

Appendix: Additional Tables and Empirical Results

Table A1: Variables description

Board Gender	Ratio of male directors to total number of board members. Winsorized at the 1% and 99% level.
Board Independence Ratio	Ratio of independent directors (those who are neither executive directors nor have any pecuniary relationship with the corporation) over total number of board members. Winsorized at the 1% and 99% level.
Capital Expenditure	Ratio of capital expenditure to total assets. Winsorized at the 1% and 99% level.
Cash Holding	Cash ratio. Winsorized at the 1% and 99% level.
Connection	Dummy variable equal to one if a firm has at least one board member who attended the same university as a Politburo member, graduated within a four-year window, and studied the same type of degree.
Subsidy	Total government subsidies received by firm i in year t over total operating revenue in year $t-1$. Winsorized at the 1% and 99% level.
Connection_2yw	Binary variable equal to one if a firm has at least one board member who attended the same university as a Politburo member, graduated within a two-year window, and studied the same type of degree.
Connection_3yw	Binary variable equal to one if a firm has at least one board member who attended the same university as a Politburo member, graduated within a two-year window, and studied the same type of degree.
Connection_bothPB	Dummy variable equal to 1 if the firm has at least one director connected to a Politburo member that was both elected in the 17th and 18th Party Congress.
Connected_New PB members	Dummy variable equal to 1 if at least one director of a given firm gained a connection in 2012 to a newly elected Politburo member.
Cost of Debt (CoD)	Ratio of total interest payment to total debt. Winsorized at the 1% and 99% level.
Effective Tax Rate (ETR)	Tax Expenses minus deferred taxes over pre-tax profits. Variable truncated between 0 and 1.
Entertainment	Ratio of travelling and business entertainment expenses to operating revenue. Winsorized at the 1% and 99% level.
Intangible	Net intangible assets to total assets. Net intangible assets are the total intangible assets minus the depreciation, amortization and provision for impairment.
Leverage	Ratio of total assets to total liabilities. Winsorized at the 1% and 99% level.
Growth	Sales Growth. Winsorized at the 1% and 99% level.
Market to Book	Ratio of market value to total assets. Market value is computed by multiplying total shares times its price. We take prices on December 31st of each year. Winsorized at the 1% and 99% level.
Size	Natural logarithm of total assets. Winsorized at the 1% and 99% level.
Return on Assets (ROA)	Ratio of net profit to total assets. Winsorized at the 1% and 99% level.
State	Dummy variable that takes a value of one if a firm is state-owned, 0 otherwise.
University	Dummy variable equal to one if at least one board member attended the same university as a Politburo member.
Top5	Dummy variable equal to 1 if at least one of the directors in the board attended one of the top 5 universities in China.
Tot.Subs	Total amount of subsidies, expressed in million yuans. Winsorized at the 1% and 99% level.

Table A2: Media References

Ref. N°	Source of the media reference
Ref. 1	Gerry Shih, “In China, investigations and purges become the new normal”, <i>The Washington Post</i> , October 22, 2018. https://www.washingtonpost.com/world/asia_pacific/in-china-investigations-and-purges-become-the-new-normal/2018/10/21/077fa736-d39c-11e8-a275-81c671a50422_story.html
Ref. 2	Chris Buckley, “Pursuing Graft Cases at Higher Levels, Chinese Leader Risks Unsettling Elites”, <i>The New York Times</i> , September 25, 2013. https://www.nytimes.com/2013/09/26/world/asia/pursuing-graft-cases-at-higher-levels-chinese-leader-risks-unsettling-elites.html
Ref. 3	“Xi Jinping’s anti-corruption campaign: how broad is it? What is the goal?” (Xìjìnpíng de fǎnfǔ yùndòng: Fànwei yǒu duō guǎng? Mùbiāo shì shénme?), <i>BBC News</i> , October 23, 2017. www.bbc.com/zhongwen/simp/chinese-news-41719314
Ref. 4	“Central inspection team: benefit transmission and related transactions become the key words of central enterprises corruption” (Zhōngyāng xúnshì zǔ: Lìyì shūsòng, guānlián jiāoyì chéng yāngqǐ fǔbài guānjiàn cí), <i>Sohu News</i> , October 19, 2015. https://business.sohu.com/20151019/n423607053.shtml
Ref. 5	Tom Mitchell, Xinning Liu, and Gabriel Wildau, “China’s private sector struggles for funding as growth slows” <i>Financial Times</i> , January 21, 2019. https://www.ft.com/content/56771148-1d1c-11e9-b126-46fc3ad87c65
Ref. 6	“Central inspection team: benefit transmission and related transactions become the key words of central enterprises corruption” (Zhōngyāng xúnshì zǔ: Lìyì shūsòng, guānlián jiāoyì chéng yāngqǐ fǔbài guānjiàn cí), <i>Sohu News</i> , October 19, 2015. https://business.sohu.com/20151019/n423607053.shtml
Ref. 7	“More than 30 executives of state-owned enterprises have been investigated this year, including two middle-management cadres” (Jīnnián yǐ yǒu 30 yú míng guóqǐ gāo guǎn bèi chá hán liǎng míng zhōng guǎn gǎnbù), <i>CPC News</i> , August 16, 2018. http://fanfu.people.com.cn/n1/2018/0816/c64371-30231773.html
Ref. 8	“The Central Commission for Discipline Inspection revealed that state-owned enterprise leaders are most likely to make these mis-takes” (Jǐngtǐ! Zhōng jìwěi pīlù, guóqǐ lǐngdǎo zuì róngyì fàn zhèxiē cuò), <i>QQ news</i> . https://new.qq.com/omn/20181018/20181018A0BB05.html?pc=

Table A3: Connections and Effective Tax Rate, 2007-2017

In this table we estimate regressions at the firm level. The dependent variable is the effective tax rate (ETR) in year t , computed as the total amount of income tax to total profits, subtracting the deferred taxes. The independent variable of interest is *Connection* in year $t - 1$, a binary variable equal to 1 if there is at least one director of the board connected to a member of the Politburo, and zero otherwise. Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

Panel A: Total Sample

VARIABLES	All Firms			Private			State		
	ETR (1)	ETR (2)	ETR (3)	ETR (4)	ETR (5)	ETR (6)	ETR (7)	ETR (8)	ETR (9)
Connection	-0.011 (0.018)	-0.010 (0.018)	-0.010 (0.018)	-0.012 (0.012)	-0.011 (0.012)	-0.011 (0.013)	-0.009 (0.026)	-0.011 (0.029)	-0.011 (0.028)
Entertainment			-0.323 (0.366)			-0.182 (0.350)			-0.309 (0.779)
Size		0.010 (0.010)	0.009 (0.010)		0.010 (0.010)	0.010 (0.011)		0.016* (0.009)	0.016 (0.010)
Leverage		0.017 (0.026)	0.015 (0.027)		0.014 (0.028)	0.013 (0.029)		0.012 (0.090)	0.011 (0.086)
Market to Book		-0.000 (0.002)	-0.000 (0.002)		0.002 (0.002)	0.002 (0.002)		-0.005 (0.008)	-0.005 (0.008)
Return on Assets		-0.100 (0.112)	-0.111 (0.119)		-0.150 (0.132)	-0.157 (0.140)		0.073 (0.201)	0.064 (0.176)
State		-0.001 (0.037)	-0.000 (0.038)						
Board Indep.		-0.011 (0.013)	-0.011 (0.013)		-0.009 (0.015)	-0.009 (0.016)		-0.018 (0.024)	-0.017 (0.024)
Board Gender		-0.006 (0.021)	-0.005 (0.021)		-0.010 (0.018)	-0.009 (0.018)		0.018 (0.026)	0.018 (0.026)
Constant	0.208*** (0.003)	-0.001 (0.213)	0.018 (0.222)	0.193*** (0.001)	-0.019 (0.232)	-0.006 (0.248)	0.241*** (0.006)	-0.140 (0.146)	-0.119 (0.185)
Observations	6,160	6,160	6,160	4,180	4,180	4,180	1,980	1,980	1,980
Adjusted R-squared	0.227	0.227	0.227	0.153	0.153	0.153	0.289	0.287	0.287
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: Matched Sample

VARIABLES	All Firms			Private			State		
	ETR (1)	ETR (2)	ETR (3)	ETR (4)	ETR (5)	ETR (6)	ETR (7)	ETR (8)	ETR (9)
Connection	-0.007 (0.022)	-0.006 (0.024)	-0.006 (0.024)	-0.003 (0.013)	-0.001 (0.013)	-0.001 (0.013)	-0.020 (0.042)	-0.021 (0.043)	-0.021 (0.045)
Entertainment			-0.219 (0.211)			-0.177 (0.250)			-0.524 (0.466)
Size		0.005 (0.010)	0.005 (0.010)		0.008 (0.009)	0.008 (0.009)		-0.001 (0.003)	-0.002 (0.003)
Leverage		0.038 (0.024)	0.038 (0.025)		0.026 (0.032)	0.026 (0.035)		0.062 (0.087)	0.060 (0.086)
Market to Book		-0.002 (0.002)	-0.002 (0.002)		-0.000 (0.001)	-0.000 (0.001)		-0.003 (0.011)	-0.002 (0.011)
Return on Assets		-0.043 (0.133)	-0.050 (0.131)		-0.116 (0.161)	-0.122 (0.158)		0.035 (0.120)	0.022 (0.120)
State		0.009 (0.026)	0.009 (0.026)						
Board Indep.		-0.019 (0.014)	-0.019 (0.014)		-0.010 (0.021)	-0.010 (0.021)		-0.045 (0.026)	-0.045 (0.025)
Board Gender		-0.014 (0.019)	-0.014 (0.019)		-0.042 (0.024)	-0.042* (0.023)		0.045 (0.033)	0.045 (0.033)
Constant	0.201*** (0.004)	0.089 (0.212)	0.104 (0.221)	0.189*** (0.002)	0.045 (0.211)	0.060 (0.220)	0.224*** (0.009)	0.202*** (0.000)	0.240*** (0.000)
Observations	3,903	3,903	3,903	2,538	2,538	2,538	1,365	1,365	1,365
Adjusted R-squared	0.196	0.195	0.195	0.167	0.167	0.167	0.208	0.205	0.204
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Clustered robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A4: Institutional Mechanism of our Variable of Political connections

Many decisions in China are taken at the local level. In the case of subsidies, as Fang et al. (2018) explain, their approval follows a pyramidal structure. While the applications can be done at the local level, they are subsequently approved by upper levels (i.e., the municipal, provincial, and central levels). Local officials with career concerns have an incentive to cultivate good relationships with people connected to the elite, who can potentially affect their future promotion. Therefore, being connected to the Politburo can affect local officials' decisions to approve subsidy applications at their level and submit them to the upper level to be considered.

As for banks, even if local, they are also closely tied to the political system. Martin (2012), when explaining the different types of banks in China, says that all of them (also city commercial banks and equitized banks) have senior officers who are members of the Chinese Communist Party, or have been appointed by the central government or Party agencies, and have political career concerns. These officers "are also assigned ranks in the Chinese government's hierarchy, ranging from the equivalent of a bureau chief to a viceminister. The professional career of the senior bank officers is determined by the CCP, and may involve moving into positions within the Party (...)" (Martin, 2012). Again, the vertical and centralized structure of the political career in China (Xu, 2011), makes a connection to the central elite a powerful tool to get resources even at the local level as long as there are officials with career concerns.

