The Law and Economics of Lawyers: Evidence from the Revolving Door in China's Judicial System*

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Abstract

This paper investigates the role of power lawyers in shaping judicial and economic outcomes by exploiting the unique setting of "revolving-door" lawyers in China's judicial system. By compiling a comprehensive dataset covering the universes of judges, lawyers, law firms, litigants, and lawsuits in China from 2014 to 2021, we identify over 14,000 judges who left their positions to practice as lawyers—representing 6.6% of all judges and 2.6% of all lawyers nationwide. We find that in otherwise identical lawsuits, revolving-door lawyers secure significantly more favorable court decisions for their clients. Leveraging within-lawyer variation in performance at home versus away courts, we further show that their advantage stems from both "know who" and "know how." Revolving-door lawyers generate countervailing forces in society—on the one hand, they provide evidence and reasoning that help judges make more informed decisions; on the other hand, they leverage connections and strategic arguments to benefit their clients, thereby biasing judicial decisions and exacerbating socio-economic inequalities. We extend the theoretical framework of Dewatripont and Tirole (1999) to quantify these trade-offs and shed light on counterfactual outcomes under different levels of power lawyer supply in society.

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"I don't mean to toot my own horn, but if Jesus Christ lived in Chicago today, and he had come to me and he had five thousand dollars, let's just say things would have turned out differently." — Billy Flynn

Chicago, by Maurine Dallas Watkins

1 Introduction

Law is the cornerstone of modern society. Economists emphasize that an impartial and efficient judiciary is pivotal for fostering a prosperous market economy (Smith, 1937; North, 1986; Besley and Persson, 2011; Acemoglu and Robinson, 2012). Governments and international organizations also devote significant efforts to promoting judicial capacity worldwide (Stephenson, 2007; Piana, 2009). Critical elements of the legal system—such as codes and statutes, precedents, court structure, and judicial behavior—have been the focus of extensive research.[1] In contrast, although power lawyers are widely respected in most societies, surprisingly little is known about how they shape judicial and economic outcomes—and whether these influences truly justify the legal profession's perceived importance.

Specifically, there is little consensus on whether power lawyers can consistently deliver more favorable judicial outcomes for their clients, especially in emerging legal markets where trials may be prone to external pressures. And to the extent that private returns do exist from hiring power lawyers, the source of this premium also remains a topic of debate. As Mark Twain famously remarked, "*a good lawyer knows the law; a clever one takes the judge to lunch*" — power lawyer effectiveness can either stem from their superior legal acumen (i.e., "know-how") or their extensive personal networks (i.e., "know-who"). Understanding the relative importance of these two mechanisms is crucial for evaluating the societal value of power lawyers, but empirically disentangling them presents a significant challenge.

Furthermore, beyond their impact on the litigants, power lawyers can also create countervailing forces within the judicial system. On the one hand, they collect and organize evidence, prepare facts and findings, and provide legal reasoning, thus aiding judges (and juries) in making more informed decisions. On the other hand, to vigorously represent their clients, power lawyers may skew judicial outcomes by leveraging personal connections and strategically/selectively presenting evidence, facts, and legal arguments. This can not only bias judicial decisions but also exacerbate

[1]For example, see Djankov et al. (2003); Chemin (2012); Agan and Starr (2018); Arnold et al. (2018); Dobbie et al. (2018); Doleac and Hansen (2020); Dobbie and Yang (2021); Ash et al. (2022); Li and Ponticelli (2022); Mehmood (2022); and Liu et al. (2023).

socio-economic inequality, given the positive sorting between lawyers and litigants.

This paper presents novel empirical evidence on the judicial and economic implications of power lawyers. To deepen our understanding of their roles in society, our analysis focuses on a specific group of prominent power lawyers within China's judicial system—the "revolving-door" lawyers (henceforth RD lawyers), referring to former judges who resigned from their positions to practice as lawyers in private law firms. Being widely regarded as some of the most influential lawyers in this emerging legal market, the existence of RD lawyers creates a unique opportunity for us to construct granular measures of a lawyer's private connections—based on their colleague network prior to leaving the bench—and their innate legal expertise, based on their past performance while serving as judges. These measures of lawyer connections and ability, constructed independently from their performance as practicing lawyers, enable us to employ various research designs to explore whether and how power lawyers add value for both their clients and the broader judicial system.

By compiling a novel dataset that covers the universes of active judges, lawyers, law firms, litigants, and lawsuits in China between 2014 and 2021, we identify more than 14,000 RD lawyers, representing 6.6% of judges and 2.6% of lawyers nationwide. For each RD lawyer, we are able to extract rich details from 144 million court judgment files about their entire professional life, including their performance and colleague network as a judge, to their transition from judge to lawyer, and to their performance, employer(s), clients, colleagues, and career trajectory as a lawyer. Descriptive patterns show that both the most and least proficient judges are more likely to become RD lawyers, who then tend to practice in more developed regions of the country.

Utilizing this unique data infrastructure, we first show that, in otherwise identical commercial lawsuits—such as clear-cut loan or sales contract disputes, where every legally relevant feature can be explicitly quantified and held constant—RD lawyers deliver significantly more favorable decision outcomes for their clients (i.e., an 8-23% higher win rate). In addition to matching observable case characteristics, two alternative research designs further confirm that the RD lawyers' higher win rates cannot be explained by their endogenous selection of lawsuits based on unobserved client or case characteristics: (a) when restricting our analysis to pre-existing clients of a law firm and exploiting variations created by the new arrival of RD lawyers to that law firm, we find similar returns for RD lawyers; (b) by instrumenting for "being represented by an RD lawyer" using the weekly caseload of RD lawyers in the corresponding law firm upon the arrival of a new case, we obtain consistent results regarding RD lawyer effectiveness. The

baseline finding is also not driven by powerful clients directly influencing court decisions, as evidenced by its robustness when controlling for a more demanding set of court-by-litigant fixed effects, which hold constant potential client influence.

Second, to understand the relative importance of "know-how" vs. "know-who" in determining the premium of RD lawyers, we exploit within-lawyer variation in performance at the RD lawyer's home court, where he used to be a judge and likely has strong connections, versus at the RD lawyer's away court, where he was not a judge and is likely less well connected. We show that RD lawyers, especially those who hold graduate degrees in law and specialize in the same legal domains as both a judge and a lawyer, perform better than ordinary lawyers even in away courts, and this premium does not diminish as they move farther from their home courts, which is consistent with their better "know-how." Nevertheless, the same RD lawyer becomes substantially more effective when practicing in his home court. Importantly, this home court advantage only exists when he is arguing in front of a former colleague (as opposed to a new judge who arrived after his departure). Such within-lawyer premium at home court highlights the importance of "know-who" in generating lawyer value-added.

Third, to understand power lawyers' broader roles in the judicial system, we outline a theoretical framework extending Dewatripont and Tirole (1999), in which power lawyers can: (a) present solid evidence and sound reasoning to help judges make more informed decisions; and (b) use personal connections and the strategic presentation or rebuttal of evidence and reasoning to influence judges, thereby helping their (affluent) clients win. Channel (a) promotes judicial consistency and reduces decision errors, while channel (b) increases errors and variability in judicial decisions and exacerbates inequality. Through the lens of our model, we empirically examine the aggregate impact of RD lawyers on judicial outcomes. We find that channel (b) dominates channel (a) in the *status quo*, suggesting that RD lawyers are *increasing* errors and variability in judicial outcomes.

Counterfactual simulations that endogenize both the sorting process between clients/cases and lawyers, as well as the strategic selection of legal representation based on the opposing party's lawyer, reveal that as the share of power lawyers in society increases, judicial errors and variability initially rise but eventually decline. This non-monotonicity arises because, when power lawyers are few, they frequently face regular lawyers in court, allowing channel (b) to dominate. However, when power lawyers become the majority, they often face each other, canceling out channel (b) among themselves, while channel (a) accumulates. As a result, having a few power

lawyers can be detrimental to society, but having many can ultimately be highly beneficial.

Our paper relates to three strands of literature. First and foremost, we provide one of the first systematic analyses of the judicial and economic implications of the legal profession. Economists have long emphasized the importance of law (Smith, 1937; North, 1986; Besley and Persson, 2011; Acemoglu and Robinson, 2012), and various components of the judicial system have been extensively studied in prior literature (Djankov et al., 2003; Chemin, 2012; Agan and Starr, 2018; Arnold et al., 2018; Dobbie et al., 2018; Doleac and Hansen, 2020; Ash et al., 2022; Li and Ponticelli, 2022; Mehmood, 2022; Liu et al., 2023). However, the law and economics of lawyers remain underexplored.[2] We contribute to the literature by both theorizing and quantifying the trade-offs associated with the legal profession. Specifically, power lawyers can leverage both their legal expertise and personal connections to benefit their clients. However, their presence—particularly when they constitute a minority within the legal profession—can increase errors and variability in judicial decisions, as well as exacerbate inequality.

Second, our paper relates to the literature on informational lobbying. While classic theoretical work has shown that lobbying by different interest groups can potentially enhance welfare by generating rich information (Austen-Smith, 1987; Austen-Smith, 1995; Lohmann, 1995; Grossman and Helpman, 2001; Krishna and Morgan, 2001; Bombardini and Trebbi, 2011; Bombardini and Trebbi, 2012; Cotton, 2012), empirical evidence on this prediction remains limited and mixed (Snyder Jr, 1990; Snyder Jr, 1991; Snyder Jr, 1992; Bertrand et al., 2014). As noted by Dewatripont and Tirole (1999), the theoretical foundations for informational lobbying also apply to the judicial system, where lawyers representing different clients aim to generate information and exert influence on judges. Building on this insight, our paper provides direct evidence on the informational effects of power lawyers. On the one hand, the rich information provided by power lawyers can help reduce errors and variability in judicial outcomes. On the other hand, in cases of significant asymmetry in lawyer abilities, the zero-sum nature of litigation implies that a power lawyer can impose substantial negative externalities on the opposing party, even solely through the provision of legal information.[3]

[2]Recent literature on U.S. criminal lawsuits has made progress on related questions. For instance, Agan et al. (2021) show that lawyers perform worse in court-assigned cases due to various factors, and Shem-Tov (2022) document significant performance gaps between court-assigned lawyers and public defenders. Nevertheless, the role of lawyers in non-U.S. legal systems and across a broader spectrum of lawsuits, along with the underlying mechanisms, remains largely an open question.

[3]Our analysis of the revolving-door phenomenon in China's judicial system also contributes to the literature on revolving-door lobbyists (i Vidal et al., 2012; Bertrand et al., 2014), allowing us to disentangle the roles of ability and connections in determining lobbying and judicial outcomes.

Third, our findings also speak to the literature on elite capture and resource allocation. Extensive research has explored how elite capture occurs through mechanisms such as vote buying, lobbying, patronage networks, political dynasties, and transitional experience (Bardhan and Mookherjee, 2000; Fisman, 2001; Dal Bó and Di Tella, 2003; Robinson and Torvik, 2005; Finan and Schechter, 2012; Alatas et al., 2019; Dal Bó et al., 2009; Querubin, 2012; Martinez-Bravo et al., 2017). Our analysis demonstrates that elite capture can also occur through the judicial system, where powerful individuals and organizations exploit legal processes to secure favorable outcomes. Even in the absence of corruption or patronage, a functioning legal market where power lawyers disproportionately serve elites effectively allows these elites to "buy justice" at the expense of their opponents. This dynamic has the potential to distort resource allocation across society.

The remainder of this paper is organized as follows. Section 2 describes the institutional background. Section 3 introduces the data and presents descriptive facts about China's judicial system and legal industry. Section 4 discusses the value added of RD lawyers, and decomposes it into "know how" vs. "know who." Section 5 outlines a theoretical framework to rationalize the reduced form findings and guide the structural analysis. Section 6 documents how RD lawyers affect ruling dispersion, and quantifies the broader impacts of the legal profession through the lens of our theoretical framework. Section 7 concludes.

2 Background

2.1 China's Judicial System

As shown in Appendix Figure A.2, China's court system operates on four levels: the Supreme People's Court (SPC) at the national level; 32 High People's Courts at the provincial level; 404 Intermediate People's Courts at the prefecture level; and 3,111 Basic People's Courts at the county/district level. By default, criminal cases are tried where the alleged crime occurred, while civil cases are handled in the defendant's jurisdiction.[4] The court level for the first instance depends on the case's importance. One appeal is allowed to the next higher court, up to the SPC.

China's legal system follows the civil law tradition, with some influence from the Great Qing

[4]In commercial contracts, parties can pre-specify a third court for conflict resolution, but fewer than 4% of commercial lawsuits in China are tried outside the defendant's jurisdiction.

Code. Judges rely on statutes issued by the national legislature and judicial interpretations by the SPC. There are no juries or binding precedents, giving judges significant discretion in deciding both factual and legal issues.[5] Ensuring consistent rulings for similar cases has been a long-standing challenge. Variability in rulings based on different lawyers or judges can foster perceptions of injustice, risking social unrest and creating uncertainty in economic activities.

To address this, the SPC launched the China Judgment Online (CJO) in 2014, requiring courts to disclose judgments in real-time. This initiative aims to introduce common-law-style consistency into a civil law system. Details of the CJO database are provided in Section 3.1.1.

While China's legal profession has seen significant progress (Zhang and Ginsburg, 2019), public concern persists over the influence of social ties on judicial outcomes. A common perception holds that procedural rigor is often a facade and that personal connections with judges are decisive, with social ties permeating legal processes (Ng and He, 2017). Notably, this phenomenon is not unique to China. In Europe, the revolving door between the Court of Justice of the European Union and the European Commission raises concerns about the Commission's influence through internal connections (Zhang, 2016). In the U.S., attorneys who clerked for Supreme Court justices are more likely to secure favorable votes from their former justices, likely due to personalized insights (Black and Owens, 2021). Similarly, in Florida, medical malpractice plaintiffs are 2% more likely to win if their attorney attended the same law school as the assigned judge (Liu and Zhang, 2020).

Despite this background, the quantitative comparison between a lawyer's "know-who" and "know-how," and their broader impact on the judicial system beyond the client, remains insufficiently explored.

2.2 Judges and Lawyers in China

Judges in China play a crucial role in trials, acting as chief investigators to gather evidence, apply the law, and make final rulings. In less complex cases, a single judge presides, while high-stakes cases involve a panel of three judges. Due to heavy caseloads, one judge in the panel, known as the "responsible judge," oversees most of the trial process and drafts the decision, making them key in shaping the final ruling. As a result, the effectiveness of China's judiciary depends heavily on the quality and incentives of local judges.

[5]For instance, contract law allows judges to adjust liquidated damages if they deem them disproportionate to the actual damages incurred, which is itself a factual matter for the court to determine.

To become a judge in China today, one must first obtain a bachelor's degree in law and pass the civil service exam, qualifying them to work as a court clerk. After 3-5 years as a court clerk, they must pass both the national judicial exam and the judge quota exam to be appointed as a judge. Many highly capable, young judges follow this path. While these judges are well-educated and hold significant power in deciding cases, they are poorly compensated. For example, based on a salary sheet from a local court in China in 2013 (see Appendix Figure A.3a), the average judge earned roughly 3,500 RMB (roughly 500 USD) per month.

In contrast, as shown in Appendix Figure A.3b, the average lawyer in relatively developed provinces of China earned 4-5 times more than judges in 2013, despite having a significantly lower entry barrier. To become a lawyer, one only needs a law degree and to pass the national judicial exam, which is part of the requirements for becoming a judge.

2.3 Revolving Door between Judges and Lawyers

Given the reversal of entry barriers and economic compensation between judges and lawyers, it is not surprising that some judges have transitioned to practicing law in private firms, creating a "revolving door" (RD) phenomenon in China's judicial system. RD lawyers are influential in judicial decisions and offer a neat setting in which their legal capability and personal connections can be measured independently of their later performance as lawyers. This allows us to separate the roles of "know who" and "know how" in determining lawyer value-added. While our analysis focuses on RD lawyers, we expect the qualitative findings to apply to most high-power lawyers.

Based on extensive field interviews with judges, lawyers, and law firms, we make four key observations about RD lawyers. First, many were previously viewed as "key judicial personnel," suggesting positive selection into the RD lawyer role. Second, consistent with this, many are highly sought after in the labor market and are often offered partnerships at major law firms. [6] Third, many ordinary lawyers view RD lawyers negatively, believing that the playing field is tilted in their favor. Finally, China's "judge quota reform" since 2016, which removed judges with insufficient legal backgrounds, led to a more than 30% reduction in the active judge count, pushing many lower-ability judges to become RD lawyers, potentially inducing negative selection.

RD lawyers are well known to central regulators, who introduced strict regulations in 2001 to address this issue. Specifically, quitting judges face a "two-year bar" and a "home court

[6] Some senior litigating lawyers advise law students to work as full-time or part-time law clerks before becoming lawyers, believing that court experience provides better training and helps build valuable personal connections.

prohibition": they cannot practice law for two years and can only practice in courts where they had no prior judgeship. However, based on our interviews with judges and lawyers, these rules were not strictly enforced until 2021, when the SPC sent inspection teams to target the revolving-door phenomenon.

3 Data, Descriptive Facts, and Empirical Strategy

In this section, we discuss our data and key variable definition (Section 3.1), outline simple descriptive patterns (Section 3.2), and introduce the baseline empirical strategies (Section 3.3).

3.1 Data

3.1.1 China Judgment Online

In 2013, the Supreme People's Court launched *China Judgment Online* (CJO) to improve judicial transparency and provide (non-binding) precedents for judges. It required local courts at all levels to publish both current and historical judicial decisions. Courts must disclose contemporary judgments within seven days, except in special cases such as those involving national security or juvenile delinquency. Screenshots of the CJO website and a sample judgment are provided in Appendix Figure A.4.

We collected the full set of court decisions in China from 2014 to 2021 via CJO, totaling over 144 million judgment files, including more than 86 million civil lawsuits and 11 million criminal lawsuits.[7] For each file, we extracted details such as the court, trial and ruling dates, judge(s), clerks, parties involved, case facts, trial summary, plaintiff's claims, court rulings, and judicial reasoning. For civil lawsuits, we also collected data on court fee obligations, dispute types, and specific case characteristics. For example, in loan contract disputes, we extracted information on loan amounts, interest rates, repayment duration, overdue charges, and more. For criminal lawsuits, we gathered details such as the defendant's age, gender, education, ethnicity, crime type (485 categories), confession, surrender, victim's forgiveness, crime history, and crime details.

A key variable in our analysis is each party's win rate in a lawsuit. In civil litigation, court fees are typically borne by the losing party, so the division of these fees between the plaintiff and defendant reflects the extent to which each party wins or loses in a lawsuit, from the perspective

[7] We include all verdicts for cases tried between 2014 and 2021 and released on *China Judgment Online* before August 2022.

of the court.[8] Following standard literature, we calculate the win rate using each party's share of the opposing side's court fee obligation: $WinRate_j = \frac{CourtFee_i}{CourtFee_i + CourtFee_j}$.

The CJO files are widely regarded as highly reliable, as manipulating these public records would require collusion between the plaintiff, defendant, and local court. Moreover, commercial banks extensively use information from these files in their credit rating processes. China's recent adoption of an open justice system further enhances transparency, with civil cases live-streamed at plaintiffs' requests (Cai et al., 2022). Given that millions of trial recordings are publicly accessible online, systematic manipulation of court judgment files is highly improbable. In Appendix A.1, we discuss and examine potential concerns regarding the CJO data in greater detail.

3.1.2 Universe of Business Registrations

Our firm-level data comes from *Tianyancha*, a platform providing access to China's business registration records. These records are licensed by the National Enterprise Credit Information Publicity System and managed by the State Administration for Industry and Commerce (SAIC). Appendix Figure A.5 shows a *Tianyancha* webpage screenshot used to collect business registration information. Covering over 75 million entries (including firm branches) as of 2021, the dataset spans four decades of registrations. For each firm, it includes details on location, ownership type, legal representatives, shareholders and their holdings, executives, registered capital, industry code, year of establishment, and historical updates to these items.

3.1.3 Judges' Education

China's Ministry of Education mandates that all graduate dissertations be published on the China National Knowledge Infrastructure (CNKI). By scraping CNKI, we identify which judges attended graduate school.

3.2 Descriptive Statistics

In this section, we document key empirical patterns about RD lawyers using the data described above.

[8] For example, if the plaintiff wins completely, they pay 0% of the court fees, while a 50-50 split implies equal success for both sides.

3.2.1 Identifying Judges, Lawyers, Law Firms, and Litigants

From each court verdict publicized by the CJO, we extract the identities of the judges, lawyers, law firms, and litigants involved. The dataset of over 140 million documents enables us to compile a comprehensive list of active participants in China's legal profession over the past decade: (a) 217,192 judges with complete case records and career paths; (b) 542,269 lawyers with full case/client representation records and employment histories; (c) 36,593 law firms with affiliated lawyers and case/client data; and (d) over 5 million firm litigants linked to their business registration details.

Appendix Figure A.6a shows a sharp increase in active lawyers in China during our sample period, rising from about 300,000 to 540,000. This growth is largely driven by China's rapid economic expansion, the increasing complexity of business transactions, and an evolving legal framework shaped by the country's global integration. Lawyers are more concentrated in provinces with larger populations and higher GDP.

Reflecting the rise in lawyer numbers, the number of law firms in China has also grown significantly over the past decade, from about 23,000 to 37,000. These firms served over 5 million corporate and 26 million individual litigants in our data. By 2021, the average firm employed about nine lawyers, though firm sizes vary widely. Appendix Figure A.7 Panel (a) shows this heterogeneity: most firms have fewer than 50 lawyers, while a small fraction exceeds 200. Panel (b) highlights the connections between local branches and their parent firms, revealing that major firms in first-tier cities extend their reach nationwide. Notably, 6.3% of parent firms control 23.2% of local branches and employ 38.0% of all lawyers.

