, while the SPC has encouraged local courts to experiment with the publication of judgments, the actual implementation of court judgment disclosure varied across regions. Prior to 2014, around 20 provincial courts have either formally or informally advocated for online disclosure of court judgments, yet only half of them have imposed *de facto* requirements on lower-level courts (i.e., establishment of provincial websites dedicated to the online publication of judgments and proactive uploading of judgment documents). One notable exemplar is Henan Province, where, since late 2009, courts at all levels are mandated to publish every effective court judgment online.[10] In contrast, Yunnan Province, despite being one of the first to announce its policy for online judgment disclosure in March 2008, exhibited a notably weak implementation of the policy until 2014.[11] Such variation in the enforcement of judgment disclosure led to wide differences in per capita publication both between provinces and within provinces prior to 2014, as illustrated by Figure 2.[12] It is worth noting that, there is no clear evidence suggesting that these local initiatives were directed by the SPC in a top-down approach as pilot programs. These endeavors in judgment disclosure are more aptly characterized as voluntary experiments by local courts.

2.3 Mandatory Disclosure of Court Judgments (since 2014)

In March 2013, Zhou Qiang took office as the President of the SPC and carried out judicial reforms forcefully. A keystone of these reforms was the establishment of a comprehensive, centralized online platform for the publication of court judgments, a project described by Zhou as "unprecedented in scale." The initiative for nationwide court judgment disclosure was initially announced in July 2013, and was subsequently codified with the issuance of the "Provisions of the Supreme People's Court on the Issuance of Judgments on the Internet by the People's Courts" in November 2013. According to these Provisions, the SPC mandates all levels of courts to upload all judgment documents to the centralized platform within seven days of trial conclusion, effective from January 1, 2014.

The launch of the centralized website - *China Judgments Online* (CJO) - marks the important shift from localized and voluntary disclosure to centralized and mandatory publication regime of judicial opinions by local courts. The mandatory nature of the publication requirement is evident

[10] Under the leadership of the High People's Court President Zhang Liyong, Henan Province carried out an exemplary experiment on judgment document disclosure and was widely recognized as a provincial model for judicial transparency (Liebman et al., 2020). As stated by the SPC President Zhou Qiang in 2013, the collective publication of judgments in Henan has served as a "gem" for legal scholars to study Chinese judicial system. See: http://cpc.people.com.cn/n/2013/1128/c64094-23680586.html.

[11] According to a news report in 2013, the timeliness of judicial documents published on the websites of local courts in Yunnan Province was extremely poor. The majority of the judgments uploaded online were outdated by over six months, with a notable scarcity of recent judicial documents. See: https://www.chinanews.com.cn/sh/2013/12-27/5671901.shtml.

[12] In Appendix Figure A.1 and A.2, we illustrate the expansion and temporal trend of court judgment disclosures at the provincial level across the nation.

in the following aspects. First, all judgment documents are required to be published on the CJO website.[13] Second, judgments are to be published with the real names of the parties involved.[14] Finally, once posted, judgments are intended to remain accessible, with amendments, replacements, or retractions permitted only under specific technical or legal justifications.[15] Such stringent disclosure policy contrasts with the more lenient disclosure standards in place prior to 2014.

In compliance with directives from the SPC, provincial-level courts established provisions in 2014 to govern the online disclosure of court judgments by lower-level courts within their jurisdictions. By June 2015, all 31 provinces (including four municipalities and five autonomous regions) in China have fulfilled the requirement of mandatory online publication of court judgments. In subsequent years, the trend of mass publicity escalates. Figure 1 shows the overall temporal progression of online court judgment disclosure in China. By the end of 2020, over 100 million court judgments have been posted on the CJO website, with a peak of 23.37 million court judgments published online in a single year, which is 12.5 times of the number in 2013, the year preceding the enforcement of the mandatory disclosure policy.

The mass publication of judgment documents in China has attracted an unprecedented level of public attention on judicial information. According to the SPC, the number of total visits on the CJO website reaches 48 billion in August 2020, with 1.5 billion from overseas, making it the largest and most influential online judgment disclosure platform in the world. As shown in Figure 3, the number of newspaper articles mentioning "judgment document" has nearly doubled post-2014.[16] The Baidu search index of the term "judgment document", which reflects online public attention to key terms, has experienced a significant upsurge since 2014.[17]

2.4 Age Profiles of Litigation Risk: Insights from Judgment Documents

What do judgment documents reveal about litigation risks, particularly for entrepreneurial firms? In Appendix B, we analyze the litigation risks faced by firms across their lifecycle using judgment documents from 2010 to 2018 on the CJO website. We categorize cases based on their legal bases and find that Contract Law is the most frequently cited legal basis across all firm ages, highlighting

[13] Exceptions include cases involving state secrets or personal privacy, crimes involving minors, settlements reached through mediation, and certain other cases that are not suitable for online release.

[14] Exceptions include cases that could violate personal privacy, i.e., cases involving the names of parties in marriage and family law cases and inheritance disputes; the names of victims, witnesses, and expert witnesses in criminal cases; and the names of defendants in criminal cases who are sentenced to three years or less and are not habitual offenders.

[15] Recent literature has documented that the CJO website suffers from the issue of missing cases (Wu et al., 2022; Liu et al., 2022*b*; Liebman et al., 2023). We discuss this concern further in Section 4.5.

[16] The data is collected from the China Core Newspapers Database in the China National Knowledge Infrastructure (CNKI) platform.

[17] Baidu, China's premier search engine analogous to Google, offers a search index that reflects the search volume for specific key terms over a defined period.

the prevalence of contractual frictions and the essence of firms as a nexus of contracts. Young firms often face disputes over informal finance, organizational issues, and intellectual property, while mature firms more often deal with sales and tangible asset issues. When we categorize cases based on four firm production factors—capital, labor, technology, and market & transaction—we find that the proportion of legal bases related to market & transaction increases with firm age, contrasting with capital and technology-related bases, which are more frequently cited in cases involving younger firms.[18] The proportion of labor-related legal bases is high during both the early and later stages of a firm's lifecycle. We find similar patterns when categorizing cases based on their causes of action. Loan contract disputes, prevalent in startups, shift from private loans to financial loans as firms mature, reflecting evolving financing strategies and risk profiles.

Overall, our findings indicate that judgment documents can reflect the litigation risks that firms are prone to encounter at different stages, providing valuable information for potential entrepreneurs to evaluate the risks associated with starting a business and to make entry decisions. Our analysis of the origins of litigation risk in young firms and its evolution as firms mature also offers a perspective for understanding the theories of the firm.

3 Data, Variables and Descriptive Statistics

3.1 Measuring Judicial Transparency

To capture judicial transparency at the regional level, the key is to obtain data on the public availability of court judgments. The main challenge in data collection is accessing the historical disclosure practices of court judgments prior to 2014. Although local courts are recommended by the SPC to upload pre-2014 historical judgment documents to the CJO website, they are only obligated to upload court judgments that became effective from January 1, 2014 onwards to meet the mandatory disclosure requirement. Therefore, local courts may have little incentive to upload judgment documents from before 2014. Hence, relying solely on the number of judgment documents published on the CJO website could substantially underestimate the actual level of judicial transparency before 2014.

To this end, we utilize the *Wolters Kluwer China Law & Reference* (WKCLR) platform to assemble a city-year level dataset on court judgment disclosure.[19] This approach leverages the

[18] Here, capital refers to monetary or financial capital, rather than physical capital.

[19] There are municipality-level, prefectural-level, and county-level cities in China. County-level cities are under the administration of prefecture-level cities. In this paper, we refer cities to the four directly-administered municipality-level cities (Beijing, Tianjin, Shanghai, and Chongqing) and the 333 prefectural-level cities.

greater incentives inherent to commercial data platforms to collect judicial documents more comprehensively in the absence of a regulatory mandate. Wolters Kluwer is a global leader in information, software solutions and services for professionals in healthcare; tax and accounting; financial and corporate compliance; legal and regulatory; corporate performance and ESG.[20] Wolters Kluwer established its Beijing headquarter in 2010 and has collected a significant archive of court judgments that were published on provincial court websites prior to 2014. Appendix Table A.1 shows the number of judgment documents collected by both the WKCLR and the CJO websites from 2000 to 2021. The volume of judgment documents collected by the WKCLR platform prior to 2014 is two to ten folds that of the CJO website, suggesting that the number from the WKCLR is potentially much closer to that of the actual caseload.[21]

We obtain the total number of published court judgments at the city-year level by manual searches on the WKCLR website.[22] We scale the number of published court judgment documents by population as our baseline measure of city-year level judicial transparency. Therefore, our measure captures the per capita publication of judgment documents within a city for a specific year. Ideally, judicial transparency would be gauged by the disclosure rate of judgment documents, which is the ratio of disclosed cases to all cases accepted (or closed) by local courts (Wu et al., 2022). However, due to weak enforcement of court information disclosure in China prior to 2014, compiling a comprehensive dataset of annual case volumes at the city level is extremely difficult. Despite this, we manually gather annual reports of provincial courts and extract annual case volumes at the provincial level for robustness checks. As exhibited in Appendix Figure A.4, the number of cases accepted/closed by courts in a province is highly correlated with the province's population. This indicates that the per capita number of published judgment documents is a plausible proxy for the disclosure rate, and thus for assessing judicial transparency.

3.2 Measuring Entrepreneurial Activity

The main dataset we use to capture entrepreneurial activity in China is the business registration data, maintained by the State Administration for Industry and Commerce (SAIC). The dataset covers all firms registered in China since 1985, making it the most widely used dataset for researches on Chinese entrepreneurship (Barwick et al., 2022; He, Liu and Zhu, 2022; Tian and Xu, 2022; Bai et al., 2021; Fang et al., 2023). Information provided by the dataset includes firm's registration date, location,

[20] See: https://www.wolterskluwer.com/en. Appendix Figure A.3 provides screenshots of the website.

[21] We cross-reference these figures with official statistics reported by news outlets and annual reports of provincial or prefectural level courts, and find that they are closely aligned.

[22] We accessed WKCLR via the Tsinghua Library and obtained the numbers on February 9, 2024.

industry classification code, amount of registered capital and paid-in capital, ownership type, and detailed business scope, etc.

Our study focuses on the sample of new business entries from 2010 to 2018, comprising a total of 81.1 million newly registered firms. Following existing literature (Black and Strahan, 2002; Kerr and Nanda, 2009), we compile the data at the city-year level and use the logarithm of the total number of new firm registrations as the main measure of a city's entrepreneurial activity. The business registration data include both registered firms (i.e., business incorporations) and self-employed individuals. We also compile the city-year level data on the number of newly registered self-employed individuals. Moreover, we construct three alternative measures to provide a more nuanced picture of entrepreneurial activity. *New Firm Ratio* is the ratio of the number of newly registered firms to the number of all legal entities ever registered in a city-year. *Paid-in Ratio* is the proportion of newly registered firms with paid-in capital. *Non-SOE Ratio* is the proportion of non-state-owned newly registered firms.

3.3 Tracking Patenting Activity

To track patenting activity associated with entrepreneurship, we use the patent database maintained by the China National Intellectual Property Administration (CNIPA), which is analogous to the U.S. patent data provided by the United States Patent and Trademark Office (USPTO). The CNIPA database provides detailed information on patent applications (e.g., applicants, application dates, and application address), the content of patents (e.g., titles, abstracts, and full texts), and records of patent transfers.[23] We supplement the patent transfer information with data from IncoPat, which includes details about the identities of patent sellers and buyers along with their locations and transfer dates.

3.4 Tracking Performance of Entrepreneurship

To capture entrepreneurial performance in China, we employ the National Tax Survey Database (NTSD), an administrative dataset that includes a large and representative sample of firms and has been used in a number of recent studies (Liu and Mao, 2019; Barwick et al., 2022; Chen et al., 2023; Fang et al., 2023). The NTSD offers three kay advantages. First, the NTSD is jointly collected by the State Administration of Taxation (SAT) and the Ministry of Finance (MoF) of China, ensuring the data's authenticity and accuracy. Second, the database includes a substantial number of firms that are

[23]The CNIPA database records three categories of patent applications: invention patents (IPs), utility model patents (UMPs), and design patents (DPs). We only focus on IPs since they are granted for novel technical solutions pertaining to products, processes, or their improvements, and they undergo the "substantive examination" process (Tian and Xu, 2022).

continuously surveyed, complemented by a stratified random sample, which enhances its representativeness of the entrepreneurial sector (Liu and Mao, 2019; Chen et al., 2023). Third, the dataset contains rich information on firms' financial and operational performance.

We extract a subset of the NTSD, focusing on firms registered between 2010 and 2016.[24] Our final sample contains 728,673 firm-year observations of 306,905 entrepreneurial firms. Among which, 73,534 firms have observations in the founding year.[25] We use variables of such as total assets, sales, number of employees, profit margin, and investment to measure the performances of these entrepreneurial firms. To capture innovation performance of entrepreneurial firms, we match the NTSD with the CNIPA patent database. We use the number of applied and granted patents, along with the number of forward citations to measure innovation outputs at the firm level. We also use R&D expenditure from the NTSD to measure innovation input.

3.5 Summary Statistics

Table 1 Panel A reports the summary statistics of the entrepreneurship metrics at the city-year level. On average, a city in our sample has 9,433 newly registered firms per year, representing approximately 29.7% of all registered legal entities. Among these, 8% has paid-in capital, and 97.9% are non-SOEs. We winsorize all city-year level variables at the 1% and 99% levels.

Panel B provides the summary statistics of the NTSD sample at the firm-year level. An average firm-year observation has total asset of 102 million CNY, revenue of 58 million CNY, 42 employees, and investment of 1.04 million CNY.[26] These firms has an average of R&D expenditure amounting to 0.015 million CNY, 0.11 patent applications, 0.02 granted patents, and 0.41 forward citations on their applied patents. The average profit margin is -0.64. Not surprisingly, less than 1% of the firm-years has positive amount of R&D expenditure and number of patents applied or granted. Therefore, we winsorize all innovation-related variables at the 0.1% and 99.9% levels, and winsorize the remaining variables at the 1% and 99% levels. Since the distribution of the raw values for non-ratio variables is right-skewed, we apply logarithm transformations to all firm-year outcome variables.[27]

[24] Due to limitations in data availability, our NTSD sample is restricted to the period up to 2016.

[25] Only about a quarter of firms in our NTSD subset have data available for their founding years, because not all firms in the NTSD were surveyed in its founding year.

[26] Firms in the tax records data are substantially larger than those in the registration data. This is because the NTSD is surveyed by stratifying firms across all sizes, hence the majority of which are medium and large ones, while the business registration data contains the universe of registered firms, most of which are small ones (Fang et al., 2023). However, this difference does not compromise the representativeness of the entrepreneurial firm sample of the NTSD.

[27] We add one to the value of investment and all innovation-related measures when calculating the logarithm of these variables.

4 Judicial Transparency and Entrepreneurship

4.1 Empirical Strategy

To examine the effects of enhanced judicial transparency on entrepreneurship, we exploit the mandated publication of court judgments as a policy shock and employ the difference-in-differences (DID) methodology. Because the publication mandate is a nationwide policy applied to all courts, we do not have any natural treatment and control groups. However, the effect of the mandate may not be uniform across all courts. We exploit the pre-2014 cross-sectional variation in per capita publication of judgment documents (Section 2.2) to classify cities into treatment and control groups. Cities that previously have weaker enforcement of court judgment disclosure are more likely to be affected by the mandate than cities with stronger pre-existing enforcement. Such variation in the treatment intensity across regions provides us a natural experiment to identify the effect of the mandated court judgment disclosure policy.

Specifically, we divide cities into terciles based on their per capita publication in 2012, and define the bottom tercile as the treated group and the rest as the control group. We use the regional judicial transparency level in 2012 rather than that in 2013 to mitigate the potential noise introduced by local courts uploading judgment documents from late 2013 onto the CJO website, as shown in Panel (b) of Figure 2.[28] As detailed in Section 4.5, the mandatory disclosure requirement is enforced on court judgments that became effective after January 1, 2014. Hence, we set 2014 as the event year in the baseline specification. Our sample period runs from 2010 to 2018 (i.e., 4 years before and after the policy). We estimate our baseline DID model using Equation 1:

$$Entrepreneurship_{c,t} = \alpha + \beta Treat_c \times Post_t + \gamma X_{c,t} + \mu_c + \delta_t + \varepsilon_{c,t}, \tag{1}$$

Here, c indexes city, t indexes year; $Treat_c$ is an indicator variable that takes the value of one if per capita publication of a city court in 2012 is in the bottom tercile among all city courts, and zero otherwise. $Post_t$ is one in and after 2014, and zero otherwise. The variable of interest is β, which captures the DID effect. We control for a set of time-varying city-level variables $X_{c,t}$, including GDP, GDP growth rate, population, population growth rate, percentage of GDP from manufacturing and service sectors, fiscal spending, employment population, and Consumer Price Index (CPI).[29] We

[28] This noise might also stem from the anticipation of local courts regarding the mandated judgment disclosure, leading to preactive uploads of judgment documents following the SPC's announcement of the nationwide initiative in July 2013. Nevertheless, we conduct a robustness test in Section 4.5 by reassigning treatment and control groups based on the judicial transparency levels in 2013, and find the results to be consistently robust.

[29] We take logarithm of GDP, population, fiscal spending, and employment population. Summary statistics of the city-level controls

include city (μ_c) and year (δ_t) fixed effects. Standard errors are clustered at the city level.

The coefficient estimate for the interaction term $Treat_c \times Post_t$ captures the effect of the policy on entrepreneurial activity. Essentially, our specification compares the effect of the mandatory disclosure policy between regions with ex-ante lower levels of judicial transparency (i.e., higher marginal treatment intensity) and those with higher levels.

4.2 Baseline Results

Table 2 Column (1) presents estimates of Equation 1, where the dependent variable is the logarithm of the number of new firm registrations. The coefficient for the interaction term $Treat_c \times Post_t$ is positive and statistically significant at the 1% level. On average, entries of new firms in cities with initially lower level of judicial transparency increases by 9.2% more than that in cities with higher pre-existing judicial transparency. Therefore, our baseline regression shows that the mandated disclosure of court judgments promotes overall entrepreneurial activity in China.

We conduct robustness tests to address possible concerns with the baseline results. First, we include a linear trend for the treated cities to control for heterogeneous trends among cities with varying degrees of initial judicial transparency. Second, to account for possible correlations among the error terms of cities within the same province in the same year, we cluster standard errors at the province-year level. Third, we re-aggregate the data at the county-year level to verify the consistency of our findings at a more granular geographical unit. Finally, we employ a fixed-effects Poisson model to the baseline specification and use the raw count of new firms as the dependent variable, to alleviate potential biases associated with log transformation (Cohn, Liu and Wardlaw, 2022; Chen and Roth, 2024). We report the results of these robustness checks in Appendix Table A.2. We find consistent and robust results across all the tests.

4.3 Alternative Measures of Entrepreneurship

Our baseline result suggests a positive effect of enhanced judicial transparency on the overall quantity of new business entries. We next use alternative measures to provide a more nuanced picture of the entrepreneurial activity.

The first is about the types of entrepreneurial activities—self-employment and business formation, which are economically distinct activities that likely respond differently to the same policies (Bellon et al., 2021). Survey evidences from Hurst and Pugsley (2011) show that the

as shown in Panel A of Table 1.

establishment of an incorporated business is more closely associated with Schumpeterian growth, whereas self-employment is often less growth-driven, such as engaging in subsistence work or pursuing the autonomy and flexibility that comes with being one's own boss. Hurst and Pugsley (2017) further posit that the most influential entrepreneurial activities are typically associated with the formation of incorporated businesses. However, business formation incurs higher costs, such as incorporation, recruitment, and organizational structuring, which could make litigation concerns more significant than those associated with self-employment. Thus, we expect the effect of enhanced judicial transparency to be more pronounced for business formation than for self-employment. In Table 2 Column (2), we show that enhanced judicial transparency does not spur new self-employment. In Column (3), we employ *New Firm Ratio*, defined as the ratio of newly registered firms to the total number of newly registered entities, as the dependent variable. The coefficient estimate is positive and statistically significant at the 1% level. The proportion of newly registered firms in treated cities increased by 2% more than that in control cities, which is 6.7% of the sample mean (29.7%). Viewing results from Columns (1) to (3) together, it is clear that the positive effects of the mandated judgment publication on entrepreneurship are exclusive to the formation of incorporated businesses, in which uncertainties surrounding litigation risks are particularly pertinent and disclosure of judicial information can benefit more.

Second, we examine whether the owners of newly incorporated businesses have indeed injected monetary capital (i.e., paid-in capital) into their firms. Given that the vast majority–92%–of newly registered firms in China are established without any paid-in capital (See Table 1), the registration of a new firm with positive capital injection is indicative of more formal and serious entrepreneurship.[30] It is also likely that these entrepreneurs may perceive more promising prospects for their business idea, thereby becoming more inclined to scale up, compared to those who are still testing nascent ideas at a small scale before injecting capital. We hypothesize that after the mandated policy, entrepreneurs are more willing to inject capital into new firms. To test this, we employ *Paid-in Ratio*, which is the proportion of new firms with paid-in capital among all new firms as the dependent variable. As reported in Column (4) of Table 2, the coefficient estimate is positive and significant at the 1% level. The proportion of new firms with paid-in capital in treated cities increases by 3.4 percentage points more than that in control cities. This finding suggests that under the mandated regime of judgment publication policy, entrepreneurs may perceive their business prospects as less uncertain, thereby becoming more inclined to scale up by injecting capital.

[30]The business registration reform in the 2010s permits the establishment of firms with a mere CNY 1 in registered capital, significantly lowering the entry barriers for firm registration and the average injected capital (Barwick et al., 2022; Cui and Wei, 2022). This reform could be a primary factor contributing to the low proportion of newly registered firms with paid-in capital. In section 4.5, however, we show that the business registration reform did not confound our baseline results.

Third, we examine whether the increase of newly registered firms mostly comes from the private sector. The establishment of private firms is typically considered more challenging than that of state-owned enterprises, given the severer financial constraints faced by private entities (Barwick et al., 2022). In Column (5) of Table 2, we report the regression result using *Non-SOE Ratio* as the dependent variable. The estimated coefficient suggests that the proportion of new non-SOEs in treated cities increases by 0.7 percentage points more than that in control cities.

Finally, we focus on technology-based entrepreneurship and examine a more specific decision-making context faced by aspiring entrepreneurs: whether they are more willing to retain core technology for entrepreneurship, thereby bearing the litigation risks and costs, or to sell it. We test this by examining the effect of the mandated judgment publication policy on patent transfers, as detailed in Appendix C. We find that enhanced judicial transparency reduces patent transfers by individual inventors, suggesting a decline in risk-shifting among potential entrepreneurs.

Overall, our analysis shows that the mass publicity of court judgments fosters the formation of incorporated businesses, increases capital injection for new ventures, stimulates private sector entrepreneurship, and reduces the inclination of patent selling by potential entrepreneurs. These results, if viewed as quality indicators of entrepreneurship, inspire us to further explore the performance implications of enhanced judicial transparency (Section 7).

4.4 Dynamics

Our DID methodology relies on the assumption that entrepreneurial activities in treatment and control cities did not exhibit unparallel trend before the mandated disclosure policy. We examine dynamics using an event study design in Equation 2:

$$Entrepreneurship_{c,t} = \alpha + \sum_{k=-3}^{4} \beta_k Treat_c \times Year_t^k + \gamma X_{c,t} + \mu_c + \delta_t + \varepsilon_{c,t}, \tag{2}$$

The model includes coefficients for each year dummy relative to 2014, and otherwise is the same as in Equation 1. We omit $Year_t^{-4}$ so that 2010 serves as the reference year. Figure 4 presents the dynamic DID event studies around the mandate. The outcome variables are *Log(New Firm)* (a), *New Firm Ratio* (b), *Paid-in Ratio* (c), and *Non-SOE Ratio* (d).

Across the four outcomes, we show that treated cities were not on track to experience the effects that we see post-mandate. We interpret the results as representing a degree of causal effect of enhanced judicial transparency on entrepreneurship.

4.5 Addressing Identification Concerns

In this subsection, we conduct a number of tests to address potential identification concerns, rule out alternative explanations, and consolidate the causal relationship between enhanced judicial transparency and entrepreneurship.

4.5.1 Local Economic Conditions and Ex-ante Judicial Transparency

One concern with our baseline model is that the spatial distribution of the pre-existing level of judicial transparency, as shown in Figure 2, is possibly driven by local economic conditions (Wang and Yang, 2021). For example, economically prosperous regions are more likely to voluntarily improve court judgment disclosure prior to the policy intervention, which could result in the treatment group comprising cities with relatively weaker initial economic conditions but greater developmental potential. Therefore, it is necessary to examine whether the contemporaneous economic conditions or pre-existing trends would bias our estimations.

We follow the regression approach of existing studies (Li and Ponticelli, 2022; Liu et al., 2022*a*) to investigate whether local economic conditions and pre-existing trends could predict ex-ante level of judicial transparency. The dependent variable is the ratio of the number of disclosed judgment documents to local population in 2012, our key measure to define the treatment and control groups. The predictors are the level or annual change of the dependent variable, *Log(New Firm)*, and all control variables in the baseline specification in 2012. Table 3 reports the regression results. Panel A shows that none of the contemporaneous economic conditions predict the level of local judicial transparency in 2012. Panel B shows that, only pre-existing trends in local fiscal spending and CPI could predict the level of local judicial transparency in 2012. Taken together, these results suggest that the level of ex-ante judicial transparency was not predominantly driven by contemporaneous economic conditions or pre-existing trends of these conditions. This helps to alleviate potential selection biases that might interfere with our baseline specification.

4.5.2 Controlling for Court Leaders' Characteristics

As detailed in Section 2.2, the decision to formulate and enforce policies regarding court judgment disclosure prior to 2014 was left to the discretion of provincial-level courts. Although our analysis has indicated that the pre-existing level of judicial transparency was not significantly driven by local economic conditions, there remains a possibility that the degree of enforcement of judgment disclosure at the provincial level before 2014 was determined by personal characteristics of the court

leaders. For example, court leaders with a stronger commitment to professionalism might be more likely to promote judicial information disclosure; while stronger hometown ties could lead businesses to seek more local protection (Cao et al., 2024), which could in turn jeopardize court leaders' initiatives to promote judicial transparency. These could pose potential endogeneity concerns, because court leader's characteristics might also affect local entrepreneurial activities.

To address this potential threat to identification, we hand collect the resumes of presidents of provincial-level courts and construct three variables to capture their personal characteristics. First, we identify whether a court president has law degrees (*Law Degree*), as an indicator of professional qualification. Second, we identify whether a court president has prior experience working at the SPC (*SPC Experience*), to gauge his/her ties to the central government. Such connections could lead to more effective implementation of centralized transparency policies (Chen, Liu and Tang, 2022). Third, we distinguish whether a provincial court president is serving in his/her birth province (*Hometown Province*), to capture his/her local connections. We estimate Equation 1 by controlling for these three indicators separately in Columns (1) to (3), and simultaneously in Column (4) of Table 4. The estimates remain robust, suggesting that personal characteristics of provincial court leaders are unlikely to bias our estimations.

4.5.3 Addressing Possibly Confounding Events

Three other reforms were enacted in parallel with the mandatory disclosure policy for court judgments, which might also have profound effects on China's judicial system and/or entrepreneurship, as documented by existing literature. These include the judicial organizational reform, which removes the financial and personnel oversight of local courts to the provincial level (Liu et al., 2022*a*); the business registration reform, which lowers the regulatory barrier for firm registration by permitting the formation of firms with minimal equity capital (Barwick et al., 2022; Cui and Wei, 2022); and the anti-corruption campaign, which intensifys the scrutiny and punishment of corruption among government officials since late 2012 (Giannetti et al., 2021; Kong and Qin, 2021; Zhang, 2023). Therefore, it is necessary to assess whether these concurrent events might confound our baseline results.

All of these reforms are carried out in a staggered approach across cities or provinces.[31] Thus, we include post-reform indicators of these reforms to the baseline regression. If there are no significant changes in the estimated coefficients of interest, we could infer that these reforms are less

[31] Existing studies usually exploit different years when provincial-level officials are investigated as distinct shocks to implement a staggered DID for assessing the effect of anti-corruption campaigns (Kong and Qin, 2021; Zhang, 2023).

likely to confound our baseline results. We add indicators of the three aforementioned reforms both separately and simultaneously in Columns (5) to (8) of Table 4. We show that the estimated coefficients remain almost unchanged. Therefore, our baseline results are less likely to be confounded by these contemporary events.

4.5.4 Addressing the Missing Case Issue after 2014

Recent literature has documented the *missing case* issue of the CJO website. For example, local courts sometimes fail to disclose litigation cases that are swayed by local and political interests (Liu et al., 2022*b*); courts could even remove previously published cases from the CJO website (Wu et al., 2022; Liebman et al., 2023). The causal interpretation of our baseline results hinges on the assumption that the extent of missing cases in court disclosures across regions post-2014 was uncorrelated to ex-ante level of local judicial transparency. If this assumption is not satisfied (e.g., cities with ex-ante lower level of judicial transparency are also those with severer issues of missing cases ex-post), the observed increase in entrepreneurship between the treatment and control groups might not be solely interpreted as a causal effect of the enhanced judicial transparency.