Table A5: Politburo Members Directors

Table A5 shows Politburo members elected after the 17th and 18th Party Congress. New members arriving in 2012 are in italics. Fallen politicians are marked with an asterisk. All fallen politicians were expelled after they left the Politburo. Source: China Vitae (<http://www.chinavitae.com/>). The third and fifth columns contain the number of directors connected to each politician in our sample. In our sample of firms, there are 62,930 director-year observations according to the number of directors in our sample's Chinese boards. We identify 1,261 director-year connections to at least one Politburo member. In our final sample, we have the educational and personal information of 11,862 directors. 2,017 (17%) went to top 5 universities in China, and 2,605 (22%) went to one of the top 10 universities in China. 484 individual directors are connected to at least one politician in the Politburo, this corresponds to 4% of our total number of directors. Among these connected directors, 59% (61%) went to top 5 (top 10) universities in China. 63% of directors sit in one board, 87% sit in three boards or less. Less than 1% of directors sits in more than 10 boards. Notice that one third of the connections come from directors' links to one of the 25 members of the first Politburo, while two thirds from links to the second Politburo members.

	2007-2012		2012-2017	
	Politburo member	N connected directors	Politburo member	N connected directors
1	Hu Jintao	16	Xi Jinping	31
2	Wen Jiabao	0	Li Keqiang	49
3	Bo Xilai*	32	<i>Fan Changlong</i>	19
4	Guo Boxiong*	0	<i>Guo Jinlong</i>	3
5	He Guoqiang	0	<i>Han Zheng</i>	37
6	Hui Liangyu	0	<i>Hu Chunhua</i>	82
7	Jia Qinglin	2	<i>Li Jianguo</i>	1
8	Li Changchun	0	Li Yuanchao	38
9	Li Keqiang	39	<i>Li Zhanshu</i>	25
10	Li Yuanchao	24	<i>Liu Qibao</i>	1
11	Liu Qi	0	Liu Yandong	29
12	Liu Yandong	32	Liu Yunshan	3
13	Liu Yunshan	0	<i>Ma Kai</i>	14
14	Wang Gang	3	<i>Meng Jianzhu</i>	0
15	Wang Lequan	4	<i>Sun Chunlan</i>	16
16	Wang Qishan	2	<i>Sun Zhengcai*</i>	5
17	Wang Yang	24	<i>Wang Huning</i>	17
18	Wang Zhaoguo	9	Wang Qishan	4
19	Wu Bangguo	24	Wang Yang	26
20	Xi Jinping	28	<i>Xu Qiliang</i>	4
21	Xu Caihou*	0	Yu Zhengsheng	0
22	Yu Zhengsheng	0	<i>Zhang Chuxian</i>	0
23	Zhang Dejiang	0	Zhang Dejiang	0
24	Zhang Gaoli	4	Zhang Gaoli	6
25	Zhou Yongkang*	5	<i>Zhao Leji</i>	70

Table A6: Alternative Measure of Connections using a 2 Year Window

In this table we repeat the regressions shown in Tables 2 and 3 using the variable *Connection_2yw*, an alternative measure of connections. Instead of using a 4 year window to consider that a director is connected, we use a 2 year window. The independent variable of interest is *Connection_2yw*, a binary variable equal to 1 if there is at least one director of the board connected to a member of the Politburo in year $t - 1$, and zero otherwise. Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

Panel A: Total Sample - Subsidies

VARIABLES	All Firms			Private			State		
	Subsidy (1)	Subsidy (2)	Subsidy (3)	Subsidy (4)	Subsidy (5)	Subsidy (6)	Subsidy (7)	Subsidy (8)	Subsidy (9)
Connection_2yw	0.002*** (0.000)	0.002** (0.001)	0.002** (0.001)	0.003*** (0.001)	0.003*** (0.001)	0.003*** (0.001)	-0.001 (0.000)	-0.001 (0.001)	-0.001 (0.001)
Entertainment			0.029 (0.052)			0.024 (0.064)			0.103 (0.114)
Controls	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Observations	7,266	7,266	7,266	5,119	5,119	5,119	2,147	2,147	2,147
Adjusted R-squared	0.520	0.522	0.522	0.540	0.541	0.541	0.509	0.513	0.514
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: Total Sample - Cost of Debt

VARIABLES	All Firms			Private			State		
	CoD (1)	CoD (2)	CoD (3)	CoD (4)	CoD (5)	CoD (6)	CoD (7)	CoD (8)	CoD (9)
Connection_2yw	-0.000** (0.000)	-0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)	0.000 (0.001)	0.000 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)
Entertainment			-0.050* (0.024)			-0.045* (0.021)			-0.007 (0.037)
Controls	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Observations	7,266	7,266	7,266	5,119	5,119	5,119	2,147	2,147	2,147
Adjusted R-squared	0.629	0.687	0.687	0.588	0.659	0.660	0.748	0.782	0.782
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A7: Alternative Measure of Connections using a 2 Year Window (Cont.)

In this table we repeat the regressions shown in Table 4 using the variable *Connection_2yw*, an alternative measure of connections. Instead of using a 4 year window to consider that a director is connected, we use a 2 year window. The independent variable of interest is *Connection_2yw*, a binary variable equal to 1 if there is at least one director of the board connected to a member of the Politburo in year $t - 1$, and zero otherwise. Pre-2012 period dates from 2007 to 2012, while Post-2012 period spans from 2013 to 2017. Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

Panel A: Subsidies Before and After 2012

VARIABLES	Pre-2012		Post-2012		Pre-2012		Post-2012		Pre-2012		Post-2012		Pre-2012		Post-2012	
	All Firms	Subsidy	All Firms	Subsidy	Private	Subsidy	Private	Subsidy	State	Subsidy	State	Subsidy	State	Subsidy	State	Subsidy
Connection_2yw	0.002	0.001	0.002	0.001	0.005	0.005	0.005	0.003**	0.004	0.006	0.004	0.004	-0.002	-0.003	-0.003	-0.003
Entertainment	(0.005)	(0.001)	(0.005)	(0.001)	(0.005)	(0.005)	(0.001)	(0.001)	(0.006)	(0.006)	(0.006)	(0.006)	(0.002)	(0.002)	(0.002)	(0.002)
Controls	0.067	0.249**	0.067	0.249**	-0.081	-0.081	-0.002	-0.002	0.186	0.186	0.186	0.186	0.086	0.086	0.086	0.086
Observations	(0.099)	(0.083)	(0.099)	(0.083)	(0.093)	(0.093)	(0.068)	(0.068)	(0.171)	(0.171)	(0.171)	(0.171)	(0.157)	(0.157)	(0.157)	(0.157)
Adjusted R-squared	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
FE	2.297	4.969	2.297	4.969	1.424	1.424	3.695	3.351	873	873	873	873	1.274	1.274	1.274	1.274
	0.536	0.619	0.469	0.619	0.470	0.470	0.581	0.565	0.391	0.391	0.391	0.391	0.615	0.615	0.615	0.615
	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: Total Sample - Cost of Debt Before and After 2012

VARIABLES	Pre-2012		Post-2012		Pre-2012		Post-2012		Pre-2012		Post-2012		Pre-2012		Post-2012	
	All Firms	CoD	All Firms	CoD	Private	CoD	Private	CoD	State	CoD	State	CoD	State	CoD	State	CoD
Connection_2yw	0.001	-0.000	0.001	-0.000	0.005**	0.004*	-0.000	-0.000	-0.003**	-0.003**	-0.003**	-0.001	-0.001	-0.001	-0.001	-0.001
Entertainment	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Controls	-0.041	-0.055	-0.041	-0.055	-0.088	-0.088	-0.028	-0.028	0.074	0.074	0.074	0.074	-0.064	-0.064	-0.064	-0.064
Observations	(0.047)	(0.032)	(0.047)	(0.032)	(0.061)	(0.061)	(0.029)	(0.029)	(0.047)	(0.047)	(0.047)	(0.047)	(0.033)	(0.033)	(0.033)	(0.033)
Adjusted R-squared	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
FE	2.297	4.969	2.297	4.969	1.424	1.424	3.695	3.695	873	873	873	873	1.274	1.274	1.274	1.274
	0.786	0.711	0.762	0.711	0.764	0.764	0.674	0.674	0.816	0.816	0.816	0.816	0.825	0.825	0.825	0.825
	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Clustered robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A8: Alternative Measure of Connections using a 3 Year Window

In this table we repeat the regressions shown in Tables 2 and 3 using the variable *Connection_3yw*, an alternative measure of connections. Instead of using a 4 year window to consider that a director is connected, we use a 3 year window. The independent variable of interest is *Connection_3yw*, a binary variable equal to 1 if there is at least one director of the board connected to a member of the Politburo in year $t - 1$, and zero otherwise. Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

Panel A: Subsidies

VARIABLES	All Firms			Private			State		
	Subsidy (1)	Subsidy (2)	Subsidy (3)	Subsidy (4)	Subsidy (5)	Subsidy (6)	Subsidy (7)	Subsidy (8)	Subsidy (9)
Connection_3yw	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.002* (0.001)	0.002 (0.001)	0.002 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)
Entertainment			0.029 (0.052)			0.022 (0.064)			0.094 (0.117)
Controls	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Observations	7,266	7,266	7,266	5,119	5,119	5,119	2,147	2,147	2,147
Adjusted R-squared	0.520	0.522	0.522	0.540	0.540	0.540	0.509	0.515	0.515
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: Cost of Debt

VARIABLES	All Firms			Private			State		
	CoD (1)	CoD (2)	CoD (3)	CoD (4)	CoD (5)	CoD (6)	CoD (7)	CoD (8)	CoD (9)
Connection_3yw	-0.001*** (0.000)	-0.001** (0.000)	-0.001* (0.000)	-0.000 (0.000)	0.000 (0.001)	0.000 (0.001)	-0.002** (0.001)	-0.002** (0.001)	-0.002** (0.001)
Entertainment			-0.050* (0.024)			-0.045* (0.021)			-0.004 (0.036)
Controls	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Observations	7,266	7,266	7,266	5,119	5,119	5,119	2,147	2,147	2,147
Adjusted R-squared	0.629	0.687	0.687	0.588	0.659	0.660	0.749	0.783	0.783
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A9: Alternative Measure of Connections using a 3 Year Window (Cont.)

In this table we repeat the regressions shown in Table 4 using the variable *Connection_3yw*, an alternative measure of connections. Instead of using a 4 year window to consider that a director is connected, we use a 3 year window. The independent variable of interest is *Connection_3yw*, a binary variable equal to 1 if there is at least one director of the board connected to a member of the Politburo in year $t - 1$, and zero otherwise. Pre-2012 period dates from 2007 to 2012, while Post-2012 period spans from 2013 to 2017. Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

Panel A: Subsidies Before and After 2012

VARIABLES	Pre-2012		Post-2012		Pre-2012		Post-2012		Pre-2012		Post-2012		Pre-2012		Post-2012	
	All Firms Subsidy (1)	Subsidy (2)	Private Subsidy (3)	Private Subsidy (4)	Private Subsidy (5)	Private Subsidy (6)	State Subsidy (7)	State Subsidy (8)	State Subsidy (9)	State Subsidy (10)						
Connection_3yw	-0.000 (0.003)	0.000 (0.001)	0.001 (0.003)	0.001 (0.003)	0.002* (0.001)	0.002* (0.001)	0.004 (0.006)	0.004 (0.006)	-0.002 (0.001)	-0.002 (0.002)						
Entertainment	0.065 (0.101)	0.250** (0.084)		-0.084 (0.087)		-0.003 (0.068)		0.186 (0.171)		0.085 (0.155)						
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes						
Observations	2,297	4,969	1,424	1,424	3,695	3,351	873	873	1,274	1,274						
Adjusted R-squared	0.536	0.619	0.468	0.469	0.581	0.565	0.391	0.392	0.615	0.615						
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes						