3.2.2 Identifying "Revolving Door" Lawyers

To identify RD lawyers, we match "disappearing judges" (judges who stopped presiding over cases during our sample period) with "emerging lawyers" (attorneys who began representing cases within six months of a judge with the same Chinese first and last names leaving their position). To minimize errors from common names, we exclude the top 1,000 most frequent names in China.[9] This process identifies 14,249 RD lawyers, forming our baseline sample. We also create alternative samples using different time windows and name-frequency thresholds, which slightly alter sample size but leave our main findings unchanged.

[9]Based on the official name registry from the Ministry of Public Security, the 1,000th most common name accounts for 0.00035% of the population.

To adopt a more conservative approach to identifying RD lawyers, we also construct a more restrictive sample that requires judge-to-lawyer transitions, initially identified using Chinese names, to be verified by at least one external source, such as a Baidu Baike entry (China's Wikipedia equivalent), law firm websites, or official legal association sites. Appendix Figure A.8 illustrates this process with an example: the CJO data shows that Fu Qinbin transitioned from a prefectural intermediate court to a law firm, a move corroborated by both his Baidu Baike page and his bio on the law firm's website. This restriction reduces our baseline sample by nearly half, but the main findings remain robust, indicating that matching based on uncommon names alone already provides a reliable foundation for the analysis.

3.2.3 Descriptive Patterns for Revolving Door Lawyers

Figure 1 illustrates the time trend and spatial distribution of RD lawyers. Panel (a) shows rapid growth after 2016, coinciding with the judge quota reform, which prompted many lower-ability judges to transition to private law practice. The trend slowed after 2021, when SPC inspection teams began enforcing stricter regulations on the "judicial revolving door," indicating that government policies against the practice have become more effective.

Panel (b) shows that judges in wealthier regions, particularly the eastern coastal areas, are more likely to transition to RD lawyers, likely due to better outside opportunities. Panel (c) further reveals that RD lawyers tend to move from less developed western regions to wealthier eastern ones, reflecting the higher concentration of lucrative cases and prominent clients in the latter. This migration is consistent with the interest of large law firms in hiring former judges, who can bring clients from their previous jurisdictions or help firms expand into new markets.

3.2.4 Selection into Revolving Door Lawyers

Our fieldwork suggests that RD lawyer selection involves both positive and negative factors. Higher-ability judges are more likely to transition due to better outside options, like partner offers from major law firms. Conversely, the 2016 judge quota reform pushed lower-ability judges out of local courts, leaving them with few options other than practicing law.

To examine selection patterns, we construct two proxies for judge ability. First, for judges handling civil cases, we count the number of "high-stakes cases" (i.e., cases with a claimed monetary stake above the 95th percentile in that jurisdiction). Since remanding or retrial of such cases is seen as a failure, the most capable judges are typically assigned to them. Second, for

all judges, we calculate the frequency of appeals, which is likely negatively correlated with the quality of their decisions.

Panels a and b of Figure 2 visualize the selection patterns into RD lawyers. Both measures of judge ability show a clear bimodal pattern: high- and low-ability judges are more likely to quit, while average-ability judges tend to stay. This confirms our field observations of both positive and negative selection.

Motivated by these patterns, we examine in later empirical analyses whether high- vs. low-ability judges differ in their legal practices once they transition to lawyering, specifically in their specialization in "know how" vs. "know who."

3.2.5 Revolving Door Lawyers as Power Lawyers

RD lawyers are widely regarded as among the most powerful and influential figures in China's legal profession, consistently securing favorable decisions for their clients.

To verify this qualitative observation—and following Abowd et al. (1999)—we estimate lawyer fixed effects in determining case win rates.[10] In Panels c and d of Figure 2, we demonstrate that RD lawyers, particularly positively selected based on their performance as judges, disproportionately occupy the right tail of the lawyer fixed effects distribution.

These patterns are consistent with the perceived prestige of RD lawyers and justify our use of RD lawyers as an example to understand the broader roles played by power lawyers in society.

3.3 Empirical Strategies

3.3.1 Matching Similar Cases Based on Observables

Our baseline analysis matches identical lawsuits based on observable case characteristics. Below, we describe the procedure for matching commercial lawsuits, which forms the baseline sample for this paper. More details and examples are provided in Appendix A.2.[11] To validate our baseline findings, we also implement alternative "selection on unobservables" designs, explained in Sections 4.1.1 and 4.1.2.

Given the complexity of commercial disputes, matching similar lawsuits based solely on

[10]Specifically, we classify lawsuits into "identical case clusters" based on their characteristics, as explained in greater detail in Section 3.3.1. We then adopt a "mover" design that exploits the movement of lawyers across different case clusters and estimate an AKM model to obtain lawyer fixed effects.

[11]While not the focus of this paper, we also discuss matching criminal lawsuits in Appendix A.5 as complementary evidence.

observable characteristics is typically challenging. However, based on our analysis of legal codes and extensive discussions with judges, lawyers, and legal scholars, we identify two simple and well-defined types of contract-related lawsuits — loan contract disputes (for non-repayment) and sales contract disputes (for non-payment) — where all relevant features are observable and disclosed in court judgments, allowing us to credibly match identical lawsuits.

These two case types account for 45% of all commercial disputes in China and are ideal for our analysis, as they can be fully defined by clear, quantitative features. We briefly describe the matching procedure below and provide further details in Appendix A.2.

To compare identical cases, we use the most conservative matching method, based on five comprehensive features: i) causes of action, ii) party identities, iii) plaintiff's claims, iv) facts determined by the judge, and v) legal provisions cited.

For instance, in loan contract disputes, the identity of the parties includes individuals, enterprises, and financial institutions (e.g., banks). The facts determined by the judge cover contract terms such as loan principal, interest, unpaid amounts, guarantees, liquidated damages, and their amounts. Plaintiff's claims and the legal provisions cited define the scope of the case. For example, we only match cases where plaintiffs seek repayment of loan principal and interest; cases requesting both principal and penalty interest are considered distinct. Likewise, only cases citing the same legal provisions are matched. With these features matched, two non-repayment cases are legally "identical," with no other factors for the judge to consider.[12]

In Appendix Figure A.9, we show examples of matched loan and sales contract disputes, demonstrating that our matching procedure creates tight "identical case" groups, within which lawsuits differ minimally. To quantify the similarity of matched cases, Appendix Figure A.10 presents balance tests across various dimensions for lawsuits within each case group, with and without RD lawyer representation. The results indicate that RD lawyer representation does not predict case characteristics, confirming the high comparability of cases within each group.

Even in highly similar cases, judges retain significant discretion in their decisions, as the law includes both explicit "rules" and flexible "standards" that allow for interpretation (Kaplow, 2013). For example, in loan cases, judges can adjust interest rates and repayment schedules based on perceived fairness, and in sales contract cases, they can modify damages or penalties

[12]In a similar vein, in sales contract disputes, the judge's facts include goods type, contract price, liquidated damages, breach, and loss amounts, among others. Plaintiff's claims and legal provisions cited help narrow the case scope. While some sales disputes can be more complex than loan cases, matching by legal provisions excludes uncommon or complex cases. If a judge cites an unusual provision, the case is excluded, as it likely involves a rare legal issue.

for non-performance, even if liquidated damages are specified in the contract.

3.3.2 Potential Concerns and Alternative Research Designs

In our baseline econometric strategy, we exploit variations in lawyer representation within matched groups of similar lawsuits to isolate confounding case characteristics and causally attribute differences in judicial outcomes to the lawyers. The key assumption is that these matched loan and sales contract disputes do not differ systematically in unobservable ways, regardless of lawyer representation.

Given the simplicity of these two types of contract disputes, it is unlikely that any unobservable case features significantly affect judicial decisions, supporting the validity of our identifying assumption. Even if such features exist, if power lawyers tend to handle cases that are more complex in unobservable ways, our baseline strategy would compare "hard cases handled by power lawyers" to "simple cases handled by non-power lawyers," potentially underestimating the effectiveness of power lawyers.

Nevertheless, as discussed in greater detail in Section 4.1.2, we adopt two alternative "selection on unobservables" strategies to directly address concerns about endogenous case selection.

Event Study Design We examine how the arrival of RD lawyers at a law firm impacts judicial outcomes for the firm's *pre-existing* clients. Since most clients rely on a single law firm for all their lawsuits, and future RD lawyer arrivals are unlikely to influence the types of disputes a client chooses to get involved in in the current period, this alternative strategy controls for potential confounding effects of case selection based on unobservables, enabling us to isolate the impact of access to RD lawyers.

Instrumental Variable Design We construct a novel measure of each RD lawyer's caseload in the week a new case arrives at their law firm, using the universe of verdicts, and apply this as an instrumental variable (IV) for whether the case is handled by an RD lawyer. By leveraging variation in RD lawyer representation driven solely by caseload distribution, this IV approach addresses endogeneity concerns arising from selection on unobserved case characteristics.

4 Private Returns to Power Lawyers

This section presents the reduced-form analysis of how power lawyers serve their clients. Using matched similar cases, we examine the impacts of RD lawyers on judicial outcomes. We address alternative explanations, such as "selection on unobservable case characteristics" and "direct client influence," through additional research designs, including event study and instrumental variable approaches. Finally, we explore the sources of the RD lawyer premium by separating the "know who" effect from the "know how" effect.

4.1 Impact of Power Lawyers on Court Decisions

To understand the role of power lawyers, we begin with a simple question: Do high-profile lawyers, such as revolving-door lawyers, achieve significantly more favorable judicial outcomes for their clients in otherwise *identical* lawsuits compared to ordinary lawyers?

In our baseline strategy, to answer this question, we compare, within each group of nearly identical loan/sales contract disputes, the court decisions for cases with and without RD lawyers. Specifically, we estimate the following econometric model:

$$Y_{ijgct} = \beta \cdot RevolvingDoor_{ij} + \omega_g + \gamma_c + \sigma_t + \epsilon_{ijgct} \tag{1}$$

where Y_{ijgtc} represents court decision for litigant i, in lawsuit j that belongs to (identical) case group g, tried in court c, in year t; $RevolvingDoor_{ij}$ equals 1 if the litigant i is represented by RD lawyer in case j, and 0 otherwise; ω_g is (identical) case group FE, γ_c is court FE, and σ_t is year FE. The standard errors are two-way clustered at the court and case-group levels. Intuitively, we are trying to compare the rulings for two otherwise identical lawsuits, being tried in the same court, in the same year, where one case is represented by an RD lawyer while the other by an ordinary lawyer.

Table 1 Panel A reports the main findings. Conditional on all case characteristics being essentially identical, being represented by an RD lawyer, instead of an ordinary lawyer, increases the client's rate of winning by an additional 8-23% relative to the baseline average. This substantial return to hiring RD lawyers is present for both the plaintiffs and the defendants, in both loan contract disputes and sales contract disputes. If we focus on the key claim regarding monetary damage (i.e., repayment (payment) request for loan (sales) contract disputes), and

discount all the future (re)payments to their net present values, our estimates imply that RD lawyers can help the plaintiffs recover an additional 8.4% of monetary damages and help the defendants avoid 6.9% more in liabilities.

The findings on the RD lawyer premium are highly robust. As shown in Appendix Table A.3, the results remain quantitatively similar when we restrict the analysis to a conservative subsample of RD lawyers—those whose identities can be verified using additional sources such as Baidu Baike (Chinese Wikipedia) or official law firm websites. Furthermore, Appendix Table A.4 demonstrates that the return to RD lawyers remains unchanged after controlling for a range of other litigant and lawyer characteristics, including litigant firms' connections to the government (proxied by the receipt of government procurement contracts) as well as lawyers' gender, education, and experience.

These estimates, while large, likely understate the effectiveness of RD lawyers. We focus on simple, clear-cut cases, which leave little room for lawyers to influence judicial decisions compared to more complex commercial lawsuits excluded from the sample. Anecdotally, in the simple loan/sales disputes we study, power lawyers often influence outcomes through personal connections ("know who") or by citing favorable precedents or discretionary legal standards ("know how"). However, the simplicity of these cases limits the scope for actions like new evidence discovery or witness coaching. In more complex cases, power lawyers likely exert even greater influence.[13]

4.1.1 Potential Threat 1: Client's Influence

As shown in Appendix Table A.6, clients who hire RD lawyers are, on average, significantly wealthier individuals or larger corporations. One potential concern is that these affluent clients may independently exert influence on judicial decisions, thereby confounding the estimated effectiveness of RD lawyers.

To address this, Table 1 Panel B controls for court-by-litigant fixed effects, isolating the impact of RD lawyers from the influence of powerful clients. Intuitively, when a business client has numerous similar loan/sales contract disputes in the same court, the RD lawyer in the partnering law firm may not have the capacity to handle all of them, leading some cases to be

[13]Additionally, while not the primary focus of this paper, the RD lawyer premium extends to criminal lawsuits. As shown in Appendix Table A.5, for similar criminal cases, RD lawyer representation reduces sentences by 2 months (6% reduction), lowers the likelihood of lifetime imprisonment by 0.4 percentage points (10% reduction), and decreases the probability of the death penalty by 0.2 percentage points (14% reduction). Across various levels of crime severity, we observe substantial benefits from RD lawyer representation.

handled by non-RD lawyers from the same law firm.[14]

As shown, despite the fact that our sample size shrinks by more than 97% under this highly restrictive specification, the point estimates barely change compared to the baseline results, indicating that even for the same litigant in the same court, being represented by RD lawyers still provides a significant premium in judicial outcomes. This suggests that the baseline results are driven by differences in lawyer effectiveness, rather than client influence.

4.1.2 Potential Threat 2: Case Selection Based on Unobservables

Given our focus on clear-cut contract disputes that can be quantitatively matched based on well-defined observable features, the potential selection of cases by RD lawyers based on unobserved characteristics is unlikely to drive our baseline findings.

It is important to emphasize that our baseline strategy does *not* rely on the assumption of no differential selection of cases by different lawyers. Instead, our design only requires a "common support" of lawsuits between RD and non-RD lawyers. In other words, while RD and non-RD lawyers may handle different types of cases on average (in terms of both observable and unobservable characteristics), as long as a subset of identical cases are handled by both, we can use these overlapping cases to estimate the "local average treatment effect" of RD lawyers. In practice, high-profile lawyers, like RD ones, might be less enthusiastic about simple cases like loan/sales contract disputes. However, when serving affluent clients, they often accept such less lucrative cases to handle more lucrative ones from the same clients. This passive reception of smaller cases by RD lawyers creates the common support necessary for identification, and helps alleviate concerns that RD lawyers selectively choose loan/sales contract disputes based on unobservable case characteristics.

Alternative Research Design: Event Study Nevertheless, we further address the potential threat of unobservables by exploiting an alternative source of variation. Specifically, we focus on pre-existing clients who have always worked with the same law firm and examine how their case outcomes change after the firm hires an RD lawyer. This comparison mitigates lawyer selection concerns by relying on the "passive" reception of RD lawyers by clients and cases, rather than the "active" seeking of clients by RD lawyers. As shown in Figure 3, while this alternative specification differs conceptually from the baseline approach, our key findings remain unchanged.

[14]For example, a regional bank or P2P company would frequently file, within the same local court, a large amount of highly similar loan contract lawsuits against different individual borrowers.

As long as pre-existing clients are not altering their economic or legal behavior based on the expectation of future RD lawyer hires, "case selection based on unobservables" cannot explain the findings from this event study. This suggests that our baseline results likely reflect lawyer effectiveness rather than case selection.

Alternative Research Design: Instrumental Variable We also use an instrumental variable (IV) approach to address concerns about endogenous case selection. By leveraging the duration of each lawsuit from the universe of court judgment files, we construct a comprehensive measure of each lawyer's weekly caseload. We then instrument for "whether a case is handled by an RD lawyer" using "the weekly caseload of RD lawyers in the corresponding law firm upon the case's arrival," isolating variations in lawyer representation driven purely by RD lawyer availability, rather than endogenous case selection. As shown in Table 2, the IV strongly predicts case assignment in the first stage (F-stat $\geq$ 2091), and the instrumented "RD lawyer representation" leads to a 10-26% increase in win rates in the second stage, further confirming our baseline results both qualitatively and quantitatively.

Taken together, we find the consistency across various research designs reassuring that the higher win rates of RD lawyers are driven by their effectiveness, rather than endogenous case selection.

4.1.3 Potential Threat 3: Unobserved Settlements

The CJO is required to disclose the full universe of court verdicts, but disputes settled outside of court are not captured in this data. In China's judicial system, the settlement rate is around 20%, which is lower than the U.S. rate of approximately 50%.

As explained above, as long as there is a common support of identical unsettled cases being handled by both RD and non-RD lawyers, we can estimate the RD lawyer premium in trial. Therefore, the existence of settled cases outside our sample does not necessarily undermine the internal validity of our baseline analysis. Furthermore, to the extent that more favorable (expected) trial outcomes lead to higher bargaining power in the settlement process, omitting settled cases may understate the overall returns to hiring RD lawyers.

4.2 “Know How" vs. “Know Who"

In this section, we explore where the premium of RD lawyers comes from. We find both “know how" and “know who" to be at work. While the quantitative estimates would be specific to the Chinese RD lawyers that we focus on, qualitatively, it is plausible that all high-powered lawyers more generally embody some combination of “know how" and “know who."

4.2.1 Evidence for “Know How"

As shown in Table 3 Panel A, within each identical case cluster, RD lawyers perform significantly better than others even in away courts, where they did not serve as judges and therefore are unlikely to have substantial social connections. Importantly, this effect does not diminish as we move farther away from their home court (i.e., to a different province or a different region). Since social connections are likely negatively correlated with geographic distance, this stable pattern aligns with the presence of a "know how" effect — high-powered lawyers, such as RD lawyers, can deliver better outcomes in any court partly due to their superior legal knowledge and skills.

To better understand these results, we construct two proxies for an RD lawyer's professional knowledge. First, using administrative records of judges' and lawyers' dissertations, we determine whether an RD lawyer holds a graduate degree in law. Second, by comparing an RD lawyer's fields of specialization as a judge versus as a lawyer, we assess whether they practice in their area of legal expertise. As reported in Table 3 Panel B, RD lawyers with graduate degrees in law and those practicing in their fields of expertise are the most effective in away courts, delivering better outcomes for their clients. This evidence further supports the presence of a "know how" effect.

Moreover, if RD lawyers achieve more favorable outcomes through their superior legal knowledge — such as identifying and presenting relevant precedents in a loan contract dispute — a judge might incorporate this information and adjust not only their ruling in the current case but also in future comparable cases.[15] For instance, if a judge is persuaded by a precedent introduced by an RD lawyer, they might continue referencing that precedent in future trials, even when the lawyers involved have no personal connection to the judge. Motivated by this hypothesis, Table 4 examines whether a judge's first encounter with an RD lawyer influences their rulings in subsequent cases of a similar nature. Our estimates confirm that RD lawyers have a lasting impact on judicial decisions, even in cases where only ordinary lawyers are involved,

[15] In contrast, a "know who" effect would be specific to the case represented by the RD lawyer.

further supporting the role of "know how" in RD lawyer effectiveness.

4.2.2 Evidence for “Know Who"

We investigate the presence of "know who" by comparing the performance of the same RD lawyers in home versus away courts, holding the level of "know how" constant while varying "know who." Specifically, in Panel A of Table 5, we focus on the sample of RD lawyers, control for a demanding set of lawyer fixed effects, and find that the same RD lawyer is significantly (30%) more effective when handling cases in their home jurisdiction, where they previously served as a judge. These findings suggest that personal connections can be an important part of lawyer value added.

A potential alternative interpretation of this "home court advantage" is that it might reflect "local know how," such as familiarity with local culture and dialects that enhance effectiveness in that court, rather than "know who," namely personal connections with the assigned judge. However, as shown in Panels B and C of Table 5, this "local know how" hypothesis is inconsistent with two sets of additional findings.

First, when RD lawyers return to their home courts but argue in front of a new judge (i.e., someone who arrived after their departure), they do not perform better than they do in away courts. Second, when RD lawyers practice in a court within the same province but a different prefecture, they do not outperform their performance in courts located in other provinces. Both findings suggest that knowing the specific judge, rather than possessing location-specific knowledge or familiarity with the local dialect, is the key to unlocking the "home court advantage," thereby supporting the existence of a significant "know who" effect.

4.2.3 Heterogeneity: Positive vs. Negative Selection

Motivated by the "bimodal" pattern of selection into RD lawyers discussed in Section 3.2.4, we delve deeper into the heterogeneous impacts of RD lawyers, focusing on ability measures constructed from their performances as judges.

While it’s intuitive that the "know how" channel might be predominantly driven by high-ability RD lawyers — those who handled important cases and received few appeals as judges — the source of "know who" is arguably more ambiguous. On one hand, human capital (know how) and social capital (know who) could be complements, meaning that high-ability RD lawyers excel in both; on the other hand, they could be substitutes, meaning that RD lawyers with less legal knowledge might rely more on their personal connections to influence judicial outcomes.

As shown in Table 6, our findings reveal that RD lawyers who demonstrated high ability as judges are the primary drivers of both the "know how" and "know who" effects, suggesting complementarities, rather than substitutabilities, between these two sources of lawyer effectiveness. These complementarities highlight the challenges in regulating the judicial revolving door — one cannot systematically eliminate patronage without sacrificing some legal expertise.