We first examine the relationship between cities' ex-ante level of judicial transparency and ex-post judgment disclosure rate on the CJO website. Specifically, we obtain the universe of all available documents on the CJO website since 2014, and employ the method proposed by Wu et al. (2022) to estimate the judgment disclosure rate of local courts from 2014 to 2018.[32] In Appendix Table A.3, we show that there is no significant relationship between per capita publication of judgment documents in 2012 and judgment disclosure rate on the CJO website post-2014.

We also show that entrepreneurial activities in cities with less severe missing cases problem after 2014 are more active. To show this, we average the post-2014 disclosure rate for each city and label cities with above-median average disclosure rate as the *High Disclosure Rate* group. We interact this indicator with $Treat_c \times Post_t$, and report the estimation results in Table 4 Column (9). The coefficient of the triple interaction term is positive and statistically significant, indicating that entrepreneurial activities increases most in cities with lower ex-ante, yet higher ex-post level of judicial transparency. This reinforces our main finding that enhanced judicial transparency helps foster entrepreneurship.

[32] Wu et al. (2022) applies the German Tank Model to detect the potential sample selection of the disclosed documents. Specifically, the model offers a statistical method to estimate the maximum number N in the population of a consecutive series 1, 2, ..., N, based on a randomly-drawn sample of k limited observations with the largest number m. As described by Goodman (1952), a minimum-variance unbiased estimator for N is given by: $\hat{N} = m(1+k^{-1})-1$.

4.5.5 Alternative Definitions of the Treatment and Control Groups

We further examine the robustness of our baseline results with alternative definitions of the treatment and control groups. First, we estimate our baseline specification using alternative cutoffs of ex-ante level of judicial transparency. In Columns (1) to (3) of Appendix Table A.4, cities with ex-ante judicial transparency levels in the bottom median, quartile and quintile are designated as the treatment group, respectively. We show that all estimates of coefficients are still positive and statistically significant. This suggests that our baseline results are mainly driven by the variations in ex-ante judicial transparency across cities, and thus the varying degrees of improvement in judicial transparency, rather than being attributable to any specific cutoffs.[33]

Second, we consider potential measurement errors induced by how we calculate ex-ante judicial transparency. As detailed in Section 3.1, due to the inaccessibility of the annual caseload data at the city level, we use the per capita number of published judgment documents as a proxy for our baseline measure of judicial transparency. However, annual case volume is not solely dependent on the population size. Therefore, we check if our results are robust to three alternative denominators: GDP (in millions) at the city level, the total number of cases accepted, and the total number of case closed by provincial courts. We reassign treatment and control groups (cities for the first and provinces for the other two) based on these alternative measures. As reported in Columns (4) to (6) of Appendix Table A.4, the estimated coefficients are all positive and statistically significant at the 1% or 5% level.[34]

Finally, as elaborated in Section 4.1, we use the regional judicial transparency level in 2012 rather than that in 2013 to construct the treatment and control groups, in light of concerns that the 2013 figures might contain noise from pre-uploaded documents. Column (7) of Appendix Table A.4 reports the estimation results with the treatment and control groups redefined based on the 2013 transparency levels, which remain positive and statistically significant. This suggests that our baseline results are unlikely to be driven by the choice of the benchmark year for assessing the ex-ante level of judicial transparency.

[33] When we use the coarsest cutoff, median, the estimated coefficient is smaller. This further suggests that our results on entrepreneurship are attributable to the enhancement in judicial transparency.

[34] The overlap between the baseline population-based assignment of treatment and control cities and these alternative assignments is 92.8% for GDP, 83.1% for the number of cases accepted, and 83.3% for the number of cases closed. The pairwise correlations of city rankings derived from these four measures are all above 0.8. We also estimate three separate regressions, each using a subsample of cities that share common assignments to the treatment and control groups across the following three pairs: Table 2 Column (1) with Appendix Table A.4 Columns (4), (5), and (6). The coefficient estimates are consistently positive and statistically significant at either the 1% or 5% level.

4.5.6 Falsification Tests

We conduct two falsification tests to further support the causal relationship between enhanced judicial transparency and entrepreneurship. First, following existing studies (Liu and Mao, 2019; Barwick et al., 2022), we keep the number of treatment and control cities unchanged but randomly falsify these two groups, then reestimate the baseline specification. If our baseline results are not driven by unobservables, we should expect that the counterfactual results would not deviate significantly from zero. We repeat this falsification process for 1,000 times and plot the density of the estimated coefficients in Appendix Figure A.5. We find that the distribution of these coefficients is centered around zero and closely resembles a normal distribution. Moreover, the baseline estimate of a 9.2% increase in entrepreneurship between treatment and control cities is greater than 99.9% of coefficients estimated from the counterfactual data with random assigned groups. Second, we falsify the construction of the treatment and control groups by using the regional judicial transparency level in 2014 rather than that in 2012. Since 2014 is the first year of the enforcement of the mandated disclosure policy, the judicial transparency measure for that year should contain no information on ex-ante judicial transparency levels. As our identification strategy relies on the regional disparities in ex-ante judicial transparency, we would expect an insignificant estimation result with a falsified construction of the treatment and control groups based on 2014 data. If not, our baseline results might rather be driven by some unobservables. In Column (8) of Appendix Table A.4, we show that the estimated coefficient is insignificant. Taken together, these falsification tests provides additional evidences for the causality of our baseline results.

4.6 Mandatory Disclosure vs. Voluntary Disclosure

Our baseline DID model compares entrepreneurial activities between cities with ex-ante lower level of judicial transparency with those with higher levels, before and after the mandated disclosure policy. Since the ex-ante level of judicial transparency were mainly driven by the heterogeneous disclosure policies voluntarily enacted by different provinces, our baseline results should be similar to that of comparing the effect of the mandated disclosure policy between provinces without prior voluntary enforcement of court judgment disclosure and those with *de facto* enforcement in place before the mandate.

We formally test this conjecture in this subsection. We first manually search the *PKULaw* platform and news reports for provincial disclosure policies pre-2014, whether formulated in government documents or simply proclaimed by provincial court presidents. As shown in Appendix

Figure A.6, of the 31 provinces, 18 claimed to have court judgment disclosure initiatives prior to 2014. However, not all of these claims translated into actual enforcement. As detailed in Section 2.2, in some provinces, the commitment to online court judgment publication was more of a symbolic gesture than a real enactment before 2014. We categorize cities from the 6 provinces that had either policies or claims regarding court judgment disclosure but exhibited the weakest enforcement (based on per capita publication of court judgments) into the "weak ex-ante policy group", and cities from the remaining 12 provinces with such policies or claims into the "strong ex-ante policy group". For those provinces that had no pre-2014 court judgment publication policies or claims, their cities are assigned to the "no ex-ante policy group".

We now reestimate the baseline Equation (1). First, we set cities in both strong and weak ex-ante policy groups as the control group and cities in the no ex-ante policy group as the treatment group. As reported in Column (1) of Appendix Table A.5, the estimated coefficient is 0.098 and statistically significant, which is very similar to the baseline results in Section 4.2. Second, we only set cities in the strong ex-ante policy group as the control group and cities in no and weak ex-ante policy groups as the treatment group. As reported in Column (2), the estimated coefficient remains significant and very close to the baseline results. Finally, we use separate dummies to denote cities in weak or no ex-ante policy groups, to estimate the treatment effect relative to cities in the strong ex-ante policy group. As shown in Column (3), the policy effect is mainly driven by cities without any ex-ante policies. Taken together, these results suggest that the baseline results are essentially driven by the variation in treatment intensity between regions without ex-ante enforcement of court judgment disclosure and those that had *de facto* enforcement in place prior to the policy mandate.

Given these regional disclosure policies voluntarily enacted by provincial courts, it is also meaningful to examine whether the voluntary disclosure regime has promoted entrepreneurship. Since these regional disclosure policies before 2014 were not as forceful as the mandated policy after 2014, we expect weak or even no policy effects on local entrepreneurship.

In Column (4) of Appendix Table A.5, we estimate a staggered DID model using the pre-mandate sample from 2000 to 2012, where *Post Weak Policy* and *Post Strong Policy* equal one after a provincial court adopted a disclosure policy. We find that only the estimated coefficient on *Post Strong Policy* is statistically significant at the 10% level, yet the magnitude is notably smaller than that of our baseline results. Although such staggered setting might suffer from endogeneity concerns, it provides suggestive evidence that the mandated court judgment disclosure policy in 2014 is more effective in fostering entrepreneurial activities, reinforcing the validity of our main conclusions.

5 Industry-level Analysis: The Role of Heterogeneous Litigation Risks

Our evidence so far suggests a positive, causal relationship between judicial transparency and entrepreneurial activity. The underlying hypothesis we posit is that the mandated judgment disclosure policy helps to reduce perceived litigation risk for entrepreneurs, thereby incentivizing entry into incorporated businesses. Although it is challenging to capture variation in perceived litigation risk at the city level, industrial observations would provide a more nuanced perspective. Therefore, in this section, we disaggregate entrepreneurial activity into the city-industry level to examine the heterogeneous effects of enhanced judicial transparency across industries.

5.1 The Role of Litigation Risks: By Litigation Exposure

Firms encounter litigation risks to different degrees, which are often driven by the nature of their business activities and the propensity to become entangled in legal disputes. Some industries are naturally more prone to lawsuits than others (Francis, Philbrick and Schipper, 1994). As we posit that the mandated policy helps to reduce perceived litigation risk for entrepreneurs, we expect that in industries with a higher predisposition towards litigation, the effect of mandatory judgment disclosure on entrepreneurial entry would be more pronounced.

While existing literature primarily focuses on litigation risks faced by defendants (Lowry and Shu, 2002; Hanley and Hoberg, 2012; Houston et al., 2019; Huang, Hui and Li, 2019; Lin, Liu and Manso, 2021), Cumming, Haslem and Knill (2017) point out that the costs of becoming a plaintiff are particularly burdensome for smaller entrepreneurial firms. This is largely because litigation demands considerable financial and resource commitments from these firms. Thus, when examining entrepreneurial litigation risks, it's crucial to consider firms in both roles: as plaintiffs and as defendants. The propensity for different industries to be plaintiffs or defendants in litigations could also varies. Industries that are more inclined to initiate lawsuits (plaintiffs) could better leverage the publication of judgment documents to gain a clear advantage in harnessing legal information and tech-driven legal services. Enhancing judicial transparency enables aspiring entrepreneurs to better understand the expected costs of enforcement, reducing litigation uncertainty. However, for industries that are more often on the receiving end of legal actions (defendants), the implications could be quite different. Being a defendant in litigation is generally an adverse event for a firm, especially when the details of judgment documents are made publicly accessible (Liu et al., 2022*b*).[35] Therefore, for defendants, the potential reputation costs of judgment disclosures might

[35] Using data from 550 corporate litigation cases filed by publicly traded firms from 1981 to 1983, Bhagat, Brickley and Coles (1994)

offset the legal and informational benefits brought by the mandated disclosure policy, resulting in a potential deterrent effect on entry.[36] Accordingly, we hypothesize that the policy's effect on entrepreneurship would be more pronounced in industries prone to initiating lawsuits (plaintiff-prone), in contrast to those more likely to face them (defendant-prone).

To test these hypotheses, we construct industry-level measures of litigation exposures and examine the heterogeneous effects of enhanced judicial transparency across industries. Our approach is grounded in two assumptions. First, certain industries face a higher likelihood of lawsuits compared to others, as noted by Francis, Philbrick and Schipper (1994). Second, there is a general persistence in the perception of litigation risk for firms over time, albeit to varying degrees (Lin, Liu and Manso, 2021). Thus, we construct industrial litigation risk measures based on each industry's ex-ante litigation exposures. Given the scarcity of litigation data on entrepreneurial firms prior to 2012, we resort to leveraging the litigation information of publicly listed firms in the China Stock Market & Accounting Research (CSMAR) database.[37] Specifically, we construct three sets of measures to assess litigation exposure at the 2-digit industry level. The first is the proportion of listed firms in an industry that have been involved in litigation. The second is the average number of annual litigations per listed firm in an industry. For both metrics, we also distinguish between firms' roles as either plaintiffs or defendants. Lastly, we determine the propensity of firms to be plaintiffs or defendants by calculating the proportion of litigations in which listed firms in an industry are involved, either as plaintiffs or defendants. We use litigation data in and before 2012 to compute all these metrics, ensuring that our industry-level assessments capture ex-ante litigation risks. We find that the litigation-sensitive industries derived from our litigation exposure metrics are largely consistent with those in existing studies (e.g., Francis, Philbrick and Schipper (1994)) as well as real-world expectations.[38]

The difference-in-difference-in-differences (DDD) specifications are as follows:

document a negative stock market reaction to defendant firms upon the filing of a suit, whereas plaintiffs experience no significant gains. This can be partly explained by the increased financial distress costs imposed on the defendant.

[36]Indeed, the public availability of judicial documents enables credit reporting agencies (e.g., Qichacha and Tianyancha) to access information about individuals or firms involved in legal disputes. Such data can be used in bank lending, credit ratings, and personal background checks. A firm with publicly disclosed judicial documents, particularly as a defendant, may struggle to secure loans or form business partnerships.

[37]The China Securities Regulatory Commission (CSRC) mandates that listed firms disclose material litigation or arbitration matters. Timely disclosure is required if the amount at stake exceeds CNY 10 million and accounts for more than 10% of the firm's latest audited net assets. Additionally, disclosure is obligatory for cases that, regardless of the monetary threshold, could significantly affect the firm's valuation (Liu et al., 2022*b*).

[38]For example, Water, Environment & Utilities Management has the lowest proportion of listed firms that have ever disclosed litigations (16.6%), while Accommodation & Catering and Culture, Sports & Entertainment have the highest proportion (both 58.3%). Culture, Sports & Entertainment and Mining have the highest propensity for being defendants (84.4% and 80.1%, respectively), while Scientific Research & Technical Services has the highest propensity for being plaintiffs (62.5%).

$$
\begin{aligned}
Entrepreneurship_{c,j,t} = \alpha &+ \beta_1 Treat_c \times Post_t \times Litigation_j + \beta_2 Litigation_j \times Post_t \\
&+ \beta_3 Treat_c \times Post_t + \gamma X_{c,t} + \theta_{c,j} + \delta_t + \varepsilon_{c,j,t},
\end{aligned} \tag{3}
$$

$$
\begin{aligned}
Entrepreneurship_{c,j,t} = \alpha &+ \beta_p Treat_c \times Post_t \times Litigation_Plaintiff_j \\
&+ \beta_d Treat_c \times Post_t \times Litigation_Defendant_j \\
&+ \beta_{2p} Litigation_Plaintiff_j \times Post_t \\
&+ \beta_{2d} Litigation_Defendant_j \times Post_t \\
&+ \beta_3 Treat_c \times Post_t + \gamma X_{c,t} + \theta_{c,j} + \delta_t + \varepsilon_{c,j,t},
\end{aligned} \tag{4}
$$

where $Entrepreneurship_{c,j,t}$ refers to the logarithm of the number of newly registered firms, *Log(New Firm)*, in 2-digit industry j of city c in year t. $Litigation_j$ denotes overall litigation exposure in industry j, while $Litigation_Plaintiff_j$ and $Litigation_Defendant_j$ denote litigation exposures prone to being plaintiffs and defendants, respectively. $Treat_c$, $Post_t$, and time-varying city-level controls $X_{c,t}$ are same as in Equation 1. We control for city-industry fixed effects, $\theta_{c,j}$, and year fixed effects, δ_t. As hypothesized, we expect positive effects for the coefficient estimates β_1 in Equation 3 and β_p in Equation 4.

We report the regression results of Equation 3 and 4 in Table 5. First, we use the proportion of listed firms in an industry that have been involved in litigation to proxy for industry litigation exposure. As shown by Column (1) of Panel A, the estimated coefficient on the triple interaction term $Treat_c \times Post_t \times Litigation_j$ is positive and significant, suggesting that the policy's effect on entrepreneurship is more pronounced in industries with higher potential litigation risks. In Column (1) of Panel B, only the estimated coefficient on the triple interaction term $Treat_c \times Post_t \times Litigation_Plaintiff_j$ is positive and significant. This indicates that the policy's effect is more pronounced in industries that are more prone to initiate lawsuits. In Columns (2) of both Panel A and B, we use the average number of annual litigations per listed firm in an industry as an alternative proxy for industry litigation exposure, and yield similar results.

In Columns (3) and (4) of Panel B, we estimate Equation 3 using the propensity of industries to be plaintiffs or defendants as distinct measures of industry litigation exposure. We find that for industries that are more likely to be plaintiffs, the policy's effect is positive and significant. In contrast, for industries that are more likely to be defendants, the coefficient estimate turns negative. These results demonstrate that the effect of the mandated judgment publication policy on entry mainly comes from entrepreneurial firms that face a lower risk of being sued.

We further explore the dynamic effects by replacing the indicator $Post_t$ with a set of year dummies $Year_t^k$, same as in Equation 2. Panels (a) and (b) of Figure 5 plot the estimation results corresponding to Columns (1) and (2) of Table 5 Panel B, respectively. We show that there is no pre-trend in entrepreneurial activities between the treatment and control groups and among industries with different levels of litigation exposure. After the policy, the estimated coefficients turn positive and significant, yet this is observed exclusively for plaintiff-prone industries, not for the defendant-prone industries. In Panel (c) of Figure 5, we compare the estimation results corresponding to Columns (3) and (4) of Table 5 Panel B, and find similar patterns.

5.2 The Role of Litigation Risks: By Types of Litigation

In Section 2.4, we show that the prevailing types of litigation shift substantially as firms reach different stages. Specifically, when categorizing litigation cases based on the production factors associated with the cited legal bases, we find that young firms are relatively more prone to litigation related to capital and technology issues (e.g., informal finance, intellectual property, etc.). This motivates us to examine the heterogeneous effects of enhanced judicial transparency across different types of litigation.

Using judgment documents from historical cases between 2010 and 2018 available on the CJO website, we first match litigant firms with their Unified Social Credit Code (USCC) to the business registration dataset, obtaining their industry classification codes and the ages of the firms as of the trial date. Next, we categorize the litigation cases into four types—capital, labor, technology, and market & transaction—based on the legal basis involved in the case.[39] Finally, we calculate the proportions of different litigation types within each industry for the following litigation samples: the full matched sample, the sample of matched firms aged 0 to 3 years, and the sample of matched firms over 3 years old. We then classify industries as having high or low exposure to different litigation types, based on the median cutoff.

We estimate Equation 3 by replacing $Litigation_j$ with an indicator of high exposure to each of the four types of litigation for industry j, separately. Appendix Figure A.7 plots the estimated coefficients and confidence intervals. In Panel (a), we present the results using the full matched sample to calculate the proportions of different litigation types within each industry. In Panels (b) and (c), we compare the estimated results for litigation exposure measures constructed from the 0 to 3-year-old sample and the over 3-year-old sample. We find that the effect of the publication mandate is more pronounced in industries that are more prone to capital- and technology-related litigations either in younger or older ages, as well as in industries that are more prone to market & transaction-related litigations in

[39] Appendix B provides details of the matching procedures and legal basis categorization.

older ages. However, for industries that are more prone to labor-related litigations, the effect is less pronounced. We offer the following plausible explanations for these findings.

In industries more exposed to labor-related legal risks, entrepreneurs must invest resources and effort to ensure compliance with labor laws and regulations when entering the market, which increases entry costs. Moreover, labor-related legal risks are more susceptible to social scrutiny and public attention, and reputation concerns make entrepreneurs more conservative in their decision-making. This result aligns with the findings of Bernstein, Korteweg and Laws (2017), which show that information about human assets is causally important for the funding of early-stage firms and entrepreneurial success. Furthermore, in litigation disputes involving labor, firms often appear as defendants, which serves as a concrete example of how enhanced judicial transparency can impose higher potential costs on entrepreneurs in industries where firms are more likely to be defendants, consistent with our findings in Table 5 Panel B.

In contrast, enhanced litigation information disclosure tends to promote entrepreneurial entry more pronouncedly in industries more exposed to technology- and capital-related legal risks. On one hand, entrepreneurs have greater flexibility in executing R&D activities and financing strategies. On the other hand, historical litigation data enables entrepreneurs to better identify potential risks and assess project feasibility, facilitating effective risk management. For instance, by understanding relevant intellectual property disputes, entrepreneurs can preemptively apply for patents and trademarks when developing new technologies, reducing infringement risks and boosting confidence in entry. By understanding the legal risks of different financing strategies, entrepreneurs can select the most appropriate financing options. The same rationale applies to market & transaction-related legal risks, where the availability of litigation information from more mature firms is particularly relevant to potential entrepreneurs.

In summary, our findings in this section suggest that the mandated judgment disclosure policy fosters entrepreneurial activities mostly within industries that are more susceptible to litigations. Importantly, this positive effect is evident primarily in industries where firms are more likely to be plaintiffs, rather than defendants. For these defendants, the potential reputational costs under the publication mandate might counteract the legal and informational benefits provided by the policy. Meanwhile, the policy effect is more (less) pronounced in industries that are more prone to capital- and technology-related (labor-related) litigations. Overall, these insights highlight the role of perceived litigation risk on entrepreneurial entry decisions. While enhanced judicial transparency lowers the barriers to entry into entrepreneurship on average, its effect is not uniform, potentially deterring a subset of industries.

6 Mechanisms

The results in Section 4 and 5 provide suggestive evidence that enhanced judicial transparency fosters entrepreneurship by mitigating preceived litigation risk, which creates more incentives for entrepreneurial entry. To further answer how the mandated judgment disclosure policy reduces perceived litigation risk for entrepreneurs, in this section, we explore two plausible mechanisms: reshaped beliefs on the quality of institutions by improving anticipated judicial justice, and enhanced technology-driven legal services.

6.1 Enhanced Judicial Justice

According to the SPC, the primary goal of publishing judgment documents is to improve judicial justice (see Section 2). To unify adjudication standards and prevent the abuse of discretion, judges in China are required to retrieve and refer to similar cases when adjudicating cases. Since court judgments are to be posted online, judges are less likely to misuse their discretionary authority, which could lead to unfair trial outcomes. Anticipating this shift, entrepreneurs might experience a significant reduction in the uncertainty surrounding future litigation outcomes, and hence in perceived litigation risks and expected costs of entry. Therefore, improvement in judicial justice could act as a potential mechanism through which enhanced judicial transparency fosters entrepreneurial activity.

We conduct heterogeneity tests by considering two local institutional features that could help corroborate this channel: trust and business environment. We posit that in regions with lower levels of trust or poorer business environment, anticipated enhancement in judicial justice is more likely to have a stronger effect on reshaping beliefs on the quality of institutions, thus encouraging more entry into entrepreneurship in these areas.[40]

6.1.1 Heterogeneous Effects: By Trust

Our measure of trust at the regional level is derived from the China General Social Survey (CGSS), conducted by the Renmin University of China. We employ the data in 2012, the year we construct the treatment and control groups, to capture ex-ante levels of trust across provinces. The 2012 CGSS contains 11,756 complete individual responses from 29 provinces. We use four questions related to trust. One is about overall trust: "In general, do you agree that most people can be trusted in this

[40] Grimmelikhuijsen and Klijn (2015), for example, conduct a field experiment to investigate the effect of a Dutch television series on trust, and find that judicial transparency has a positive effect on trust in judges.

society?", with responses ranging from 1 ("do not trust greatly") to 5 ("trust greatly"). The other three are more specific: "How much do you trust in local government officials/judges/firm executives", with responses ranging from 1 ("do not trust greatly") to 4 ("trust greatly"). For each question, we calculate the average score of respondents' answers for each province and divide provinces into high-trust and low-trust groups based on the median score. Then, we estimate Equation 1 by subsamples.

We report the regression results in Table 6. In Columns (1) and (2), we compare the estimated coefficients between low and high overall trust groups. The estimated coefficient is 0.169, statistically significant in low overall trust group; and is 0.017, statistically insignificant in high overall trust group. The equality test shows that the two coefficient estimates are significantly different with a p-value of 0.013. This suggests that the effect of the mandated judgment disclosure policy on entrepreneurship is more pronounced in regions with lower levels of trust. In Columns (3)-(8), we compare the estimated coefficients from subsample analysis based on trust in local government officials, judges, and firm executives. The results show that the effect is most pronounced in regions with lower trust in these groups. Together, mandated judgment disclosure significantly bolsters entrepreneurial activities in regions with lower trust levels, especially in trust pertaining to the local government and judges.

6.1.2 Heterogeneous Effects: By Business Environment

Next, we explore the heterogeneous effects by local business environment. NTSD contains detailed financial and operational information for a large and representative sample of firms, enabling us to capture business environment at the regional level. Specifically, we use the variable of perk spendings (i.e., entertainment expenses), to proxy for the cost of corruption (Cai, Fang and Xu, 2011; Giannetti et al., 2021); and the variable of administrative fees to capture the extent of regulatory discretion of the local government (e.g., imposing penalties). We calculate the average perk spending relative to total revenue and administrative fees relative to total revenue across firms at the city level in 2012.[41] These variables capture the average costs incurred by firms in a city to navigate administrative processes, thereby serving as indicators of a city's business environment.

We divide our sample into high and low groups based on these measures of ex-ante business environment, and estimate Equation 1 by subsamples. Columns (1) and (2) of Table 7 present the results of subsample analysis by perk spending. The estimated coefficients for the two groups are 0.147 and 0.020, respectively, and are significantly different with a p-value of 0.066. Columns (3) and (4) report the results of subsample analysis by administrative fees. The estimated coefficient for the high administrative fee group is 0.137, and is 0.024 for the low administrative fee group; the two

[41] We employ the full sample of the 2012 NTSD, which contains 333,352 firm observations, to calculate the above measures.

estimates are significantly different with a p-value of 0.062. These results suggest that the effect of mandated disclosure of court judgments on spurring entrepreneurship is more pronounced in regions with ex-ante poorer business environment.

Taken together, the heterogeneous effects by trust and local business environment support improvement in judicial justice as one plausible mechanism through which enhanced judicial transparency promotes entrepreneurship. It is worth noting that our evidence from subsample analyses mainly points to the role of *perceived* improvement in judicial justice in reshaping entrepreneurs' beliefs on the quality of institutions, thus affecting their entry decisions. There is a clear need for further studies to better measure the *realized* aspects of judicial justice, which calls for an interdisciplinary approach combining insights from law, economics, and finance.

6.2 Surges of Technology-driven Legal Services

The centralized publication of court judgments supplies a vast repository of judicial data to society. Among the various sectors that stand to capitalize on this data, the legal services industry is particularly prominent to harness potential benefits. Data is the fuel of tech-driven information services. By leveraging judicial data and automation technologies, legal analytics tools predict case outcomes, helping lawyers and clients make more informed decisions. For entrepreneurs, accessing higher-quality legal services may lead to less uncertain litigation outcomes, which helps to reduce perceived litigation risk and expected costs of entry.[42] In this subsection, we ask how enhanced judicial transparency transforms an important but understudied intermediary market in the entrepreneurial ecosystem: the legal services industry, and examine the role of tech-driven legal services in fostering entrepreneurship.

6.2.1 Stylized Facts: The Surge of Technology-driven Legal Services

In Figure 6, we provide four pieces of evidence showing that mandated publication of court judgments fuels legal technologies and tech-driven legal services.

First, we look at the establishment of LegalTech firms. To identify LegalTech firms, we search the business registration database based on the business scope information with keywords "LegalTech"

[42] Ibrahim (2012) survey a sample of U.S. VC-backed start-ups to understand how they obtain legal services. 72% of the respondents rely on outside counsel and do not have in-house counsel. When asked to indicate all reasons for preferring outside counsel, respondents rank the reasons as follows: in-house counsel is not cost-justified (83%); outside counsel offers more coverage and depth of specialization (60%); outside counsel is more independent/objective (13%); outside counsel enhances their reputations with third parties (8.7%); outside counsel could connect them to angel investors and venture capitalists (4%). These findings highlight the importance of external legal services to small firms and entrepreneurs, who are often resource-constrained. In contrast, large firms may afford internal legal teams or rely on their own connections with law firms (Lanjouw and Schankerman, 2004).

or "legal big data", while ensuring that the business scope also includes the term "legal services". This yields a total number of 1,300 LegalTech firms established between 2006 and 2021. As shown in Panel (a) of Figure 6, the number of newly registered LegalTech firms (blue bar) surges since 2014, peaks in 2015, and gradually declines, though it remains at a notably high level. This suggests that the mandated publication of court judgments since 2014 stimulates the establishment of LegalTech firms. In addition, we plot the number of cities having the first LegalTech firms in a given year (orange bar). The emergence of LegalTech firms in cities previously devoid of such entities post-2014 indicates that the policy has broadened the geographical reach of legal technology services.

