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Siyuan **Fan**

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Education

Sep.2020-Jun.2024, B.S. (economics), *Renmin University of China (cum laude)*, Beijing, China
Sep.2024-Jun.2025, researcher, *Peking University*, Beijing, China
Sep.2025-, PhD in political science, *UC San Diego*, CA, U.S.

Research Interests

- **Political economy :** technological progress, contentious politics, and state-business relation.
- **Formal model :** focusing on contests, elections, and protests.
- **Comparative politics :** authoritarian rule, political accountability, and bureaucratic incentives.

Publications

Lu, W., Zhuang, S., & Fan, S. (2024). Losing trust when pursuing development : How automation hindered political trust in China ?. **Journal of Economic Behavior & Organization**, 218, 406-422. [Link] (Co-first Author, Corresponding Author)

Lu, W., & Fan, S. (2024). Drinking in despair : Unintended consequences of automation in China. **Health Economics**, 33(9), 2088–2104. [Link] (Co-first Author, Corresponding Author)

Lu, W., Fan, S., & Chen, W. (2025). Politics for Survival : Ideological Control and Corporate Strateic Behavior. **Political Studies**. (Co-first Author, Corresponding Author)

Working Papers

"Effort-Boosting Momentum Effect in Repeated Competitions" (with Zhonghong Kuang, Jingfeng Lu)
Presented at CMGTA2023 and GAMES2024.

"Generalized Multidimensional Contests with Asymmetric Players : Equilibrium and Optimal Prize Design" (with Zhonghong Kuang, Jingfeng Lu)

"Manufacturing Obedience : Entertainment Media and Authoritarian Support" (with Haotian Bai, Wenyi Lu, Shangkun Xie)
Presented at RES2025, EEA2025, AMES2026, WPSA2026.

"The Geography of Political Connections : Centralization, Investment Reallocation, and Patronage Reconstruction" (with Wenyi Lu, Shangkun Xie)
Presented at MPSA2026, 2026 UC-Fudan Conference.

"State Infrastructure and Political Geography of Protest" (with Wenyi Lu)
Presented at RES2024 and AMES2024.

"Resistance but Loyalty : Revolutionary Legacies and Contained Contention" (with Haotian Bai, Wenyi Lu)

Teaching Experiences

Post	Teaching Assistant (Sep.2022∼Feb.2023)
Teacher	Bin Miao, School of Economics, RUC
Lecture	**Intermediate Microeconomics**
Work	I conducted teaching sessions, graded assignments, and organized exams.
Post	Teaching Assistant (Mar.2023∼Aug.2023)

Teacher	Zhonghong Kuang, School of Economics, RUC
Lecture	**Theory of Industrial Organization**
Work	I conducted teaching sessions, graded assignments, and organized exams.
Work	I also designed mid-term and final exam questions based on my joint project with Prof. Kuang.

Post	Teaching Assistant (Sep.2023∼Aug.2024)
Teacher	Tianjia Ni, School of Mathematics, RUC
Lecture	**Functional Analysis, Real Analysis**
Work	I conducted teaching sessions, graded assignments, and organized exams.
Work	I also developed comprehensive study notes, published online as a public learning resource.

Academic Activities

Fall 2022	The 4th Annual Conference on China's Development Theory, **RUC**
Spring 2023	The 4th Doctoral Forum on Economics, **Peking University**
Summer 2023	The 6th International Conference of China and Development Studies, **Shanghai Jiaotong University**
Summer 2023	The 10th China Meeting on Game Theory and Its Applications **(CMGTA2023)**, **RUC**
Fall 2023	The 2023 Annual Conference of China Society of World Economics, **Fudan University**
Fall 2023	The 5th China Microeconomic Theory Forum, **Nanjing University**
Winter 2023	The 10th International Conference on the Chinese Economy, **Tsinghua University**
Spring 2024	RES 2024 Annual Conference **(RES2024)**, **Queen's University**
Spring 2024	13th Annual Conference of the American Society of Health Economists **(ASHEcon2024)**, **San Diego, CA**
Summer 2024	The 2024 CCER Summer Institute, **Peking University**
Summer 2024	The 2024 Asian Meeting of Econometrics Society **(AMES2024)**, **Zhejiang University**
Summer 2024	The seventh world congress of the Game Theory Society **(GAMES2024)**, **Peking University**
Winter 2024	RES PhD Conference 2024, **University of Portsmouth**
Fall 2025	2025 APSA Annual Meeting, **Vancouver**
Spring 2026	WPSA Annual Meeting, **San Diego**
Spring 2026	MPSA Annual Meeting, **Chicago**
Spring 2026	UC-Fudan Young Scholars Conference, **UCSD**
Referee for	American Journal of Political Science, Political Analysis, China Economic Review.

Selected Awards and Fellowships

Winter 2021	Academic Scholarship (Jingdong Scholarship, **top 5%**), RUC
Spring 2022	First Prize of the Chinese Mathematics Competition, Chinese Mathematical Society
Winter 2022	National Scholarship (**top 2%**), Chinese Central Government
Summer 2023	Academic Scholarship for Young Talents in memorial of Hu Naiwu, RUC
Fall 2023	Special Award of the first National Forum in Economic Theory, University of Chinese Academy of Social Sciences
Summer 2024	Wu Yuzhang Scholarship (**Summa cum laude, top 0.1%**), RUC
Fall 2025	Humane Studies Fellowship, Institute for Human Studies
Spring 2026	21CCC Travel Grant, the 21st Century China Center at UCSD
Summer 2026	Ichimore Student Research Award, the 21st Century China Center at UCSD

Courses & Skills

PhD courses :

Term	Course	Course Title	Grade
Fall 2025	ECON 208	Games and Information	A
	GPPS 476	Chinese Sources and Methods	A
	POLI 204A	Research Design	A-
	POLI 220B	Comparative Politics : Institutions	A-
	POLI 270	Math & Statistical Foundations	A+
Winter 2026	POLI 203A	Analytic Theory I	A
	POLI 220A	Comparative Politics : State & Society	A
	POLI 226D	Understanding Authoritarianism	A
	POLI 231E	Political Economy : Microeconomics	A
	POLI 271	Advanced Statistical Applications	A+
Spring 2026	ECON 248	Spatial Economics	A
	POLI 245	International Political Economy	A
	POLI 273	Causal Inference	A

Math courses (in RUC) : Multivariate Calculus (two semesters, A/A-), Linear Algebra (two semesters, A/A), Probability Theory and Statistics (two semesters, A/A-), Real Analysis (A), Complex Analysis (A), Functional Analysis (A), Ordinary Differential Analysis (A-), etc.

Statement

My research lies at the intersection of development economics, political economy, and microeconomic theory. I am a PhD student in political science at the University of California San Diego, with prior training in economics at Renmin University of China and Peking University. I study how institutional reforms reshape the behavior of firms and citizens in developing settings. A common theme across my research is that these effects are rarely confined to directly affected actors: they propagate through networks among firms, locations, bureaucracies, and communities. This has led me to view networks not simply as a measurement device, but as a substantive part of the economic and political mechanism.

The paper I plan to present, "**The Geography of Political Connections: Centralization, Investment Reallocation, and Patronage Reconstruction**," examines how a centralizing judicial reform changes the geography of corporate investment in China. The project asks whether reducing firms' dependence on local governments weakens patronage or instead redirects it toward political centers. We find that firms reallocate investment toward provincial capitals where political access can be rebuilt. Moreover, we characterize this adjustment as the rewiring of a firm–city investment network: which firms form new geographic ties, which cities become more central, and how the reform changes the geography of political influence. Our findings highlight the adaptive resilience of patronage networks under weak institutions: rather than abandoning political connections in the face of institutional reform, politically reliant firms can rebuild them by reallocating investment and political brokerage toward newly empowered political centers.

The workshop would be particularly valuable because I am currently considering using network analysis to further explore the topic and develop my dissertation research. With some research experience in game theory and mechanism design, I hope to learn more about network games and formalize my findings in my next paper. I also hope to connect reduced-form causal estimates to network models. More broadly, I am interested in how network position shapes heterogeneous responses to institutional shocks, including automation, infrastructure expansion, and other reforms. My previous work examines the political consequences of automation, while ongoing projects study the spatial organization of investment and collective actions. These projects share a need to understand when localized interventions diffuse through networks and when they instead reinforce existing centers of economic and political power.

I would contribute to the workshop a perspective that combines formal modeling with political economy, as well as experience working with administrative, experimental, and survey data from China. I hope to engage with researchers studying both network theory and development economics, particularly how networks mediate development by transmitting shocks, allocating resources, and shaping state capacity, collective actions, and political accountability. The workshop's small format, emphasis on research, and combination of lectures and discussions are very useful for improving my paper and helping me develop a network-centered dissertation agenda.

The Geography of Political Connections: Centralization, Investment Reallocation, and Patronage Reconstruction *

Siyuan Fan † Wenyi Lu ‡ Shangkun Xie §

Abstract

Centralization reforms often aim to discipline local agents and curb fragmented patronage. We challenge this view that under weak institutional constraints, such reforms can produce *spatial capture*: the reallocation of economic activity toward locations with higher political returns rather than higher economic productivity. We study China's judicial reform, which centralized personnel and fiscal control over local courts at the provincial level. To investigate firms' responses, we construct a novel firm-location-year panel dataset that tracks the investment decisions of Chinese listed firms across prefectures from 2012 to 2019, and combine it with multi-dimensional data on political connections, revolving-door officials, and litigation outcomes. Using a difference-in-differences design and a shift-share approach, we show that politically reliant firms reduce investment in reformed local jurisdictions and redirect capital toward provincial capitals after the reform. These firms also reorganize political brokerage: they reduce reliance on former local officials while paying higher allowances to revolving-door officials with provincial-level experience. Following such spatial reallocation, politically reliant firms regain litigation advantages in provincial capitals, but these political gains do not translate into improved firm performance.

Keywords: Centralization; Political Connections; Investment Allocation; State-Business Relations.

JEL Classification: D73, K40, O12, O17, P48

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1 Introduction

Local patronage can impede market development by converting political access into private advantage: connected firms may obtain preferential credit, regulatory protection, or favorable enforcement, thereby distorting investment and resource allocation (Fisman, 2001; Khwaja and Mian, 2005; Faccio, 2006). Centralization reforms, which transfer authority upward to limit local discretion, are therefore used to discipline local agents and curb local capture (Ferraz and Finan, 2011; Malesky et al., 2014; Boffa et al., 2016; Dal Bó et al., 2021). Conventional view holds that, once patronage ties are severed, politically connected firms lose their preferential advantages and market-oriented firms expand (Colonnelli and Prem, 2022). Yet the effects of centralization are often less clear-cut. In Russia, politically connected firms continued to thrive under judicial modernization as oligarchic networks adapted to enforcement (Guriev and Rachinsky, 2005; Gel'Man, 2015). In China, the post-2012 anti-corruption campaign reduced some forms of local collusion while redirecting political favor toward state-owned enterprises (Ang, 2020; Wang, 2022; Fang and Zhang, 2025).

This pattern raises a central puzzle: why do centralization reforms that are expected to purge patronage instead reproduce and sustain it? More broadly, do institutional reforms genuinely regularize markets? Moving beyond accounts centered on *top-down* institutional design and implementation[1], we emphasize *bottom-up* strategic adaptation by societal actors. We challenge the view that Centralization reforms eliminate the political advantages sustained by patronage. By weakening local ties while concentrating authority at higher levels, centralization induces politically reliant firms to redirect investment and political brokerage toward newly empowered centers. By rebuilding the networks through which political access is secured, firms can preserve patronage even when reform succeeds in weakening lower-level collusion. We call this process *spatial capture*: centralization changes the geography of patronage rather than eliminating it.

We study this argument in the context of China's judicial centralization reform, a key component of the broader recentralization and anti-corruption agenda launched under Xi Jinping (Zhang and Ginsburg, 2019). Before the reform, local party-state controlled court budgets, personnel, and promotions, giving local officials routine channels to influence judicial decisions. Beginning in 2014, China centralized personnel and fiscal authority over Basic and Intermediate Courts from county and prefectural governments to provincial authorities. The reform weakened lower-tier judicial protectionism but it did not create an independent judiciary (Liu, Lu, Peng and Wang, 2026; Lei and Li, 2025). Instead, it shifted control of local courts upward to the provincial level, potentially increasing the value of provincial political access. Its plausibly exogenous rollout allows us to test whether centralization reforms sever state-business ties or instead induce politically reliant

1. For instance, Grossman and Lewis (2014) shows how administrative-unit expansion can invite recentralization, while Finkel and Gehlbach (2020) attributes reform failure to weak state capacity and continued dependence on local implementation.

firms to rebuild them at a higher level.

Empirically, we construct novel, highly granular, and comprehensive firm-investment-location-year panel dataset spanning 2012-2019 to examine how firms respond to judicial reforms. We measure firms' political reliance index (PRI) using interaction transcripts between corporate leaders and institutional investors, complemented by data on revolving-door officials, party building, and government procurement. We combine two parallel strategies for identification. First, we employ a difference-in-differences (DiD) approach to estimate the reform's effect on firms' investment in local prefectures across different PRIs.[2] We find that a 10 percentage point (p.p.) increase in the PRI reduces post-reform investment by 0.035 p.p., 8.5% of the mean investment level. Second, to capture firms' investment relocation toward provincial capitals, we use a Bartik (shift-share) design to measure firm's exposure to the reform in local prefectures (*Reform exposure*). The results show that politically reliant firms increase their investments in provincial capitals during the reform period: a 10-p.p. increase in PRI raises the likelihood of investing in provincial capitals by 0.7 p.p., 19% of the sample mean. Taken together, these results provide evidence for *spatial capture*, a bottom-up strategic adaptation in which politically reliant firms reallocate investments to reconstitute patronage ties.

To further explore the spatial-capture mechanism, we test whether such investment relocation reflects the erosion of local patronage and the reconstruction of patronage at higher levels. Consistent with this logic, we find that withdrawal from local prefectures is stronger in regions with greater pre-reform patronage or larger post-reform institutional improvements. Additionally, relocation is disproportionately directed toward provincial capitals with higher corruption, favoritism, and stronger political orientation. We also rule out the alternative explanation of urban agglomeration, infrastructure, fiscal capacity, or local investment conditions.

Investment reallocation alone, however, is insufficient to secure political advantage in the reconfigured hierarchy. Firms must also reorganize the political brokerage through which they cultivate patronage. We provide direct evidence for hierarchical co-optation. First, in reformed prefectures, politically reliant firms reduce their employment of former local government officials. Second, firms more exposed to judicial centralization pay higher allowances to former officials with provincial-level experience yet lower allowances to former local officials. This upward reallocation of political brokerage is selective across departments, following the redistribution of political authority created by centralization.

Eventually, we provide suggestive evidence for the effectiveness of such strategic reactions. After reallocating investment and political brokerage, high-PRI firms regain judicial advantages in provincial capitals: they are more likely to litigate there and obtain favorable outcomes. At the same time, the erosion of local patronage does not reduce their aggregate investment or economic performance, suggesting that strategic adaptation shields them from the costs of reform. These

2. We use "local prefectures" to represent all cities except for provincial capitals.

findings reveal an endogenous limit of centralization: its market-enhancing benefits are spatially uneven. Residents of local prefectures perceive greater judicial fairness and more institutionalized markets, whereas no comparable improvement occurs in provincial capitals, where political access is reconstituted.

Our framework speaks to ongoing debates on the effectiveness of centralization vs. decentralization (Bardhan and Mookherjee, 2000; Treisman, 2007; Mookherjee, 2015). One strand of research shows the classic "race to the bottom" issue under decentralization (Young, 2000; Jia and Nie, 2017) and highlights the benefits of centralization (Malesky, Nguyen and Tran, 2014; Boffa, Piolatto and Ponzetto, 2016), while others contrast that top-down initiatives are often undermined by local capture (Olken, 2007; Ang, 2020) and instead emphasize the informational advantages of decentralization (Besley and Case, 1995; Alonso et al., 2008; Huang et al., 2017). We make two contributions to this literature. First, we move beyond the state-centered perspective to highlight market reaction, identifying a mechanism of *spatial capture*, whereby politically reliant firms reallocate investments across space and reorganize political intermediaries to maintain patronage ties. Second, unlike studies emphasizing how weak state capacity allows local elites to block reform implementation (Bardhan and Mookherjee, 2000; Olken, 2007; Finkel and Gehlbach, 2020), we show that even effective reforms that weaken local patronage can generate a different form of capture: firms may strategically rebuild political connections at the newly empowered tier.

Our study also contributes to the literature on legal institutionalization and judicial reform. A large literature emphasizes that stronger legal institutions promote economic development by improving contract enforcement and protecting property rights, and encouraging investment (North, 1986; La Porta et al., 2004; Acemoglu and Robinson, 2013). Recent work further shows that judicial institutions shape firms' investments and productivity (Chemin, 2020; Mehmood, 2022). Focusing on China's judicial reforms, existing studies emphasize their positive implications. Liu, Lu, Peng and Wang (2026) show that it reduces local protectionism, improves litigation quality, and promotes economic integration; Lei and Li (2025) also find lower judicial interference after the reform; Cao, Liu and Zhou (2023) find that it improves private actors' ability to sue local governments; Cai, Chen, Chen and Zhang (2026) study circuit courts and find they can reduce courtroom cronyism. While Zhou et al. (2021) highlights the persistence of judicial bias and Liu et al. (2026) also admits "the reform is better understood as a move toward *rule by law*," their attention is still restricted to court outcomes. We instead examine firms' strategic responses to institutional change: when judicial authority is centralized, politically reliant firms do not simply lose connections or become more market-oriented; instead, they reallocate investment and political connections toward the newly empowered tier. We therefore extend the literature from direct legal outcomes to endogenous shifts in patronage networks.

Moreover, this study highlights the adaptive resilience of patronage networks under weak institutions. Starting from Fisman (2001) and Faccio (2006), political connections are considered to

benefit firms at the cost of society, ranging from distorting competition, increasing corruption, and reducing allocative efficiency (Do, Nguyen and Tran, 2017; Xu, 2018; Chen and Kung, 2019; Colonnelli, Prem and Teso, 2020). A few studies even document the life costs of patronage (Fisman and Wang, 2015; Jia and Nie, 2017; Cao, 2024).[3] This literature suggests that institutional reforms that reduce patronage should benefit society and harm patronage firms. As shown by Colonnelli and Prem (2022) and Colonnelli et al. (2022), Brazil's anti-corruption program cut patronage and reduce firms' reliance on political connections. We contrast this logic by identifying a different form of adaptation: rather than abandoning political connections when one channel of access weakens, politically reliant firms can rebuild them by reallocating investment and political brokerage toward newly empowered political centers.[4]

Finally, our findings contribute to research on state-business relations. Existing studies show that political connections can provide firms with preferential access to resources (Chen and Kung, 2019; Bai, Hsieh and Song, 2020), which also create entry barriers and distort competition (Young, 2000; Barwick, Cao and Li, 2021). Recent work examines how political turnover, anti-corruption campaigns, and auditing reforms and reshape these relationships (Jiang and Mei, 2020; Shi et al., 2021; Nian and Wang, 2023; Zhang, 2023; Fang and Zhang, 2025; Chu et al., 2026). We complement this literature by highlighting firms' changing organization of political access and strategic adaptations to reforms. Beyond investment reallocation, they strategically reorganize political brokerage by shifting from local government connections toward higher-level political intermediaries.

2 Background

2.1 China's Judicial System

China's judicial system, as stipulated by the Organic Law of the People's Courts (enacted in 1980), operates as a four-tier hierarchy. At the top is the Supreme People's Court (SPC), followed by province-level High People's Courts (32 in total), city-level Intermediate People's Courts (404), and county-level Basic People's Courts (3,111).[5]

Before reform, local courts answer to the territorial party-state (CPC and government) rather than a higher level court (Mertha, 2009; Wang, 2018) as the party-state holds personnel and budget power. Court budgets, including salaries, bonuses, and operating expenses, are approved by local governments. Personnel decisions, such as promotions and appointments, are ratified by local People's Congresses and overseen by the Organization Department of the local CPC.

3. Nevertheless, recent works also shed light on the benefits of patronage networks: they can facilitate information transmission and overcome institutional constraints (Jiang, 2018; Voth and Xu, 2022; Toral, 2024).

4. Colonnelli et al. (2022) also show how exposed firms react to corruption audits, emphasizing a shift of their growth strategy away from patronage. Different from theirs, we find a *persistence* of patronage, where politically reliant firms still rely on and manage to rebuild patronage.

5. We use "city" to refer to both provincial capitals and local prefectures.

Consequently, the judiciary is highly vulnerable to political interference: judges are often pressured to align rulings with the preferences of local leaders (Peerenboom, 2009; Ng and He, 2017). Such favoritism undermines the credibility of adjudication but benefits firms with political ties. Though China's central leadership repeatedly stipulate that local judiciaries adjudicate cases independently, interference is prevalent and has reinforced China's model of state capitalism.

2.2 "State Capitalism" in China

State-business collusion in China is driven by two intertwined objectives: bureaucratic promotion and rent extraction. Firms contribute to local economic growth by generating employment and output, thereby enhancing prospects for advancement within the bureaucracy (Li and Zhou, 2005). At the same time, close ties with firms allow officials to extract substantial rents through bribery and other unofficial channels (Deng and Wei, 2025). This symbiotic relationship reflects a model of "state capitalism," characterized by pervasive state intervention in markets (Tsai, 2011; Baccini et al., 2019). Such intervention provides politically reliant firms with various forms of privilege, ranging from special deals to favorable treatments in political and judicial decisions (Ang and Jia, 2014; Hou, 2019; Bai et al., 2020; Xu, 2020; Chen and Xu, 2023).

As court budgets and personnel decisions are approved by the local party-state, local officials can pressure judges into favoring connected firms. Studies from different backgrounds have agreed on the existence of judicial favoritism and its substantial economic value for Chinese firms (Ang and Jia, 2014; Lu et al., 2015; Xu, 2020; Lei and Li, 2025). Notably, it is reported that Huawei has never lost a case in Basic court of Longgang,[6] and Tencent has an 94.3% win rate in the Basic Court of Nanshan and a 98.15% win rate in the Intermediate Court of Shenzhen.[7] Such judicial favoritism can translate into huge economic benefits and thus matter for Chinese firms. To illustrate how much firms care about the judicial reform, we quantify their involvement in litigation. As shown in Figure A3, on average, politically reliant firms (and market oriented firms) have about 4.4 (3.6) judicial cases, involving 90 (67) million RMB, which is 5.5% (10.5%) of their net assets.

2.3 The Judicial Centralization Reform

Reform and Investment. As part of Xi Jinping's broader anti-corruption and recentralization campaign, the CPC launched a judicial centralization reform in 2014 to curb local political interference and strengthen centralized control. Following the CPC Central Committee's directive to "promote unified financial and personnel management of local courts at the provincial level" in 2013, the SPC implemented the reform in 2014, transferring both fiscal and personnel authority over Basic and Intermediate Courts from county- and city-level governments to the provinces (see

6. See the Chinese news report https://bbs.mysipo.com/thread-1109742-1-1.html for detail.
7. See the Chinese news report https://baijiahao.baidu.com/s?id=1692466384041368633 for detail.

Figure 1). In reformed cities, judges became less influenced by local officials, which hinders local patronage networks.[8] Yet authority was only shifted upward to the provincial level, making provincial capitals new centers of political influence. While market-oriented firms benefit from a cleaner business environment and reduced collusion, politically reliant firms suffer from reduced patronage and thus strategically adapt by reallocating investments. To maintain political advantages, they can shift investment toward provincial capitals, where provincial officials retain influence over judges of all levels (see Figure A2 for an illustrative map). Therefore, the reform weakened lower-tier judicial protectionism while creating incentives for politically reliant firms to shift access to provincial-level patrons, leading to what we term as *spatial capture*.

Illustrative Cases. We begin with some cases that illustrate the mechanism at work. CHINT Group, founded in Yueqing under Wenzhou (a prefecture in Zhejiang province), launched a smart photovoltaic manufacturing facility in Hangzhou (provincial capital of Zhejiang), following a 2016 restructuring that incorporated Hangzhou-based renewable-energy operations.[9] Similarly, BBK Group Co., Ltd., a retail conglomerate founded in Xiangtan (a prefecture in Hunan), invested in a large commercial complex in Changsha in 2016, the provincial capital of Hunan.[10] These firms, whose earlier growth relied on local political ties and preferential judicial treatment, faced a loss of protection as judicial reform weakened local patronage. In response, they shifted investment toward provincial capitals, where authority became concentrated, enabling them to rebuild political connections and secure favorable judicial outcomes.

Staggered Roll-out of the Reform. The reform was rolled out in a staggered manner: in 2014, 152 courts were designated as pilots, with the reform gradually expanding to other regions; by 2021, more than 3,500 local courts had adopted the reform (see Figure A1). According to the "Central Judicial Reform Leading Group Office," they prioritized regional representativeness when deciding reform rollout, selecting pilot provinces in eastern, central, and western China, an approach common in major Chinese reforms (Wang and Yang, 2025).[11] We provide further evidence that local economic or political conditions cannot predict reform rollout (Figure A7).

3 Data

We assemble a novel and highly granular dataset that combines firm-level investment networks with rich measures of firms political behavior and economic activity, integrating textual

8. Its effectiveness has been noted by legal scholars (Zhang and Ginsburg, 2019), economists (Liu, Lu, Peng and Wang, 2026), and political scientists (Lei and Li, 2025).

9. See https://news.ifeng.com/a/20160729/49685758_0.shtml.

10. See https://www.bbg.com.cn/a/xinwendongtai/yaowen/1018.html.

11. See an interview of the leader of the Central Judicial Reform Leading Group Office https://www.spp.gov.cn/spp/zdgz/201406/t20140616_74695.shtml for detail.

and accounting data to track firms across locations and over time.

3.1 Firm-Investment Data

We construct a firm-investment location-year panel dataset from the China Stock Market and Accounting Research Database (CSMAR), a widely utilized financial database covering China's privately-owned listed firms. The sample period spans 2012 to 2019. We begin in 2012 to exclude confounding effects due to leadership turnover, as President *Xi* assumed office that year. We end in 2019 to exclude disruptions related to the COVID-19 pandemic.

We extract the headquarters city of each parent firm from CSMAR and link it to the geographic locations of its subsidiaries using associated company files, constructing a panel at the firm-city-year level that records investment across cities. We exclude observations in which the investment location coincides with the firm's headquarters city, as well as those in directly administered municipalities to their distinct administrative status.[12] Given that SOEs maintain upper-level political ties, we restrict our main sample to privately-owned listed firms and use SOEs as a placebo group in further analyses.

Table A1 presents summary statistics on firms' investment activities across cities. In our sample, 73% of firms have investments in cities outside their headquarters location, with inter-provincial investments exceeding intra-provincial ones. The average investment amount is 1.25 billion CNY, and the mean distance to investment destinations is approximately 874 kilometers, indicating geographically dispersed investment networks. The substantial variation in investment scale and geographic scope provides ample variation for our empirical analysis.

3.2 Measuring Political Reliance

We measure firm-level political reliance by the share of the conversation between institutional investors and firm management that centers on political issues, following the latest approach by Hassan et al. (2019). We obtain the data from Lin (2025), based on more than 400,000 Q&A transcript texts from various meetings between institutional investors and listed firms, including quarterly earnings calls, IPO roadshows, analyst meetings, and other forms of investor-management conferences. Then we use supervised machine-learning model Bidirectional Encoder Representations from Transformers (BERT) to classify Q&A texts into nonpolitical or political contents. Finally, we calculate political reliance index (PRI) with the proportion of discussion focused on political topics during these interactions. As institutional investors have more knowledge about

12. We exclude investments located in firms' headquarters cities because the theoretical interest is the geographic allocation of investment across destinations rather than investment retained in firms' home cities. We also exclude directly administered municipalities (Beijing, Shanghai, Tianjin, and Chongqing), which are provincial-level jurisdictions without subordinate prefectural governments. Results are robust to reintroducing both headquarters-city investments and directly administered municipalities (Table C4, Table C5).

firms and indeed care a lot about the firm's development, if a firm's performance relies heavily on political patronage, then they would ask more questions related to politics (Hassan et al., 2019; Lin, 2025). Thus, higher PRI indicates that a firms growth is driven more by political patronage than by market forces.

If PRI is a valid proxy for firms political reliance, it should reflect dependence on political ties rather than underlying firm performance or operational quality. Accordingly, we would not expect PRI to be systematically associated with core financial fundamentals such as growth, profitability, or operational efficiency. As shown in Figure A5, PRI exhibits no significant correlation with these dimensions of firm performance, supporting its construct validity.[13]

More importantly, a valid measure of political reliance should correlate with other indicators of firms political embeddedness. Drawing on a rich array of supplementary dataranging from CEO biographies and government procurement records to firm annual reports and hand-collected Party-building informationwe construct six independent indicators of political patronage. These include: (1) a hand-collected dataset of CEO biographical characteristics compiled from firm websites, public profiles, and platforms such as Wikipedia. Based on this information, we identify whether the CEO is a former government official, as well as the highest administrative rank attained, (2) the proportion of former officials in the senior management team, (3) the Economic Policy Uncertainty (EPU) index, computed from the frequency of policy-relevant language in corporate disclosures following Nie et al. (2020), (4) whether the firm has an internal CPC organization or the share of managers who are Party members, as a proxy for reliance on party-state institutions (Lu et al., 2025), (5) the firm's participation in public procurement, measured by both supplier status and transaction volume based on web-scraped official records,[14] and (6) the Firm-Government Agency Exposure index, which quantifies references to specific state agencies in annual reports and their frequency relative to total report length (Armstrong et al., 2025). As shown in Figure A6, PRI is positively correlated with all the six alternative measures. We also use these alternative measures as robustness checks. [15]

3.3 Timing of Judicial Reform

Following Liu, Lu, Peng and Wang (2026), we compile information on the roll-out of judicial reform from the Yearbook of Judicial Reforms in China (2012-2019). Published annually by the Supreme People's Court, the yearbooks document the design, implementation, and progress of reform nationwide and include province-specific chapters detailing the timeline at the city level.

13. One may be concerned that relying on politics does not mean relying on court trials, so firms with high PRI may care nothing about the judicial reform. However, in the context of China, it is those high-PRI firms that favor using lawsuits over informal tools, so political reliance also signals judicial dependence (Ang and Jia, 2014). Moreover, we explicitly measure court-dependence and conduct heterogeneity analysis in Figure B3.

14. See the China Government Procurement Website https://www.ccgp.gov.cn/index.shtml for detail.

15. For further details on data construction, see subsection A.3.

We use the yearbooks to construct our baseline measure of reform onset across regions.

To address potential discrepancies between official plans and actual implementation, we validate this measure with local fiscal expenditure data. Following Lei and Li (2025), we code a court as reformed if either (a) its fiscal expenditures are listed under the provincial budget or (b) its host city's court spending falls by at least 50 percent relative to the baseline year when the province was instructed to adopt the reform. Our results are robust to both definitions.

3.4 Other Data

Controls. We employ two datasets for covariates. We incorporate firm characteristics from the *CSMAR database*, including revenue, profitability, fixed asset ratio, asset growth rate, and whether the CEO also serves as the chairman of the board. City-level controls are drawn from the *China City Statistical Yearbook* and include total GDP, GDP per capita, the number of large-scale industrial enterprises, total bank loans, average wage, urbanization rate, and the composition of the local industrial structure. Table A2 reports descriptive statistics on our main variables.

Additional datasets. We also leverage several auxiliary datasets to support extended analyses. These include: (1) newly assembled data on municipal party secretaries and their concurrent appointments as provincial standing committee members database, (2) individual-level profiles of local officials, (3) the revolving-door officials database, (4) newly constructed measures of political orientation based on social media search intensity indices, (5) local market development indices, (6) public records on official corruption, (7) detailed firm-level litigation data and (8) various micro-level survey datasets. Detailed descriptions of these sources are provided in subsection A.3.

4 Empirical Strategy

We adopt two complementary identification strategies. The first is a difference-in-differences (DiD) framework that estimates the effect of judicial reform on firms' investment in local prefectures, leveraging variation in both reform timing and firms' political reliance. As shown in Panel A of Figure A4, we focus on firms' investments in local prefectures, and our sample is firm-local prefecture-year observations from 2012 to 2019. This allows us to track within-firm changes in investment following the reform in each location.

Second, to examine firms' strategic reallocation toward regions where political patronage remains feasible, we construct a Bartik (i.e., shift-share) measure based on firms' pre-reform investment portfolios and the reform's staggered implementation across local prefectures. The firm's exposure to reform is a weighted average of reform status across its investment locations, and the weights are proportional to its pre-reform investment in that prefecture. As shown in Panel B of

Figure A4, in a given year, Prefecture 1 and 2 have implemented the reform, whereas the remaining prefectures, including Prefecture n, have not. The firm above has investments in Prefecture 1 and 2 in base period, while the firm below has investments in Prefecture 2 and n. Therefore, although both firms face the same policy, the firm above will have a higher reform exposure than the firm below since it has more investment localities undergoing the reform.

4.1 Difference-in-Differences Approach

We begin by applying a DiD approach and restricting the sample to investments in local prefectural cities. This specification compares the changes in investments across reformed and non-reformed local prefectural cities over time. The specification is as follows:

$$Y_{ic,jp,t} = \alpha_0 + \alpha_1 Reform_{jt} + \alpha_2 \phi' \boldsymbol{X_{ij}} \times T_t + \phi_{ij} + \lambda_{ct} + \theta_p \times t + \epsilon_{ic,jp,t}, \tag{1}$$

where the dependent variable $Y_{ic,jp,t}$ denotes either a binary indicator for investment activity or the logarithm of investment value made by firm i (located in city c) into city j , province p in year t. The treatment variable, $Reform_{jt} = 1$ if city j had implemented the judicial reform by year t. In section 7, we replace $Y_{ic,jp,t}$ with measures of whether firm i employs former local government officials in city j, examining whether politically reliant firms reduce their reliance on local political connections after judicial centralization.

To address potential confounders, we incorporate an extensive set of fixed effects. Firm-destination pair fixed effect ϕ_{ij} absorbs firms' investment preferences for specific cities, and other time-invariant characteristics of the firm and the investment destination, such as the firm's industry affiliation or the city's geographical features. λ_{ct} is the city-year fixed effect for the firm's headquarters location, controlling for time-varying factors of the firm's location, such as local industrial policy changes. $\theta_p \times t$ is the province-specific time trend, which accounts for time-varying investment conditions of the destination city. Finally, to control for other time-varying factors, we include a set of predetermined covariates $\boldsymbol{X}_{ij}$ interacted with time dummies T_t. At the firm level, these include pre-policy revenue, ROA, CEO profile, fixed asset ratio, and asset growth; at the destination level, we include total GDP, per capita GDP, credit availability, wage levels, urbanization rates, and industrial structure. Standard errors are clustered at the (investment destination) city level since the variation we rely on stems from policy changes in the investment destinations.