5 Model

To conceptualize the reduced-form results on how lawyers serve their clients, we lay out a framework that builds on Dewatripont and Tirole (1999). To highlight the distinctive roles of power lawyers in the judicial system, we extend Dewatripont and Tirole (1999) by introducing heterogeneity in lawyer capability and social connections, which in turn guides our structural analysis of the broader judicial and economic impacts of power lawyers.

Full Information Benchmark Following the approach of Dewatripont and Tirole (1999), we posit that a lawsuit necessitates information pertinent to both the defendant (A) and the plaintiff (B). We assume that the "favorable information" (truth) θ_A and θ_B, which are beneficial to parties A and B respectively, are randomly distributed. Intuitively, such information can take various forms, such as evidence, witness, decisions for similar cases in the past, legal terms most relevant to the case, etc.

In a scenario where judges have unrestricted access to and accurate interpretation of all information – a full information benchmark – lawyers become redundant. Under this framework, θ_A equals -1 (favorable for A) with probability of α, and 0 with probability of $1-\alpha$. Similarly, θ_B equals 1 (favorable for B) with probability α, and 0 with probability $1-\alpha$[16]. Judges can then simply sum the realized information $\theta = \theta_A + \theta_B$ to make their decisions, which are based on θ taking values of 1, 0, or -1.

Each case can be summarized by the realization of its θ. It is evident from this model that the probability of the defendant (A) being the sole party with favorable information is $Prob(\theta = -1) = \alpha(1-\alpha)$. Likewise, the likelihood of the plaintiff (B) exclusively possessing favorable information is $Prob(\theta = 1) = \alpha(1-\alpha)$. When both parties have favorable information, then the judge has sufficient information to rule that neither side wins or loses, i.e., $Prob(\theta = 0) = \alpha^2$.

[16]We start with this symmetric setup for analytical clarity. In the later quantitative analysis, we allow the fudamental case strength to differe across the plaintiff and defendant, i.e. $\alpha_A \neq \alpha_B$

However, in situations where neither party has favorable information, the judge faces a decisional impasse and chooses to randomize between -1 and 1 for a winner with probability $\frac{1}{2}$. We make this assumption to highlight the idea that lacking information can cause dispersion of outcomes for otherwise identical cases. In the full information benchmark, we can show that:

Proposition 1 *The winning probability of party A and party B is both* $\frac{1}{2}(1+\alpha)(1-\alpha)$*, where the variance of outcome is* $1-\alpha^2$*.*

The variability of case outcome in the full information benchmark reflects the fundamental uncertainty of the presence of favorable information for both parties.

Lawyers as Information Collector and Interpreter We now introduce the role of lawyers, referred to as "advocates" in Dewatripont and Tirole (1999), into our framework. Each party in a lawsuit has the option to engage these advocates for the purpose of gathering and interpreting information that supports their "favorable cause." The likelihood of successfully making this favorable argument is quantified as $\phi\alpha$, where ϕ represents the probability of the lawyer effectively finding and presenting the information, and α is the probability that the favorable information indeed exists for their client.[17] It's important to note that $0 < \phi < 1$, indicating varying degrees of capability by different lawyers.

Proposition 2 *When both parties of the case were represented by lawyers of capability* ϕ*, the winning probability of either party is* $\frac{1}{2}(1+\alpha\phi)(1-\alpha\phi)$*, where the variance of outcome is* $1-\alpha^2\phi^2$*.*

To obtain some intuition, note that the winning probability for party A is

$$\begin{aligned} Prob(\theta=-1) &= [\underbrace{\phi\alpha}_{\text{A successful}} \underbrace{(\phi(1-\alpha)+(1-\phi))}_{\text{B unsuccessful}} + \underbrace{(\phi(1-\alpha)+(1-\phi))(\phi(1-\alpha)+(1-\phi))}_{\text{Both unsuccessful}}/2] \\ &\equiv \frac{1}{2}(1+\alpha\phi)(1-\alpha\phi), \end{aligned}$$

The variation of the outcome $1-\alpha^2\phi^2$ gives the intuition when ϕ gets larger, the variation of the legal outcome converges to full information benchmark $1-\alpha^2$.

[17] For example, ϕ can be the probability that this lawyer finds a precedent that resembles the current case in hand, while α is the probability that the precedent received a ruling that would be desirable for this lawyer's client.

Heterogeneous Lawyer Capability We now introduce asymmetry in the lawyers' capabilities. In particular, we assume that for any "power lawyer", her $\phi_H > \phi$. In addition, we assume when facing a power lawyer, the ability of regular lawyer to present justified evidence will deteriorate at a rate of $\delta \in (0, 1)$, due to power lawyer's better persuasion power. If the power lawyer works for party A and a regular lawyer for party B, we have

$$Prob(\theta = -1) = \frac{1}{2}(1 + \alpha\phi_H)(1 - \alpha\phi(1 - \delta))$$

and on the opposite side

$$Prob(\theta = 1) = \frac{1}{2}(1 + \alpha\phi(1 - \delta))(1 - \alpha\phi_H))$$

The expected value of θ now becomes

$$E[\theta] = \alpha(\phi(1 - \delta) - \phi_H) < 0$$

This is probably not surprising, since the power lawyer now helps tilt the winning towards party A. However, more interestingly, below we show that the variation of judicial decision outcomes is also affected by the composition of lawyers involved.

Proposition 3 *Compare one-sided power lawyer (power lawyer for A) with two regular lawyer case, it has lower variation in case outcome when information erosion is low ($\delta \to 0$) and higher variation in case outcome when information advantage is low ($\phi_H \to \phi$). However, this variability is always greater than that in cases where both parties have power lawyers representing them.*

To show this, we have the variance of outcome as

$$E[\theta^2] - (E[\theta])^2 = (1 - \alpha^2\phi_H\phi(1 - \delta)) - \alpha^2(\phi(1 - \delta) - \phi_H)^2$$

Comparing the variance of outcomes relative to the case with two regular lawyer, we have

$$\begin{aligned}(1 - \alpha^2\phi_H\phi(1 - \delta)) - (1 - \alpha^2\phi^2) - \alpha^2(\phi(1 - \delta) - \phi_H)^2 \\ = \alpha^2[\phi^2 - \phi_H^2 - \phi^2(1 - \delta)^2 + \phi_H\phi(1 - \delta)]\end{aligned}$$

The power lawyer plays a dual role in this asymmetric situation. First, they excel at collecting,

interpreting, and presenting information, enabling judges to make more informed decisions. As demonstrated above, when $\phi_H > \phi$, the variability in case outcomes with only one power lawyer involved is unequivocally lower than the variance observed when both parties are represented by regular lawyers, provided there is no information erosion ($\delta = 0$). Conversely, if the power lawyer's success is primarily due to their ability to counter the rival lawyer's arguments—represented by $\delta > 0$ and $\phi_H = \phi$—then case outcomes become more variable, as they rely on a diminished information environment.

In both scenarios, the power lawyer systematically increases their client's chances of winning. However, these outcomes have significantly different implications for the broader information environment when compared to the full-information benchmark.

Using similar intuition, we can obtain the second part of Proposition 3, if both sides of the case were represented by power lawyers, the "information erosion effect" is avoided while the information advantage dominates.

$$\underbrace{[1-(\alpha)^2\phi_H\phi(1-\delta)]-(\phi(1-\delta)-\phi_H)^2\alpha^2}_{\text{one-sided power lawyer}}-\underbrace{[1-(\alpha\phi_H)^2]}_{\text{both power lawyers}}=[\phi_H\phi(1-\delta)-(\phi(1-\delta))^2]\alpha^2>0$$

Lawyers' Social Connections Powerful lawyers can influence legal outcomes not only through their professional capabilities but also by leveraging their social connections. As explained in Section 2, this scenario is especially pertinent in China's judicial system. To capture this, we further assume that powerful lawyers, by virtue of their connections, have $\gamma \in (0,1)$ higher probability of winning a lawsuit for their clients regardless of information environment.

$$Prob(\theta=-1)=\frac{1}{2}(1+\alpha\phi_H)(1-\alpha\phi(1-\delta))+\gamma$$

and on the opposite side

$$Prob(\theta=1)=\frac{1}{2}(1+\alpha\phi(1-\delta))(1-\alpha\phi_H)$$

Proposition 4 *The social connections possessed by power lawyers further elevate their clients' chances of winning.*

In this case, it is straight-forward to show the one-sided power lawyer would further strengthen the winning rate for party A:

$$E[\theta] = (\alpha\phi(1-\delta) - \alpha\phi_H) - \gamma < (\alpha\phi(1-\delta) - \alpha\phi_H) < 0$$

Discussion In summary, our theoretical framework underscores the vital role of lawyers in information collection, interpretation, and advocacy within the judicial process. A power lawyer consistently achieves a higher winning rate against regular lawyers due to their ability ("know-how") to effectively advocate for their client while simultaneously countering opposing arguments. Interestingly, this ability to counter may offset the informational advantage of the power lawyer, contributing to more variations in judicial outcomes and widening gap from full information benchmark. If some of these lawyers also have social connections ("know-whom"), as is the case according to our reduced form analysis, it will exacerbate their advantage but further weaken the information environment of judicial decisions. We next describe how the lawyers are allocated to legal cases such that we can assess the societal impact of the rise of power lawyers.

6 Societal Impacts of Rising Power Lawyers

As outlined in Section 5, the role of high-powered lawyers in society can be seen from two distinct perspectives. Firstly, a high-powered lawyer can articulate the factual and legal underpinnings of a case more effectively. This aids judges in making well-informed decisions. For example, a skilled lawyer can uncover judicial decisions for similar cases in the past, reducing decision randomness and leading to more consistent rulings in similar cases. In the language of our model, when both sides of the case were represented by power lawyers and $\phi_H \to 1$, proposition 2 shows that the variance of outcomes for "identical cases" converges to the full information benchmark $1 - \alpha^2$.

However, zooming out from the lawyer-client relationship, the societal impacts of powerful lawyers are more ambiguous. Lawyers aim to benefit their clients, not the judges. Therefore, an imbalance in lawyer power can systematically skew judicial decisions in favor of the more powerful lawyer's client. Proposition 3 illustrates this, showing how a power lawyer can tilt the winning probability by $\alpha(\phi(1-\delta) - \phi_H)$ by eroding their rival's evidence with $1-\delta$, in addition to the information benefit reflected in ϕ_H.

In addition to the power lawyer's expertise in handling information (reflected in δ), Proposition 4 reveals that social connections, or "know who," can also skew judicial decisions without adding

informational value. Consequently, the level of power asymmetry between lawyers, and the extent to which such asymmetry is driven by rival information erosion (δ) and social connections (γ) versus professional capability (ϕ_H), are key in determining the potential biases that can be created by power lawyers.

6.1 Structural Model with Asymmetric Defendant and Plaintiff Case Strength

In Section 5, we assume a symmetric case strength for the defendant (A) and plaintiff (B). However, contract-related lawsuits analyzed in the empirical section 3.3 are often weighted in favor of the plaintiff.[18] To align our model with this dataset, we extend it to account for asymmetric case strength, setting $\alpha_A < \alpha_B = 1$. Here, α_A represents the probability of favorable evidence for defendants in loan and sales contract disputes. We allow α_A to be heterogeneous and randomly distributed as F_{α_A} across the clusters of similar cases that we defined in our baseline reduced-form analysis in section 3.3. Thus, our set of parameters is defined as $\Theta = \{\phi, \phi_H, \delta, \gamma, F_{\alpha_A}\}$. Appendix C.1 provides the detailed derivations of this model extension.

Identification The key argument for model identification follows our model propositions and uses both the first and second moment of judicial outcomes, conditional on the type of lawyers representing both sides and whether the case is ruled in their "home" court.

We begin by using cases in which both sides of the lawsuit are represented by regular lawyers, establishing the baseline outcomes of the reduced-form analysis in Section 4. Our model implies that for each case cluster, as defined in our section 3.3, the average win rate for defendant in these cases is determined by

$$Prob(\theta = -1) = \frac{\alpha_A}{1 + \alpha_A}(1 - \phi^2)$$

where α_A is the strength of defendant evidence in the case group. Meanwhile, the within-group variability in case outcomes, when both parties are represented by regular lawyers, is

$$Var(\theta) = 1 - \alpha_A\phi^2 - \left[\frac{1 - \alpha_A}{1 + \alpha_A}(1 + \alpha_A\phi)\right]^2$$

These two moment conditions across case groups provide identification of the parameter ϕ and

[18] When neither side is represented by a high-powered lawyer, the plaintiff's winning rate in our data is, on average, 0.91.

the empirical distribution of defendant case strength $\hat{F}_{\alpha_A}$.

The rest of the parameters $(\theta_H, \delta, \gamma)$ jointly capture the effects of "Know How" and "Know Who" documented in Section 4. Specifically, conditional on case characteristics—including whether each party is represented by a power lawyer and, if so, whether this power lawyer is in her "home court"—our model structure allows us to simulate case outcomes for any given values of $(\theta_H, \delta, \gamma)$. We can then use our simulated data to replicate the same within-group regressions to match

(1) the coefficient of the impact of power lawyers on court decisions (for both plaintiffs and defendants) in Table 1.

(2) the coefficient of the impact of power lawyers at the home court on court decisions (for both plaintiffs and defendants) in Table 5.

To see how these regression coefficients can be useful, note that when only the defendant is represented by a power lawyer, her probability of winning becomes

$$Prob(\theta = -1) = \frac{\alpha_A}{1+\alpha_A}(1+\phi_H)(1-\phi(1-\delta)) > \frac{\alpha_A}{1+\alpha_A}(1-\phi^2)$$

and the probability is further boosted by γ for home court power lawyers. Similarly, when only plaintiff is represented by a power lawyer, her winning probability is

$$Prob(\theta = 1) = \frac{1}{1+\alpha_A}(1-\alpha_A\phi_H)(1+\alpha_A\phi(1-\delta))$$

Together, these "know how" and "know who" advantages constrain the magnitude of the parameters (ϕ_H, δ, γ) jointly.

Beyond these first moments, our model also provides strong predictions regarding the second moments of judicial outcomes. Figure 4 illustrates this by categorizing cases into three groups based on lawyer representation: (a) RD lawyer vs. RD lawyer; (b) non-RD lawyer vs. non-RD lawyer; and (c) RD lawyer vs. non-RD lawyer or vice versa. In category (a), compared to (b), the difference arises from the information advantage of ϕ_H relative to ϕ. In contrast, when comparing category (c) to (b), the variation reflects not only improved information ϕ_H, but also information erosion δ and bias γ, both systematically favoring the side represented by RD lawyer.

Each horizontal line represents a case group of nearly identical cases, divided into three segments corresponding to the categories above. The darkness of each segment indicates the

degree of dispersion in rulings for the respective cases, as measured by the standard deviation of plaintiffs' win rates for the cases in the same category (segment)-cluster (horizontal). As shown, moving from (a) to (b), the average darkness increases, reflecting greater dispersion in outcomes. This confirms Proposition 2: in cases with symmetric lawyer capability, increased lawyer capability reduces ruling dispersions, reflecting the role of ϕ_H. Interestingly, when moving from (b) to (c), the average darkness *increases*, suggesting greater dispersion in outcomes. This pattern aligns with our model's prediction in Proposition 3, suggesting that, when facing non-RD lawyers, RD lawyers' information erosion (δ) and "know who" (γ) effects might more than offset his information provision effect, thereby increasing the dispersion of judicial outcomes.

Each pairwise comparison is statistically significant at the 1% level, as reported in Table 7. Motivated by these second moments results, we use our simulated data to further match:

(3) the coefficient of changes in ruling dispersion for one-party power lawyer and both power lawyer cases, relative to both regular lawyer cases in Table 7.

6.2 Parameter Estimation

The estimation procedure closely follows the approach outlined in Section 6.1.

Constrained Nonlinear Least Square We begin by estimating the capability of regular lawyers, ϕ, by fitting the observed variance in win rates for cases where both parties are represented by non-power lawyers within each case group. This estimation is performed using constrained nonlinear least squares, ensuring that the α_A of each group is fully consistent with the observed defendant win rate in these cases. Figure A.11 reports the empirical distribution F_{α_A}.

Indirect Inference Given the estimated $\hat{\phi}$ and empirical distribution $\hat{F}_{\alpha_A}$, we estimate the parameters (ϕ_H, δ, γ) using Indirect Inference, fitting the regression coefficients outlined in (1) – (3) of section 6.1. We compute the judicial outcomes and regression coefficients for a simulated data sample at each iteration of parameter values. The lower panel of Table 8 reports the six reduced-form coefficients that we targeted.

For a given set of parameters $\Theta = (\phi_H, \delta, \gamma)$, we then search for the parameters that minimizes the distance between the model simulated regression coefficients, $\delta^M(\Theta)$ and the

empirical counterparts, δ^D,

$$\hat{\Theta} = \arg\min_{\Theta} \|\delta^M(\Theta) - \delta^D\|_{\mathbf{W}},$$

where $\mathbf{W}$ is the weighting matrix based on the precision of reduced-form estimates.

To keep the model transparent, we did not include additional source of heterogeneity across plaintiff and defendant. As a result, the model is over-identified, but the overall fit of the simulated moments is good compared with our data regression coefficients. Table 8 reports the value of our structural parameters. We find that, consistent with our reduced-form results, the power lawyers have a higher likelihood $\phi_H = 0.872$ in collecting and articulating favorable information than a regular lawyer with $\phi = 0.706$. This difference is quite substantial, an increase of likelihood of discovering favorable evidence for power lawyer's client by almost a quarter. In addition, we also find that $\delta = 0.230$, indicating that power lawyer is able to undermine the other side's evidence to gain further advantage. However, note that from the perspective of accurate judicial decision, this is an information loss. Finally, the model also needs a social connection parameter $\gamma = 0.041$ to explain the "know-who" effect of the power lawyer. Overall, these estimates formalize our intuition in the reduced-form analysis and quantify the importance of each channel that contributes to the advantage of power lawyers in the judicial outcomes.

6.3 Deviation from Full Information

Using our model estimates, we can systematically assess the quality of judicial outcomes using full information as our benchmark. Recall that under full information, favorable evidence always exists for the plaintiff ($\alpha_B = 1$) and exists for the defendant with probability $\alpha_A < 1$. For all cases in the almost identical case cluster (and the cluster-specific $\hat{\alpha_A}$), we simulate their full information outcome. Observing the lawyers representing each case, we can then also simulate the realized outcome of litigation. Table 9 reports the fraction of cases that achieve the same outcome as the full information benchmark within each case cluster. These results are averaged over 500 simulations.

In column (1) of Table 9, we report, for all cases, the average accuracy rate compared to the full information benchmark. Column (2) - (4) correspond to the three categories of cases, (a) RD lawyer vs. RD lawyer; (b) RD lawyer vs. non-RD lawyer or vice versa; and (c) non-RD lawyer vs. non-RD lawyer in Figure 4. Separately reporting outcomes for these categories help us to better dissect the overall deviation from the full information benchmark.

In the top row of the table, we report the results for our baseline. Across all cases, the accuracy rate – measured by alignment with the full-information benchmark – is approximately 84.5%. As expected, when both sides are represented by power lawyers, the accuracy rate rises to 90.7%. Power lawyers are more adept at uncovering evidence relevant to judicial decisions, while the balance of two sides prevents information erosion and eliminates any undue influence from social connections. In contrast, when both sides are represented by regular lawyers, the accuracy rate declines quite substantially to 80.5%. This difference is completely explained by the difference of lawyer's ability to collect and articulate evidence. Recall that $\phi_H = 0.872$ and substantially higher than $\phi = 0.706$.

Interestingly, when only one side is represented by a power lawyer, the accuracy rate 79.3% is even slightly lower than the case represented by two regular lawyers. Despite the power lawyer providing more evidence to the case, she also generates externality of information erosion and favoritism from social connections. In the next two rows of the Table, we separate the importance of these two sources. We find that the information erosion channel plays a predominant role: when we set $\delta = 0$, the accuracy rate for the one-side power lawyer case increases from 79.3% to 84.7%. However, when we set $\gamma = 0$, the improvement is quite small. They key reason here is that despite the statistically significant impact of power lawyer social connection, the "home court" cases account for only a very small fraction of the power lawyer's case load in our sample.

6.4 Increasing the Supply of Power Lawyers

Thus far, our analysis has focused on a quantitative assessment of the status quo, taking the composition of cases and lawyer representation as given. However, to evaluate the key policy implication of increasing the supply of power lawyers in the legal market, we must extend our baseline model to incorporate the sorting process between lawyers, clients, and cases.

To avoid making ad hoc assumptions about whether a case falls within the "home court" of newly introduced power lawyers, we abstract from the "know-who" effect (i.e., $\gamma = 0$) in this counterfactual analysis. We then ask: would an increase in the supply of power lawyers be socially desirable?

Appendix C.2 provides details of this model extension, which we summarize here. Our framework considers a continuum of business disputes arising from transactions such as lending agreements or sales contracts, occurring between firms of heterogeneous sizes. The probability that a case involves a plaintiff (B) firm of scale z and a defendant (A) firm of scale z' is denoted

by $\lambda(z, z')$. Both parties hire legal representation, and the case outcome depends on the quality of the lawyers retained. We have two lawyer types: power lawyers (H) and regular lawyers (L). Power lawyers charge a higher fixed fee (w_H) than regular lawyers (w_L).

The winning and losing probabilities, $\xi_{ij}^{kW}(\phi, \phi_H, \delta, \alpha_A)$ and $\xi_{ij}^{kL}(\phi, \phi_H, \delta, \alpha_A)$, respectively, can be computed using our model estimates in Section 6.2 for plaintiffs and defendants ($k = A, B$) with lawyers $i, j = H, L$. The winning party receives a transfer $\tau(z, z')$ from the losing party.