Panel B: Cost of Debt Before and After 2012

VARIABLES	Pre-2012 All Firms		Pre-2012 Private		Pre-2012 Private		Post-2012 Private		Post-2012 Private		Pre-2012 State		Post-2012 State	
	CoD (1)	CoD (2)	CoD (3)	CoD (4)	CoD (5)	CoD (6)	CoD (7)	CoD (8)	CoD (9)	CoD (10)				
Connection_3yw	0.001 (0.002)	-0.000 (0.001)	0.003 (0.003)	0.003 (0.003)	0.000 (0.001)	0.000 (0.001)	-0.003** (0.001)	-0.003** (0.001)	-0.002* (0.001)	-0.002* (0.001)				
Entertainment	-0.041 (0.048)	-0.054 (0.032)		-0.090 (0.060)		-0.028 (0.029)		0.074 (0.046)		-0.061 (0.033)				
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes				
Observations	2,297	4,969	1,424	1,424	3,695	3,695	873	873	1,274	1,274				
Adjusted R-squared	0.786	0.711	0.761	0.763	0.674	0.674	0.816	0.817	0.826	0.826				
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes				

Clustered robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A10: Connections in t

In this table we estimate regressions at the firm level. The dependent variables are subsidies over sales and cost of debt in year t . The independent variable of interest is *Connection*, a binary variable equal to 1 if there is at least one director of the board connected to a member of the Politburo in years $t - 1$ and t , and zero if there is no connected director in those years. Other independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

Panel A: Total Sample

VARIABLES	All Firms			Private			State			All Firms			Private			State		
	Subsidy (1)	Subsidy (2)	Subsidy (3)	Subsidy (4)	Subsidy (5)	Subsidy (6)	CoD (7)	CoD (8)	CoD (9)	CoD (10)	CoD (11)	CoD (12)						
Connection	0.001 (0.001)	0.001 (0.001)	0.003** (0.001)	0.003** (0.001)	-0.002 (0.001)	-0.002 (0.002)	-0.001*** (0.000)	-0.001* (0.000)	-0.000 (0.000)	0.001 (0.001)	-0.002*** (0.000)	-0.003** (0.001)						
Controls	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes						
Observations	7,017	7,017	4,953	4,953	2,064	2,064	7,017	7,017	4,953	4,953	2,064	2,064						
Adjusted R-squared	0.515	0.516	0.537	0.537	0.502	0.507	0.628	0.686	0.587	0.659	0.748	0.783						
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes						

Panel B: Matched Sample

VARIABLES	All Firms			Private			State			All Firms			Private			State		
	Subsidy (1)	Subsidy (2)	Subsidy (3)	Subsidy (4)	Subsidy (5)	Subsidy (6)	CoD (7)	CoD (8)	CoD (9)	CoD (10)	CoD (11)	CoD (12)						
Connection	0.002 (0.001)	0.001 (0.001)	0.003*** (0.001)	0.003** (0.001)	-0.002 (0.002)	-0.002 (0.002)	-0.001* (0.001)	-0.001 (0.001)	-0.000 (0.001)	0.000 (0.001)	-0.003*** (0.001)	-0.003*** (0.001)						
Controls	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes						
Observations	4,337	4,337	2,914	2,914	1,423	1,423	4,337	4,337	2,914	2,914	1,423	1,423						
Adjusted R-squared	0.543	0.546	0.522	0.525	0.603	0.612	0.636	0.689	0.580	0.644	0.757	0.791						
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes						

Clustered robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A11: Connections in $t - 2$

In this table we estimate regressions at the firm level. The dependent variables are subsidies over sales and cost of debt in year t . The independent variable of interest is *Connection*, a binary variable equal to 1 if there is at least one director of the board connected to a member of the Politburo in years $t - 1$ and t , and zero if there is no connected director in those years. Other independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

Panel A: Total Sample

VARIABLES	All Firms			Private			State			All Firms			Private			State		
	Subsidy (1)	Subsidy (2)	Subsidy (3)	Subsidy (4)	Subsidy (5)	Subsidy (6)	CoD (7)	CoD (8)	CoD (9)	CoD (10)	CoD (11)	CoD (12)						
Connection	0.001 (0.001)	0.001 (0.001)	0.003*** (0.001)	0.003*** (0.001)	-0.002 (0.001)	-0.002 (0.002)	-0.001*** (0.000)	-0.001* (0.000)	-0.000 (0.000)	0.001 (0.001)	-0.002*** (0.000)	-0.003*** (0.001)						
Controls	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes						
Observations	7,017	7,017	4,953	4,953	2,064	2,064	7,017	7,017	4,953	4,953	2,064	2,064						
Adjusted R-squared	0.515	0.516	0.537	0.537	0.502	0.507	0.628	0.686	0.587	0.659	0.748	0.783						
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes						

Panel B: Matched Sample

VARIABLES	All Firms			Private			State			All Firms			Private			State		
	Subsidy (1)	Subsidy (2)	Subsidy (3)	Subsidy (4)	Subsidy (5)	Subsidy (6)	CoD (7)	CoD (8)	CoD (9)	CoD (10)	CoD (11)	CoD (12)						
Connection	0.002 (0.001)	0.001 (0.001)	0.003*** (0.001)	0.003** (0.001)	-0.002 (0.002)	-0.002 (0.002)	-0.001* (0.001)	-0.001 (0.001)	-0.000 (0.001)	0.000 (0.001)	-0.003*** (0.001)	-0.003*** (0.001)						
Controls	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes						
Observations	4,337	4,337	2,914	2,914	1,423	1,423	4,337	4,337	2,914	2,914	1,423	1,423						
Adjusted R-squared	0.543	0.546	0.522	0.525	0.603	0.612	0.636	0.689	0.580	0.644	0.757	0.791						
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes						

Clustered robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A12: Controls Explanation

We add a vector of control variables $x_{i,s,p,t-1}$ based on a large extant literature. Jin and Zhang (2019) find that leverage, size, and Tobin's Q (which we proxy with market to book ratio) significantly affect subsidies. They also control for return on assets even though they do not find a significant relation to subsidies. By contrast, Feng et al. (2015), who also analyze subsidies in China and use the same set of controls, find that return on assets can affect changes in subsidies. In the sample analyzed by Fang et al. (2018), both return on assets and Tobin's Q have a significant effect over subsidies. Following this literature, we control for leverage, size, return on assets and market-to-book ratio when estimating subsidies. We also add capital expenditure as firms that invest more are more likely to apply for subsidies or might have higher chances of receiving subsidies.

As for cost of debt, we control for leverage, since highly leveraged firms are likely to be considered riskier by lenders. We therefore expect high levels of leverage to be positively correlated with high cost of debt since a risk premium is to be expected. Firms with higher profitability measures are usually in a better position to repay debts, so we add return on assets as a control as well. We also include market-to-book ratio, as higher market valuation could translate into lower cost of debt (Dhaliwal et al., 2008), and size, measured as the log of total assets (Carey et al., 1993). We add three additional controls when estimating cost of debt as they have been shown to be potential determinants of it: cash holdings, sales growth, and capital expenditure. Cash holdings may impact cost of debt on opposite directions. On the one hand, firms with higher cash holdings, and thus higher liquidity, can service their debts easier, making the cost of debt lower. On the other hand, excessive cash holdings could be driven by a precautionary motive of risky firms leading to an increase in the cost of debt (Acharya et al., 2012). Additionally, the agency costs theory posits that excessive cash could signal poor investment decisions and poor management. If the liquidity effect dominates, then cash holdings will be negative related to cost of debt. If the latter two effects prevail, the coefficient will be positive (Jensen, 1986; Shailer and Wang, 2015). Growth sales have also been shown to determine firms' cost of debt (Lim et al., 2018; Pittman and Fortin, 2004; Rajan and Petersen, 1994). Firms with growing sales are expected to have lower cost of debt as they are considered less risky (Bliss and Gul, 2012). Shailer and Wang (2015), who analyzed the cost of debt of Chinese firms, show that firms with higher sales growth pay significantly lower interest rates. Capital expenditure reflects the firm's investment decision, which is related to a firm's investment opportunities and its cost of debt (Lai, 2011; Myers, 1977; Smith Jr and Watts, 1992).

Table A13: Distribution of Connections among Industries

Table A13 shows the distribution of firms conditional on industry. Columns (1) and (2) show the distribution over the total sample. Columns (3) and (6) show the conditional distribution of firms after splitting the sample into connected (columns (3) and (4)), and non-connected (columns (5) and (6)) firms. Source of the industry classification: China Securities Regulatory Commission (http://www.csrc.gov.cn/pub/csrc_en).

	(1)	(2)	(3)	(4)	(5)	(6)
	Total sample		Connected		Non-connected	
Industry	No.	%	No.	%	No.	%
A0 (Agriculture, forestry, animal husbandry and fishery)	91	1.25	5	0.50	86	1.37
B0 (Mining industry)	124	1.71	35	3.50	89	1.42
B1 (Other mining activities)	42	0.58	11	1.10	31	0.49
C1 (Manufacturing textile industry)	496	6.83	36	3.60	460	7.34
C2 (Manufacturing wood industry)	1,462	20.12	141	14.11	1,321	21.08
C3 (Manufacturing metallic products)	2,902	39.94	400	40.04	2,502	39.92
C4 (Other manufacturing)	161	2.22	12	1.20	149	2.38
D4 (Electric and gas power)	134	1.84	24	2.40	110	1.76
E4 (Construction industry)	135	1.86	36	3.60	99	1.58
E5 (Architecture and other construction)	67	0.92	18	1.80	49	0.78
F5 (Wholesale and retail)	263	3.62	34	3.40	229	3.65
G5 (Transport and storage)	233	3.21	47	4.70	186	2.97
G6 (Postal service)	2	0.03	0	0	2	0.03
H6 (Accommodation and catering)	21	0.29	1	0.10	20	0.32
I6 (Information transmission, software and IT)	539	7.42	120	12.01	419	6.69
K7 (Real estate)	256	3.52	38	3.80	218	3.48
L7 (Leasing and commercial services)	72	0.99	11	1.10	61	0.97
M7 (Scientific research and technical service industry)	48	0.66	7	0.70	41	0.65
N7 (Water, environment and public facility management)	69	0.95	6	7	62	0.99
O7 (Resident service, repair, and other services industry)	1	0.01	0	0	1	0.02
O8 (Repair services)	5	0.07	0	0	5	0.08
Q8 (Health and social work)	18	0.25	0	0	18	0.29
R8 (Culture, sports and entertainment)	91	1.25	15	1.50	76	1.21
S9 (Diversified industries)	34	0.47	1	0.10	33	0.53
Total	7,266	100	999	100	6,267	100

Table A14: Correlation Matrix

Table A14 shows the Pearson correlation among variables.