The coefficient α_1 captures the average treatment effect on the treated (ATT) of judicial reforms on firms' investment. However, investment withdrawal should be concentrated among politically reliant firms rather than uniformly observed across all firms. To test this prediction, we extend the baseline specification by interacting the reform indicator with the firm-level political reliance

index:

$$Y_{ic,jp,t} = \beta_0 + \beta_1 Reform_{jt} + \beta_2 Reform_{jt} \times PRI_i + \beta_3 \phi' \boldsymbol{X_{ij}} \times T_t + \phi_{ij} + \lambda_{ct} + \theta_p \times t + \epsilon_{ic,jp,t}. \quad (2)$$

Equation 2 introduces an interaction between the reform indicator and a the firm's pre-reform political reliance index PRI_i.[16] We do not include PRI_i as a single term because it is absorbed by the firm-destination fixed effects ϕ_{ij}. The coefficient of interest is β_2, which captures whether politically reliant firms adjust their investment differently in response to the reform. A negative and statistically significant β_2 indicates that firms with higher political reliance reduce investment more sharply in reformed local prefectures, consistent with our theoretical expectation.

4.2 Bartik Design

Equation 2 captures firms' investment responses to judicial reform within local prefectures. The flip side of the *spatial capture* is a vertical reallocation of investment along the higher administrative hierarchyspatially manifested as an investment concentration toward provincial capitals. Accordingly, we construct a reform exposure index, aggregating reform shocks across a firm's existing portfolio of local prefecture investments, weighted by pre-reform investment shares, thereby capturing the intensity of reform shock by each firm. We then restrict the analysis to firm-provincial capital-year observations to assess how reform exposure in local prefectures influences investment in provincial capitals using the following equation:

$$Y_{ijcpt} = \gamma_0 + \gamma_1 Reform\ exposure_{it} + \gamma_2 Reform\ exposure_{it} \times PRI_i + \beta_3 \phi' \boldsymbol{X_{ij}} \times T_t + \phi_{ij} + \lambda_{ct} + \theta_p \times t + \epsilon_{ijcpt}, \quad (3)$$

where, $Reform\ exposure_{it}$ is the intensity of judicial reform exposed to firm i in year t. Considering that firms with more investment in a city would be affected more by that city's reform, the index aggregates reform shocks by each firm's ex-ante investment distribution:

$$Reform\ exposure_{it} = \sum_{j \neq \text{provincial capital}} weight_{i,j,t=t_0} \times Reform_{jt} \quad (4)$$

Here, $Reform_{jt}$ is a dummy variable indicating whether city j implemented judicial reforms in year t, and $weight_{i,c,t=t_0}$ represents the importance of city j in firm i's base period (t_0) investment portfolio, calculated in two ways. First, we use *destination share*, a binary variable indicating whether the city is the firm's investment destination, divided by the total number of the firm's investment locations. Second, we use *amount share*, the firm's investment amount in the city, divided by the firm's total investment amount. In robustness checks, we re-estimate the weights

16. We use pre-reform (2011) measure to exclude potential confounding between PRI_i and reform. Yet Empirically, the reform has only a negligible effect on firms' PRI_i. Alternative PRI measures are employed in robustness checks to ensure consistency.

using investment data from alternative pre-reform years to ensure that our findings are not sensitive to the choice of the base period. The key coefficient of interest is γ_2, which captures whether firms with greater political reliance increase their investment in provincial capitals when they are more exposed to reform in local prefectures. A positive and statistically significant γ_2 indicates that politically reliant firms respond to reform by reallocating investment upward in the administrative hierarchy. In section 7, we adapt this framework by replacing Y_{ijcpt} with the allowances firms pay to former officials with provincial-level experience. This allows us to examine whether reform-exposed politically reliant firms place greater value on political brokerage linked to the newly empowered provincial tier.

4.3 Identification Checks

DiD: Parallel Trends Assumption. The validity of our DiD design relies on the assumption that reform rollout is orthogonal to pre-existing trends in firms' investment allocations. While factors like fiscal conditions or political connections may correlate with reform timing, they are unlikely to bias our estimates unless they change discontinuously around reform adoption. We assess this by testing for pre-trends using event study models.

$$Y_{ijcpt} = \beta_0 + \beta_1 Reform_{jt} + \sum_{m \neq -1} \beta_{2,m} PRI_i \times Post_{mj} + \beta_3 \phi' \boldsymbol{X_{ij}} \times T_t + \phi_{ij} + \lambda_{ct} + \theta_p \times t + \epsilon_{ijcpt}, \quad (5)$$

where $Post_{mj}$ denotes the years relative to the city j's first implementation of the judicial reform, and $\beta_{2,m}$ captures the effect of the reform on firm investment across different levels of PRI over relative years.

DiD: Advanced DiD Estimation. Another concern in Equation 2 is the use of two-way fixed effects (TWFE) in a staggered treatment setting, which may deliver biased or even reversed-sign results when treatment effects are heterogeneous. To address this issue, we stratify firms by quartiles of political reliance, estimate ATEs within each group, and obtain consistent results using both TWFE and heterogeneity-robust estimators (Cengiz et al., 2019; De Chaisemartin and d'Haultfoeuille, 2024; Sun and Abraham, 2021; Callaway and SantAnna, 2021; Gardner, 2022; Borusyak et al., 2024). This also helps to relax the linearity assumption regarding the impact of PRI_i in Equation 2. See Figure C2 and subsection 5.5 for detailed analysis.

Bartik Design. Our Bartik design exploits the staggered rollout of judicial reform across local prefectures, while pre-reform investment shares capture firms' differential exposure to these shocks. To assess the exogeneity of the shock ($Reform_{ct}$), we compare pre-reform characteristics between treated and never-treated cities (Borusyak et al., 2022). We also conduct three additional checks on the share component to ensure our results are not driven by specific shares or weight-

ing choices. First, following Goldsmith-Pinkham et al. (2020), we compute Rotemberg weights to identify which cities contribute most to the identifying variation in the shift-share estimator. We then exclude the cities with the largest Rotemberg weights (the top 1, 3, and 10) to test whether a small number of highly influential locations drive our results (Figure C3). Second, we use alternative measures of investment shares and alter the base period (Figure C4). Third, we perform a series of permutation tests, randomly reassigning investment shares and reform timings to construct pseudo-reform exposure measures and assess the resulting distributions (Figure C4). Finally, we re-estimate our main specifications using spatially clustered standard errors to account for spatial correlation in the residuals. All these checks confirm our baseline findings, shown in subsection 5.5.

Reform Rollout. To further examine selection concerns, we explore whether cities that implemented the reform differ from those that did not along a broad set of pre-reform (2012) characteristics, ranging from economic fundamentals, such as GDP, fiscal status, labor-market conditions, to political conditions like corruption. As shown in Figure A7, across these dimensions, we find no systematic pre-reform differences between treated and untreated cities. The results hold when separately examining local prefectures and provincial capitals. Furthermore, Figure A8 shows that reform rollout does not correlate with pre-existing firm-level characteristics, including PRI, ROA, total assets, Tobins Q, and P/E ratios. Therefore, the reform does not select special regions or target specific firms based on observable characteristics.

5 Empirical Results

5.1 Subgroup Analysis by Sector

We begin by estimating Equation 1 by sector at the city-year level, using *comprehensive business-registration records* covering the universe of Chinese firms. Sectors such as infrastructure, electricity, real estate, finance, and social-security services exhibit higher political reliance (Hou, 2019), measured by a greater prevalence of CEOs with prior government service, larger exposure to policy uncertainty, denser CPC party presence, greater involvement in public procurement, and more frequent investor discussions linking business and politics, as validated in Figure B1. By contrast, sectors such as hotels, food services, retail, and residential services are more market oriented. In Figure B2, Panel A plots the effects of judicial reform on new firm entries, while Panel B plots the effects on the stock of active firms. Firms in politically reliant industries (green) reduced local investment following the reform, while firms in market-oriented industries (red) expanded. Because these sector groupings are coarse, we then use the continuous firm-level Political Reliance Index (PRI) using data on listed firms and estimate the interaction specification (Equation 2) below.

5.2 Selective Disinvestment Following Pro-Market Judicial Reforms

Table 1 presents the baseline DiD estimates from Equation 2, examining how judicial centralization influenced firms' investment decisions in local prefectures. Columns (1) uses a binary investment indicator as the dependent variable. Panel A includes firm-destination pair fixed effects, city(headquarter)-year fixed effects, and province(destination) time trends. We find that politically reliant firms were significantly less likely to invest in regions that took the judicial reform. Panel B adds a set of time-varying controls by interacting firm and destination characteristics with year dummies. Under this specification, a 10 percentage point (p.p.) increase in PRI is associated with a 0.035 p.p. decline in post-reform investment probability, equivalent to 8.5% of the mean (0.0349 / 0.4085). Given that firms typically invest in only a small number of locations, this magnitude is economically substantial. The balanced PRI-scaled ratio ($|\beta_1/\beta_2| = 0.0687$) maps to the 35.5-th percentile in the PRI distribution, implying that roughly two-thirds of firms reduced investment in reformed regions. Panel C further includes controls for firms' total investment levels to rule out the concern about overall capital contraction, with robust findings.[17]

In column (2), we replace the dependent variable with the logarithm of investment amount and obtain consistent results. Under our preferred specification in Panel C, a 10-p.p. increase in PRI reduced post-reform investment growth by 0.5 p.p., equivalent to 7.1% of the mean (10×0.0506 / 0.0711). Equivalently, 71.8% of firms reduced investment in reformed regions. This is shown explicitly in Figure 2: firms in the bottom 30-35% of the PRI distribution, those most market-oriented, were more likely to invest in reformed regions, while the rest became more likely to exit. This large-scale withdrawal by politically reliant firms likely imposed considerable economic costs on local economies given the size and scope of their investments.

Figure 3 plots dynamic DiD estimates from Equation 5. The absence of significant pre-treatment differences by PRI supports the parallel trends assumption. After the reform, investment patterns differ by PRI, and the difference becomes more pronounced over time: high-PRI firms experience a greater reduction in investment compared to low-PRI firms. These patterns are consistent with the *spatial capture* mechanism, whereby firms more dependent on local political protection strategically withdraw from reformed jurisdictions to seek new sources of patronage.

17. The balanced PRI value is the level of political reliance at which the estimated reform effect equals zero ($PRI = -\beta_1/\beta_2$). Given that $\beta_1 > 0$ and $\beta_2 < 0$, firms with PRI above this threshold are predicted to reduce investment after the reform, whereas firms below the threshold are predicted to increase investment. The row "Pr(PRI < balanced value)" reports the share of firms below this cutoff in the observed PRI distribution. For example, in Panel B, Column (1) of Table 1, the cutoff is 0.0687, corresponding to the 35.5th percentile of the PRI distribution; thus, 64.5% of firms are predicted to reduce investment following the reform.

5.3 Strategic Investment Reallocation in Provincial Capitals

As local patronage erodes following the reform, high-PRI firms withdraw investment from reformed jurisdictions and reinvest in provincial capitals to rebuild patronage. With solid empirical evidence for the first part of the theory, we then proceed to the second half. Table 2 presents estimates from the Bartik-specification outlined in Equation 3, restricting the sample to firm-provincial capital investment pairs. In columns (1)-(3), the dependent variable is a binary indicator for whether the firm invests in the provincial capital. Panel A defines reform exposure using *destination share*: the positive coefficient on the interaction term suggests that firms with more political reliance became more inclined to invest in provincial capitals in response to the reform. When firms are fully exposed to judicial centralization, a 10 p.p. increase in PRI raise the probability of capital-city investment by 0.7 p.p., approximately 19% of the sample mean ($0.1 \times 7.0046/3.6607 \approx 0.19$). Columns (4)-(6) use the log of investment amount as the dependent variable and yield similar results: politically reliant firms increased their investment in provincial capitals post-reform. Panel B replicates the analysis using an alternative weight (*amount share*), with robust results. Figure 4 provides a visual representation of these patterns.

In sum, judicial centralization did not crowd out politically reliant firms but facilitated their strategic investment relocation through *spatial capture*, allowing state-business collusion and political patronage to persist at a higher level.

5.4 Falsification Tests

In this subsection, we present falsification tests to corroborate our findings. If the observed investment reallocation was driven by changing patronage networks, three patterns should emerge. First, the decline in investment among politically reliant firms in reformed regions should be attenuated when local leaders retain political control over the judiciary. Second, SOEs that rely on national rather than local political patronage should remain unaffected. Third, firms with both high litigation exposure and high political reliance should exhibit the strongest responses.

We begin by exploiting heterogeneity analysis in local political hierarchies. In China, some city-level party secretaries simultaneously held seats in the provincial standing committee (SC), the top decision-making body at the provincial level.[18] Despite the reform, these dual-role party secretaries could leverage their institutional authority to influence court outcomes through the provincial SC and shield politically reliant firms. We partition our sample into regions with dual-role party secretaries and those without, and estimate the results using Equation 2 in Table 3: politically reliant firms reduced investment only in regions without dual-role party secretaries. In regions where the party secretary serves on the provincial SC, we do not observe a comparable

18. Each provincial SC typically includes 7-13 members, including several city-level party secretaries. The SC hold authority over all key governance domains, including economic, political, and certainly, judicial affairs.

decline in investment among high-PRI firms following the reform.

We then estimate Equation 2 and Equation 3 using a subsample of central SOEs, which are embedded in national-level political ties and depend less on local patronage networks (Wang, 2016, 2018). Table B1 presents the results, showing no significant change in investment for these firms following the judicial reform. This null finding reinforces our theoretical claim: the observed investment reallocation is driven by the disruption of local patronage ties and the strategic search for new connections, so firms that do not rely on local patronage will not respond to the reform.

Taken together, these two results indicate that spatial capture is most pronounced where local patronage ties are more effectively disrupted and among firms that depend on such ties. When local leaders retain provincial-level political connections, or when firms rely less on local patronage, the reform-induced response is attenuated.

Finally, we examine heterogeneity in firms' dependence on judicial rulings. If the reform weakened local officials' ability to shape court outcomes, firms that were both politically reliant and frequently involved in litigation should experience the sharpest contraction. Figure B3 shows that firms with high PRI and high litigation exposure reduced investment in reformed prefectures significantly more than firms with lower PRI or limited exposure. This provides strong evidence that the reform affects firm investment through court rulings.

5.5 Robustness Checks

This subsection summarizes a series of robustness checks, with detailed specifications provided in Appendix C. If applicable, these checks are conducted for both the DiD design (Equation 2) and the Bartik design (Equation 3).

First, we conduct additional identification checks. For the DiD specification, recent econometric research has raised concerns that two-way fixed effects (TWFE) estimators may yield biased estimates in staggered treatment settings with heterogeneous effects (Cengiz et al., 2019; Sun and Abraham, 2021; Callaway and SantAnna, 2021; Gardner, 2022; De Chaisemartin and d'Haultfoeuille, 2024). To address these concerns, we implement alternative heterogeneity-robust estimators in and Figure C2. Across all estimators, pre-trends remain flat, supporting the parallel trends assumption. Following the reform, high-PRI firms exhibit a substantial decline in investment, while low-PRI firms show no significant change.

For the Bartik design, we test its sensitivity to the share component. Specifically, we exclude cities with high Rotemberg weights (Figure C3), recalculate weights using alternative base period (Table C1), and conduct separate permutation tests on both the share and shift components (Figure C4). We also conduct permutation tests for PRI index and policy implementation year (Figure C4).

Second, we apply alternative constructions of PRI. We begin by testing different functional

forms, including a binary above-median indicator, a 2014-only measure, a time-varying index, and a log-transformed version to reduce the influence of outliers(Table C2). We then validate PRI using other proxies of political reliance, including CEO revolving-door backgrounds, economic uncertainty exposure, firm-level party-building engagement, and firms dependence on government procurement (Table C3). Across all variants, our findings remain highly consistent.

Third, we account for potential confounders through alternative samples and additional controls. Specifically, we: (i) reintroduce investments located in firms' headquarters cities; (ii) include observations from province-directly-administered counties; (iii) exclude non-balanced panel firms, financial firms, or never-treated samples; and (iv) control for firm-year covariates and destination-specific characteristics, as well as winsorize excessively large investment amounts (Table C4, Table C5). We also incorporate detailed controls for local official characteristics, including their gender, age, birthplace, education, and ethnicity (Table C6). In addition, we account for other contemporaneous judicial reforms (Table C7) as well as broader centralization policies implemented during the same period (Table C8). Finally, we account for reform at firms' headquarters cities, ruling out the possibility that home-city reform drives the estimated destination-side responses (Table C9).

Fourth, we adopt an alternative definition of the policy implementation timeline, following Lei and Li (2025) (Table C10). In addition, to account for within-firm correlation in investment and potential spillover effects, we employ an alternative low-anticipatory control group and adjust clustering of standard errors (Figure C5). We further re-estimate our main specifications using heteroskedasticity- and autocorrelation-consistent (HAC) spatial standard errors (Conley, 1999), obtaining consistent results (Figure C6).

6 Mechanism: The Political Geography of Spatial Capture

This section investigates the mechanism underlying the observed investment reallocation. We argue that judicial centralization reshapes rather than eliminates patronage networks, producing a spatial reconfiguration of political ties. If local patronage erodes while higher-level authority becomes more consequential, politically reliant firms should withdraw from prefectures where patronage weakens and redirect investment toward provincial capitals where new patronage opportunities emerge. We test this mechanism by examining whether variation in the disruption and reconstitution of patronage networks systematically shapes firms investment responses.

6.1 Reduced Patronage in Local Prefectures

Our theory implies that investment withdrawal among politically reliant firms is driven by the erosion of local patronage ties rather than by general economic adjustment. If judicial cen-

tralization disrupts discretionary protection by local officials, high-PRI firms should retreat most sharply in prefectures where local political influence over courts is more effectively weakened or where pre-reform investments were more closely tied to political patronage.

Post-Reform Market Orientation. In areas where post-reform institutional changes led to a more pronounced improvement in market orientation, politically reliant firms would lose a greater share of patronage-based advantages and thus reduce investment more sharply. We classify regions based on the *Fan Gang Marketization Index* and its five subcomponents, a widely used composite measure capturing the degree to which market forces rather than administrative discretion shape resource allocation and firm-government interactions. Higher values indicate a more rule-based economic environment and weaker scope for local officials to intervene in judicial or commercial outcomes. Panel A and B of Figure 5 show that following the reform, high-PRI firms significantly reduced investment in high-marketization regions relative to low-marketization ones. Regression results in Table D1, which interact the PRI index with each marketization sub-component, further confirm the pattern. These findings suggest that investment contraction is concentrated where local patronage networks are more effectively weakened and political protection becomes less valuable.

Pre-Reform Patronage Dependence. Firms more deeply embedded in local patronage networks prior to reform should face greater disruption and thus retreat more. Following Li (2024) and Li and Lu (2025), we use two proxies to measure pre-reform political embeddedness: (1) the amount of government subsidies received, and (2) the presence of former government officials among top executives (revolving-door managers). We compute pre-reform (2014 or 2011-2014 average) values of these measures at the firm-city pair level and interact them with our baseline DiD term. As shown in Table D2 and Table D3, firms receiving more subsidies or having more revolving-door managers experienced significantly greater post-reform investment withdraw. Panels C-F of Figure 5 illustrate that high-PRI firms sharply reduced investment in high-patronage-dependence regions relative to those with low dependence. These results further support the central role of disrupted government-business collusion in driving firms' strategic reallocation.

6.2 Resilient Patronage in Provincial Capitals

We next examine whether firms relocation toward provincial capitals reflects a search for renewed patronage rather than general urban advantages. If spatial capture drives reallocation, high-PRI firms should expand investment disproportionately in capitals where political patronage remains strong. We test this prediction by examining whether reform-exposed high-PRI firms concentrate investment in capitals characterized by higher corruption, stronger favoritism toward connected firms, and greater political orientation, while ruling out economic and infrastructural

advantages as alternative drivers.

Corruption, Favoritism and Investment Attraction. As high-PRI firms shifted investment to provincial capitals to build political ties, more corrupt capitals, where officials were more prone to collude with firms, would attract greater inflows. Following Zhu (2017), we measure corruption by objective corruption cases, obtained from local government websites and cross-validated with social media sources. We construct two measures based on the pre-reform period (2011-2014): (1) the number of city-level officials investigated for corruption (*Unweighted Investigate*) and (2) a rank-weighted index reflecting the seniority of investigated officials (*Weighted Investigate*).[19] Both measures capture the ex-ante intensity of government-business collusion in provincial capitals.

We classify provincial capitals into high- and low-corruption groups using the two pre-reform corruption measures and estimate Equation 3 separately for each group. Panels A and B of Figure 6 presents the results, showing high-PRI firms exposed to judicial reform systematically redirected investment toward more corrupt capitals, with much weaker effects observed in less corrupt ones. Table D4 further supports this mechanism in a triple-difference specification.

We further validate this channel by leveraging government procurement data to capture the extent to which provincial capitals favor politically reliant firms. Specifically, we identify the share of local procurement contracts awarded to firms with prior political ties. In Table D5, Panel A interacts the baseline with a dummy indicating whether connected firms secured a larger contract share than unconnected firms. Panel B replaces the dummy with the share of contracts awarded to connected firms. The positive and significant coefficients on the triple interaction suggest that, following reform, high-PRI firms disproportionately expanded investment in capitals whose governments exhibited stronger favoritism toward politically reliant firms. Panels C and D of Figure 6 illustrate this pattern. Estimating Equation 3 separately for cities with high and low levels of favoritism in public procurement, we find that politically reliant firms are more inclined to invest in provincial capitals with greater government favoritism toward connected firms.

Political Orientation. Regions with stronger political orientation prioritize political loyalty and hierarchical control over impersonal market rules, thereby preserving greater administrative discretion and scope for patronage. To proxy for the salience of political orientation, we use *Baidu* Search Indices related to Communist ideology and Party-building. A higher local search frequency for such keywords indicates a stronger emphasis on Party ideology and political loyalty over market-oriented values.[20] Panels E and F of Figure 6 stratify provincial capitals by the me-

19. For more detail about this index, see subsection A.3.

20. The *Baidu* Search Index measures the frequency of keyword searches by users, providing geographically disaggregated, behavior-based indicators of political orientation. Given *Baidu*'s dominance in China's search engine market, these indices offer a credible proxy for local political orientation. Following the standard approach, we normalize the annual average of each index at the prefectural level.

dian level of political orientation and re-estimate Equation 3, showing that high-PRI firms with greater reform exposure increased investment significantly in capitals exhibiting stronger political orientation. This pattern is robust across alternative definitions of search behavior (desktop vs. mobile) and reform exposure. Table D6 reinforces this evidence by including triple interactions with the standardized political orientation index.

6.3 Is Relocation Driven by Agglomeration?

A key alternative explanation is urban agglomeration rather than patronage reconstruction. Following reform exposure, high-PRI firms relocate toward provincial capitals simply because these cities offer superior economic, geographic, or infrastructural conditions, rather than because they provide renewed political protection.

To evaluate this possibility, Panel A in Figure D1 estimates triple interactions among PRI, *Reform Exposure*, and a comprehensive set of destination characteristics. Specifically, we test whether high-PRI firms facing greater reform exposure disproportionately reallocate to provincial capitals with advantages in (i) natural conditions (land availability, water resources), (ii) economic conditions (industry and service structure), (iii) fiscal capacity (public expenditure, local debt, government R&D support), (iv) human capital (share of college-educated or high-school-educated residents), (v) transportation infrastructure (passenger and cargo volume), and (vi) environmental quality (air pollution levels). To capture multidimensional agglomeration advantages, we also include a PCA-based composite index of all standardized location-condition variables. Across all specifications, the triple-interaction coefficients remain statistically indistinguishable from zero.

In Panel B, we conduct a placebo test using the specification in Equation 3, assigning, within each province, the best-performing non-capital city along these dimensions as a placebo for the provincial capital. The baseline coefficients become statistically insignificant.

Finally, Figure D2 provides a direct horse-race between the political mechanisms and the agglomeration alternative. In each panel, we jointly include the triple interaction for one core political mechanism variable and the triple interaction for the composite locational-advantage index. The political mechanism variables—marketization improvements and pre-reform patronage dependence in local prefectures, and corruption, favoritism, and political orientation in provincial capitals—remain substantively large and statistically significant, whereas the composite locational-advantage interactions are small and generally indistinguishable from zero. Together together, these results are consistent with patronage reconstruction rather than economic concentration.

6.4 Other Alternative Explanations

We further address two alternative explanations. One might argue that judicial re-centralization affects the intra-provincial allocation of fiscal resources, with public spending shifting from local prefectures to provincial capitals. If high-PRI firms follow fiscal flows due to their reliance on government contracts, then observed investment patterns may reflect changes in public spending rather than shifts in political patronage. To test this, we augment the baseline regressions by controlling for city- and province-level fiscal expenditures and their interactions with PRI (Table D7 and Table D8). The results remain robust: the core coefficients are stable in both economic and statistical significance, suggesting that changes in fiscal spending do not explain investment reallocation.

Second, the reform may have coincided with a reallocation of SOEs, potentially reshaping market competition dynamics. If SOEs crowded out high-PRI private firms in local prefectures, then we can also observe their investment withdrawal. We test this by controlling for the local presence of SOEs, measured by SOE asset shares and employment shares, along with their interactions with PRI (Table D9 and Table D10). The main findings hold robust: the interaction between PRI and reform exposure remains significantly positive and quantitatively similar to the baseline.

7 From Investment Reallocation to Patronage Reproduction

Spatial reallocation alone does not reconstruct political access. Moving investment toward provincial capitals may bring firms closer to newly empowered authorities, but geographic proximity is not sufficient to generate political connections. We therefore examine whether politically reliant firms reorganize their brokerage strategies, using two datasets on revolving-door officials. The first links firms to former officials with prior service in specific prefectures, which helps us examine whether firms reduce locally embedded political ties after the reform. The second tracks individual revolving-door officials over time and measures their compensation, allowing us to test whether provincial-level political experience becomes more valuable after centralization. Together, these analyses identify the brokerage channel through which firms rebuild political access.

7.1 The Decline in Local Revolving-Door Officials

We first examine whether judicial centralization reduced the value of revolving-door officials whose political capital was rooted in the reformed prefecture. Using a novel dataset on revolving-door officials following Li (2024) and Li and Lu (2025), we construct a prefecture-firm-year panel. For each firm, year, and prefecture, we observe whether the firm employs a former official who, at any point in his or her public career, held a prefecture-level or lower position in that prefecture.

Table 4 reports the results. Columns (1)–(2) show that, following reform, high-PRI firms become less likely to employ local revolving-door officials, with the decline concentrated among former local government officials. A 10 p.p. increase in PRI reduces the probability of employing such an official by 12.1% of the dependent-variable mean after reform.[21] The intensive-margin results in Columns (3)–(4) yield the same conclusion. Table E1 decomposes this pattern by officials' prior judicial institution. Employment of former court officials increases modestly, whereas the estimate for former procuratorate officials is small and insignificant. This pattern suggests that judicial centralization does not diminish all local ties equally: it reduces the value of local government brokers, while former court officials may retain direct influence over judicial proceedings. High-PRI firms therefore reduce their reliance on local government officials while maintaining ties to former court officials.[22]

Table E2 further shows that this contraction occurs primarily among independent directors, rather than executives, non-independent directors, or supervisors. This distinction is important. Independent directors are less involved in daily operations but provide access to external political and regulatory networks. The decline therefore reflects a reallocation of board-level access strategy rather than managerial restructuring.

7.2 The Rising Value of Provincial Political Capital

We next examine whether firms placed a higher value on provincial-level revolving-door officials. If judicial centralization merely empowered courts or induced firms to become less political, compensation paid to provincial revolving-door officials should not rise. If spatial capture is operating, however, provincial political capital should become more valuable precisely among politically reliant firms more exposed to reform.

Table 5 tests this prediction using a firm-official-year panel that records the annual allowance paid to each revolving-door official. We find that high-PRI firms exposed to more judicial reform pay significantly higher allowances to officials with provincial-level or higher experience. Under the preferred definition based on an official's last government position before entering the firm, a 10-p.p. increase in PRI and reform exposure implies an additional annual allowance of approximately RMB 2,850-2,950 for provincial-level officials.[23] The same pattern holds under the broader career-history definition. For officials with only prefectural or lower-level experience, the interaction term is negative and statistically insignificant. This implies that firms strategically targeted

21. The reported calculation is $0.1 \times 0.0873 = 0.00873$, relative to a mean of 0.0722.

22. This pattern suggests that firms may pursue two different revolving-door strategies. Former local court officials can provide direct influence on court trials, whereas officials in the provincial party-state hold authority in the whole hierarchy. This study, consistent with the investment results, concerns the second: firms' broader political-access strategy shifts upward toward the provincial tier as authority is centralized.

23. These amounts are calculated as $\widehat{\beta} \times 0.1 \times 0.1 \times SD(Y)$, where $\widehat{\beta}$ is the coefficient on $PRI \times Reform\ exposure$ and $SD(Y)$ is the raw allowance standard deviation reported in Table 5.

provincial officials but not local ones, consistent with Table 4 that local ties became less valuable following the reform.

Figure 7 further disaggregates provincial-level officials by their department origins. The positive relationship is concentrated among officials with prior experience in government administrative organs. Estimates for officials from other public institutions are comparatively small and statistically indistinguishable from zero. This pattern closely matches the institutional logic of the reform. Judicial centralization did not simply make all provincial public-sector experience more valuable. Rather, it shifted control over local courts to the provincial government, raising the value of access to the provincial government that now controls court personnel and budgets.[24]

Taken together, the evidence reveals a vertically reoriented political brokerage strategy. Politically reliant firms reduce their reliance on local officials whose influence depended on local party-state's former control over courts, while giving a higher compensation premium to officials connected to the provincial party state. Meanwhile, some firms continue to value direct court connections at the local level. This pattern complements firms' spatial reallocation toward provincial capitals and provides a personnel-side manifestation of spatial capture.

8 Consequences of Spatial Capture

This section examines the broader economic and institutional consequences of spatial capture. The central question is whether politically reliant firms are able to offset the loss of local political advantages through investment reallocation and brokerage reconstruction, and its broader implications for social welfare. We examine three outcomes: aggregate firm performance, judicial advantages, and public perceptions of judicial quality.

Aggregate Investment and Firm Performance We first examine whether the decline of local patronage translated into economically meaningful losses for politically reliant firms. Table F1 examines how firms with different levels of political reliance adjusted their investment portfolios after the reform. Columns (1) and (2) show that while the reform reduced firms' number of investment locations, the contraction did not differ significantly between high- and low-PRI firms.This pattern suggests that firms adjusted their spatial portfolios: low-PRI firms expanded into newly reformed regions, whereas high-PRI firms concentrated investment toward provincial capitals. Columns (3) and (4) further show that total investment volume remained stable across firms with different levels of political reliance. Accordingly, Table F2 finds no significant deterioration in post-reform firm performance across profitability, efficiency, liquidity, growth, and market value. These results

24. The absence of a post-reform increase for officials with provincial court experience does not mean such officials are unimportant to firms. Rather, the figure identifies which forms of provincial political capital became more valuable *because of* judicial centralization. Since the reform primarily reallocated administrative authority over courts to the provincial government, it is the value of party-state and government connections that should increase after reform.

suggest that politically reliant firms were able to partially offset the loss of local patronage through spatial reallocation.

Judicial Outcomes after Spatial Reallocation If these firms successfully offset their loss by spatial capture, we should expect that they can regain judicial advantages in provincial capitals. Using firm-level lawsuit data from the Wind Database, Table E3 compares litigation success in local prefectures and provincial capitals. The results reveal a vertical redistribution of judicial advantage. As reform exposure increases, high-PRI firms lose their advantage in local prefectures, where local governments' ability to influence courts was reduced. Meanwhile, they become more likely to succeed in litigation in provincial capitals, where they have redirected investment and political access. Such recovery of judicial advantages again validates firms' use of spatial reallocation to adapt to changing environments induced by the judicial reform.

Public Perceptions of Judicial Quality Motivated by the vertical redistribution of judicial advantage, we explore the changes in public perceptions of the judiciary and whether these changes vary across space. Using the 2011-2021 waves of Chinese Social Survey (CSS) , we construct city-year measures of satisfaction with local courts and perceived judicial fairness. Panel A of Table F3 shows that both outcomes improved significantly after reform in local prefectures, consistent with reduced local political interference. However, we find no comparable improvement in provincial capitals, where politically reliant firms increasingly concentrated investment and political access. Panel B provides placebo tests using workplace satisfaction and perceived fairness of promotion within firms; neither outcome changes significantly after reform, suggesting that the improvement in judicial perceptions reflects judiciary-specific institutional changes rather than broader changes in social attitudes.

Taken together, these findings highlight the spatially heterogeneous consequences of centralization reform. The reform generated meaningful institutional improvements by weakening local interference and improving perceived fairness in local jurisdictions. At the same time, politically reliant firms adapted by reallocating investment and political access toward the newly empowered provincial tier. Thus, centralization restructured political advantage rather than eliminating it: firms adapted by following authority upward, reshaping the geography of political connections.

9 Conclusion

We provide evidence that a judicial centralization reform can reshape the structure of political patronage. Leveraging China's judicial centralization reform, we show that politically reliant firms retreat from regions where political patronage wanes and reinvest in provincial capitals

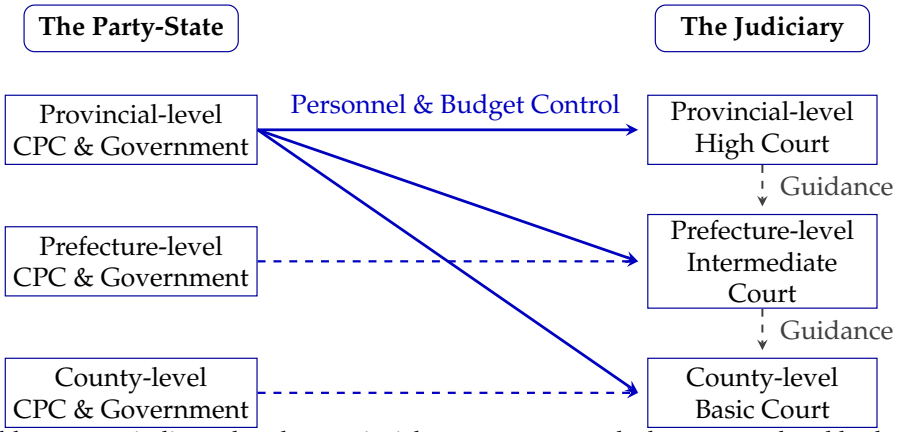
where patronage ties persist. Such spatial reallocation is directed toward provincial capitals with higher corruption, favoritism, and stronger political orientation, suggesting strong political motives rather than economic considerations. They also reorganize political brokerage, reducing their reliance on former local government officials while paying higher allowances to former officials with provincial-level experience.

The findings contribute to the economics of institutions, political connections, and resource allocation. A large literature shows that political connections can shape firm value, credit access, public procurement, regulation, and market competition (Fisman, 2001; Khwaja and Mian, 2005; Faccio, 2006; Colonnelli et al., 2020). Another literature emphasizes that wedges in factor allocation can lower aggregate productivity by shifting resources away from their most productive uses (Hsieh and Klenow, 2009; Baqaee and Farhi, 2020; Peters, 2020). Our results connect these two lines of work by showing that institutional reforms can change the geography of political returns. Political connections are not fixed assets tied only to a firm's existing location; their value depends on where discretionary authority is located. When authority moves upward, politically reliant firms may redirect capital toward political centers even when such movements do not improve observable firm performance. In this sense, political connections can act as location-specific wedges in firms' investment decisions.