Firms do not observe their rival size and lawyer type ex-ante. As a result, each firm on side k determines its optimal probability of hiring a power lawyer, $p_H^k(z)$, given its perception of potential rival's choices, $p_H^{k'}(z^{k'})$ for all $z^{k'}$. In equilibrium, these perceived choices align with firms' optimal decisions. The aggregate demand and supply of power lawyers ultimately determine the wage premium, $\tilde{w} = w_H - w_L$.

To compute the model equilibrium, we first construct the case composition matrix $\lambda(z, z')$ using our case data and categorize firms into 5 size categories. Appendix Table A.7 reports the composition of the rival scale, conditional on the scale of each plaintiff and defendant. There is a strong positive sorting pattern, reflected by a disproportionately larger probability of the largest plaintiff and defendant matched up against each other. Appendix Table A.8 illustrates that, in both our model and data, hiring a power lawyer is a relatively low probability (ranging between 4% and 5%), but this probability is increasing in the firm scale, reflecting both expected rival type and case value.

More interestingly, Figures 5a and 5b summarize the aggregate impact of increasing the supply of power lawyers. The solid red line in the right panel (Figure 5b) shows the overall ruling error rate as we vary the composition of lawyer supply. When power lawyers are scarce, the ruling error rate—relative to the full information benchmark—is approximately 20%, comparable to our current situation where power lawyers represent around $4 - 5\%$ of cases. As the supply of power lawyers increases, their wage premium declines, prompting both plaintiffs and defendant firms to hire them more frequently as legal representatives. Initially, this expansion slightly increases the ruling error rate. This counterintuitive outcome occurs because the information erosion effect (δ) in newly matched cases of power lawyers versus regular lawyers largely offsets their superior contribution of evidence (ϕ_H) to both their clients and the judicial process. However, once the proportion of power lawyers surpasses approximately 25%, they increasingly face each other, significantly reducing the ruling error rate thereafter. The simulated ruling dispersion shown in Figure 5a (left panel) exhibits an identical pattern.

The dashed lines in Figure 5b further illuminate the nuanced equilibrium role of power lawyers driven by the information erosion effect. Setting $\delta = 0$ reveals that increasing the number of power lawyers unequivocally reduces judicial ruling errors. More detailed procedures of our estimation and counterfactual analysis underlying these results are provided in Appendix D.

7 Conclusion

In this paper, we study the roles of lawyers in shaping judicial and economic outcomes, by investigating the unique group of revolving-door (RD) lawyers in China, who quit their judgeship to practice as lawyers. Compiling comprehensive administrative data on the universes of judges, lawyers, law firms, litigants, and lawsuits in China from 2014 to 2021, we are able to identify each RD lawyer, and construct credible measures of their legal expertise, personal connections, and performances both as judges and as lawyers. Based on this data infrastructure, we document a series of new descriptive patterns about China's legal profession, and present three sets of empirical results.

First, we show that, for otherwise identical lawsuits, such as well-defined contract disputes with quantitatively matched contractual terms, being represented by an RD lawyer delivers significantly more desirable judicial outcomes to their clients, which likely reflects a conservative estimate of power lawyer premium. Using two alternative empirical strategies—an event study design exploiting the new arrival of RD lawyers at law firms, and an instrumental variable approach exploiting the variations in RD weekly lawyers' caseload fluctuation, we demonstrate that this effect cannot be explained by the endogenous selection of cases/clients based on unobservable characteristics. This effect also remains even after controlling for court-by-litigant fixed effects, indicating that it is not driven by powerful clients directly exerting influence in court, but indeed comes from the influence of lawyer representation.

Second, our evidence suggests that the premium of RD lawyers comes from both "know how" and "know who." We find that RD lawyers perform better even at away courts where they did not serve as judges and do not have much connection, and this premium is stronger among those who hold graduate degrees in law or specialize in the same legal domain as judges and lawyers, pointing to the role of legal knowledge in generating lawyer premium. Nevertheless, these RD lawyers further become substantially more effective when going back to their home courts to argue in front of their former colleagues, suggesting that personal connections also play a role in

shaping lawyer value added.

Third, guided by a conceptual framework that extends Dewatripont and Tirole (1999), we empirically examine the tradeoffs presented by RD lawyers. By comparing otherwise identical cases represented by two RD lawyers with those represented by two non-RD lawyers, we show that ruling dispersion is lower in the former group, highlighting the higher quality information provided by proficient lawyers. In contrast, when an RD lawyer faces a non-RD lawyer, ruling dispersion increases relative to the scenario with two non-RD lawyers, suggesting that biases arising from asymmetric lawyer influences dominate the improvements in information quality in this setting.

Through the lens of our model—and by endogenizing both the sorting process between lawyers and clients/cases and the strategic decision in legal representation based on the opposing side's lawyer—we simulate counterfactual outcomes under varying levels of power lawyers in society. Our findings suggest a non-monotonic relationship between the lawyer talent pool and judicial quality: as the number of power lawyers increases in a society, both the judicial error rate and ruling dispersion first rise and eventually fall.

In addition to their mixed impacts on judicial quality, we show that RD lawyers disproportionately serve rich individuals and large corporations, so the information biases they create systematically exacerbate socio-economic inequalities.

Taken together, our paper provides among the first systematic empirical evidence on how lawyers affect justice and inequality through both their legal knowledge and personal connections, and sheds broader light on the operations of the legal profession, an important yet under-researched modern service sector. An interesting question is, in the second-best world, whether the legal profession would alleviate or exacerbate other existing economic distortions. Answering this question is beyond the scope of the current paper, but we consider it a promising direction for future research.

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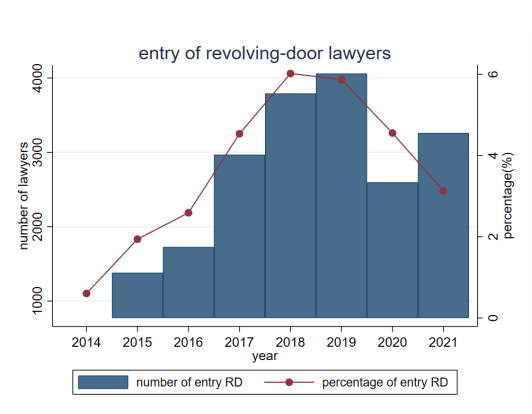
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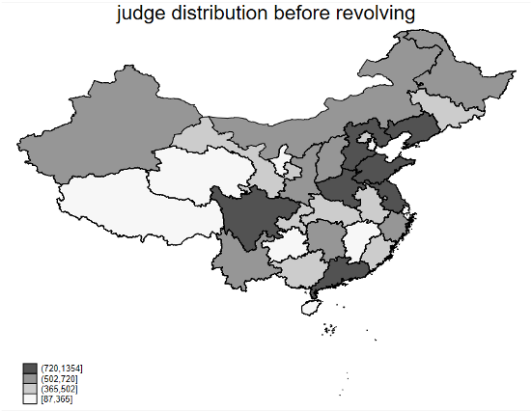
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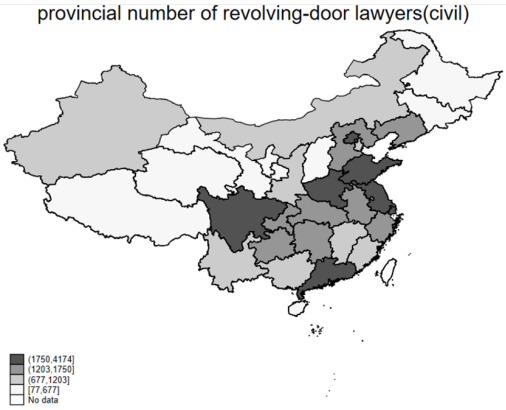
Figures and Tables



(a) Time Trend

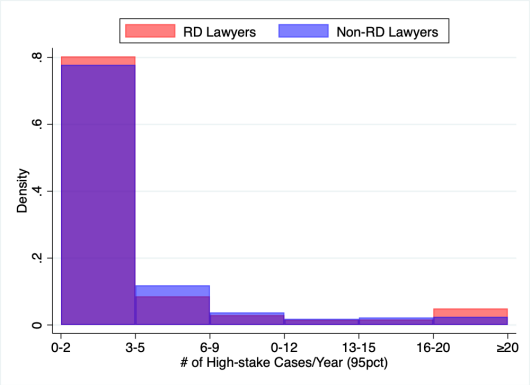


(b) Judges' Geo Distribution

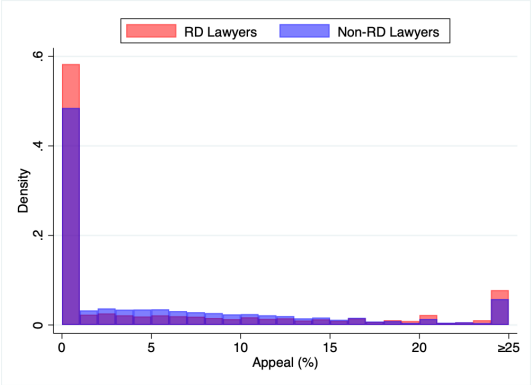


(c) Lawyers' Geo Distribution

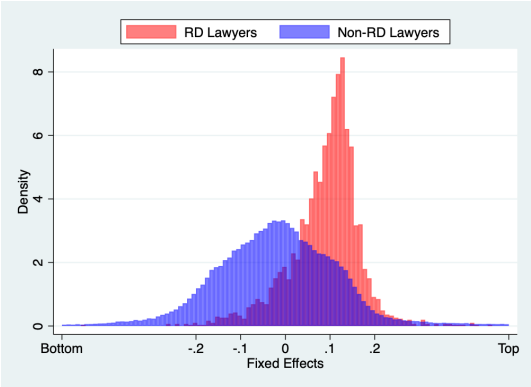
Figure 1: Panel (a) plots the number of newly converted revolving door lawyers from 2015 to 2021. Panel (b) plots the geographical distribution of judges who subsequently transitioned into roles as revolving door lawyers. Panel (c) plots the geographical distribution of revolving door lawyers.



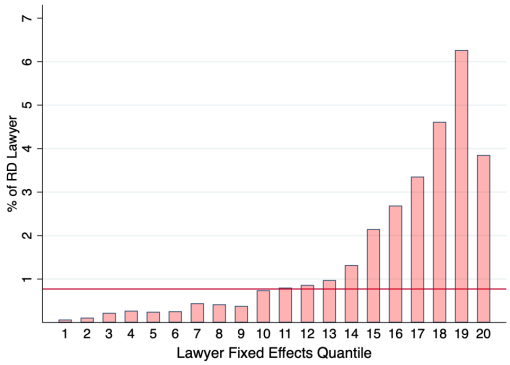
(a) Number of high-stake cases per year



(b) Appeal Rate



(c) Lawyer Fixed Effects Distribution



(d) Lawyer Fixed Effects Quantile

Figure 2: Panel (a) illustrates the distribution of the number of high-stakes commercial cases per year, distinguishing between judges who exit to practice as lawyers in private law firms (i.e., revolving door judges) and non-revolving door judges. Panel (b) depicts the distribution of appeal rates for revolving door judges and non-revolving door judges.Panel (c) plots the distribution of lawyer fixed effects estimated from matched cases following Abowd et al. (1999). Panel (d) divides these fixed effects into quantiles and shows the percentage of revolving door lawyers within each quantile.

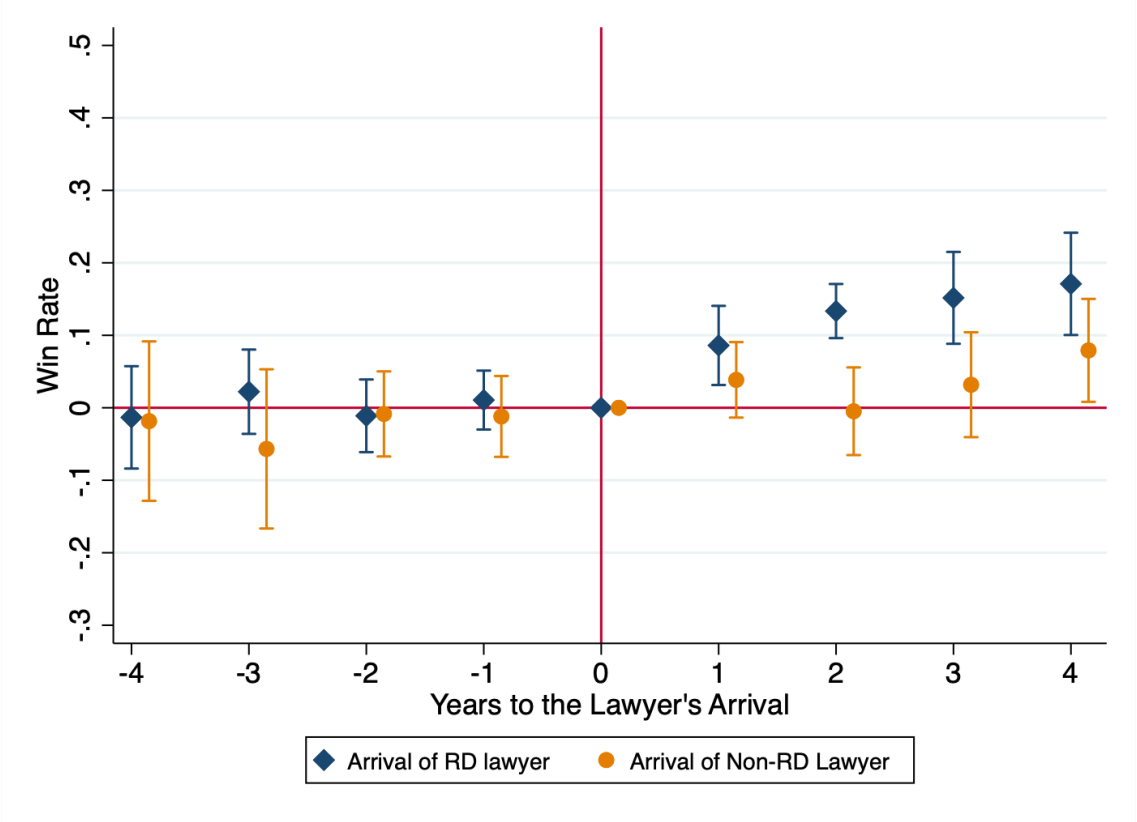


Figure 3: In this figure, we examine pre-existing clients who have consistently worked with the same law firm and assess how their case outcomes change once the firm hires an RD lawyer. We plot the event study coefficients (as well as 95% confidence intervals), following the approach suggested by Sun and Abraham (2021). For comparison, we also present a placebo test that shows the results when the law firm hires a random lawyer. Due to small sample sizes, we do not run the regressions separately for loan defendants, loan plaintiffs, sales defendants, and sales plaintiffs; instead, we pool all cases together to achieve stronger statistical power. Each regression controls for case group, year and law firm fixed effects, and standard errors are clustered at the case group-by-law firm level.

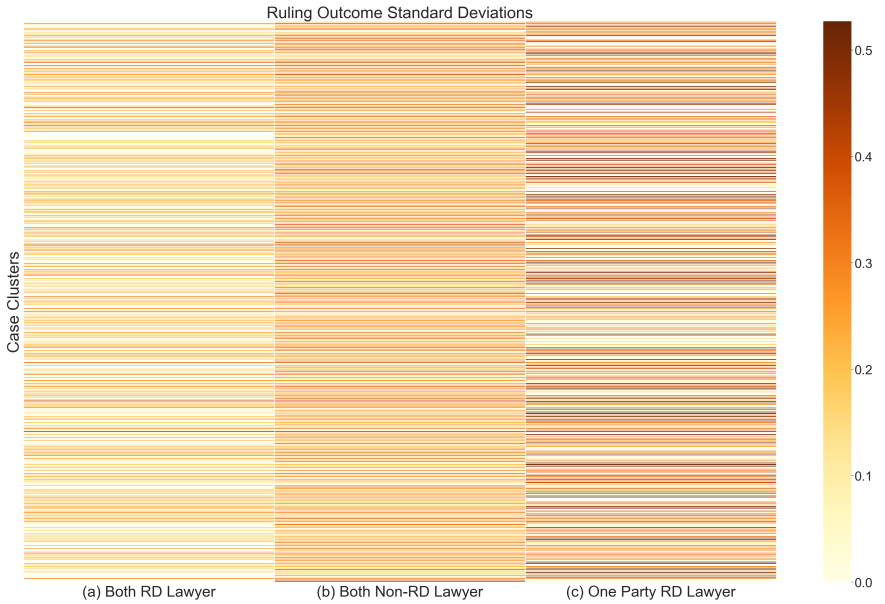
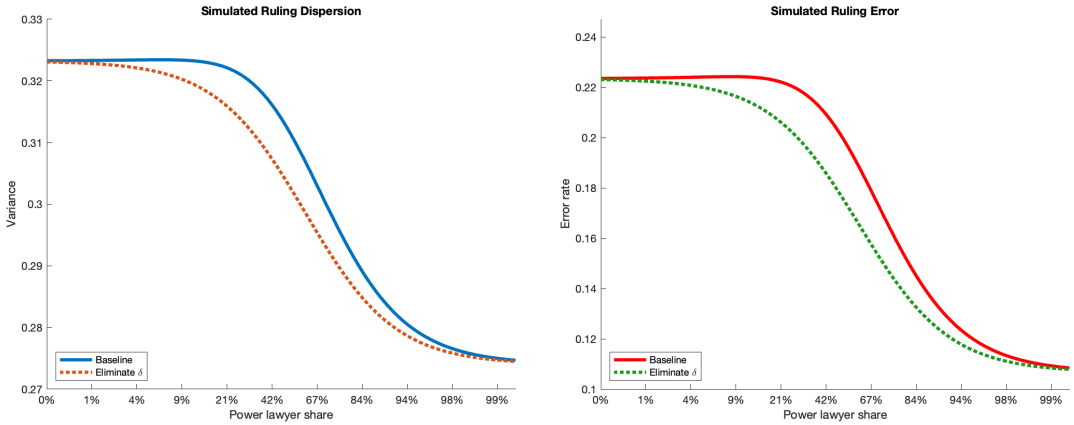


Figure 4: Ruling Dispersion: This figure focuses on a large dataset comprising thousands of identical cases in both loan contract and sales contract disputes. Each line corresponds to a group of identical cases. Within each group of identical cases, we further divide the sample into three categories based on whether a case is represented by RD lawyer: (a) RD lawyer vs. RD lawyer; (b) non-RD lawyer vs. non-RD lawyer; (c) RD lawyer vs. non-RD lawyer or non-RD lawyer vs. RD lawyer. The color of each line segment indicates the standard deviation in rulings for these otherwise identical cases in that category. Darker colors denote larger standard deviations and more dispersed rulings, while lighter colors indicate smaller standard deviations and more consistent rulings.



(a) Simulated Ruling Dispersion (b) Simulated Ruling Error

Figure 5: These figures report the societal impact of counterfactual changes in the share of power lawyer on ruling dispersion and error. Panel (a) plots the simulated standard deviation in judicial rulings across different shares of power lawyers. Panel (b) plots ruling deviation rate relative to the full-information benchmark across different shares of power lawyers. In the baseline simulation, "know-who" effect of power lawyers is assumed to be fully eliminated.

Table 1: Revolving Door Lawyers' Impact on Court Decisions

	(1)	(2)	(3)	(4)
	Plaintiff's Win Rate		Defendant's Win Rate	
	Loan Contract	Sales Contract	Loan Contract	Sales Contract
Panel A: Baseline				
RD Lawyer	0.065***	0.077***	0.024***	0.038***
	(0.002)	(0.002)	(0.006)	(0.009)
% in mean	8%	9%	18%	23%
Obs.	1,390,499	1,173,014	856,816	672,295
R-squared	0.068	0.068	0.134	0.163
Panel B: Within Court-litigant Variation				
RD Lawyer	0.054***	0.072***	0.020**	0.036***
	(0.004)	(0.004)	(0.010)	(0.013)
% in mean	6%	9%	14%	21%
Obs.	40,622	34,155	26,733	19,041
R-squared	0.348	0.376	0.377	0.420
Case Group FE	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Court FE	Y	Y	Y	Y

Notes: This table investigates the impact of the revolving door lawyers on court decisions on civil cases. In Panel A, we focus on within matched case group comparison, while in Panel B we concentrate on cases involving repeated litigants within the same court in civil proceedings. In column (1), we focus on loan contract cases where only the plaintiff's attorney is a revolving door lawyer, and for each such case, we pair it with the most comparable cases where no revolving door lawyer is involved (on average, we match 30 cases for each case group). In Columns (2), (3) and (4), we repeated this exercise, concentrating on cases where plaintiffs have revolving door lawyers in sales contract disputes, defendants have revolving door lawyers in loan contract cases, and defendants have revolving door lawyers in sales contract disputes, respectively. Two-way clustered standard errors at case group-court level are reported below the coefficients. * significant at 10% ** significant at 5% *** significant at 1%.