	Subsidy	CoD	Connection	Entert.	Growth	Capex	ROA	Size	Leverage	Cash	Op.Rev.	State	M/B	Intang.	Indep.	Gender
Subsidy	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CoD	-0.017	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Connection	-0.021	-0.060	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Entertainment	0.253	-0.130	-0.059	1	0	0	0	0	0	0	0	0	0	0	0	0
Growth	0.107	-0.058	-0.043	0.080	1	0	0	0	0	0	0	0	0	0	0	0
Capex	0.049	0.059	-0.006	-0.086	0.003	1	0	0	0	0	0	0	0	0	0	0
Return on Assets (ROA)	0.051	-0.256	0.033	0.030	0.173	0.095	1	0	0	0	0	0	0	0	0	0
Size	-0.010	0.059	0.203	-0.306	0.032	0.061	0.022	1	0	0	0	0	0	0	0	0
Leverage	-0.123	0.283	0.050	-0.283	0.010	-0.009	-0.349	0.489	1	0	0	0	0	0	0	0
Cash holding	0.067	-0.298	0.008	0.143	0.015	-0.089	0.251	-0.201	-0.333	1	0	0	0	0	0	0
Operating Revenue (Op.Rev.)	-0.226	0.001	0.019	-0.233	0.049	0.013	0.128	0.030	0.120	0.033	1	0	0	0	0	0
State	-0.066	0.029	0.108	-0.251	-0.097	0.030	-0.071	0.401	0.300	-0.043	0.088	1	0	0	0	0
Market to Book (M/B)	0.159	-0.211	-0.049	0.297	0.092	-0.021	0.268	-0.479	-0.503	0.288	-0.064	-0.296	1	0	0	0
Intangible	0.014	0.078	-0.014	-0.009	0.158	0.157	0.053	0.011	-0.045	-0.071	-0.074	0.054	0.027	1	0	0
Board Indep. (Indep.)	-0.052	0.027	-0.043	-0.074	-0.004	0.024	-0.019	0.013	0.050	-0.004	0.023	0.052	-0.045	-0.010	1	0
Board Gender (Gender)	-0.023	-0.003	0.002	-0.035	0.012	-0.001	0.006	0.065	0.044	0.001	0.051	0.065	-0.068	0.005	0.153	1

Table A15: Connections and Subsidies

In this table we report regressions with the full set of controls at the firm level. The dependent variable is the total subsidies over sales in year t . The independent variable of interest is *Connection*, a binary variable equal to 1 if there is at least one director of the board connected to a member of the Politburo in year $t - 1$, and zero otherwise. Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

Panel A: Total Sample

VARIABLES	Subsidy (1)	All Firms Subsidy (2)	Subsidy (3)	Subsidy (4)	Private Subsidy (5)	Subsidy (6)	Subsidy (7)	State Subsidy (8)	Subsidy (9)
Connection	0.001 (0.000)	0.001 (0.001)	0.001 (0.001)	0.002** (0.001)	0.002* (0.001)	0.002* (0.001)	-0.002* (0.001)	-0.002* (0.001)	-0.002 (0.001)
Entertainment			0.030 (0.052)			0.023 (0.064)			0.097 (0.116)
Size		0.000 (0.001)	0.000 (0.001)		0.001 (0.001)	0.001 (0.001)		-0.001 (0.002)	-0.001 (0.002)
Leverage		0.001 (0.002)	0.001 (0.002)		-0.001 (0.002)	-0.001 (0.002)		0.013* (0.007)	0.013 (0.007)
Market to Book		0.000 (0.000)	-0.000 (0.000)		0.000 (0.000)	0.000 (0.000)		0.000 (0.000)	0.000 (0.000)
Return on Assets		0.001 (0.013)	0.002 (0.014)		0.002 (0.015)	0.003 (0.016)		-0.009 (0.017)	-0.006 (0.017)
Capex		0.014** (0.006)	0.014** (0.006)		0.012 (0.008)	0.011 (0.008)		0.028** (0.010)	0.027** (0.010)
State		-0.004 (0.004)	-0.004 (0.004)						
Board Indep.		0.000 (0.002)	0.000 (0.002)		0.000 (0.001)	0.000 (0.001)		0.000 (0.003)	0.000 (0.002)
Board Gender		-0.004*** (0.001)	-0.004*** (0.001)		-0.003*** (0.001)	-0.003** (0.001)		-0.008* (0.004)	-0.008 (0.005)
Constant	0.013*** (0.000)	0.009 (0.026)	0.008 (0.027)	0.014*** (0.000)	0.003 (0.021)	0.001 (0.023)	0.012*** (0.000)	0.040 (0.037)	0.033 (0.034)
Observations	7,266	7,266	7,266	5,119	5,119	5,119	2,147	2,147	2,147
Adj. R-squared	0.520	0.522	0.522	0.540	0.540	0.540	0.509	0.515	0.515
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: Matched Sample

VARIABLES	Subsidy (1)	All Firms Subsidy (2)	Subsidy (3)	Subsidy (4)	Private Subsidy (5)	Subsidy (6)	Subsidy (7)	State Subsidy (8)	Subsidy (9)
Connection	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.002** (0.001)	0.003** (0.001)	0.003** (0.001)	-0.002 (0.001)	-0.002 (0.001)	-0.002 (0.001)
Entertainment			0.094 (0.096)			0.122 (0.109)			0.027 (0.086)
Size		0.001 (0.001)	0.001 (0.002)		0.002 (0.001)	0.002 (0.001)		-0.001 (0.001)	-0.001 (0.001)
Leverage		0.002 (0.003)	0.002 (0.003)		-0.001 (0.004)	-0.001 (0.005)		0.017** (0.007)	0.017** (0.007)
Market to Book		0.000 (0.000)	0.000 (0.000)		0.000 (0.000)	0.000 (0.000)		0.001 (0.000)	0.001 (0.000)
Return on Assets		-0.008 (0.012)	-0.005 (0.014)		-0.002 (0.018)	0.002 (0.021)		-0.020 (0.011)	-0.019 (0.011)
Capex		0.021** (0.008)	0.020** (0.008)		0.014 (0.013)	0.014 (0.012)		0.047** (0.015)	0.047** (0.015)
State		-0.006 (0.007)	-0.006 (0.007)						
Board Indep.		0.000 (0.001)	0.000 (0.001)		-0.000 (0.001)	-0.001 (0.001)		0.001 (0.003)	0.001 (0.002)
Board Gender		-0.004** (0.002)	-0.005** (0.002)		-0.003 (0.002)	-0.003 (0.002)		-0.008*** (0.002)	-0.008*** (0.002)
Constant	0.013*** (0.000)	-0.001 (0.032)	-0.007 (0.036)	0.014*** (0.000)	-0.023 (0.027)	-0.034 (0.033)	0.013*** (0.000)	0.025 (0.022)	0.023 (0.027)
Observations	4,532	4,532	4,532	3,050	3,050	3,050	1,482	1,482	1,482
Adj. R-squared	0.549	0.552	0.553	0.528	0.528	0.531	0.609	0.625	0.625
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Clustered robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A16: Connections and Cost of Debt

In this table we report regressions with the full set of controls at the firm level. The dependent variable is the cost of debt (CoD) in year t : interest paid over total debt. The independent variable of interest is *Connection* in year $t - 1$, a binary variable equal to 1 if there is at least one director of the board connected to a member of the Politburo, and zero otherwise. Independent variables are lagged one year. All specifications include firm, year, industry and province fixed effects.

Panel A: Total Sample

VARIABLES	CoD (1)	All Firms CoD (2)	CoD (3)	CoD (4)	Private CoD (5)	CoD (6)	CoD (7)	State CoD (8)	CoD (9)
Connection	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001 (0.000)	-0.000 (0.001)	-0.000 (0.001)	-0.002** (0.001)	-0.002** (0.001)	-0.002** (0.001)
Entertainment			-0.050* (0.024)			-0.045* (0.021)			-0.004 (0.036)
Size		0.002* (0.001)	0.002* (0.001)		0.002** (0.001)	0.002** (0.001)		0.002 (0.001)	0.002 (0.001)
Leverage		0.035*** (0.003)	0.035*** (0.003)		0.038*** (0.003)	0.038*** (0.003)		0.029*** (0.004)	0.029*** (0.004)
Market to Book		-0.000 (0.000)	-0.000 (0.000)		-0.000 (0.000)	-0.000 (0.000)		0.000 (0.000)	0.000 (0.000)
Return on Assets		-0.018*** (0.006)	-0.020*** (0.006)		-0.019** (0.006)	-0.021*** (0.006)		-0.018 (0.011)	-0.018 (0.011)
Capex		-0.009 (0.006)	-0.009 (0.006)		-0.005 (0.007)	-0.005 (0.007)		-0.030*** (0.006)	-0.030*** (0.006)
Cash Holding		-0.007*** (0.002)	-0.008*** (0.002)		-0.008*** (0.002)	-0.008*** (0.002)		-0.009* (0.005)	-0.009* (0.005)
Growth		-0.001* (0.000)	-0.001* (0.000)		-0.001** (0.000)	-0.001** (0.000)		-0.000 (0.000)	-0.000 (0.000)
State	-0.003 (0.002)	-0.005** (0.002)	-0.005** (0.002)						
Board Indep.		-0.001 (0.001)	-0.001 (0.001)		-0.000 (0.001)	-0.000 (0.001)		-0.001 (0.001)	-0.001 (0.001)
Board Gender		-0.000 (0.001)	-0.000 (0.001)		-0.001 (0.001)	-0.001 (0.001)		0.001 (0.001)	0.001 (0.001)
Constant	0.020*** (0.001)	-0.026 (0.019)	-0.023 (0.019)	0.018 (0.000)	-0.043** (0.019)	-0.040* (0.019)	0.021*** (0.000)	-0.027 (0.025)	-0.027 (0.025)
Observations	7,266	7,266	7,266	5,119	5,119	5,119	2,147	2,147	2,147
Adj. R-squared	0.629	0.687	0.687	0.588	0.659	0.660	0.749	0.783	0.783
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: Matched Sample

VARIABLES	CoD (1)	All Firms CoD (2)	CoD (3)	CoD (4)	Private CoD (5)	CoD (6)	CoD (7)	State CoD (8)	CoD (9)
Connection	-0.001*** (0.000)	-0.001** (0.000)	-0.001** (0.001)	-0.001** (0.000)	-0.001 (0.001)	-0.001 (0.001)	-0.002*** (0.001)	-0.002*** (0.001)	-0.002*** (0.001)
Entertainment			-0.057** (0.025)			-0.064** (0.027)			0.023 (0.069)
Size		0.001 (0.001)	0.001 (0.001)		0.002 (0.001)	0.002 (0.001)		0.000 (0.001)	0.000 (0.001)
Leverage		0.034*** (0.003)	0.034*** (0.003)		0.035*** (0.003)	0.035*** (0.003)		0.031*** (0.005)	0.031*** (0.005)
Market to Book		-0.000** (0.000)	-0.000** (0.000)		-0.000*** (0.000)	-0.000** (0.000)		0.000 (0.000)	0.000 (0.000)
Return on Assets		-0.022*** (0.005)	-0.024*** (0.005)		-0.027*** (0.005)	-0.029*** (0.005)		-0.012 (0.010)	-0.012 (0.009)
Capex		-0.017*** (0.005)	-0.016** (0.005)		-0.012 (0.007)	-0.012 (0.007)		-0.031*** (0.009)	-0.031*** (0.009)
Cash Holdings		-0.008** (0.002)	-0.008*** (0.002)		-0.009*** (0.002)	-0.010*** (0.003)		-0.007 (0.005)	-0.007 (0.005)
Growth		-0.001 (0.000)	-0.001* (0.000)		-0.001* (0.000)	-0.001** (0.001)		-0.000 (0.000)	-0.000 (0.000)
State	-0.005 (0.005)	-0.006 (0.004)	-0.006 (0.004)						
Board Indep.		-0.001 (0.001)	-0.001 (0.001)		-0.001 (0.001)	-0.001 (0.001)		0.000 (0.001)	0.000 (0.001)
Board Gneder		0.000 (0.001)	0.000 (0.001)		0.000 (0.002)	0.000 (0.002)		-0.001 (0.001)	-0.001 (0.001)
Constant	0.021*** (0.001)	-0.013 (0.021)	-0.009 (0.020)	0.018*** (0.000)	-0.032 (0.026)	-0.027 (0.025)	0.021*** (0.000)	-0.001 (0.027)	-0.003 (0.028)
Observations	4,532	4,532	4,532	3,050	3,050	3,050	1,482	1,482	1,482
Adj. R-squared	0.639	0.692	0.693	0.583	0.648	0.648	0.760	0.794	0.793
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Clustered robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table A17: Subsidies Before and After the Anti-Corruption Campaign

In this table we report regressions with the full set of controls at the firm level, splitting the matched sample between before and after the Anti-Corruption Campaign of 2012. Pre-2012 period dates from 2007 to 2012, while Post-2012 period spans from 2013 to 2017. Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