These findings have implications for the design of institutional reforms. Centralization may be effective at reducing local protectionism, but its aggregate benefits depend on institutional contexts. When higher-level authorities retain substantial discretion, firms may substitute one form of political access for another. This substitution can dampen the intended effects of reform and generate spillovers across regions, as investment is redirected from local jurisdictions toward political centers. Thus, centralization reforms that move authority upward may need complementary safeguards, including greater transparency, clearer assignment rules, stronger conflict-of-interest restrictions for revolving-door officials, and more standardized assignment and enforcement procedures.

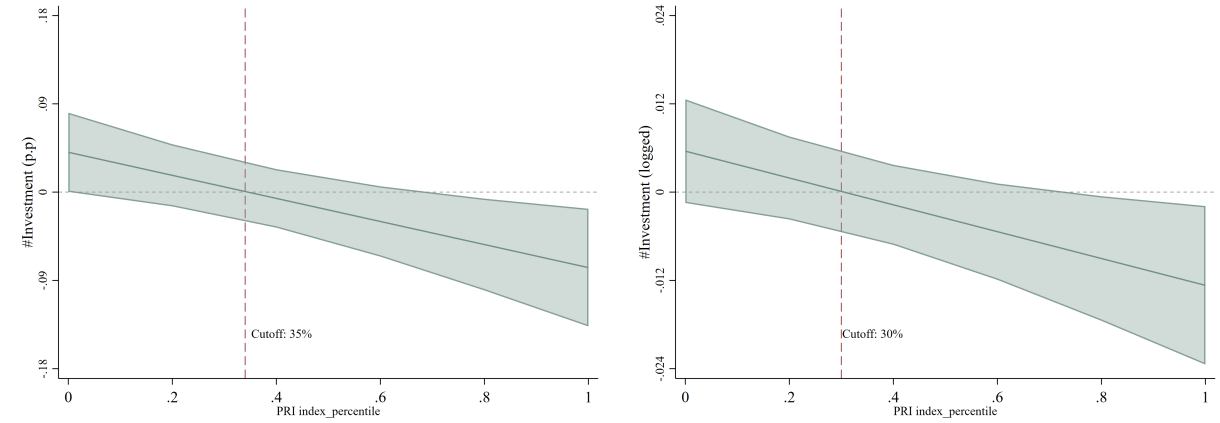
More broadly, the mechanism studied here may apply beyond courts. Centralization in audit, procurement, land allocation, environmental regulation, or industrial policy can similarly alter the return to political access across jurisdictions. When firms can adjust investment and brokerage strategies, formal institutional reforms may reshape rather than remove the political foundations of market advantage. Future work can quantify the aggregate welfare costs of such politically induced reallocation and examine when centralization improves market efficiency rather than relocating rents.

10 Figures and Tables



Notes: Solid blue arrows indicate that the provincial party-state controls the personnel and budget of different tiers of courts after the reform. Dashed blue arrows show the party-state's control over courts before the reform. Dashed black arrows indicate that the higher-level court provides adjudicatory guidance to its lower-level court.

FIGURE 1 The Centralization Reform.



(A) **P.p., local prefecture.** (B) **Logged, local prefecture.**

FIGURE 2 Firm Investment Responses in Local Prefectures Post-reform.

Notes: Figure 2 plots firm investment responses in local prefectures following judicial reform, by percentile of the Political Reliance Index (PRI). The x-axis represents PRI percentiles. The dependent variable in Panel A is a binary indicator equal to one if the firm invested in the location; coefficients are multiplied by 100 for interpretability. In Panel B, the dependent variable is the investment amount(logged). All regressions control for firm-destination pair fixed effects, headquarters-year fixed effects, destination-specific time trends, and interactions between firm and destination characteristics and year dummies. Shaded areas denote 95% confidence intervals.

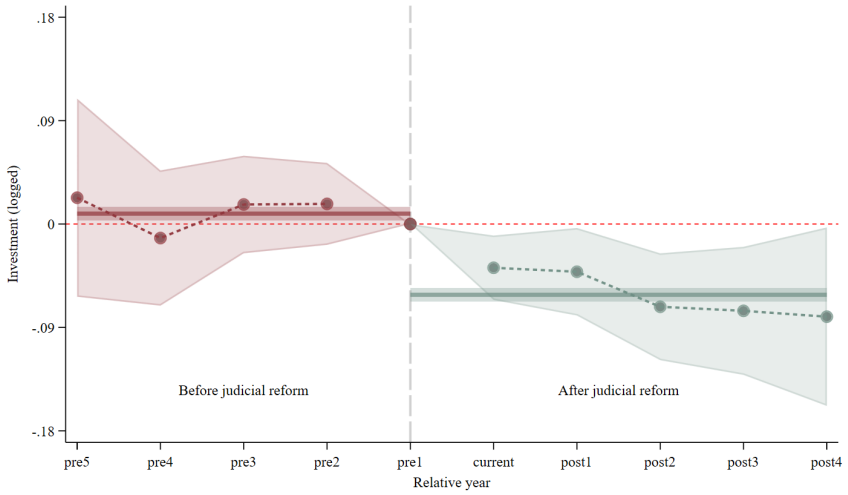
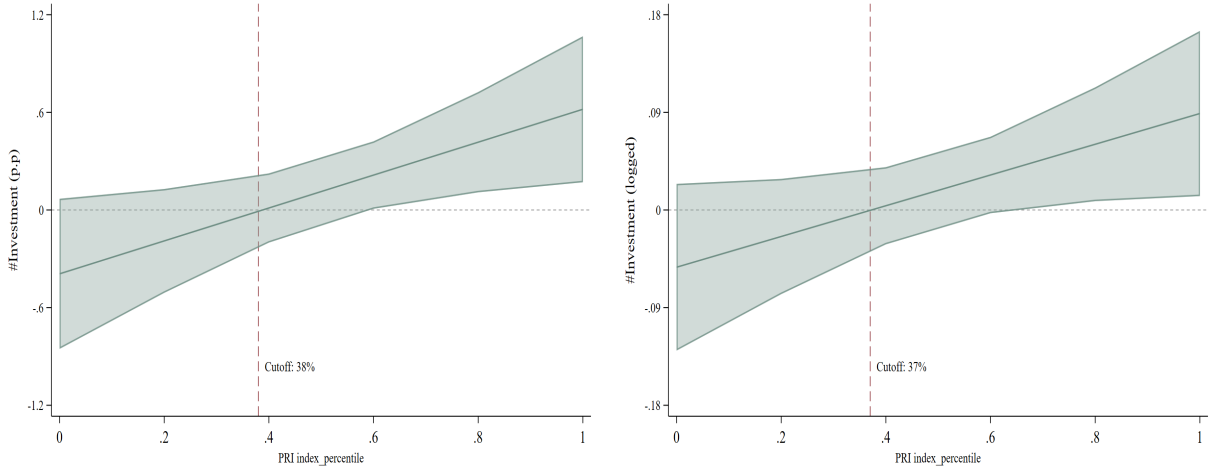


FIGURE 3 Dynamic Effects of Judicial Reform on Investment in Local Prefectures.

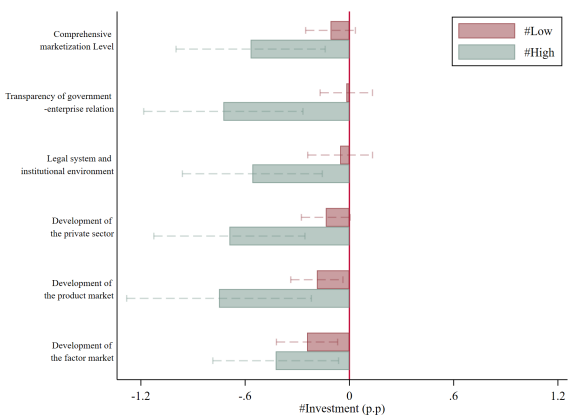
Notes: Figure 3 plots the dynamic effects of judicial reform on firm investment by relative year using Equation 5. The dependent variable is the logarithm of investment amount. Shaded areas denote 95% confidence intervals.



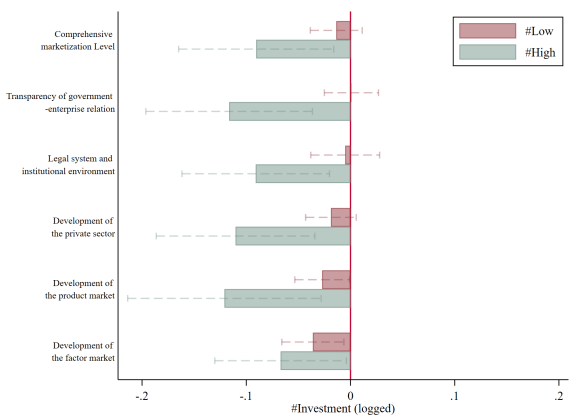
(A) **P.p., provincial capital.** (B) **Logged, provincial capital.**

FIGURE 4 Firm Investment Responses in Provinces Post-reform.

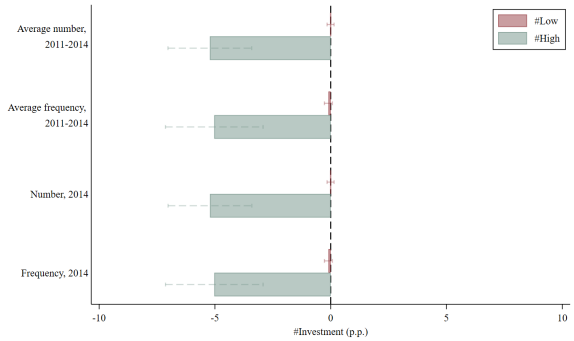
Notes: Figure 4 plots firm investment responses in province capitals after judicial reform exposure using Equation 3, by percentile of the Political Reliance Index (PRI). The x-axis represents PRI percentiles. The dependent variable in Panel A is a binary indicator equal to one if the firm invested in the location; coefficients are multiplied by 100 for interpretability. In Panel B, the dependent variable is the investment amount(logged). All regressions control for firm-destination pair fixed effects, headquarters-year fixed effects, destination-specific time trends, and interactions between firm and destination characteristics and year dummies. Shaded areas denote 95% confidence intervals.



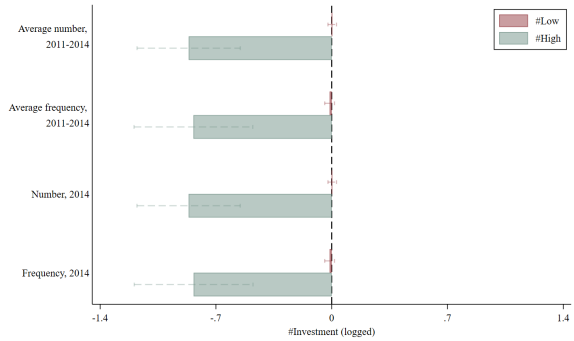
(A) **High vs. Low Marketization (p.p.).**



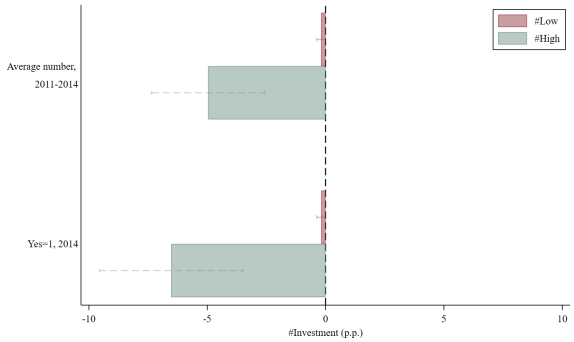
(B) **High vs. Low Marketization (logged).**



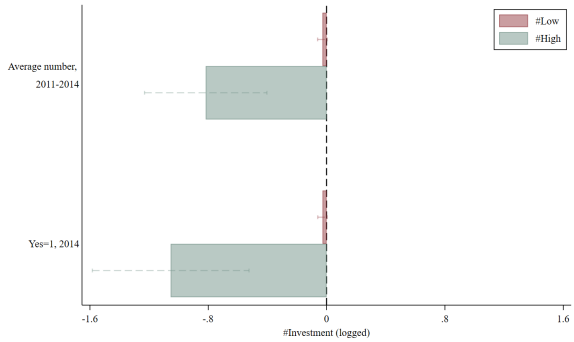
(C) **High vs. Low Subsidy (p.p.).**



(D) **High vs. Low Subsidy (logged).**



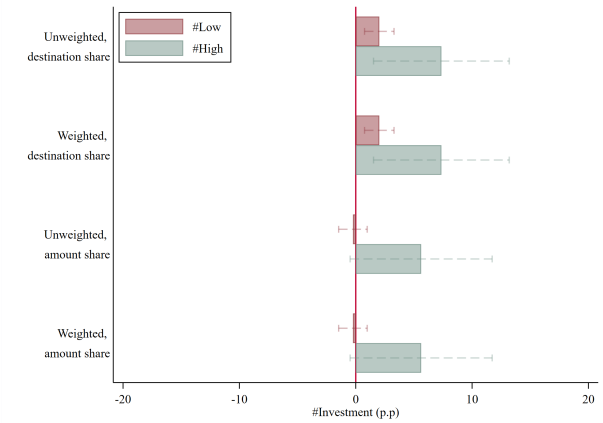
(E) **High vs. Low Revolving-door (p.p.).**



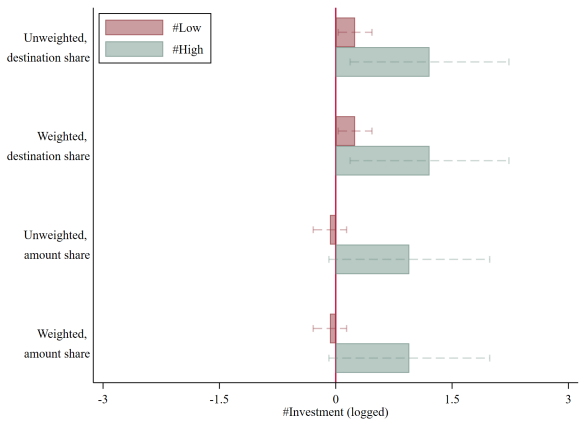
(F) **High vs. Low Revolving-door (logged).**

FIGURE 5 Heterogeneous Effects of Judicial Reform on Investment in Local Prefecture.

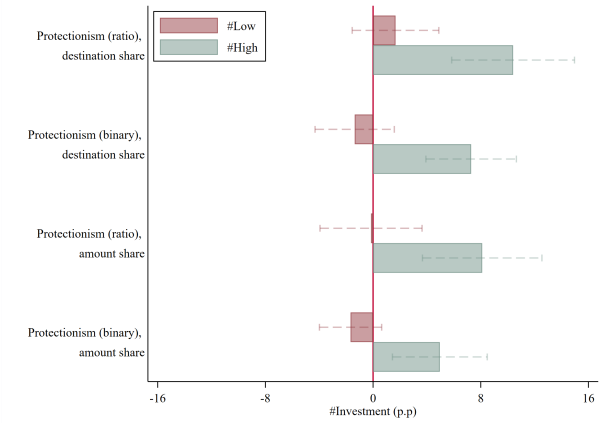
Notes: Figure 5 reports the heterogeneous effects of judicial reform in local prefecture cities by different marketization level, predetermined government subsidy, and government revolver. We split the sample by different median values of the above indices and estimate Equation 2 separately for low and high regions sample. Marketization level is derived from *Fan Gang Marketization Index*. Government subsidy is measured by the average frequency of government subsidies received by the firm and the number of subsidy projects in 2014 (or from 2011 to 2014). Government revolver is measured by whether the firms senior management includes revolving-door officials and by the average number of such officials in 2014 (or from 2011 to 2014). Red bars correspond to low capitals; green bars show estimates for high ones. The plotted coefficients represent the interaction between judicial reform exposure and PRI. The dependent variable in Panels A, C, E is a binary indicator equal to one if the firm invested in the location, with coefficients multiplied by 100 for interpretability. In Panels B, D, F, the dependent variable is the investment amount(logged). Fixed effects and controls are identical to those in Figure 2. Dashed lines denote 95% confidence intervals.



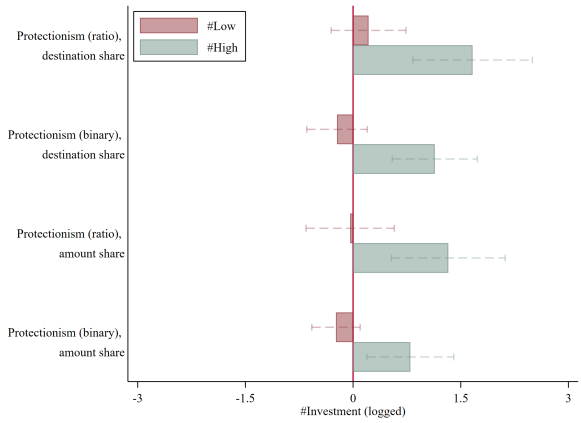
(A) **High vs. Low Corruption (p.p.).**



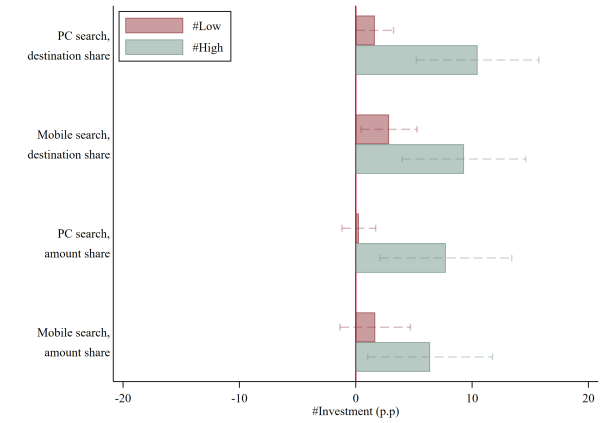
(B) **High vs. Low Corruption (logged).**



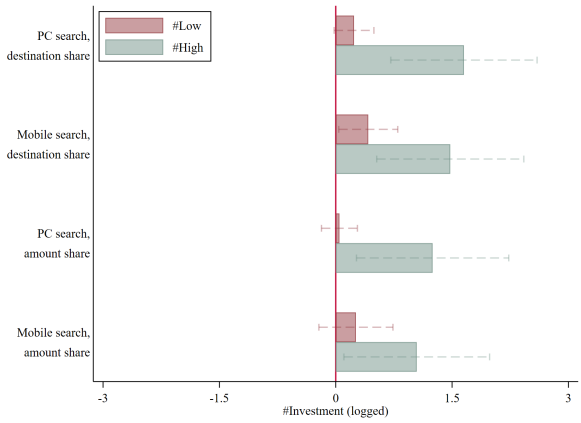
(C) **High vs. Low Favoritism (p.p.).**



(D) **High vs. Low Favoritism (logged).**



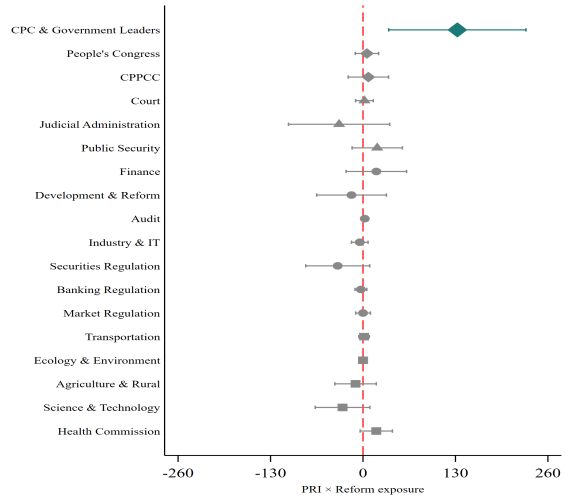
(E) **High vs. Low Political Orientation (p.p.).**



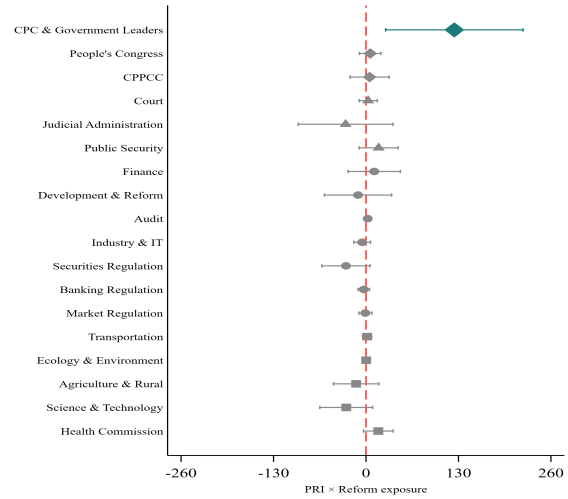
(F) **High vs. Low Political Orientation (logged).**

FIGURE 6 Heterogeneous Effects of Judicial Reform on Investment in Provincial Capital.

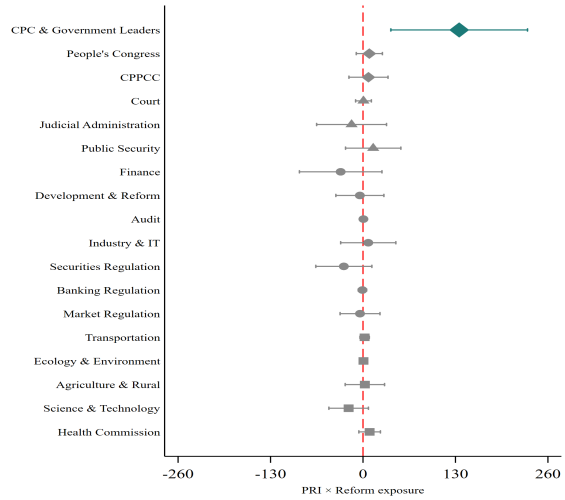
Notes: Figure 6 reports the heterogeneous effects of judicial reform in provincial capital cities by different predetermined corruption level, predetermined political orientation level, and predetermined government favoritism level. We split the sample by different median values of the above indices and estimate Equation 3 separately for low and high regions sample. Political orientation is measured by the frequency of online searches for politically relevant keywords, such as "Communist Party" and "Party-building". We use both PC-based and mobile-based search frequencies to capture this variation. Government favoritism is measured by the share of procurement awarded to connected firms. Red bars correspond to low capitals; green bars show estimates for high ones. The plotted coefficients represent the interaction between judicial reform exposure and PRI. The dependent variable in Panels A, C, E is a binary indicator equal to one if the firm invested in the location, with coefficients multiplied by 100 for interpretability. In Panels B, D, F, the dependent variable is the investment amount(logged). Fixed effects and controls are identical to those in Figure 2. Dashed lines denote 95% confidence intervals.



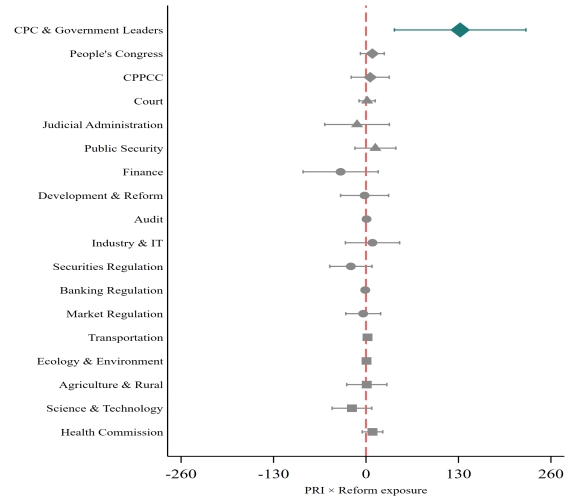
(A) **Last position, destination share.**



(B) **Last position, amount share.**



(C) **Career history, destination share.**



(D) **Career history, amount share.**

FIGURE 7 Departmental Origins of Co-opted Provincial-Level Officials.

Notes: Figure 7 reports for co-opted revolving-door officials with provincial-level or higher experience, the effect of judicial-reform exposure on the government department from which they came. The unit of observation is the firm-official-year level. Each dot is the coefficient on the interaction between reform exposure and PRI from a separate regression in which the dependent variable is an indicator (in percentage points, 0 or 100) for whether the official's last pre-entry government position falls in the corresponding department. Panels (a)–(b) classify provincial-level officials according to the department of their last public position before entering the firm; Panels (c)–(d) classify them according to any provincial-level department in which they served during their prior public career. Within each pair, the left panel constructs reform exposure using the investment-destination share and the right panel using the investment-amount share. PRI is the firm's political reliance index. Controls for individual officials include age, age squared, gender, and the year they transitioned from government to the firm; all specifications include firm fixed effects, year fixed effects, and province-year linear trends. Standard errors are clustered at the firm level; dashed line denote 95% confidence intervals.

TABLE 1 Baseline: Effects of Judicial Reform on Investment across Destinations

Cell:	Firm × year × local prefecture	
Dependent variable:	Investment (p.p.)	Investment (logged)
	(1)	(2)
Panel A. *With basic FEs*		
PRI × Reform (β_2)	-0.3183***	-0.0492**
	(0.1218)	(0.0211)
Reform (β_1)	0.0154	0.0020
	(0.0184)	(0.0033)
Balanced PRI value ($\lvert\beta_1/\beta_2\rvert$)	0.0485	0.0405
Pr(PRI<balanced value) (%)	26.4959	22.5641
Panel B. *Control firm and city predetermined characteristics*		
PRI × Reform (β_2)	-0.3491***	-0.0540**
	(0.1223)	(0.0213)
Reform (β_1)	0.0240	0.0030
	(0.0191)	(0.0034)
Balanced PRI value ($\lvert\beta_1/\beta_2\rvert$)	0.0687	0.0547
Pr(PRI<balanced value) (%)	35.4915	29.1790
Panel C. *Additionally control firm total off-site investment (to local prefecture & provincial capital)*		
PRI × Reform (β_2)	-0.3244***	-0.0506**
	(0.1214)	(0.0211)
Reform (β_1)	0.0215	0.0026
	(0.0187)	(0.0033)
Balanced PRI value ($\lvert\beta_1/\beta_2\rvert$)	0.0662	0.0518
Pr(PRI<balanced value) (%)	34.3647	28.2194
Firm-destination pair FE	✓	✓
Headquarters-year FE	✓	✓
Province (destination)-year trend	✓	✓
Dependent-variable mean	0.4085	0.0711
Observations	2,386,162	2,386,162

Notes: Table 1 reports the impact of judicial reform on investment in local prefectures, using Equation 2. The unit of observation is at the firm-investment location-year level. In Column (1), the dependent variable is a binary indicator of whether the firm invested in the location, with the regression coefficient multiplied by 100 for interpretability, while Column (2) is the investment amount (logged). The key independent variable, $Reform$, is a dummy variable that equals 1 if the city has implemented judicial reform and 0 otherwise. The variable PRI is the firm's political reliance index. Panel A includes firm-investment destination pair fixed effects, headquarters-year fixed effects, and investment location-specific time trends. Panel B adds interactions between predetermined firm, destination characteristics and year dummies. Firm characteristics include revenue, ROA, CEO profile, fixed asset ratio, and asset growth while city characteristics include predetermined GDP, per capita GDP, credit availability, wage levels, urbanization rates, and industrial structure. Panel C further adds time-varying firm's total annual investment amount (logged) to both provincial capital and local prefecture compared to Panel B. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE 2 Baseline: Effects of Judicial Reform on Investment in Provincial Capital

Cell:	Firm × year × provincial capital					
Dependent variable:	Investment (p.p.)			Investment (logged)		
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A. *Reform exposure defined using investment destination share*						
PRI × Reform exposure	6.3379***	6.1612***	7.0046***	0.9862***	0.9612***	1.0969***
	(1.8619)	(1.8356)	(1.9227)	(0.3243)	(0.3201)	(0.3343)
Reform exposure	-2.3593***	-1.8797***	-0.8357**	-0.3762***	-0.2990***	-0.1317*
	(0.4637)	(0.4373)	(0.3974)	(0.0789)	(0.0744)	(0.0669)
Panel B. *Reform exposure defined using investment amount share*						
PRI × Reform exposure	4.4844**	4.0983**	4.8757**	0.7232**	0.6631**	0.7872**
	(1.9156)	(1.8794)	(1.9404)	(0.3278)	(0.3217)	(0.3320)
Reform exposure	-1.8087***	-1.3632***	-0.4459	-0.2980***	-0.2262***	-0.0812
	(0.4536)	(0.4307)	(0.4154)	(0.0774)	(0.0734)	(0.0700)
Pre-policy city-level control × year		✓	✓		✓	✓
Pre-policy firm control × year		✓	✓		✓	✓
Base period (2012) investment × year			✓			✓
Firm-destination pair FE	✓	✓	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓	✓	✓
Dependent-variable mean	3.6465	3.6607	3.6607	0.6171	0.6195	0.6195
Observations	240,011	238,670	238,670	240,011	238,670	238,670

Notes: Table 2 reports the impact of judicial reform on investment in provincial capitals, using Equation 3. The unit of observation is at the firm-investment location-year level. In Columns (1)-(3), the dependent variable is a binary indicator of whether the firm invested in the location, with the regression coefficient multiplied by 100 for interpretability. In Columns (4)-(6), the dependent variable is the natural logarithm of the investment amount. The key independent variable, $Reform\ exposure$, measures the intensity of judicial reform impact on firms in local prefectures, defined by Equation 4. In Panel A, $Reform\ exposure$ is weighted by the number of investment destinations. In Panel B, it is weighted by the amount of investment. The variable PRI represents the firm's political reliance index. Columns (1) and (4) use basic FEs that identical to those in Table 1. Columns (2) and (5) add interactions between predetermined firm, destination characteristics and year dummies. Columns (3) and (6) additionally control interaction between base period (2012) total investment amount to local prefecture (logged) and year dummies. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE 3 Falsification Tests: Local Political Hierarchies

Cell:	Firm × year × local prefecture			
Dependent variable:	Investment (p.p.)		Investment (logged)	
Sample:	Whether prefecture party secretary cum provincial standing committee member			
	Yes	No	Yes	No
	(1)	(2)	(3)	(4)
PRI × Reform	0.3194	-0.2965**	0.0556	-0.0436**
	(0.2265)	(0.1184)	(0.0387)	(0.0205)
Reform	-0.0416	0.0290	-0.0075	0.0042
	(0.0483)	(0.0190)	(0.0086)	(0.0033)
Pre-policy city-level control × year	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓
Dependent-variable mean	1.2631	0.3446	0.2168	0.0601
Observations	161,028	1,996,952	161,028	1,996,952

Notes: Table 3 reports falsification tests results, considering whether cities have provincial-level political ties. The unit of observation is at the firm-investment location-year level. In Columns (1) and (3), the dependent variable is a binary indicator of whether the firm invested in the location, with regression coefficients multiplied by 100 for interpretability. In Columns (2) and (4), the dependent variable is the natural logarithm of the investment amount. The key independent variable, $Reform$, is a dummy variable that equals 1 if the city has implemented judicial reform and 0 otherwise. The variable PRI represents the firm's political reliance index. Columns (1) and (3) include samples where the city's party secretary also holds a position in the provincial standing committee, while Columns (2) and (4) include samples where such a political connection does not exist. Control variables and FEs are identical to those in Table 1. Standard errors are clustered at the city level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

TABLE 4 The Decline in Local Political Brokerage

Cell:	Firm × year × local prefecture			
Dependent variable:	Employment of local revolving-door officials			
	Extensive margin: employment probability		Intensive margin: number employed	
Prior public institution:	All	Government	All	Government
	(1)	(2)	(3)	(4)
PRI × Reform	-0.0873*	-0.0972**	-0.0963*	-0.1077**
	(0.0490)	(0.0477)	(0.0530)	(0.0521)
Reform	0.0016	0.0003	0.0008	0.0002
	(0.0100)	(0.0097)	(0.0122)	(0.0116)
Pre-policy city-level control × year	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓
Dependent-variable mean	0.0722	0.0630	0.0775	0.0668
Observations	2,386,162	2,386,162	2,386,162	2,386,162

Notes: Table 4 examines whether judicial centralization reshapes politically reliant firms' use of local political brokerage, measured by their employment of local revolving-door officials. The unit of observation is the firm–location–year. A local revolving-door official is a former public official employed by a firm who, at any point in the official's prior public career, held a prefecture-level or lower position in the focal prefecture. $Reform$ equals one once the prefecture implements judicial centralization, and PRI denotes the firm's political reliance index. Columns (1)–(2) report the extensive margin, an indicator (multiplied by 100) for whether the firm employs a local revolving-door official; Columns (3)–(4) report the intensive margin, the corresponding number of officials (also multiplied by 100). Columns (1) and (3) include all local revolving-door officials; Columns (2) and (4) restrict the outcome to officials with prior service in local government administrative organs. Control variables and fixed effects are identical to those in Table 1. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE 5 The Rising Value of Provincial-Level Political Brokerage

Dependent variable:	Revolving-door official's annual allowance			
Reform exposure weight:	Destination		Amount	
Sample: provincial or higher level:	No	Yes	No	Yes
	(1)	(2)	(3)	(4)
Panel A: Provincial experience defined by career history				
PRI × Reform exposure	-1.0255	4.0922*	-1.7302	3.9883**
	(1.1969)	(2.1785)	(1.3092)	(1.9223)
Reform exposure	-0.0424	-1.5062**	0.0848	-1.3468**
	(0.1395)	(0.6365)	(0.1647)	(0.5976)
Dependent-variable raw SD	33,224	54,764	33,224	54,764
Observations	1,472	1,034	1,472	1,034
Panel B: Provincial experience defined by last pre-entry position				
PRI × Reform exposure	-0.8123	4.9861***	-1.7349	5.1532***
	(1.1806)	(1.8881)	(1.2814)	(1.7189)
Reform exposure	-0.1119	-1.4954***	0.0356	-1.4468**
	(0.1368)	(0.5679)	(0.1595)	(0.5605)
Dependent-variable raw SD	33,824	57,112	33,824	57,112
Observations	1,622	883	1,622	883
Officials individual controls	✓	✓	✓	✓
Year FE	✓	✓	✓	✓
Firm FE	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓

Notes: Table 5 examines whether, following judicial centralization, politically reliant firms with greater reform exposure pay higher allowances to revolving-door officials with provincial-level or higher experience, consistent with the rising value of provincial political brokerage. The unit of observation is the firm–official–year. The dependent variable is the standardized revolving-door official's annual allowance. Columns (1)–(2) and (3)–(4) construct *Reform exposure* using the investment-destination share and the investment-amount share respectively, as defined in Equation 4. *PRI* is the firm's political reliance index. Within each weight, the sample is split by whether the official has provincial-level or higher experience. The two panels differ in how this experience is defined: in Panel A an official qualifies if they held a provincial-level or higher position *at any point in their government career*; in Panel B qualification depends solely on whether the official's *last* government position before entering the firm was provincial-level or higher (the definition used in the main text). Control variables for individual officials include age, age squared, gender, department of employment, and the year they transitioned from government to the firm; all specifications further include firm fixed effects, year fixed effects, and province-year linear trends. *Dependent-variable raw SD* reports the standard deviation of the annual allowance within the corresponding estimation subsample. Standard errors are clustered at the firm level. $^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$.