Table 2: Revolving Door Lawyers' Impact on Court Decisions - IV Estimation

	(1)	(2)	(3)	(4)
	Plaintiff's Win Rate		Defendant's Win Rate	
	Loan Contract	Sales Contract	Loan Contract	Sales Contract
Represented by RD Lawyer	0.086***	0.098***	0.031***	0.045***
	(0.005)	(0.005)	(0.008)	(0.015)
	First Stage			
RD Lawyer's Caseload	-0.078***	-0.084***	-0.071***	-0.042***
	(0.001)	(0.001)	(0.001)	(0.001)
Kleibergen-Paap F-statistics	4530.72	6628.41	3368.13	2091.27
% in mean	10%	12%	22%	26%
Year FE	Y	Y	Y	Y
Court FE	Y	Y	Y	Y
Case Group FE	Y	Y	Y	Y
Observations	168,422	171,369	128,506	98,925
R-squared	0.017	0.021	0.002	0.002

Notes: The table examines the effect of revolving door lawyers on civil case outcomes, using these lawyers' weekly caseload as the instrument. Our analysis focuses on cases handled by law firms that employed at least one revolving door lawyer at the time the case was managed. For each law firm and calendar week, we calculate the average caseload for revolving door lawyers when multiple such lawyers are present. Standard errors clustered at the case group level are reported below the coefficients. * significant at 10% ** significant at 5% *** significant at 1%.

Table 3: Revolving Door Lawyers' Impact on Court Decisions – "know-how"

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Plaintiff's Win Rate				Defendant's Win Rate			
	Loan Contract		Sales Contract		Loan Contract		Sales Contract	
Panel A: "know how" - cases in away courts								
RD Lawyer	0.065***	0.064***	0.076***	0.075***	0.024***	0.021**	0.037***	0.031***
	(0.002)	(0.005)	(0.002)	(0.004)	(0.007)	(0.009)	(0.010)	(0.011)
RD × Diff Prov	0.000	0.001	0.002	0.002	-0.002	0.001	0.001	0.007
	(0.002)	(0.004)	(0.002)	(0.005)	(0.004)	(0.006)	(0.005)	(0.007)
RD × Diff Regions		0.001		0.000		0.003		0.006
		(0.004)		(0.004)		(0.006)		(0.008)
Obs.	1,384,900	1,384,900	1,167,439	1,167,439	852,598	852,598	668,883	668,883
R-squared	0.068	0.068	0.068	0.068	0.135	0.135	0.163	0.163
Panel B: "know how" - capability indicators								
RD Lawyer	0.063***	0.022***	0.073***	0.043***	0.021***	0.003	0.033***	0.010
	(0.002)	(0.004)	(0.002)	(0.003)	(0.007)	(0.007)	(0.009)	(0.010)
RD × Grad. Degree	0.004**		0.009***		0.006**		0.011***	
	(0.002)		(0.002)		(0.002)		(0.003)	
RD × Same Domain		0.047***		0.038***		0.023***		0.032***
		(0.003)		(0.003)		(0.003)		(0.004)
Obs.	1,384,900	1,384,900	1,167,439	1,167,439	852,598	852,598	668,883	668,883
R-squared	0.068	0.068	0.068	0.068	0.135	0.135	0.163	0.163
Case Group FE	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Court FE	Y	Y	Y	Y	Y	Y	Y	Y

Notes: In Panel A, we retain only those cases that are heard in away courts and exclude cases that are adjudicated in the courts within the home prefectures of the RD lawyers to isolate the social connection (i.e. "know-who") channel. In Panel B, we focus on indicators associated with lawyers' capabilities, such as whether they possess a graduate degree or specialize in the same domain as the cases they presided over as judges. Two-way clustered standard errors at case group-court level are reported below the coefficients. * significant at 10% ** significant at 5% *** significant at 1%. * significant at 10% ** significant at 5% *** significant at 1%.

Table 4: Learning: Change of Rulings in Similar Cases Before and After a Judge's First Encounters with RD Lawyers

	(1)	(2)
	Ruling Difference = | RD Cases - Non-RD Cases |	
	Loan Contract	Sales Contract
After Hearing 1st RD Lawyer Case	-0.028***	-0.036***
	(0.004)	(0.006)
Obs.	57,718	38,623
R-squared	0.613	0.599
Case Group FE	Y	Y
Year FE	Y	Y
Judge FE	Y	Y

Notes: The table explores the potential learning effects of judges by examining changes in judges' rulings in similar cases before and after their first encounters with RD lawyers. The outcome variable is the ruling deviation between cases represented by non-RD lawyers and cases represented by RD lawyers. We only include case groups where the same judge is observed handling at least one case before and one case after encountering RD lawyers. Standard errors clustered at the case group level are reported below the coefficients. * significant at 10% ** significant at 5% *** significant at 1%.

Table 5: Revolving Door Lawyers' Impact on Court Decisions – "know-who"

	(1)	(2)	(3)	(4)
	Plaintiff's Win Rate		Defendant's Win Rate	
	Loan Contract	Sales Contract	Loan Contract	Sales Contract
Panel A: "know who" – Home prefecture cases v.s. non-home prefectures cases				
Home Pref	0.021*	0.024**	0.018**	0.022
	(0.012)	(0.011)	(0.009)	(0.016)
Obs.	86,890	87,302	67,144	54,102
R-squared	0.541	0.494	0.792	0.861
Panel B: "know who" – Cases Handled by New Judges in Home Prefecture				
Home Pref × New Judges	0.010	-0.001	-0.022	0.021
	(0.041)	(0.000)	(0.039)	(0.056)
Obs.	82,673	83,095	63,987	51,782
R-squared	0.541	0.496	0.790	0.863
Panel C: "know-who"– Cases in the Home Province but not in the Home Prefecture				
Same Prov. × Diff Pref.	0.003	0.001	0.000	-0.002
	(0.006)	(0.006)	(0.005)	(0.006)
Obs.	81,479	81,826	63,004	50,945
R-squared	0.533	0.491	0.787	0.861
Case Group FE	Y	Y	Y	Y
Lawyer FE	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Court FE	Y	Y	Y	Y

This table examines the "know-who" channel by exploiting within-rd lawyer variations in home vs. away courts. We retain only those cases that are represented by the RD lawyers for this analysis. Standard errors clustered at the case group level are reported below the coefficients. * significant at 10% ** significant at 5% *** significant at 1%.

Table 6: Revolving Door Lawyers' Impact on Court Decisions – High-ability vs. Low-ability

	(1)	(2)	(3)	(4)
	Plaintiff's Win Rate		Defendant's Win Rate	
	Loan Contract	Sales Contract	Loan Contract	Sales Contract
Panel A: Baseline effect using full sample: high ability vs. low ability				
RD Lawyer	0.021***	0.043***	0.008	0.017*
	(0.002)	(0.002)	(0.006)	(0.009)
RD Lawyer × High Ability	0.104***	0.099***	0.052***	0.059***
	(0.002)	(0.001)	(0.003)	(0.003)
Panel B: "know-how" using away courts sample: high ability vs. low ability				
RD Lawyer	0.021***	0.042***	0.006	0.016*
	(0.002)	(0.002)	(0.007)	(0.009)
RD Lawyer × High Ability	0.104***	0.099***	0.052***	0.059***
	(0.002)	(0.001)	(0.003)	(0.003)
Panel C: "know-who" using RD lawyer sample: high ability vs. low ability				
Home Court	-0.012	-0.007	-0.001	0.002
	(0.014)	(0.014)	(0.010)	(0.018)
Home Court × High Ability	0.079***	0.094***	0.076***	0.051**
	(0.017)	(0.016)	(0.013)	(0.025)
Case Group FE	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Court FE	Y	Y	Y	Y

This table explores the heterogeneous impacts of RD lawyers based on their ability measures. We define RD lawyers as high-ability if, during their tenure as judges, they have handled more than the mean number of high-stakes cases, determined by the economic values associated with these cases. Panel A utilizes the full sample, identical to the one employed in Table 1. Panel B focuses on cases in away courts, utilizing the same sample as in Table 3. Panel C exploits within-rd lawyers' variations on home vs. away courts, using the identical sample as in Table 5. Standard errors clustered at the case group level are reported below the coefficients. * significant at 10% ** significant at 5% *** significant at 1%.

Table 7: Ruling Dispersion Comparison Between Case Categories

	Ruling Dispersion
	(1)
One Party RD Lawyer	0.030***
	(0.009)
Both RD Lawyer	-0.093***
	(0.005)
Inequality Test P-Value	0.000
Case Group FE	Y
Observations	1,122
R-Squared	0.439

Notes: The omitted group is the category where both defendants and plaintiffs are represented by non-RD lawyers. Standard errors clustered at the case group level are reported below the coefficients. * significant at 10%, ** significant at 5%, *** significant at 1%.

Table 8: Structural Estimation Results

Parameter	Point Estimate	Standard Error
Regular lawyer capability ϕ	0.706	0.001
RD lawyer capability ϕ_H	0.872	0.007
Information erosion δ	0.230	0.019
"Know-who" effect γ	0.041	0.014
Moments	Data	Model
RD lawyer defendant (Table 1 (3))	0.024	0.056
RD lawyer defendant home (Table 5 (3))	0.018	0.018
RD lawyer plaintiff (Table 1 (1))	0.065	0.061
RD lawyer plaintiff home (Table 5 (1))	0.021	0.020
One-party RD (Table 7)	0.030	0.008
Both RD (Table 7)	-0.093	-0.094

Notes: We calculate the standard errors using the diagonal of variance-covariance matrix of the moments obtained from the reduced-form results.

Table 9: Ruling Accuracy (%)

Power Lawyer Advantage	Lawyer Category			
	All Cases	RD v. RD	non-RD v. non-RD	One-side RD
	(1)	(2)	(3)	(4)
Baseline	84.5	90.7	80.5	79.3
$\delta = 0$	85.4	90.7	80.5	84.7
$\gamma = 0$	84.6	90.7	80.5	79.6

Notes: This table reports the share of cases where rulings achieve the same outcomes as full-information benchmark across different lawyer categories and power lawyer advantage settings. We simulate realized outcomes and counterfactual full-information outcomes for all cases within each cluster used in Figure 4, and then repeat this process 500 times to compute the average ruling accuracy rate. In the baseline, power lawyers hold advantages in capability (ϕ_H), information erosion power (δ), and connections (γ). We sequentially eliminate part of these advantages and calculate the corresponding ruling accuracy.

ONLINE APPENDIX

A Appendix: Data

A.1 CJO Data

While the publicized documents are widely considered authentic and reliable, a potential concern with the CJO is missing data — some judgment files are excluded without justification. This occurs for two main reasons: (1) in its early years, local courts may not have uploaded all cases (Ahl et al., 2019; Liebman et al., 2020); and (2) in 2021, the CJO reportedly removed a batch of "politically sensitive" criminal cases. However, these omissions are unlikely to affect the analysis in this paper.

The deletion issue primarily affects criminal cases, as reported by various media outlets.[1] For civil cases, particularly contract disputes, the missing rate is significantly lower. We cross-validated our data with national-level aggregate case numbers from the China Statistical Yearbooks (2015–2021) published by the National Bureau of Statistics. Appendix Figure A.1 shows that, as local courts improved their capacity to digitize case files, the missing rate for civil lawsuits fell below 10% in recent years.[2] A substantial portion of missing files likely pertains to exempted cases involving privacy or juveniles, leaving limited scope for strategic case omissions.[3] Moreover, since 2018, we have been collecting CJO data daily, ensuring that cases deleted after publication, including the batch removed in 2021, remain in our sample.

[1] https://www.rfa.org/mandarin/yataibaodao/renquanfazhi/ql-07162021074351.html

[2] Many missing cases documented in earlier studies were backlogs caused by capacity constraints. These files were later digitized and added to the CJO. For example, Liebman et al. (2020) reported 45% of criminal judgment files missing in 2014; as of 2022, 60% of these have been added to the website and are included in our sample. Early digitization efforts became a key performance indicator (KPI) for local judges, incentivizing the resolution of backlogs.

[3] These missing rates align with alternative calculations based on gaps in case reference IDs, which follow a consecutive numbering system.

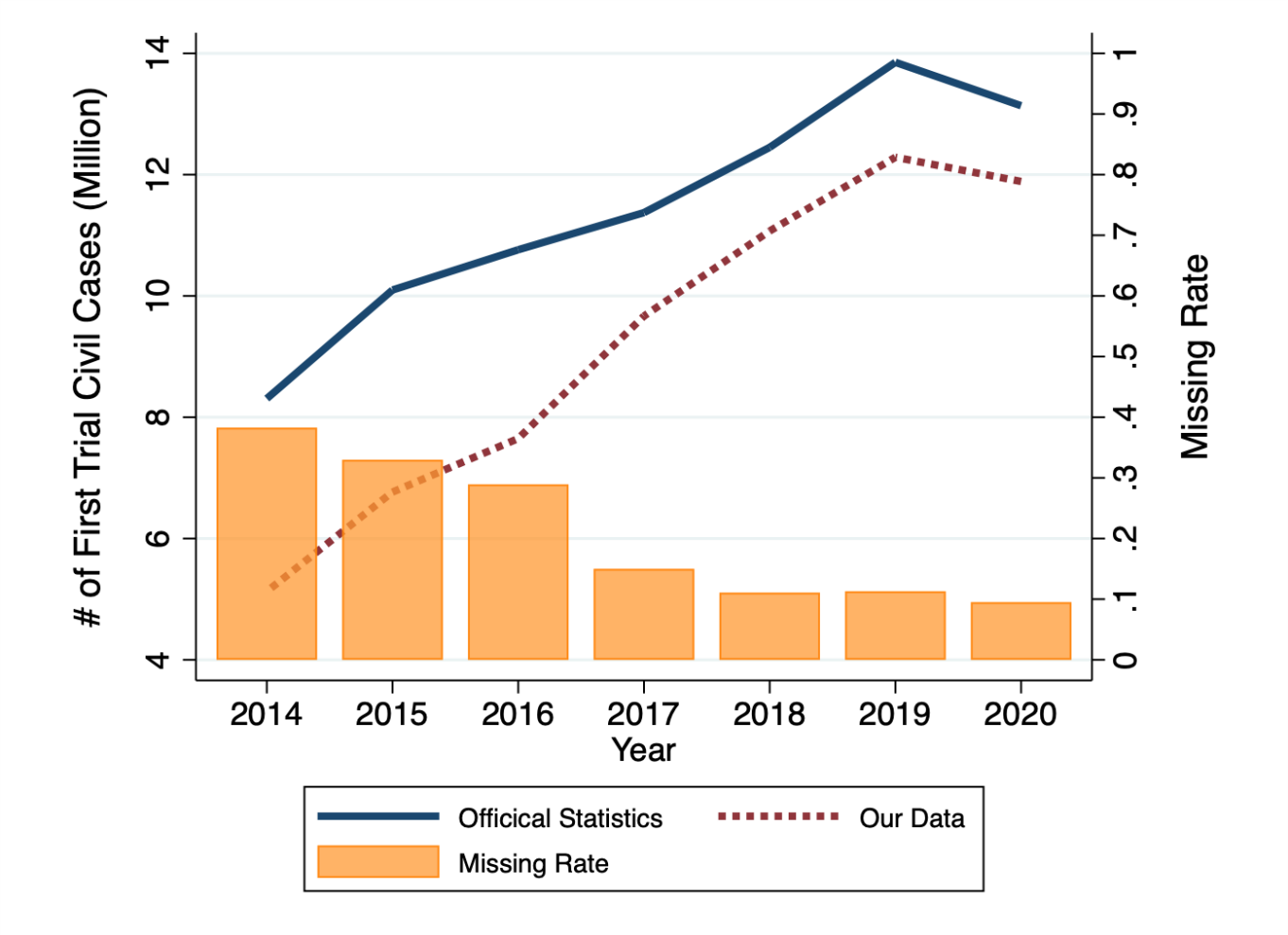


Figure A.1: Missing Rate of First Instance Court Decisions

Notes: The official number of first instance civil cases is retrieved from the *China Statistical Yearbook* published by the National Bureau of Statistics between 2015 and 2021, while the number of first instance civil cases in our data is calculated using cases that were tried between 2014 and 2020 and released by *China Judgments Online* before August 2022.

A.2 Details for Matching Loan/Sales Contract Disputes

China is a unitary (rather than federal) country, where the majority of laws are centrally formulated and uniformly applied nationwide. This means that courts in all regions need to adjudicate cases based on the statutes formulated by the central government. This is different from the United States, where case law and statutes related to loan and sales contracts are not the same across states. Consequently, China's situation creates an ideal setting for case matching: not only does the country have a large number of litigation cases, similar cases across the country should be treated equally under the law. In fact, "treating like cases alike" or "uniform application of the law" has always been a central requirement of the SPC for all local courts.

We limit our research to two types of simple contract cases, namely, loan contract cases (for non-repayment) and sales contract cases (for non-payment). The main advantage of choosing these two types of contract cases is that, given their high levels of standardization and low levels of ambiguity, such cases can be fully characterized by explicit features listed in court judgment files. After conditional on these case characteristics, any remaining variation in judicial decisions is likely attributable to the judges and lawyers involved in the case.

It is important to note that, even in cases that are extremely similar, such as those matched through the process described below, judges still hold substantial power to make different judicial decisions. This is because the law not only consists of explicit "rules," but also includes various "standards" that provide judges with discretionary space Kaplow (2013). For instance, in loan cases, judges can adjust loan interest rates and repayment schedules based on the principle of fairness. In sales contract cases, judges can modify the damages or penalty for late payment and non-performance. Even if the parties have agreed on liquidated damages in their contract, judges can still adjust the amount of such damages based on Article 114, Paragraph 2 of the Contract Law, as explained in the 5th bullet point below.

Our matching method provides a conservative estimate of the influence of power lawyers. In practice, lawyers can not only affect judges' discretion but also their determination of facts and choice of law (Liu and Li, 2019). In our study, by narrowing down the comparison to be within almost identical simple contract cases, we are implicitly assuming that power lawyers have no impact on facts and laws. The fact that we find substantial returns to power lawyers despite such a restrictive assumption indicates that power lawyers' influence in actual cases could be even more salient.

In the spirit of comparing identical cases to each other, we have adopted the most conservative matching method possible, matching based on the comprehensive features of each case. These features can be summarized into five aspects: i) causes of action, ii) identity of the parties, iii) plaintiff's claims, iv) facts determined by the judge, and v) legal provisions cited by the judge. We explain each of these in turn:

1. Matching causes of action: The SPC of China has detailed regulations on causes of action in

civil cases, according to the "Regulations on Causes of Action in Civil Cases" (promulgated in 2008 and amended in 2011). This regulation is the basis for classifying cases in all levels of courts. According to this regulation, loan contract disputes are divided into seven types, including financial loan contract disputes, interbank borrowing disputes, inter-enterprise lending disputes, private lending disputes, small loan contract disputes, financial non-performing debt transfer contract disputes, and financial non-performing debt recovery disputes. Since disputes such as financial non-performing debt transfer are relatively rare and have significant differences between cases, our sample only includes four types of disputes: financial loan contract disputes, inter-enterprise lending disputes, private lending disputes, and small loan contract disputes.[4]

Similarly, according to the above regulations, sales contract disputes are divided into nine types, e.g., ordinary sales contract disputes, installment sales contract disputes, sample sales contract disputes, trial sales contract disputes, and house sales contract disputes. We limit our sample to ordinary sales contract disputes. This significantly reduces the complexity and difficulty of matching cases that we study.

2. Matching identity of the parties: The identity of the parties includes individuals, enterprises, and financial institutions (further divided into banks and other financial institutions). Since different types of parties have different economic strengths and litigation capabilities, such as the obvious differences between individuals and large enterprises or financial institutions, we match different types of parties separately.

3. Matching plaintiff's claims: In civil cases, judges can only make judgments based on the plaintiff's claims, so the plaintiff's claims delineate the scope of the case. For example, in a loan contract, we only match two cases if the plaintiffs in both cases only request repayment of the loan principal and interest. If the plaintiff requests both repayment of the loan principal and interest and a penalty interest, we will treat it as a different case and only match it with cases that have similar claims.

Similarly, in a sales contract, we only match two cases if the plaintiffs in both cases only request the defendant to pay the purchase price. If the plaintiff requests payment of both the purchase price and losses due to delayed payment (or other losses), we will treat it as a different case and only match it with cases that have similar claims.

4. Matching facts determined by the judge: After rigorous matching of causes of action, identity of the parties, and plaintiff's claims, we further match cases based on the facts determined by the judge (or judges). The facts determined by the judge appear in the "facts found in this case" section of the judgment, which, according to the SPC, is a required part of every judgment. This section specifies the facts that the

[4]Financial loan contract: The borrower takes a loan from a financial institution, agrees to repay the loan upon maturity, and pays interest. Its peculiarity lies in the fact that the lender is a financial institution. Inter-enterprise lending: Borrowing between non-financial enterprises. Private lending: Borrowing activities between individuals or between individuals and non-financial enterprises. The interest rate for private lending can be appropriately higher than the bank's interest rate but must not exceed a price ceiling set by regulations. Small loan contract: A contract in which the borrower takes a small amount of loan from a financial institution or a small loan company, agrees to repay the loan upon maturity, and pays interest. Small loans generally have a smaller amount, lower interest rate, and more flexible and convenient terms for the loan period, issuance, and repayment methods than financial loan. Small loans are often used to support farmers in agricultural production, and reemployment of laid-off workers, among other purposes.

judge has determined based on the evidence provided by the parties and the cross-examination during the trial. While key facts can be important areas of disputes in some complex commercial lawsuits, for the two types of simple contract cases that we focus on, conditional on the presence of the original contracts, case facts are barely disputable. Therefore, for this particular empirical exercise, the "facts determined by the judge" can also be understood as "basic contractual/case characteristics."

For example, in loan cases, the facts determined by the judge include various aspects of the loan contract and the default, such as the loan principal and interest agreed upon in the contract, the unpaid loan principal and interest, the guarantees and warranties, and whether the contract stipulates liquidated damages and the amount of such damages.