VARIABLES	Pre-2012		Post-2012		Pre-2012		Post-2012		Pre-2012		Post-2012		Pre-2012		Post-2012	
	All Firms Subsidy (1)	All Firms Subsidy (2)	Private Subsidy (3)	Private Subsidy (4)	Private Subsidy (5)	Private Subsidy (6)	State Subsidy (7)	State Subsidy (8)	State Subsidy (9)	State Subsidy (10)						
Connection	0.000 (0.003)	0.001 (0.001)	0.002 (0.005)	0.002 (0.006)	0.002** (0.001)	0.002** (0.001)	-0.003 (0.002)	-0.003 (0.001)	-0.003 (0.002)	-0.003 (0.002)						
Entertainment	0.010 (0.074)	0.036 (0.044)		0.041 (0.237)		0.018 (0.071)		-0.153** (0.057)								
Size	0.001 (0.001)	0.002 (0.002)	0.003*** (0.000)	0.003*** (0.000)	0.003 (0.002)	0.003 (0.002)	-0.003 (0.003)	-0.004 (0.003)	-0.003* (0.001)	-0.003 (0.001)						
Leverage	0.005 (0.012)	0.000 (0.004)	-0.017 (0.020)	-0.017 (0.029)	-0.001 (0.004)	-0.001 (0.004)	0.042* (0.017)	0.041* (0.017)	0.009 (0.010)	0.009 (0.010)						
Market to Book	0.000 (0.000)	0.000 (0.000)	-0.000 (0.001)	-0.000 (0.001)	0.001 (0.000)	0.001 (0.000)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)						
Return on Assets	-0.008 (0.015)	-0.007 (0.027)	-0.026 (0.019)	-0.025 (0.020)	-0.002 (0.032)	-0.001 (0.035)	0.014 (0.018)	0.011 (0.018)	-0.028 (0.021)	-0.022 (0.021)						
Capex	0.009 (0.009)	0.043*** (0.007)	0.007 (0.024)	0.008 (0.035)	0.028 (0.016)	0.028 (0.015)	0.016 (0.012)	0.018 (0.013)	0.093*** (0.027)	0.093*** (0.027)						
Board Indep.	-0.006 (0.003)	0.001 (0.001)	-0.006 (0.006)	-0.006 (0.008)	0.001 (0.002)	0.001 (0.002)	-0.002 (0.004)	-0.002 (0.004)	0.001 (0.002)	0.001 (0.002)						
Board Gender	-0.002 (0.003)	-0.004 (0.002)	0.003 (0.002)	0.003 (0.003)	-0.003 (0.002)	-0.003 (0.002)	-0.006** (0.002)	-0.005** (0.002)	-0.007 (0.004)	-0.007 (0.004)						
Constant	0.000 (0.028)	-0.025 (0.039)	-0.045*** (0.001)	-0.047*** (0.006)	-0.052 (0.035)	-0.054 (0.038)	0.069 (0.064)	0.094 (0.071)	0.078* (0.029)	0.064 (0.033)						
Observations	1,493	3,039	934	934	2,116	2,116	559	559	923	923						
Adj. R-squared	0.547	0.601	0.425	0.424	0.607	0.607	0.700	0.701	0.601	0.601						
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes						

Clustered robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A18: Cost of Debt Before and After the Anti-Corruption Campaign

In this table we report regressions with the full set of controls at the firm level, splitting the matched sample between before and after the Anti-Corruption Campaign of 2012. The pre-2012 period dates from 2007 to 2012, while the post-2012 period spans from 2013 to 2017. Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

VARIABLES	Pre-2012		Post-2012		Pre-2012		Post-2012		Pre-2012		Post-2012		Pre-2012		Post-2012	
	All Firms		All Firms		Private	Private	Private	Private	State	State	State	State	State	State	State	State
	CoD	(1)	CoD	(2)	CoD	CoD	CoD	CoD	CoD	CoD	CoD	CoD	CoD	CoD	CoD	CoD
Connection	0.003 (0.002)		-0.002 (0.001)		0.006 (0.003)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.003** (0.001)	-0.002** (0.001)	-0.002** (0.001)	-0.002* (0.001)	-0.003** (0.001)	-0.002* (0.001)	-0.002* (0.001)	-0.002* (0.001)
Entertainment	-0.004 (0.058)		-0.053 (0.032)		-0.042 (0.083)	-0.042 (0.083)	-0.042 (0.083)	-0.042 (0.083)	0.041 (0.045)	0.041 (0.045)	0.041 (0.045)	0.041 (0.045)	0.041 (0.045)	0.041 (0.045)	0.041 (0.045)	0.041 (0.045)
Size	0.000 (0.002)		0.003* (0.001)		-0.001 (0.002)	0.004** (0.001)	0.004** (0.001)	0.004** (0.001)	0.001 (0.002)	0.003* (0.001)	0.003* (0.001)	0.003* (0.001)	0.001 (0.002)	0.003* (0.001)	0.003* (0.001)	0.003* (0.001)
Leverage	0.030*** (0.007)		0.041*** (0.004)		0.039*** (0.007)	0.042*** (0.006)	0.042*** (0.006)	0.042*** (0.006)	0.015* (0.006)	0.039*** (0.006)	0.039*** (0.006)	0.039*** (0.006)	0.015* (0.006)	0.039*** (0.006)	0.039*** (0.006)	0.039*** (0.006)
Market to Book	0.000 (0.000)		-0.001** (0.000)		-0.000 (0.000)	-0.001** (0.000)	-0.001** (0.000)	-0.001** (0.000)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)
Return on Assets	-0.011 (0.015)		-0.018*** (0.003)		-0.019 (0.019)	-0.019*** (0.004)	-0.019*** (0.004)	-0.021*** (0.004)	-0.006 (0.011)	-0.009 (0.011)	-0.009 (0.011)	-0.009 (0.011)	-0.005 (0.011)	-0.009 (0.011)	-0.010 (0.013)	-0.010 (0.013)
Capex	-0.026 (0.017)		-0.013 (0.010)		-0.022 (0.019)	-0.016 (0.011)	-0.016 (0.011)	-0.016 (0.011)	-0.029 (0.016)	-0.030 (0.016)	-0.030 (0.016)	-0.030 (0.016)	-0.030 (0.016)	-0.030 (0.016)	-0.009 (0.007)	-0.009 (0.007)
Cash Holdings	0.001 (0.004)		-0.010* (0.004)		-0.001 (0.004)	-0.009 (0.005)	-0.009 (0.005)	-0.009 (0.005)	0.009 (0.010)	0.009 (0.010)	0.009 (0.010)	0.009 (0.010)	0.009 (0.010)	0.009 (0.010)	0.023 (0.012)	0.023 (0.012)
Growth	-0.000 (0.001)		-0.001 (0.001)		0.001 (0.002)	-0.001 (0.001)	-0.001 (0.001)	-0.001* (0.001)	-0.000 (0.001)	-0.000 (0.001)	-0.000 (0.001)	-0.000 (0.001)	-0.000 (0.001)	-0.000 (0.001)	-0.000 (0.001)	-0.000 (0.001)
State	-0.014 (0.007)		-0.008 (0.004)		-0.001 (0.003)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	0.002 (0.004)	0.002 (0.004)	0.002 (0.004)	0.002 (0.004)	0.002 (0.004)	0.002 (0.004)	0.002 (0.004)	0.002 (0.004)
Board Indep.	0.003 (0.002)		-0.000 (0.001)		0.003 (0.003)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	0.002 (0.004)	0.002 (0.004)	0.002 (0.004)	0.002 (0.004)	0.002 (0.004)	0.002 (0.004)	0.002 (0.004)	0.002 (0.004)
Board Gender	-0.002 (0.002)		-0.001 (0.002)		-0.003 (0.003)	-0.001 (0.002)	-0.001 (0.002)	-0.001 (0.002)	-0.001 (0.002)	-0.001 (0.002)	-0.001 (0.002)	-0.001 (0.002)	-0.001 (0.002)	-0.001 (0.002)	-0.003 (0.002)	-0.003 (0.002)
Constant	0.006 (0.041)		-0.052 (0.031)		0.024 (0.045)	-0.074** (0.023)	-0.074** (0.023)	-0.069* (0.026)	-0.006 (0.052)	-0.012 (0.055)	-0.012 (0.055)	-0.012 (0.055)	-0.012 (0.055)	-0.012 (0.055)	-0.053 (0.028)	-0.053 (0.028)
Observations	1.493		3.039		934	934	2.116	2.116	559	559	559	559	559	559	923	923
Adj. R-squared	0.768		0.707		0.723	0.722	0.638	0.638	0.817	0.817	0.817	0.817	0.817	0.817	0.835	0.835
FE	Yes		Yes		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Clustered Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A19: Connections and Growth

In this table we estimate regressions at the firm level. The dependent variable is growth of sales from year $t - 1$ to year t . The independent variable of interest is *Connection*, a binary variable equal to 1 if there is at least one director of the board connected to a member of the Politburo, and zero otherwise. Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

VARIABLES	Total Sample				Matched Sample			
	All Firms Growth (1)	Growth (2)	Private Growth (3)	State Growth (4)	All Firms Growth (5)	Growth (6)	Private Growth (7)	State Growth (8)
Connection	-0.051** (0.021)	-0.056*** (0.017)	-0.063** (0.023)	-0.044 (0.028)	-0.039 (0.024)	-0.043** (0.018)	-0.042 (0.025)	-0.047* (0.023)
Entertainment		14.741** (6.260)	16.861** (7.088)	5.239* (2.659)		9.480** (3.166)	8.886** (3.799)	12.375** (4.511)
Size	-0.222*** (0.048)	-0.180*** (0.048)	-0.165* (0.077)	-0.227** (0.075)	-0.297*** (0.063)	-0.266*** (0.063)	-0.275*** (0.084)	-0.343** (0.135)
Leverage	0.312** (0.140)	0.371* (0.179)	0.397 (0.224)	0.350* (0.159)	0.344 (0.203)	0.361 (0.213)	0.327 (0.249)	0.454* (0.227)
Market to Book	0.042*** (0.011)	0.041*** (0.012)	0.042** (0.014)	0.036** (0.014)	0.044*** (0.012)	0.044*** (0.013)	0.042** (0.014)	0.044** (0.016)
Cash Holding	-0.106** (0.039)	-0.040 (0.059)	0.044 (0.064)	-0.331** (0.145)	0.042 (0.072)	0.081 (0.078)	0.145 (0.097)	-0.043 (0.253)
Capex	-0.540 (0.326)	-0.621 (0.392)	-0.948** (0.338)	0.646 (0.394)	0.059 (0.323)	0.031 (0.346)	-0.321 (0.229)	1.025 (0.698)
State	0.122*** (0.023)	0.085*** (0.026)			0.166** (0.063)	0.160** (0.067)		
Board Indep.	0.023 (0.028)	0.028 (0.025)	0.011 (0.038)	0.024 (0.039)	0.040 (0.033)	0.040 (0.034)	0.079 (0.062)	-0.018 (0.059)
Board Gender	0.087 (0.053)	0.067 (0.056)	0.137* (0.066)	-0.042 (0.034)	0.025 (0.038)	0.023 (0.039)	0.044 (0.030)	0.028 (0.065)
Constant	4.800*** (0.989)	3.704*** (1.041)	3.256* (1.707)	5.101** (1.646)	6.376*** (1.271)	5.601*** (1.265)	5.736*** (1.704)	7.527** (3.000)
Observations	7,266	7,266	5,119	2,147	4,532	4,532	3,050	1,482
Adj. R-squared	0.185	0.219	0.243	0.089	0.115	0.134	0.108	0.105
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Clustered robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A20: Connections and Investment

In this table we estimate regressions at the firm level. The dependent variable is investment, proxied by capital expenditure (Capex), from year $t - 1$ to year t . The independent variable of interest is *Connection*, a binary variable equal to 1 if there is at least one director of the board connected to a member of the Politburo, and zero otherwise. Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