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Online Appendix for "The Geography of Political Connections: Centralization, Investment Reallocation, and Patronage Reconstruction"

Siyuan Fan [*] Wenyi Lu [†] Shangkun Xie [‡]

Appendix A More on Background and Data **A1**
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Appendix A More on Background and Data

A.1 Reform Progress and Identification

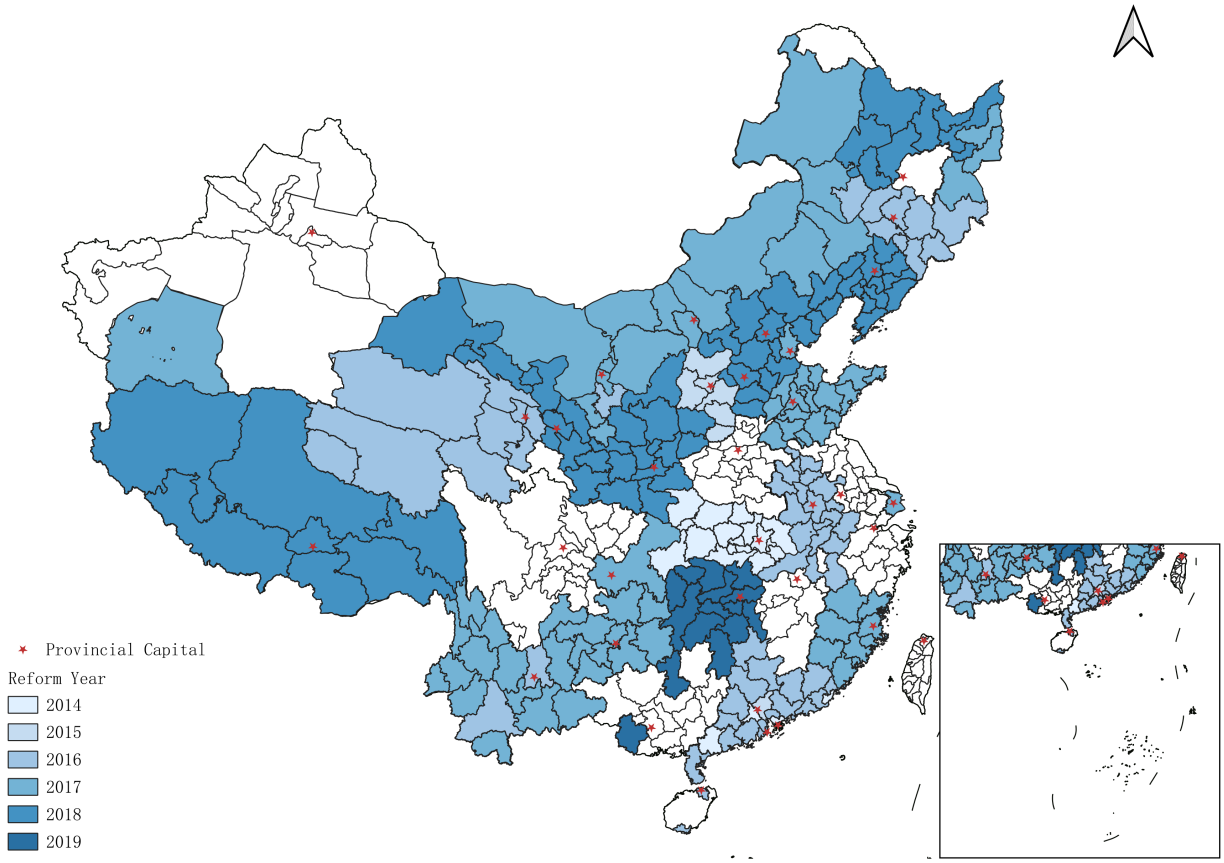
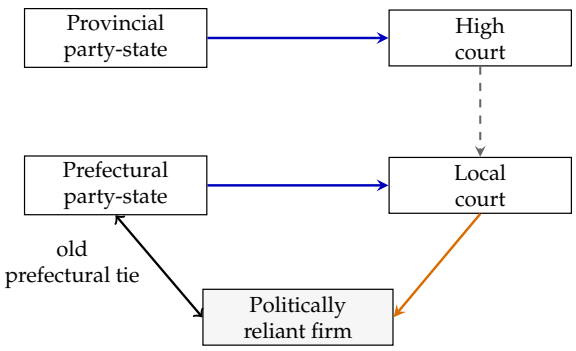
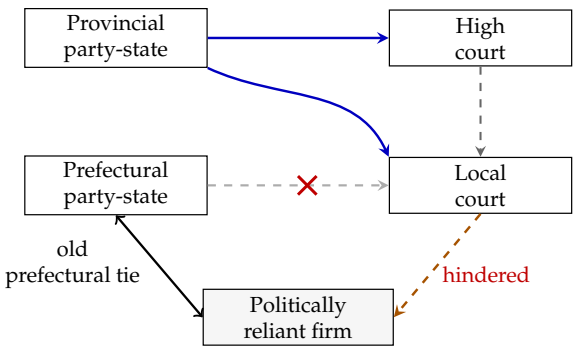


FIGURE A1 : Progress of Judicial Reform.

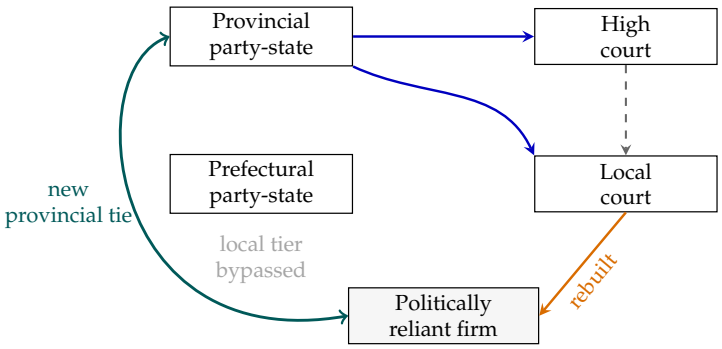
Notes: Figure A1 illustrates the timeline of the judicial reform across different regions, with unmarked cities indicating those where the reform had not yet been implemented by 2019. In 2014, 152 courts were selected as pilot sites, and the reform gradually expanded to other regions. By 2021, over 3,500 local courts had adopted the reform.



(A) Before reform: local judicial patronage.



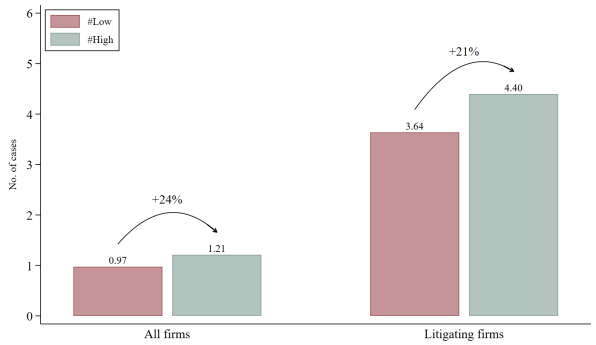
(B) Reform shock: local court lever weakened.



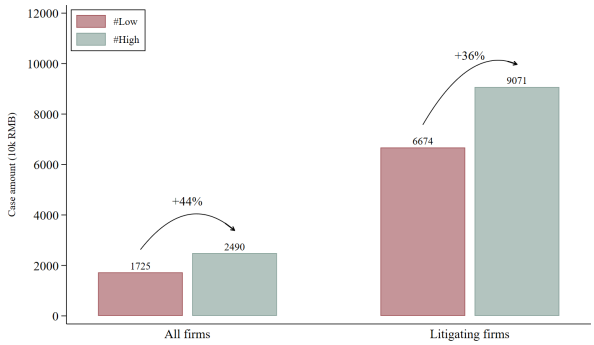
(C) Firm adaptation: provincial patronage rebuilt.

Notes: Solid blue arrows denote the party-state's formal personnel and budget control over courts. Dashed black arrows denote higher-court adjudicatory guidance for local courts. Black and teal double arrows denote state-business patronage ties. Solid orange arrows denote favorable judicial treatment.

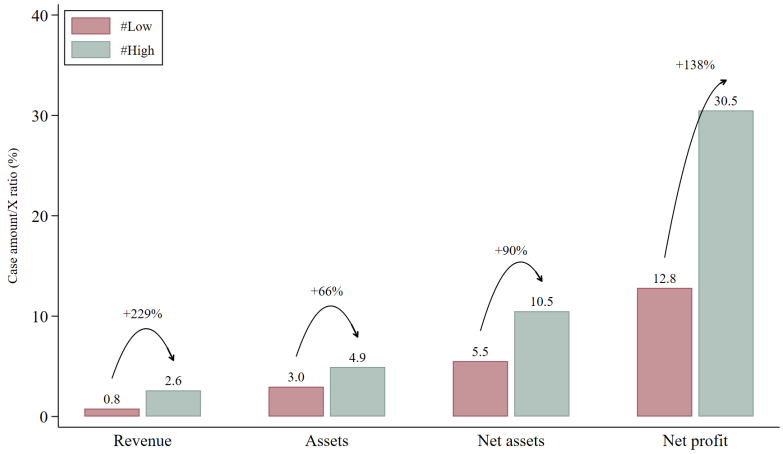
FIGURE A2 From Local Patronage to Provincial Patronage after Judicial Recentralization.



(A) **Number of cases.**



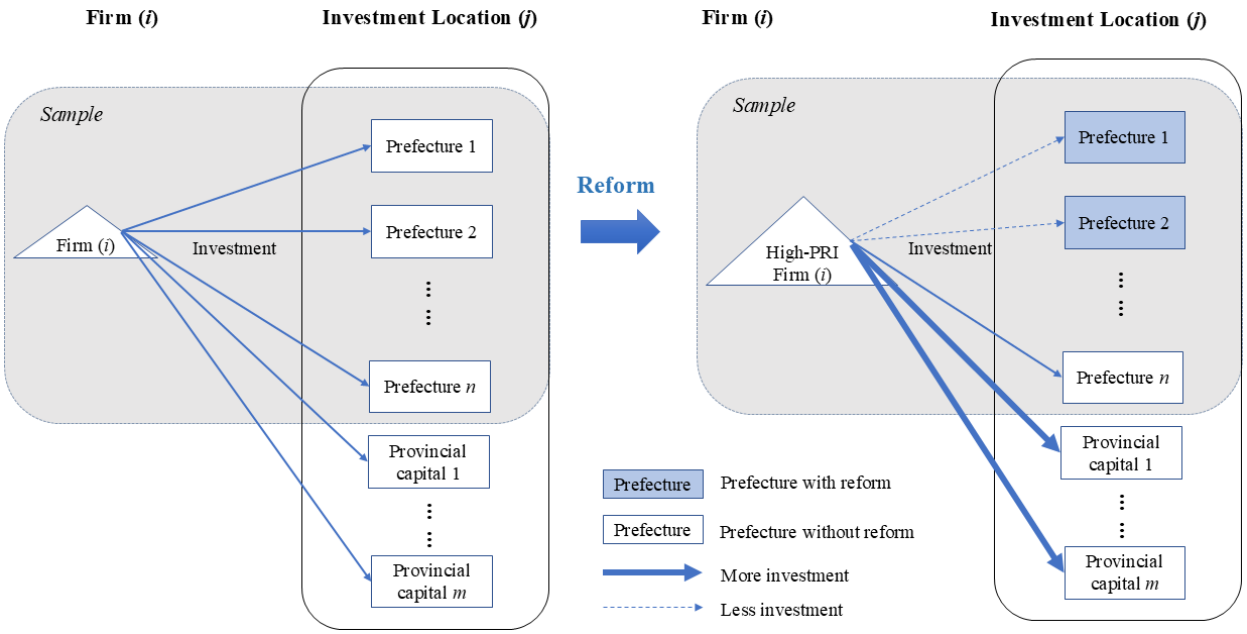
(B) **Case amount (10k RMB).**



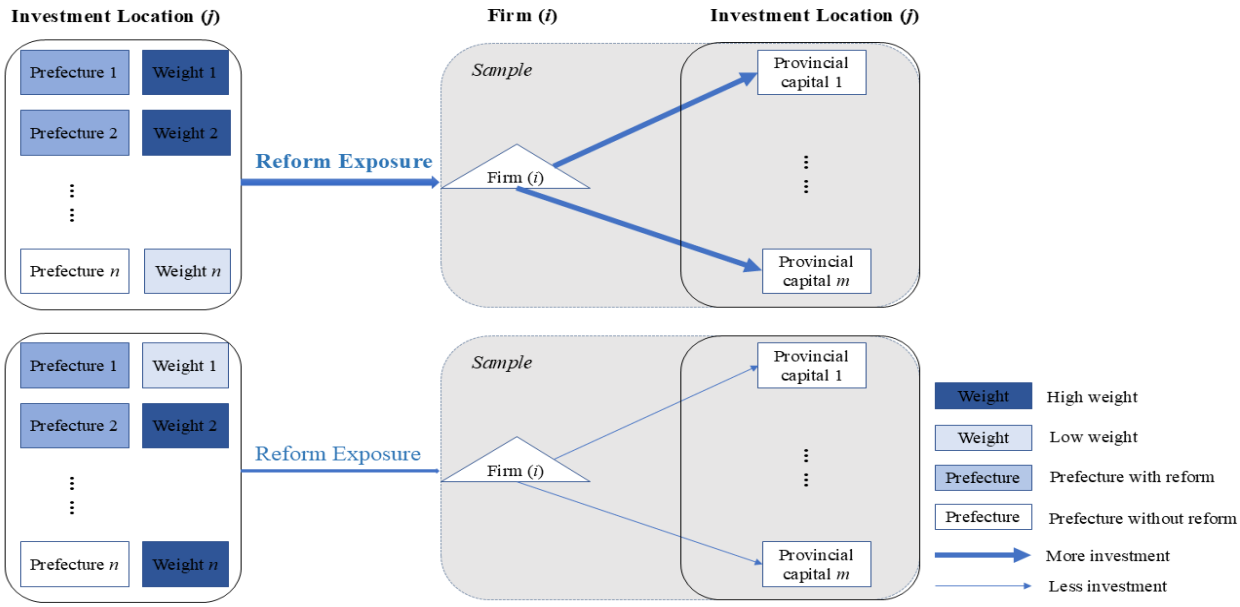
(C) **Case amount relative to firm size (%).**

FIGURE A3 Litigation Burden across Firm Political Reliance Index (PRI).

Notes: Figure A3 compares our sample firms in the bottom (Low) and top (High) quartiles of pre-reform PRI, using cumulative firm-level litigation data from 2012–2019. Panels A and B report, respectively, the average number of cases and total case amount (10,000 RMB), for all firms and for litigating firms only. Panel C reports total case amount relative to operating revenue, total assets, net assets, and net profit among litigating firms. Curved arrows show the percentage difference of high-PRI firms relative to low-PRI firms.



(A) **Data Structure: Difference-in-Differences Approach.**



(B) **Data Structure: Bartik Design.**

FIGURE A4 Empirical Strategies.

Notes: Figure A4 visualizes our two empirical strategies and the corresponding data structures. Panel A presents the DiD design using the sample of non-provincial investment locations. The color intensity of each arrow indicates the theoretically expected change in investment magnitude, with dashed arrows representing reductions and thicker solid arrows denoting larger increases. Panel B is our second Bartik design identification strategy. It depicts two firms facing the same judicial reform policy but experiencing different intensities of reform exposure in non-provincial regions due to their different investment locations, and their investments in provincial capitals. On the left, blue cities indicate those that underwent the reform. The weight represents the intensity of the firm's investment in that location. The reform exposure is defined in a shift-share style as the sum of the product of whether the region was reformed (shift) and the importance of the region to the firm's investment (share).

A.2 Data Summary

TABLE A1 Summary Statistics: Investment Distribution (Firm-year Level)

	Mean	Std.Dev.	Min	Max	Observation
	(1)	(2)	(3)	(4)	(5)
Investment (binary, yes=1)					
Total	0.734	0.442	0	1	7,865
Intraprovincial, to Capital [a]	0.067	0.250	0	1	7,865
Intraprovincial, to Local	0.220	0.415	0	1	7,865
Interprovincial, to Capital	0.509	0.500	0	1	7,865
Interprovincial, to Local	0.475	0.499	0	1	7,865
Investment destination (number)					
Total	2.401	3.812	0	107	7,865
Intraprovincial, to Capital	0.067	0.250	0	1	7,865
Intraprovincial, to Local	1.053	1.882	0	26	7,865
Interprovincial, to Capital	0.313	0.814	0	20	7,865
Interprovincial, to Local	0.968	2.087	0	67	7,865
Investment amount (100 million)					
Total	12.464	591.377	0	48,012	7,865
Intraprovincial, to Capital	1.095	69.420	0	6,000	7,865
Intraprovincial, to Local	2.473	101.970	0	8,900	7,865
Interprovincial, to Capital	7.538	545.377	0	48,003	7,865
Interprovincial, to Local	1.359	5.931	0	202	7,865
Investment ratio (%) [b]					
Intraprovincial, to Capital (%)	3.5	15.1	0	100	5,770
Intraprovincial, to Local (%)	41.8	41.0	0	100	5,770
Interprovincial, to Capital (%)	16.0	31.5	0	100	5,770
Interprovincial, to Local (%)	38.8	40.0	0	100	5,770
Investment distance (km) [b]					
Average	873.819	510.234	20	3,979	5,770
Min	523.228	527.704	20	3,778	5,770
Max	1278.319	749.112	20	4,180	5,770

Notes: Table A1 reports descriptive statistics on firms' investment activities in cities other than their parent company's location city.

[a]: *Capital* refers to provincial capital cities, while *Local* refers to local prefectures.

[b]: Sample restricted to firms with investment outside their headquarters city.

TABLE A2 Summary Statistics

	Mean	Std.Dev.	Min	Max	Observation
	(1)	(2)	(3)	(4)	(5)
City-firm-year level					
Average PRI index	0.122	0.102	0	0.667	2,642,640
Reform	0.278	0.448	0	1	2,642,640
Reform exposure (destination weight) [a]	0.137	0.307	0	1	2,642,640
Reform exposure (amount weight) [b]	0.133	0.314	0	1	2,642,640
City level (2014)					
GDP per capita (logged)	10.684	0.496	9.304	12.241	337
GDP (10k, logged)	16.552	0.846	14.458	19.342	337
Enterprise number above designated size (logged)	6.615	1.031	3.178	10.631	337
Loan (10k, logged)	16.822	1.021	9.982	20.924	337
Wage per capita (logged)	10.869	0.215	8.509	11.649	337
Share of the tertiary (%)	40.988	8.172	24.170	79.650	337
Firm level (2014)					
Main operating revenue (logged)	20.888	1.123	16.799	25.654	1,066
ROA	0.043	0.065	-0.885	0.482	1,066
CEO-chairman Duality [c]	0.378	0.485	0	1	1,061
Fixed asset ratio	0.196	0.134	0	0.782	1,066
Asset growth ratio	0.421	1.222	-0.573	20.215	1,065

Notes: Table A2 reports descriptive statistics on our main variables.

[a] : *Reform exposure (destination weight)* captures the intensity of judicial reform faced by firms operating outside provincial capitals. It is constructed as defined in Equation 4, and is weighted by the share of a firm's investment locations affected by the reform relative to its total number of investment locations.

[b] : *Reform exposure (amount weight)* , also measures the intensity of judicial reform faced by firms operating outside provincial capitals, weighted by the share of total investment amounts allocated to affected locations.

[c] : a dummy variable equal to one if the firm's CEO and board chair are the same person.

A.3 Index Construction and Additional Datasets

Economic Policy Uncertainty (EPU) Index. Following Nie et al. (2020), we construct a firm-level EPU index based on textual analysis of the Management Discussion and Analysis (MD&A) section in annual reports. We extract the Chinese text, remove numbers and symbols, and segment it into sentences. A sentence is coded as reflecting policy uncertainty if it contains both policy-related terms (e.g., "policy," "government," "macroeconomic regulation") and uncertainty-related expressions (e.g., "uncertainty," "volatility," "risk"). The EPU index is then calculated as the proportion of such sentences within the MD&A. Keyword lists are available upon request.

Firm-Government Agency Exposure Index. We construct a firm-level index that captures the extent to which companies report interactions with government agencies in their annual reports. Following the approach of Armstrong et al. (2025), we extract and segment MD&A section of each report, and identify sentences that mention both (a) central or local government agencies (e.g., the Ministry of Foreign Affairs, the Supreme People's Court) and (b) governance-related action verbs (e.g., regulate, inspect, approve, enforce). The index is defined as the proportion of such sentences relative to the total number of sentences in the MD&A.

Government agencies include ministries, commissions, bureaus, and affiliated institutions under the State Council and other central authorities, covering key areas such as economic planning, law enforcement, environmental regulation, public health, and media oversight. Action verbs reflect common regulatory functions and include terms such as authorization, audit, compliance, ruling, and inspection.

Economic Policy Uncertainty (EPU) index Following Nie et al. (2020), we begin by extracting the content of the Management Discussion and Analysis (MD&A) section, removing all numerical digits, English letters, and punctuation marks or special symbols other than Chinese periods. The resulting text is then segmented into individual sentences using Chinese periods as delimiters. Each sentence is tokenized, and we then search for the co-occurrence of policy-relevant terms (e.g., government, policy) and uncertainty-related expressions (e.g., unpredictable, inestimable). A sentence is classified as reflecting policy uncertainty if it contains both types of terms. The firm-level Economic Policy Uncertainty (EPU) index is constructed as the ratio of the total number of uncertainty-related words (or sentences) to the total number of words (or sentences) in the MD&A, as follow:

$$EPU = \sum_{s=1}^{N} I_P(s)/N$$

where $I_P(s)$ is an indicator function that takes 1 if the word (or sentence) s signifies economic policy uncertainty, and 0 otherwise. N represents the total number of words (or sentences) in the MD&A.

We identify uncertainty-related words using a comprehensive list of terms. These include references to economic and political uncertainty (e.g., "uncertainty," instability, volatility, risk, market risk, credit risk), descriptions of irregular or unpredictable dynamics (e.g., fluctuation, transition, shock, turmoil), and expressions signaling complexity or disorder (e.g., complicated, chaotic, unusual, unpredictable, difficult to forecast). The list also encompasses phrases that reflect broader perceptions of change, ambiguity, and institutional disruption, including both commonly used and context-specific formulations. (In Chinese: 市政, 政策, 货币政策, 政策鼓励, 国家, 扩内需, 保增长, 促发展, 产业发展, 法律, 法规, 行业政策, 产业政策, 宏观政策, 国民经济, 有关部门, 产业结构调整, 产业结构, 当地政府, 政府, 经济政策, 政策走势, 所得税, 增值税, 税收减免, 税收优惠, 刺激政策, 限贷令, 限购令, 保障房, 宏观调控, 证监会, 国家政策, 政治, 军事, 政策环境, 宏观, 政府补助政策, 调控政策, 政府补助, 税收政策, 政策扶持)

The economic policy word includes municipal affairs, policy, monetary policy, policy incentives, the state, domestic demand expansion, growth stabilization, development promotion, industrial development, laws and regulations, sectoral and industrial policies, macroeconomic policy, the national economy, relevant authorities, industrial restructuring, local government, economic policy, policy trends, income tax, value-added tax, tax relief, tax incentives, stimulus policies, credit and purchase restrictions, affordable housing, macroeconomic regulation, the securities regulator, national policies, politics, military, the policy environment, macro-level interventions, government subsidies, regulatory policies, and fiscal support measures. (In Chinese: 风险, 经营风险, 市场风险, 信用风险, 不确定性, 不确定, 波动, 变化, 改变, 徘徊, 不稳, 不稳定性, 不稳定, 不寻常, 错综复杂, 非常复杂, 纷繁复杂, 纷纭复杂, 十分复杂, 结构复杂, 变得复杂, 风云变幻, 风云突变, 矛盾突出, 突变, 复杂, 复杂多变, 诡谲多变, 阵痛, 过渡, 问责, 整顿, 危险, 动荡, 动荡不安, 动荡不定, 多变性, 振荡下行, 震荡, 震荡不安, 政治波动, 难以确定, 难以预测, 难以预料, 难以捉摸, 接受考验, 混乱, 混乱状态, 有时, 时而, 随机)

Firm-government Agency Exposure index Similar to the EPU measure, we begin by extracting, cleaning, and segmenting the MD&A section of publicly listed company's annual reports. The Firm-government Agency Exposure index quantifies the frequency and proportion of sentences that mention government agencies (e.g., the Ministry of Foreign Affairs, the Central Military Commission) and action verbs (e.g., regulate, govern). Specifically, a sentence is considered relevant only if it includes at least one government agency and one action verb. Sentences that mention an action verb without referencing an agency, or an agency without an action verb, are excluded from company-government interaction:

$$Index = \sum_{s=1}^{N} I_A(s) \times I_G(s)/N$$

where $I_A(s)$ is an indicator function that takes 1 if the sentence s includes action verb, and 0 otherwise. $I_G(s)$ is an indicator function that takes 1 if s consists of government agency, 0 otherwise. N represents the total number of sentences in the MD&A.

Key terms related to government agency actions include: regular, jurisdiction, investigation, inspection, enforcement, authorization, compliance, non-compliance, examination, approval, ruling, rules, regulations, laws, audits, audited, auditor, oversight, verification, and statutory compliance. (In Chinese: 定期, 管辖权, 调查, 视察, 强制执行, 授权, 遵守, 合规, 违规, 检查, 批准, 裁决, 规则, 规定, 法律, 法规, 审计, 被审计, 审计员, 审计, 督查, 查验, 照章)

The government agency encompasses a broad set of central state institutions, including the State Council, the Central Military Commission, the National Supervisory Commission, the Supreme People's Court, and the Supreme People's Procuratorate. It also includes all ministries and commissions under the State Council, such as the Ministry of Foreign Affairs, the Ministry of National Defense, the National Development and Reform Commission, and others responsible for key policy areas including education, public security, finance, and environmental protection. In addition, it covers directly affiliated institutions, such as the State-owned Assets Supervision and Administration Commission; regulatory bodies overseeing customs, taxation, markets, finance, and the media; vice-ministerial agencies, including the National Bureau of Statistics and the National Healthcare Security Administration; administrative offices and affiliated public institutions such as Xinhua News Agency, the Chinese Academy of Social Sciences, and China Central Television; and national bureaus under the supervision of ministries and commissions, including those responsible for energy, immigration, social insurance, and foreign exchange, among others. (In Chinese: 国务院, 中央军委, 国家监委, 最高人民法院, 最高人民检察院; 外交部, 国防部, 发改委, 教育部, 科技部, 工信部, 公安部, 国家安全部, 民政部, 司法部, 财政部, 人社部, 自然资源部, 生态环境部, 住建部, 交通运输部, 水利部, 农业农村部, 商务部, 文旅部, 退役军人事务部, 应急管理部, 人民银行, 审计署; 国务院研究室; 新华社, 中国科学院, 中国社会科学院, 中国工程院, 国务院发展研究中心, 中央广播电视总台, 气象局; 国资委, 海关总署, 税务总局, 市场监管总局, 金融监管总局, 证监会, 广电总局, 体育总局; 信访局, 统计局, 知识产权局, 国际发展合作署, 医保局, 国务院参事室, 国管局; 粮储局, 能源局, 国家语委, 外国专家局, 烟草局, 国防科工局, 移民局, 铁路公安局, 社会组织管理局, 监狱局, 社保中心, 林草局, 地调局, 铁路局, 民航局, 邮政局, 乡村振兴局, 文物局, 疾控局, 矿山安监局, 消防救援局, 外汇局, 核安全局)

Investor Interaction Relevance index Following Charlet and Damnati (2017), the Investor Interaction Relevance index quantifies the consistency of company responses to investor inquiries by employing soft cosine similarity to measure the degree of relatedness between the two. We begin by segmenting each Q&A interaction into two components: the investor's query and the listed company's response. We then employ the vector space model (VSM) to vectorize these prepro-

cessed documents:

$$Q = (q_1, q_2, \ldots, q_n)$$

$$A = (a_1, a_2, \ldots, a_n)$$

Here, Q and A represent the vectors for the investor's query and the company's response, respectively. The variable n denotes the total number of unique words appearing across all investor questions and company answers. Each element, q_i and a_i, corresponds to the frequency of word w_i within its respective document, where $i \in [1, n]$. We then measure the similarity between A and Q using the soft cosine similarity:

$$\text{SCS} = \frac{Q^T M A}{\sqrt{Q^T M Q} \times \sqrt{A^T M A}} = \frac{\sum_{i=1}^{n} \sum_{j=1}^{n} q_i m_{ij} a_j}{\sqrt{\sum_{i=1}^{n} \sum_{j=1}^{n} q_i m_{ij} q_j} \times \sqrt{\sum_{i=1}^{n} \sum_{j=1}^{n} a_i m_{ij} a_j}}$$

M represents the word similarity matrix, where its elements m_{ij} are defined as:

$$m_{ij} = (\max(0, \text{SCS}(v_i, v_j)))^2$$

Here, v_i denotes the 300-dimensional word vector obtained by transforming word w_i using the "Word2Vec" model (Mikolov et al., 2013). Finally, we define the **Investor Interaction Relevance index**, as:

$$Index = \frac{1}{N} \sum_{i=1}^{N} \text{SCS}$$

where N is the total number of Q&A pairs and SCS_i is the soft cosine similarity. A higher value of $Index$ indicates a greater relevance between the company's response and the investor's query, thereby signifying a higher quality of interaction.

Investor Interaction Enthusiasm index We first construct the CFSD Chinese Financial Sentiment Dictionary based on the English LM Dictionary, categorizing positive and negative words from the Q&A interactions. Then, we calculate the frequency of positive and negative words used by companies when responding to investor inquiries, obtaining the difference between two words. Finally, we divide the difference by the sum of the frequencies of both positive and negative words, obtaining the Investor Interaction Enthusiasm index, as:

$$Index = \frac{N_p - N_n}{N_p + N_n}$$

where N_p is the number of positive words from the company in Q &A interactions while N_n is the number of negative words from the company in Q &A interactions.A higher value of this ratio indicates a more positive response from the company and greater communication effectiveness.

CFSD Dictionary (in Chinese)

Positive: 热点, 求同存异, 奋力, 顺利, 天才, 带头人, 熟练, 真实, 冷静, 显著, 甲天下, 才俊, 人才, 遵法, 太平, 充裕, 开创性, 龙头, 身体力行, 魅力, 精兵简政, 齐心协力, 滔滔不绝, 契机, 仔细, 首屈一指, 兴隆, 获利, 果敢, 有条不紊, 安泰, 增进, 顶尖, 极好, 契合, 伯乐, 珍品, 绿色, 义演, 情愿, 凝聚, 正面, 繁华, 进取, 娴熟, 挺进, 诚挚, 优点, 乐园, 福星, 特长, 购销两旺, 名牌, 有望, 康乐, 审慎, 踊跃, 不亦乐乎, 长空, 矫正, 胜景, 洁净, 宏大, 雄伟, 实惠, 乐观, 人缘, 扩大, 专长, 满足, 积极, 甲级, 建设性, 高强, 然, 超前, 佼佼者, 年富力强, 精锐, 美味, 看重, 合法, 国宝, 精力充沛, 上马, 扎实, 声誉, 盛大, 力促, 支援, 奖状, 高兴, 脚印, 精美, 踏实, 擢长, 忠实, 准时, 清洁, 领航者, 保证, 扎扎实实, 独树一帜, 便利, 时机成熟, 崭露头角, 富贵, 愉悦, 真实, 发财, 诚意, 自得其乐, 顺畅, 核心, 长进, 独创, 明晰, 胜任, 卓有成效, 不俗, 互利, 范文, 一视同仁, 发达, 晋级, 孜孜不倦, 纲领性, 使用方便, 长盛不衰, 改观, 市场繁荣, 典范, 推陈出新, 赢取, 适时, 细致, 必不可少, 属实

Negative: 泡沫, 不及, 狂热, 退化, 抵赖, 吃惊, 脆弱, 狂跌, 空心化, 非理性, 分裂, 答非所问, 技术落后, 短路, 欠妥, 污秽, 不公, 隐患, 失误, 回绝, 炮制, 暂停, 负担, 尖锐, 散漫, 不快, 不定, 灾害, 破铜烂铁, 怨天尤人, 谣传, 作对, 敌国, 狂言, 僵化, 限定, 超出预算, 中断, 欲哭无泪, 盲信, 没受, 逃避, 低下, 混乱, 无资格, 逃亡, 消极, 危险, 故障, 解决不了, 遗留问题, 过节, 浮亏, 窘境, 高能耗, 切断, 侵犯, 不负责任, 后果, 缺乏, 毫不关心, 禁忌, 损耗, 危机, 任性, 不佳, 边缘化, 债台高筑, 参差不齐, 挪用, 迟滞, 贬损, 包袱, 贫困, 后劲不足, 不良, 警惕, 变味, 繁杂, 频发, 一味, 衰竭, 发展缓慢, 不周到, 推高, 沉默, 费时, 担忧, 诱发, 工伤事故, 出逃, 低能, 突如其来, 肤浅, 微薄, 数落, 突发, 捏一把汗, 本末倒置, 不规则, 夸高, 疯狂, 虚报, 扯后腿, 失实, 扭捏, 重创, 残酷, 不妙, 对抗, 说谎, 模棱两可, 抛弃, 不大可能, 暴利, 含糊其词, 二流, 反对, 挽假, 动粗

City-level Weighted Investigate (Corruption) index We draw on the *Investigated Officials Database*, a hand-collected dataset documenting all county-level and above officials investigated for corruption. This informationsourced from official government websites and cross-validated with social mediaincludes detailed profiles of each official's administrative rank and personal background, providing a measure of city-level corruption exposure.

Note that in China, only those investigated for violating party discipline or law are made public, so "investigation" here is equivalent to prosecution and legal punishment. We denote a city-level "investigated" if its main officials were investigated. The weighted average is calculated by averaging the rank of the investigated officials in the city. For city c,

$$\textit{Weighted Investigate} = \sum_{i \in I} i \times \frac{\#(\text{investigated officials with rank } i \text{ in city } c)}{\#(\text{investigated officials in city } c)}.$$

The rank i is the official administrative range of the Chinese government, ranging from 1 to 10 ($I = \{1, 2, \ldots, 10\}$), representing from vice-township level to country level. The ranks of city officials primarily lie between 5 (vice-city level) and 7 (vice-province level).

Political Orientation Search index We get this city-year level index by frequency of online searches in each city using Baidu (most popular search engine in China) for politically relevant keywords, including Communist Party" and Party-building" two parts. (In Chinses, 中国共产党, 党务工作, 党员先锋模范作用, 党员教育, 党建, 党建带团建, 党性, 党章, 党风廉政建设, 基层党建, 意识形态, 社会主义核心价值观, 纪律教育) Next, we sum up and normalize the search volume of all keywords to get the city-year level Political Orientation Search index.

Additional Datasets. To support our empirical strategy and account for political, institutional, and contextual heterogeneity, we incorporate a series of additional datasets beyond firm-level financials.

First, to identify cities that may retain provincial-level political ties despite judicial reform, we construct an original dataset on *Provincial Standing Committee (SC) Membership*. We collect appointment records from local government websites, identifying prefectural officials who concurrently hold seats on the provincial SCan institutional marker of enduring patronage ties that may insulate localities from reform impacts.[1]

Second, we use the *Revolving-Door Officials Database* from Li and Lu (2025), which contains rich demographic and career data on more than 15,000 government officials who have served on the boards of listed firms since the early 2000s. This includes salary, allowances, and equity holdings, allowing us to track post-bureaucratic mobility and institutional embeddedness.