Similarly, in sales contract cases, the facts determined by the judge include the type of goods (categorized by the Nice Agreement Concerning the International Classification of Goods), the contract price, whether the contract stipulates liquidated damages and the amount of such damages, whether the defendant has breached the contract, and the amount of losses caused by such breach, among many other things.

When matching the facts, we adopt one-to-one exact matching for some variables, which means that the two groups of cases being matched must have exactly the same features, such as the existence of guarantees, warranties, or liquidated damages in loan cases, or the type of goods and whether the defendant has breached the contract in sales contract cases. For variables involving amounts (such as loan principal, interest, or liquidated damages), we define tight ranges of deviation for each variable.[5] The combination of these methods helps us match cases that have very similar facts in a conservative way.

5. Matching legal provisions cited by the judge: We also match cases based on the specific legal provisions cited by the judge (or judges) in the judgment. This ensures that the cases we match have the same legal issues. For example, according to Chinese Contract Law, judges have the power to exercise discretion and adjust liquidated damages agreed upon by both parties in the contract. When the judge actually adjusts the liquidated damages, he or she must cite the relevant provisions of the Contract Law, such as Article 114, Paragraph 2: "If the liquidated damages agreed upon are lower than the actual losses suffered, the party concerned may request the people's court or the arbitration institution to increase the amount; if the liquidated damages agreed upon are excessively high in relation to the actual losses suffered, the party concerned may request the people's court or the arbitration institution to reduce the amount." When both cases cite Article 114, Paragraph 2 of the Contract Law, it is clear that the judge considers the legal issues and basis for the judgment of the two cases to be the adjustment of liquidated damages. Matching cases based on the specific provisions cited in the judgment allows us to find cases with similar legal issues (and basis for judgment) and distinguish cases with different legal issues.

Matching legal provisions is also important as it helps us exclude cases that are too complex or too rare.

[5] Specifically...

If a judge cites a rare legal provision in the judgment, it means that the legal issue at hand is not common, and it is difficult to find very similar cases.

In addition to the above five main contents, the variables used for matching also include some aspects related to the trial procedure and court hearing, such as whether the trial uses an ordinary procedure (presided over by three judges) or a simplified procedure (presided over by one judge), whether the defendant appears in court, etc.

The complete lists of variables used in our case matching procedures for loan and sales contract cases are reported below in Appendix A.3 and Appendix A.4, respectively.

A.3 Overview of the Loan Contract Variables

Variable Domain	Variable Name	Value Nature	Variable Description
Party Identity and Relationship	Plaintiff's Financial Identity	categorical	the financial identity of the plaintiff (individual, corporation, small loan company, financial institution)
	Defendant's Financial Identity	categorical	the financial identity of the defendant (individual, corporation, small loan company, financial institution)
	Interpersonal Relationship	categorical	whether the involved parties are strangers
Plaintiff's Claims	Claim: Principal Repayment	binary	claim for the principal of the loan
	Claim: Interest Payment	binary	claim for the interest of the loan
	Claim: Penalty Interest	binary	claim for penalty interest
	Claim: Priority of Compensation	binary	claim for Priority of Compensation
	Claim: Damage Compensation	binary	claim for compensation for the damage caused
	Claim: Contract Termination	binary	claim to terminate the signed contract
	Claim: Pay Debt Realization Costs	binary	claim for payment of Debt Realization Costs including attorney fees, litigation costs, notarization fees, etc.
	Claim: Liability Assumption	binary	claim for the defendant to take the responsibility
Contractual Details	Principal Amount	numerical	the principal amount of the loan (unit: yuan)
	Loan Term	numerical	the agreed loan term (unit: month)
	Unspecified Loan Term	binary	whether the interest rate was not specified in the contract

Variable Domain	Variable Name	Value Nature	Variable Description
	Loan Interest Rate	numerical	The agreed interest rate of the loan (unit: % per month)
	Unspecified Loan Interest Rate	binary	Whether the verdict explicitly states that the interest rate is unspecified
	Mortgage	categorical	Whether There is Mortgage, and if so, Whether the Mortgage is Real Estate or Movable Property
	Pledge	categorical	Whether There is Pledge, and if so, Whether the Pledge is Movable Property, Real Estate, or Rights Pledge
	Guarantor	categorical	Whether There is a Guarantor, and if so, Whether the Guarantor is a Natural Person or a Company
	Guarantee Method	categorical	Whether the Guarantee Method is general, suretyship, or controversial
	Joint Guarantee	binary	Whether there is a joint guarantee
	Repayment Method	categorical	Whether the Agreed Repayment Method is Equal Principal and Interest, Interest-First Principal-Later, Interest and Principal Both Later, Equal Principal and Equal Interest, Equal Principal, On-Demand Repayment, or Unknown
Contract Execution	Plaintiff's Claimed Unpaid Principal	numerical	Amount of principal the plaintiff claims remains unpaid.
	Special Circumstances: No Repayment Ability	binary	whether the defendant may have no ability to repay
	Special Circumstances: Suspected Crime	binary	whether the case involves suspected criminal activity

Variable Domain	Variable Name	Value Nature	Variable Description
	Special Circumstances: Death	binary	whether any relevant party involved is deceased.
	Other Special Circumstances	binary	Whether the Document Discusses Potentially Dispute-Influencing Factors such as Force Majeure, Change of Circumstances, or the Principle of Fairness
Other relevant Quantitative Indicators	Penalty Interest (Amount)	numerical	Amount of penalty interest (unit: yuan)
	Penalty Interest (Percentage)	numerical	Percentage rate of penalty interest (unit: % per day)
	Damages for breach of contract (amount)	numerical	Amount of compensation for Damages for breach of contract (unit: yuan)
	Damages for breach of contract (Percentage)	numerical	Percentage rate of compensation for damages for breach of contract (unit: % per day)
Court Hearing Schedule	Trial Procedure	categorical	Whether the Trial Procedure is Ordinary or Summary
Defendant's Attitude	Appearance in Court	categorical	Defendant's Appearance in Court (Full Appearance, Partial Appearance, No Appearance)
Evidence Situation	Evidence Situation	vector	Completeness and Credibility of Evidence
Cited Legal Provisions	Contract Law (Binary Vector)	vector	Cited Articles of the "Contract Law of the People's Republic of China"
	Regulations (Binary Vector)	vector	Cited Regulations

A.4 Overview of Sales Contract Variables

Variable Domain	Variable Name	Value Nature	Variable Description
Party Identity and Relationship	Plaintiff's Financial Identity	categorical	the financial identity of the plaintiff (individual, corporation, small loan company, financial institution)
	Defendant's Financial Identity	categorical	the financial identity of the defendant (individual, corporation, small loan company, financial institution)
Plaintiff's Claims	Claim: Payment of Goods	binary	request the defendant to pay for the goods
	Claim: Refund of Payment or Deposit	binary	request the defendant to refund the payment or deposit
	Claim: Payment of Penalty	binary	request for the defendant to pay the penalty
	Claim: Delivery of Goods	binary	request the defendant to deliver the goods
	Claim: Compensation for Losses or Interest	binary	Claim for compensation for the damage caused or Interest
	Claim: Termination of Contract	binary	Claim to terminate the signed contract
	Claim: Payment of Costs for Realizing Credit Rights	binary	Claim for payment of Debt Realization Costs including attorney fees, litigation costs, notarization fees, etc.
	Claim: Assumption of Liability	binary	request the defendant to take the responsibility
Case Dispute	Dispute: Legal Relationship	Categorical	Whether the contract is valid; whether the parties are suitable
	Dispute: Payment Amount	Categorical	Dispute over the amount of payment owed.
	Dispute: Penalty	Categorical	Dispute over whether a penalty should be paid and the specific amount

Variable Domain	Variable Name	Value Nature	Variable Description
	Dispute: Product Delivery	Categorical	Dispute over whether the product was delivered on time
	Dispute: Product Quality	Categorical	Dispute over whether the product meets quality standards or if the quality inspection was timely
	Dispute: Contract Termination	categorical	Dispute over whether there is a right to terminate the contract
	Dispute: Limitation Period	categorical	Dispute over whether the claim is barred by the statute of limitations
Other relevant Quantitative Indicators	Amount in Dispute	Numerical	The amount of payment or goods requested for return or repayment
	Penalty Interest (Amount)	numerical	Amount of penalty interest (unit: yuan)
	Penalty Interest (Percentage)	numerical	Percentage rate of penalty interest (unit: % per day)
	Damages for breach of contract (amount)	numerical	Amount of compensation for Damages for breach of contract (unit: yuan)
	Damages for breach of contract (Percentage)	numerical	Percentage rate of compensation for damages for breach of contract (unit: % per day)
Court Hearing Schedule	Trial Procedure	categorical	Whether the Trial Procedure is Ordinary or Summary
	Counterclaim	Binary	Whether there is a counterclaim situation (defendant as counterclaimant against the original plaintiff)
Defendant's Attitude	Appearance in Court	categorical	Defendant's Appearance in Court (Full Appearance, Partial Appearance, No Appearance)
	Defendant's Protest	binary	Whether the defendant has defended (either in court or in writing)
Evidence Situation	Evidence Situation	vector	Completeness and Credibility of Evidence

Variable Domain	Variable Name	Value Nature	Variable Description
Cited Legal Provisions	Contract Law (Binary Vector)	vector	Cited Articles of the "Contract Law of the People's Republic of China"
	Regulations (Binary Vector)	vector	Cited Regulations

A.5 Matching Criminal Lawsuits

For criminal lawsuits, case matching is relatively straightforward, as China's criminal law makes it explicit all the case characteristics that should be relevant for judicial decisions, all of which we are able to extract from the court judgment files. Specifically, three types of characteristics are laid out by the criminal law: (a) defendant characteristics and attitudes, such as crime history, principal offender/accomplice, confession, voluntary guilty plea, surrender, behavior during detention, etc.; (b) details of the alleged crime, such as crime type (485 categories), crime severity level, attempted crime, voluntary cessation, negligent crime, crime against vulnerable individuals, forgiveness from victims, etc.; and (c) quantitative features specific to each crime type, for example, for a theft crime, relevant features include monetary size, residential burglary, multiple thefts, and whether a weapon was carried, etc.

Certain case features, such as the forgiveness of the victims, could be an endogenous outcome of a lawyer's ability. But this concern would imply that the high-power lawyers have been handling trickier cases, which would make our baseline comparison an underestimation of the return to good lawyers. In addition, for robustness check, we also focus on a subset of criminal lawsuits for which the case characteristics can hardly be disputable, such as driving under influence (DUI) cases, where the key features are simple and based on clear objective tests, minimizing the influence of lawyers on these features.

B Appendix: Additional Figures and Tables

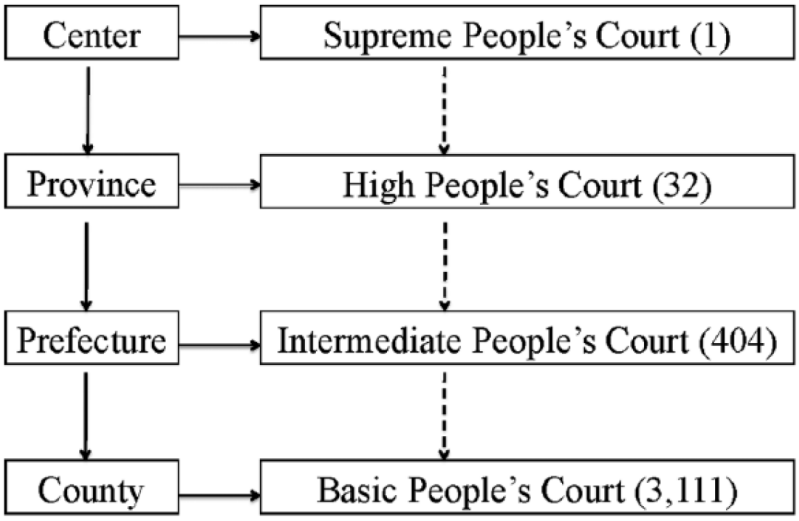


Figure A.2: Structure of China's Judicial System

Notes: Reprinted from Wang (2018).

	B	AQ	AR	AS	AT	AU	AV	AW	AX	AY	AZ	BA	BB
5	姓名	住房贷款	工会会费	单位扣款项目一	单位扣款项目二	养老保险费	个人所得税	医疗保险费	失业保险费	住房公积金	物业管理费	扣发工资合计	实发工资
6	合计：					869.28	1,063.00	########		########	########	########	########
7	[illegible]						75.00	109.60		729.00		913.60	5,165.40
8	[illegible]						202.00	137.92		905.00		1,244.92	6,293.08
9	[illegible]						28.00	90.58		612.00		730.58	4,369.42
10	[illegible]							66.38		446.00		512.38	3,204.62
11	[illegible]						13.00	82.50		544.00	65.40	704.90	3,832.10
12	[illegible]							67.70		454.00		521.70	3,261.30
13	[illegible]							71.32		476.00		547.32	3,416.68
14	[illegible]						17.00	84.37		559.00	82.20	742.57	3,915.93
15	[illegible]							70.70		472.00	82.20	624.90	3,308.10
16	[illegible]						20.00	87.46		574.00	79.30	760.76	4,024.24
17	[illegible]							66.68		448.00		514.68	3,217.32
18	[illegible]							67.90		456.00		523.90	3,279.10
19	[illegible]							61.64		418.00		479.64	3,000.36
20	[illegible]							69.90		467.00	82.20	619.10	3,273.90
21	[illegible]							66.88		449.00		515.88	3,226.12
22	[illegible]						34.00	94.68		637.00		765.68	4,339.32
23	[illegible]						22.00	88.86		583.00	82.20	776.06	4,078.94

(a) Salary Sheet for Judges in a prefectural intermediate court (2013)



(b) Average Wages for Lawyers in 4 More-developed Provinces

Figure A.3: Panel (a) presents a screenshot of judges' salary sheets in a court in Sichuan province in 2013, the average judge was paid around 4000 RMB (around 600 USD) per month. Panel (b) plots the average wage for lawyers practicing in relatively developed provinces in China. Lawyer wages are calculated based on data from reports: https://news.sina.com.cn/o/2014-11-25/045031196719.shtml and https://fzhenghu.net/?p=1395



(a) Frontpage of the China Judgements Online Website

目录

阿克苏盛泰建材有限公司、新疆金岩筑科混泥土有限公司沙雅分公司买卖合同纠纷民事一审民事判决书

案　由 买卖合同纠纷 点击了解更多

案　号 （2022）新2924民初1733号

发布日期 2022-08-20

浏览次数 17

新疆维吾尔自治区沙雅县人民法院

民事判决书

Court Name

（2022）新2924民初1733号

Plaintiff

原告：阿克苏盛泰建材有限公司，住所地新疆维吾尔自治区库车市。

法定代表人：胡洪亮，系公司经理。

委托诉讼代理人：刘嘉冰，系公司职工。

Defendant

被告：新疆金岩筑科混泥土有限公司沙雅分公司，住所地：新疆维吾尔自治区沙雅县。

法定代表人：杨兵，系公司经理。

委托诉讼代理人：李维龙，系公司站长。

The date of Case registration

原告阿克苏盛泰建材有限公司与被告新疆金岩筑科混泥土有限公司沙雅分公司买卖合同纠纷一案，本院于2022年8月9日立案后，依法适用小额诉讼程序，公开开庭进行了审理，原告阿克苏盛泰建材有限公司的委托诉讼代理人刘嘉冰、被告新疆金岩筑科混泥土有限公司沙雅分公司委托诉讼代理人李维龙到庭参加诉讼，本案现已审理终结。

原告阿克苏盛泰建材有限公司向本院提出诉讼请求：1．请求依法判令被告给付砂石料款33，496.00元。2．依法判令被告承担本案诉讼费。事实与理由：2021年4月，被告方在原告处赊购价值113，056.00元的砂石料，已付79，560.00元，剩余欠款33，496.00元，经原告多次索要未果，致使原告方起诉来院。请求依法支持原告的诉讼请求。

被告新疆金岩筑科混泥土有限公司沙雅分公司承认原告提出的全部诉讼请求。

本院认为，当事人有权在法律规定的范围内处分自己的民事权利和诉讼权利，被告承认原告的诉讼请求，不违反法律规定。

依照《最高人民法院关于适用〈中华人民共和国民法典〉时间效力的若干规定》第一条、《中华人民共和国民事诉讼法》第十三条第二款、第一百六十五条的规定，判决如下：

Rulings

被告新疆金岩筑科混泥土有限公司沙雅分公司应付原告阿克苏盛泰建材有限公司砂石料款33，496.00元，于本判决生效之日后15日内一次性给付原告。

如未按本判决指定的期间履行给付金钱义务，应当依照《中华人民共和国民事诉讼法》第二百六十条之规定，加倍支付迟延履行期间的债务利息。

案件受理费637.40元，由被告新疆金岩筑科混泥土有限公司沙雅分公司承担。

本判决为终审判决。

The court fee of 637 CNY shall be borne by the defendant

Judge and the date of delivering this judgment

审判员　唐　　海

二〇二二年八月十八日

法官助理　赛里买木拉吾东

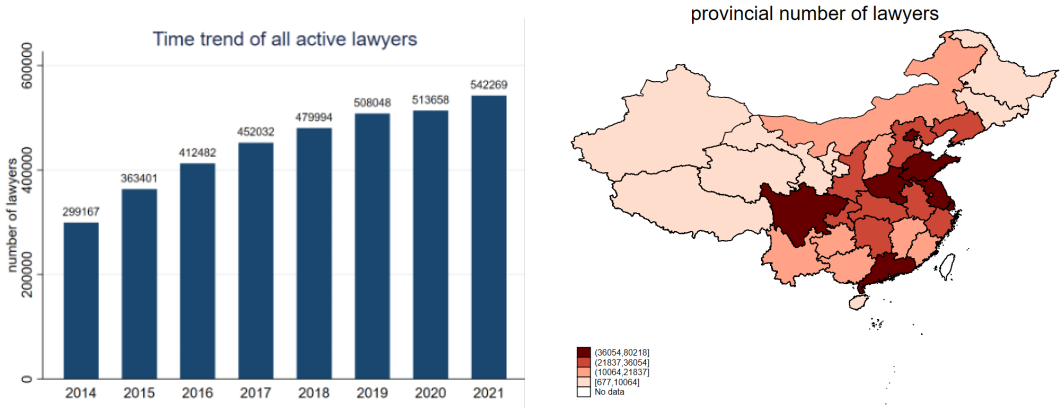
书记员　阿力木　图尔贡

(b) Sample Court Judgement

Figure A.4: China Judgements Online Website and An Example of Court Judgement

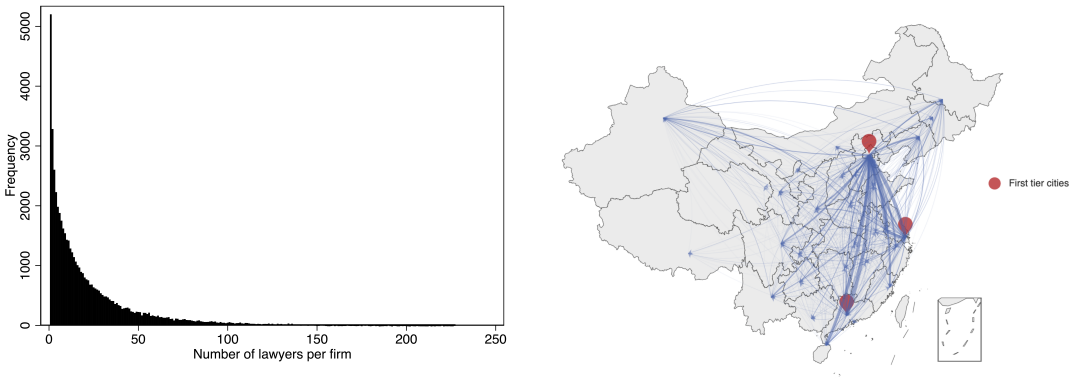


Figure A.5: Frontpage of the *Tianyancha.com*



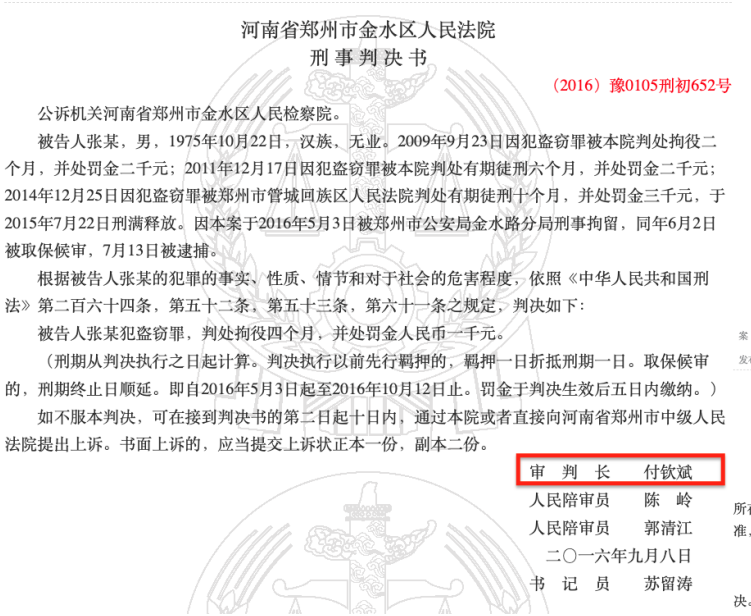
(a) Time Trend (b) Spatial Distribution

Figure A.6: Panel (a) plots the number of active lawyers from 2014 to 2021. Panel (b) plots the geographical distribution of active lawyers.