Second, we obtain data of venture capital (VC) deals on LegalTech start-ups in China from PitchBook. Panel (b) of Figure 6 shows that out of the total 66 VC deals, 51 occurs after 2014, with 7 deals in 2014 and 14 in 2015. In Appendix Table A.6, we further examine whether enhanced judicial transparency spurs LegalTech VC deals in a cross-country analysis.[43] We compile a country-year dataset covering 80 countries/regions with recorded LegalTech VC deals by PitchBook. Using a staggered DID model, we show that online publication of court judgments has a significantly positive effect on the volume of LegalTech VC deals across the globe (Columns (1) and (3)). When including separate indicators for online judgment publication in China and in other countries/regions (Columns (2) and (4)), we find that the effect is considerably more pronounced in China, where the publication of judgments is mandated and conducted on a large scale. These results suggest that the mandated publication of court judgments is a catalyst for the entry of high-quality LegalTech start-ups. Meanwhile, it also helps validate that the surge in LegalTech VC deals in China is primarily driven by the mandated judgment publication policy rather than contemporary global trends.

Third, we collect a time series of the number of research papers mentioned "judgment document" (in Chinese) by manually searching the China National Knowledge Infrastructure (CNKI) database. As shown in Panel (c) of Figure 6, the number of papers mentioned "judgment document" increases dramatically after 2014. Notably, within the field of Computer Science, the number of papers mentioned "judgment document" surges since 2019.[44] This indicates that the mandated judgment disclosure significantly bolsters academic research focused on judgment documents. Science production constitutes an important source of business formation in the legal space.

Fourth, we construct a time series of the number of judgment document-related patent applications from the CNIPA patent data, specifically those that include the term "judgment document" in the full

[43] We hand-collect information on online judgment publication in different countries/regions and find that, to the best of our knowledge, 15 countries/regions have promoted online publication of court judgments from 1990 to 2018.

[44] This lag may reflect the possibility that the development of certain applied fields in science and engineering is built upon the availability of data in social sciences.

text of the patent document. As shown in Panel (d) of Figure 6, the number of judgment document-related patents increases substantially after 2014.

In sum, the above stylized facts illustrate that the mass publicity of judgment documents fuels tech-driven professional legal services in China. It is thus important to explore the effect of such surges in tech-driven legal services on entrepreneurial activities.

6.2.2 The Effects of LegalTech Firm Entry

Legal services help potential entrepreneurs and newly established businesses operate smoothly within the legal and regulatory framework. They offer a range of services including business incorporation and registration, contract drafting and review, intellectual property protection, labor, financing and investment consulting, design of governance structure, compliance and risk assessment, and dispute resolution. The availability of more legal precedents at the CJO website and the rise of legal technologies, by assisting legal professionals and improving the quality of legal services, could enhance the predictability of legal outcomes. This, in turn, reduces the uncertainty associated with future litigations, hence diminishing perceived litigation risks and anticipated costs of entry.

By exploiting the different timings of the establishment of the first LegalTech firm across cities, we estimate a staggered DID model to examine the effect of LegalTech firm entry on entrepreneurship. The data on the timing of LegalTech firm entry is the same as that in Panel (a) of Figure 6. The staggered DID specification is as follows:

$$Entrepreneurship_{c,t} = \alpha + \beta LegalTech_{c,t} + \gamma X_{c,t} + \mu_c + \delta_t + \varepsilon_{c,t}, \tag{5}$$

where $LegalTech_{c,t}$ equals one after a city has its first LegalTech firm, and zero elsewise.

We report the estimation results in Table 8, with *Log(New Firm)* being the dependent variable. The coefficient estimate in Column (1) is 0.069, statistically significant at the 5% level. On average, the inception of a LegalTech firm in a city is associated with an increase in the number of newly registered firms by 6.9%. Admittedly, this specification could suffer from reverse causality, because the likelihood of LegalTech entry could be positively related to the scale of entrepreneurship in a city. As a result, in Column (2), we further control lagged *Log(New Firm)* to partially address this concern. The estimated coefficient is 0.058, slightly smaller than that in Column (1), and statistically significant at the 1% level. The results suggest that the establishment of LegalTech firms is associated with more entry into new businesses, highlighting the role of technology-driven legal services fueled

by judicial big data in fostering entrepreneurship.

6.2.3 The Direction of Judgment Document-Related Innovations

How do technology-driven legal services matter for entrepreneurship? We further conduct textual analysis to examine the direction of judgment document-related innovations catalyzed by the mandated publication of judicial documents.

6.2.3.1 Identifying Topics by Latent Dirichlet Allocation

We identify 1,242 invention patent applications that include the term "judgment document" in the full text of the patent document.[45] We then employ the latent Dirichlet allocation (LDA) model, pioneered by Blei, Ng and Jordan (2003), to extract topics from the patent documents. We use the titles and abstracts of these patents as the corpus for topic modeling, and take the following two steps for preprocessing. First, we employ *jieba*, a widely used package for part-of-speech tagging in Chinese natural language processing (NLP), to parse Chinese characters into discrete and meaningful tokens. Second, we remove stop words from the corpus using a combination of the Baidu Chinese stop-word dictionary and a custom list tailored to the patent documents. For fitting the LDA model, we combine the text of title and abstract of each patent. We determine the dominant topic of each patent based on its highest topic score. After varying the number of topics specified and carefully inspecting the fitted outcomes, we find that a model with 15 topics perform the best in terms of perplexity and coherence. Appendix Figure A.8 visualizes the most frequent tokens for each topic using word clouds. For each topic, we inspect its word cloud, top words, and the patent titles and abstracts to assign a name.

A few topics worth mentioning. Words in Topic 9 (Case Matching & Recommendation), such as *similarity*, *similar case*, *search*, *match*, and *recommend*, all point to our core mechanism. Precedent search, or the identification/retrieval of similar cases, is a key step in enhancing the predictability of litigation outcomes and advancing judicial justice. The publication of judicial documents facilitates the development of such technologies.

The emergence of the two topics, Corporate Risk Assessment & Management (Topic 1) and Corporate Credit Risk Evaluation & Early Warning Systems (Topic 5), also points to a potentially broader mechanism: the mandated publication and accessibility of judicial document data lead to an

[45] The top four industries filing judgment document-related patents are Scientific Research & Technical Services (50.7%), Information Transmission, Software & Information Technology Services (36.6%), Leasing & Business Services (7.0%), and Finance (2.3%). The emergence of the financial industry in the LegalTech space highlights the potential of litigation and legal dispute data as a crucial factor in corporate and individual risk assessment, especially for financial institutions evaluating credit risk and the incorporation of judicial data into the social credit system.

increased use of historical litigation information in corporate risk assessment and management, particularly in the evaluation of corporate credit risk. This could have implications for the financing of small firms and potential entrepreneurs.

6.2.3.2 Categorizing Innovations by Targeted Service Sectors

Who are the potential users of the judgment document-related technologies? Based on the targeted service sectors of these patented technologies, we consolidate the 15 topics derived from the LDA model into four categories:

AI for Legal Services: Legal Knowledge Graph Construction & Application (Topic 2); Legal Document Element Extraction (Topic 6); Case Matching & Recommendation (Topic 9); Legal Text Analysis & Natural Language Processing (Topic 10); Legal Predictive Model Training & Application (Topic 11); Legal Knowledge Graph Extraction & Structuring (Topic 12); Intelligent Legal Consultation & User Interaction Systems (Topic 14).[46]

AI for Judicial Systems: Legal Case Information Processing & Evidence Analysis (Topic 7); Judicial Entity Recognition & Behavior Prediction (Topic 8); Automated Judicial Document Generation & Publication (Topic 13); Dispute Focus & Litigation Analysis (Topic 15).

AI for Non-legal Sectors: Corporate Risk Assessment & Management (Topic 1); Corporate Credit Risk Evaluation & Early Warning Systems (Topic 5).

Non-AI Solutions: Electronic Data Management & Intelligent Archiving (Topic 3); Data Storage Optimization & Information Retrieval (Topic 4).

In Appendix Figure A.8 Panel A, we present the number of patent applications in each category over time. About 65% of judgment document-related patents after 2014 lies in the "AI for Legal Services" and "AI for Non-legal Sectors" categories. In Panel B, we present the proportional distribution of the four categories relative to the total number of judgment document-related patents over time. The proportion of AI-related patents increases substantially since 2014, rapidly becoming dominant over non-AI patents. The surge in judgment document-related patents since 2014 is primarily driven by AI technologies targeting the legal services industry. This pattern suggests that the mass publication of court judgments since 2014 profoundly reshapes the AI ecosystem within the

[46]Note that we use "AI" to refer to a broad range of technologies, including but not limited to natural language processing, machine learning, deep learning, knowledge graphs, expert systems, and information retrieval. In contrast, non-AI solutions refer to traditional technologies or methods that do not involve artificial intelligence, such as rule-based systems and conventional software tools, which are commonly applied in the context of judicial document management and analysis.

legal sector, catalyzing technological innovations designed to support legal and business decision makings.

We acknowledge the possibility that some technologies may serve various user groups. For example, technologies for the legal services industry can also be adopted by non-legal sector firms. More importantly, whether the legal services industry employs technologies related to judicial documents or in-house legal departments of firms adopt relevant technologies, both contribute to enhancing the predictability of litigation outcomes and reducing the uncertainty of future litigations. Furthermore, the adoption of technology by the judicial systems may contribute to achieving judicial justice. Therefore, from the perspective of potential entrepreneurs making entry decisions, whether as the direct or indirect users of the technology, the content of these patents and their trends over time support our mechanisms through which enhanced judicial transparency fosters entrepreneurship.

6.2.3.3 Categorizing Innovations by Procedural Tasks in Legal Information Workflow

How do these judgment document-related technologies specifically assist in the tasks within the legal information processing workflow? We extract the top 30 verbs from the judgment document-related patent corpus, according to their frequency of occurrence.[47] We group these verbs into five categories, each corresponding to a specific procedural stage in legal information processing and production. They are 1) Data Collection & Input; 2) Data Analysis & Processing; 3) Model Construction & Training; 4) Prediction & Decision Making; and 5) Output & Execution. Appendix Figure A.9 presents our categorization of the top 30 verbs.

Appendix Figure A.10 and Figure A.11 present the proportion of judgment document-related patents that include individual verbs and verb categories in their titles or abstracts, respectively, relative to the total number of judgment document-related patents over time. In the early years around 2014 to 2016, technologies related to information collection and input, involving tasks such as *Retrieve* and *Query*, dominate, suggesting that the initial focus after the publication of judicial documents is on extracting information from the data. Over time, more advanced technologies based on judicial documents, particularly those involving model training and prediction, experience significant development. These findings together suggest that the mass publication of court judgments enables advanced predictive analytics on legal big data. Such advancements are pivotal for enhancing the predictability of litigation outcomes and the effectiveness of business decision-making.

[47]The top 30 verbs obtained from word count largely overlap with the those obtained from term frequency-inverse document frequency (TF-IDF) (29/30). The word *Output* is not present in the TF-IDF list, but *Preprocess* appears instead.

Taken together, our results suggest that the surge of LegalTech services propelled by the mandated publication of court judgments might serve as another plausible mechanism to spur entrepreneurship.

7 Performance

In this section, we explore firm-level evidence to assess whether the mandated disclosure policy of judgment documents has ultimately improved the quality of entrepreneurship. We examine the policy effects on the financial and operating performance, as well as the innovation outcomes of the newly registered firms, in both their inception year and subsequent years.

7.1 Firm-level Specification

To examine the effect of the mandated judgment disclosure policy on the quality of entrepreneurship, we first focus on the subsample of firm observations during their inception years. Our regression design compares the policy's effects on the first-year performance of new firms between the treatment and control cities. Specifically, we estimate the following firm-level model:

$$Performance_{i,j,c,k} = \alpha + \beta Treat_c \times Post_k + \gamma X_{c,k} + \mu_c + \theta_j + \phi_k + \varepsilon_{i,j,c,k}, \tag{6}$$

where i denotes an individual firm, j denotes the 2-digit industry, c denotes the inception city of the firm, and k denotes the establishment year of the firm.[48] $Treat_c$ indicates whether a city is assigned into the treatment group, same as that in Equation 1. $Post_k$ is one for firms establish in and after 2014, and zero otherwise. $X_{c,k}$ denotes time-varying city-level controls for city c in year k, in parallel with those in Equation 1. We include city, industry, and establishment year fixed effects, denoted by μ_c, θ_j, and ϕ_k, respectively. We cluster standard errors at the city-industry level.

We then examine whether the mandated judgment disclosure policy has had long lasting effects on the performance of entrepreneurship. To this end, we employ the full firm-year sample to estimate the following model:

$$Performance_{i,j,c,k,t} = \alpha + \beta Treat_c \times Post_k + \gamma X_{c,t} + \mu_c + \theta_j + \phi_k + \delta_t + \varepsilon_{i,j,c,k,t}, \tag{7}$$

where t denotes the year of the observation, and $Performance_{i,j,c,k,t}$ refers to outcomes of firm i in year t, located in city c, categorized in industry j, and established in year k. $X_{c,t}$ denotes time-varying city level controls for city c in year t. δ_t refers to observation year fixed effects. All else is the same

[48] Since we only use the establishment-year observations in this specification, the establishment year is equivalent to the observation year.

as in Equation 6.

7.2 Financial and Operating Performance

Table 9 Panel A examines the effects of the mandated judgment disclosure policy on financial and operating performance of entrepreneurial firms in their inception-years. While newly registered firms in treated cities after the policy do not outperform their counterparts in control cities regarding total assets and revenues, they have a larger workforce, higher profit margin, and higher amount of investment in their founding year. Quantitatively, the mandated disclosure policy leads to an increase of 7.8% in founding-year employment and a 49.1% boost in investment for new firms in treatment cities, relative to those in control cities, and enhanced profit margins by 38.8 percentage points.

Panel B reports the estimation results of Equation 7, which reflect the long-run effects on entrepreneurial firm's performance. The coefficient estimates of $Treat_c \times Post_k$ in all regressions are positive and significant at the 1% level. On average, the policy leads to an increase of 17.0% in total assets, 26.6% in revenues, 12.7% in employment, and 33.3% in investment for new firms in treatment cities, relative to those in control cities, and raises profit margins by 23.7 percentage points. This suggests that newly registered firms in treatment cities generally perform better than those in control cities after the policy. Taken together, our results provide suggestive evidence that the mandated judgment disclosure policy improves the quality of entry.

7.3 Innovation Performance

Last, we examine whether the mandated judgment disclosure policy has fostered the creation of more innovative firms. We estimate Equation 6 and 7 with innovation outcomes, and report the estimation results in Table 10. Panel A shows that, after the policy, newly registered firms in treatment cities do not outperform those in control cities regarding patent applications or grants in their establishment year. However, they do make a substantially larger R&D investment compared to firms in control cities.

When estimating the policy effects using full sample years, as shown by Panel B, the estimated coefficients in all regressions are positive and statistically significant. New firms in treatment cities have, on average, 2.0% higher R&D investment, 0.3% more patent applications, 0.2% more granted patents, and 0.5% more forward citations on applied patents than those in control cities after the policy. This suggests that the mandated judgment disclosure policy encourages the formation of more innovative entrepreneurial firms.

To summarize, in this section, we demonstrate that the mandated publication policy of court judgments remarkably improves the quality of entrepreneurship in terms of financial, operating and innovation performance of new firms. Moreover, this effect has proven to be not only immediate but also enduring over time.

8 Conclusion

Exploiting China's unique case of mandated mass publication of court judgments, this paper examines the effect of judicial information disclosure on entrepreneurship. We find that enhanced judicial transparency promotes entry into entrepreneurship. Industries that historically are more inclined to be plaintiffs, rather than defendants, drive the positive effect. We show that reshaped beliefs on the quality of institutions and enhanced technology-driven legal services are two plausible underlying mechanisms through which judicial transparency promotes entrepreneurship. Textual analysis of judgment document-related innovations reveals the value of judicial data supply in enhancing the predictability of litigation outcomes and assessing entrepreneurial risks for potential entrants. We also find that the mandate improves the quality of entrepreneurship in terms of financial, operating, and innovation performance. Overall, our findings highlight the important role of judicial transparency in shaping entrepreneurial ecosystems via its nuanced effects on mitigating perceived litigation risks of entrepreneurial activities and uncertainty reduction.

In terms of policy implications, our results suggest that, first, the economic significance of judicial transparency might be particularly pertinent for developing countries that usually have underdeveloped legal institution, low public trust in government, and a less favorable business environment. Second, we underscore the significant role of mandatory information disclosure policies over voluntary disclosures in enhancing judicial transparency and stimulating entrepreneurial activities. Our findings should be as interesting to policy makers concerned about the broader information role of judicial system in the economy. Lastly, given the critical role of litigation information in the entrepreneurial landscape of the big data era, it is imperative to foster the growth of LegalTech and legal data initiatives through the aggregation and publication of comprehensive court judgments.

While our paper sheds light on the positive economic implications of judicial transparency, there remains an ongoing debate on the extent to which judgment documents should be publicized. Notably, recent data indicates a decline in the volume of judgment documents published on the CJO website, which has sparked discussions about whether China's commitment to embracing judicial transparency

may be waning. This seems to imply potential drawbacks to mandated judgment disclosure, such as privacy infringements, damage to business interests, and increased workload for local courts, which are yet to be explored in this study. In other word, the overall economic and welfare impacts of mandated court judgment disclosure in China remain to be answered. We view this as an important direction for future research.

References

Acemoglu, Daron, and Simon Johnson. 2005. "Unbundling Institutions." *Journal of Political Economy*, 113(5): 949–995.

Acemoglu, Daron, Simon Johnson, and James A Robinson. 2001. "The Colonial Origins of Comparative Development: An Empirical Investigation." *American Economic Review*, 91(5): 1369–1401.

Angeletos, George-Marios, and Alessandro Pavan. 2004. "Transparency of Information and Coordination in Economies with Investment Complementarities." *AEA Papers and Proceedings*, 94(2): 91–98.

Appel, Ian, Joan Farre-Mensa, and Elena Simintzi. 2019. "Patent Trolls and Startup Employment." *Journal of Financial Economics*, 133(3): 708–725.

Babina, Tania, Saleem A Bahaj, Greg Buchak, Filippo De Marco, Angus K Foulis, Will Gornall, Francesco Mazzola, and Tong Yu. 2024. "Customer Data Access and Fintech Entry: Early Evidence from Open Banking." *NBER Working Paper 32089*.

Bae, Kee-Hong, and Vidhan K Goyal. 2009. "Creditor Rights, Enforcement, and Bank Loans." *Journal of Finance*, 64(2): 823–860.

Bai, Chong-en, Ruixue Jia, Hongbin Li, and Xin Wang. 2021. "Entrepreneurial Reluctance: Talent and Firm Creation in China." *NBER Working Paper 28865*.

Bao, Yang, and Anindya Datta. 2014. "Simultaneously Discovering and Quantifying Risk Types from Textual Risk Disclosures." *Management Science*, 60(6): 1371–1391.

Barrios, John M, Yael V Hochberg, and Hanyi Yi. 2022. "Launching with a Parachute: The Gig Economy and New Business Formation." *Journal of Financial Economics*, 144(1): 22–43.

Barwick, Panle Jia, Luming Chen, Shanjun Li, and Xiaobo Zhang. 2022. "Entry Deregulation, Market Turnover, and Efficiency: China's Business Registration Reform." *Available at SSRN 4090077*.

Bellon, Aymeric, J Anthony Cookson, Erik P Gilje, and Rawley Z Heimer. 2021. "Personal Wealth, Self-Employment, and Business Ownership." *Review of Financial Studies*, 34(8): 3935–3975.

Beraja, Martin, David Y Yang, and Noam Yuchtman. 2023. "Data-Intensive Innovation and the State: Evidence from AI Firms in China." *Review of Economic Studies*, 90(4): 1701–1723.

Berkowitz, Daniel, Chen Lin, and Yue Ma. 2015. "Do Property Rights Matter? Evidence from a Property Law Enactment." *Journal of Financial Economics*, 116(3): 583–593.

Bernstein, Shai, Arthur Korteweg, and Kevin Laws. 2017. "Attracting Early-Stage Investors: Evidence From a Randomized Field Experiment." *Journal of Finance*, 72(2): 509–538.

Bertrand, Marianne, Antoinette Schoar, and David Thesmar. 2007. "Banking Deregulation and Industry Structure: Evidence from the French Banking Reforms of 1985." *Journal of Finance*, 62(2): 597–628.

Bhagat, Sanjai, James A Brickley, and Jeffrey L Coles. 1994. "The Costs of Inefficient Bargaining and Financial Distress: Evidence from Corporate Lawsuits." *Journal of Financial Economics*, 35(2): 221–247.

Bhagat, Sanjai, John Bizjak, and Jeffrey L Coles. 1998. "The Shareholder Wealth Implications of Corporate Lawsuits." *Financial Management*, 5–27.

Bizjak, John M, and Jeffrey L Coles. 1995. "The Effect of Private Antitrust Litigation on the Stock-Market Valuation of the Firm." *American Economic Review*, 436–461.

Black, Sandra E., and Philip E. Strahan. 2002. "Entrepreneurship and Bank Credit Availability." *Journal of Finance*, 57(6): 2807–2833.

Blei, David M, Andrew Y Ng, and Michael I Jordan. 2003. "Latent Dirichlet Allocation." *Journal of Machine Learning Research*, 3: 993–1022.

Bloom, Nicholas, John Van Reenen, and Heidi Williams. 2019. "A Toolkit of Policies to Promote Innovation." *Journal of Economic Perspectives*, 33(3): 163–184.

Brown, James R, Gustav Martinsson, and Bruce C Petersen. 2013. "Law, Stock Markets, and Innovation." *Journal of Finance*, 68(4): 1517–1549.

Brown, James R, J Anthony Cookson, and Rawley Z Heimer. 2017. "Law and Finance Matter: Lessons from Externally Imposed Courts." *Review of Financial Studies*, 30(3): 1019–1051.

Brynjolfsson, Erik, and Kristina McElheran. 2016. "The Rapid Adoption of Data-Driven Decision-Making." *American Economic Review*, 106(5): 133–139.

Cai, Hongbin, Hanming Fang, and Lixin Colin Xu. 2011. "Eat, Drink, Firms, Government: An Investigation of Corruption from the Entertainment and Travel Costs of Chinese Firms." *Journal of Law and Economics*, 54(1): 55–78.

Campbell, John L, Hsinchun Chen, Dan S Dhaliwal, Hsin-min Lu, and Logan B Steele. 2014. "The Information Content of Mandatory Risk Factor Disclosures in Corporate Filings." *Review of Accounting Studies*, 19: 396–455.

Cao, Chunfang, CS Agnes Cheng, Changyuan Xia, Jing Xie, and Cheng Zeng. 2024. "Corporate Tax Benefits from Hometown-Connected Politicians." *The Accounting Review*, 99(3): 59–86.

Chen, Jiafeng, and Jonathan Roth. 2024. "Logs with Zeros? Some Problems and Solutions." *Quarterly Journal of Economics*, 139(2): 891–936.

Chen, Lei, Zhuang Liu, and Yingmao Tang. 2022. "Judicial Transparency as Judicial Centralization: Mass Publicity of Court Decisions in China." *Journal of Contemporary China*, 31(137): 726–739.

Chen, Zhao, Xian Jiang, Zhikuo Liu, Juan Carlos Suárez Serrato, and Daniel Yi Xu. 2023. "Tax Policy and Lumpy Investment Behaviour: Evidence from China's VAT Reform." *Review of Economic Studies*, 90(2): 634–674.

Claessens, Stijn, and Luc Laeven. 2003. "Financial Development, Property Rights, and Growth." *Journal of Finance*, 58(6): 2401–2436.

Cohen, Lauren, Umit G Gurun, and Scott Duke Kominers. 2019. "Patent Trolls: Evidence from Targeted Firms." *Management Science*, 65(12): 5461–5486.

Cohn, Jonathan B., Zack Liu, and Malcolm I. Wardlaw. 2022. "Count (and Count-like) Data in Finance." *Journal of Financial Economics*, 146(2): 529–551.

Cordis, Adriana S, and Patrick L Warren. 2014. "Sunshine as Disinfectant: The Effect of State Freedom of Information Act Laws on Public Corruption." *Journal of Public Economics*, 115: 18–36.

Cui, Wei, and Mengying Wei. 2022. "Unleashing Mass Entrepreneurship: Firm-Level Evidence on the Impact of China's Registered Capital Reform." *Available at SSRN 3914483*.

Cumming, Douglas, Bruce Haslem, and April Knill. 2017. "Entrepreneurial Litigation and Venture Capital Finance." *Journal of Financial and Quantitative Analysis*, 52(5): 2217–2250.

Denes, Matthew, Sabrina T Howell, Filippo Mezzanotti, Xinxin Wang, and Ting Xu. 2023. "Investor Tax Credits and Entrepreneurship: Evidence from U.S. States." *Journal of Finance*, 78(5): 2621–2671.

Djankov, Simeon, Oliver Hart, Caralee McLiesh, and Andrei Shleifer. 2008. "Debt Enforcement Around the World." *Journal of Political Economy*, 116(6): 1105–1149.

Djankov, Simeon, Rafael La Porta, Florencio Lopez-de Silanes, and Andrei Shleifer. 2002. "The Regulation of Entry." *Quarterly Journal of Economics*, 117(1): 1–37.

Djankov, Simeon, Rafael La Porta, Florencio Lopez-de Silanes, and Andrei Shleifer. 2003. "Courts." *Quarterly Journal of Economics*, 118(2): 453–517.

Djankov, Simeon, Rafael La Porta, Florencio Lopez-de Silanes, and Andrei Shleifer. 2010. "Disclosure by Politicians." *American Economic Journal: Applied Economics*, 2(2): 179–209.

Ewens, Michael, Ramana Nanda, and Matthew Rhodes-Kropf. 2018. "Cost of Experimentation and the Evolution of Venture Capital." *Journal of Financial Economics*, 128(3): 422–442.

Fang, Hanming, Ming Li, Zenan Wu, and Yapei Zhang. 2023. "Reluctant Entrepreneurs: Evidence from China's SOE Reform." *NBER Working Paper 31700*.

Farboodi, Maryam, and Laura Veldkamp. 2023. "Data and Markets." *Annual Review of Economics*, 15: 23–40.

Farboodi, Maryam, Roxana Mihet, Thomas Philippon, and Laura Veldkamp. 2019. "Big Data and Firm Dynamics." *AEA Papers and Proceedings*, 109: 38–42.

Faria-e Castro, Miguel, Joseba Martinez, and Thomas Philippon. 2017. "Runs Versus Lemons: Information Disclosure and Fiscal Capacity." *Review of Economic Studies*, 84(4): 1683–1707.

Francis, Jennifer, Donna Philbrick, and Katherine Schipper. 1994. "Shareholder Litigation and Corporate Disclosures." *Journal of Accounting Research*, 32(2): 137–164.

Furman, Jeffrey L, Markus Nagler, and Martin Watzinger. 2021. "Disclosure and Subsequent Innovation: Evidence from the Patent Depository Library Program." *American Economic Journal: Economic Policy*, 13(4): 239–270.

Galasso, Alberto, Mark Schankerman, and Carlos J Serrano. 2013. "Trading and Enforcing Patent Rights." *The RAND Journal of Economics*, 44(2): 275–312.

Gavazza, Alessandro, and Alessandro Lizzeri. 2007. "The Perils of Transparency in Bureaucracies." *American Economic Review*, 97(2): 300–305.

Gavazza, Alessandro, and Alessandro Lizzeri. 2009. "Transparency and Economic Policy." *Review of Economic Studies*, 76(3): 1023–1048.

Gelos, R Gaston, and Shang-Jin Wei. 2005. "Transparency and International Portfolio Holdings." *Journal of Finance*, 60(6): 2987–3020.

Gentry, William M, and R Glenn Hubbard. 2000. "Tax Policy and Entrepreneurial Entry." *American Economic Review*, 90(2): 283–287.

Giannetti, Mariassunta, Guanmin Liao, Jiaxing You, and Xiaoyun Yu. 2021. "The Externalities of Corruption: Evidence from Entrepreneurial Firms in China." *Review of Finance*, 25(3): 629–667.

Goldfarb, Avi, and Catherine Tucker. 2019. "Digital Economics." *Journal of Economic Literature*, 57(1): 3–43.

Goodman, Leo A. 1952. "Serial Number Analysis." *Journal of the American Statistical Association*, 47(260): 622–634.

Gopalan, Radhakrishnan, Abhiroop Mukherjee, and Manpreet Singh. 2016. "Do Debt Contract Enforcement Costs Affect Financing and Asset Structure?" *Review of Financial Studies*, 29(10): 2774–2813.

Gottlieb, Joshua D, Richard R Townsend, and Ting Xu. 2022. "Does Career Risk Deter Potential Entrepreneurs?" *Review of Financial Studies*, 35(9): 3973–4015.

Grimmelikhuijsen, Stephan, and Albert Klijn. 2015. "The Effects of Judicial Transparency on Public Trust: Evidence from a Field Experiment." *Public Administration*, 93(4): 995–1011.

Hall, Robert E, and Susan E Woodward. 2010. "The Burden of the Nondiversifiable Risk of Entrepreneurship." *American Economic Review*, 100(3): 1163–1194.