Third, we include the *Fan Gang Marketization Index*, which measures provincial-level market development across five dimensions: government-enterprise transparency, legal system quality, private sector vitality, product market development, and factor market liberalization.

Fourth, we use the *Judicial Judgments Database for Listed Firms*, which links court rulings to specific publicly listed companies. The dataset includes detailed information on case types, legal outcomes, and parties involved, offering direct insights into firm-level judicial exposure.

Finally, we manually construct an *Officials Information Database*, compiling biographical characteristics (e.g., place of birth, gender, ethnicity, age, and education) for provincial governors and Party secretaries. This information supports heterogeneity analyses related to political leadership profiles.

1. In the Chinese political system, concurrent SC membership signals access to higher-level networks that are typically beyond the reach of judicial reform.

A.4 Identification Checks

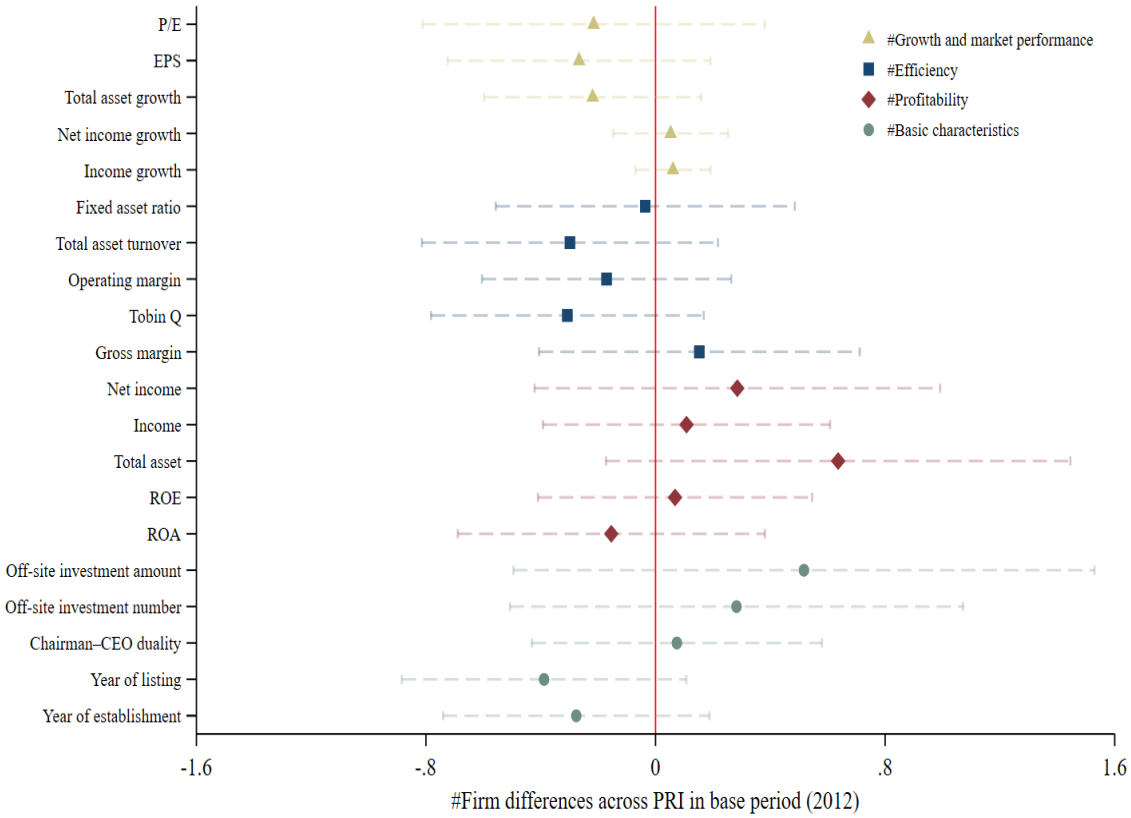
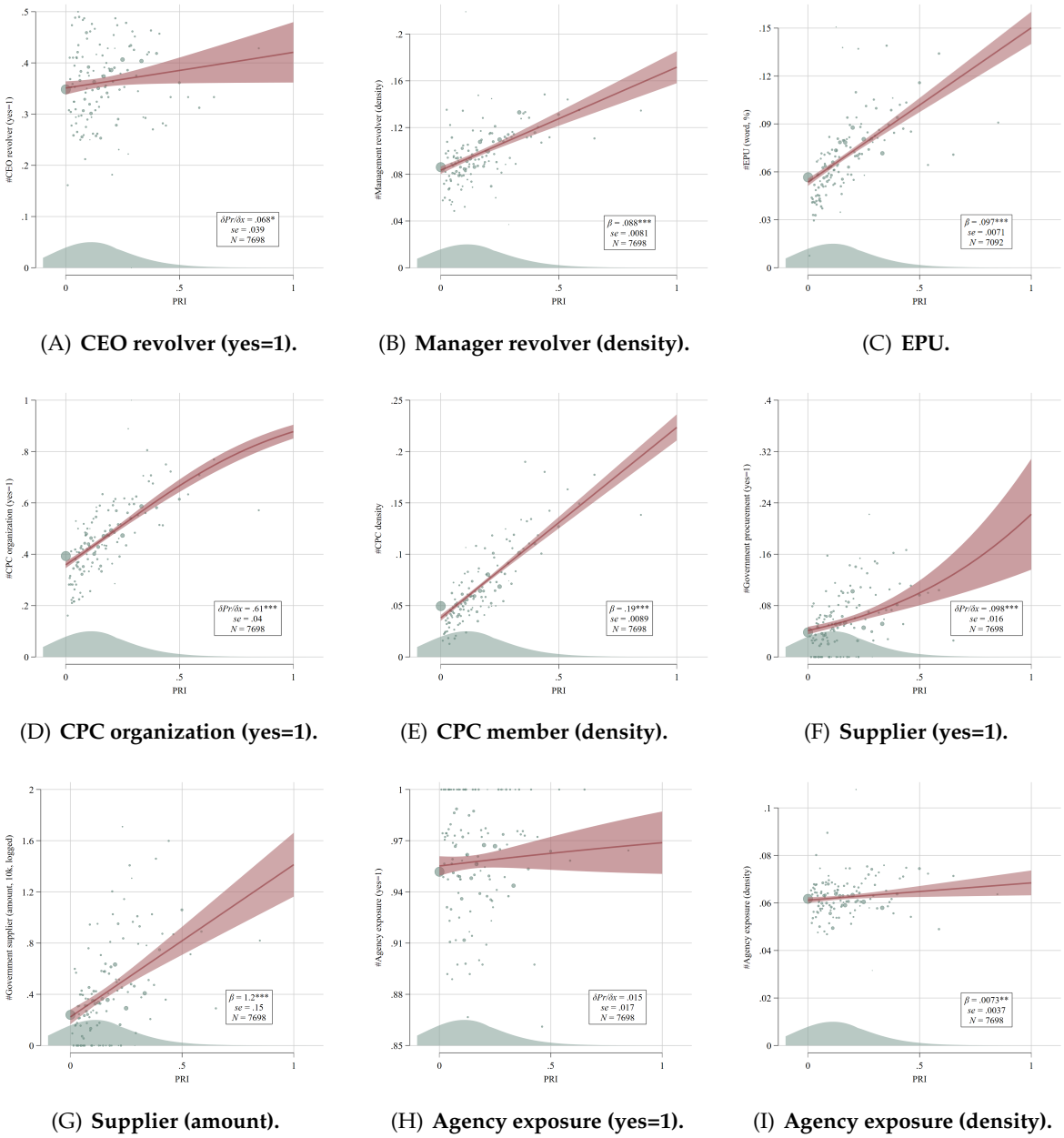


FIGURE A5 Correlations between the Political Reliance Index (PRI) and a Set of Pre-determined Firm Characteristics.

Notes: Figure A5 shows the correlations between the Political Reliance Index (PRI) and a set of pre-determined firm characteristics. Each point represents a separate regression in which the dependent variable is a standardized firm characteristic, and the independent variable is PRI. Dashed lines denote 95 % confidence intervals.



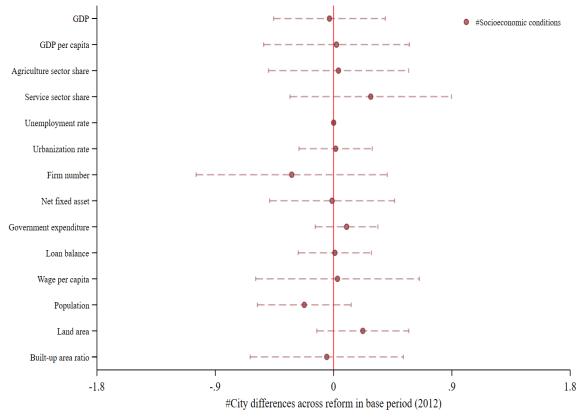
(A) **CEO revolver (yes=1).** (B) **Manager revolver (density).** (C) **EPU.**

(D) **CPC organization (yes=1).** (E) **CPC member (density).** (F) **Supplier (yes=1).**

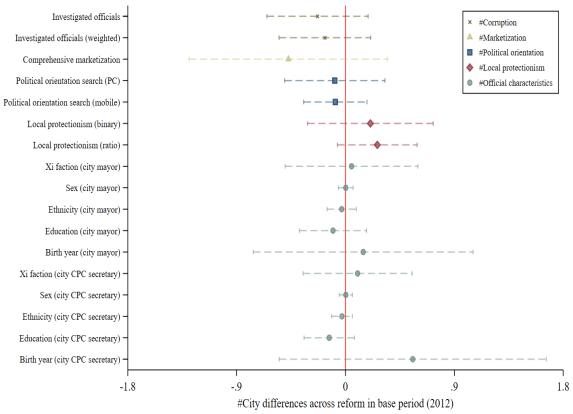
(G) **Supplier (amount).** (H) **Agency exposure (yes=1).** (I) **Agency exposure (density).**

FIGURE A6 Correlations between PRI and Alternative Political Reliance Proxies.

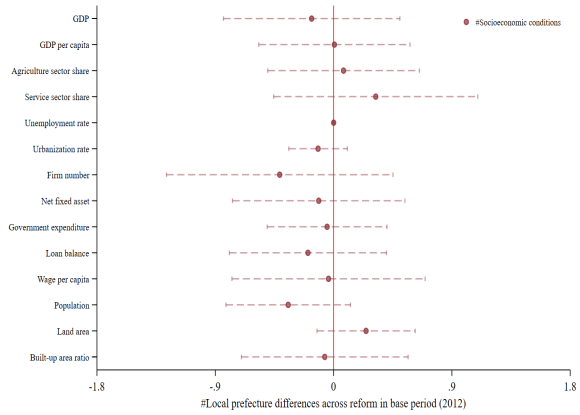
Notes: Figure A6 presents the relationship between our baseline measure of the Political Reliance Index (PRI) and several alternative proxies for firm-level political reliance. We construct six dimensions to validate the PRI: (1) whether the CEO is a former government official (Panel A) ; (2) the proportion of former government officials among the firm's senior management (Panel B); (3) firm-level economic policy uncertainty, proxied by the frequency of relevant words in annual reports (Panel C); (4) the existence of a Communist Party of China (CPC) organization within the firm and the proportion of party-affiliated managers (Panels D and E); (5) the firm's degree of participation in government procurement (supplier) (Panels F and G); and (6) firm-government agency exposure measured by the frequency of relevant terms in annual reports (Panels H and I). Shaded areas indicate 95 % confidence intervals.



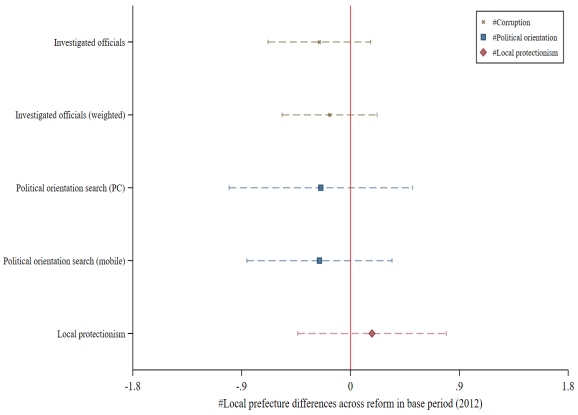
(A) **Socioeconomic conditions, both.**



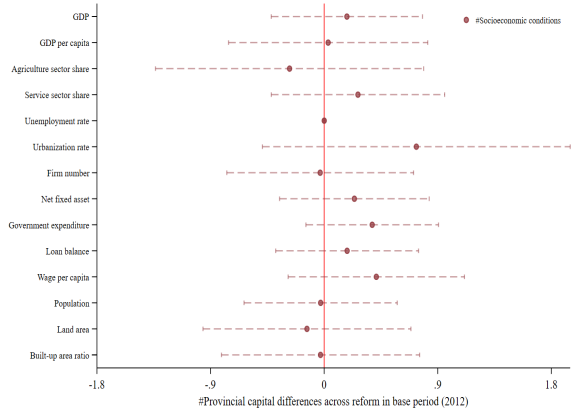
(B) **Political conditions, both.**



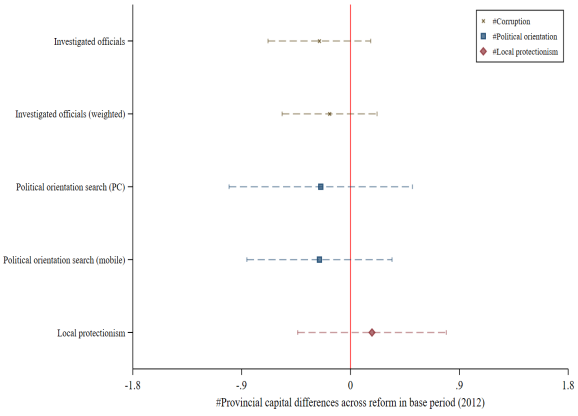
(C) **Socioeconomic conditions, local prefecture.**



(D) **Political conditions, local prefecture.**



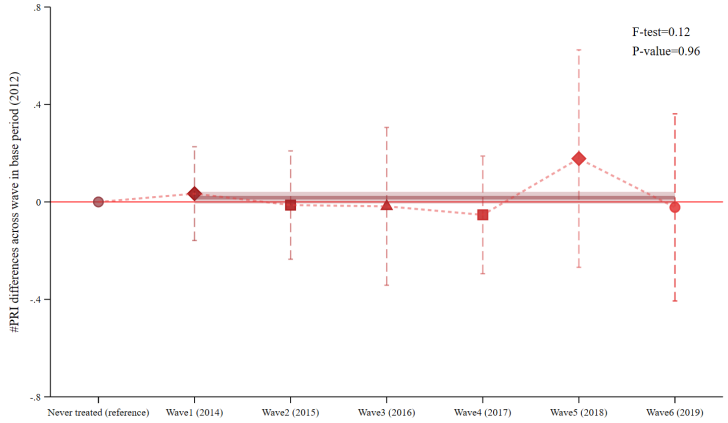
(E) **Socioeconomic conditions, provincial capital.**



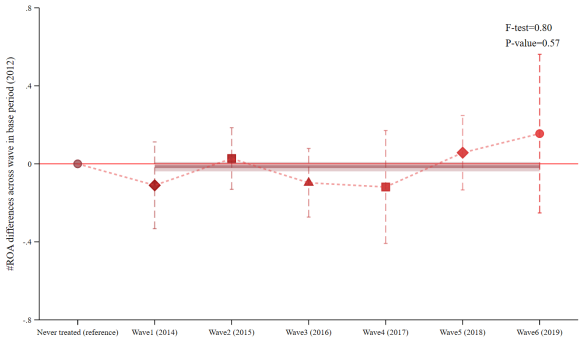
(F) **Political conditions, provincial capital.**

FIGURE A7 Differences between Treatment and Control Cities.

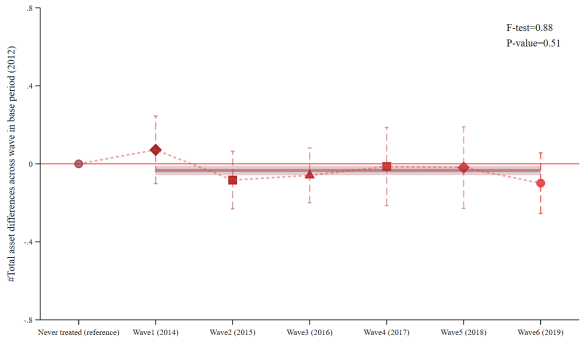
Notes: Figure A7 examines whether cities that implemented judicial reform in 2012 differ systematically from those that did not. Each dot represents a separate city-level regression point estimate. Panels A, B include both local prefecture and provincial capital. Panels C, D, E, F are separately for local prefectures and provincial capitals, respectively. Panels A, C, E report differences in 2012 economic characteristics, including total GDP, GDP per capita, industrial structure, unemployment rate, urbanization, government expenditure, wage levels, credit access, population size, land area, and built-up area. Panels B, D, F report differences in political characteristics, including local corruption, marketization, party-state political orientation, local protectionism, and the demographic profiles of mayors and party secretaries (gender, ethnicity (Han), education, birth year, Jinping Xi's faction). Dashed lines indicate 95% confidence intervals.



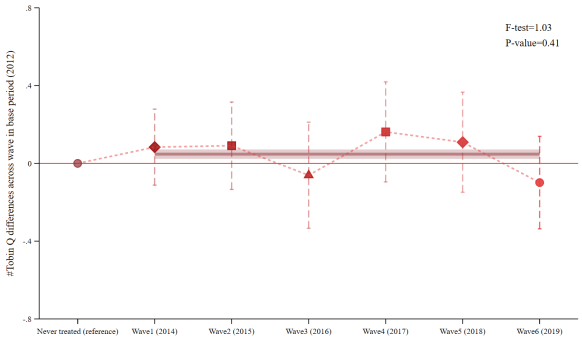
(A) **PRI.**



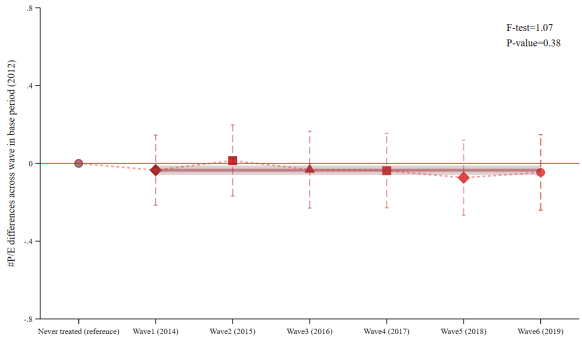
(B) **ROA.**



(C) **Total asset.**



(D) **Tobin Q.**

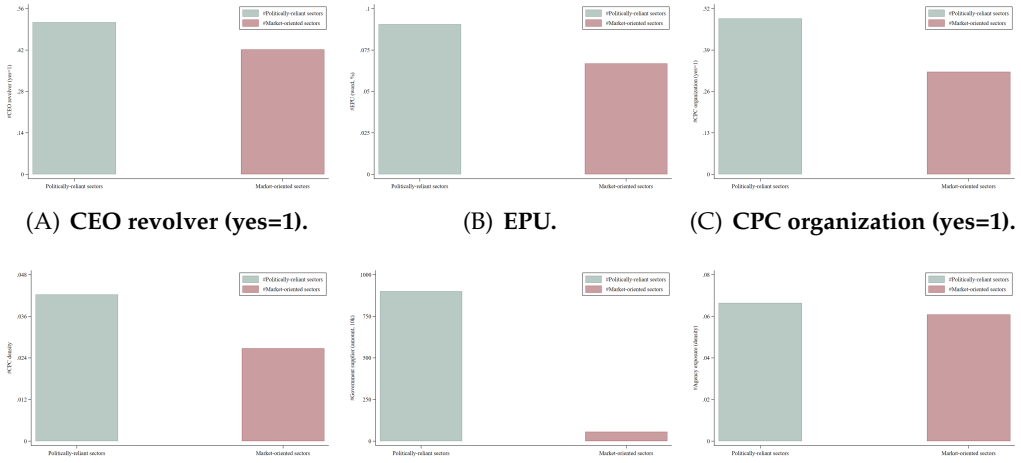


(E) **P/E.**

FIGURE A8 Correlations between the Policy Wave and a Set of Pre-determined Firm Characteristics.

Notes: Figure A8 examines whether the judicial reform targets firms with specific characteristics. Each dot estimates the difference between firms in the never-treated group and firms treated in different years (policy waves). Panels A-E report differences in PRI, ROA, total asset, Tobin's Q-value, and P/E, respectively. Dashed lines indicate 95% confidence intervals.

Appendix B More on Baseline

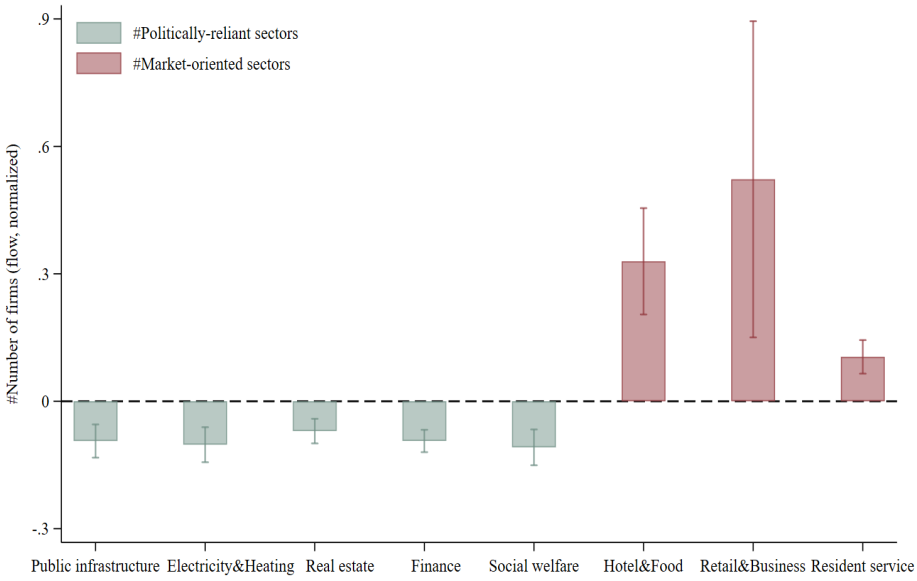


(A) **CEO revolver (yes=1).** (B) **EPU.** (C) **CPC organization (yes=1).**

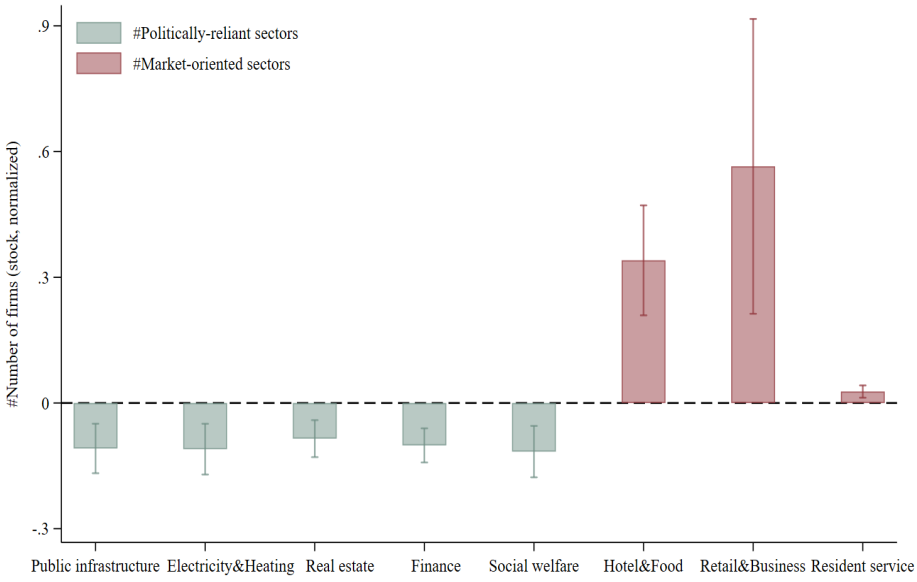
(D) **CPC member (density).** (E) **Supplier (amount).** (F) **Agency exposure (density).**

FIGURE B1 Differences of Alternative PRI Proxies across Sectors.

Notes: Figure B1 illustrates how the industries represented by the green and red bars in Figure B2 differ across multiple indicators of political reliance. Green bars denote industries such as infrastructure, electricity, real estate, finance, and social-security services; red bars denote hotels, food services, retail, and residential services. Panels A-F show differences between the two groups of industries in (A) the share of CEOs with prior government service, (B) exposure to policy uncertainty, (C) establishment of CPC party organizations, (D) share of managers who are CPC members, (E) involvement in public procurement, and (F) the frequency of investor discussions linking business and politics.



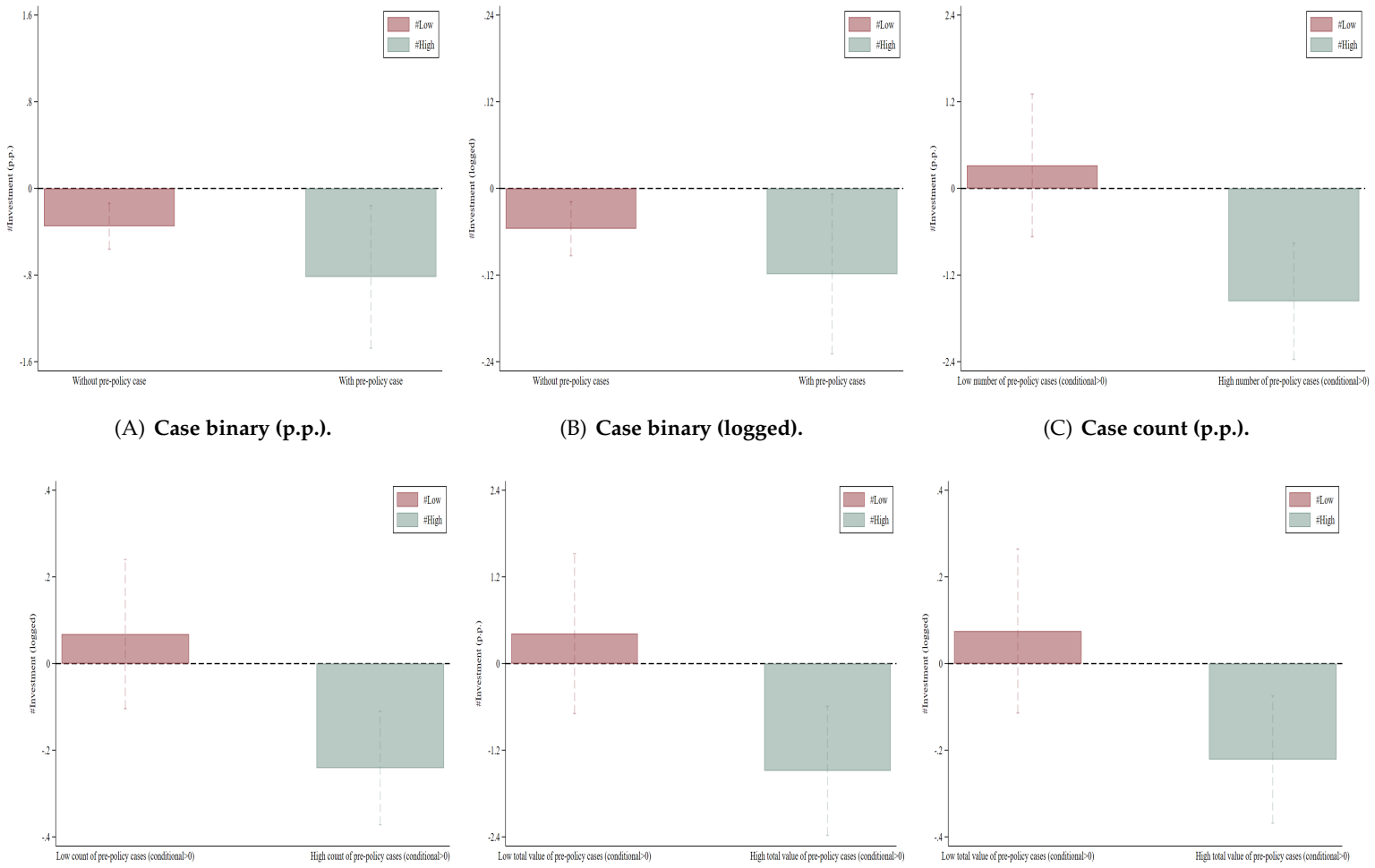
(A) **New firm (flow).**



(B) **Existing firm (stock).**

FIGURE B2 The Impact of Reform on Firm Entrance in Local Prefectures.

Notes: Figure B2 plots the impact of judicial reform on firm number across sectors in local prefectures using an interaction model with all sectors. The dependent variable in Panel A is the number of newly registered firms (flow) with normalization. In Panel B, the dependent variable is the number of existing firms (stock) with normalization. Columns show the pure effect of reform on different sectors and teal columns represent politically-reliant sectors while maroon ones display market-oriented sectors. All regressions control for city FE, year FE, province-specific time trends, and interactions between city characteristics and year dummies. Shaded areas denote 95% confidence intervals.



(A) **Case binary (p.p.).** (B) **Case binary (logged).** (C) **Case count (p.p.).**

(D) **Case count (logged).** (E) **Case value (p.p.).** (F) **Case value (logged).**

FIGURE B3 Effects of Judicial Reform across Predetermined Case Count and Value.

Notes: Figure B3 presents heterogeneous treatment effects by firms' exposure to judicial rulings. Panels A, C, and E use a binary outcome indicating whether a firm invested in the location (coefficients scaled by 100 for ease of interpretation). Panels B, D, and F use logged investment amounts. Green bars report subsample estimates of Equation 2 for firms with high litigation exposure, while red bars report those with low exposure. Specifically, Panels A and B distinguish firms based on whether they faced major legal disputes prior to the reform; Panels C and D classify firms above or below the median number of disputes; Panels E and F restrict the sample to firms with at least one major legal dispute and split them by whether the total value of cases is above or below the median. All specifications include the same controls and fixed effects as in Figure 2. Dashed lines denote 95% confidence intervals.

TABLE B1 Falsification Tests: State-Owned Enterprise (SOE)

Dependent variable:	Investment (p.p.)			Investment (logged)		
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A (Equation 2). *Local prefecture sample*						
PRI × Reform	-0.0384	-0.0321	-0.0267	-0.0101	-0.0077	-0.0069
	(0.1523)	(0.1598)	(0.1612)	(0.0263)	(0.0275)	(0.0278)
Reform	-0.0117	-0.0016	-0.0027	-0.0025	-0.0009	-0.0011
	(0.0411)	(0.0429)	(0.0431)	(0.0072)	(0.0074)	(0.0074)
Dependent-variable mean	0.5210	0.5266	0.5266	0.0939	0.0949	0.0949
Observations	556,061	546,285	546,285	556,061	546,285	546,285
Panel B (Equation 3). *Provincial capital sample*						
PRI × Reform exposure	3.3514	3.4385	2.6040	0.4393	0.4463	0.3041
	(2.4470)	(2.6099)	(2.6779)	(0.4121)	(0.4384)	(0.4508)
Reform exposure	0.1511	0.6395	1.8069**	0.0226	0.0936	0.2630**
	(0.6525)	(0.6643)	(0.6795)	(0.1141)	(0.1165)	(0.1174)
Dependent-variable mean	3.5973	3.6030	3.6030	0.6362	0.6363	0.6363
Observations	55,459	54,483	54,483	55,459	54,483	54,483
Pre-policy city-level control × year		✓	✓		✓	✓
Pre-policy firm control × year		✓	✓		✓	✓
Base period (2012) investment × year			✓			✓
Firm-destination pair FE	✓	✓	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓	✓	✓

Notes: Table B1 presents falsification test results using centrally state-owned enterprises (SOEs) sample. The unit of observation is at the firm-investment location-year level. In Columns (1)-(3), the dependent variable is a binary indicator of whether the firm invested in the location, with regression coefficients multiplied by 100 for interpretability. In Columns (4)-(6), the dependent variable is the investment amount (logged). Panel A reports the results using Equation 2. The key independent variable, $Reform$, is a dummy variable that equals 1 if the city has implemented judicial reform and 0 otherwise. The variable PRI represents the firm's political reliance index. Panel B reports the results using Equation 3. $Reform\ exposure$, measures the intensity of the judicial reform's impact on firms in local prefectures, as defined in Equation 4 and it is weighted by the proportion of investment locations affected by the reform relative to the total number of investment locations. Control variables are identical to those in Table 2. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

Appendix C More on Robustness Checks

In this section, we conduct a series of robustness checks on our baseline results.

Additional Identification Checks. For the DiD specification, recent econometric research has raised concerns that two-way fixed effects (TWFE) estimators may yield biased estimates in staggered treatment settings with heterogeneous effects (De Chaisemartin and d'Haultfoeuille, 2024; Sun and Abraham, 2021; Cengiz et al., 2019). To address these concerns, we implement alternative heterogeneity-robust estimators in and Figure C2. Across all estimators, pre-trends remain flat, supporting the parallel trends assumption. Following the reform, high-PRI firms exhibit a substantial decline in investment, while low-PRI firms show no significant change.

For the Bartik design, we test the sensitivity to the construction of the share component. Specifically, we exclude cities with large Rotemberg weights (top 1, top 3 & top 10, respectively following Goldsmith-Pinkham et al. (2020) (Figure C3), recalculate weights using alternative base-year data (Table C1), and conduct separate permutation tests on both the share and shift components (Panels A-H of Figure C4). Additionally, Panels I-P of Figure C4 randomly permute the timing of judicial reforms and firms' PRI. The figure displays the distribution of coefficients from 500 random permutations, with most coefficients being indistinguishable from zero and far away from the true effect.

Alternative Political Reliance Indices. We then assess the robustness of the Political Reliance Index (PRI). We first explore four alternative definitions: (1) a binary indicator equal to 1 if the PRI is above the median and 0 otherwise; (2) the PRI measured in 2014 only; (3) a time-varying PRI index; and (4) the logarithm of the baseline PRI to mitigate the influence of extreme values. Across all specifications, the results remain consistent: high-PRI firms reduce investment more than low-PRI firms after the reform, and firms with higher PRI and greater reform exposure are more likely to shift investment to provincial capitals (Table C2).

Additionally, Table C3 further measures the political sensitivity risk of firms using alternative data sources. We construct five indicators: (1) whether the firm's CEO is a former government official (*CEO revolver*); (2) the rank of government positions held by firm managers (rank of *CEO revolver*); (3) the proportion of former government officials among the firm's management (*Manager revolver (density)*) ; (4) the economic risk index of firms, measured using textual analysis of economic uncertainty in annual reports (*EPU*) ; (5) whether the firm has a party organization (which is believed to strengthen the party's control over firms and establish connections with the government, *CPC Organization*; and (6) the proportion of party members among firm managers (which is believed to reflect firms' reliance on government support, *CPC share*);(7) the value of government procurement contracts obtained by the firm, which reflects the extent to which its commercial ac-

tivities depend on state provision and demand (*Procurement Dependence*). Consistent patterns are observed across all indicators used to measure firm PRI.