VARIABLES	Total Sample				Matched Sample			
	All Firms Capex (1)	Private Capex (2)	State Capex (3)	State Capex (4)	All Firms Capex (5)	Private Capex (6)	State Capex (7)	State Capex (8)
Connection	0.002 (0.003)	0.002 (0.003)	-0.002 (0.004)	0.009*** (0.003)	0.002 (0.004)	0.002 (0.004)	-0.002 (0.004)	0.009** (0.003)
Entertainment		-0.076 (0.089)	-0.124 (0.079)	-0.010 (0.290)		0.022 (0.159)	-0.004 (0.168)	-0.138 (0.639)
Size	0.002 (0.001)	0.002 (0.002)	0.004* (0.002)	-0.004 (0.007)	0.004*** (0.001)	0.004** (0.002)	0.006 (0.004)	-0.001 (0.004)
Leverage	-0.018 (0.015)	-0.018 (0.015)	-0.008 (0.007)	-0.038 (0.026)	-0.012 (0.018)	-0.012 (0.018)	0.008 (0.010)	-0.047 (0.033)
Market to Book	0.002** (0.001)	0.002** (0.001)	0.002** (0.001)	0.003 (0.002)	0.002 (0.001)	0.002 (0.001)	0.002 (0.001)	0.003 (0.002)
Cash Holding	0.053*** (0.014)	0.053*** (0.014)	0.049*** (0.011)	0.066** (0.029)	0.050* (0.026)	0.050* (0.024)	0.052*** (0.014)	0.045 (0.030)
Operating Revenue	0.002 (0.003)	0.001 (0.003)	0.002 (0.003)	0.000 (0.006)	0.000 (0.003)	0.000 (0.004)	0.000 (0.004)	-0.002 (0.006)
Intangible	0.058** (0.024)	0.057** (0.023)	0.078*** (0.014)	0.032 (0.054)	0.061 (0.038)	0.061 (0.038)	0.074* (0.039)	0.055 (0.080)
State	-0.015 (0.014)	-0.015 (0.013)			-0.020 (0.014)	-0.020 (0.012)		
Board Indep.	0.004 (0.003)	0.004 (0.003)	0.000 (0.003)	0.010 (0.006)	0.004 (0.005)	0.004 (0.005)	0.002 (0.005)	0.009 (0.009)
Board Gender	0.005 (0.005)	0.005 (0.005)	0.005 (0.004)	0.003 (0.010)	0.002 (0.007)	0.002 (0.007)	0.008 (0.008)	-0.005 (0.007)
Constant	-0.008 (0.036)	0.000 (0.040)	-0.056 (0.043)	0.135 (0.162)	-0.036 (0.027)	-0.039 (0.036)	-0.103 (0.097)	0.081 (0.105)
Observations	5,402	5,402	3,537	1,865	3,419	3,419	2,138	1,281
Adj. R-squared	0.521	0.521	0.498	0.566	0.508	0.507	0.491	0.530
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Clustered robust standard errors in parentheses
 *** p<0.01, ** p<0.05, * p<0.1

Table A21: Connections and Total Subsidiaries

In this table we estimate regressions at the firm level. The dependent variable is total subsidiaries (in millions) in year t . The independent variable of interest is *Connection*, a binary variable equal to 1 if there is at least one director of the board connected to a member of the Politburo in year $t - 1$, and zero otherwise. Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

VARIABLES	All Firms			Private		State			
	Tot.Subs (1)	Tot.Subs (2)	Tot.Subs (3)	Tot.Subs (4)	Tot.Subs (5)	Tot.Subs (6)	Tot.Subs (7)	Tot.Subs (8)	Tot.Subs (9)
Connection	13.439*** (3.772)	13.252*** (4.458)	13.348*** (4.448)	7.370*** (2.190)	8.463*** (3.566)	8.501*** (3.475)	22.407*** (7.866)	19.932* (10.758)	21.052* (11.064)
Entertainment			-212.172 (261.576)			188.238 (119.264)			-733.250 (790.447)
Size		24.409** (10.557)	23.857* (10.739)		23.282*** (4.684)	23.934*** (5.107)		48.867* (24.976)	46.444* (24.726)
Leverage		28.753*** (11.450)	28.246*** (11.285)		9.685 (10.835)	10.199 (10.934)		121.540*** (44.035)	120.173*** (44.264)
Market to Book		2.662 (2.056)	2.711 (2.035)		3.633*** (1.620)	3.603*** (1.598)		5.974 (4.070)	6.213 (4.141)
Return on Assets		81.401 (71.408)	74.746 (74.552)		119.031* (63.969)	125.488* (68.107)		-19.334 (148.145)	-36.686 (149.732)
Capex		77.690 (43.494)	78.943* (43.285)		62.669 (41.283)	61.973 (40.674)		149.369 (90.669)	152.460 (90.148)
State		-21.304*** (5.542)	-21.219*** (5.689)						
Board Indep.		9.722* (5.009)	9.736* (4.931)		-4.755* (2.176)	-4.899* (2.528)		35.865*** (7.890)	35.978*** (8.099)
Board Gender		-19.974* (9.738)	-19.903* (9.837)		-11.952 (7.325)	-12.179 (7.220)		-56.959*** (14.416)	-57.181*** (18.088)
Constant	48.754*** (0.601)	-494.780* (229.547)	-480.109* (234.645)	23.625*** (0.268)	-490.741*** (105.842)	-507.465*** (116.888)	100.808*** (0.629)	-1,062.556* (579.642)	-1,001.977 (574.121)
Observations	4,531	4,531	4,531	3,049	3,049	3,049	1,482	1,482	1,482
Adj. R-squared	0.667	0.672	0.672	0.630	0.653	0.653	0.665	0.673	0.673
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Clustered robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A22: Connections and Cost of Debt: Truncated Sample

In this table we estimate regressions at the firm level over a truncated sample. The sample was truncated by eliminating the 10% largest firms. The dependent variable is cost of debt (CoD) in year t : interest paid over total debt. The independent variable of interest is *Connection* in year $t - 1$, a binary variable equal to 1 if there is at least one director of the board connected to a member of the Politburo, and zero otherwise. Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

VARIABLES	Total sample			Matched sample				
	All Firms CoD (1)	Private CoD (2)	State CoD (3)	All Firms CoD (4)	Private CoD (5)	State CoD (6)	Pre-2012 State CoD (7)	Post-2012 State CoD (8)
Connection	-0.001** (0.000)	-0.000 (0.001)	-0.003** (0.001)	-0.001* (0.001)	-0.001 (0.001)	-0.003*** (0.001)	-0.004** (0.001)	-0.003** (0.001)
Entertainment	-0.049 (0.030)	-0.049* (0.025)	0.012 (0.052)	-0.058* (0.031)	-0.066* (0.035)	0.035 (0.066)	0.031 (0.043)	-0.024 (0.062)
Size	0.002** (0.001)	0.003*** (0.001)	0.002 (0.001)	0.001 (0.001)	0.002* (0.001)	0.001 (0.001)	0.002 (0.002)	0.003 (0.003)
Leverage	0.036*** (0.002)	0.038*** (0.003)	0.030*** (0.005)	0.035*** (0.003)	0.035*** (0.003)	0.033*** (0.006)	0.013 (0.009)	0.044*** (0.004)
Market to Book	-0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)	-0.000* (0.000)	0.000 (0.000)	0.001 (0.001)	-0.000 (0.001)
Cash Holdings	-0.008*** (0.002)	-0.008*** (0.002)	-0.010* (0.005)	-0.009** (0.003)	-0.010*** (0.003)	-0.007 (0.006)	0.016 (0.010)	-0.026 (0.013)
Growth	-0.001** (0.000)	-0.001** (0.000)	-0.000 (0.001)	-0.001* (0.001)	-0.001** (0.000)	-0.000 (0.001)	0.000 (0.001)	0.000 (0.002)
Capex	-0.008 (0.007)	-0.004 (0.008)	-0.030*** (0.006)	-0.014* (0.007)	-0.010 (0.009)	-0.029*** (0.009)	-0.033 (0.025)	-0.004 (0.011)
Return on Assets	-0.023*** (0.006)	-0.022*** (0.006)	-0.022* (0.012)	-0.029*** (0.007)	-0.032*** (0.006)	-0.016 (0.013)	-0.017 (0.014)	-0.013 (0.012)
State	-0.004** (0.002)			-0.006 (0.004)				
Board Indep.	-0.000 (0.001)	-0.001 (0.001)	0.001 (0.001)	0.000 (0.001)	-0.001 (0.001)	0.002* (0.001)	0.004 (0.005)	0.002* (0.001)
Board Gender	-0.000 (0.001)	-0.001 (0.001)	-0.000 (0.002)	0.000 (0.002)	0.000 (0.002)	-0.001 (0.001)	-0.001 (0.001)	-0.002 (0.002)
Constant	-0.040* (0.018)	-0.052** (0.020)	-0.031 (0.033)	-0.019 (0.019)	-0.032 (0.024)	-0.007 (0.032)	-0.028 (0.046)	-0.054 (0.060)
Observations	6,419	4,905	1,514	4,026	2,938	1,088	418	670
Adjusted R-squared	0.684	0.667	0.771	0.686	0.655	0.779	0.798	0.816
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Clustered robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A23: Pre and Post Anti-Corruption Campaign

In this table we estimate regressions at the firm level, differentiating the pre and post Anti-Corruption Campaign periods. The pre-2012 period dates from 2007 to 2012, while the post-2012 period spans from 2013 to 2017. Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

Panel A: Subsidies								
	All Firms			Private			State	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)
Connection*Pre	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.002 (0.002)	0.002 (0.002)	0.003 (0.002)	-0.001 (0.002)	0.000 (0.004)
Connection*Post	0.001* (0.000)	0.001 (0.001)	0.001 (0.001)	0.002*** (0.000)	0.002** (0.001)	0.003** (0.001)	-0.003 (0.001)	-0.003 (0.002)
Entertainment			0.098 (0.096)			0.124 (0.110)		0.030 (0.138)
Controls	No	Yes	Yes	No	Yes	Yes	No	Yes
Observations	4,532	4,532	4,532	3,050	3,050	3,050	1,482	1,482
Adjusted R-squared	0.549	0.550	0.551	0.528	0.528	0.530	0.609	0.618
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Cost of Debt								
	All Firms			Private			State	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)
Connection*Pre	-0.001 (0.001)	-0.001 (0.002)	-0.001 (0.002)	0.001 (0.003)	0.001 (0.003)	0.001 (0.003)	-0.004*** (0.001)	-0.003*** (0.001)
Connection*Post	-0.002*** (0.000)	-0.001** (0.000)	-0.001** (0.000)	-0.002*** (0.000)	-0.001 (0.001)	-0.001 (0.001)	-0.002 (0.001)	-0.002* (0.001)
Entertainment			-0.057** (0.024)			-0.050* (0.026)		0.037 (0.072)
Controls	No	Yes	Yes	No	Yes	Yes	No	Yes
Observations	4,532	4,532	4,532	3,050	3,050	3,050	1,482	1,482
Adjusted R-squared	0.639	0.692	0.693	0.583	0.645	0.646	0.761	0.793
FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A24: Connections to Poliburo members that were both elected in the 17th and 18th Party Congress

In this table we repeat the main regressions of the paper using an alternative measure of connection. We consider as connected only those firms that have at least one director connected to a Politburo member that was both elected in the 17th and 18th Party Congress. By doing so, we eliminate potential confounding effects. Columns (1) and (2) refer to the whole sample period, whereas columns (3) to (10) refer to either the pre-2012 or post-2012 period. Subsidies are reported in Panel A and Cost of Debt in Panel B. Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