Hanley, Kathleen Weiss, and Gerard Hoberg. 2012. "Litigation Risk, Strategic Disclosure and the Underpricing of Initial Public Offerings." *Journal of Financial Economics*, 103(2): 235–254.

Heinle, Mirko S, and Kevin C Smith. 2017. "A Theory of Risk Disclosure." *Review of Accounting Studies*, 22: 1459–1491.

He, Zhiguo, Bibo Liu, and Feifei Zhu. 2022. "Share Pledging in China: Funding Listed Firms or Funding Entrepreneurship?" *NBER Working Paper 23583*.

Hombert, Johan, Antoinette Schoar, David Sraer, and David Thesmar. 2020. "Can Unemployment Insurance Spur Entrepreneurial Activity? Evidence from France." *Journal of Finance*, 75(3): 1247–1285.

Hope, Ole-Kristian, Danqi Hu, and Hai Lu. 2016. "The Benefits of Specific Risk-Factor Disclosures." *Review of Accounting Studies*, 21: 1005–1045.

Houston, Joel F, Chen Lin, Sibo Liu, and Lai Wei. 2019. "Litigation Risk and Voluntary Disclosure: Evidence from Legal Changes." *The Accounting Review*, 94(5): 247–272.

Howell, Sabrina T. 2024. "Government Intervention in Innovation." *Annual Review of Financial Economics*, 16.

Huang, Allen, Kai Wai Hui, and Reeyarn Zhiyang Li. 2019. "Federal Judge Ideology: A New Measure of Ex Ante Litigation Risk." *Journal of Accounting Research*, 57(2): 431–489.

Hurst, Erik, and Annamaria Lusardi. 2004. "Liquidity Constraints, Household Wealth, and Entrepreneurship." *Journal of Political Economy*, 112(2): 319–347.

Hurst, Erik, and Benjamin Wild Pugsley. 2011. "What Do Small Businesses Do?" *NBER Working Paper 17041*.

Hurst, Erik, and Benjamin Wild Pugsley. 2017. "Wealth, Tastes, and Entrepreneurial Choice." Vol. 75, 111–51. In: Haltiwanger, J., Hurst, E., Miranda, J., Schoar, A. (Eds.), Measuring Entrepreneurial Businesses: Current Knowledge and Challenges. University of Chicago Press.

Ibrahim, Darian M. 2012. "How Do Start-Ups Obtain Their Legal Services." *Wisconsin Law Review*, 333–358.

Jones, Charles I, and Christopher Tonetti. 2020. "Nonrivalry and the Economics of Data." *American Economic Review*, 110(9): 2819–2858.

Karlan, Dean, and Martin Valdivia. 2011. "Teaching Entrepreneurship: Impact of Business Training on Microfinance Clients and Institutions." *Review of Economics and Statistics*, 93(2): 510–527.

Karpoff, Jonathan M, and John R Lott Jr. 1993. "The Reputational Penalty Firms Bear from Committing Criminal Fraud." *Journal of Law and Economics*, 36(2): 757–802.

Karpoff, Jonathan M, and Michael D Wittry. 2018. "Institutional and Legal Context in Natural Experiments: The Case of State Antitakeover Laws." *Journal of Finance*, 73(2): 657–714.

Kerr, William R, and Ramana Nanda. 2009. "Democratizing Entry: Banking Deregulations, Financing Constraints, and Entrepreneurship." *Journal of Financial Economics*, 94(1): 124–149.

Kerr, William R, Ramana Nanda, and Matthew Rhodes-Kropf. 2014. "Entrepreneurship as Experimentation." *Journal of Economic Perspectives*, 28(3): 25–48.

Klapper, Leora, Luc Laeven, and Raghuram Rajan. 2006. "Entry Regulation as a Barrier to Entrepreneurship." *Journal of Financial Economics*, 82(3): 591–629.

Kong, Dongmin, and Ni Qin. 2021. "China's Anticorruption Campaign and Entrepreneurship." *Journal of Law and Economics*, 64(1): 153–180.

Lambert, Richard, Christian Leuz, and Robert E Verrecchia. 2007. "Accounting Information, Disclosure, and the Cost of Capital." *Journal of Accounting Research*, 45(2): 385–420.

Lanjouw, Jean O, and Mark Schankerman. 2001. "Characteristics of Patent Litigation: A Window on Competition." *The RAND Journal of Economics*, 32(1): 129–151.

Lanjouw, Jean O, and Mark Schankerman. 2004. "Protecting Intellectual Property Rights: Are Small Firms Handicapped?" *Journal of Law and Economics*, 47(1): 45–74.

Lanjouw, Jenny, and Josh Lerner. 1997. "The Enforcement of Intellectual Property Rights: A Survey of the Empirical Literature." *NBER Working Paper 6296*.

Lee, Jiwon, David Schoenherr, and Jan Starmans. 2024. "The Economics of Legal Uncertainty." *Working Paper*.

Lerner, Josh, and Ulrike Malmendier. 2013. "With a Little Help from My (Random) Friends: Success and Failure in Post-business School Entrepreneurship." *Review of Financial Studies*, 26(10): 2411–2452.

Li, Bo, and Jacopo Ponticelli. 2022. "Going Bankrupt in China." *Review of Finance*, 26(3): 449–486.

Liebman, Benjamin L, Margaret E Roberts, Rachel E Stern, and Alice Z Wang. 2020. "Mass Digitization of Chinese Court Decisions: How to Use Text as Data in the Field of Chinese Law." *Journal of Law and Courts*, 8(2): 177–201.

Liebman, Benjamin L, Rachel E Stern, Xiaohan Wu, and Margaret Roberts. 2023. "Rolling Back Transparency in China's Courts." *Columbia Law Review*, 123: 2407–2482.

Lin, Chen, Sibo Liu, and Gustavo Manso. 2021. "Shareholder Litigation and Corporate Innovation." *Management Science*, 67(6): 3346–3367.

Liu, Ernest, Yi Lu, Wenwei Peng, and Shaoda Wang. 2022*a*. "Court Capture, Local Protectionism, and Economic Integration: Evidence from China." *NBER Working Paper 30432*.

Liu, Yongzheng, and Jie Mao. 2019. "How Do Tax Incentives Affect Investment and Productivity? Firm-Level Evidence from China." *American Economic Journal: Economic Policy*, 11(3): 261–291.

Liu, Zhuang, T.J. Wong, Yang Yi, and Tianyu Zhang. 2022*b*. "Authoritarian Transparency: China's Missing Cases in Court Disclosure." *Journal of Comparative Economics*, 50(1): 221–239.

Lowry, Michelle, and Susan Shu. 2002. "Litigation Risk and IPO Underpricing." *Journal of Financial Economics*, 65(3): 309–335.

Mas, Alexandre. 2017. "Does Transparency Lead to Pay Compression?" *Journal of Political Economy*, 125(5): 1683–1721.

Mattozzi, Andrea, and Antonio Merlo. 2007. "The Transparency of Politics and the Quality of Politicians." *AEA Papers and Proceedings*, 97(2): 311–315.

McLean, R David, Tianyu Zhang, and Mengxin Zhao. 2012. "Why Does the Law Matter? Investor Protection and Its Effects on Investment, Finance, and Growth." *Journal of Finance*, 67(1): 313–350.

Mezzanotti, Filippo. 2021. "Roadblock to Innovation: The Role of Patent Litigation in Corporate R&D." *Management Science*, 67(12): 7362–7390.

Nagaraj, Abhishek. 2022. "The Private Impact of Public Data: Landsat Satellite Maps Increased Gold Discoveries and Encouraged Entry." *Management Science*, 68(1): 564–582.

North, Douglass C. 1981. *Structure and Change in Economic History.* New York: Norton.

North, Douglass C. 1990. *Institutions, Institutional Change and Economic Performance.* Vol. 332, Cambridge University Press.

Ponticelli, Jacopo. 2013. "Court Enforcement and Firm Productivity: Evidence from a Bankruptcy Reform in Brazil." *Working Paper*.

Qian, Jun, and Philip E Strahan. 2007. "How Laws and Institutions Shape Financial Contracts: The Case of Bank Loans." *Journal of Finance*, 62(6): 2803–2834.

Schmalz, Martin C, David A Sraer, and David Thesmar. 2017. "Housing Collateral and Entrepreneurship." *Journal of Finance*, 72(1): 99–132.

Tian, Xuan, and Jiajie Xu. 2022. "Do Place-Based Policies Promote Local Innovation and Entrepreneurship?" *Review of Finance*, 26(3): 595–635.

Veldkamp, Laura, and Cindy Chung. 2024. "Data and the Aggregate Economy." *Journal of Economic Literature*, 62(2): 458–484.

Vig, Vikrant. 2013. "Access to Collateral and Corporate Debt Structure: Evidence from a Natural Experiment." *Journal of Finance*, 68(3): 881–928.

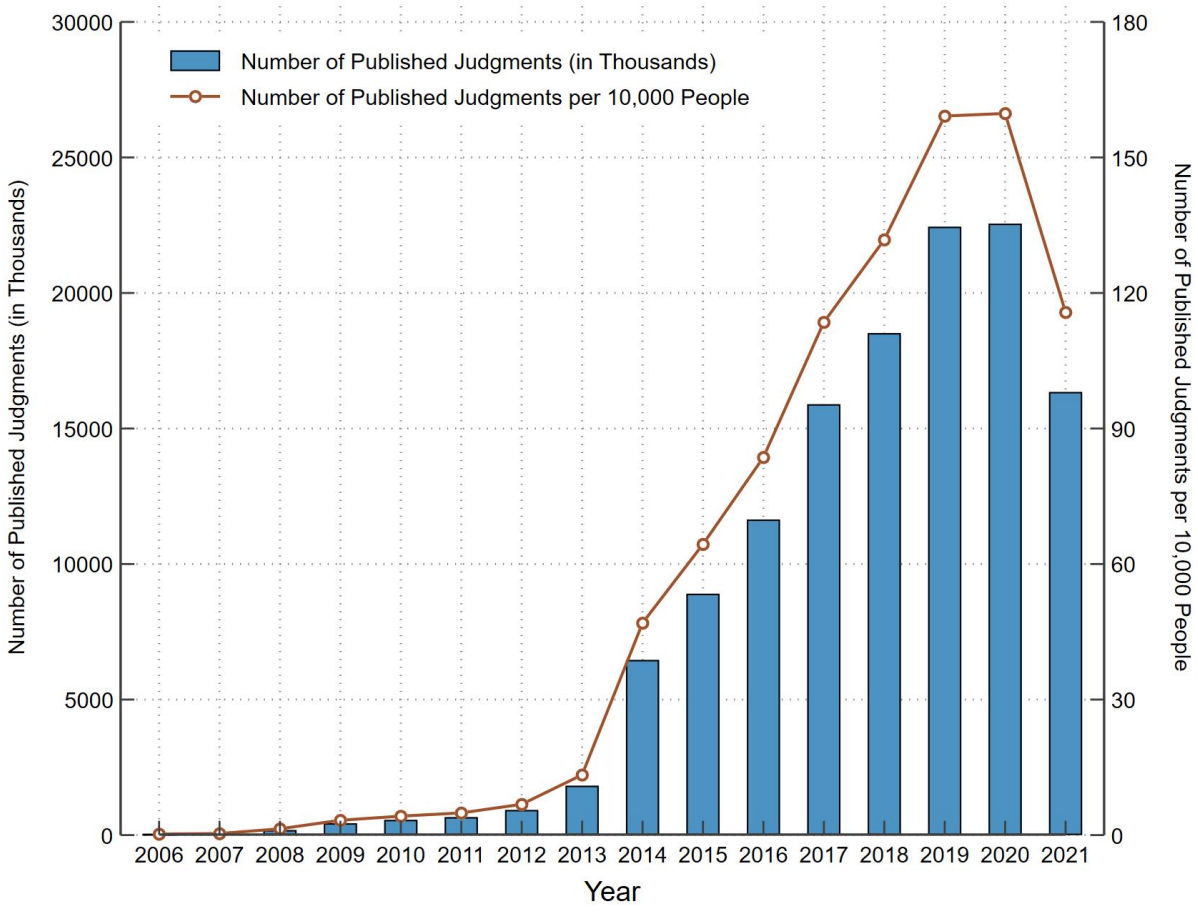
Wang, Shaoda, and David Y Yang. 2021. "Policy Experimentation in China: The Political Economy of Policy Learning." *NBER Working Paper 29402*.

Williams, Heidi L. 2013. "Intellectual Property Rights and Innovation: Evidence from the Human Genome." *Journal of Political Economy*, 121(1): 1–27.

Wu, Xiaohan, Margaret E Roberts, Rachel E Stern, Benjamin L Liebman, Amarnath Gupta, and Luke Sanford. 2022. "Addressing Missingness in Serialized Bureaucratic Data: The Case of Chinese Courts." *Available at SSRN 4124433*.

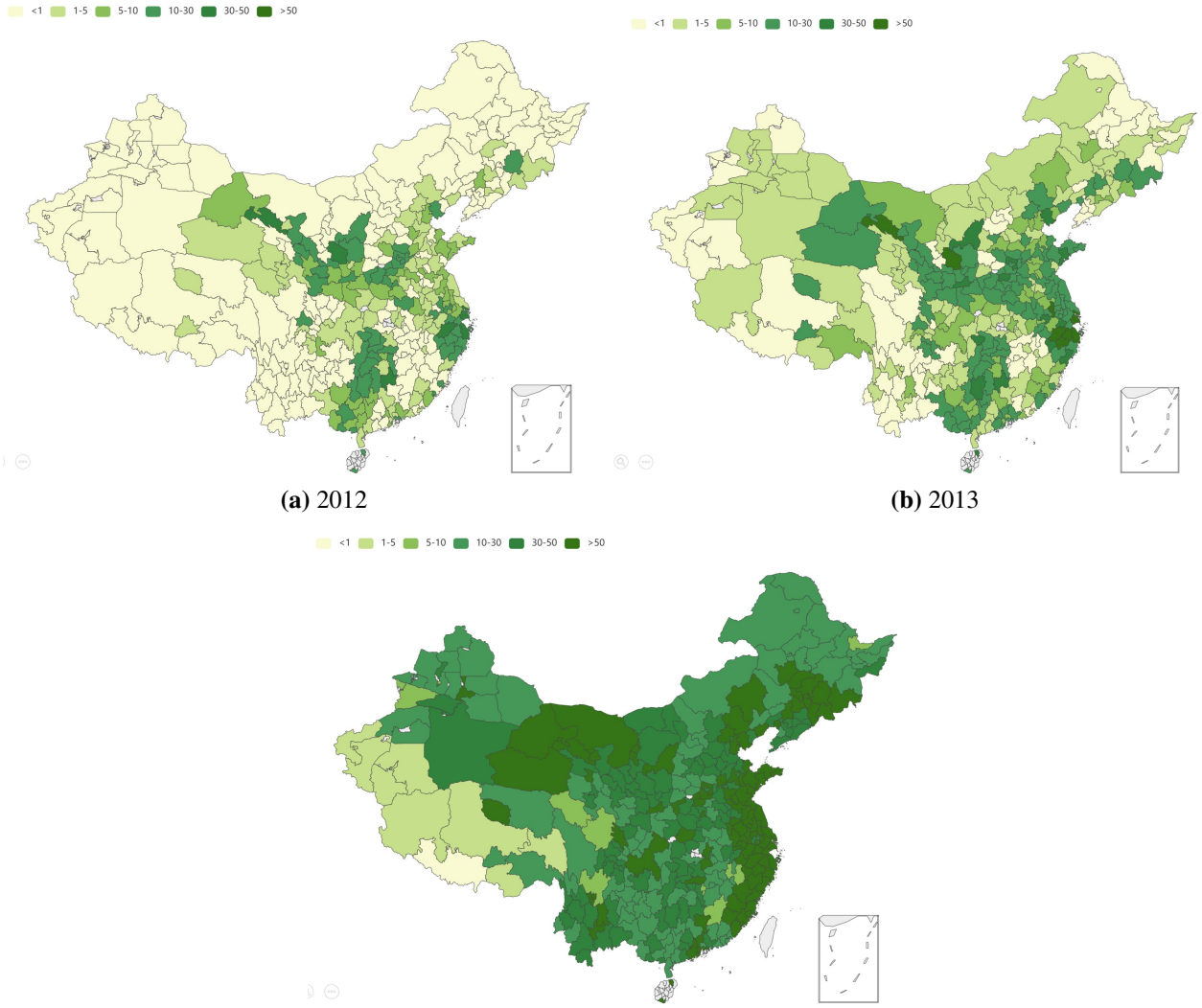
Zhang, Peng. 2023. "Anti-corruption Campaign, Political Connections, and Court Bias: Evidence from Chinese Corporate Lawsuits." *Journal of Public Economics*, 222: 104861.

Figure 1: **Court Judgment Disclosure in China Over Time**



Note: This figure shows the temporal progression of court judgment disclosure in China. The blue bar represents the number of published judgment documents in a given year (in thousands). The red line represents the number of published judgment documents per 10,000 people in a given year. Numbers of published judgment documents are collected from the *Wolters Kluwer China Law & Reference* (WKCLR) platform. Data of national population is from the National Bureau of Statistics (NBS) of China.

Figure 2: **Expansion of Court Judgment Disclosure**



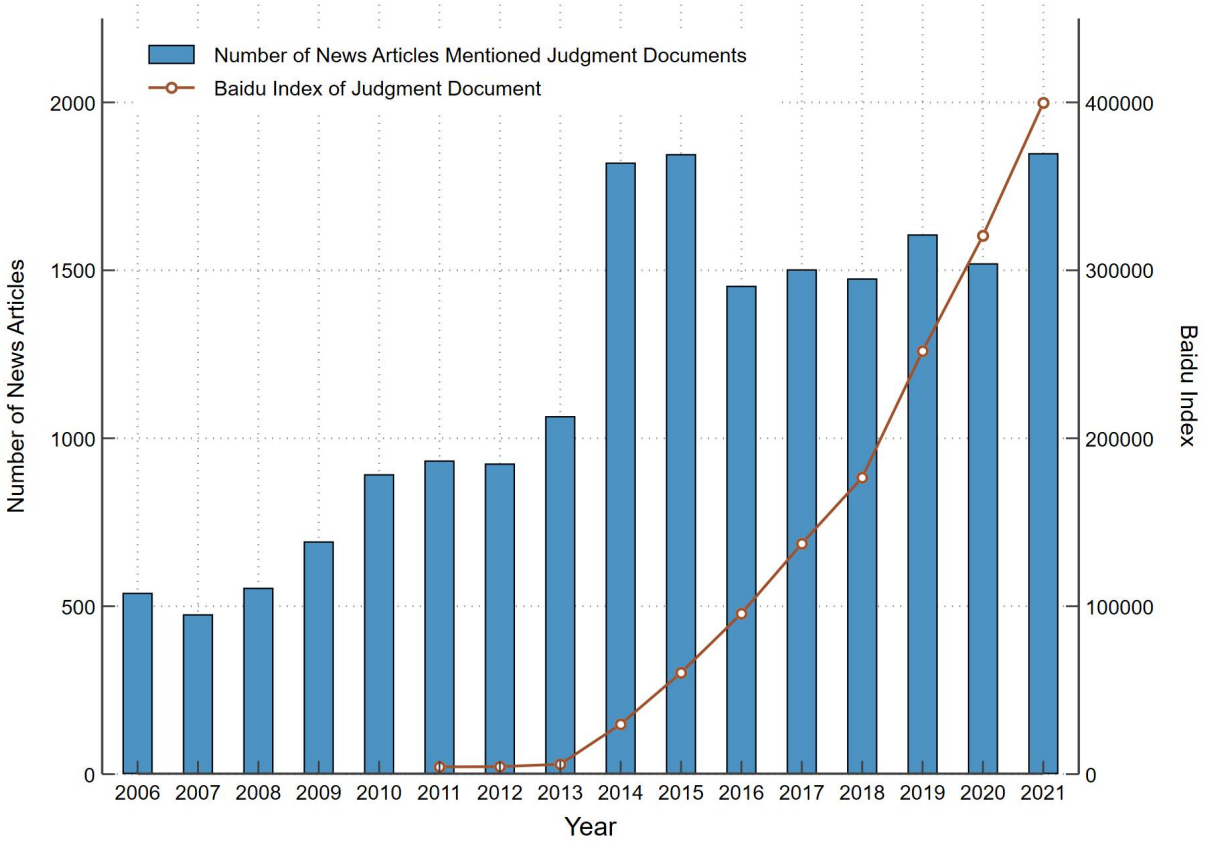
(a) 2012

(b) 2013

(c) 2014

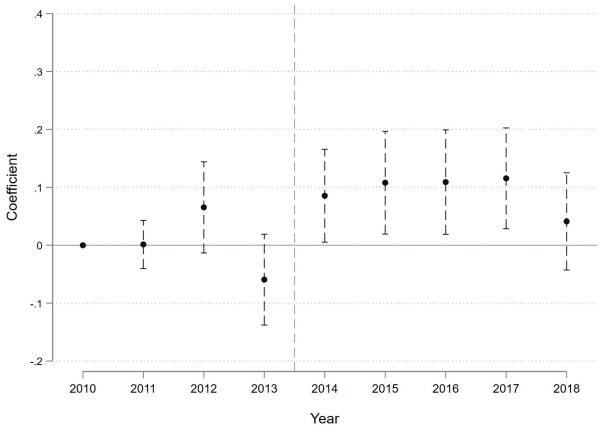
Note: This figure illustrates the expansion of court judgment disclosure at the city-level across the country. Panel (a), (b), and (c) present the city-level number of published judgment documents per 10,000 people in 2012, 2013, and 2014, respectively. The data of the number of published judgment documents is collected from the *Wolters Kluwer China Law & Reference* (WKCLR) platform. Population data is from the *China City Statistical Yearbooks*.

Figure 3: **Public Attention to Court Judgment Disclosure**

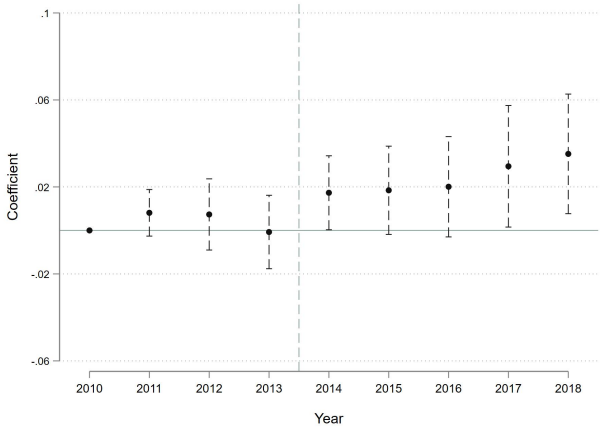


Note: This figure shows public attention to court judgment disclosure in China over time. The blue bar represents the number of newspaper articles mentioning "judgment document" in a given year. The data is collected from the China National Knowledge Infrastructure (CNKI) platform. The red line represents the Baidu search index of the term "judgment document".

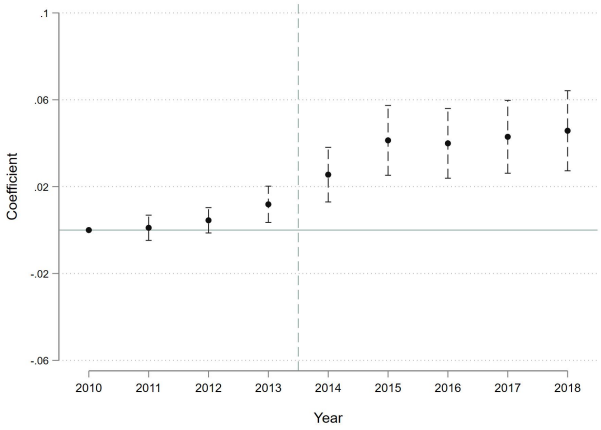
Figure 4: **Dynamics of Entrepreneurial Activities**



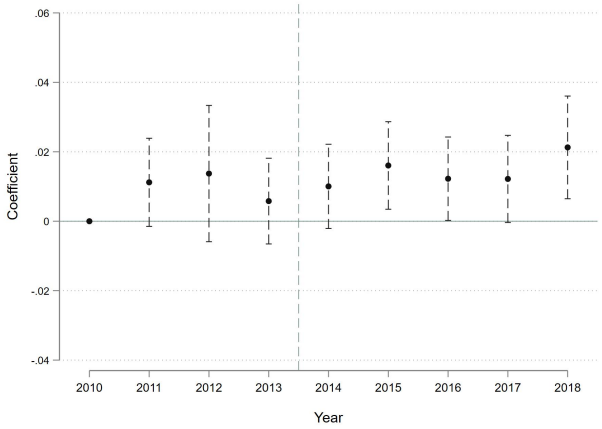
(a) Log(New Firm)



(b) New Firm Ratio



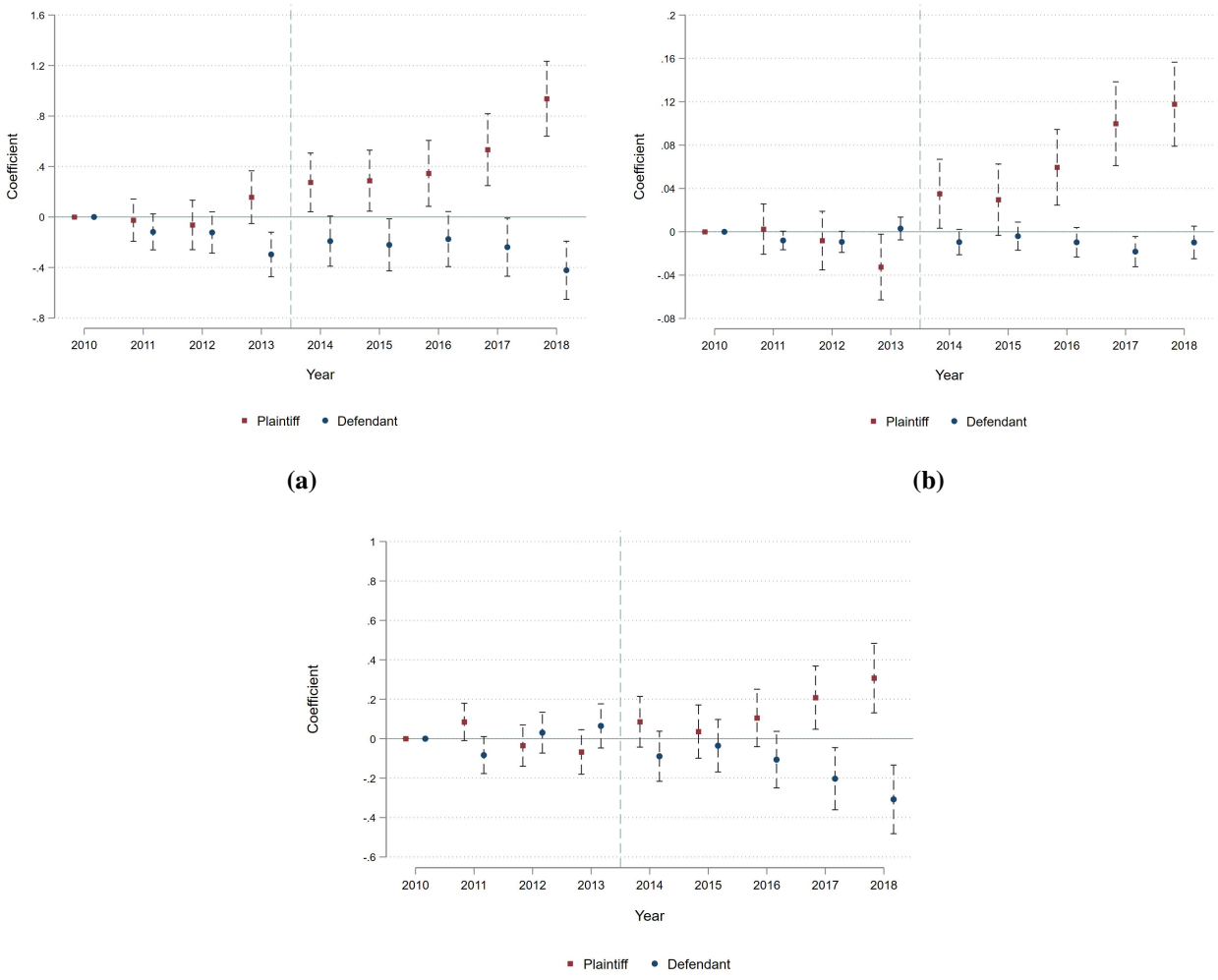
(c) Paid-in Ratio



(d) Non-SOE Ratio

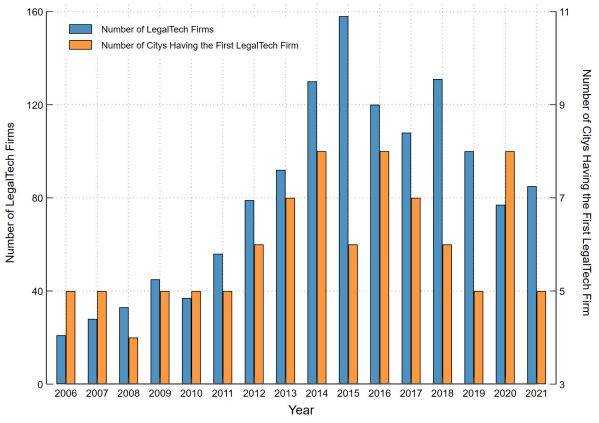
Note: This figure plots the estimated coefficients and 95 percent confidence intervals of the event studies using Equation 2. The observations are at the city-year level. The sample period is from 2010 to 2018. In Panel (a), the dependent variable is the number of newly registered firms (in logarithm). In Panel (b), the dependent variable is the ratio of the number of newly registered firms to the number of all newly registered entities. In Panel (c), the dependent variable is the proportion of new firms with paid-in capital. In Panel (d), the dependent variable is the proportion of non-state-owned firms. The year dummy of 2010 is omitted and hence serves as the reference year of the specification. City-year controls as well as year and city fixed effects are included in the regressions. Standard errors are clustered at the city level.