Sample Restrictions and Additional Controls. In this part, we first estimate our baseline using different samples and include additional controls. Table C4 and Table C5 use two alternative samples or specifications. Columns (1) and (2) reintroduce investments in firms' headquarters cities and cities under provincial direct administration (DACs), respectively. Columns (3) and (4) exclude firms that are not continuously present in the sample period (to ensure a balanced panel) and financial firms (whose investment logic differs from that of other real economy firms), respectively. Column (5) excludes cities that did not implement the reform during the sample period. Columns (6) and (7) include additional interactions between firm or investment location pre-reform characteristics and year dummies, respectively. Column (8) replaces interactions with predetermined controls and year dummies with predetermined control time linear trend. Column (9) applies winsorization to the dependent variable to address outliers with exceptionally high investment amounts. Moreover, Table C6 further controls for the potential influence of official characteristics. We manually collect detailed personal information on provincial governors and party secretaries, including gender, age, birthplace, education, and ethnicity. By controlling for these characteristics, we rule out the possibility that the traits of local officials simultaneously affect the implementation of the reform and the relationship between officials and firms. All of the results above remain robust.

Apart from judicial centralization reform, we check the interference of other judicial reforms implemented during the same period. During this period, China introduced several key judicial reforms, including the lifelong accountability system for judges, the separation of adjudication and enforcement powers, and the establishment of circuit courts by the Supreme People's Court to hear major administrative and civil/commercial cases across administrative regions. These reforms were aimed at enhancing the rule of law and promoting judicial transparency. Additionally, to address environmental protection and pollution control, specialized environmental courts were established to handle cases related to environmental resources. While these reforms are likely to increase judicial openness and promote market institutionalization, they do not involve centralization of political power and can hardly induce investment reallocation towards provincial capitals. Table C7 extends the baseline model by including a dummy variable indicating whether the investment location has undergone these reforms and its interaction with the PRI. The results show that neither the dummy variable nor its interaction term is statistically significant, suggesting other judicial reforms implemented during the same period do not affect our conclusions.

We also account for other contemporaneous centralization policies that may have affected the geographic allocation of investment. These include the audit centralization reform, the Mass Entrepreneurship and Innovation campaign, the Anti-Corruption Inspection campaign with inspec-

tion data constructed following (Wang, 2022), and the Central Environmental Inspection campaign. To assess whether these broader central initiatives confound our findings, we augment the baseline specifications by including the implementation (or exposure) of each policy and its interaction with PRI. As shown in Table C8, the coefficient on $PRI\times$ Reform (or $PRI\times$ Reform exposure) remains stable in magnitude and statistical significance across all specifications.

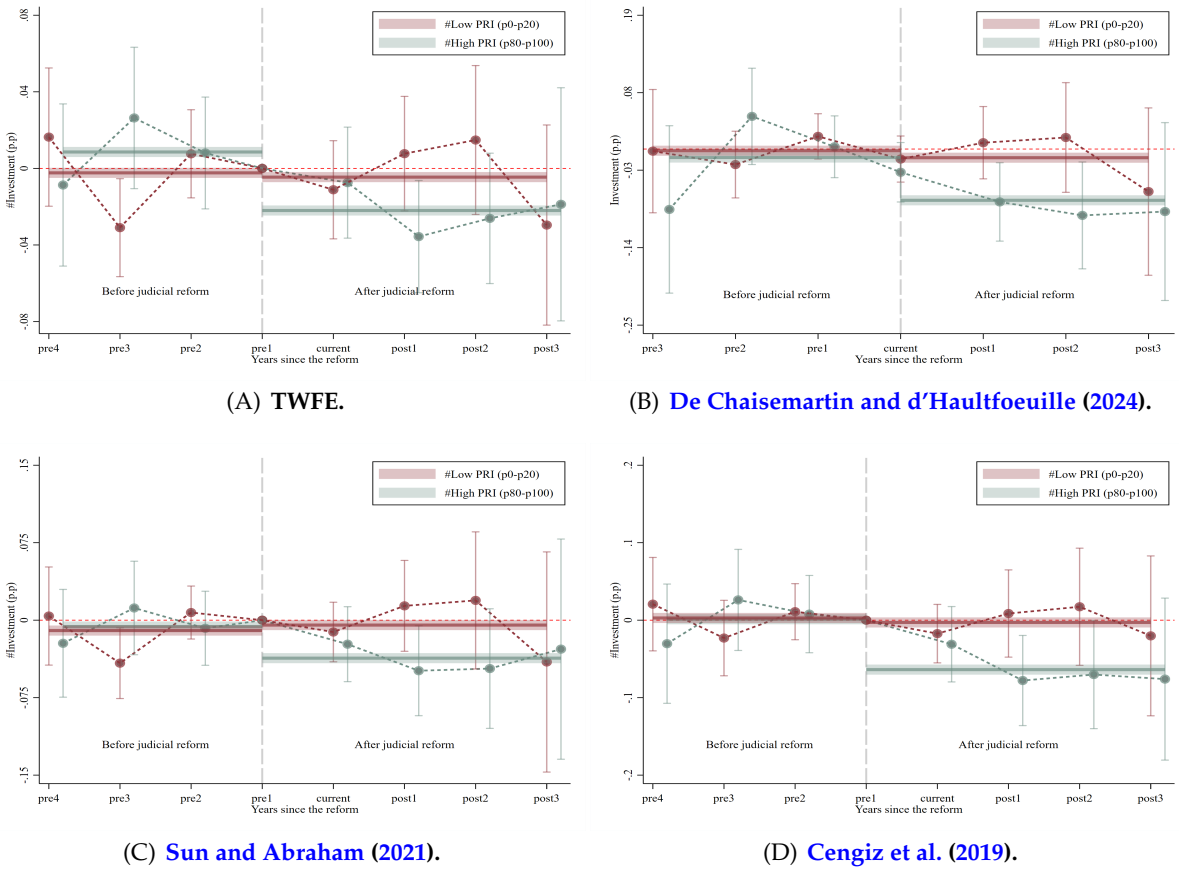
Since there is often a time lag between when a province receives instructions from Beijing and when the local party-state actually implements judicial reform, the timing of reform planning may differ from the timing of implementation. We conduct robustness checks using an alternative definition of the policy timeline, following the approach proposed by Lei and Li (2025). Under this alternative, we consider a Basic or Intermediate Court as having implemented the reform if either (a) its fiscal expenditures are listed under the provincial government's budget, or (b) the city where the court is located spends at least 50% less on courts than in the baseline year when the central government instructed the province to initiate the reform. Inferences remain robust to this time adjustments (Table C10).

Addressing Spillover and Anticipatory Effects. A potential concern is that reform at firms' headquarters cities may independently affect investment behavior. We therefore augment both baseline specifications with PRI interacted with an indicator for whether the headquarters city has implemented judicial reform. As shown in Table C9, the coefficients on $PRI \times Reform$ and $PRI \times Reform\ Exposure$ remain substantively unchanged and statistically significant. Thus, the baseline findings are not driven by judicial reform at firms' headquarters locations.

Another concern is that firms in later-reform cities may anticipate policy shifts by observing outcomes in early-reform cities, thereby biasing our estimates. We confront this concern on theoretical and empirical grounds. First, anticipatory behavior would attenuate our estimates: if politically reliant firms exit before reform, the measured post-reform withdrawal understates the true effect, rendering our estimates a lower bound. Second, investment re-allocations are low-cost and reversible relative to relocation, giving firms little incentive to act on expectations alone; they can wait to observe whether local patronage networks actually erode.

Empirically, we address anticipatory concerns in four complementary ways. First, in Figure C5, we restrict the control group to (i) never-treated cities, (ii) cities treated only in the first wave, and (iii) the union of first-wave and never-treated cities. Because these observations occur before any jurisdictional precedent exists, firms cannot have learned from earlier reforms, eliminating anticipatory behavior. Second, we apply the firm level and at the investment location tow-way clustering to address any firm-specific spillover correlation that might shift across locations within firm's different investment destination in Figure C5. Third, we add firm-year controls for the share of a firm's existing investment locations that have already undergone reform, proxying spillover intensity in Figure C5. Fourth, we re-estimate our main specifications using

heteroskedasticity and autocorrelation consistent (HAC) spatial standard errors following Conley (1999), obtaining the same results in Figure C6.

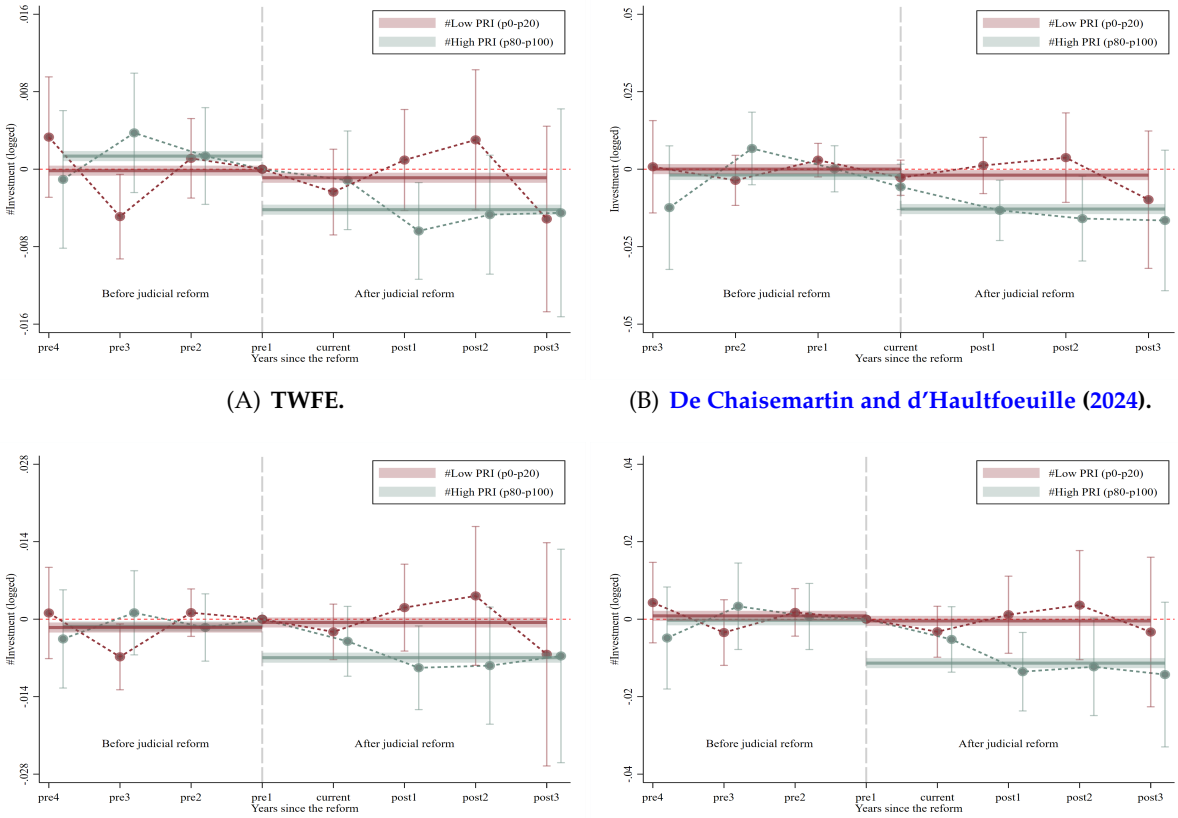


(A) **TWFE.** (B) **De Chaisemartin and d'Haultfoeuille (2024).**

(C) **Sun and Abraham (2021).** (D) **Cengiz et al. (2019).**

FIGURE C1 Effects of Judicial Reform on Investment by Relative Year (P.p.).

Notes: Figure C1 plots the dynamic investment responses of firms with high and low PRI relative to judicial reform implementation. Firms are divided into high-PRI and low-PRI groups, and we estimate dynamic treatment effects corresponding to dynamic version of Equation 1. The dependent variable is a binary indicator of whether the firm invested in the location, with regression coefficients multiplied by 100 for interpretability. Red lines depict the estimated effects for low-PRI firms, while green lines correspond to high-PRI firms. Vertical lines represent 95 % confidence intervals.

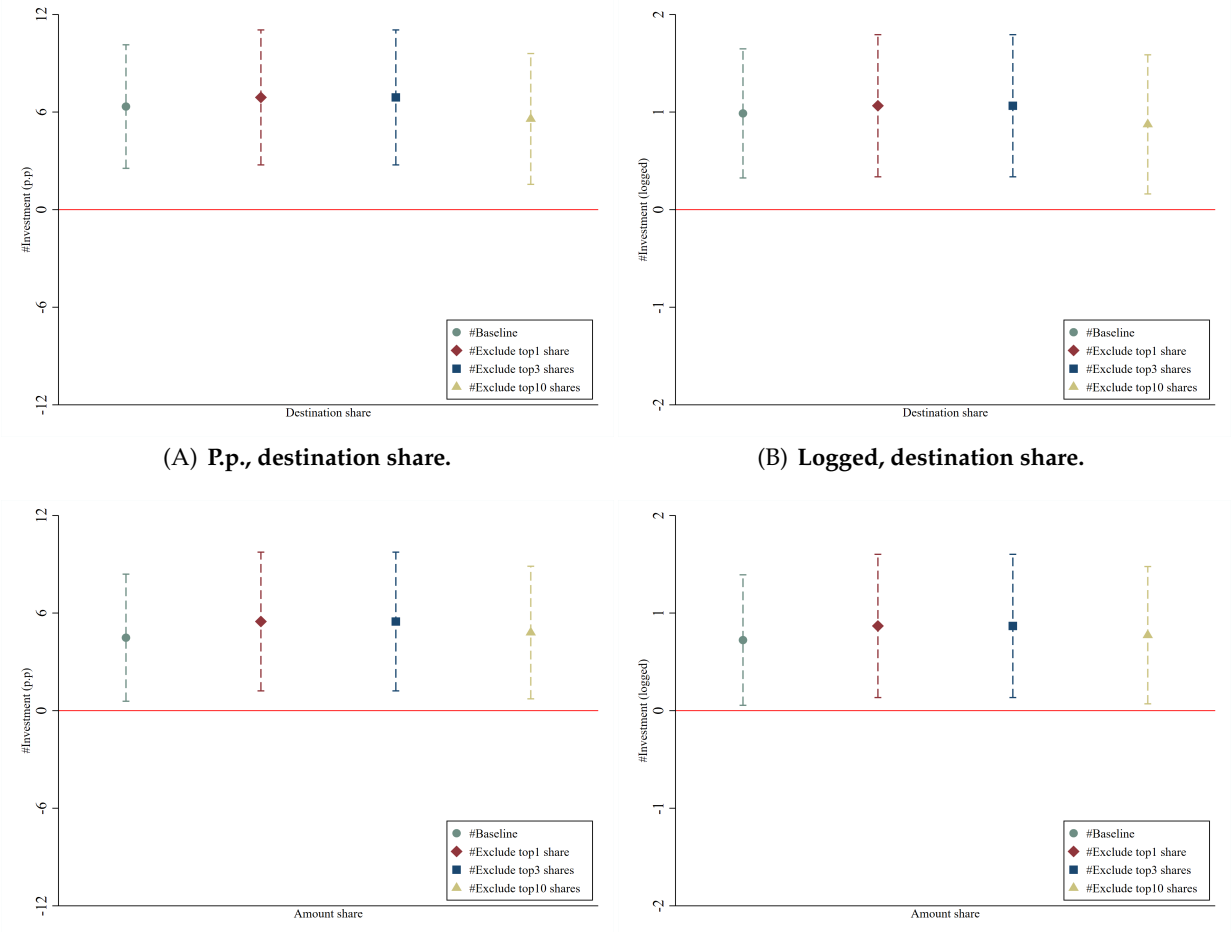


(A) **TWFE.** (B) **De Chaisemartin and d'Haultfoeuille (2024).**

(C) **Sun and Abraham (2021).** (D) **Cengiz et al. (2019).**

FIGURE C2 Effects of Judicial Reform on Investment by Relative Year (Logged).

Notes: Figure C2 plots the dynamic investment responses of firms with high and low PRI relative to judicial reform implementation. Firms are divided into high-PRI and low-PRI groups, and we estimate dynamic treatment effects corresponding to dynamic version of Equation 1. The dependent variable is a the investment amount (logged), with regression coefficients multiplied by 100 for interpretability. Red lines depict the estimated effects for low-PRI firms, while green lines correspond to high-PRI firms. Vertical lines represent 95 % confidence intervals.

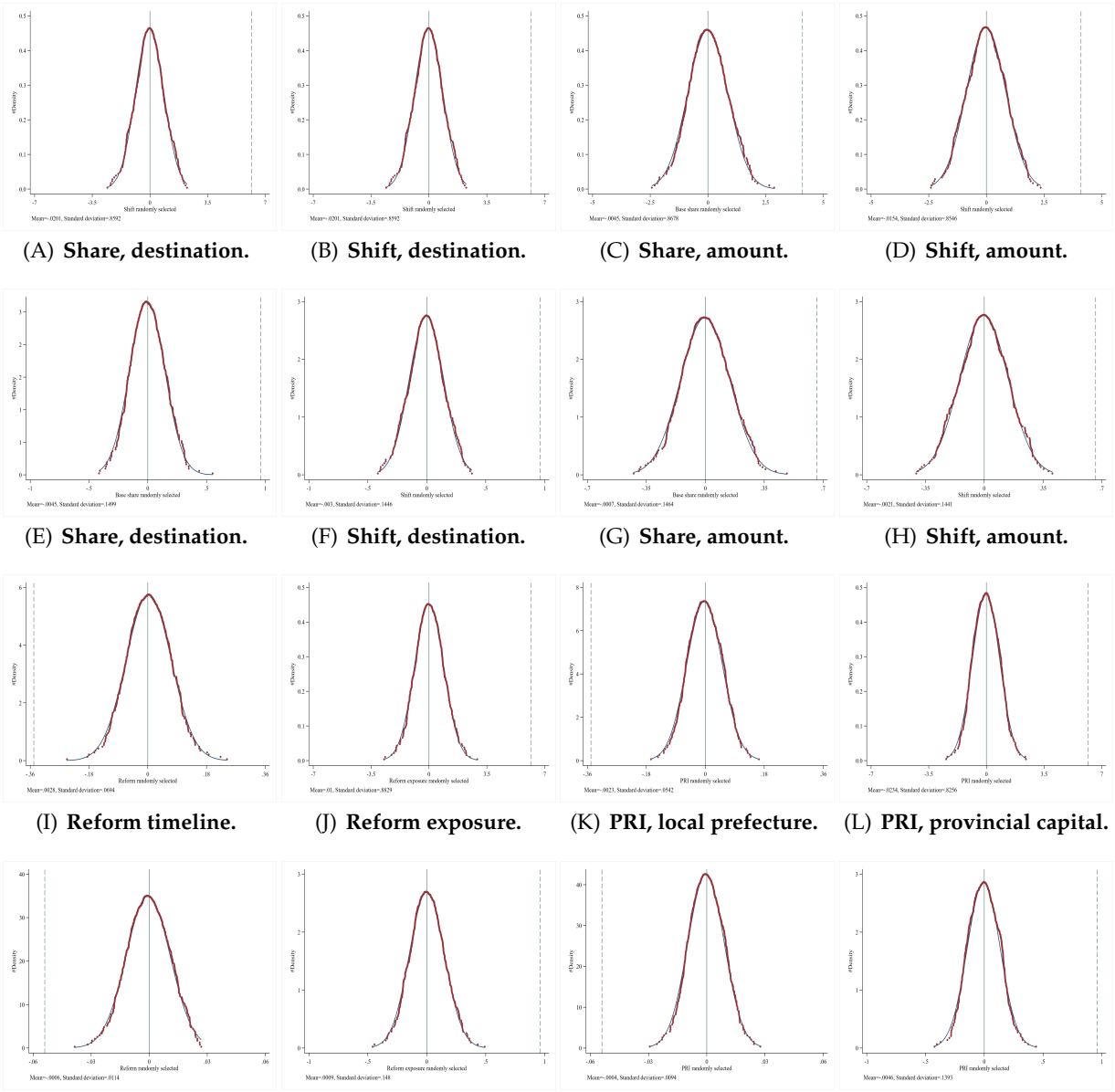


(A) **P.p., destination share.** (B) **Logged, destination share.**

(C) **P.p., amount share.** (D) **Logged, amount share.**

FIGURE C3 Excluding Highly Concentrated Investment Locations in Constructing Weights.

Notes: Figure C3 reports robustness checks in which we re-estimate Equation 3 after excluding cities where firm-level investment is highly concentrated. Each dot represents a separate regression estimate. In Panels A and B, reform exposure is measured as the share of a firm's investment locations affected by the reform. In Panels C and D, exposure is measured as the share of investment amounts in affected locations. The dependent variable in Panels A and C is a binary indicator for whether the firm invested in the location; in Panels B and D, it is investment amount (logged). In each panel, we exclude the top 1, top 3, and top 10 most invested cities from the weight calculation. Dashed lines denote 95% confidence intervals.



(A) **Share, destination.** (B) **Shift, destination.** (C) **Share, amount.** (D) **Shift, amount.**

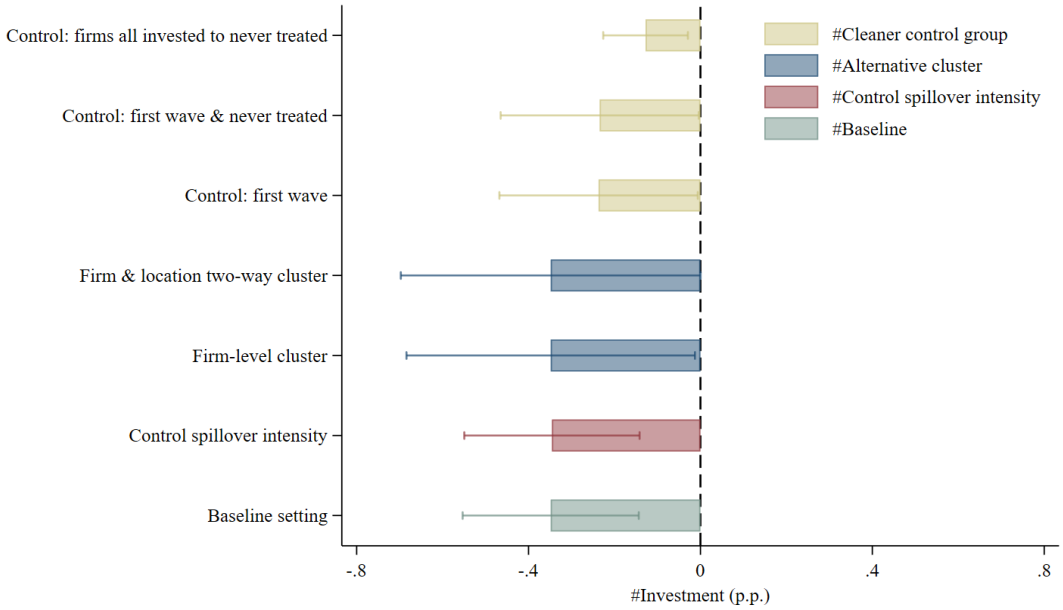
(E) **Share, destination.** (F) **Shift, destination.** (G) **Share, amount.** (H) **Shift, amount.**

(I) **Reform timeline.** (J) **Reform exposure.** (K) **PRI, local prefecture.** (L) **PRI, provincial capital.**

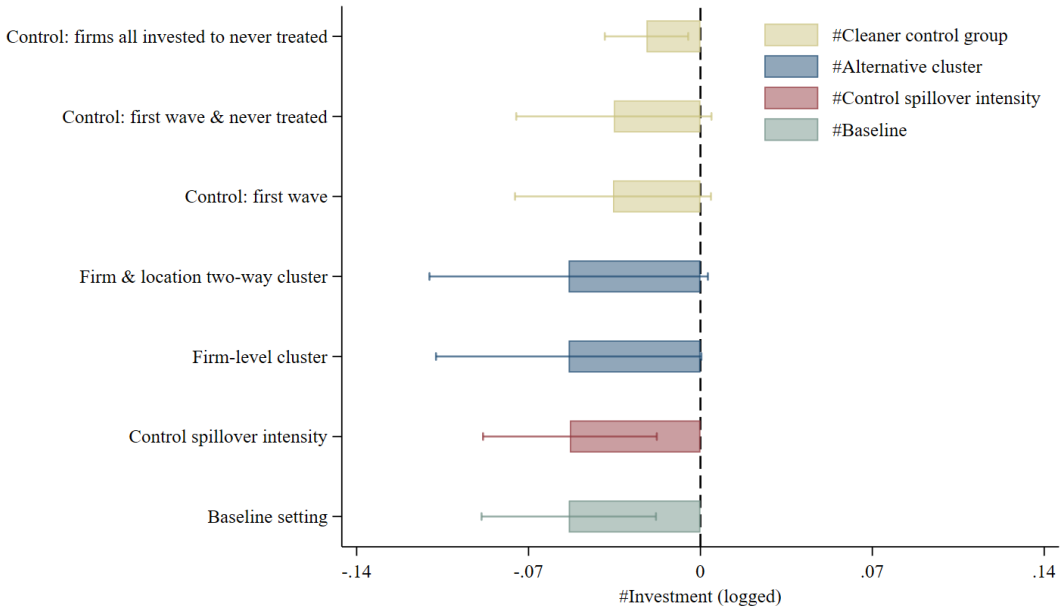
(M) **Reform timeline.** (N) **Reform exposure.** (O) **PRI, local prefecture.** (P) **PRI, provincial capital.**

FIGURE C4 Permutation-test Coefficients for "Pseudo Shift", "Pseudo Share", "Pseudo Reform (exposure)" and "Pseudo PRI".

Notes: Figure C4 shows the distribution of estimated coefficients from a series of permutation tests. The dependent variable in Panels A to D and Panels I to L is a binary indicator for whether a firm invested in a given location; in Panels E to H and Panels M to P, it's the logarithm of investment amount. All coefficients are scaled by 100 for interpretability in Panels A to D and Panels I to L. Panels A to H show the permutation-test results of shift-share design (Equation 3) based on randomly assigning "shares" and "shifts". Panels I to P display the distribution of permutation-test coefficients for placebo reform (or reform exposure) and placebo PRI assignments. Specifically, in Panels A, C, E, G, we randomly assign investment shares in the construction of shift-share-style reform exposure while Panels B, D, F, H randomly assign policy timing (shift). "Destination" represent the reform exposure is constructed by investment destination share and "amount" represent it's constructed by investment amount share. In Panels I and M, we implement Equation 2 with randomly assigned reform timing; Panels J and N apply Equation 3 with randomized reform exposure. Panels K and O estimate Equation 2 with permuted PRI values, while Panels L and P randomize PRI assignments using Equation 3.



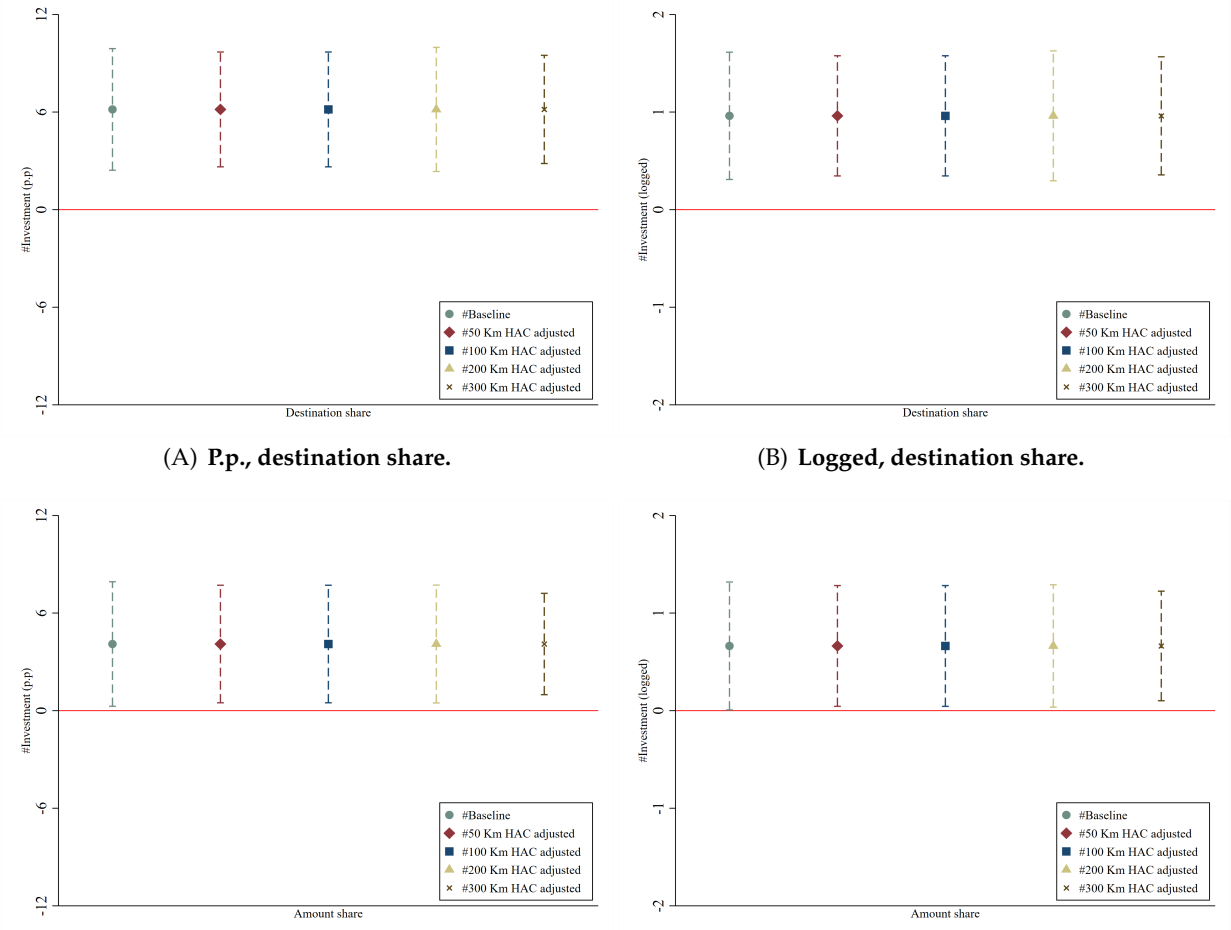
(A) **Investment (p.p.).**



(B) **Investment (logged).**

FIGURE C5 Robust Estimators for Potential Network Spillover.

Notes: Figure C5 reports robustness checks for potential network spillover. Each column represents a separate regression estimate. The dependent variable in Panel A is a binary indicator for whether the firm invested in the location; in Panel B, it is investment amount (logged). All the specifications are identical to Table 1. The teal columns show the results of baseline setting and the maroon ones add the proportion of the firm's treated investment destinations in year t to measure spillover intensity. Navy columns apply firm cluster and firm-city two-way cluster, respectively. Khaki column employ three cleaner control group with almost no spillover effect: first wave cities of each province, first wave cities of each province and never treated cities, and firms that all invested to the never treated cities during the policy. Dashed lines denote 95% confidence intervals.



(A) **P.p., destination share.** (B) **Logged, destination share.**

(C) **P.p., amount share.** (D) **Logged, amount share.**

FIGURE C6 HAC spatial standard errors following Conley (1999).

Notes: Figure C6 reports robustness checks using heteroskedasticity and autocorrelation consistent (HAC) spatial standard errors. Each dot represents a separate regression estimate. In Panels A and B, reform exposure is measured as the share of a firm's investment locations affected by the reform. In Panels C and D, exposure is measured as the share of investment amounts in affected locations. The dependent variable in Panels A and C is a binary indicator for whether the firm invested in the location; in Panels B and D, it is investment amount (logged). Dashed lines denote 95% confidence intervals.