(a) Distribution of # of Lawyers/Firm (b) Linkage between Parent Firm & Local Branch

Figure A.7: Panel (a) plots the distribution of number of lawyers per firm. Panel (b) plots the geographical linkage between parent law firms and local branches. Each line represents the connection between parent law firms and local branches, with the arrow attached at the end of the line indicating the direction of the relationship and the width of the line reflecting the number of branches in the destination provinces.



河南省郑州市金水区人民法院
刑事判决书

（2016）豫0105刑初652号

公诉机关河南省郑州市金水区人民检察院。

被告人张某，男，1975年10月22日，汉族，无业。2009年9月23日因犯盗窃罪被本院判处拘役二个月，并处罚金二千元；2011年12月17日因犯盗窃罪被本院判处有期徒刑六个月，并处罚金二千元；2014年12月25日因犯盗窃罪被郑州市管城回族区人民法院判处有期徒刑十个月，并处罚金三千元，于2015年7月22日刑满释放。因本案于2016年5月3日被郑州市公安局金水路分局刑事拘留，同年6月2日被取保候审，7月13日被逮捕。

根据被告人张某的犯罪的事实、性质、情节和对于社会的危害程度，依照《中华人民共和国刑法》第二百六十四条，第五十二条，第五十三条，第六十一条之规定，判决如下：

被告人张某犯盗窃罪，判处拘役四个月，并处罚金人民币一千元。

（刑期从判决执行之日起计算。判决执行以前先行羁押的，羁押一日折抵刑期一日。取保候审的，刑期终止日顺延。即自2016年5月3日起至2016年10月12日止。罚金于判决生效后五日内缴纳。）

如不服本判决，可在接到判决书的第二日起十日内，通过本院或者直接向河南省郑州市中级人民法院提出上诉。书面上诉的，应当提交上诉状正本一份，副本二份。

审　判　长　付钦斌
人民陪审员　陈　岭
人民陪审员　郭清江
二〇一六年九月八日
书　记　员　苏留涛

(a) Last Case Ruled as Judge



江华非法采矿二审刑事裁定书

案　由 非法采矿 点击了解更多　　案　号 （2018）豫15刑终417号
发布日期 2018-10-09　　浏览次数 19

河南省信阳市中级人民法院
刑事裁定书

（2018）豫15刑终417号

原公诉机关河南省商城县人民检察院。

上诉人（原审被告人）江**，男，1974年2月16日出生于河南省商城县，汉族，高中文化程度，商城县江申河砂开采有限公司法定代表人，户籍所在地为河南省信阳市商城县，住商城县。因涉嫌非法采矿罪，于2017年7月5日被商城县公安局刑事拘留，于2018年7月19日经商城县人民检察院批准，同日被商城县公安局执行逮捕。

辩护人胡大宽、付钦斌，河南国基律师事务所律师。

河南省商城县人民法院审理河南省商城县人民检察院指控被告江**犯非法采矿罪一案，于2018年7月11日作出（2018）豫1524刑初11号刑事判决。江**不服，提出上诉。本院依法组成合议庭，经过阅卷，讯问上诉人，听取辩护人意见，认为本案事实清楚，决定不开庭审理。现已审理终结。

(b) First Case Represent as Lawyer



河南国基律师事务所 HENAN GUOJI LAW FIRM

首页　关于国基　新闻资讯　国基团队　业务领域　专业研究　案件咨询　招贤纳士

付钦斌

付钦斌，男，中国人民大学法学院刑法学硕士研究生，曾任郑州市某区人民法院刑庭副庭长，现任南国基律师事务所刑事部副主任，并职务犯罪辩护研究中心主任、河南大学硕士研究生导师、西南政法学刑事辩护中心研究员、河南工业大学法学院疑难件研究中心研究员。

(c) Resume on Law Firm's Website



收藏　0　0

付钦斌　播报　讨论　上传视频

河南大学法律专业学位硕士研究生指导教师、西南政法大学刑辩研究中心研究员

本词条部分内容由付钦斌参与编辑完善　详情>>

付钦斌，系中国人民大学刑法学硕士研究生，原郑州市某法院刑庭副庭长 [1]，河南大学法律专业学位硕士研究生指导教师、河南国基律师事务所律师 [2-3]。

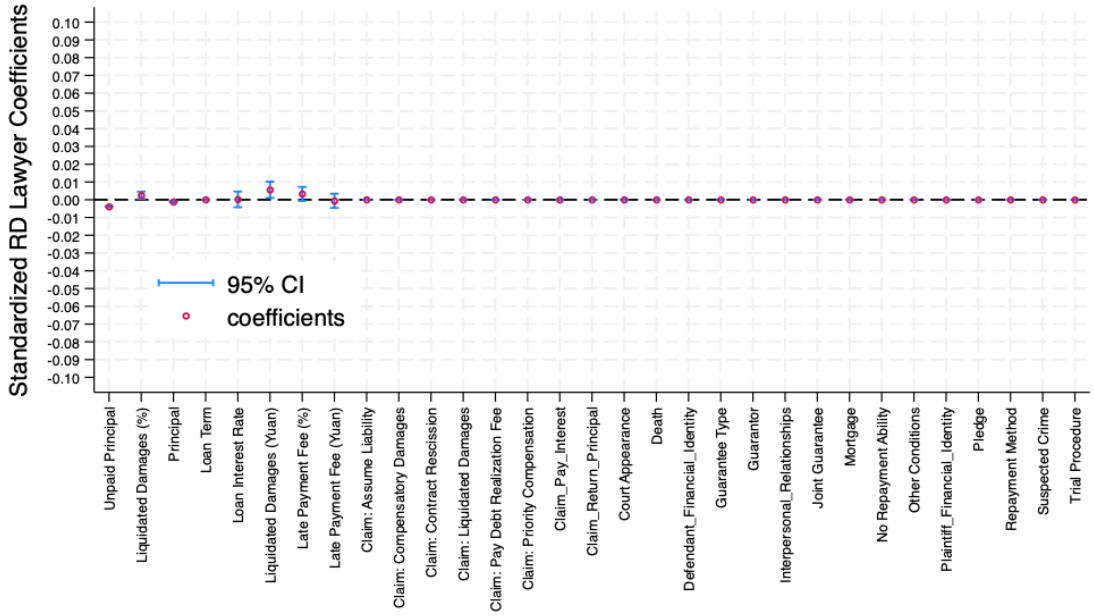
中文名	付钦斌	毕业院校	中国人民大学
国　籍	中国	职　业	律师 [3]
出生日期	1974年9月	执业机构	河南国基律师事务所 [3]

(d) Resume on Baidu Wikipedia

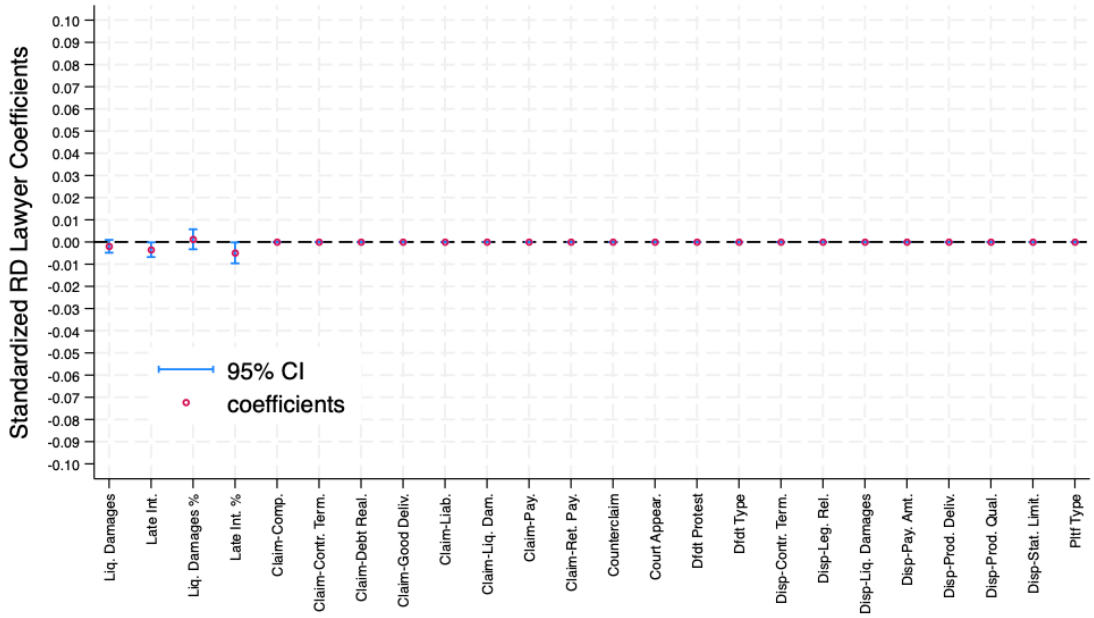
Figure A.8: Panel (a) shows the last case Fu Qinbin ruled as a judge in 2016. Panel (b) presents the first case Fu Qinbin shows up as an attorney in 2018, which is two years after he quit the judge position. Panel (c) and Panel (d) verify that Fu Qinbin indeed quit his judge position and became a lawyer as revealed in Baidu Baike and his law firm's website, respectively.

Disputes	Case A	Case B	Similarity
Loan Contract Disputes	原告芜湖国元小额货款有限责任公司向本院提出诉讼请求: 1、被告郭发菊、季晓春共同偿还借款本金948536.28元、利息36537.57元、罚息3401.14元、复息1065.85元，合计989540.84元（截至2016年5月23日）； 2、被告郭发菊、季晓春共同支付自2016年5月24日起至实际付清之日止、以借款本金为基数按所执行的贷款利率上浮50%计收罚息,以及对未支付的利息按在所执行的贷款利率上浮50%计收复息； 3、本案律师费25600元、诉讼费、公告费、保全费及实现债权的其他费用全部由被告郭发菊、季晓春承担； 4、被告郭发菊、季晓春、君泰公司不清偿上述债务时，原告对登记的抵押物芜湖市汇金广场房屋折价或拍卖、变卖所得价款享有优先受偿权； 5、被告君泰公司对上述1、2、3项债务承担连带清偿责任。 事实和理由：被告郭发菊、季晓春系夫妻关系。2010年9月20日，原告与被告郭发菊、季晓春、君泰公司签订借款合同约定，约定郭发菊向原告借款159万元，贷款期限为360个月，贷款利率在人民银行同期贷款利率水平上上浮10%，罚息和复息利率为合同执行利率水平上加收50%，还款方式为等额本息还款；借款人连续三个月或累计六个月未能按时足额还款的，原告有权宣布贷款立即到期，并要求借款人立即清偿借款本息及相关费用，由此产生的律师费等由借款人承担；根据原被告签订的商品房抵押贷款合同，郭发菊、季晓春以上述房屋为借款提供抵押担保，并于2010年9月29日办理了抵押权预告登记； 君泰公司对借款提供连带责任保证，并约定放弃要求贷款人首先向借款人先行追索、对抵押物先行处置的权利。 2010年9月25日，原告向被告发放了贷款159万元，自2015年9月起，被告未能按时归还借款本息。	原告重庆市惠信小额贷款有限责任公司向本院提出诉讼请求： 1、被告伍伟、周银梅归还借款本金935348.25元，并支付截止2016年4月12日的借款利息36029.57元，罚息3353.85元、复息1051.03元，合计975782.71元； 2、被告伍伟、周银梅支付自2016年4月13日起至贷款本息结清之日止罚息和复利，其中罚息以贷款本金935348.25元为基数，在所执行的贷款利率上浮50%计收，复利以36029.57元基数，在所执行的贷款利率上浮50%计收； 3、本案律师费25600元、诉讼费、公告费、保全费及实现债权的其他费用全部由被告伍伟、周银梅承担； 4、被告伍伟、周银梅、新跨越公司不清偿上述债务时，原告对被告伍伟提供抵押的位于重庆市巴南区龙洲大道房屋享有抵押权，有权以该抵押物折价或者以拍卖、变卖的价款在上述第1至3项范围内优先受偿； 5、被告新跨越公司对上述第第1至3项债务承担连带保证责任。 事实和理由：被告伍伟与周银梅系夫妻关系。2011年2月9日，原告与被告伍伟、周银梅、新跨越公司签订借款合同约定，原告向被告伍伟发放贷款150万元，贷款期限为360个月，贷款利率在人民银行同期贷款利率水平上上浮10%，罚息和复息利率为合同执行利率水平上加收50%，还款方式为等额本息还款；借款人连续三个月或累计六个月未能按时足额还款的，原告有权宣布贷款立即到期，并要求借款人立即清偿借款本息及相关费用，由此产生的律师费等由借款人承担。同时，双方还就被告伍伟所有的位于重庆市巴南区龙洲大道16号签订了商品房抵押贷款合同，并办理了抵押权预告登记。 被告新跨越公司对以上债务提供连带责任保证。并约定放弃要求贷款人首先向借款人先行追索、对抵押物先行处置的权利。 之后，原告于2011年2月9日向被告发放贷款150万元，但被告未按约履行还款义务(未能按时归还借款本息）。	0.985348701

Figure A.9: Example of Two Identical Loan Contract Lawsuits



(a) Loan Contract Matching Balance Tests



(b) Sales Contract Matching Balance Tests

Figure A.10: Panel (a) displays the balance test results for loan contract cases, while Panel (b) shows the results for sales contract cases. In each panel, we plot the revolving door lawyer coefficients along with 95% confidence intervals. Each regression controls for case group fixed effects, and all matching variables are normalized to facilitate better comparison and visualization.

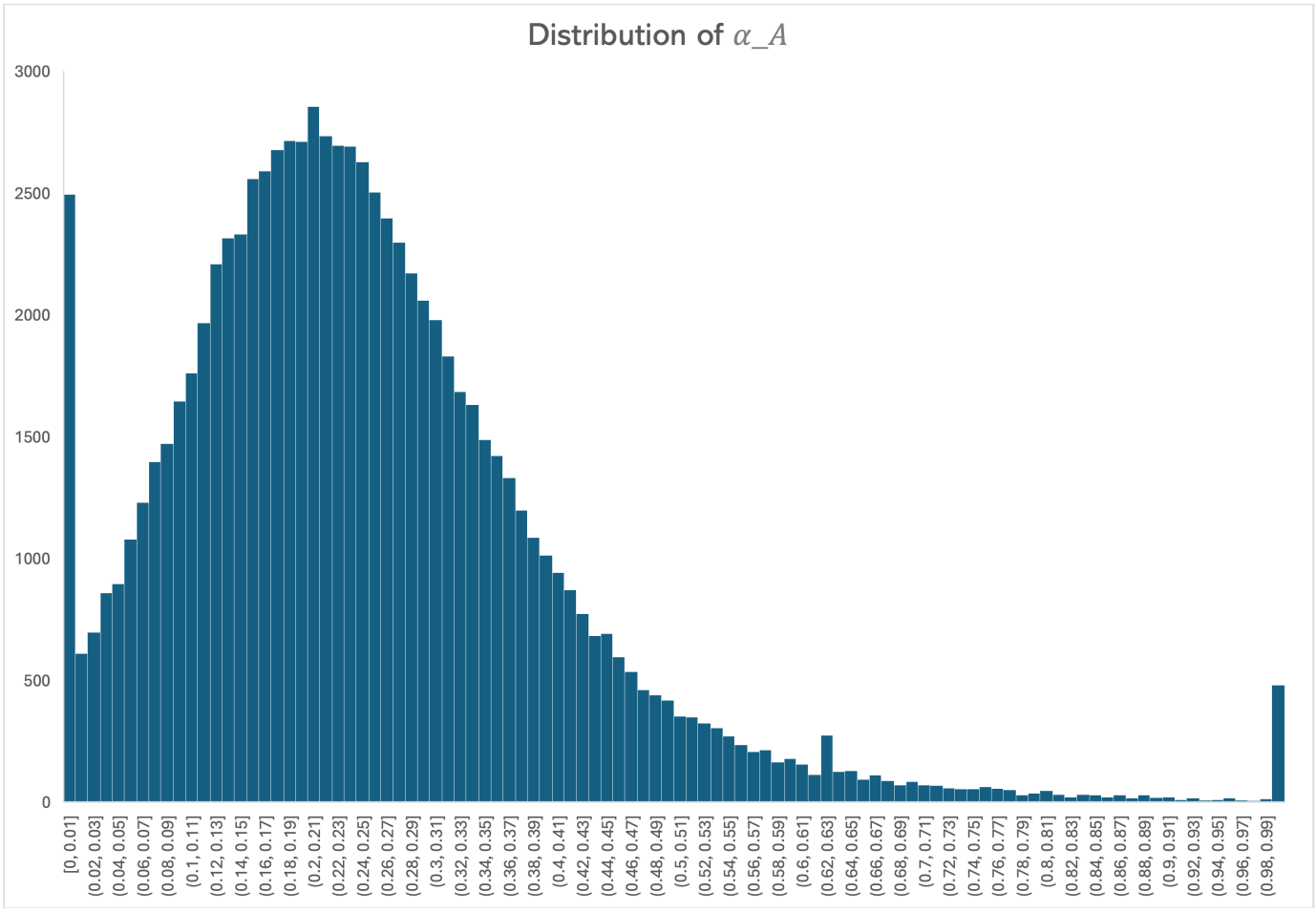


Figure A.11: F_{α_A}: distribution of estimated α_A

Table A.3: Revolving Door Lawyers' Impact on Court Decisions – Verified RD Lawyer

	(1)	(2)	(3)	(4)
	Plaintiff's Win Rate		Defendant's Win Rate	
	Loan Contract	Sales Contract	Loan Contract	Sales Contract
RD Lawyer	0.064***	0.078***	0.021***	0.035***
	(0.001)	(0.001)	(0.002)	(0.003)
% in mean	8%	9%	18%	23%
Obs.	1,331,835	1,126,834	822,284	642,350
R-squared	0.068	0.068	0.132	0.156
Case Group FE	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Court FE	Y	Y	Y	Y

This table replicates our baseline analysis while focusing on revolving door lawyers whose identities we could further verify using online sources (approximately 49.8% of those identified by name-matching were confirmed). In column (1), we examine loan contract cases in which only the defendant's attorney is a revolving door lawyer. For each such case, we match it with the most comparable cases that do not involve any revolving door lawyers. In columns (2), (3), and (4), we repeat this exercise, focusing respectively on cases where defendants have revolving door lawyers in sales contract disputes, plaintiffs have revolving door lawyers in loan contract cases, and plaintiffs have revolving door lawyers in sales contract disputes. Two-way clustered standard errors at the case group-court level are reported below the coefficients. * indicates significance at the 10% level, ** at the 5% level, and *** at the 1% level.

Table A.4: Revolving Door Lawyers' Impact on Court Decisions – Lawyer Characteristics

	(1)	(2)	(3)	(4)
	Defendant's Win Rate		Plaintiff's Win Rate	
	Loan Contract	Sales Contract	Loan Contract	Sales Contract
RD Lawyer	0.022***	0.034***	0.057***	0.074***
	(0.006)	(0.006)	(0.002)	(0.002)
Litigant connected to Gov	0.005*	0.004	0.006**	0.005*
	(0.003)	(0.003)	(0.003)	(0.003)
Male Lawyer	0.008**	0.005	0.001	0.001
	(0.004)	(0.005)	(0.001)	(0.001)
Lawyer with advanced degree	0.000	0.012**	0.003**	0.006***
	(0.003)	(0.005)	(0.001)	(0.002)
Experience as Lawyer	0.000	0.012**	0.003**	0.006***
	(0.003)	(0.005)	(0.001)	(0.002)
Case Group FE	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Court FE	Y	Y	Y	Y

Notes: This table replicates the results in exercises in Panel A of Table 1 by adding lawyer characteristics and litigant characteristics as controls. In column (1), we focus on loan contract cases where only the defendant's attorney is a revolving door lawyer, and for each such case, we pair it with the most comparable cases where no revolving door lawyer is involved. In Columns (2), (3) and (4), we repeated this exercise, concentrating on cases where defendants have revolving door lawyers in sales contract disputes, plaintiffs have revolving door lawyers in loan contract cases, and plaintiffs have revolving door lawyers in sales contract disputes, respectively. Standard errors clustered at the case group level are reported below the coefficients. * significant at 10% ** significant at 5% *** significant at 1%.

Table A.5: Revolving Door Lawyers' Impact on Court Decisions – Criminal Cases

	Imprisonment (Months)		Life Imprisonment (× 1000)		Death Penalty (× 1000)	
	(1)	(2)	(3)	(4)	(5)	(6)
Revolving Door Lawyer	-2.129***	-1.913***	-4.128***	-3.618***	-2.087***	-1.975***
	(0.319)	(0.241)	(0.923)	(0.618)	(0.408)	(0.326)
% in mean	6.9%	6.2%	11.2%	9.6%	15.0%	14.2%
Obs.	2,726,867	2,434,231	382,074	351,508	185,603	172,730
R-squared	0.314	0.488	0.419	0.518	0.273	0.490
Court FE	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y
Case Group (Top 10)	Y	Y	Y	Y	Y	Y
Personal characteristics	N	Y	N	Y	N	Y

Notes: This table reports the impacts of revolving door lawyers on court decisions in criminal cases. We focus on three outcomes: imprisonment length, life sentence, and death penalty, respectively. For cases featuring a criminal defendant represented by a revolving door lawyer, we match each such case with 10 comparable cases based on sentencing factors outlined in criminal law, but without the involvement of a revolving door lawyer. Standard errors clustered at the case group level are reported below the coefficients. * significant at 10% ** significant at 5% *** significant at 1%.