Figure 5: **Dynamics of Entrepreneurial Activities: Industry Heterogeneity**

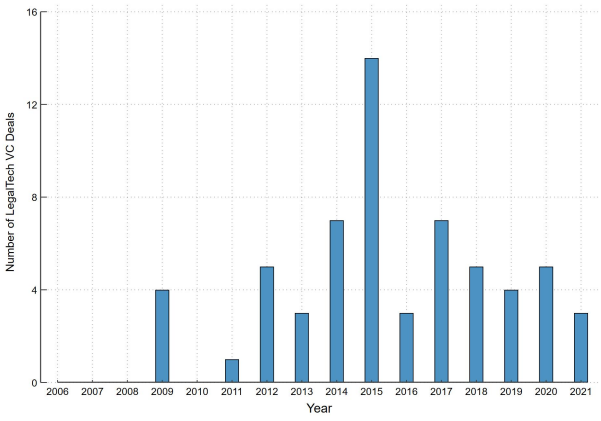


Note: This figure plots the estimated coefficients and 95 percent confidence intervals of the event studies using Equation 3 and 4, by replacing the indicator *Post* with a set of year dummies. The observations are at the city- industry-year level. The sample period is from 2010 to 2018. Panel (a) shows the dynamic effects of Column (1) in Table 5, Panel B, where litigation exposure is defined as the proportion of listed firms that had ever disclosed litigations in an industry in and before 2012. Panel (b) shows the dynamic effects of Column (2) in Table 5, Panel B, where litigation exposure is defined as the annual number of litigations of listed firms of an industry in and before 2012. Panel (c) shows the dynamic effects of Columns (3) and (4) in Table 5, Panel B, where litigation exposure is defined as the proportion of litigations in which firms were plaintiffs or defendants in an industry in and before 2012. The year dummy of 2010 is omitted and hence serves as the reference year of the specification. City-year controls as well as year and city-2 digit industry fixed effects are included in the regressions. Standard errors are clustered at the city-2 digit industry level.

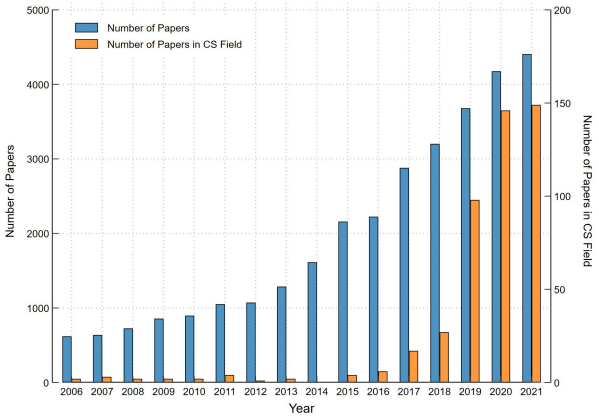
Figure 6: **Stylized Facts: The Surge of Technology-driven Legal Services**



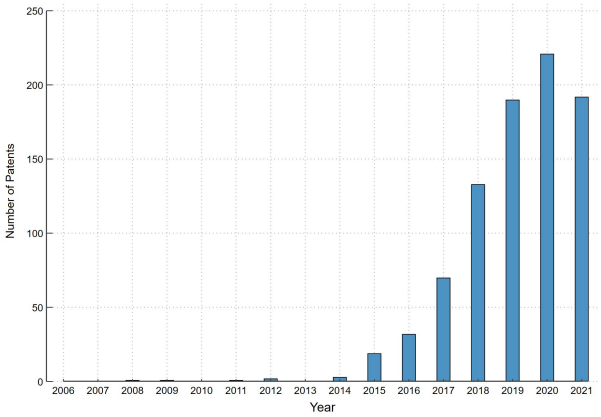
(a) Newly Registered LegalTech Firms



(b) LegalTech VC Deals



(c) Research Papers



(d) Patents

Note: In Panel (a), the blue bar represents the number of newly registered LegalTech firms in a given year; the orange bar represents the number of cities having their first LegalTech firms in a given year. The data is collected from the business registration database. Panel (b) presents the number of VC deals on LegalTech start-ups in a given year. The data is from PitchBook. In Panel (c), the blue bar represents the number of all academic papers mentioning "judgment document" in a given year, and the orange bar represents the number of academic papers in CS field mentioning "judgment document" in a given year. The data is collected from the China National Knowledge Infrastructure (CNKI) platform. Panel (d) presents the number of applied patents including the phrase "judgment document" in their titles or abstracts. The data is collected from the China National Intellectual Property Administration (CNIPA).

Table 1: **Summary Statistics**

Variable	Obs.	Mean	Std. Dev.	p5	Median	p95
Panel A: City-Year Level						
Log(New Firm)	2,737	8.294	1.267	6.366	8.228	10.586
Log(Self-Employed)	2,737	9.127	1.099	7.350	9.109	11.033
New Firm Ratio	2,737	0.297	0.136	0.129	0.270	0.583
Paid-in Ratio	2,737	0.080	0.117	0.010	0.042	0.407
Non-SOE Ratio	2,737	0.979	0.051	0.934	0.990	0.999
Log(GDP)	2,737	25.588	0.956	24.035	25.535	27.318
Log(Population)	2,737	15.032	0.734	13.709	15.118	16.074
GDP Growth Rate (%)	2,737	9.627	3.569	3.994	9.200	15.400
Population Growth Rate (%)	2,737	0.453	1.269	-1.446	0.443	2.151
GDP_Manufacturing & Service%	2,737	0.871	0.082	0.727	0.879	0.983
Log(Fiscal Spending)	2,737	23.922	0.720	22.824	23.883	25.196
Log(Employment)	2,737	12.859	0.887	11.552	12.755	14.505
CPI (%)	2,737	2.534	1.242	1.200	2.200	5.500
Panel B: Firm-Year Level						
Log(Asset)	771,138	15.207	2.713	10.779	15.128	19.976
Log(Revenue)	764,521	14.948	2.909	9.741	15.151	19.482
Log(Employees)	778,714	2.379	1.510	0.000	2.140	5.263
Profit Margin	764,308	-0.641	3.604	-1.848	0.000	0.273
Log(Investment)	782,427	5.150	5.873	0.000	0.000	15.059
Log(R&D)	782,427	0.026	0.602	0.000	0.000	0.000
Log(Patent_Appl)	782,427	0.016	0.161	0.000	0.000	0.000
Log(Patent_Grant)	782,427	0.006	0.082	0.000	0.000	0.000
Log(Patent_Cite)	782,427	0.022	0.231	0.000	0.000	0.000

Note: This table presents summary statistics of the main variables used in this paper. Panel A reports summary statistics for the city-year sample. City-level entrepreneurship measures are derived from aggregating the business registration data (See Section 3.2 for the definitions of the variables). City level controls are obtained from the China City Statistical Yearbooks. The sample period spans from 2010 to 2018. All variables are winsorized at the 1% and 99% levels. Panel B reports summary statistics for the firm-year sample, which is a subset from the NTSD by extracting observations of firms registered between 2010 and 2016. Variables of total assets, revenue, employees, profit margin, investment, and R&D are provided directly by the NTSD. Patent-related variables at the firm-level are obtained by matching the CNIPA patent database with the NTSD sample. We winsorize all innovation-related variables at the 0.1% and 99.9% levels, and winsorize the remaining variables at the 1% and 99% levels.

Table 2: **Effects of Judicial Transparency on Entrepreneurship**

	Log(New Firm)	Log(Self-Employed)	New Firm Ratio	Paid-in Ratio	Non-SOE Ratio
	(1)	(2)	(3)	(4)	(5)
Treat × Post	0.092***	-0.037	0.020***	0.034***	0.007*
	(0.031)	(0.038)	(0.007)	(0.007)	(0.004)
Log(GDP)	0.139**	0.382***	-0.075***	-0.041**	-0.013
	(0.067)	(0.140)	(0.024)	(0.020)	(0.009)
Log(Population)	-0.164	-0.403	0.089	-0.083*	-0.022
	(0.177)	(0.354)	(0.057)	(0.045)	(0.015)
GDP Growth Rate	0.000	-0.005	0.002***	-0.002***	-0.000
	(0.004)	(0.005)	(0.001)	(0.001)	(0.000)
Population Growth Rate	0.000	0.012	-0.003*	0.001	0.003***
	(0.005)	(0.008)	(0.002)	(0.001)	(0.001)
GDP Manufacturing & Service%	1.657***	0.134	0.344**	0.244**	-0.018
	(0.470)	(0.747)	(0.133)	(0.110)	(0.077)
Log(FiscalSpending)	0.292***	0.081	0.043**	0.057**	0.042***
	(0.084)	(0.121)	(0.017)	(0.024)	(0.016)
Log(Employment)	-0.077**	0.050	-0.017*	-0.026**	-0.011***
	(0.030)	(0.036)	(0.009)	(0.011)	(0.004)
Province CPI	0.007	-0.055***	0.015***	-0.016***	-0.001
	(0.016)	(0.018)	(0.004)	(0.003)	(0.003)
Constant	-0.287	2.899	-0.283	1.178	0.804**
	(2.976)	(6.223)	(0.928)	(0.801)	(0.340)
Mean of Dep. Var.	8.294	9.127	0.297	0.080	0.979
Observations	2,737	2,737	2,737	2,737	2,737
R-squared	0.978	0.943	0.839	0.883	0.294
Year FE	Yes	Yes	Yes	Yes	Yes
City FE	Yes	Yes	Yes	Yes	Yes

Note: This table reports the regression results of Equation 1. The observations are at the city-year level. The sample period is from 2010 to 2018. In Column (1), the dependent variable is the number of newly registered firms (in logarithm). In Column (2), the dependent variable is the number of newly registered self-employment. In Column (3), the dependent variable is the ratio of the number of newly registered firms to the number of all newly registered entities. In Column (4), the dependent variable is the proportion of new firms with paid-in capital. In Column (5), the dependent variable is the proportion of non-state-owned firms. Treat is a dummy that indicates whether a city is assigned into the treatment group, based on whether the city's per capita publication of judgment documents in 2012 was in the bottom tercile across cities. Post is a dummy that equals one for the years in and after 2014, and zero otherwise. We control for GDP (in log), GDP growth rate, population (in log), population growth rate, percentage of GDP from manufacturing and service sectors, fiscal spending (in log), employment population (in log), and CPI. Year and city fixed effects are included in the regressions. Standard errors are clustered at the city level. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

Table 3: **Ex-ante Judicial Transparency and City Characteristics**

	Number of Files/Population (Year = 2012)		
	(1)		(2)
Log(New Firm)	0.252	Δ Log(New Firm)	0.028
	(0.200)		(0.228)
Log(GDP)	0.094	Δ Log(GDP)	-0.464
	(0.185)		(2.314)
Log(Population)	-0.188	Δ Log(Population)	-1.029
	(0.166)		(5.630)
GDP Growth Rate	-0.009	Δ GDP Growth Rate	0.028
	(0.037)		(0.029)
Population Growth Rate	0.025	Δ Population Growth Rate	0.045
	(0.041)		(0.045)
GDP_Manufacturing & Service%	-0.522	Δ GDP_Manufacturing & Service%	4.444
	(0.953)		(9.822)
Log(FiscalSpending)	-0.184	Δ Log(FiscalSpending)	-3.088**
	(0.207)		(1.359)
Log(Employment)	0.021	Δ Log(Employment)	0.154
	(0.124)		(0.529)
CPI	-0.488	Δ CPI	-0.821**
	(0.331)		(0.354)
Constant	5.020	Constant	-1.079
	(5.430)		(1.069)
Observations	317	Observations	297
R-squared	0.133	R-squared	0.217

Note: This table examines whether local economic conditions and pre-existing trends could predict the level of ex-ante judicial transparency. The observations are at the city level. The sample year is 2012. The dependent variable is a city's per capita publication of judgment documents. The independent variables are the number of newly registered firms (in log), GDP (in log), GDP growth rate, population (in log), population growth rate, percentage of GDP from manufacturing and service sectors, fiscal spending (in log), employment population (in log), and CPI in Column (1), and the annual changes of these variables in Column (2). Standard errors are clustered at the province level. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

Table 4: **Addressing Identification Concerns**

	Dependent Variable: Log(New Firm)								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Treat × Post	0.095***	0.098***	0.105***	0.110***	0.095***	0.091***	0.093***	0.095***	-0.011
	(0.031)	(0.032)	(0.031)	(0.032)	(0.031)	(0.031)	(0.030)	(0.030)	(0.038)
Law Degree	-0.024			-0.006					
	(0.025)			(0.024)					
SPC Experience		0.046		0.034					
		(0.031)		(0.031)					
Hometown Province			-0.103***	-0.099***					
			(0.027)	(0.027)					
Jud. Ind. Reform					-0.065***			-0.064***	
					(0.019)			(0.019)	
Bus. Reg. Reform						0.113*		0.083	
						(0.068)		(0.071)	
Anti-corruption							0.063***	0.061***	
							(0.020)	(0.020)	
Post × High Dis. Rate									-0.114***
									(0.038)
Treat × Post × High Dis. Rate									0.202***
									(0.057)
Observations	2,737	2,737	2,737	2,737	2,737	2,737	2,737	2,737	2,731
R-squared	0.978	0.978	0.978	0.978	0.978	0.978	0.978	0.978	0.978
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
City FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Note: This table addresses identification concerns by estimating Equation 1 with additional controls. The observations are at the city-year level. The sample period is from 2010 to 2018. The dependent variable is the number of newly registered firms (in logarithm). Treat is a dummy that indicates whether a city is assigned into the treatment group, based on whether the city's per capita publication of judgment documents in 2012 was in the bottom tercile across all cities. Post is a dummy that equals one for the years in and after 2014, and zero otherwise. Law Degree indicates whether the provincial court president has any law degrees. SPC Experience indicates whether the provincial court president has worked in the SPC. Hometown Province indicates whether the provincial court president worked in his/her birth province. Jud. Ind. Reform, Bus. Reg. Reform, and Anti-corruption are indicators of the judicial independence reform, the business registration reform, and the anti-corruption campaign, respectively. High Dis. Rate is a dummy indicating whether a city had higher (above-median) average disclosure rate on the CJO website between 2014 and 2018. We control for GDP (in log), GDP growth rate, population (in log), population growth rate, percentage of GDP from manufacturing and service sectors, fiscal spending (in log), employment population (in log), and CPI. Year and city fixed effects are included in the regressions. Standard errors are clustered at the city level. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

Table 5: **Triple Differences: Industry Litigation Risk Exposure**

Panel A: Overall Litigation Exposure		
	Dependent Variable: Log(New Firm)	
	Exposure: % of firms with litigations	Exposure: Ave. # of litigations per firm
	(1)	(2)
Treat × Post	-0.065**	-0.029*
	(0.028)	(0.017)
Litigation × Post	-0.224***	0.007***
	(0.040)	(0.002)
Litigation × Treat × Post	0.189***	0.011**
	(0.073)	(0.073)
Observations	169,694	169,694
R-squared	0.903	0.903
Controls	Yes	Yes
Year FE	Yes	Yes
City-Industry FE	Yes	Yes

(Continued on next page)

Panel B: Litigation Exposure of Being Plaintiffs/Defendants				
	Dependent Variable: Log(New Firm)			
	Exposure: % of firms with litigations as plaintiffs or defendants	Exposure: Ave. # of litigations as plaintiffs or defendants per firm	Exposure: % of litigations as plaintiffs or defendants	
	(1)	(2)	(3)	(4)
Treat × Post	-0.073***	-0.048***	-0.042**	0.109**
	(0.027)	(0.018)	(0.021)	(0.045)
Litigation_Plaintiff × Post	1.883***	0.310***	0.755***	
	(0.061)	(0.008)	(0.035)	
Litigation_Plaintiff × Treat × Post	0.470***	0.079***	0.155**	
	(0.106)	(0.014)	(0.064)	
Litigation_Defendant × Post	-1.413***	-0.073***		-0.749***
	(0.049)	(0.003)		(0.034)
Litigation_Defendant × Treat × Post	-0.131	-0.007		-0.153**
	(0.086)	(0.006)		(0.062)
Observations	169,694	169,694	164,220	164,220
R-squared	0.906	0.907	0.906	0.906
Controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
City-Industry FE	Yes	Yes	Yes	Yes

Note: This table presents the estimation results of Equation 3 and 4. The observations are at the city-industry-year level. The sample period is from 2010 to 2018. In Panel A, Litigation denotes overall litigation exposure, while in Panel B, Litigation_Plaintiff and Litigation_Defendant denote litigation exposure prone to be plaintiffs and defendants, respectively. In Columns (1) of both panels, litigation exposure is defined as the proportion of listed firms in an industry that have been involved in litigation in and before 2012. In Columns (2) of both panels, litigation exposure is defined as the average number of annual litigations per listed firm in an industry in and before 2012. In Columns (3) and (4) of Panel B, litigation exposure is defined as the proportion of litigations in which listed firms in an industry are involved, either as plaintiffs or defendants, in and before 2012. Treat is a dummy that indicates whether a city is assigned into the treatment group, based on whether the city's per capita publication of judgment documents in 2012 was in the bottom tercile across all cities. Post is a dummy that equals one for the years in and after 2014, and zero otherwise. We control for GDP (in log), GDP growth rate, population (in log), population growth rate, percentage of GDP from manufacturing and service sectors, fiscal spending (in log), employment population (in log), and CPI. Year and city-2 digit industry fixed effects are included in the regressions. Standard errors are clustered at the city-2 digit industry level. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

Table 6: **Heterogeneous Effects: By Trust**

	Dependent Variable: Log(New Firm)			
	Overall Trust		Trust in Local Government	
	High	Low	High	Low
	(1)	(2)	(3)	(4)
Treat × Post	0.017	0.169***	0.041	0.135***
	(0.044)	(0.043)	(0.052)	(0.040)
Equality test	$p = 0.013$		$p = 0.124$	
Observations	1,372	1,331	1,283	1,420
R-squared	0.980	0.976	0.973	0.980
Controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
City FE	Yes	Yes	Yes	Yes
	Trust in Judges		Trust in Firm Executives	
	High	Low	High	Low
	(5)	(6)	(7)	(8)
Treat × Post	0.060	0.080**	0.076*	0.081**
	(0.049)	(0.039)	(0.045)	(0.041)
Equality test	$p = 0.726$		$p = 0.813$	
Observations	1,351	1,352	1,377	1,326
R-squared	0.973	0.981	0.975	0.980
Controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
City FE	Yes	Yes	Yes	Yes

Note: This table compares the estimation results of Equation 1 between subsamples of provinces with trust levels above and below the median. The observations are at the city-year level. The sample period is from 2010 to 2018. Trust is measured by averaging the scores of respondents' answers within each province, as recorded in the 2012 CGSS data. Columns (1) - (2) present effect heterogeneity by overall trust. Columns (3) - (4), (5) - (6), (7) - (8) present effect heterogeneity by trust in local government, judges, and firm executives, respectively. The dependent variable is the number of newly registered firms (in logarithm). Treat is a dummy that indicates whether a city is assigned into the treatment group, based on whether the city's per capita publication of judgment documents in 2012 was in the bottom tercile across all cities. Post is a dummy that equals one for the years in and after 2014, and zero otherwise. We control for GDP (in log), GDP growth rate, population (in log), population growth rate, percentage of GDP from manufacturing and service sectors, fiscal spending (in log), employment population (in log), and CPI. Year and city fixed effects are included in the regressions. Standard errors are clustered at the city level. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

Table 7: **Heterogeneous Effects: By Business Environment**

	Dependent Variable: Log(New Firm)			
	Perk Spending/Revenue		Fees/Revenue	
	High	Low	High	Low
	(1)	(2)	(3)	(4)
Treat × Post	0.147***	0.020	0.137***	0.024
	(0.044)	(0.036)	(0.044)	(0.042)
Equality test	$p = 0.066$		$p = 0.062$	
Observations	1,284	1,412	1,323	1,373
R-squared	0.982	0.976	0.977	0.980
Controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
City FE	Yes	Yes	Yes	Yes

Note: This table compares the estimation results of the baseline Equation 1 between subsamples of cities with better and poorer (than the median) business environment. The observations are at the city-year level. In Column (1) - (2) and (3) - (4), business environment is respectively defined as the city average of perk spending rate and administrative fee rate (i.e., the amount of corresponding spendings to total revenue) of individual firms in 2012, derived from the NTSD. The dependent variable is the city-year numbers of newly registered firms (in logarithm). Treat is a dummy that indicates whether a city is assigned into the treatment group, based on whether the city's per capita publication of judgment documents in 2012 was in the bottom terciles of all cities. Post is a dummy that equals one for the years in and after 2014, and zero otherwise. We control for GDP (in log), GDP growth rate, population (in log), population growth rate, percentage of GDP from manufacturing and service sectors, fiscal spending (in log), employment population (in log), and CPI. Standard errors are clustered at the city level. The sample period is from 2010 to 2018. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

Table 8: **Effect of LegalTech Firm Entry on Entrepreneurship**

	Dependent Variable: Log(New Firm)	
	(1)	(2)
LegalTech	0.069**	0.058***
	(0.035)	(0.019)
Log(New Firm)$_{t-1}$		0.547***
		(0.027)
Observations	2,737	2,737
R-squared	0.978	0.984
Controls	Yes	Yes
Year FE	Yes	Yes
City FE	Yes	Yes

Note: This table examines the effect of LegalTech firm entry on a city's entrepreneurship using Equation 5. The observations are at the city-year level. The sample period is from 2010 to 2018. The dependent variable is the city-year numbers of newly registered firms (in logarithm). LegalTech is a dummy indicating whether a city has had its first LegalTech firm. Column (2) adds lagged value of the dependent variable as a control. We control for GDP (in log), GDP growth rate, population (in log), population growth rate, percentage of GDP from manufacturing and service sectors, fiscal spending (in log), employment population (in log), and CPI. Year and city fixed effects are included in the regressions. Standard errors are clustered at the city level. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

Table 9: **Performance of Entrepreneurship**

	Log(Asset)	Log(Revenue)	Log(Employees)	Profit Margin	Log(Investment)
	(1)	(2)	(3)	(4)	(5)
Panel A: Founding Year Only					
Treat × Post	0.042	0.014	0.078*	0.388***	0.491**
	(0.097)	(0.122)	(0.046)	(0.085)	(0.236)
Observations	71,999	70,808	73,159	70,595	73,534
R-squared	0.278	0.291	0.333	0.045	0.140
Controls	Yes	Yes	Yes	Yes	Yes
City FE	Yes	Yes	Yes	Yes	Yes
Establishment Year FE	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Panel B: All Sample Years					
Treat × Post	0.170***	0.266***	0.127***	0.237***	0.333***
	(0.048)	(0.050)	(0.027)	(0.044)	(0.087)
Observations	718,234	712,441	725,214	712,239	728,673
R-squared	0.305	0.256	0.310	0.024	0.146
Controls	Yes	Yes	Yes	Yes	Yes
City FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Establishment Year FE	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes

Note: This table examines the effect of the mandated judgment disclosure policy on the performance of entrepreneurship using firm-level data from the NTSD. The sample period is from 2010 to 2016. Dependent variables are total assets (in log), revenue (in log), employees (in log), profit margin, and investments (in log). Treat is a dummy that indicates whether the city in which the firm is located is assigned into the treatment group, based on whether the city's per capita publication of judgment documents in 2012 was in the bottom tercile across all cities. Post is a dummy that equals one for the years in and after 2014, and zero otherwise. In Panel A, we estimate Equation 6 using only the founding-year observations of the firms. In Panel B, we estimate Equation 7 with all sample years. City, establishment year, and 2-digit industry fixed effects are included in regressions in both panels. Year fixed effects are further included in Panel B. City-level control variables are GDP (in log), GDP growth rate, population (in log), population growth rate, percentage of GDP from manufacturing and service sectors, fiscal spending (in log), employment population (in log), and CPI. Standard errors are clustered at the city-industry level. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

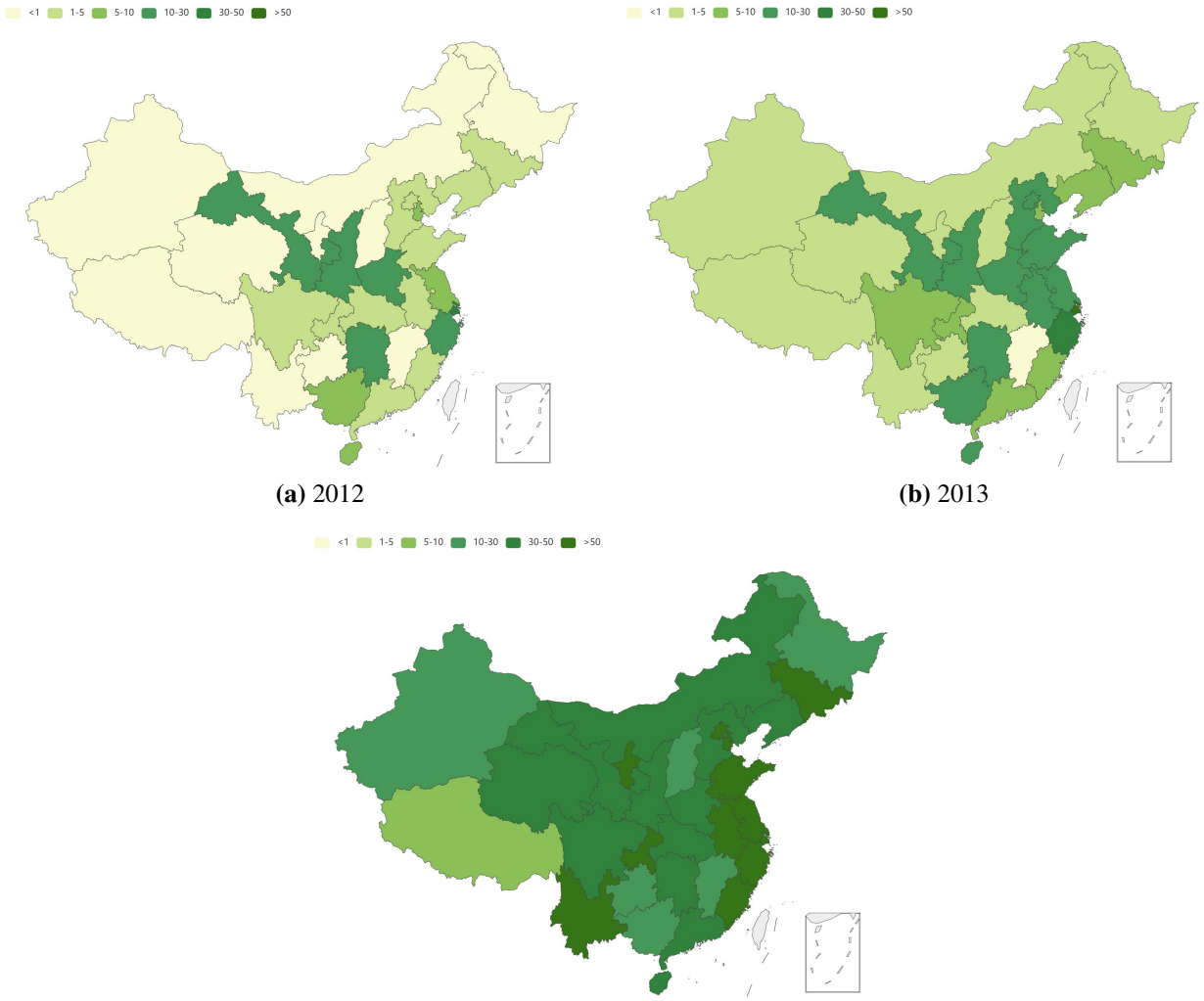
Table 10: **Innovation Outcomes of Entrepreneurship**

	Log(R&D)	Log(Patent_Appl)	Log(Patent_Grant)	Log(Patent_Cite)
	(1)	(2)	(3)	(4)
Panel A: Founding Year Only				
Treat × Post	0.030***	-0.002	-0.001	-0.003
	(0.012)	(0.002)	(0.001)	(0.003)
Observations	73,534	73,534	73,534	73,534
R-squared	0.018	0.019	0.012	0.017
Controls	Yes	Yes	Yes	Yes
City FE	Yes	Yes	Yes	Yes
Establishment Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Panel B: All Sample Years				
Treat × Post	0.020***	0.003***	0.002***	0.005***
	(0.003)	(0.001)	(0.000)	(0.001)
Observations	728,673	728,673	728,673	728,673
R-squared	0.023	0.039	0.025	0.032
Controls	Yes	Yes	Yes	Yes
City FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Establishment Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes

Note: This table examines the effect of the mandated judgment disclosure policy on innovation outcomes of entrepreneurial firms using firm-level data from the NTSD. The sample period is from 2010 to 2016. Dependent variables are logarithm of a firm's R&D investment, patent applications, granted patents, and forward citations of applied patents. Treat is a dummy that indicates whether the city in which the firm is located is assigned into the treatment group, based on whether the city's per capita publication of judgment documents in 2012 was in the bottom tercile across all cities. Post is a dummy that equals one for the years in and after 2014, and zero otherwise. In Panel A, we estimate Equation 6 using only the founding-year observations of the firms. In Panel B, we estimate Equation 7 with all sample years. City, establishment year, and 2-digit industry fixed effects are included in regressions in both panels. Year fixed effects are further included in Panel B. City-level control variables are GDP (in log), GDP growth rate, population (in log), population growth rate, percentage of GDP from manufacturing and service sectors, fiscal spending (in log), employment population (in log), and CPI. Standard errors are clustered at the city-industry level. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

Appendix A Additional Figures and Tables For Online Publication

Figure A.1: **Expansion of Court Judgment Disclosure (Province Level)**

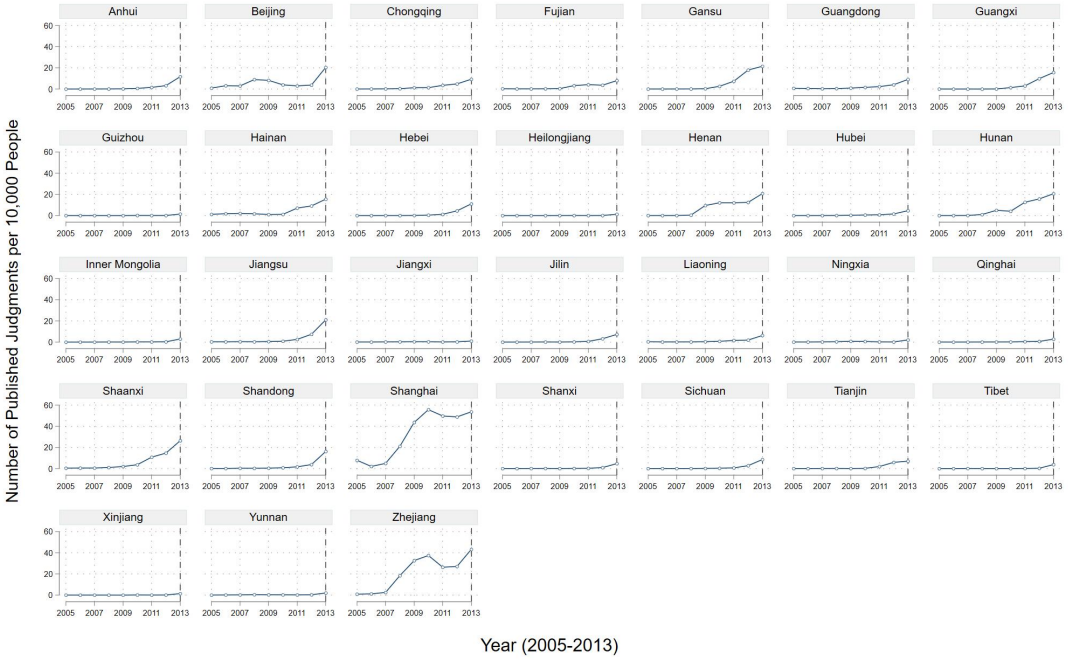


(a) 2012 **(b)** 2013

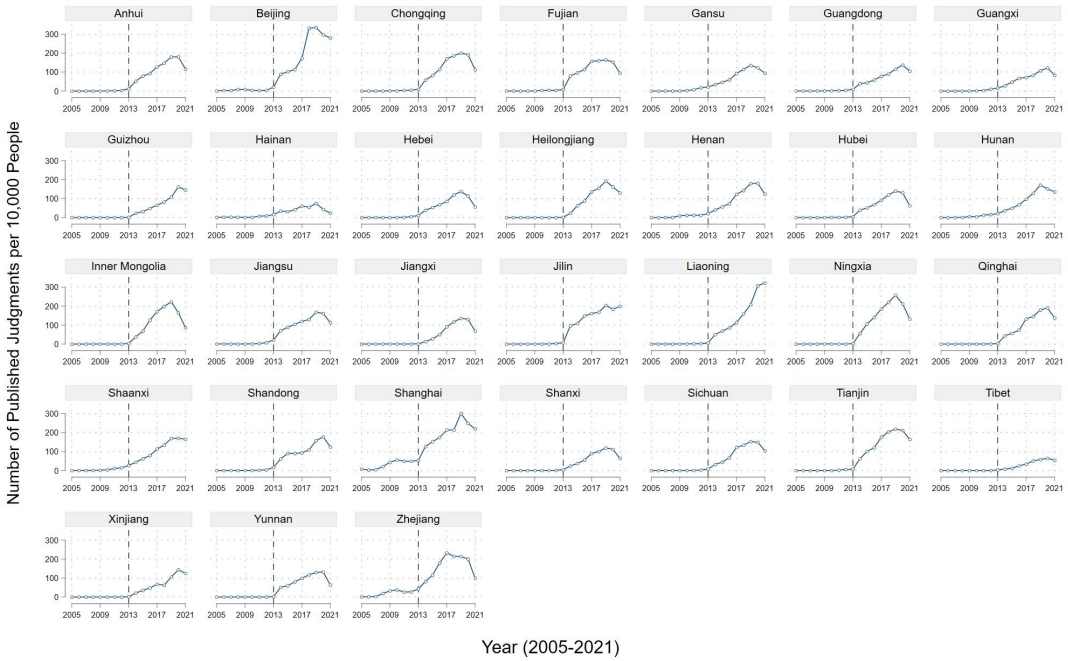
(c) 2014

Note: This figure illustrates the expansion of court judgment disclosure at the province-level across the country. Panel (a), (b), and (c) present the provincial number of published judgment documents per 10,000 people in 2012, 2013, and 2014, respectively. The data of the number of published judgment documents is collected from the *Wolters Kluwer China Law & Reference* (WKCLR) platform. Provincial population data is collected from the National Bureau of Statistics (NBS) of China.

Figure A.2: **Court Judgment Disclosure Over Time By Province**



(a) Before



(b) Before and After

Note: This figure illustrates the time trend of court judgment disclosure of 31 provinces (except Hong Kong, Macau, and Taiwan) in China. The vertical axis represents the number of published judgment documents per 10,000 people. Panel (a) shows the time trend from 2005 to 2013. Panel (b) shows the time trend from 2005 to 2021. The data of the number of published judgment documents is collected from the *Wolters Kluwer China Law & Reference* (WKCLR) platform. Provincial population data is collected from the National Bureau of Statistics (NBS) of China.

Figure A.3: **Frontpage of the Wolters Kluwer China Law & Reference Website**

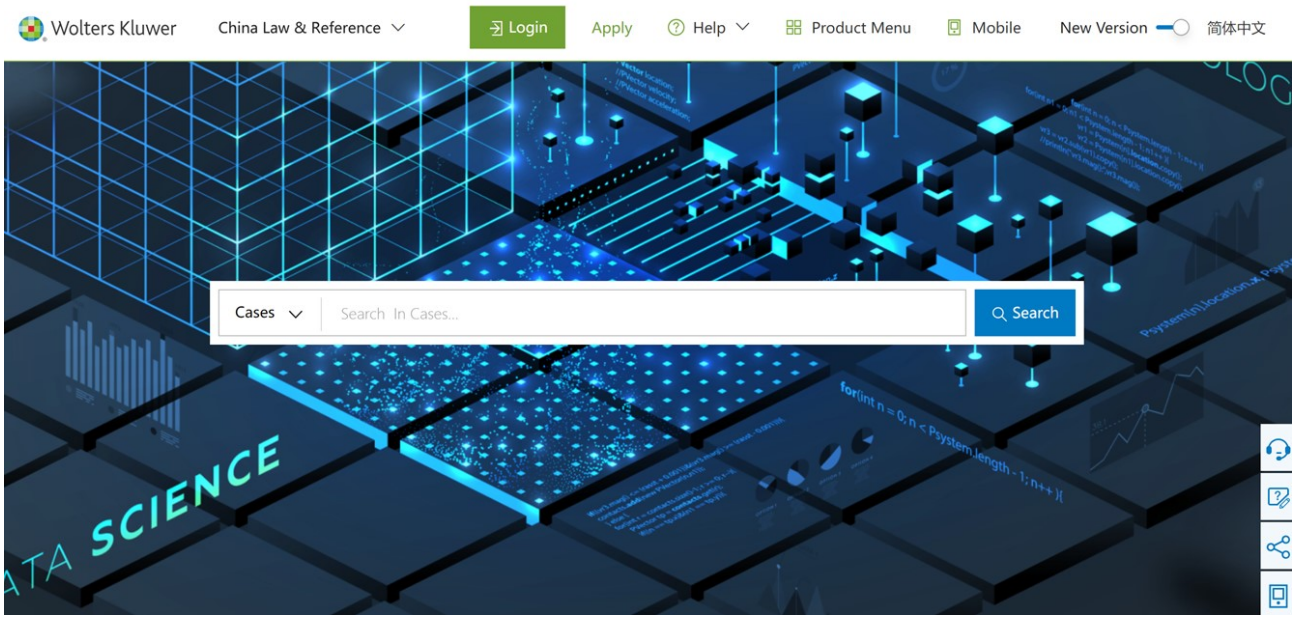
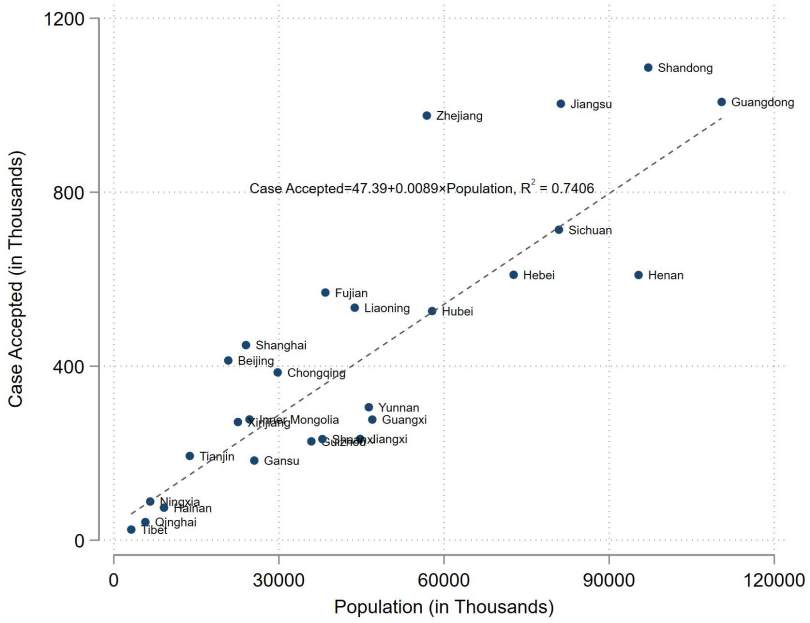
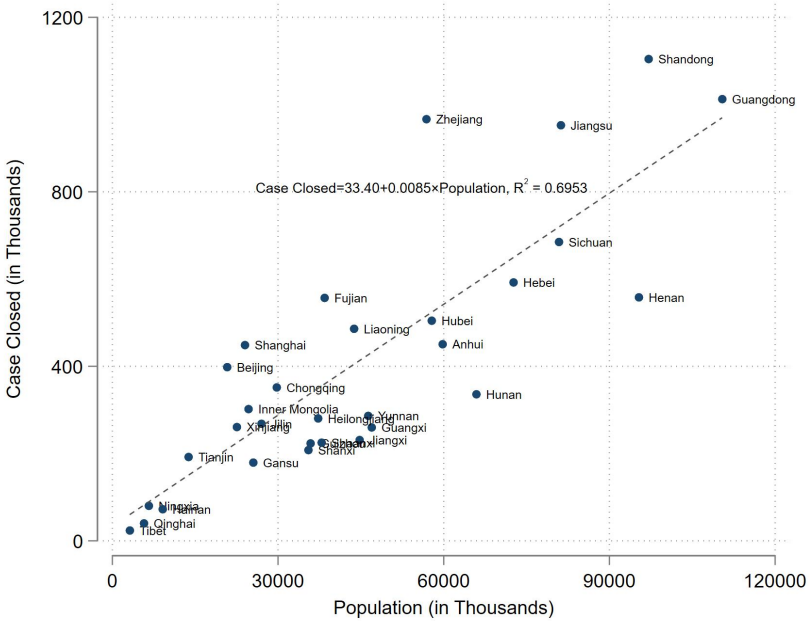


Figure A.4: **Court Cases and Population in 2012**



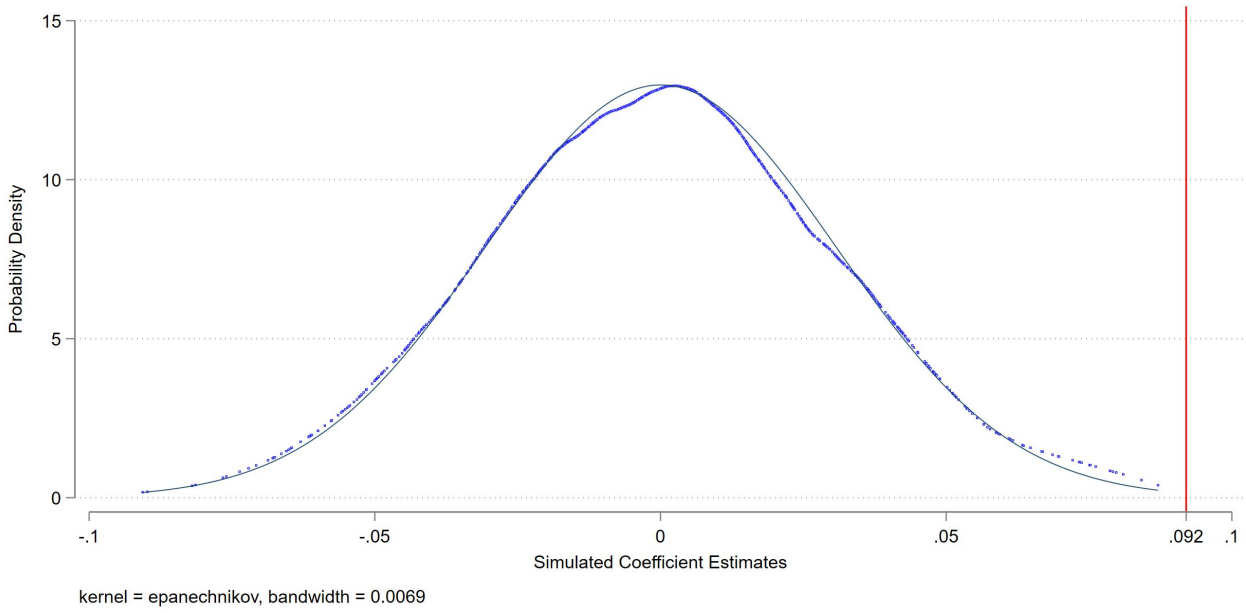
(a) Case Accepted



(b) Case Closed

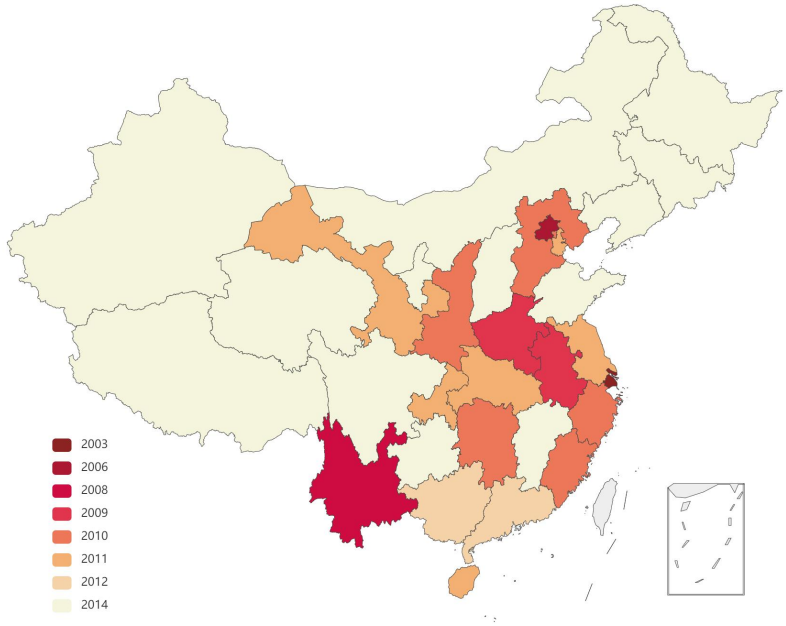
Note: This figure shows the correlation between provincial number of court cases and population in 2012. The horizontal axis represents provincial population. In Panel (a), the vertical axis represents total cases accepted by courts in a province. In Panel (b), the vertical axis represents total cases closed by courts in a province. Data of provincial number of court cases is collected from annual reports of provincial courts. Provincial population data is collected from the National Bureau of Statistics (NBS) of China.

Figure A.5: **Randomly Assigned Treatment and Control Cities**

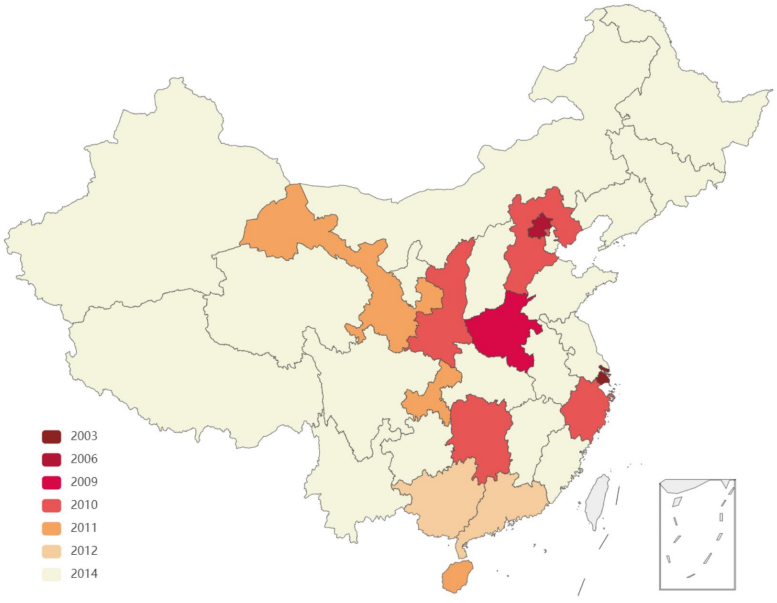


Note: This figure shows the results of the falsification test. We repeat Equation 1 or 1,000 times with randomly falsified treatment and control groups, and plot the empirical density of the estimated coefficients as well as the standard normal distribution. The vertical red line presents the estimate of treatment effect reported in Column (1) of Table 2.

Figure A.6: **Provincial Court Judgment Disclosure Policy**



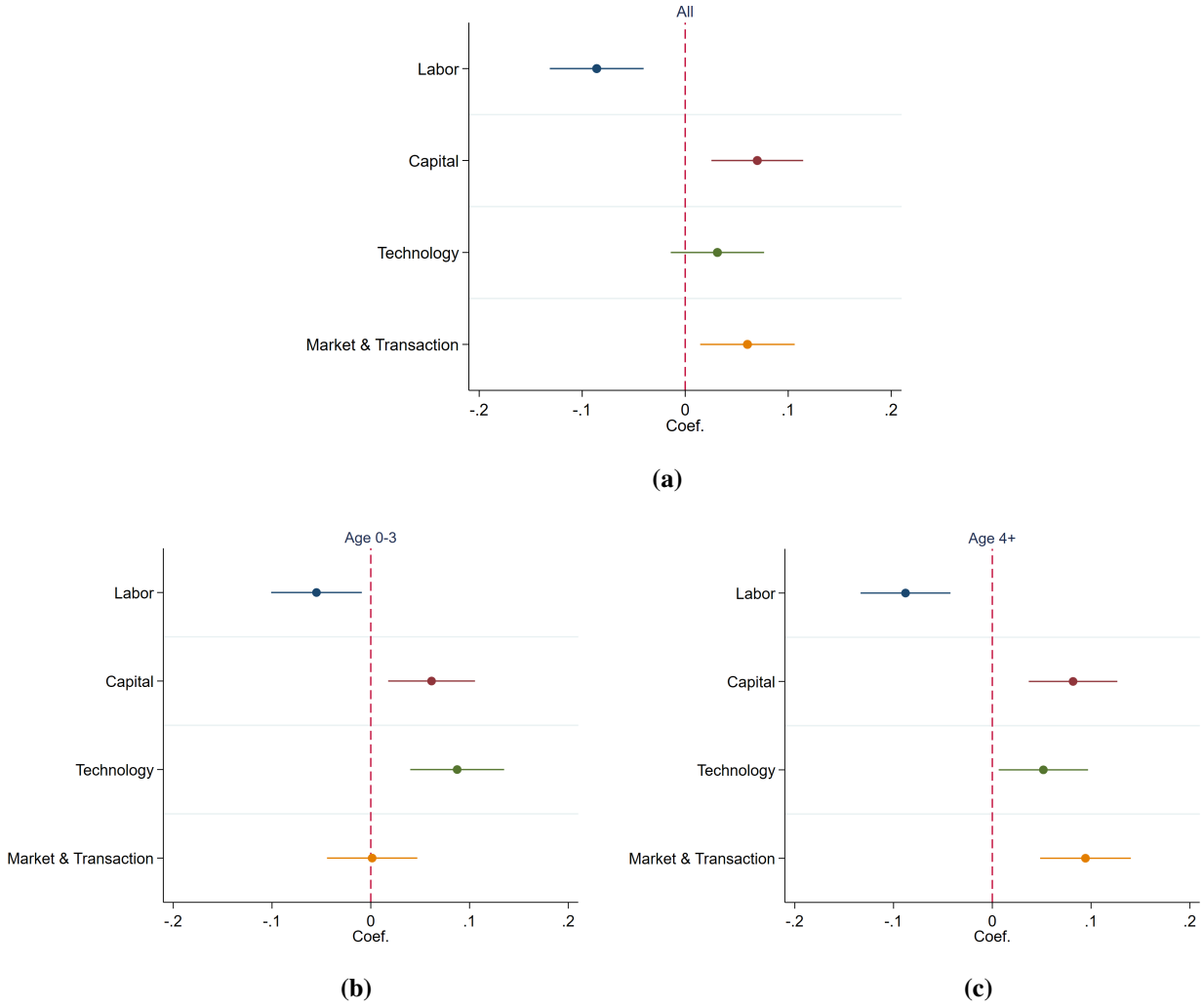
(a) Weak & Strong Policies



(b) Strong Policies Only

Note: This figure illustrates the roll-out of provincial policies of court judgment disclosure voluntarily formulated by provincial courts before 2014. Strong policies are those with *de facto* enforcement (12 provinces), while weak policies are those with weakest enforcement (6 provinces). Panel (a) illustrates the roll-out of both weak and strong policies. Panel (b) illustrates the roll-out of strong policies only.

Figure A.7: **Triple Differences: Different Types of Industry Litigation Exposure**



Note: This figure plots the estimated coefficients and confidence intervals from estimating Equation 3, where $Litigation_j$ is replaced with an indicator of high exposure to each of the four types of litigation across industries, separately. In Panel (a), we plot the results using the full matched sample to calculate the proportions of different litigation types across industries. In Panels (b) and (c), we plot the results using the 0 to 3-year-old sample and the over 3-year-old sample, respectively, to calculate the proportions of different litigation types across industries. City-year controls as well as year and city-2 digit industry fixed effects are included in the regressions. Standard errors are clustered at the city-2 digit industry level.

Figure A.8: **Word Clouds for the 15 LDA Topics**



Topic 1: Corporate Risk Assessment & Management



Topic 2: Legal Knowledge Graph Construction & Application



Topic 3: Electronic Data Management & Intelligent Archiving



Topic 4: Data Storage Optimization & Information Retrieval



Topic 5: Corporate Credit Risk Evaluation & Early Warning Systems



Topic 6: Legal Document Element Extraction



Topic 7: Legal Case Information Processing & Evidence Analysis



Topic 8: Judicial Entity Recognition & Behavior Prediction



Topic 9: Case Matching & Recommendation



Topic 10: Legal Text Analysis & Natural Language Processing



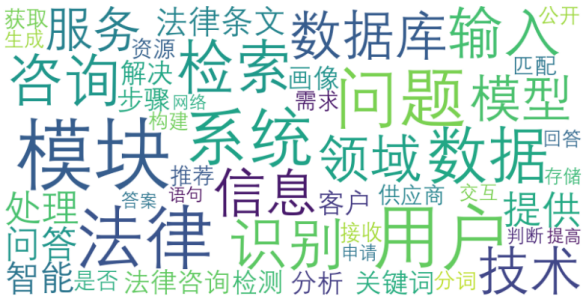
Topic 11: Legal Predictive Model Training & Application



Topic 12: Legal Knowledge Graph Extraction & Structuring



Topic 13: Automated Judicial Document Generation & Publication

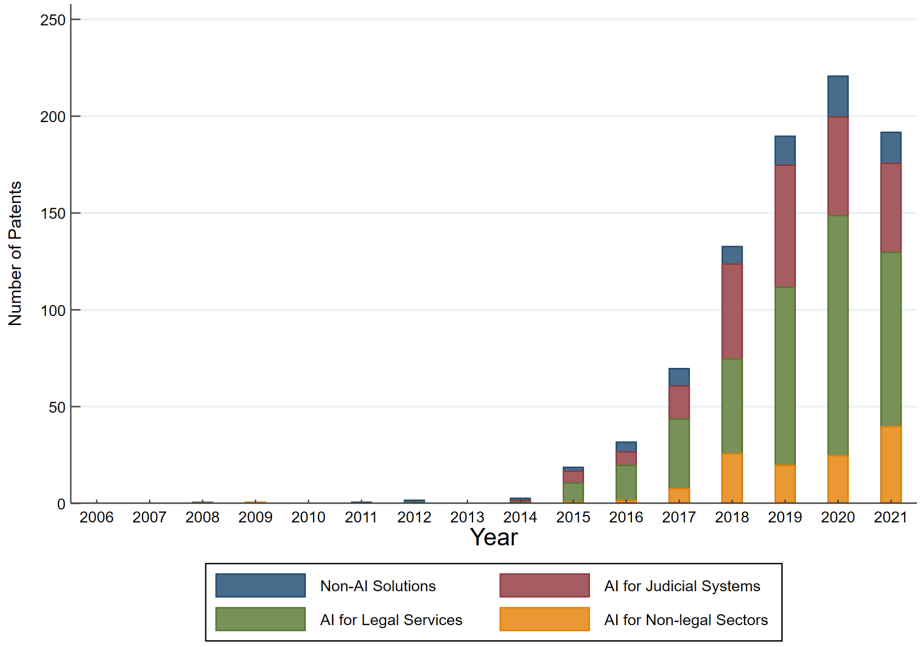


Topic 14: Intelligent Legal Consultation & User Interaction Systems

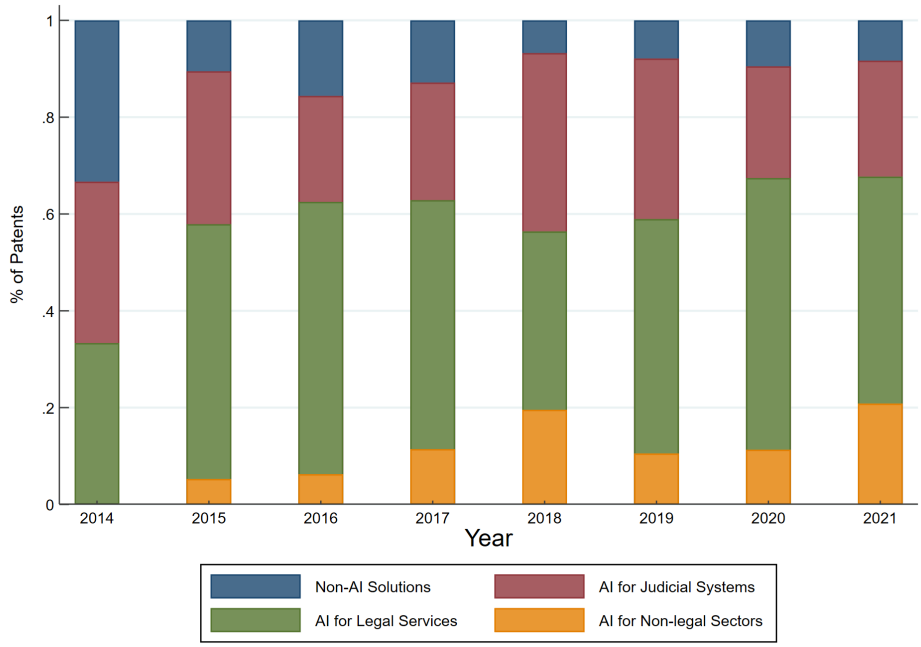


Topic 15: Dispute Focus & Litigation Analysis

Figure A.8: **Distribution of Judgment Document-Related Patents Over Time: By Targeted Service Sectors**