TABLE C1 Robustness Check: "Share" Sensitivity Check

Base Year	Reform Exposure Defined Using Alternative Base-Year Investment Shares					
	2007		2010		2013	
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A. *Dependent variable: Investment (p.p.)*						
PRI × Reform exposure	3.7848*	5.1112**	4.4115**	3.9141**	5.5188**	5.3813**
	(1.9122)	(2.0963)	(1.9890)	(1.8940)	(2.2582)	(2.2630)
Reform exposure	-1.7078***	-1.4802***	-1.8363***	-1.1130***	-2.5012***	-2.0014***
	(0.4805)	(0.4989)	(0.4376)	(0.3835)	(0.5623)	(0.5295)
Dependent-variable mean	3.6607	3.8392	3.6607	3.8392	3.6607	3.8392
Panel B. *Dependent variable: Investment (logged)*						
PRI × Reform exposure	0.5740*	0.7726**	0.6632*	0.5845*	0.9003**	0.8805**
	(0.3233)	(0.3514)	(0.3443)	(0.3297)	(0.3852)	(0.3868)
Reform exposure	-0.2655***	-0.2273***	-0.2927***	-0.1770**	-0.4477***	-0.3697***
	(0.0794)	(0.0811)	(0.0748)	(0.0647)	(0.0989)	(0.0930)
Dependent-variable mean	0.6195	0.6507	0.6195	0.6507	0.6195	0.6507
Pre-policy city-level control × year	✓	✓	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓	✓	✓
Base period investment × year		✓		✓		✓
Firm-destination pair FE	✓	✓	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓	✓	✓
Observations	238,670	214,786	238,670	214,786	238,670	214,786

Notes: Table C1 reports robustness checks using alternative base years to compute investment shares in the construction of reform exposure. Columns (1)-(2) use 2007 as the base year, Columns (3)-(4) use 2010, and Columns (5)-(6) use 2013 when calculating weights in Equation 4. $Reform\ exposure$ is weighted by the number of investment destinations. In Panel A, the dependent variable is a binary indicator for whether the firm invested in the location; coefficients are multiplied by 100 for interpretability. In Panel B, the dependent variable is the logarithm of investment amount. Columns (1), (3) and (5) use basic FEs and city-level, firm-level predetermined control. Columns (2), (4) and (6) additionally control interaction between base period (2012) total investment amount to local prefecture (logged) and year dummies. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE C2 Robustness Check: Alternative PRI Transformations

Alternative Definitions of PRI:	$PRI_{>Median}$	$PRI_{t=2014}$	PRI_{it}	$Ln(PRI_i + 1)$
	(1)	(2)	(3)	(4)
Panel A. *Local prefecture, investment (p.p.)*				
PRI × Reform	-0.0676***	-0.3294***	-0.1497*	-0.4222***
	(0.0233)	(0.1091)	(0.0783)	(0.1441)
Dependent-variable mean	0.4085	0.4162	0.4085	0.4085
Observations	2,386,162	2,019,431	2,386,162	2,386,162
Panel B. *Local prefecture, investment (logged)*				
PRI × Reform	-0.0100**	-0.0501***	-0.0235*	-0.0650***
	(0.0040)	(0.0189)	(0.0134)	(0.0251)
Dependent-variable mean	0.0711	0.0722	0.0711	0.0711
Panel C. *Provincial capital, investment (p.p.)*				
PRI × Reform exposure	0.9533***	9.3058***	3.2462**	7.4678***
	(0.3097)	(2.0381)	(1.4141)	(2.1758)
Dependent-variable mean	3.6607	3.6633	3.6607	3.6607
Observations	238,670	201,865	238,670	238,670
Panel D. *Provincial capital, investment (logged)*				
PRI × Reform exposure	0.1417**	1.4959***	0.5347**	1.1645***
	(0.0546)	(0.3381)	(0.2392)	(0.3788)
Dependent-variable mean	0.6195	0.6195	0.6195	0.6195
Pre-policy city-level control × year	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓

Notes: Table C2 presents robustness results for alternative functional transformations of the firm's political reliance index (PRI). The unit of observation is at the firm-investment location-year level. In Panels A and C, the dependent variable is a binary indicator of whether the firm invested in the location, with regression coefficients multiplied by 100 for interpretability. In Panels B and D, the dependent variable is the investment amount(logged). Panels A and B report results using Equation 2. The key independent variable, $Reform$, is a dummy variable that equals 1 if the city has implemented judicial reform and 0 otherwise. Panels C and D report results using Equation Equation 3. $Reform\ exposure$ measures the intensity of the judicial reform's impact on firms in local prefectures, as defined in Equation 4. The variable PRI represents the firm's political reliance index. In Column (1), PRI is redefined as a dummy variable indicating whether the firm's PRI is above the median. In Column (2), PRI is measured using 2014 data. In Column (3), PRI is time-varying. In Column (4), the logarithm of PRI replaces the baseline PRI definition. Control variables are identical to those in Table Table 1. Standard errors are clustered at the city level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

TABLE C3 Robustness Check: Alternative PRI Measurement Proxies

Alternative Definitions of PRI:	CEO revolver (yes=1)	Rank of CEO revolver	Manager revolver (density)	EPU	CPC organization (yes=1)	CPC share	Procurement dependence
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A. *Local prefecture, investment (p.p.)*							
PRI Index × Reform	-0.0232**	-0.0194*	-0.0284***	-0.0219**	-0.0065	-0.0085	-0.0223**
	(0.0096)	(0.0099)	(0.0108)	(0.0092)	(0.0101)	(0.0106)	(0.0095)
Dependent-variable mean	0.4085	0.4085	0.4213	0.4085	0.4085	0.4085	0.4085
Observations	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162
Panel B. *Local prefecture, investment (logged)*							
PRI Index × Reform	-0.0035**	-0.0032*	-0.0043**	-0.0033**	-0.0011	-0.0015	-0.0035*
	(0.0016)	(0.0017)	(0.0018)	(0.0016)	(0.0018)	(0.0019)	(0.0018)
Dependent-variable mean	0.0711	0.0711	0.0732	0.0711	0.0711	0.0711	0.0711
Panel C. *Provincial capital, investment (p.p.)*							
PRI Index × Reform exposure	0.4050***	0.3298**	0.1907	0.7954***	0.4969***	0.5636***	0.6311**
	(0.1404)	(0.1365)	(0.1235)	(0.1610)	(0.1306)	(0.1124)	(0.3016)
Dependent-variable mean	3.6607	3.6607	3.7327	3.6607	3.6607	3.6607	3.6607
Observations	238,670	238,670	213,651	238,670	238,670	238,670	238,670
Panel D. *Provincial capital, investment (logged)*							
PRI Index × Reform exposure	0.0736***	0.0598**	0.0192	0.1306***	0.0747***	0.0882***	0.0654**
	(0.0223)	(0.0220)	(0.0197)	(0.0265)	(0.0214)	(0.0184)	(0.0315)
Dependent-variable mean	0.6195	0.6195	0.6308	0.6195	0.6195	0.6195	0.6195
Pre-policy city-level control × year	✓	✓	✓	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓	✓	✓	✓

Notes: Table C3 presents robustness results using alternative datasets to measure firm's political reliance. The unit of observation is at the firm-investment location-year level. In Panels A and C, the dependent variable is a binary indicator of whether the firm invested in the location, with regression coefficients multiplied by 100 for interpretability. In Panels B and D, the dependent variable is the investment amount (logged). Panels A and B report results using Equation 2, while Panels C and D report results using Equation 3. The variable *PRI Index* represents the firm's political reliance index, measured using different definitions: Column (1) uses *Revolver CEO*, a dummy variable indicating whether the firm's CEO is a former government official; Column (2) uses the rank of government positions held by firm managers (*Revolver CEO Rank*); Column (3) uses the proportion of former government officials among the firm's management; Column (4) uses the economic risk index of firms; Column (5) uses a dummy variable indicating whether the firm has a party organization; Column (6) uses the proportion of party members among firm managers (*Party Exposure*); and Column (7) uses the firms degree of participation in government procurement. Control variables are identical to those in Table 1. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE C4 Robustness Check: Restriction and Control (Local Prefecture)

	Include HQ-City Obs	Include DACs	Use balanced panel	Exclude financial firms	Exclude never-treated	More firm control	More prefecture control	Use covariates linear trend	Exclude investment outliers
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Panel A. *Dependent variable: Investment (p.p.)*									
PRI × Reform	-0.3341***	-0.3492***	-0.3487***	-0.3835***	-0.3792***	-0.4107***	-0.3714**	-0.3911***	NA
	(0.1238)	(0.1213)	(0.1228)	(0.1465)	(0.1248)	(0.1251)	(0.1465)	(0.1242)	NA
Reform	0.0253	0.0252	0.0237	0.0325	0.0364*	0.0243	0.0369	0.0337*	NA
	(0.0187)	(0.0183)	(0.0190)	(0.0219)	(0.0190)	(0.0207)	(0.0224)	(0.0195)	NA
Dependent-variable mean	0.4289	0.3747	0.4085	0.4331	0.3686	0.4086	0.4674	0.4085	NA
Panel B. *Dependent variable: Investment (logged)*									
PRI × Reform	-0.0512**	-0.0543**	-0.0537**	-0.0600**	-0.0593***	-0.0637***	-0.0585**	-0.0620***	-0.0538**
	(0.0216)	(0.0211)	(0.0213)	(0.0254)	(0.0217)	(0.0216)	(0.0256)	(0.0219)	(0.0213)
Reform	0.0032	0.0036	0.0029	0.0044	0.0052	0.0028	0.0056	0.0046	0.0030
	(0.0033)	(0.0032)	(0.0034)	(0.0038)	(0.0033)	(0.0037)	(0.0039)	(0.0034)	(0.0034)
Dependent-variable mean	0.0748	0.0652	0.0711	0.0754	0.0639	0.0711	0.0814	0.0711	0.0711
Controls	✓	✓	✓	✓	✓	✓	✓	✓	
Fixed effects	✓	✓	✓	✓	✓	✓	✓	✓	
Observations	2,390,472	2,620,522	2,385,856	2,146,622	1,669,098	2,237,069	1,917,750	2,386,162	2,386,162

Notes: Table C4 presents robustness results using subsamples or additional controls, based on Equation 2. In Panel A, the dependent variable is a binary indicator of whether the firm invested in the location, with regression coefficients multiplied by 100 for interpretability. In Panel B, the dependent variable is the investment amount (logged). The variable PRI represents the firm's political reliance index. Column (1) reintroduces investments in firms' headquarters cities, while Column (2) restores observations from cities under provincial direct administration (DACs). Columns (3) and (4) exclude firms that are not continuously present in the sample period to ensure a balanced panel and financial firms, respectively. Column (5) excludes cities that did not implement the reform during the sample period. Columns (6) and (7) include additional interactions between firm (shareholding ratio of the largest shareholder, Tobin's Q, total assets (logged), debt-to-asset ratio, and asset turnover rate) or investment location (population (logged), unemployment rate, the proportion of the secondary industry, urban developed area, and population density) pre-reform characteristics and year dummies, respectively. Column (8) replaces interactions with predetermined controls and year dummies with predetermined control time linear trend. Column (9) applies tail-shortening on the 1% of the samples with non-zero investment amounts. Because this adjustment affects only the continuous investment measure, the binary investment specification in Panel A is unaffected and therefore not re-estimated. Control variables and FEs are identical to those in Table 1. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE C5 Robustness Check: Restriction and Control (Provincial Capital)

	Include HQ-City Obs	Include DACs	Use balanced panel	Exclude financial firms	Exclude the never-treated	More firm control	More city-level control	Use covariates linear trend	Exclude investment outliers
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Panel A. *Dependent variable: Investment (p.p.)*									
PRI × Reform exposure	6.2726***	6.1613***	6.1525***	5.7679***	6.7194***	6.8635***	7.1022***	6.3681***	NA
	(2.0123)	(1.8355)	(1.8337)	(1.7944)	(1.8135)	(1.9361)	(2.2802)	(1.8743)	NA
Reform exposure	-1.8552***	-1.8797***	-1.8792***	-1.7890***	-2.0672***	-1.9524***	-2.3329***	-2.3671***	NA
	(0.4352)	(0.4373)	(0.4372)	(0.4280)	(0.5029)	(0.4307)	(0.5279)	(0.4660)	NA
Dependent-variable mean	3.7700	3.6607	3.6612	3.8392	3.7662	3.6569	3.5818	3.6607	NA
Panel B. *Dependent variable: Investment (logged)*									
PRI × Reform exposure	0.9928***	0.9612***	0.9596***	0.8994***	1.0388***	1.0509***	1.0665**	0.9911***	0.9612***
	(0.3526)	(0.3201)	(0.3199)	(0.3143)	(0.3062)	(0.3421)	(0.3964)	(0.3264)	(0.3200)
Reform exposure	-0.2977***	-0.2990***	-0.2990***	-0.2832***	-0.3320***	-0.3062***	-0.3680***	-0.3778***	-0.2994***
	(0.0744)	(0.0744)	(0.0744)	(0.0724)	(0.0841)	(0.0735)	(0.0902)	(0.0794)	(0.0745)
Dependent-variable mean	0.6410	0.6195	0.6196	0.6507	0.6368	0.6189	0.6065	0.6195	0.6193
Controls	✓	✓	✓	✓	✓	✓	✓	✓	
Fixed effects	✓	✓	✓	✓	✓	✓	✓	✓	
Observations	242,172	238,670	234,330	210,840	177,103	223,795	177,147	238,670	238,670

Notes: Table C5 presents robustness results using subsamples or additional controls, based on Equation 3. In Panel A, the dependent variable is a binary indicator of whether the firm invested in the location, with regression coefficients multiplied by 100 for interpretability, while in Panel B, is the investment amount (logged). $Reform\ exposure$ measures the intensity of the judicial reform's impact on firms in local prefectures, as defined in Equation 4. The variable PRI represents the firm's political reliance index. Column (1) reintroduces investments in firms' headquarters cities, while Column (2) restores observations from cities under provincial direct administration (DACs). Columns (3) and (4) exclude firms that are not continuously present in the sample period to ensure a balanced panel and financial firms, respectively. Column (5) excludes cities that did not implement the reform during the sample period. Columns (6) and (7) include additional interactions between firm or investment location pre-reform characteristics and year dummies, respectively. Column (8) replaces interactions with predetermined controls and year dummies with predetermined control time linear trend. Column (9) applies tail-shortening on the 1% of the samples with non-zero investment amounts. Because this adjustment affects only the continuous investment measure, the binary investment specification in Panel A is unaffected and therefore not re-estimated. Other Control variables and FEs are identical to those in Table 1. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE C6 Robustness Check: Control for Official Characteristics

Dependent variable:	Investment (p.p.)			Investment (logged)		
	Provincial secretary	Provincial governor	Both	Provincial secretary	Provincial governor	Both
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A. *Local prefecture sample*						
PRI × Reform	-0.3523***	-0.2820**	-0.3568***	-0.0479**	-0.0488**	-0.0555**
	(0.1233)	(0.1242)	(0.1243)	(0.0218)	(0.0217)	(0.0216)
Reform	0.0181	0.0113	-0.0176	-0.0001	0.0001	-0.0045
	(0.0249)	(0.0310)	(0.0351)	(0.0048)	(0.0051)	(0.0066)
Dependent-variable mean	0.4037	0.4133	0.4082	0.0702	0.0719	0.0710
Observations	2,354,642	2,230,838	2,199,318	2,354,642	2,230,838	2,199,318
Panel B. *Provincial capital sample*						
PRI × Reform exposure	6.2440***	6.3481***	6.4556***	0.9636***	0.9603***	0.9771***
	(1.8638)	(1.7584)	(1.7740)	(0.3252)	(0.3173)	(0.3204)
Reform exposure	-1.8943***	-1.8285***	-1.8517***	-0.2994***	-0.2850***	-0.2886***
	(0.4449)	(0.4273)	(0.4328)	(0.0751)	(0.0723)	(0.0730)
Dependent-variable mean	3.5284	3.4539	3.4564	0.5973	0.5852	0.5857
Observations	233,960	222,590	219,650	233,960	222,590	219,650
Pre-policy city-level control × year	✓	✓	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓	✓	✓

Notes: Table C6 presents robustness results with additional controls for provincial official characteristics. The unit of observation is at the firm-investment location-year level. In Columns (1)-(3), the dependent variable is a binary indicator of whether the firm invested in the location, with regression coefficients multiplied by 100 for interpretability. In Columns (4)-(6), the dependent variable is the investment amount (logged). Panel A reports results using Equation 2, while Panel B reports results using Equation 3. The variable PRI represents the firm's political reliance index. Columns (1) and (3) control for the characteristics of the provincial party secretary, Columns (2) and (5) control for the characteristics of the provincial governor, and Columns (3) and (6) control for both. Official characteristics include gender, age, birthplace, education, and ethnicity. Control variables and FEs are identical to those in Table 1. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE C7 Robustness Check: Control for Other Judicial Reforms

Dependent variable:	Investment (p.p.)				Investment (logged)			
Other judicial reform:	Accountability reform	Separation reform	Circuit court	Environmental court	Accountability reform	Separation reform	Circuit court	Environmental court
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A. *Local prefecture sample*								
PRI × Reform	-0.3084**	-0.3585***	-0.2865**	-0.3410***	-0.0487**	-0.0559**	-0.0445**	-0.0528**
	(0.1336)	(0.1330)	(0.1249)	(0.1205)	(0.0231)	(0.0230)	(0.0216)	(0.0210)
PRI × Other reform	0.1612	-0.0650	-0.1790	-0.1201	0.0203	-0.0150	-0.0268	-0.0154
	(0.1745)	(0.1968)	(0.1410)	(0.2353)	(0.0296)	(0.0320)	(0.0236)	(0.0401)
Dependent-variable mean	0.4085	0.4085	0.4085	0.4085	0.0711	0.0711	0.0711	0.0711
Observations	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162
Panel B. *Provincial capital sample*								
PRI × Reform exposure	5.7724***	5.7050***	4.4807**	5.2556***	0.9047***	0.9059**	0.7177**	0.8310***
	(1.7848)	(1.9044)	(1.8705)	(1.6761)	(0.3198)	(0.3371)	(0.3283)	(0.2935)
PRI × Other reform exposure	-0.9227	-0.9059	2.1767**	2.6346	-0.1340	-0.1098	0.3153**	0.3786
	(1.0422)	(0.9827)	(0.8208)	(1.6681)	(0.1710)	(0.1692)	(0.1411)	(0.2815)
Dependent-variable mean	3.6607	3.6607	3.6607	3.6607	0.6195	0.6195	0.6195	0.6195
Observations	238,670	238,670	238,670	238,670	238,670	238,670	238,670	238,670
Pre-policy city-level control × year	✓	✓	✓	✓	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓	✓	✓	✓	✓

Notes: Table C7 presents robustness results with additional controls for other judicial reform. The unit of observation is at the firm-investment location-year level. In Columns (1)-(4), the dependent variable is a binary indicator of whether the firm invested in the location, with regression coefficients multiplied by 100 for interpretability. In Columns (5)-(8), the dependent variable is the investment amount (logged). Panel A reports results using Equation 2, while Panel B reports results using Equation 3. The variable PRI represents the firm's political reliance index. Columns (1)-(8) all include additional various judicial reforms dummy and their interactions with PRI. Specifically: Columns (1) and (5) control for the reform of the lifelong accountability system for judges. Columns (2) and (6) control for the separation of adjudication and enforcement powers. Columns (3) and (7) control for the establishment of circuit courts by the Supreme People's Court. Columns (4) and (8) control for the establishment of specialized environmental courts. Control variables and FEs are identical to those in Table 1. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE C8 Robustness Check: Control for Other Policy

Dependent variable:	Investment (p.p.)				Investment (logged)			
Other policy:	Audit reform	Innovation Policy	Anti-orruption Tour	Environment inspection	Audit reform	Innovation Policy	Anti-corruption Tour	Environment inspection
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A. *Local prefecture sample*								
PRI × Reform	-0.3033**	-0.4003***	-0.2325*	-0.3459**	-0.0445**	-0.0616***	-0.0378*	-0.0535**
	(0.1251)	(0.1216)	(0.1218)	(0.1362)	(0.0213)	(0.0211)	(0.0213)	(0.0238)
PRI × Other reform	-0.1827	0.9165*	-0.3219***	-0.0053	-0.0381	0.1380*	-0.0445**	-0.0007
	(0.2744)	(0.5034)	(0.1210)	(0.1521)	(0.0465)	(0.0829)	(0.0199)	(0.0263)
Dependent-variable mean	0.4085	0.4085	0.4085	0.4085	0.0711	0.0711	0.0711	0.0711
Observations	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162
Panel B. *Provincial capital sample*								
PRI × Reform exposure	5.0845**	4.1742**	5.7182***	5.1627***	0.7913**	0.6897*	0.8927***	0.8050**
	(1.8577)	(1.9333)	(1.6890)	(1.8392)	(0.3209)	(0.3461)	(0.3018)	(0.3236)
PRI × Other reform exposure	5.0137**	2.1366**	0.7910	2.7373***	0.7909**	0.2919*	0.1222	0.4282**
	(2.1325)	(0.8698)	(0.9103)	(0.9518)	(0.3712)	(0.1482)	(0.1499)	(0.1642)
Dependent-variable mean	3.6607	3.6607	3.6607	3.6607	0.6195	0.6195	0.6195	0.6195
Observations	238,670	238,670	238,670	238,670	238,670	238,670	238,670	238,670
Pre-policy city-level control × year	✓	✓	✓	✓	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓	✓	✓	✓	✓

Notes: Table C8 presents robustness results with additional controls forthe implementation of other contemporaneous centralization policies. The unit of observation is at the firm-investment location-year level. In Columns (1)-(4), the dependent variable is a binary indicator of whether the firm invested in the location, with regression coefficients multiplied by 100 for interpretability. In Columns (5)-(8), the dependent variable is the investment amount (logged). Panel A reports results using Equation 2, while Panel B reports results using Equation 3. The variable PRI represents the firm's political reliance index. Columns (1)-(8) all include additional various policy dummy and their interactions with PRI. Specifically: Columns (1) and (5) additionally control for the audit centralization reform. Columns (2) and (6) control for the Mass Entrepreneurship and Innovation policy. Columns (3) and (7) control for the Central Anti-Corruption Inspection campaign. Columns (4) and (8) control for the Central Environmental Inspection campaign. Control variables and FEs are identical to those in Table 1. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE C9 Robustness Check: Controlling for Judicial Reform at Firms' Headquarters

Dependent variable:	Local prefecture		Provincial capital	
	Investment (p.p.)	Investment (logged)	Investment (p.p.)	Investment (logged)
	(1)	(2)	(3)	(4)
PRI × Reform	-0.3487***	-0.0531**		
	(0.1223)	(0.0211)		
PRI × Reform exposure			4.4522**	0.7004**
			(1.8050)	(0.3105)
PRI × Reform at headquarters city	0.0011	-0.0016	2.5279**	0.3858*
	(0.1674)	(0.0286)	(1.2125)	(0.1989)
Pre-policy city-level control × year	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓
Dependent-variable mean	0.4085	0.0711	3.6607	0.6195
Observations	2,386,162	2,386,162	238,670	238,670

Notes: Table C9 presents robustness results with additional controls for judicial reform at headquarters city. The unit of observation is at the firm-investment location-year level. In Columns (1) and (3), the dependent variable is a binary indicator of whether the firm invested in the location, with regression coefficients multiplied by 100 for interpretability. In Columns (2) and (4), the dependent variable is the investment amount (logged). In Columns (1)-(2), reports results using Equation 2, while Columns (3)-(4) reports results using Equation 3. The key independent variable, $Reform$, is a dummy variable that equals 1 if the city has implemented judicial reform and 0 otherwise. $Reform\ exposure$ measures the intensity of the judicial reform's impact on firms in local prefectures, as defined in Equation 4. *Reform at parent firm* is a dummy variable indicating whether the parental company's location has implemented judicial reforms. The variable PRI represents the firm's political reliance index. Control variables and FEs are identical to those in Table 1. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

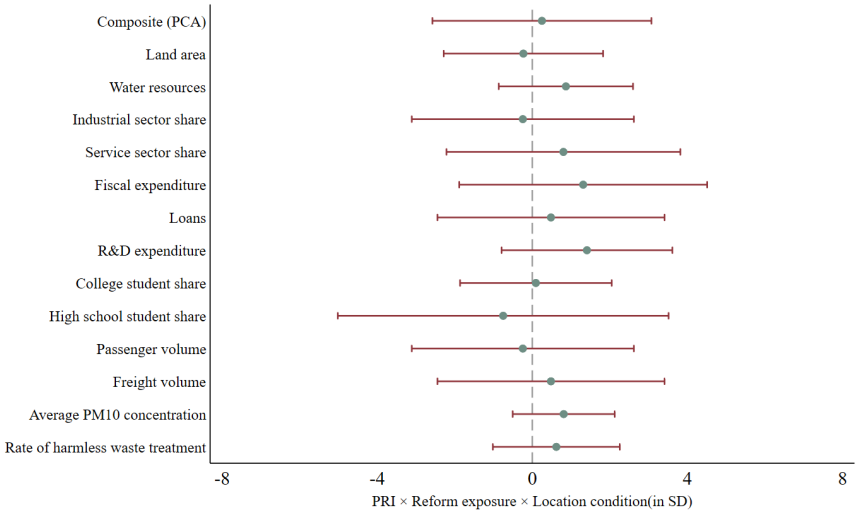
TABLE C10 Alternative Definition of Policy Timeline

Sample:	Local prefecture		Provincial capital	
Dependent variable:	Investment (p.p.)	Investment (logged)	Investment (p.p.)	Investment (logged)
	(1)	(2)	(3)	(4)
PRI × Reform	-0.3748***	-0.0575***		
	(0.1264)	(0.0218)		
Reform	0.0147	0.0002		
	(0.0384)	(0.0072)		
PRI × Reform exposure			6.1612***	0.9612***
			(1.8356)	(0.3202)
Reform exposure			-1.8796***	-0.2990***
			(0.4373)	(0.0744)
Pre-policy city-level control × year	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓
Dependent-variable mean	0.4085	0.0711	3.6607	0.6195
Observations	2,386,162	2,386,162	238,670	238,670

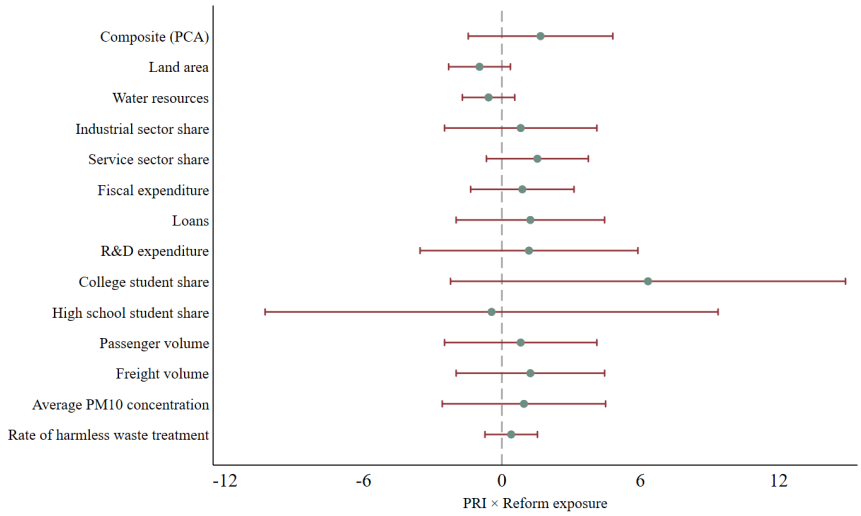
Notes: Table C10 reports robustness checks using an alternative definition of the policy timeline, as proposed by Lei and Li (2025). Columns (1) and (2) re-estimate Equation 2, while Columns (3) and (4) re-estimate Equation 3, using this alternative definition. The dependent variable in Columns (1) and (3) is a binary indicator for whether a firm invests in a given location, scaled by 100 for ease of interpretation. Columns (2) and (4) report results for the investment amount (logged). The main independent variable, $Reform$, is a binary indicator equal to one if judicial reform had been implemented in the city. $Reform\ exposure$ measures the intensity of the judicial reform's impact on firms in local prefectures, as defined in Equation 4. The variable PRI denotes the firm's Political Reliance Index. Control variables and FEs are identical to those in Table 1. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

Appendix D More on Mechanism and Alternative Explanations

D.1 More on Mechanism



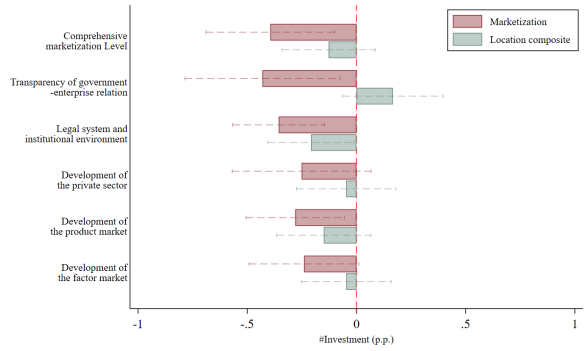
(A) **Triple Interaction in Provincial Cities Sample.**



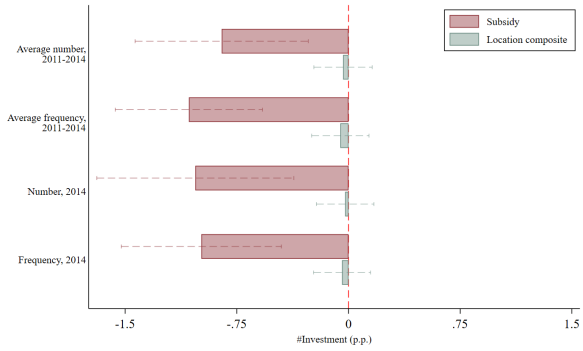
(B) **Baseline setting in Placebo Provincial Cities Sample.**

FIGURE D1 Ruling Out Relocation Driven by Locational Advantages.

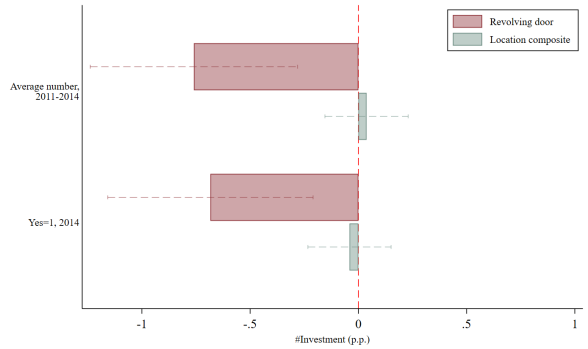
Notes: Figure D1 presents a test that rules out alternative explanations based on locational advantages. In Panel A, building on the specification in Equation 3, we estimate three-way interactions between *PRI*, *Reform Exposure*, and six categories of provincial-capital characteristics, together with the corresponding two-way interactions. Each dot represents a separate regression. We examine whether high-PRI firms facing greater reform exposure disproportionately relocate to provincial capitals with stronger locational advantages along the following dimensions: (i) a composite index of overall locational advantages constructed using the first principal component of all standardized location-condition variables; (ii) natural and resource conditions, including land availability and water resources; (iii) economic structure, including the industrial-sector share and service-sector share of GDP; (iv) fiscal capacity, including public expenditure, local loans, and government R&D support; (v) human capital, including the shares of college-educated and high-school-educated residents; (vi) transportation infrastructure, including passenger and freight volume; and (vii) environmental quality, including average PM10 concentration and the rate of harmless waste treatment. All variables capturing locational advantages are standardized. The dependent variable is a binary indicator for whether the firm invested in the location. The dependent variable is a binary indicator for whether the firm invested in the location. In Panel B, we implement a placebo test using the specification in Equation 3, where, for each province, the best-performing non-capital city along these dimensions is used as a placebo for the provincial capital. Red lines indicate 95% confidence intervals.



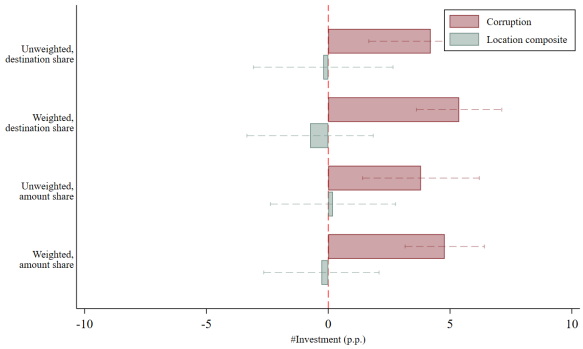
(A) **Marketization (p.p.).**



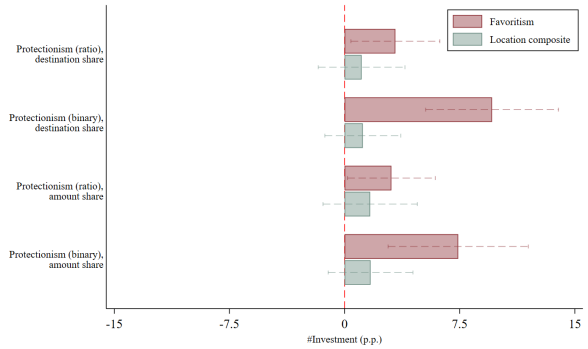
(B) **Subsidy (p.p.).**



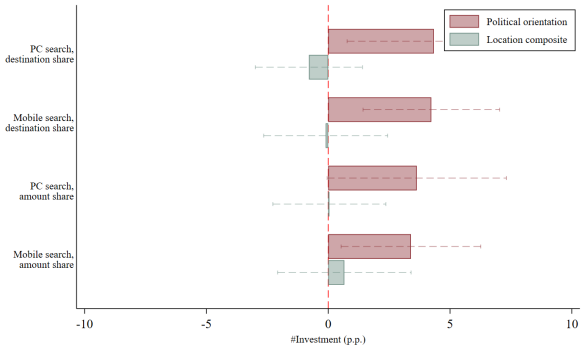
(C) **Revolving-door (p.p.).**



(D) **Corruption (p.p.).**



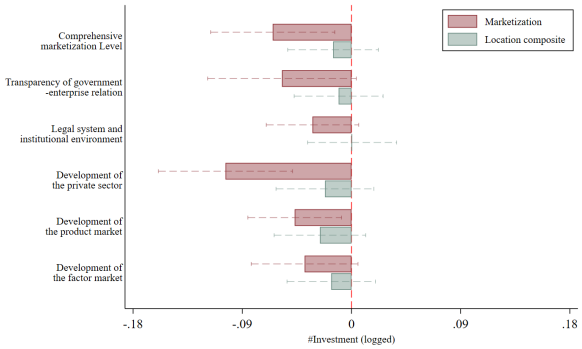
(E) **Favoritism (p.p.).**



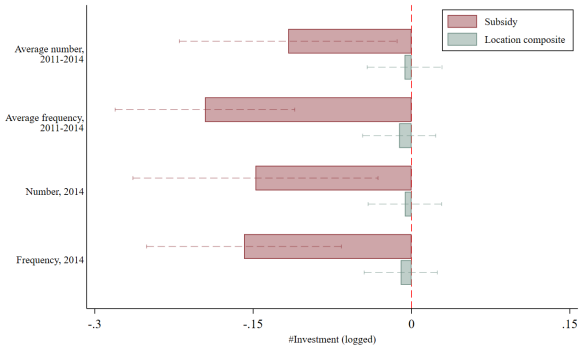
(F) **Political Orientation (p.p.).**

FIGURE D2 Political Mechanisms vs. Local Economic Conditions (p.p.).

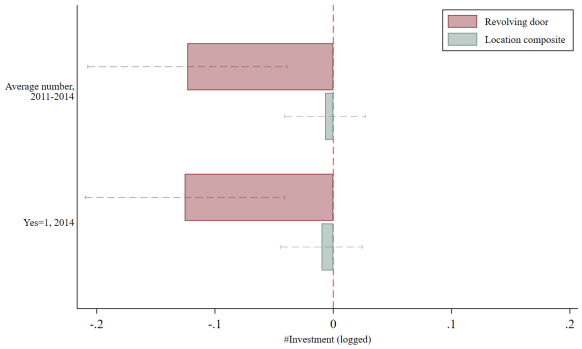
Notes: Figure D2 presents horse-race tests that compare the political mechanisms proposed in the paper with the alternative explanation based on locational advantages. Each panel augments the corresponding mechanism specification by jointly including two triple interactions: one between *PRI*, *Reform* or *Reform Exposure*, and the relevant political mechanism variable; and the other between *PRI*, *Reform* or *Reform Exposure*, and a composite index of locational advantages. Panels A–C focus on investment in local prefectures and use *Reform* as the treatment variable. Panels D–F focus on investment in provincial capitals and use *Reform Exposure* as the treatment variable. The dependent variable is a binary indicator for whether the firm invested in the location, with coefficients multiplied by 100 for interpretability. Red bars report the estimated coefficients on the political-mechanism triple interactions, while green bars report the estimated coefficients on the locational-advantage triple interactions. Dashed lines indicate 95% confidence intervals.



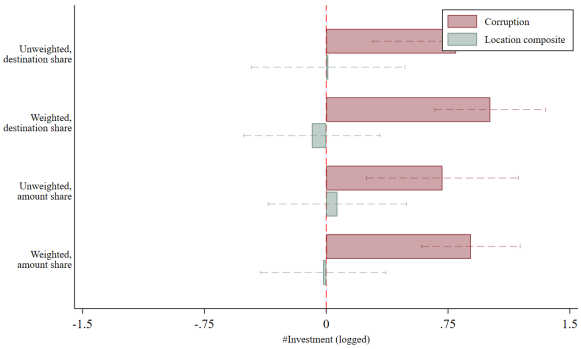
(A) **Marketization (logged).**



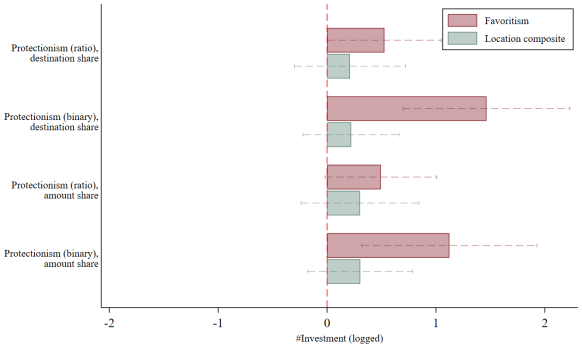
(B) **Subsidy (logged).**



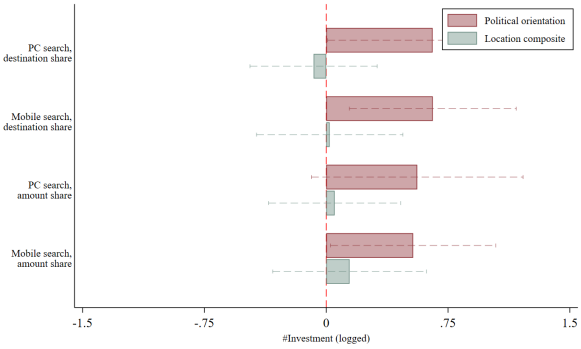
(C) **Revolving door (logged).**



(D) **Corruption (logged).**



(E) **Government Favoritism (logged).**



(F) **Political Orientation (logged).**

FIGURE D3 Political Mechanisms vs. Local Economic Conditions (logged).