Panel A: Subsidies

VARIABLES	Pre-2012		Pre-2012		Post-2012		Pre-2012		Post-2012		Pre-2012		Post-2012	
	Private Subsidy (1)	State Subsidy (2)	Private Subsidy (3)	Private Subsidy (4)	Private Subsidy (5)	Private Subsidy (6)	State Subsidy (7)	State Subsidy (8)	State Subsidy (9)	State Subsidy (10)	State Subsidy (7)	State Subsidy (8)	State Subsidy (9)	State Subsidy (10)
Connection_bothPB	0.003*	-0.002	0.004	0.004	0.003**	0.003**	0.002	0.002	-0.003	-0.003	0.002	0.002	-0.003	-0.003
Entertainment	(0.001)	(0.002)	(0.003)	(0.003)	(0.001)	(0.001)	(0.006)	(0.007)	(0.002)	(0.002)	(0.006)	(0.007)	(0.002)	(0.002)
Controls	0.034	0.097		-0.045		0.016		0.173		0.100		0.173		0.100
Observations	(0.070)	(0.111)	Yes	(0.076)	Yes	(0.060)	Yes	(0.160)	Yes	(0.150)	Yes	(0.160)	Yes	(0.150)
Adjusted R-squared	Yes	Yes	1.442	1.442	3.880	3.880	883	883	1,308	1,308	883	883	1,308	1,308
FE	0.537	0.514	0.464	0.464	0.585	0.585	0.390	0.391	0.609	0.609	0.390	0.391	0.609	0.609
	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: Cost of Debt

VARIABLES	Pre-2012		Pre-2012		Post-2012		Pre-2012		Post-2012		Pre-2012		Post-2012	
	Private CoD (1)	State CoD (2)	Private CoD (3)	Private CoD (4)	Private CoD (5)	Private CoD (6)	State CoD (7)	State CoD (8)	State CoD (9)	State CoD (10)	State CoD (7)	State CoD (8)	State CoD (9)	State CoD (10)
Connection_bothPB	0.000	-0.001	0.004	0.004	-0.000	-0.000	-0.001	-0.001	-0.000	-0.000	-0.001	-0.001	-0.000	-0.000
Entertainment	(0.001)	(0.001)	(0.003)	(0.003)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Controls	-0.038*	-0.015		-0.092		-0.018		0.057		-0.054		0.057		-0.054
Observations	(0.019)	(0.033)	Yes	(0.064)	Yes	(0.031)	Yes	(0.047)	Yes	(0.032)	Yes	(0.047)	Yes	(0.032)
Adjusted R-squared	4.972	2.086	1.133	1.133	3.549	3.549	793	793	1,212	1,212	793	793	1,212	1,212
FE	0.655	0.776	0.759	0.761	0.657	0.657	0.788	0.788	0.823	0.823	0.788	0.788	0.823	0.823
	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Clustered robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A25: Connections to newly elected Politburo members in 2012

In this table exploit the arrival of new members to the Politburo in 2012. The variable *Connected_NewPBmembers* is a dummy equal to one if at least one director of that firm started to be connected in 2012 to a newly elected Politburo member. The interaction *Connected_NewPBmembers*Post* captures the effect of being connected to a new Politburo member after 2012. In Panel A we run this regression over a sample with firms connected to newly elected Politburo members and non-connected firms. In Panel B we run again the same regression reducing our sample only to firms that became connected to new Politburo members after 2012. The variable *Post* is a dummy equal to one for years after 2012 and zero otherwise. Independent variables are lagged one year. All specifications include firm, industry, and province fixed effects.

Panel A: Treatment and Controls

VARIABLES	Subsidy (1)	Private Subsidy (2)	State Subsidy (3)	Cost of Debt (4)	Private Cost of Debt (5)	State Cost of Debt (6)
Connected_New PB members*Post	0.001 (0.001)	0.002** (0.001)	-0.002 (0.002)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)
Post	-0.001 (0.001)	-0.002** (0.001)	0.002 (0.002)	-0.001 (0.001)	-0.001 (0.001)	0.000 (0.001)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	6,912	4,899	2,013	6,912	4,899	2,013
Adjusted R-squared	0.506	0.526	0.479	0.676	0.649	0.765
Year FE	No	No	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Province FE	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: Treatment

VARIABLES	Subsidy (1)	Private Subsidy (2)	State Subsidy (3)	Cost of Debt (4)	Private Cost of Debt (5)	State Cost of Debt (6)
Connected_New PB members*Post	0.002* (0.001)	0.003** (0.001)	0.001 (0.002)	-0.001* (0.001)	-0.001 (0.001)	-0.001 (0.001)
Post	-0.003 (0.002)	-0.004** (0.002)	-0.000 (0.004)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,159	703	456	1,159	703	456
Adjusted R-squared	0.496	0.576	0.439	0.694	0.627	0.789
Year FE	No	No	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Province FE	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A26: Universities Attended by Politburo Members

Table A26 shows the universities attended by Politburo members. Universities belonging to the top 10 Chinese universities according to the 2020 QS World Ranking Universities are marked an asterisk. The top 10 universities are, in this order: Tsinghua University, Peking University, Fudan University, Zhejiang University, Shanghai Jiao Tong University, University of Science and Technology of China in Hefei city, Nanjing University, Wuhan University, Tongji University, and Beijing Normal University.

Source: China Vitae (<http://www.chinavitae.com/>)

	University Name
1	Anhui Normal University
2	Anshan Institute of Iron and Steel Technology
3	Beijing Agriculture and Forestry Institute
4	Beijing Institute of Chemical Engineering
5	Beijing Institute of Geology
6	Beijing Institute of Iron and Steel Engineering
7	Beijing Institute of Petroleum (now China University of Petroleum)
8	Beijing University of Science and Technology
9	Central Party School
10	China Agricultural University
11	Chinese Academy of Social Sciences
12	East China Normal University
13	Fudan University*
14	Harbin Institute of Technology
15	Harbin Military Academy of Engineering Institute
16	Hebei Institute of Technology (now Hebei University of Technology)
17	Hebei Normal University
18	Jilin Agricultural University
19	Jilin University
20	Kim-Il Sung University
21	Laiyang Agricultural College (now Qingdao Agricultural University)
22	Liaoning University
23	Nanjing University*
24	National Defense University
25	National Defense University in Beijing
26	Northeastern Heavy Machinery Institute (now Yanshan University)
27	Northwestern University in Xi'an City
28	Peking University*
29	People's Liberation Army Military Academy /Beijing Military Academy
30	People's Liberation Army Xuanhua Artillery Academy
31	PLA Air Force Academy in Xinyang City
32	PLA Air Force No. 1 Preparatory School in Shenyang City
33	PLA Air Force's No. 5 Aviation School in Wuwei City
34	PLA Air Force's No. 8 Aviation School in Shenyang
35	Renmin University of China
36	Shandong University
37	Shanghai Institute of Machinery
38	Shanghai Mechanical College (now part of University of Shanghai for Science and Technology)
39	Shanghai Normal University
40	Shijiazhuang Institute of Commerce
41	Teachers College in Jining District
42	Tsinghua University*
43	Union Correspondence University of Economic Management, Shanghai Campus
44	University of Science and Technology of China in Hefei City*
45	Xiamen University
46	Xi'an Army Academy in People's Liberation Army Military Academy
47	Yanbian University

Ruling Out Alternative Explanations

In this section we rule out the possibility that our results are driven by other effects unrelated to connections. Due to the way we identify connections, it could be argued that we are capturing an educational effect. It could also be argued that our measure of connections cannot capture elite ties because of massive university attendance in China, which could make our measure too noisy. We provide evidence against both possibilities.

As connected firms are those that have at least one director who attended the same universities as the members of the Politburo, we could think that the effect of obtaining higher subsidies or lower cost of debt derives from the education of board members. For example, the universities attended by top politicians could provide better business and financial training, or it could simply be that the most talented individuals attend the same universities. In fact, the best universities in China are among the group of universities attended by both Politburo members and board members.¹ To rule out this hypothesis, we repeat the analysis using two alternative variables: *University* and *Top5*. *University* is a dummy that takes a value of one if at least one board director of a firm attended the same university as a Politburo member, irrespective of time period and type of degree. The results under this specification are not significant, which suggests that our results are not driven by the quality of the educational institutions or, more generally, by the alumni networks. Tables A27 and A28 summarizes the results (in order to be concise, we also report the coefficients of the regressions run over the matched sample). Similarly, *Top5* is a dummy that equals one if at least one director in the board attended one of the top 5 universities in China. Results are shown in Tables A29 and A30. Overall, political connections remain significant after controlling for the presence of alumni directors from top universities in the board.

It could also be argued that Chinese universities have large cohorts, making our measure a weak proxy of connections. However, most members of both Politburos and board of directors attended university before 1998, when fewer people graduated from university in China. In fact, during the Cultural Revolution, “students were selected mainly according to their family

¹Table A26 in the Appendix contains a list with the universities that Politburo members attended.

Table A27: Value of Attending the Same Universities: Matched Sample

In this table we estimate regressions at the firm level for the matched sample. The dependent variables are subsidies, cost of debt, sales growth and investment (Capex). The independent variable of interest is *University*, a binary variable equal to 1 if there is at least one director of the board who attended the same university as any member of the Politburo, irrespective of the time period and degree type, and zero otherwise. Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

Panel A: Subsidies

	Private			State		
	(1)	Pre-2012 (2)	Post-2012 (3)	(4)	Pre-2012 (5)	Post-2012 (6)
University	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	-0.002* (0.001)	-0.001 (0.001)	-0.002 (0.003)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,050	934	2,116	1,482	559	923
Adj. R-squared	0.529	0.425	0.604	0.618	0.701	0.581
FE	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: Cost of Debt

	Private			State		
	(1)	Pre-2012 (2)	Post-2012 (3)	(4)	Pre-2012 (5)	Post-2012 (6)
University	-0.000 (0.001)	0.003* (0.001)	0.001 (0.001)	-0.000 (0.001)	-0.002 (0.001)	-0.000 (0.002)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,050	934	2,116	1,482	559	923
Adj. R-squared	0.648	0.720	0.638	0.792	0.816	0.834
FE	Yes	Yes	Yes	Yes	Yes	Yes

Panel C: Growth and Investment

	All Firms	Growth		All Firms	Investment	
	(1)	Private (2)	State (3)	(4)	Private (5)	State (6)
University	0.023 (0.035)	0.032 (0.040)	0.003 (0.049)	0.004 (0.004)	0.002 (0.003)	0.006 (0.005)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	4,532	3,050	1,482	3,419	2,138	1,281
Adj. R-squared	0.056	0.052	0.065	0.144	0.161	0.198
FE	Yes	Yes	Yes	Yes	Yes	Yes

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A28: Value of Attending the Same Universities: Full Sample

In this table we estimate regressions at the firm level for the full sample. The dependent variables are subsidies, cost of debt, sales growth and investment (Capex). The independent variable of interest is *University*, a binary variable equal to 1 if there is at least one director of the board who attended the same university as any member of the Politburo, irrespective of the time period and degree type, and zero otherwise. Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

Panel A: Subsidies

	Private			State		
	(1)	Pre-2012 (2)	Post-2012 (3)	(4)	Pre-2012 (5)	Post-2012 (6)
University	0.001 (0.001)	0.005 (0.004)	0.001* (0.000)	-0.003* (0.002)	-0.011 (0.009)	-0.002 (0.004)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	5,028	1,372	3,656	2,124	860	1,264
Adjusted R-squared	0.544	0.468	0.587	0.512	0.398	0.600
FE	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: Cost of Debt

	Private			State		
	(1)	Pre-2012 (2)	Post-2012 (3)	(4)	Pre-2012 (5)	Post-2012 (6)
University	-0.000 (0.000)	0.002 (0.002)	-0.000 (0.000)	-0.000 (0.001)	-0.001 (0.003)	-0.000 (0.001)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	5,028	1,222	3,656	2,124	711	1,264
Adjusted R-squared	0.658	0.771	0.675	0.780	0.814	0.823
FE	Yes	Yes	Yes	Yes	Yes	Yes