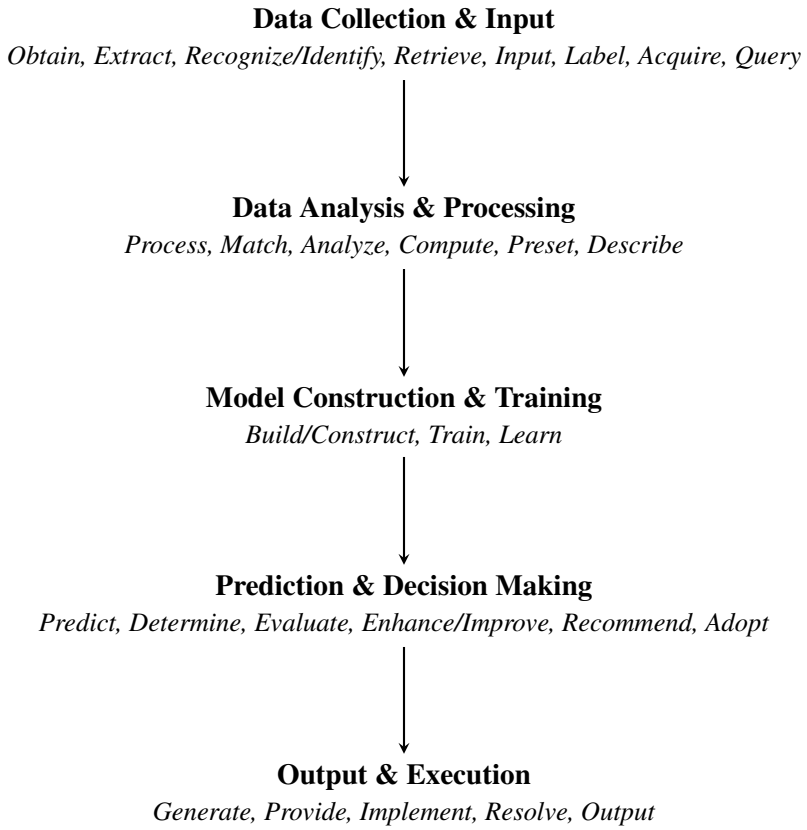
(a) Number of Patents



(b) Percentage of Patents

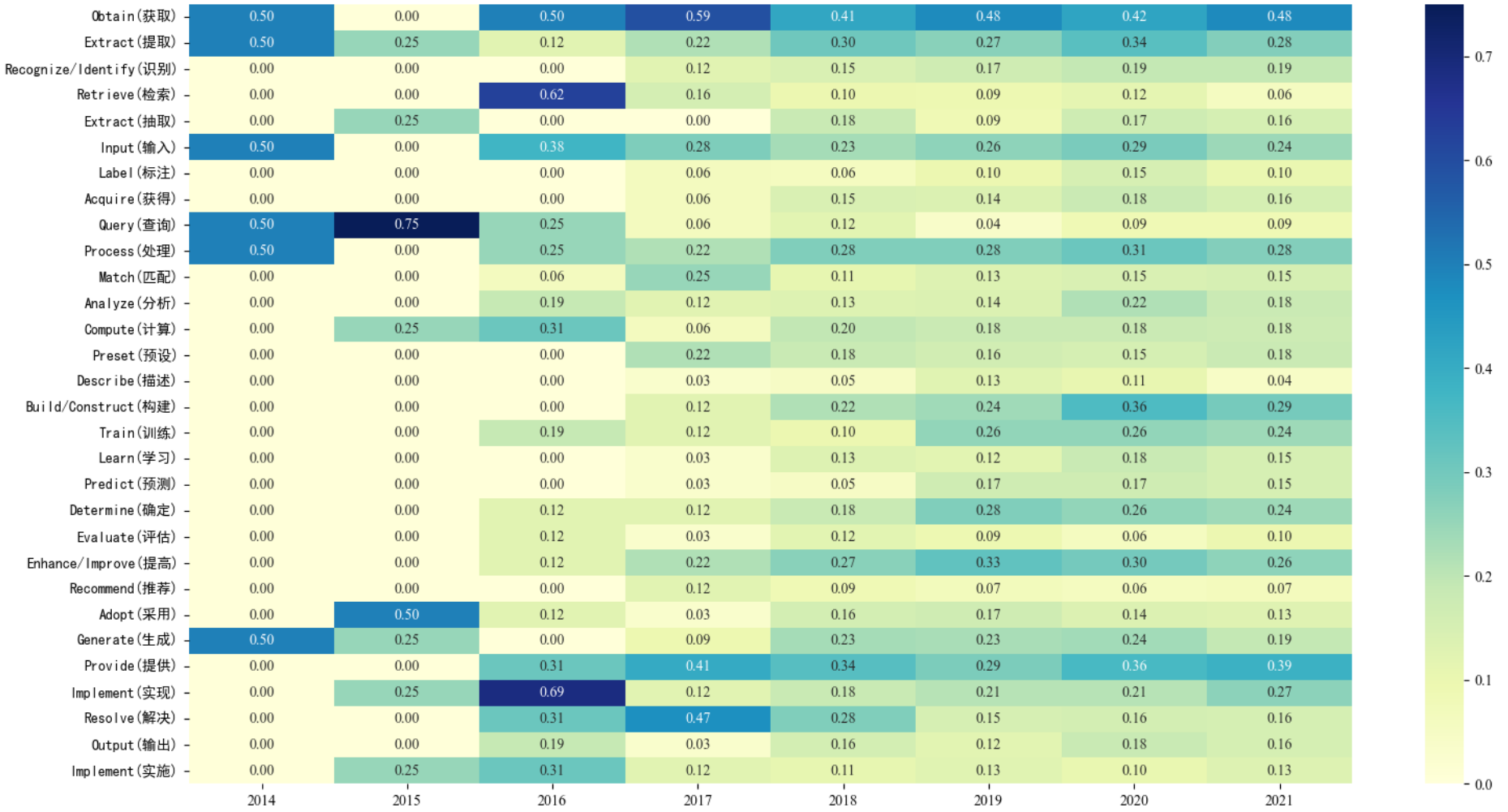
Note: Panel (a) shows the number of judgment document-related patent applications in the category of non-AI solution, AI for judicial system, AI for legal services, and AI for non-legal sectors, respectively, over time. See Section 6.2.3 for the details of topic categorization. Panel (b) shows the proportional distribution of the four categories relative to the total number of judgment document-related patents over time. We do not present the distribution before 2014, as the number of judgment document-related patent applications before 2014 is extremely low.

Figure A.9: **Categorizing Top 30 Verbs by Procedural Tasks in Legal Information Workflow**



Note: This figure shows how we categorize the top 30 verbs in the text corpus (i.e., titles and abstracts) of judgment document-related patents by procedural tasks in legal information workflow. Category names are shown in bold and corresponding verbs are shown in italics.

Figure A.10: **Distribution of Judgment Document-Related Patents Over Time: By Top 30 Verbs**



Note: This figure shows the proportion of judgment document-related patents that include individual verbs in their titles or abstracts relative to the total number of judgment document-related patents in a given year. We do not present the distribution before 2014, as the number of judgment document-related patent applications before 2014 is extremely low.

Figure A.11: **Distribution of Judgment Document-Related Patents Over Time: By Procedural Tasks in Legal Information Workflow**



Note: This figure shows the proportion of judgment document-related patents that include words in different verb categories in their titles or abstracts relative to the total number of judgment document-related patents in a given year. We do not present the distribution before 2014, as the number of judgment document-related patent applications before 2014 is extremely low.

Table A.1: **Number of Judgment Documents Collected**

Year	Wolters Kluwer	China Judgment Online	Wolters Kluwer : CJO
2000	4,162	407	10.226
2001	4,418	1,332	3.317
2002	10,830	3,477	3.115
2003	14,061	2,678	5.251
2004	18,284	4,514	4.051
2005	39,760	5,780	6.879
2006	33,347	7,649	4.360
2007	49,108	14,873	3.302
2008	194,200	27,489	7.065
2009	453,663	97,429	4.656
2010	580,221	197,176	2.943
2011	681,399	219,387	3.106
2012	946,981	412,391	2.296
2013	1,862,232	1,423,669	1.308
2014	6,594,681	6,921,136	0.953
2015	9,110,525	9,728,805	0.936
2016	11,933,587	12,539,707	0.952
2017	16,282,182	16,727,594	0.973
2018	18,962,606	19,342,026	0.980
2019	23,005,489	23,042,985	0.998
2020	23,095,158	23,370,409	0.988
2021	16,629,796	16,739,416	0.993

Note: This table reports annual numbers of judgment documents collected by the *Wolters Kluwer China Law & Reference* (WKCLR) platform and the *China Judgments Online* (CJO) website, as well as the ratio between the two, from 2000 to 2021.

Table A.2: **Baseline Results: Robustness Checks**

	Dependent Variable: Log(New Firm)			# of New Firms
	Treatment cities trends	Province-year std. clusters	County-level observations	Poisson regression
	(1)	(2)	(3)	(4)
Treat × Post	0.134***	0.092***	0.096***	0.145***
	(0.036)	(0.031)	(0.018)	(0.055)
Observations	2,737	2,737	23,841	2,737
R-squared	0.978	0.978	0.950	0.979
Controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
City FE	Yes	Yes		Yes
County FE			Yes	

Note: This table presents the results of robustness checks of Equation 1. The sample period is from 2010 to 2018. In Column (1), we include a linear trend for the treatment cities. In Column (2), we cluster standard errors at the province-year level. In Column (3), we use county-year observations, include county fixed effects, and cluster standard errors at the county level. In Column (4), we estimate a fixed-effects Poisson model for the baseline specification and use the raw count of new firms as the dependent variable. The dependent variable is the number of newly registered firms (in logarithm) in Columns (1) - (3). The observations are at the city-year level in Columns (1), (2), and (4). Treat is a dummy that indicates whether a city is assigned into the treatment group, based on whether the city's per capita publication of judgment documents in 2012 was in the bottom tercile across all cities. Post is a dummy that equals one for the years in and after 2014, and zero otherwise. We control for GDP (in log), GDP growth rate, population (in log), population growth rate, percentage of GDP from manufacturing and service sectors, fiscal spending (in log), employment population (in log), and CPI. Year fixed effects are included in all the regressions, while city fixed effects are included in Columns (1), (2), and (4). Standard errors are clustered at the city level in Columns (1) and (4). ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

Table A.3: **Ex-ante Judicial Transparency and Ex-post Disclosure Rate**

	Judgment Disclosure Rate	
	(1)	(2)
Number of Files/Population (Year=2012)	-0.002	0.006
	(0.010)	(0.009)
Log(GDP)		-0.029
		(0.019)
Log(Population)		0.004
		(0.020)
GDP Growth Rate		-0.004*
		(0.002)
Population Growth Rate		-0.012*
		(0.006)
GDP Manufacturing & Service%		0.101
		(0.096)
Log(FiscalSpending)		-0.003
		(0.022)
Log(Employment)		-0.006
		(0.014)
Province CPI		0.009
		(0.021)
Observations	1,666	1,511
R-squared	0.221	0.335
Year FE	Yes	Yes

Note: This table examines whether ex-ante level of judicial transparency can predict ex-post judgment disclosure rate on the CJO website. The observations are at the city-year level. The sample period is from 2014 to 2018. The dependent variable is the annual judgment disclosure rate on the CJO website, calculated based on the method proposed by Wu et al. (2022). The independent variable is the ex-ante level of judicial transparency (i.e., per capita publication of judgment documents in 2012). We control for GDP (in log), GDP growth rate, population (in log), population growth rate, percentage of GDP from manufacturing and service sectors, fiscal spending (in log), employment population (in log), and CPI in Column (2). Year fixed effects are included in the regressions. Standard errors are clustered at the province level. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

Table A.4: **Alternative Constructions of the Treatment and Control Groups**

	Dependent Variable: Log(New Firm)							
	Alternative Cutoffs			# of Judgment Documents Scaled by			Ex-ante Judicial Transparency Based on	
	Median	Quartile	Quintile	GDP	Case Accepted	Case Closed	2013	2014
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Treat × Post	0.057*	0.122***	0.094***	0.063**	0.136***	0.126***	0.078**	-0.021
	(0.030)	(0.034)	(0.036)	(0.032)	(0.037)	(0.033)	(0.031)	(0.032)
Observations	2,737	2,737	2,737	2,737	2,186	2,737	2,737	2,737
R-squared	0.978	0.978	0.978	0.978	0.977	0.978	0.978	0.978
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
City FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Note: This table presents estimation results of Equation 1 with alternative constructions of treatment and control groups. The observations are at the city-year level. The sample period is from 2010 to 2018. The dependent variable is the number of newly registered firms (in logarithm). Treat is a dummy that indicates whether a city is assigned into the treatment group. In Columns (1) - (3), we define cities with ex-ante judicial transparency (per capita publication of judgment documents in 2012) in the bottom median, quartile, and quintile as the treatment group. In Columns (4) - (6), we use the city-level number of published judgment documents per million GDP, the province-level transparency based on case accepted, and the province-level transparency based on case closed as measures of ex-ante judicial transparency in 2012 to define the treatment and control groups. In Columns (7) - (8), we use the city-level per capita publication of judgment documents in 2013 and 2014 to assign the treatment and control groups. Post is a dummy that equals one for the years in and after 2014, and zero otherwise. We control for GDP (in log), GDP growth rate, population (in log), population growth rate, percentage of GDP from manufacturing and service sectors, fiscal spending (in log), employment population (in log), and CPI. Year and city fixed effects are included in the regressions. Standard errors are clustered at the city level. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

Table A.5: **Mandatory Disclosure vs. Voluntary Disclosure**

	Dependent Variable: Log(New Firm)			
	Year: 2010-2018			Year: 2000-2012
	Weak and Strong Policy Group as Control	Strong Policy Group as Control	Weak and No Policy Groups as Treatment	Staggered Setting: Voluntary Disclosure
	(1)	(2)	(3)	(4)
Treat × Post	0.098***	0.099***		
	(0.033)	(0.034)		
Weak Policy × Post			0.064	
			(0.044)	
No Policy × Post			0.120***	
			(0.037)	
Post Weak Policy				0.028
				(0.029)
Post Strong Policy				0.056*
				(0.033)
Observations	2,737	2,737	2,737	3,323
R-squared	0.978	0.978	0.978	0.979
Controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
City FE	Yes	Yes	Yes	Yes

Note: This table compares the treatment effects of the nationwide mandatory disclosure in 2014 with the provincial voluntary disclosure prior to 2014. The observations are at the city-year level. The sample period is from 2010 to 2018 in Columns (1) - (3), and from 2000 to 2012 in Column (4). The dependent variable is the number of newly registered firms (in logarithm). Treat is a dummy that indicates whether the city is assigned into the treatment group. In Column (1), we assign cities without any ex-ante disclosure policies into the treatment group. In Column (2), cities with no or weak ex-ante policies are assigned into the treatment group. In Column (3), Weak Policy and No Policy denote cities with weak and no ex-ante policies, respectively. In Column (4), Post Weak Policy and Post Strong Policy equal one if the province of a city had weak and strong court judgment disclosure policies or claims, respectively. We control for GDP (in log), GDP growth rate, population (in log), population growth rate, percentage of GDP from manufacturing and service sectors, fiscal spending (in log), employment population (in log), and CPI. Year and city fixed effects are included in the regressions. Standard errors are clustered at the city level. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

Table A.6: **Judicial Transparency and LegalTech VC Deals: Global Evidence**

	Dependent Variable: Log(LegalTech VC Deals)			
	(1)	(2)	(3)	(4)
Post_Global	0.540***		0.421***	
	(0.163)		(0.154)	
Post_China		1.420***		1.125***
		(0.081)		(0.320)
Post_Others		0.480***		0.374**
		(0.161)		(0.156)
Observations	1,972	1,972	1,943	1,943
R-squared	0.527	0.533	0.637	0.640
Controls	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes		
Region-Year FE			Yes	Yes
p-value (Post_China = Post_Others)		0.000		0.025

Note: This table examines the effect of online judgment publication on the number of LegalTech VC deals globally. The observations are at the country-year level, covering 80 countries/regions with LegalTech VC deals recorded by PitchBook. The sample period is from 1990 to 2018. The dependent variable is the logarithm of the number of LegalTech VC deals plus one. Post_Global is a dummy indicating whether a country has online judgment disclosure in a given year. Post_China is a dummy indicating whether China has implemented the mandated judgment disclosure policy (equals 1 for China since 2014, and 0 otherwise). Post_Others is a dummy indicating whether a country other than China has online judgment disclosure in a given year. We control for GDP (in log), population (in log), human capital index, imports and exports as a fraction of GDP, and government consumption as a fraction of GDP. In Columns (1) and (2), we include country and year fixed effects. In Columns (3) and (4), we include country and region-year fixed effects (involving 15 subregions defined by PitchBook). The bottom row reports the p-values for the F-tests for the equality of Post_China and Post_Others coefficients. Standard errors are clustered at the country level. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

Appendix B Age Profiles of Litigation Risk: Insights from Judgment Documents

This Appendix details Section 2.4. We analyze how different types of litigation encountered by firms evolve over their lifecycle by examining judgment documents from historical cases between 2010 and 2018 on the CJO website.[49] We only focus on civil litigation cases because they are more closely related to firms' daily operations and more frequently affect their financial conditions, and they offers more direct and comprehensive information for analyzing the litigation risks firms may face.

We first identify the Unified Social Credit Code (USCC) of all individual firms involved in litigation from the full text of the judgment documents.[50] We use these USCCs to match the firms in the business registration dataset, obtaining their registration dates and industry classification codes. Next, we calculate the age of each firm based on the difference between the trial date of the litigation and the firm's registration date. We exclude cases involving firms in the following industries: utilities, finance, and real estate. These industries are predominantly composed of SOEs and include a large number of cases unrelated to common business activities (e.g., insurance disputes, credit card disputes, etc.). Finally, to categorize litigation cases, we leverage two variables directly provided by the judgment document dataset: the legal basis involved in the case and the causes of action of the case.

By Legal Basis. Legal bases are commonly cited in a judgment document to validate the court's judgments. Typically, each case involves more than one legal basis. These legal bases generally fall into three main categories: laws, administrative regulations, and judicial interpretations.[51] A legal basis is typically specified at the level of individual clauses. To cover a broader range of legal fields involved in firm-related litigation, we focus on the level of legal names. We are finally able to extract 496 distinct legal bases related to firms, 123 of which are laws.

Appendix Figure B.1 shows the top 20 most frequently cited legal bases for cases involving 0-year-old firms (i.e., firms whose trial dates are less than 365 days from their registration dates). As shown, Contract Law is the most frequently cited legal basis across all age groups, highlighting the importance of contracting in firms' daily operations and throughout their life cycle, as well as the prevalence of contractual frictions. For 0-year-old firms, the provisions related to private lending cases is the second most frequently cited legal basis.[52] However, as firms age, citations of this legal basis drop dramatically. Among the remaining legal bases, Labor Contract Law, Company Law, Copyright Law,

[49] The majority of these cases were heard by different levels of courts between 2014 and 2018. A small fraction (less than 0.1%) of cases were heard before 2014, and were made public after the CJO website was established.

[50] Among the 8.18 million civil litigation cases in our dataset that involve individual firms as plaintiffs or defendants, 15.6% disclose their USCCs.

[51] For our analysis, we exclude legal bases related to legal protection and supervision (e.g., Civil Procedure Law, Civil Code, etc.), as these are primarily cited to illustrate procedural matters rather than substantive legal issues. We also exclude the Electronic Signature Law, as it is frequently referenced in contract-related disputes, and the SPC provisions on cases involving the asset management of state-owned bank non-performing loans, as such cases often involve financial asset management companies establishing new subsidiaries specifically to manage non-performing assets, which falls outside our focus on new business formation.

[52] *Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases.*

and Patent Law are more prevalent in litigations involving young firms. In contrast, Property Law, Guarantee Law, judicial interpretations related to sales contract disputes, and judicial interpretations related to construction contract disputes are more frequently cited in litigations involving mature firms. These patterns suggest that entrepreneurial firms are more likely to be involved in disputes related to informal finance, organizational issues, and intellectual property. For older firms, however, sales and tangible asset-related disputes emerge as more prevailing sources of litigation risk.

Next, we categorize legal bases by firm production factors: capital, labor, technology, and market & transaction.[53] Appendix Figure B.2 provides examples for each factor. In Appendix Figure B.3, we plot the proportion of legal bases across different firm age groups by their associated production factors. While the proportion of legal bases related to the market & transaction factor increases as firms age, those associated with capital and technology factors are more frequently cited when firms are young. Interestingly, the proportion of legal bases related to the labor factor is high during both the early and later stages of a firm's life cycle. This demonstrates that young entrepreneurial firms face substantially different litigation risks compared to older firms, which constitute the majority of firm-related litigations.

By Causes of Action. According to the SPC's "*Provisions on Cause of Action for Civil Cases*," each litigation case should have a clear cause of action.[54] The classification of causes of action greatly facilitates the archiving of judgment documents and enhances the case search functionality of the CJO website. Appendix Figure B.4 provides a snapshot of the CJO search interface with case search options. There are four classes of causes of action.[55] We aggregate the number of civil cases into 10 primary (Class 1) and 272 tertiary (Class 3) categories and calculate the propotion of cases with causes of action in these categories across different age groups.

Appendix Figure B.5 plots the distribution of cases with causes of action in the 10 primary categories across firm age groups. For all age groups, the most prevalent cause of action is in the category of "Contract, Management Without Cause & Unjust Enrichment," followed by "Labor & Personnel." Notably, for young entrepreneurial firms, the proportion of cases in the "Tort Liability" and "Intellectual Property & Competition" categories is higher than in older age groups, suggesting potential legal vulnerabilities in these areas for immature firms. The proportion of the "Companies, Securities, Insurance, Bills, etc." category increases with firm age. Appendix Figure B.6 plots the distribution of cases with causes of action in the top 20 tertiary categories across firm age groups. While loan contract disputes constitute the majority of cases for 0-year-old firms, their proportion drops substantially as firms grow and expand. In contrast, the proportion of sales contract disputes

[53] We categorize the top 100 most frequently cited legal bases, which account for 99% of the cases in the analysis sample.

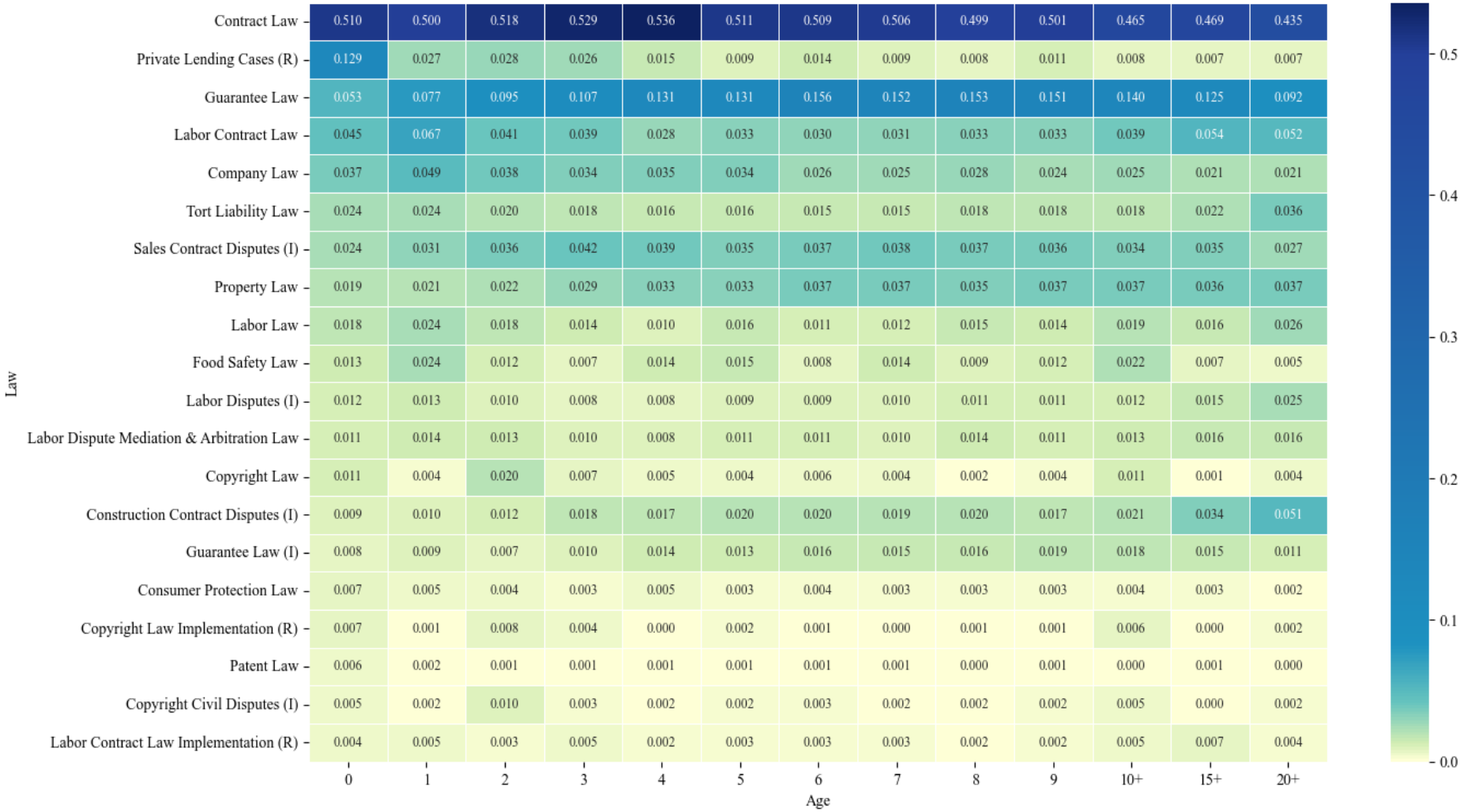
[54] During the case filing review stage, the court may determine the cause of action for each individual case based on the nature of the legal relationship involved in the plaintiff's litigation request. If, after accepting a civil case, the court finds during the trial that the legal relationship claimed by the parties does not align with the actual legal relationship in dispute, the court should adjust the cause of action to reflect the nature of the legal relationship actually existing between the parties when closing the case.

[55] We use the 2011 version of "*Provisions on Cause of Action for Civil Cases* for our analysis. The SPC issued the initial version in 2008, with amendments in 2011 and 2020. The 2011 version covers the most of the causes of action in judgment documents made public between 2014 and 2018.

increases and dominates as firms become older. For young entrepreneurial firms, labor contract and copyright-related disputes are also important causes of action, and they are more prevalent than in mature firms.