Notes: Figure D3 presents horse-race tests that compare the political mechanisms proposed in the paper with the alternative explanation based on locational advantages. Each panel augments the corresponding mechanism specification by jointly including two triple interactions: one between *PRI*, *Reform* or *Reform Exposure*, and the relevant political mechanism variable; and the other between *PRI*, *Reform* or *Reform Exposure*, and a composite index of locational advantages. Panels A–C focus on investment in local prefectures and use *Reform* as the treatment variable. Panels D–F focus on investment in provincial capitals and use *Reform Exposure* as the treatment variable. The dependent variable is the investment amount, with coefficients multiplied by 100 for interpretability. Red bars report the estimated coefficients on the political-mechanism triple interactions, while green bars report the estimated coefficients on the locational-advantage triple interactions. Dashed lines indicate 95% confidence intervals.

TABLE D1 Mechanism: Marketization Level (Investment to Local Prefectures)

Marketization measure:	Comprehensive marketization Level	Transparency of government-enterprise relation	Legal system and institutional environment	Development of the private sector	Development of the product market	Development of the factor market
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A. *Dependent variable: Investment (p.p.)*						
PRI × Reform × Marketization	-0.3397**	-0.4723***	-0.3526**	-0.2492**	-0.2324*	-0.2027*
	(0.1353)	(0.1641)	(0.1448)	(0.1054)	(0.1236)	(0.1081)
PRI × Reform	-0.2546**	-0.3805***	-0.2882**	-0.3612***	-0.2638**	-0.2713**
	(0.1179)	(0.1273)	(0.1272)	(0.1371)	(0.1196)	(0.1161)
Dependent-variable mean	0.4085	0.4085	0.4085	0.4085	0.4085	0.4085
Panel B. *Dependent variable: Investment (logged)*						
PRI × Reform × Marketization	-0.0575**	-0.0794***	-0.0600**	-0.0423**	-0.0428*	-0.0364*
	(0.0238)	(0.0291)	(0.0252)	(0.0181)	(0.0222)	(0.0192)
PRI × Reform	-0.0410**	-0.0591***	-0.0446**	-0.0564**	-0.0408**	-0.0435**
	(0.0204)	(0.0222)	(0.0221)	(0.0237)	(0.0205)	(0.0202)
Dependent-variable mean	0.0711	0.0711	0.0711	0.0711	0.0711	0.0711
Pre-policy city-level control × year	✓	✓	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓	✓	✓
Observations	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162

Notes: Table D1 examines how the impact of judicial reform on firm investment varies across different time-varying market institutional environments. The unit of observation is at the firm-investment location-year level. In Panels A, the dependent variable is a binary indicator of whether the firm invested in the location, with regression coefficients multiplied by 100 for interpretability. In Panels B, the dependent variable is the investment amount (logged). The key independent variable, $Reform$, is a dummy variable that equals 1 if the city has implemented judicial reform and 0 otherwise. The variable PRI represents the firm's political reliance index. All columns include interactions between the baseline core variables and various measures of the marketization index, as well as their corresponding double interactions. Column (1) uses a comprehensive marketization index, while Columns (2)-(6) use five sub-indices of the marketization index (*Government-Enterprise Transparency*, *Legal System Quality*, *Private Sector Development*, *Product Market Development*, and *Factor Market Development*), where higher scores indicate greater market institutionalization and competitiveness, and less government-business collusion. Other control variables and FEs are identical to those in Table 1. Standard errors are clustered at the city level.$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$.

TABLE D2 Mechanism: Government Subsidy (Investment to Local Prefectures)

Subsidy measure:	Frequency, 2014		Number, 2014		Average frequency, 2011-2014		Average number, 2011-2014	
Dependent variable:	Investment (p.p.)	Investment (logged)	Investment (p.p.)	Investment (logged)	Investment (p.p.)	Investment (logged)	Investment (p.p.)	Investment (logged)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PRI × Reform × Subsidy	-1.0003***	-0.1694***	-1.0707***	-0.1843***	-1.1161***	-0.1851***	-0.6974**	-0.1186**
	(0.2746)	(0.0469)	(0.3385)	(0.0586)	(0.2527)	(0.0440)	(0.2994)	(0.0525)
PRI × Reform	-0.3434***	-0.0531**	-0.3663***	-0.0566***	-0.3625***	-0.0560***	-0.3711***	-0.0573***
	(0.1198)	(0.0209)	(0.1197)	(0.0207)	(0.1205)	(0.0210)	(0.1215)	(0.0211)
Pre-policy city-level control × year	✓	✓	✓	✓	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓	✓	✓	✓	✓
Dependent-variable mean	0.4085	0.0711	0.4085	0.0711	0.4085	0.0711	0.4085	0.0711
Observations	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162

Notes: Table D2 examines how the impact of judicial reform on firm investment varies across different pre-reform patronage networks. The unit of observation is at the firm-investment location-year level. In Columns (1), (3), (5) and (7), the dependent variable is a binary indicator of whether the firm invested in the location, with regression coefficients multiplied by 100 for interpretability. In Columns (2), (4), (6) and (8), the dependent variable is the investment amount (logged). The key independent variable, $Reform$, is a dummy variable that equals 1 if the city has implemented judicial reform and 0 otherwise. The variable PRI represents the firm's political reliance index. All columns include interactions between the baseline core variables and various measures of pre-reform government subsidy conditions, along with their corresponding double interactions. Columns (1) and (2) utilize a dummy variable indicating whether the firm received government subsidies in 2014. Columns (3) and (4) employ the number of government subsidy projects in 2014. Columns (5) to (8) use the average government subsidy situation from 2011 to 2014 as a measure of the extent to which firms relied on political ties when investing in the region. Other control variables and FEs are identical to those in Table 1. Standard errors are clustered at the city level.***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE D3 Mechanism: Government Revolver (Investment to Local Prefectures)

Government revolver measure:	Dummy (Yes=1), 2014		Average number, 2011-2014	
Dependent variable:	Investment (p.p.)	Investment (logged)	Investment (p.p.)	Investment (logged)
	(1)	(2)	(3)	(4)
PRI × Reform × Revolver	-0.7054***	-0.1139***	-0.7592***	-0.1223***
	(0.2393)	(0.0426)	(0.2451)	(0.0433)
PRI × Reform	-0.3257***	-0.0502**	-0.3335***	-0.0513**
	(0.1187)	(0.0207)	(0.1192)	(0.0208)
Pre-policy city-level control × year	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓
Dependent-variable mean	0.4085	0.0711	0.4085	0.0711
Observations	2,386,162	2,386,162	2,386,162	2,386,162

Notes: Table D3 examines how the impact of judicial reform on firm investment varies across different pre-reform patronage networks. The unit of observation is at the firm-investment location-year level. In Columns (1) and (3), the dependent variable is a binary indicator of whether the firm invested in the location, with regression coefficients multiplied by 100 for interpretability. In Columns (2) and (4), the dependent variable is the investment amount (logged). The key independent variable, $Reform$, is a dummy variable that equals 1 if the city has implemented judicial reform and 0 otherwise. The variable PRI represents the firm's political reliance index. All columns incorporate interactions between the baseline core variables and various measures of pre-reform political reliance, including their corresponding double interactions. Columns (1) and (2) utilize a dummy variable indicating the presence of revolving door officials among the firm's senior management in 2014, while Columns (3) and (4) employ the average number of revolving door officials per year from 2011 to 2014. Other control variables and FEs are identical to those in Table 1. Standard errors are clustered at the city level.***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE D4 Mechanism: Corruption (Investment to Provincial Capitals)

Reform exposure weight:	Destination		Amount	
Dependent variable:	Investment (p.p.)	Investment (logged)	Investment (p.p.)	Investment (logged)
	(1)	(2)	(3)	(4)
Panel A. *Corrupt official number*				
PRI × Reform exposure × Corruption	4.1626***	0.7994***	3.7692***	0.7177***
	(1.3375)	(0.2721)	(1.2896)	(0.2547)
PRI × Reform exposure	4.7958***	0.7482**	2.7980	0.4556
	(1.6796)	(0.2882)	(1.8095)	(0.3016)
Panel B. *Corrupt official number (weighted by administrative level)*				
PRI × Reform exposure × Corruption	5.2420***	0.9948***	4.7030***	0.8840***
	(0.8980)	(0.1794)	(0.8463)	(0.1646)
PRI × Reform exposure	4.8046***	0.7498***	2.8043	0.4568
	(1.5496)	(0.2605)	(1.7109)	(0.2804)
Pre-policy city-level control × year	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓
Dependent-variable mean	2.3780	0.4006	2.3780	0.4006
Observations	208,997	208,997	208,997	208,997

Notes: Table D4 examines how the impact of judicial reform exposure in local prefectures on firms' investment in provincial capital cities varies across levels of corruption in those cities. The unit of observation is at the firm-investment location-year level. In Columns (1) and (3), the dependent variable is a binary indicator of whether the firm invested in the location, with regression coefficients multiplied by 100 for interpretability. In Columns (2) and (4), the dependent variable is the investment amount (logged). The key independent variable, $Reform\ exposure$, measures the intensity of judicial reform impact on firms in local prefectures, as defined by Equation 4. The variable PRI represents the firm's political reliance index. All columns incorporate interactions between the baseline core variables and various measures of corruption levels in provincial capital cities, including their corresponding double interactions. Panel A utilizes the number of officials who fell in anti-corruption campaigns, while Panel B uses the number of fallen officials (weighted by their administrative rank) as a measure of city corruption levels (see subsection A.3 for detail). Other control variables and FEs are identical to those in Table 1. Standard errors are clustered at the city level.***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE D5 Mechanism: Government Favoritism (Investment to Provincial Capitals)

Reform exposure weight:	Destination		Amount	
Dependent variable:	Investment (p.p.)	Investment (logged)	Investment (p.p.)	Investment (logged)
	(1)	(2)	(3)	(4)
Panel A. *Government Favoritism procurement (dummy, yes=1)*				
PRI × Reform exposure × Favoritism	9.7954***	1.4540***	7.7216***	1.1142***
	(1.9872)	(0.3285)	(2.0337)	(0.3343)
PRI × Reform exposure	-2.3211	-0.3173	-2.5102	-0.3200
	(1.6840)	(0.2711)	(1.5576)	(0.2542)
Panel B. *Government Favoritism procurement (ratio)*				
PRI × Reform exposure × Favoritism	3.2515**	0.5121*	2.9668**	0.4749*
	(1.4537)	(0.2580)	(1.4481)	(0.2560)
PRI × Reform exposure	6.1671***	0.9620***	4.1037**	0.6639**
	(1.6647)	(0.2938)	(1.7354)	(0.2986)
Pre-policy city-level control × year	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓
Dependent-variable mean	3.6607	0.6195	3.6607	0.6195
Observations	238,670	238,670	238,670	238,670

Notes: Table D5 examines how the effect of judicial reform exposure in local prefectures on firms' investment in provincial capitals varies by the degree of local favoritism toward politically reliant firms. The unit of observation is at the firm-investment location-year level. In Columns (1) and (3), the dependent variable is a binary indicator for whether the firm invested in the location; coefficients are multiplied by 100 for interpretability. In Columns (2) and (4), the dependent variable is investment amount(logged). The key independent variable, $Reform\ exposure$, measures the intensity of judicial reform impact on firms in local prefectures, as defined by Equation 4. The variable PRI represents the firm's political reliance index. All regressions interactions between the baseline core variables and alternative measures of government favoritism in provincial capitals. Panel A uses a dummy indicating whether connected firms receive procurement; Panel B uses the share of procurement awarded to connected firms. Other control variables and FEs are identical to those in Table 1. Standard errors are clustered at the city level.***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE D6 Mechanism: Political Orientation Searching Index (Investment to Provincial Capitals)

Reform exposure weight:	Destination		Amount	
Dependent variable:	Investment (p.p.)	Investment (logged)	Investment (p.p.)	Investment (logged)
	(1)	(2)	(3)	(4)
Panel A. *Define political orientation using mobile search*				
PRI × Reform exposure × Political orientation	4.2402***	0.6642**	3.5639**	0.5679**
	(1.4782)	(0.2730)	(1.4655)	(0.2621)
PRI × Reform exposure	6.1451***	0.9586***	4.0821**	0.6604**
	(1.6185)	(0.2857)	(1.7432)	(0.2986)
Panel B. *Define political orientation using PC search*				
PRI × Reform exposure × Political orientation	4.0212*	0.6192	3.6279*	0.5733
	(2.0810)	(0.3731)	(2.0538)	(0.3614)
PRI × Reform exposure	6.1349***	0.9570***	4.0713**	0.6587**
	(1.5662)	(0.2786)	(1.6873)	(0.2901)
Pre-policy city-level control × year	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓
Dependent-variable mean	3.6607	0.6195	3.6607	0.6195
Observations	238,670	238,670	238,670	238,670

Notes: Table D6 examines how the impact of judicial reform exposure in local prefectures on firms' investment in provincial capital cities varies across levels of political orientation in those cities. The unit of observation is at the firm-investment location-year level. In Columns (1) and (3), the dependent variable is a binary indicator of whether the firm invested in the location, with regression coefficients multiplied by 100 for interpretability. In Columns (2) and (4), the dependent variable is the investment amount (logged). The key independent variable, $Reform\ exposure$, measures the intensity of judicial reform impact on firms in local prefectures, as defined by Equation 4. The variable PRI represents the firm's political reliance index. All columns include interactions between the baseline core variables and various measures of political orientation in provincial capital cities, along with their corresponding double interactions. Political orientation is measured by the search frequency of political terms related to the Communist Party of China, party members, and party building in *Baidu* Index (see subsection A.3 for detail). Panel A utilizes search frequency from mobile devices, while Panel B uses search frequency from PC devices, with both measures standardized. Other control variables and FEs are identical to those in Table 1. Standard errors are clustered at the city level.***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

D.2 More on Alternative Explanations

TABLE D7 Alternative Explanation: Crowding-effect of Government Expenditure (Local Prefecture)

Dependent variable:	Investment (p.p.)				Investment (logged)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PRI × Reform	-0.3489***	-0.3488***	-0.3484***	-0.2228*	-0.0538**	-0.0538**	-0.0538**	-0.0364
	(0.1229)	(0.1229)	(0.1231)	(0.1330)	(0.0213)	(0.0214)	(0.0214)	(0.0227)
City expenditure		0.0204	0.0136	0.0491		0.0069	0.0048	0.0095
		(0.0673)	(0.0505)	(0.0590)		(0.0129)	(0.0093)	(0.0107)
Province expenditure		0.0268	0.0323	0.0746		0.0062	0.0067	0.0129
		(0.0539)	(0.0544)	(0.0651)		(0.0090)	(0.0092)	(0.0109)
Reform × City expenditure			0.0242	0.0230			0.0089	0.0090
			(0.0942)	(0.0928)			(0.0188)	(0.0186)
Reform × City expenditure			-0.0543	-0.0539			-0.0116	-0.0115
			(0.0582)	(0.0577)			(0.0114)	(0.0112)
PRI × City expenditure				-0.2841				-0.0390
				(0.2636)				(0.0436)
PRI × City expenditure				-0.3444				-0.0489
				(0.3297)				(0.0545)
Pre-policy city-level control × year	✓	✓	✓	✓	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓	✓	✓	✓	✓
Dependent-variable mean	0.4085	0.4085	0.4085	0.4085	0.0711	0.0711	0.0711	0.0711
Observations	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162
Adjusted R-squared	0.5445	0.5445	0.5445	0.5445	0.5674	0.5674	0.5674	0.5674

Notes: Table D7 presents results controlling for local fiscal expenditures using Equation 2. In Columns (1)-(4), the dependent variable is a binary indicator of firm investment in the location, with regression coefficients scaled by 100 for ease of interpretation. Columns (5)-(8) feature the investment amount, logged. The key independent variable, $Reform$, is a binary indicator set to 1 if judicial reform has been implemented in the city and 0 otherwise. The variable PRI denotes the firm's political reliance index. Other control variables match those in Table 1. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE D8 Alternative Explanation: Crowding-effect of Government Expenditure (Provincial Capital)

Dependent variable:	Investment (p.p.)				Investment (logged)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PRI × Reform exposure	6.1612***	6.1612***	6.1727***	4.4270**	0.9612***	0.9611***	0.9632***	0.7194**
	(1.8356)	(1.8356)	(1.8321)	(1.8652)	(0.3202)	(0.3202)	(0.3196)	(0.3341)
City expenditure		0.5374**	0.6550**	0.5996*		0.0975**	0.1170**	0.1164**
		(0.2534)	(0.2647)	(0.3325)		(0.0423)	(0.0449)	(0.0558)
Province expenditure		-0.6041	-0.6893	-1.3365*		-0.0953	-0.1106	-0.2122*
		(0.6337)	(0.6601)	(0.7411)		(0.1074)	(0.1121)	(0.1248)
Reform exposure × City expenditure			-1.7130***	-1.7146***			-0.2930***	-0.2931***
			(0.1491)	(0.1498)			(0.0331)	(0.0331)
Reform exposure × City expenditure			1.1473***	1.1466***			0.2056**	0.2053**
			(0.3997)	(0.3983)			(0.0757)	(0.0756)
PRI × City expenditure				0.4697				0.0045
				(1.5549)				(0.2606)
PRI × City expenditure				5.3556**				0.8439**
				(2.1098)				(0.3479)
Pre-policy city-level control × year	✓	✓	✓	✓	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓	✓	✓	✓	✓
Dependent-variable mean	3.6607	3.6607	3.6607	3.6607	0.6195	0.6195	0.6195	0.6195
Observations	238,670	238,670	238,670	238,670	238,670	238,670	238,670	238,670
Adjusted R-squared	0.5525	0.5525	0.5528	0.5528	0.5690	0.5690	0.5693	0.5693

Notes: Table D8 presents results controlling for local fiscal expenditures using Equation 3. In Columns (1)-(4), the dependent variable is a binary indicator of firm investment in the location, with regression coefficients scaled by 100 for ease of interpretation. Columns (5)-(8) feature the investment amount, logged. The key independent variable, $Reform\ exposure$, quantifies the impact of judicial reform on firms in local prefectures, as defined by Equation 4. The variable PRI denotes the firm's political reliance index. Other control variables match those in Table 1. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE D9 Alternative Explanation: SOE Expansion (Non-provincial Capital)

Dependent variable:	Investment (p.p.)				Investment (logged)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PRI × Reform	-0.3491***	-0.3492***	-0.3486***	-0.2973**	-0.0538**	-0.0539**	-0.0538**	-0.0466**
	(0.1225)	(0.1225)	(0.1224)	(0.1350)	(0.0212)	(0.0213)	(0.0213)	(0.0235)
State-owned Employment		0.0397	0.0192	-0.0066		0.0067	0.0032	0.0002
		(0.0496)	(0.0633)	(0.0798)		(0.0085)	(0.0108)	(0.0137)
SOE development		0.0131	0.0138	-0.0121		0.0012	0.0014	-0.0024
		(0.0198)	(0.0195)	(0.0236)		(0.0036)	(0.0036)	(0.0041)
Reform ×State-owned Employment			0.0642	0.0631			0.0108	0.0108
			(0.0920)	(0.0923)			(0.0160)	(0.0159)
Reform ×SOE development			0.0257	0.0260			0.0053	0.0053
			(0.0208)	(0.0209)			(0.0040)	(0.0040)
PRI ×State-owned Employment				0.2167				0.0255
				(0.4338)				(0.0745)
PRI ×SOE development				0.2143				0.0311
				(0.1316)				(0.0224)
Pre-policy city-level control × year	✓	✓	✓	✓	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓	✓	✓	✓	✓
Dependent-variable mean	0.4085	0.4085	0.4085	0.4085	0.0711	0.0711	0.0711	0.0711
Observations	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162
Adjusted R-squared	0.5445	0.5445	0.5445	0.5445	0.5674	0.5674	0.5674	0.5674

Notes: Table D9 presents results controlling for SOE expansion using Equation 2. The unit of observation is at the firm-investment location-year level. In Columns (1)-(4), the dependent variable is a binary indicator of firm investment in the location, with regression coefficients scaled by 100 for ease of interpretation. Columns (5)-(8) feature the investment amount, logged. The key independent variable, $Reform$, is a binary indicator set to 1 if judicial reform has been implemented in the city and 0 otherwise. *SOE development* refers to the proportion of state-owned enterprises (SOEs) in terms of scale relative to all enterprises. *State-owned Employment* denotes the share of the workforce employed by state-owned units within the city. The variable PRI denotes the firm's political reliance index. Other control variables match those in Table 1. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE D10 Alternative Explanation: Alternative Explanation: SOE Expansion (Provincial Capital)

Dependent variable:	Investment (p.p.)				Investment (logged)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PRI × Reform exposure	6.1610***	6.1612***	6.1566***	6.0931***	0.9612***	0.9612***	0.9603***	0.9787***
	(1.8356)	(1.8357)	(1.8342)	(1.8598)	(0.3202)	(0.3202)	(0.3199)	(0.3242)
State-owned Employment		0.0098	0.3259	0.3744		0.0112	0.0690	0.0396
		(0.6289)	(0.7525)	(1.0630)		(0.1093)	(0.1310)	(0.1862)
SOE employment		-0.2120	-0.2531	-0.2369		-0.0355	-0.0414	-0.0380
		(0.1657)	(0.1721)	(0.1964)		(0.0277)	(0.0290)	(0.0328)
Reform exposure ×State-owned Employment			-2.5291	-2.5394			-0.4741	-0.4757
			(1.7398)	(1.7368)			(0.2915)	(0.2909)
Reform exposure ×SOE employment			0.3019	0.3021			0.0432	0.0432
			(0.2229)	(0.2230)			(0.0403)	(0.0403)
PRI ×State-owned Employment				-0.3069				0.2419
				(4.8635)				(0.8526)
PRI ×SOE employment				-0.1405				-0.0273
				(0.7439)				(0.1281)
Pre-policy city-level control × year	✓	✓	✓	✓	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓	✓	✓	✓	✓
Dependent-variable mean	3.6607	3.6607	3.6607	3.6607	0.6195	0.6195	0.6195	0.6195
Observations	238,670	238,670	238,670	238,670	238,670	238,670	238,670	238,670
Adjusted R-squared	0.5525	0.5525	0.5525	0.5525	0.5690	0.5690	0.5690	0.5690

Notes: Table D10 presents results controlling for SOE expansion using Equation 3. The unit of observation is at the firm-investment location-year level. In Columns (1)-(4), the dependent variable is a binary indicator of firm investment in the location, with regression coefficients scaled by 100 for ease of interpretation. Columns (5)-(8) feature the investment amount, logged. The key independent variable, $Reform\ exposure$, quantifies the impact of judicial reform on firms in local prefectures, as defined by Equation 4. The variable PRI denotes the firm's political reliance index. *SOE development* refers to the proportion of state-owned enterprises (SOEs) in terms of scale relative to all enterprises. *State-owned Employment* denotes the share of the workforce employed by state-owned units within the city. The variable PRI denotes the firm's political reliance index. Other control variables match those in Table 1. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

Appendix E More on Patronage Reproduction

TABLE E1 Local Judicial Brokerage after Centralization

Cell:	Firm × year × local prefecture			
Dependent variable:	Employment of local revolving-door officials			
	Extensive margin: employment probability		Intensive margin: number employed	
Prior public institution:	Court	Procuratorate	Court	Procuratorate
	(1)	(2)	(3)	(4)
PRI × Reform	0.0217**	-0.0097	0.0217**	-0.0097
	(0.0107)	(0.0079)	(0.0107)	(0.0079)
Reform	-0.0005	0.0029	-0.0005	0.0029
	(0.0022)	(0.0018)	(0.0022)	(0.0018)
Pre-policy city-level control × year	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓
Dependent-variable mean	0.0041	0.0005	0.0041	0.0005
Observations	2,386,162	2,386,162	2,386,162	2,386,162

Notes: Table E1 examines whether judicial centralization differentially reshapes politically reliant firms' use of local judicial brokerage, measured by their employment of former local court and procuratorate officials. The unit of observation is the firm–location–year. A local judicial revolving-door official is a former public official employed by a firm who, at any point in the official's prior public career, held a prefecture-level or lower position in the focal prefecture and served in either a court or procuratorate. $Reform$ equals one once the prefecture implements judicial centralization, and PRI denotes the firm's political reliance index. Columns (1)–(2) report the extensive margin, an indicator (multiplied by 100) for whether the firm employs such an official; Columns (3)–(4) report the intensive margin, the corresponding number of officials (also multiplied by 100). Columns (1) and (3) restrict the outcome to former local court officials; Columns (2) and (4) restrict it to former local procuratorate officials. Because a firm rarely employs more than one local court or procuratorate official, the extensive- and intensive-margin estimates coincide. Control variables and fixed effects are identical to those in Table 1. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE E2 Board-Level Retrenchment of Local Political Brokerage

Cell:	Firm × year × local prefecture				
Dependent variable: hiring locally experienced low-level officials	All	Independent director	Non-independent director	Executive	Supervisor
	(1)	(2)	(3)	(4)	(5)
Panel A. Probability					
PRI × Reform	-0.0873*	-0.0802**	0.0105	-0.0182	0.0045
	(0.0490)	(0.0338)	(0.0250)	(0.0227)	(0.0118)
Reform	0.0016	0.0045	-0.0042	0.0008	-0.0010
	(0.0100)	(0.0076)	(0.0053)	(0.0033)	(0.0027)
Dependent-variable mean	0.0722	0.0257	0.0262	0.0128	0.0102
Panel B. Number					
PRI × Reform	-0.0963*	-0.0803**	-0.0001	-0.0193	0.0033
	(0.0530)	(0.0338)	(0.0299)	(0.0229)	(0.0120)
Reform	0.0008	0.0036	-0.0030	0.0004	-0.0004
	(0.0122)	(0.0083)	(0.0053)	(0.0034)	(0.0029)
Dependent-variable mean	0.0775	0.0263	0.0274	0.0132	0.0106
Pre-policy city-level control × year	✓	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓	✓
Firm-destination pair FE	✓	✓	✓	✓	✓
Headquarters-year FE	✓	✓	✓	✓	✓
Province (destination)-year trend	✓	✓	✓	✓	✓
Observations	2,386,162	2,386,162	2,386,162	2,386,162	2,386,162

Notes: Table E2 examines how politically reliant firms' retrenchment of local political brokerage, measured by their employment of locally connected revolving-door officials, varies across organizational roles following judicial centralization. The unit of observation is the firm–location–year. An official is counted as connected to a local prefecture if, at any point in their government career, they once held a prefecture-level or lower position physically located in that prefecture. The key independent variable, $Reform$, is a dummy variable that equals 1 if the city has implemented judicial reform and 0 otherwise. The variable PRI represents the firm's political reliance index. In Panel A, the dependent variable is the probability (in percentage points, 0 or 100) that the firm hires such a connected official in a given firm role; in Panel B, it is the corresponding number of such officials. Column (1) pools all roles; Columns (2)–(5) split them into independent directors, non-independent directors, executives, and supervisors. Because such local connections are rare, both the percentage-point and the count outcomes, together with the dependent-variable means, are scaled by 100. Control variables and FEs are identical to those in Table 1. Standard errors are clustered at the city level. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE E3 Impact of Judicial Reform Exposure on Litigation Win Rates

Reform exposure weight:	Destination		Amount	
Sample:	Win rate (p.p.) in local prefecture	Win rate (p.p.) in provincial capital	Win rate (p.p.) in local prefecture	Win rate (p.p.) in provincial capital
	(1)	(2)	(3)	(4)
PRI × Reform exposure	-6.4906*	6.8020*	-7.1567**	7.4194**
	(3.6153)	(3.5120)	(3.5831)	(3.7216)
Reform exposure	1.0594*	-0.7521	1.1174*	-0.6394
	(0.6320)	(0.5840)	(0.6406)	(0.6328)
Pre-policy city-level control × year	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓
Firm FE	✓	✓	✓	✓
Year FE	✓	✓	✓	✓
Province-year trend	✓	✓	✓	✓
Dependent-variable mean	30.9559	30.3752	30.9559	30.3752
Observations	7,812	7,812	7,812	7,812

Notes: Table E3 examines the impact of judicial reform exposure on firms' win rates in court trials. The unit of observation is at the firm-year level. The variable PRI represents the firm's political reliance index. The key independent variable, $Reform\ exposure$, measures the intensity of judicial reform impact on firms. All columns include the firm fixed effects, year fixed effects, as well as predetermined firm-level and city-level characteristics interacted with the year dummy. The characteristics of city and firm are identical to those in Table 1. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

Appendix F More on Public Welfare Gains and Private Risk Mitigation

TABLE F1 Extension: Impact on Total Investment

Dependent variable:	Investment (p.p.)		Investment (logged)	
Reform exposure weigh:	Destination	Amount	Destination	Amount
	(1)	(2)	(3)	(4)
PRI × Reform exposure	0.2216	0.1487	0.3932	0.5340
	(0.6265)	(0.6149)	(0.5247)	(0.6494)
Reform exposure	-0.2924***	-0.2429***	0.0185	0.0251
	(0.0886)	(0.0888)	(0.0384)	(0.0326)
Pre-policy city-level control × year	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓
Firm FE	✓	✓	✓	✓
Year FE	✓	✓	✓	✓
Province-year trend	✓	✓	✓	✓
Observations	7,812	7,812	7,812	7,812

Notes: Table F1 presents results on the impact of reform on total investment. The unit of observation is at the firm-year level. In Columns (1)-(2), the dependent variable is the total number of investment locations. In Columns (3)-(4), that is the investment amount (logged). The key independent variable, $Reform\ exposure$ measures the intensity of the reform's impact on firms in local prefectures, as defined in Equation 4. The variable PRI represents the firm's political reliance index. All columns include firm and year fixed effects, province-specific linear time trends , as well as interactions between pre-policy firm location city and firm characteristics with year dummies. Control variables about characteristics of the firm's parent company's city and firm-specific characteristics are identical to those in Table 1. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE F2 Extension: Impact on Performance

Dependent variable:	Profitability		Liquidity & Solvency			Leverage	Growth & Market Performance			
	Gross margin	Operating margin	Total asset turnover	Current ratio	Quick ratio	Debt-equity ratio	Income growth	Net income growth	Cash flow	Net income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Panel A. *Investment destination share*										
PRI × Reform exposure	0.0217	-0.0150	-0.2941	0.5450	0.5907	-0.8964	0.2404	1.3726	1.2196	0.9296*
	(0.4348)	(0.2572)	(0.3634)	(0.5244)	(0.5455)	(1.2855)	(0.1657)	(1.1904)	(0.8979)	(0.5336)
Reform exposure	-0.0161	-0.0072	0.0432	-0.0673	-0.0665	0.2848	0.0321	-0.1897	-0.1502	-0.1004
	(0.0609)	(0.0288)	(0.0666)	(0.1337)	(0.1378)	(0.2324)	(0.0665)	(0.1872)	(0.1160)	(0.0767)
Panel B. *Investment amount share*										
PRI × Reform exposure	0.0007	-0.0049	-0.3567	0.5003	0.5564	-0.8968	0.2030	1.1047	1.1410	0.7618
	(0.4287)	(0.2241)	(0.3486)	(0.5025)	(0.5223)	(1.1973)	(0.1474)	(1.0417)	(0.8602)	(0.5210)
Reform exposure	-0.0170	-0.0053	0.0522	-0.0712	-0.0712	0.2638	0.0184	-0.1530	-0.1389	-0.0865
	(0.0583)	(0.0239)	(0.0626)	(0.1238)	(0.1277)	(0.2172)	(0.0588)	(0.1428)	(0.1092)	(0.0735)
Pre-policy city-level control × year	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Pre-policy firm control × year	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Firm FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Year FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Province-year trend	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Observations	7,811	7,811	7,796	7,812	7,812	7,812	7,812	7,811	7,812	7,078

Notes: Table F2 presents results on the impact of judicial reform on total investment. The unit of observation is at the firm-year level. Dependent variables are categorized into four groups: Columns (1) and (2) focus on profitability and efficiency metrics, including gross margin and operating margin; Columns (3) and (5) analyze liquidity and solvency, featuring total asset turnover, current ratio, and quick ratio; Columns (6) explore financial leverage through the debt/equity ratio; and Columns (7) to (10) assess growth and market performance, encompassing income growth, net income growth, cash flow, and net income. The key independent variable, $Reform\ exposure$ measures the intensity of the judicial reform's impact on firms in local prefectures, as defined in Equation 4. The variable PRI represents the firm's political reliance index. All columns include firm and year fixed effects, province-specific linear time trends , as well as interactions between pre-policy firm location city and firm characteristics with year dummies. Control variables about characteristics of the firm's parent company's city and firm-specific characteristics are identical to those in Table 1. ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

TABLE F3 Mechanism: Satisfaction and Fairness

Dependent variable:	Unweighted				Weighted by 2014 population			
	Satisfaction		Fairness		Satisfaction		Fairness	
local prefectures	Yes	No	Yes	No	Yes	No	Yes	No
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A. *Judiciary*								
Reform	0.1237***	0.0800	0.0808*	0.0572	0.1093**	0.0540	0.0875**	0.0526
	(0.0468)	(0.0733)	(0.0471)	(0.0881)	(0.0478)	(0.0660)	(0.0421)	(0.0724)
Dependent-variable mean	2.9751	2.9628	2.7860	2.7783	2.9714	2.9628	2.7842	2.7783
Panel B. *Company (placebo)*								
Reform	-0.0052	0.0196	0.0166	0.0075	-0.0077	0.0071	0.0225	0.0167
	(0.0552)	(0.0772)	(0.0467)	(0.0740)	(0.0562)	(0.0755)	(0.0424)	(0.0548)
Dependent-variable mean	2.9743	2.9870	2.5892	2.6001	2.9737	2.9870	2.5897	2.6001
Pre-policy city-level control × year	✓	✓	✓	✓	✓	✓	✓	✓
Year FE	✓	✓	✓	✓	✓	✓	✓	✓
City FE	✓	✓	✓	✓	✓	✓	✓	✓
Observations	324	72	324	72	312	72	312	72

Notes: Table F3 reports the impact of judicial reform on public perceptions of the judiciary. The unit of observation is aggregated at the city-year level, using data from the Chinese Social Survey (CSS) from 2011 to 2021. Panel A examines the effect on public satisfaction and perceived fairness of the judiciary. Columns (1)-(2) and (5)-(6) use public satisfaction with the judiciary as the dependent variable, while Columns (3)-(4) and (7)-(8) use perceived fairness of the judiciary, where higher values indicate greater fairness. Panel B presents placebo tests, with Columns (1)-(2) and (5)-(6) using public satisfaction with their own company and Columns (3)-(4) and (7)-(8) using perceived fairness of promotion within the company as dependent variables. Columns (1)-(4) report unweighted regressions. Columns (5)-(8) present population-weighted regressions, where weights are based on 2014 city-level population. The key independent variable, $Reform$, is a dummy variable that equals 1 if the city has implemented judicial reform and 0 otherwise. Columns (1)-(8) control for interactions between pre-policy city characteristics and year dummies, as well as city and year fixed effects. City-level controls are consistent with those in Table 1.***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.