Table A.6: Revolving Door Lawyers and Clients – Positive Sorting

	Revolving Door Lawyer as Attorney (=1)	
	(1)	(2)
	Criminal Cases	Civil Cases
High SES	0.044***	
	(0.000)	
Junior college and above	0.017***	
	(0.000)	
Big Firm		0.023***
		(0.000)
Outcome Mean	0.021	0.016
Obs.	3,954,924	6,304,636
R-squared	0.073	0.508
Court FE	Y	Y
Year FE	Y	Y
Case characteristics	Y	Y
Case Group FE	Y	Y

Notes: This table reports the correlation between litigants' social status and the probability of hiring revolving door lawyers as attorneys. Column (1) focuses on individual criminal defendants, while Column (2) centers on firm litigants in civil lawsuits. * significant at 10% ** significant at 5% *** significant at 1%.

Table A.7: Case Composition Matrix $\lambda(z, z')$

		Defendant Quintile				
	(%)	1	2	3	4	5
Plaintiff Quintile	1	3.50	2.64	2.65	2.28	6.59
	2	2.86	2.88	2.93	2.46	6.19
	3	1.94	2.42	3.45	3.13	7.93
	4	1.24	1.40	2.39	2.01	6.19
	5	3.43	3.34	6.04	5.10	15.00

Note: This table reports the distribution of lawsuits between firms of different quintiles in our data. Each cell represents the percentage of cases in which a plaintiff firm from a given quintile sues a defendant firm from a given quintile.

Table A.8: Structural Estimation Results for Model of Lawyer Allocation

Panel A: Parameter Estimates		
Parameter	**Point Estimate**	**S.E.**
Wage premium w	3.46	1.50
Panel B: Targeted Moments		
Defendant Firm P_H^A (%)	**Data**	**Model**
Scale 1	4.47	4.40
Scale 2	4.70	4.47
Scale 3	4.50	4.68
Scale 4	4.69	4.68
Scale 5	5.08	4.71
Plaintiff Firm P_H^B (%)	**Data**	**Model**
Scale 1	4.27	4.62
Scale 2	4.63	4.64
Scale 3	4.92	4.82
Scale 4	4.58	4.90
Scale 5	5.04	4.87
Panel C: Firm's Expected Case Value		
Definition: $\tau^k(z) = \sum_{z^{k'}=1}^{5} \tau(z^{k'})\lambda^k(z^{k'}\|z)$		
Expected Case Value	**Defendant**	**Plaintiff**
Scale 1	3.33	2.86
Scale 2	3.36	3.00
Scale 3	3.67	3.36
Scale 4	3.80	3.35
Scale 5	3.76	3.40

C Appendix: Model

C.1 Model with Asymmetric Case Strength

In the main text, the fundamental case strength is assumed to be symmetric between the plaintiff and the defendant. This appendix extends the model to allow for asymmetric case strength between the two parties, accounting for the fact that contract-related lawsuits are often weighted in favor of the plaintiff.

Full Information Benchmark As in the main text, we posit that a lawsuit necessitates information pertinent to both the defendant (A) and the plaintiff (B). We assume that the "favorable information" (truth) θ_A and θ_B, which are beneficial to parties A and B respectively, are randomly distributed. Now under this asymmetric framework, θ_A equals -1 (favorable for A) with probability of α_A, and 0 with probability of $1-\alpha_A$. Similarly, θ_B equals 1 (favorable for B) with probability α_B, and 0 with probability $1-\alpha_B$. Judges can then simply sum the realized information $\theta = \theta_A + \theta_B$ to make their decisions, which are based on θ taking values of 1, 0, or -1.

Each case can be summarized by the realization of its θ. It is evident from this model that the probability of the defendant (A) being the sole party with favorable information is $Prob(\theta = -1) = \alpha_A(1-\alpha_B)$. Likewise, the likelihood of the plaintiff (B) exclusively possessing favorable information is $Prob(\theta = 1) = \alpha_B(1-\alpha_A)$. When both parties have favorable information, then the judge has sufficient information to rule that neither side wins or loses, i.e., $Prob(\theta = 0) = \alpha_A\alpha_B$. In situations where neither party possesses favorable information, the judge faces a decisional impasse and randomizes between outcomes -1 and 1. In this scenario, the judge favors the plaintiff with probability $\frac{\alpha_A}{\alpha_A+\alpha_B}$ and the defendant with probability $\frac{\alpha_B}{\alpha_A+\alpha_B}$. In the full information benchmark, we can show that:

The winning probability of party A is

$$\begin{aligned} Prob(\theta = -1) &= \alpha_A(1-\alpha_B) + \frac{\alpha_A}{\alpha_A+\alpha_B}(1-\alpha_A)(1-\alpha_B) \\ &\equiv \frac{\alpha_A}{\alpha_A+\alpha_B}(1-\alpha_B)(1+\alpha_B), \end{aligned}$$

and the winning probability of party B is

$$\begin{aligned} Prob(\theta = 1) &= \alpha_B(1-\alpha_A) + \frac{\alpha_B}{\alpha_A+\alpha_B}(1-\alpha_A)(1-\alpha_B) \\ &\equiv \frac{\alpha_B}{\alpha_A+\alpha_B}(1-\alpha_A)(1+\alpha_A), \end{aligned}$$

The expected value of θ is not zero as the model in the main text, instead it now becomes

$$E[\theta] = \frac{\alpha_B - \alpha_A}{\alpha_B + \alpha_A}(1 + \alpha_A\alpha_B),$$

where the variance of outcome is

$$Var[\theta] = 1 - \alpha_A\alpha_B - (E[\theta])^2,$$

The variability of case outcome in the full information benchmark reflects the fundamental uncertainty of the presence of favorable information for both parties.

Lawyers as Information Collector and Interpreter Now each party in a lawsuit has the option to engage these advocates for the purpose of gathering and interpreting information that

supports their "favorable cause." The likelihood of successfully making this favorable argument is quantified as $\phi\alpha_A$ (or $\phi\alpha_B$), where ϕ represents the probability of the lawyer effectively finding and presenting the information, and α is the probability that the favorable information indeed exists for their client. It's important to note that $0 < \phi < 1$, indicating varying degrees of capability by different lawyers.

We can show that the winning probability for party A is

$$\begin{aligned} Prob(\theta = -1) = [& \underbrace{\phi\alpha_A}_{\text{A successful}} \underbrace{(\phi(1-\alpha_B) + (1-\phi))}_{\text{B unsuccessful}} + \underbrace{(\phi(1-\alpha_A) + (1-\phi))(\phi(1-\alpha_B) + (1-\phi))}_{\text{Both unsuccessful}} \frac{\alpha_A}{\alpha_A + \alpha_B}] \\ & \equiv \frac{\alpha_A}{\alpha_A + \alpha_B}(1 - \alpha_B\phi)(1 + \alpha_B\phi), \end{aligned}$$

The expected outcome will be

$$E[\theta] = \frac{\alpha_B - \alpha_A}{\alpha_B + \alpha_A}(1 + \alpha_A\alpha_B\phi),$$

and the variation of the outcome

$$Var[\theta] = 1 - \alpha_A\alpha_B\phi^2 - (E[\theta])^2$$

which still holds the property that when ϕ gets larger, the variation of the legal outcome converges to full information benchmark.

Heterogeneous Lawyer Capability We now introduce asymmetry in the lawyers' capabilities. In particular, we assume that for any "power lawyer", her $\phi_H > \phi$. In addition, we assume when facing a power lawyer, the ability of regular lawyer to present justified evidence will deteriorate at a rate of $\delta \in (0, 1)$, due to power lawyer's better persuasion power. If the power lawyer works for party A and a regular lawyer for party B, we have

$$Prob(\theta = -1) = \frac{\alpha_A}{\alpha_A + \alpha_B}(1 + \alpha_B\phi_H)(1 - \alpha_B\phi(1-\delta))$$

and on the opposite side

$$Prob(\theta = 1) = \frac{\alpha_B}{\alpha_A + \alpha_B}(1 + \alpha_A\phi(1-\delta))(1 - \alpha_A\phi_H))$$

The expected value of θ now becomes

$$E[\theta] = \frac{\alpha_B - \alpha_A}{\alpha_B + \alpha_A}(1 + \alpha_A\alpha_B\phi\phi_H(1-\delta)) + \frac{2\alpha_A\alpha_B}{\alpha_B + \alpha_A}(\phi((1-\delta) - \phi_H),$$

and the expected variance of outcome is

$$Var[\theta] = 1 - \alpha_A\alpha_B\phi\phi_H(1-\delta) - (E[\theta])^2.$$

Lawyers' Social Connections Powerful lawyers can influence legal outcomes not only through their professional capabilities but also by leveraging their social connections. To capture this, we further assume that powerful lawyers, by virtue of their connections, have $\gamma \in (0, 1)$ higher probability of winning a lawsuit for their clients regardless of information environment.

$$Prob(\theta = -1) = \frac{\alpha_A}{\alpha_A + \alpha_B}(1 + \alpha_B\phi_H)(1 - \alpha_B\phi(1-\delta)) + \gamma$$

and on the opposite side

$$Prob(\theta = 1) = \frac{\alpha_B}{\alpha_A + \alpha_B}(1 + \alpha_A\phi(1-\delta))(1 - \alpha_A\phi_H)$$

The social connections possessed by power lawyers further elevate their clients' chances of winning. In this case, it is straight-forward to show the one-sided power lawyer would further strengthen the winning rate for party A:

$$E[\theta] = \frac{\alpha_B - \alpha_A}{\alpha_B + \alpha_A}(1 + \alpha_A\alpha_B\phi\phi_H(1-\delta)) + \frac{2\alpha_A\alpha_B}{\alpha_B + \alpha_A}(\phi((1-\delta) - \phi_H) - \gamma$$

C.2 Lawyer Allocation

We present additional components of the model concerning the endogenous allocation of lawyers that were omitted in Section 6.4. Our framework considers all business disputes—arising from transactions such as lending agreements or sales contracts—occur between firms of heterogeneous sizes. Denote $\lambda(z, z')$ as the probability that a case involves a plaintiff firm of scale z and a defendant firm of scale z'. Both parties will hire a lawyer for the case. Normalize the total mass of cases to be one, we can define the mass of plaintiff of scale z as $\lambda^B(z) = \int_{z'} \lambda(z, z')dz'$, while the mass of defendant of scale z' is $\lambda^A(z') = \int_z \lambda(z, z')dz$.

The legal outcome of these disputes is contingent on the quality of lawyer retained by each firm. We distinguish between two categories of lawyers: power lawyers, denoted by H, and regular lawyers, denoted by L. A power lawyer charges a higher fixed fee (w_H) compared with a regular lawyer (w_L). There is also an IID type I extreme value preference shock impacting the choice of the firms. Upon resolution of the case, the winning firm secures a monetary transfer of $\tau(z, z')$ from the losing firm, encapsulating the economic stakes involved in litigation. This formulation allows us to capture how legal representation influences dispute outcomes and resource reallocation among heterogeneous firms.

Similar to our baseline model with asymmetric case strength, we denote the defendant and plaintiff separately as party $k \in \{A, B\}$. The probability that a party k firm of scale z selects a high-power lawyer is given by $p_H^k(z)$, while the probability of choosing a regular lawyer is denoted by $p_L^k(z)$. These probabilities reflect firms' preferences and strategic choices based on their scale and expected legal outcomes.

The term ξ_{ij}^{kW} represents the probability that a firm, acting as party k, wins the case when it hires a lawyer of type i while its opponent employs a lawyer of type j, where $i, j \in \{H, L\}$. Correspondingly, we define the probability of losing the case as ξ_{ij}^{kL}.

The expected payoff of hiring a power lawyer legal representative for a firm with scale z when being party k is then

$$u_H^k(z) = \int_{z^{k'}} \tau(z, z^{k'}) \left[p_H^{k'}(z^{k'})(\xi_{HH}^{kW} - \xi_{HH}^{kL}) + p_L^{k'}(z^{k'})(\xi_{HL}^{kW} - \xi_{HL}^{kL}) \right] \lambda^k(z^{k'}|z)dz^{k'}$$

where $\lambda^{k'}(z^{k'}|z)$ denotes conditional probability the rival party k' is of size $z^{k'}$. Similarly, the expected payoff of hiring a regular lawyer legal representative is

$$u_L^k(z) = \int_{z^{k'}} \tau(z, z^{k'}) \left[p_H^{k'}(z^{k'})(\xi_{LH}^{kW} - \xi_{LH}^{kL}) + p_L^{k'}(z^{k'})(\xi_{LL}^{kW} - \xi_{LL}^{kL}) \right] \lambda^k(z^{k'}|z)dz^{k'}$$

The incremental benefit from a power lawyer for firm of size z as party k is

$$\begin{aligned} u_H^k(z) - u_L^k(z) = \int_{z'} & [p_H^{k'}(z^{k'})(\xi_{HH}^{kW} - \xi_{HH}^{kL}) - p_L^{k'}(z^{k'})(\xi_{LL}^{kW} - \xi_{LL}^{kL}) \\ & + p_L^{k'}(z^{k'})(\xi_{HL}^{kW} - \xi_{HL}^{kL}) - p_H^{k'}(z')(\xi_{LH}^{kW} - \xi_{LH}^{kL})]\tau(z,z')\lambda^k(z^{k'}|z)dz^{k'} \\ & \equiv r^k(z), \end{aligned}$$

Note that, given $\lambda(z,z')$, conditional probability of a (defendant A) firm of scale z' engaging in a dispute with a rival (plaintiff B) firm of scale z is $\lambda^A(z|z') \equiv \lambda(z,z')/\lambda^A(z')$. Similarly, conditional probability of a (plaintiff B) firm of scale z engaging in a dispute with a rival (defendant A) firm of scale z' is $\lambda^B(z'|z) \equiv \lambda(z,z')/\lambda^B(z)$.

The probability of choosing a power lawyer for firm of type z as party k is

$$p_H^k(z;\tilde{w}) = \frac{exp[r^k(z) - \tilde{w}]}{1 + exp[r^k(z) - \tilde{w}]}$$

where $\tilde{w} = w_H - w_L$ is the wage premium of hiring a power lawyer legal counsel and $k = A, B$.

Leveraging the results from the judicial model with asymmetric information in C.1, for party A we have the following

$$\begin{aligned} \xi_{HH}^{AW} - \xi_{HH}^{AL} &= \frac{\alpha_B - \alpha_A}{\alpha_B + \alpha_A}(1 + \alpha_A\alpha_B\phi_H), \\ \xi_{LL}^{AW} - \xi_{LL}^{AL} &= \frac{\alpha_B - \alpha_A}{\alpha_B + \alpha_A}(1 + \alpha_A\alpha_B\phi), \\ \xi_{HL}^{AW} - \xi_{HL}^{AL} &= \frac{\alpha_B - \alpha_A}{\alpha_B + \alpha_A}(1 + \alpha_A\alpha_B\phi\phi_H(1-\delta)) + \frac{2\alpha_A\alpha_B}{\alpha_B + \alpha_A}(\phi_H - \phi(1-\delta)) \\ \xi_{LH}^{AW} - \xi_{LH}^{AL} &= \frac{\alpha_B - \alpha_A}{\alpha_B + \alpha_A}(1 + \alpha_A\alpha_B\phi\phi_H(1-\delta)) + \frac{2\alpha_A\alpha_B}{\alpha_B + \alpha_A}(\phi(1-\delta) - \phi_H), \end{aligned}$$

Similarly, we have the analogous expressions for being party B, which we omit here for brevity. In equilibrium, given wage premium $\tilde{w}$, all perceived rival choice probabilities $p_H^{k'}(z^{k'})$ are consistent with the optimal choices.

We can write down the aggregate demand of the defendant and plaintiff for high-type lawyers H as

$$D_H(\tilde{w}) = \int_z (p_H^A(z;\tilde{w})\lambda^A(z) + p_H^B(z;\tilde{w})\lambda^B(z))dz,$$

If the short-run supply of high type lawyer is inelastic at S_H, the wage premium $\tilde{w}$ is determined by $D_H(\tilde{w}) = S_H$.

D Appendix: Estimation

D.1 Estimating the Equilibrium Model of Endogenous Sorting

We now estimate the equilibrium model of endogenous lawyer-client sorting outlined above. The judicial environment and lawyer capabilities are characterized by $\Theta = \{\phi, \phi_H, \delta, \gamma, F_{\alpha_A}\}$, which has been estimated in Section 6.2. We classify firms into 5 scale group by quintile of firm registered capital. Using this classification, we construct a matching matrix capturing the share of legal disputes between plaintiff firm with scale $z \in \{1, .., 5\}$ and defendant firm with scale $z' \in \{1, .., 5\}$, allowing us to derive $\lambda(z, z')$ in the model. A key assumption we made in the estimation is that the case value a firm can obtain by winning a lawsuit against firm of scale z' follows a linear function of firm scale, which is set as $\tau(z') = z'$.

Our goal is to estimate the parameter $\tilde{w}$ representing wage premium of hiring power lawyer. By leveraging estimated judicial parameters $\hat{\Theta}$ from Section 6.2, we can calculate winning probability ξ_{ij}^{kW} of both sides for each lawyer type pair. We then solve the equilibrium probability of hiring a power lawyer across five firm scales. The solution algorithm, detailed in Appendix D.3, solves the optimal probability for a firm of scale z given its potential opponent's strategy $p_H(z', \tilde{w})$ and updates $p_H(z, \tilde{w})$ accordingly. This process iterates until firms of all scales do not change their choice probability. Through this approach, we can construct a set of probability for using a power lawyer, $p_H(z, \tilde{w})$, which allows us to match the observed distribution of RD lawyers across firm scales in the data.[6]

We construct 5 moments to estimate parameter $\tilde{w}$. Specifically, we use the lawyer representing the firm's highest-stake case as the main lawyer and compute the share of RD lawyers serving as main lawyers across firm quintiles. These shares indicate the realized choice probability of hiring a power lawyer for each firm quintile. As in C.2, parameter $\tilde{w}$ affects firm's decision to hire a power lawyer and thus governs the choice probability across firm quintiles.

The estimated parameters and targeted moments are presented in Table A.8.

D.2 Counterfactual Increase of Power Lawyer Supply

We now use the estimated model to quantify the societal impact of a counterfactual increase in power lawyer supply. Specifically, we counterfactually vary the equilibrium wage premium $\tilde{w}$, which reflects the inelastic supply of power lawyers S_H. For each value, we follow the same procedure outlined at D.3 to compute choice probability $p_H(z, \tilde{w})$ for each firm quintile.

Given the equilibrium choice $p_H(z, \tilde{w})$ across firm scale and matching matrix $\lambda(z, z')$, we now can define the fraction of cases $w_{ij}(i, j \in \{H, L\})$ represented by power H and regular lawyers L in the society as follows:

$$\omega_{LL} = \int_z \int_{z'} (\lambda(z, z') p_L(z) p_L(z') dz' dz$$
$$\omega_{LH} = \int_z \int_{z'} (\lambda(z, z') p_L(z) p_H(z') dz' dz$$
$$\omega_{HL} = \int_z \int_{z'} (\lambda(z, z') p_H(z) p_L(z') dz' dz$$
$$\omega_{HH} = \int_z \int_{z'} (\lambda(z, z') p_H(z) p_H(z') dz' dz$$

The composition of cases allows us to evaluate the societal impact of power lawyer. In particular, we examine two key margins: ruling dispersion and ruling error relative to full information benchmark.

[6] In this estimation, we only use one set of winning probabilities, ξ_{ij}^{kW}, based on the mean of $\hat{F_{\alpha_A}}$ as α_A. The results remain similar if we compute ξ_{ij}^{kW} and solve p_H across clusters and take the average to match the data moments.

To examine impact on ruling dispersion, we simulate 100,000 cases based on the estimated judicial parameters $\hat{\Theta}$, where we set mean of $\hat{F_{\alpha_A}}$ as α_A, for 4 lawyer representation categories and compute the expected outcome and variance respectively. Using the composition of cases ω_{ij}, we then can apply the law of total variance to calculate overall ruling dispersion. By repeating this process for ω_{ij} generated across different levels of power lawyer supply, we simulate how ruling dispersion evolves as lawyer supply changes.

To examine ruling deviation from full information benchmark, for each simulated case above, we accordingly simulate its full information counterpart. We then calculate the ruling error rate by comparing outcomes to their full-information counterparts for each lawyer representation category. The overall error rate is then obtained as the weighted average, with case composition ω_{ij} serving as weights. We again repeat this process across different levels of power lawyer supply.

As illustrated in Figure 5, judicial dispersion and ruling error initially remain stable or slightly increase as the supply of power lawyers rises but eventually decline, exhibiting a non-monotonic pattern. This is because when power lawyers are few, they often face regular lawyer in court, allowing their persuasion and information erosion advantages to dominate. However, as the supply of power lawyers increases, they more frequently face one another, shifting the primary channel toward information provision.

D.3 Algorithm for Solving Equilibrium $p_H(z;\tilde{w})$

Iteration procedure: given $\tilde{w}$

1. New guesses of $p_H(z;\tilde{w})^{(n)}$ for each firm scale z
2. For each scale z, calculate $p_H(z;\tilde{w})^{new}$ using $p_H(z';\tilde{w})^{(n)}$ according to the model,
3. Update
$$p_H(z;\tilde{w})^{(n+1)} = p_H(z;\tilde{w})^{(n)} + 0.2\left(p_H(z;\tilde{w})^{new} - p_H(z;\tilde{w})^{(n)}\right)$$
4. Repeat the procedure above until $p_H(z;\tilde{w})^{(n)}$ converges.