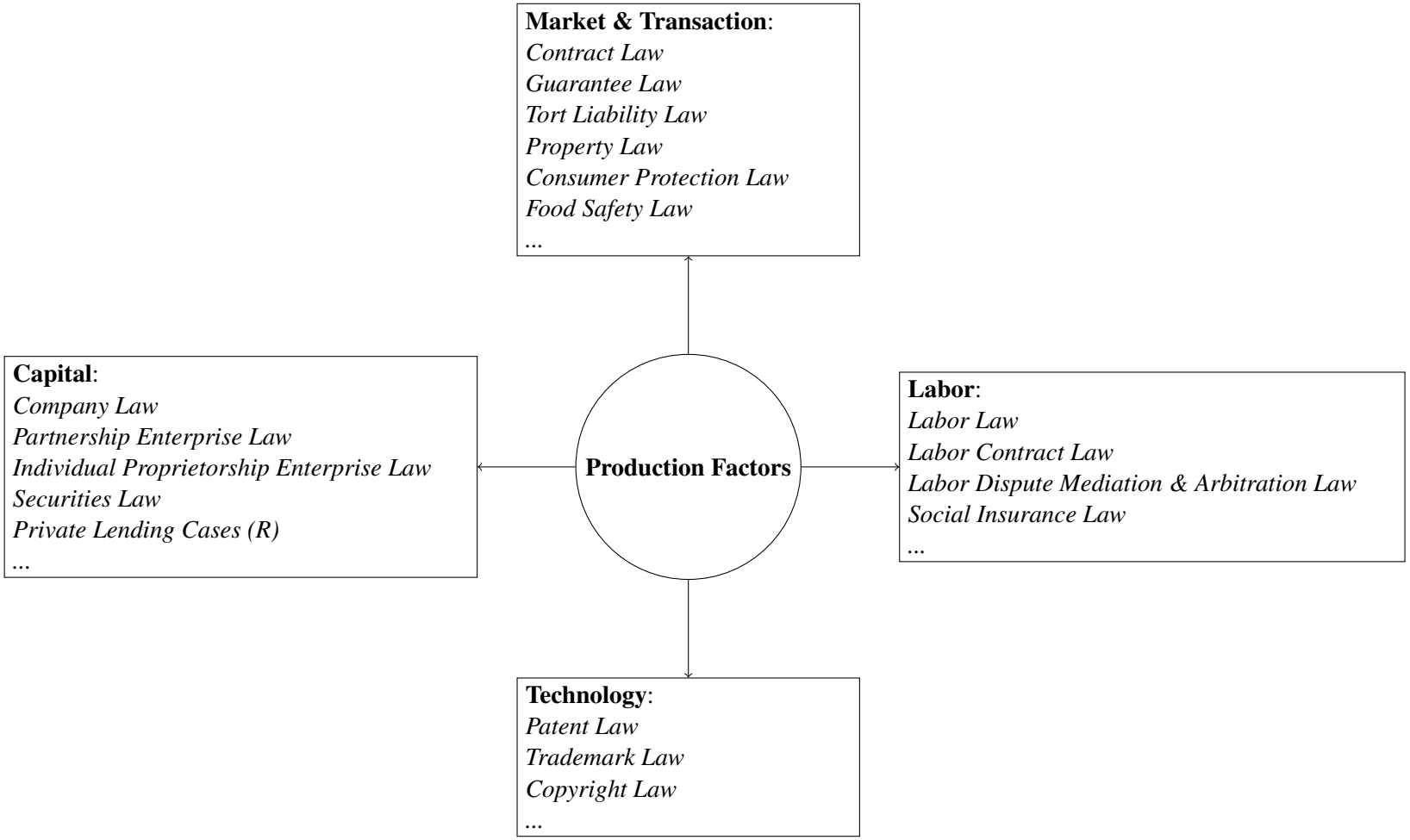
Since loan contract disputes are among the most prevalent types of disputes for entrepreneurial firms, we further decompose these disputes into quaternary levels of causes of action. In Appendix Figure B.7, we plot the distribution of different types of loan contract disputes across age groups. For 0-year-old firms, private loan contract disputes account for over 90% of loan disputes. As firms age, financial loan contract disputes gradually become more prevalent, eventually constituting nearly half of the loan contract disputes for firms older than 6 years. This pattern not only reflects the evolution of financing sources throughout a firm's lifecycle but also highlights the significant differences in litigation risks between entrepreneurial firms and mature firms.

Figure B.1: **Distribution of Legal Bases Across Age Groups: By Top 20 Legal Bases**



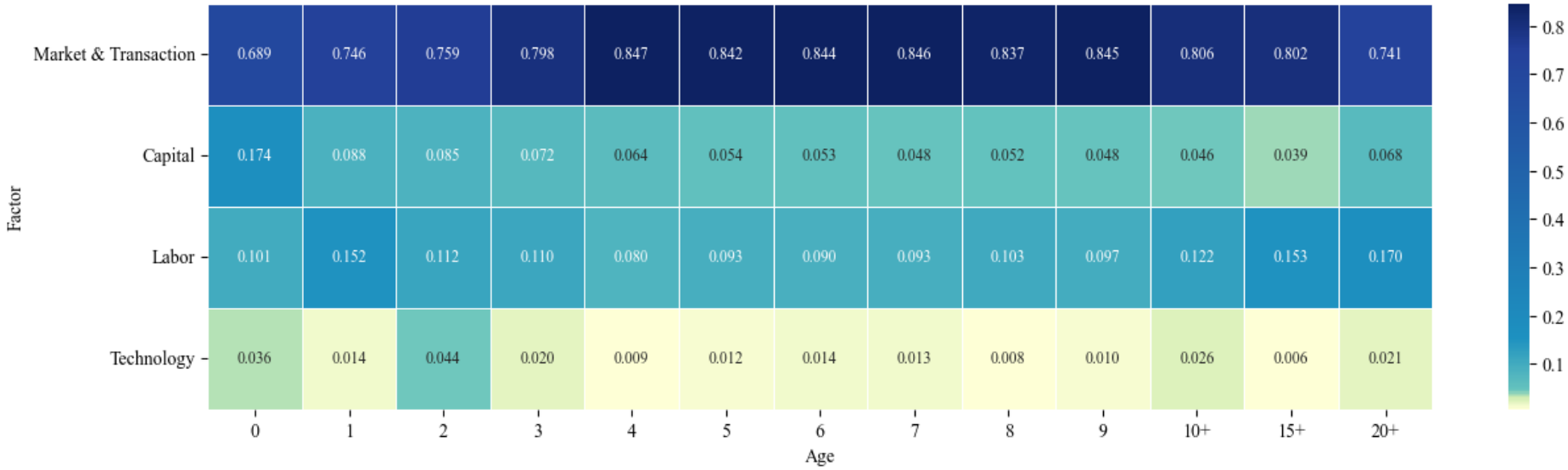
Note: This figure presents the proportion of the top 20 most frequently cited legal bases in cases involving 0-year-old firms relative to the total number of cited legal bases, by firm age. The ages of 10+, 15+, and 20+ denote firms that are 10-14, 15-19, and over 20 years old, respectively. On the y-axis, (R) denotes administrative regulations and (I) denotes judicial interpretations.

Figure B.2: **Categorizing Legal Bases by Firm Production Factors**



Note: This figure shows examples of how we categorize legal bases cited in judgment documents by firm production factors. Category names are shown in bold and corresponding verbs are shown in italics.

Figure B.3: **Distribution of Legal Bases Across Age Groups: By Firm Production Factors**



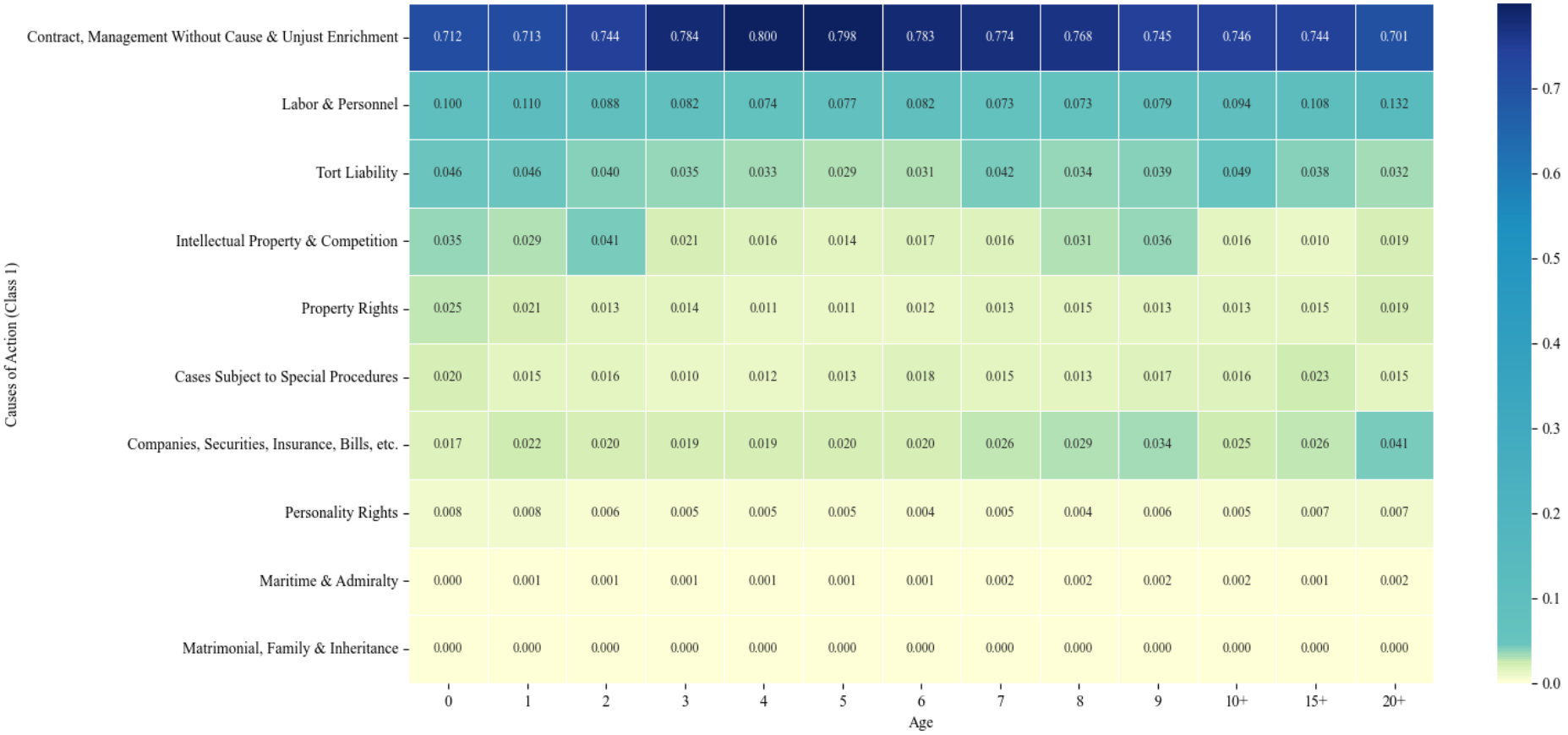
Note: This figure presents the proportion of legal bases by their associated production factors relative to the total number of cited legal bases, by firm age. The ages of 10+, 15+, and 20+ denote firms that are 10-14, 15-19, and over 20 years old, respectively.

Figure B.4: **Case Search Interface of the China Judgment Online Website**



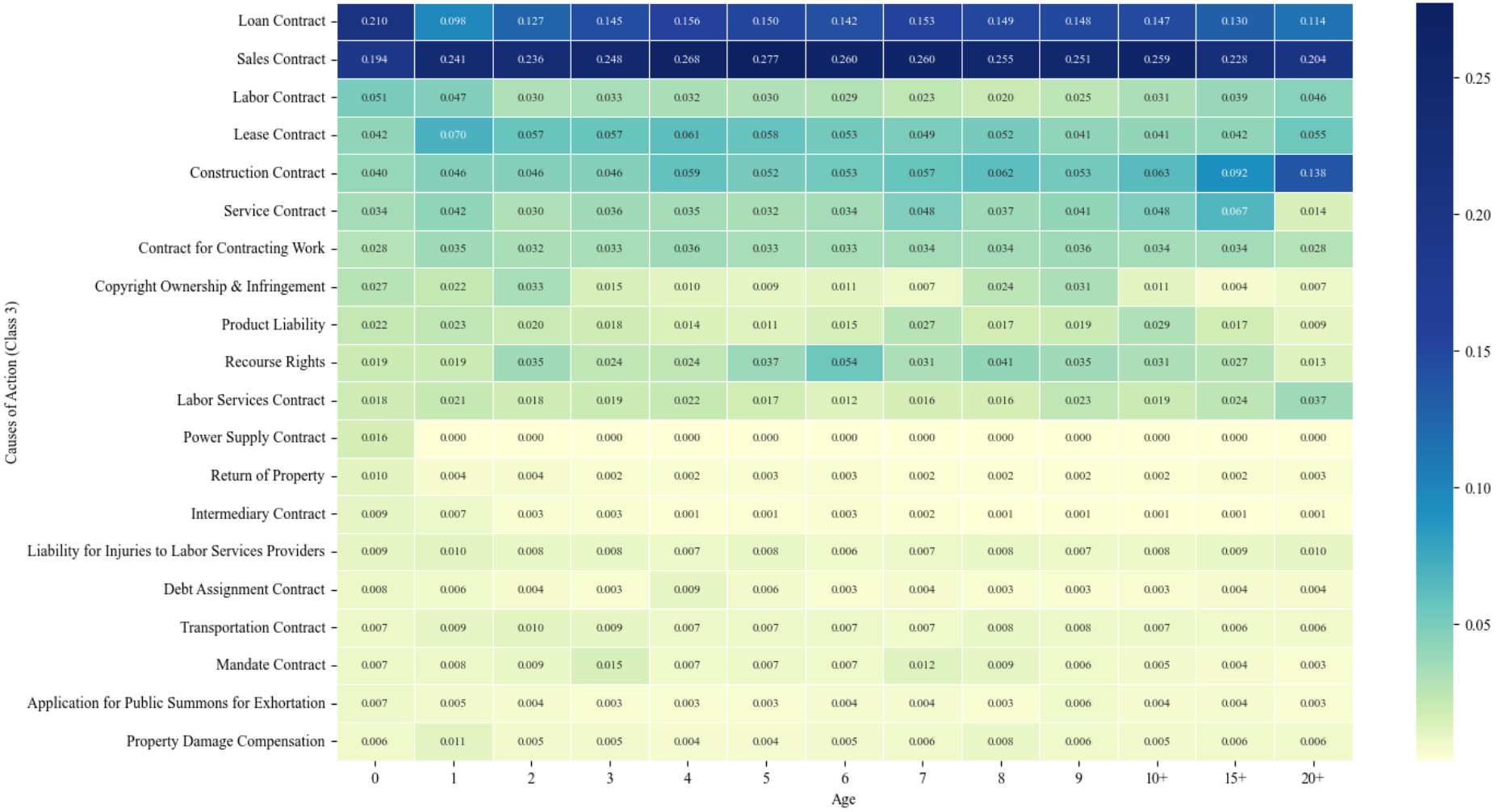
Note: This figure provides a snapshot of the case search interface of the CJO website, captured on December 26, 2024, from *wenshu.court.gov.cn*. The English text in red translates the Chinese text.

Figure B.5: **Distribution of Causes of Action Across Age Groups: By Primary Categories**



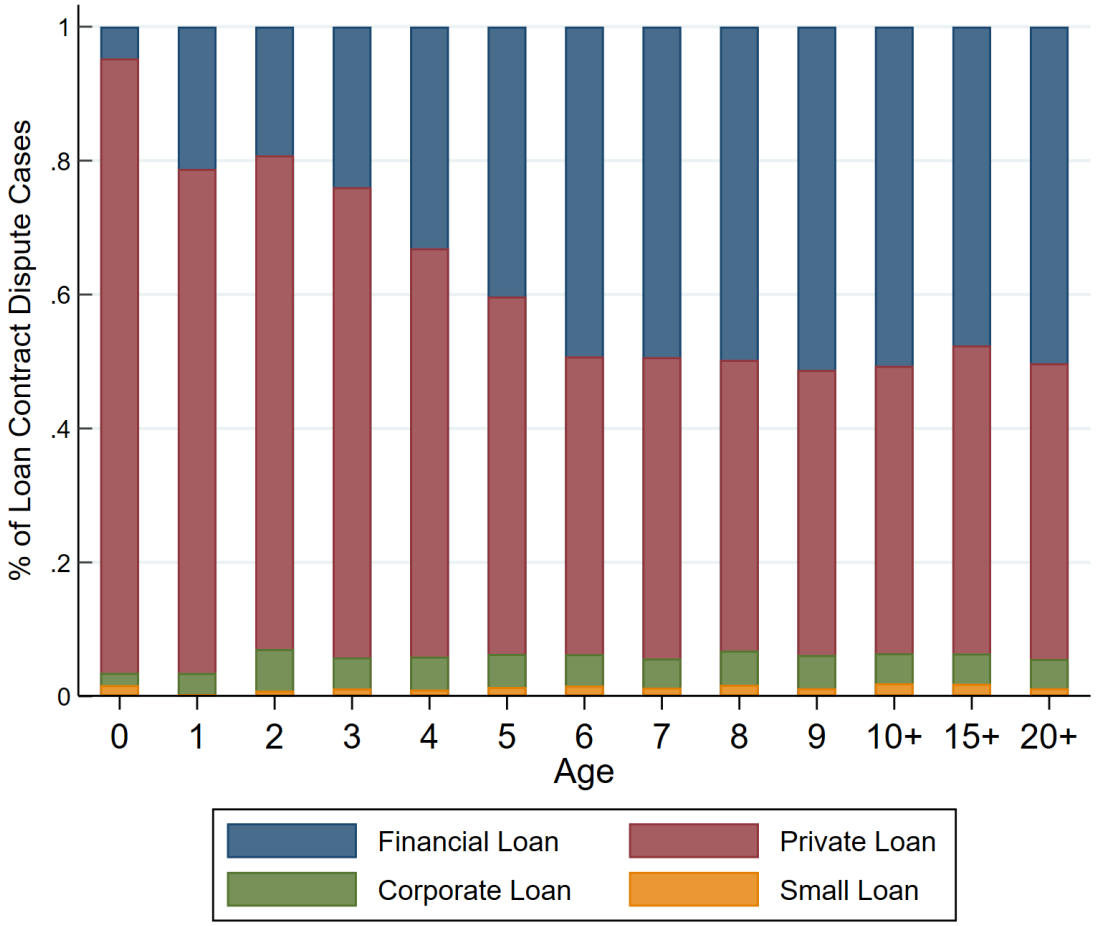
Note: This figure presents the proportion of causes of action in primary categories relative to the total number of cases, by firm age. The ages of 10+, 15+, and 20+ denote firms that are 10-14, 15-19, and over 20 years old, respectively.

Figure B.6: **Distribution of Causes of Action Across Age Groups: By Top 20 Tiertary Categories**



Note: This figure presents the proportion of the top 20 most frequent causes of action in tiertary categories in cases involving 0-year-old firms relative to the total number of cases, by firm age. The ages of 10+, 15+, and 20+ denote firms that are 10-14, 15-19, and over 20 years old, respectively.

Figure B.7: **Distribution of Loan Contract Dispute Cases Across Age Groups**



Note: This figure presents the proportional distribution of different types of loan contract disputes across age groups. The ages of 10+, 15+, and 20+ denote firms that are 10-14, 15-19, and over 20 years old, respectively.

Appendix C Judicial Transparency and Litigation Risk: Insights from Patent Transfers in Technology-based Entrepreneurship

In this Appendix, we focus on technology-based entrepreneurship and explore a specific decision-making context faced by aspiring entrepreneurs, where they are more likely to consider the litigation risks and costs associated with patent ownership. Entrepreneurs carefully weigh the decision to either retain their patents and launch a new business or sell the patents. If entrepreneurs choose to start a company, the rents appropriated from patents and R&D investments could be significantly diminished by the threat of litigation and its associated costs (Lanjouw and Schankerman, 2001).[56] Selling their patents, however, would offload these litigation risks onto the buyers, exchanging the uncertain costs of enforcing patent rights for more immediate and fixed financial returns. Galasso, Schankerman and Serrano (2013) find that patent trading, on average, reduces litigation, but with heterogenous effects depending on the underlying reasons for the trade. Transactions motivated by comparative advantages in patent enforcement, for example, are likely to decrease litigation. If entrepreneurs or their startups can effectively enforce their patent rights, starting their own company might be a better option, because it allows them to retain patent ownership and potentially reap greater long-term benefits. Therefore, for entrepreneurs who are averse to bearing litigation risks, or those who believe that the proceeds from selling their patents exceed the potential value of starting a business, selling their patents emerges as a sensible decision.

We expect that enhanced judicial transparency and public disclosure of litigation information will reduce the need for entrepreneurs to transfer patents to avoid litigation risks. In the context of technology-based entrepreneurship and patent litigation, we posit three specific aspects for achieving this. First, enhanced court transparency enables entrepreneurs to better understand the criteria for patent authorization and arbitration requirements, bolsters trust in judicial fairness, and lowers the expected costs and uncertainty of enforcing patent rights. Second, disclosing detailed information about patent disputes, patentees, and litigation expenses provides entrepreneurs with data and tools for risk assessment. It also helps them understand the expected costs of enforcing their rights, which is especially crucial for small inventors. Third, judgment records reveal corporate interactions and intellectual property conflicts, enhancing the transparency of strategic behaviors.

Using patent transfer data from IncoPat, we aggregate the total number of patents sold at the city-year level. Given our focus on entrepreneurship, ideally, we would be able to trace the founders or teams who file for patents as individuals prior to registering their firms, thereby revealing the trade-offs made by potential entrepreneurs. Due to constraints in data availability, we proxy for an entrepreneurial "idea" using the first patent application of a patentee (referred to as "first-time patent" hereinafter), in addition to pooling all patent applications. We also examine patents applied by individuals. Corporate patent holders, unlike individuals, have more resources to bear litigation costs and are likely to derive greater commercial benefits from enforcing their patent rights

[56] Lanjouw and Schankerman (2001) also point out that patent litigation has a "publicity effect." While litigation can increase the visibility of a patent, the effect on enhancing patent value may be limited due to the uncertainty surrounding litigation outcomes.

(Lanjouw and Schankerman, 2001). Galasso, Schankerman and Serrano (2013) suggest that patent transactions significantly reduce litigation risks for larger buyers, possibly due to the economies of scale that larger firms can leverage to enforce patent rights more effectively. Therefore, driven by the higher need to shift litigation risks and costs, we expect that the effect of enhanced judicial transparency on patent transfers will be more pronounced for individuals.

Appendix Table C.1 presents the results of estimating Equation 1, using the number of patent transfers at the city-year level as the dependent variable.[57] We first examine the effect on all patent transfers. As shown in Column (1), the estimated coefficient is negative but statistically insignificant. In Column (2), we examine the effect on the transfer of first-time patents, a metric that more closely proxies for the initial idea of an entrepreneur, and find that the result remains consistent. Building on this, in Columns (3) and (4), we narrow our focus even further to transfers of patents filed by individuals, thus more closely mirroring the decision-making scenarios described above—whether to retain a patent and establish a new business or to sell the patent.[58] The estimated coefficients are negative and statistically significant at the 1% level. On average, the number of transfers of patents by individuals in treated cities drops by 18-21% compared to that in control cities following the implementation of the mandated judgment publication policy. This refinement of outcome variables not only reveals the heterogeneity behind the aggregate volume of patent transfers but also validates our measurements and conjectures regarding the reduced risk-shifting behavior of entrepreneurs under enhanced judicial transparency.[59] Appendix Figure C.1 plots the event studies for the four outcomes, using Equation 2. Across different types of transferred patents, we show that treated cities were not on track to experience the effects that we see post-mandate.

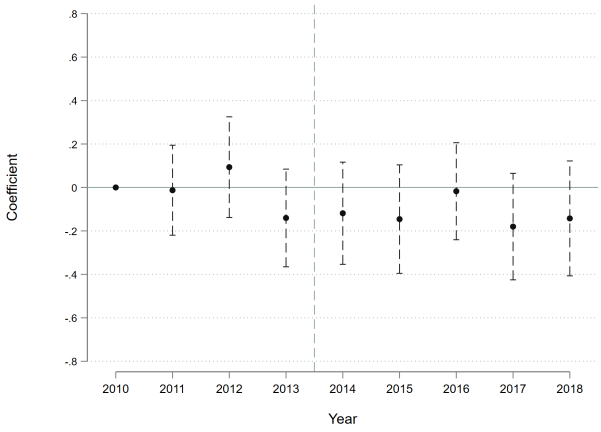
Overall, our finding of a decline in patent transfers supports the notion that enhanced judicial transparency can mitigate future litigation risks and anticipated litigation costs. This is particularly advantageous for small inventors and startups with limited resources. Although this case study focuses on technology-based entrepreneurs and one type of litigation risk—patent litigation, it presents a tangible decision-making context where entrepreneurs are more likely to consider litigation risks. Importantly, intellectual property is often the key asset for entrepreneurial firms. High enforcement costs can deter incentives for innovation and market entry. Our insight here is especially relevant for markets with weak intellectual property rights protection, such as China, to foster a more conducive environment for entrepreneurship.

[57] To address the concern that regional patenting activity might be a potential omitted variable, we control for the total number of patent applications for the types of transferred patents corresponding to each regression.

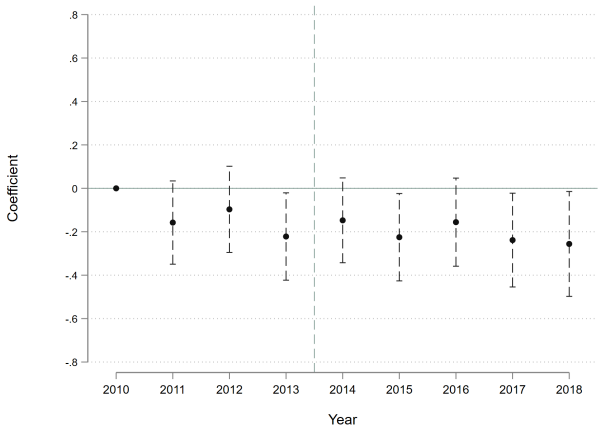
[58] We identify individual applicants based on two criteria: 1) whether the applicant's type, as provided by IncoPat, is labeled "Individual"; and 2) in cases where the applicant's type is missing in IncoPat, whether the applicant's name consists of no more than three Chinese characters.

[59] We also examine the effect on the transfer of patents filed by non-individual entities, such as firms and universities, and find the estimates to be insignificant for all non-individual patent transfers and significant at the 10% level for transfers of first-time patents by non-individual entities.

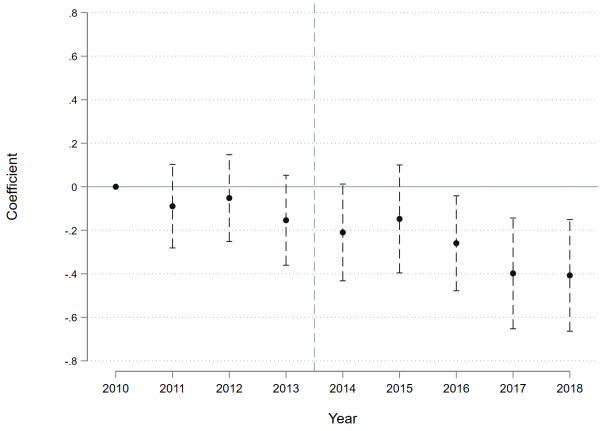
Figure C.1: **Dynamics of Patent Transfers**



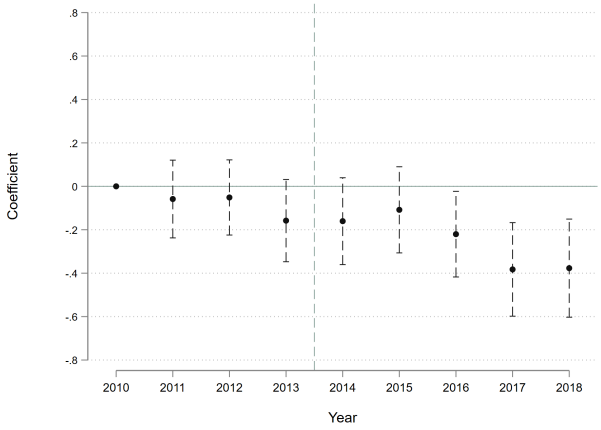
(a) Log(All Patent Transfers)



(b) Log(Transfers of First-time Patents)



(c) Log(Transfers of All Patents by Individuals)



(d) Log(Transfers of First-time Patents by Individuals)

Note: This figure plots the estimated coefficients and 95 percent confidence intervals of the event studies using Equation 2. The observations are at the city-year level. The sample period is from 2010 to 2018. In Panel (a), the dependent variable is the number of all patent transfers (in logarithm). In Panel (b), the dependent variable is the number of transfers of first-time patents. In Panel (c), the dependent variable is the number of transfers of patents applied by individuals. In Panel (d), the dependent variable is the number of transfers of first-time patents applied by individuals. The year dummy of 2010 is omitted and hence serves as the reference year of the specification. We control for the total number of patent applications (in logarithm) for the types of transferred patents corresponding to each regression. City-year controls as well as year and city fixed effects are included in the regressions. Standard errors are clustered at the city level.

Table C.1: **Effects of Judicial Transparency on Patent Transfers**

	Dependent Variable: Log(# of Patent Transfers)			
	Transfers of All Patents	Transfers of First-time Patents	Transfers of All Patents by Individuals	Transfers of First-time Patents by Individuals
	(1)	(2)	(3)	(4)
Treat × Post	-0.103	-0.083	-0.207***	-0.178***
	(0.076)	(0.065)	(0.075)	(0.063)
Observations	2,737	2,737	2,737	2,737
R-squared	0.910	0.900	0.865	0.861
Controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
City FE	Yes	Yes	Yes	Yes

Note: This table examines the effects of enhanced judicial transparency on patent transfers, using Equation 1. The observations are at the city-year level. The sample period is from 2010 to 2018. The dependent variable is the logarithm of the number of patent transfers plus one. In Column (1), we examine all patent transfers. In Column (2), we examine transfers of first-time patents (the first patent application of a patentee). In Column (3), we examine transfers of patents applied by individuals. In Column (4), we examine transfers of first-time patents applied by individuals. Treat is a dummy that indicates whether a city is assigned into the treatment group, based on whether the city's per capita publication of judgment documents in 2012 was in the bottom tercile across all cities. Post is a dummy that equals one for the years in and after 2014, and zero otherwise. We control for the total number of patent applications (in logarithm) for the types of transferred patents corresponding to each regression. All models control for GDP (in log), GDP growth rate, population (in log), population growth rate, percentage of GDP from manufacturing and service sectors, fiscal spending (in log), employment population (in log), and CPI. Year and city fixed effects are included in the regressions. Standard errors are clustered at the city level. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.