Panel C: Growth and Investment

	Growth			Investment		
	All Firms (1)	Private (2)	State (3)	All Firms (4)	Private (5)	State (6)
University	0.058 (0.034)	0.078* (0.042)	-0.005 (0.030)	0.002 (0.003)	0.001 (0.003)	0.003 (0.004)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	7,152	5,028	2,124	5,317	3,473	1,844
Adjusted R-squared	0.220	0.248	0.088	0.520	0.497	0.562
FE	Yes	Yes	Yes	Yes	Yes	Yes

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A29: Value of Attending Top5 Universities: Matched Sample

In this table we estimate regressions at the firm level for the matched sample, including a dummy variable *Top5*, which equals one if at least one of the directors in the board attended one of the top 5 universities in China. The dependent variables are subsidies, cost of debt, sales growth and investment (Capex). Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

Panel A: Subsidies

		Private Pre-2012	Post-2012		State Pre-2012	Post-2012
	(1)	(2)	(3)	(4)	(5)	(6)
Connection	0.003** (0.001)	0.002 (0.007)	0.002** (0.001)	-0.002 (0.001)	-0.002 (0.001)	-0.003 (0.002)
Top5	-0.000 (0.001)	-0.000 (0.004)	0.001 (0.001)	0.000 (0.001)	-0.004** (0.001)	-0.000 (0.002)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,050	934	2,116	1,482	559	923
Adj. R-squared	0.530	0.422	0.607	0.624	0.702	0.601
FE	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: Cost of Debt

		Private Pre-2012	Post-2012		State Pre-2012	Post-2012
	(1)	(2)	(3)	(4)	(5)	(6)
Connection	-0.001 (0.001)	0.005 (0.004)	-0.002 (0.001)	-0.002*** (0.001)	-0.003 (0.001)	-0.003* (0.001)
Top5	0.001 (0.001)	0.003* (0.001)	0.001 (0.001)	0.001 (0.001)	-0.002 (0.001)	0.000 (0.001)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,050	934	2,116	1,482	559	923
Adj. R-squared	0.649	0.723	0.638	0.793	0.817	0.835
FE	Yes	Yes	Yes	Yes	Yes	Yes

Panel C: Growth and Investment

	All Firms	Growth Private	State	All Firms	Investment Private	State
	(1)	(2)	(3)	(4)	(5)	(6)
Connection	-0.042* (0.019)	-0.043 (0.028)	-0.047 (0.035)	0.000 (0.003)	-0.005 (0.004)	0.009 (0.005)
Top5	-0.004 (0.027)	0.009 (0.046)	-0.011 (0.033)	0.003 (0.003)	0.004 (0.004)	-0.001 (0.005)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	4,532	3,050	1,482	3,419	2,138	1,281
Adj. R-squared	0.134	0.112	0.139	0.500	0.482	0.545
FE	Yes	Yes	Yes	Yes	Yes	Yes

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A30: Value of Attending Top5 Universities: Full Sample

In this table we estimate regressions at the firm level for the full sample, including a dummy variable *Top5*, which equals one if at least one of the directors in the board attended one of the top 5 universities in China. The dependent variables are subsidies, cost of debt, sales growth and investment (Capex). Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

Panel A: Subsidies

		Private Pre-2012	Post-2012		State Pre-2012	Post-2012
	(1)	(2)	(3)	(4)	(5)	(6)
Connection	0.002* (0.001)	0.001 (0.003)	0.002* (0.001)	-0.001 (0.001)	0.007 (0.009)	-0.003 (0.002)
Top5	0.001* (0.000)	-0.000 (0.003)	0.001* (0.001)	-0.002 (0.002)	-0.014 (0.009)	-0.000 (0.002)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	5,119	1,424	3,695	2,147	873	1,274
Adj. R-squared	0.541	0.467	0.581	0.516	0.408	0.615
FE	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: Cost of Debt

		Private Pre-2012	Post-2012		State Pre-2012	Post-2012
	(1)	(2)	(3)	(4)	(5)	(6)
Connection	-0.000 (0.001)	0.003 (0.003)	-0.001 (0.001)	-0.002*** (0.001)	-0.003** (0.001)	-0.002** (0.001)
Top5	0.001 (0.001)	0.002* (0.001)	0.000 (0.000)	0.001 (0.001)	0.000 (0.001)	0.001 (0.001)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	5,119	1,424	3,695	2,147	873	1,274
Adj. R-squared	0.660	0.763	0.674	0.783	0.817	0.826
FE	Yes	Yes	Yes	Yes	Yes	Yes

Panel C: Growth and Investment

	All Firms	Growth Private	State	All Firms	Investment Private	State
	(1)	(2)	(3)	(4)	(5)	(6)
Connection	-0.054* (0.026)	-0.060 (0.034)	-0.041 (0.029)	0.001 (0.003)	-0.004 (0.004)	0.009* (0.004)
Top5	0.020 (0.024)	0.031 (0.034)	0.005 (0.015)	0.001 (0.002)	0.002 (0.003)	-0.001 (0.003)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	7,266	5,119	2,147	5,402	3,537	1,865
Adj. R-squared	0.214	0.240	0.104	0.512	0.488	0.570
FE	Yes	Yes	Yes	Yes	Yes	Yes

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

backgrounds and political beliefs” and only 280,000 students were admitted every year (Chen, 2013). The year 1977 was a turning point in terms of higher education in China with the resumption of entrance examinations and the establishment of academic scores as entrance criteria. Despite the re-opening of academic institutions, the shift from “elite” education to “mass” education did not occur until 1999. As shown in Figure 1, the number of college admissions surged from that year. In 1998, China hosted only 3.4 million students across 1,022 academic institutions, meaning that each university had on average only 3,335 students (Chen, 2013). In 1999 the number of institutions and students almost doubled, reaching 1,942 institutions and 7.2 million students. During the following years it kept growing at high rates (Chen, 2013).

Figure 1: College Admissions in China (millions)

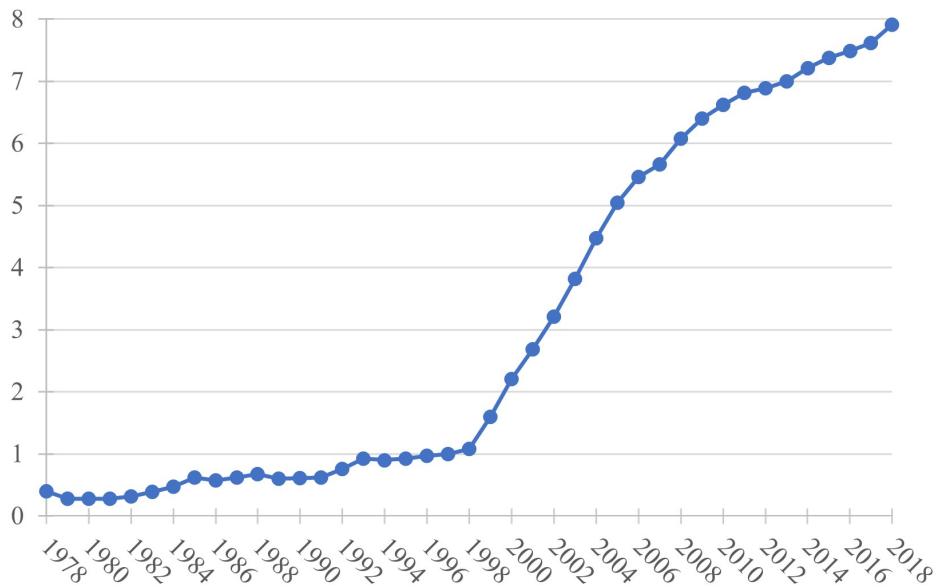


Figure 1 shows the number of college students admitted in China from 1978 to 2018 in millions. While there was a sudden jump in 1999, before that year the total amount of admitted students per year did barely surpass a million students. Source: National Bureau of Statistics of China (China Statistical Yearbook, years 2001 and 2019).

Therefore, our variable *Connection* is exempt from China’s current mass education phenomenon, increasing the probability of capturing real elite connections.

Additionally, we perform intensity robustness tests with alternative non-dichotomous mea-

asures of connections. We look at the ratio and total number of connected directors in the board. We observe that a greater number of directors in the board is correlated with more resources. We find that firms with higher ratios of connected directors or more connected directors in the board access more benefits. Table A31 shows the results. Overall, we find that a higher number of connected directors translates into higher subsidies in private companies and lower cost of debt in state firms.

Table A31: Number of Connections in the Board

In this table we estimate regressions at the firm level in the matched sample. The dependent variables are the total subsidies over sales, total subsidies (in millions) and cost of debt in year t . In Panel A, the independent variable of interest is *Ratio_Connections*, the ratio of directors of the board connected to a member of the Politburo in year $t - 1$. In Panel B, the independent variable of interest is the *Number_Connections*, which is the number of connected directors in the board. Independent variables are lagged one year. All specifications include firm, year, industry, and province fixed effects.

Panel A: Ratio Connections and Subsidies

	Private			State		
	(1)	Pre-2012 (2)	Post-2012 (3)	(4)	Pre-2012 (5)	Post-2012 (6)
Ratio_Connections	0.016** (0.006)	0.000 (0.020)	0.018*** (0.004)	-0.007 (0.008)	-0.010 (0.010)	-0.015 (0.012)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,050	934	2,116	1,482	559	923
Adj. R-squared	0.531	0.423	0.607	0.624	0.701	0.601
FE	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: Ratio Connections and Cost of Debt

	Private			State		
	(1)	Pre-2012 (2)	Post-2012 (3)	(4)	Pre-2012 (5)	Post-2012 (6)
Ratio_Connections	0.002 (0.004)	0.017 (0.015)	-0.002 (0.008)	-0.013** (0.004)	-0.023* (0.011)	-0.011 (0.007)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,050	934	2,116	1,482	559	923
Adjusted R-squared	0.648	0.720	0.637	0.793	0.817	0.834
FE	Yes	Yes	Yes	Yes	Yes	Yes

Panel C: Number of Connections and Subsidies

	Private			State		
	(1)	Pre-2012 (2)	Post-2012 (3)	(4)	Pre-2012 (5)	Post-2012 (6)
Number_Connections	0.002*** (0.000)	0.002 (0.004)	0.002** (0.000)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,050	934	2,116	1,482	559	923
Adjusted R-squared	0.531	0.424	0.607	0.624	0.700	0.600
FE	Yes	Yes	Yes	Yes	Yes	Yes

Panel D: Number of Connections and Cost of Debt

	Private			State		
	(1)	Pre-2012 (2)	Post-2012 (3)	(4)	Pre-2012 (5)	Post-2012 (6)
Number_Connections	0.000 (0.001)	0.005* (0.002)	-0.000 (0.001)	-0.002*** (0.000)	-0.002* (0.001)	-0.001 (0.001)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,050	934	2,116	1,482	559	923
Adjusted R-squared	0.648	0.724	0.637	0.793	0.817	0.834
FE	Yes	Yes	Yes	Yes	Yes	Yes

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

References

- Acharya, V., Davydenko, S., and Strebulaev, I. (2012). Cash Holdings and Credit Risk. *The Review of Financial Studies*, 25(12):3572–3609.
- Bliss, M. and Gul, F. (2012). Political connection and cost of debt: Some Malaysian evidence. *Journal of Banking & Finance*, 36(5):1520–1527.
- Carey, M., Prowse, S., Rea, J., and Udell, G. (1993). The economics of private placements: a new look. *Financial Markets Institutions and Instruments*, 2:1–66.
- Chen, L. (2013). The Changing Nature of China’s Higher Education. *Journal of Education and Learning*, 2:190–200.
- Dhaliwal, D., Gleason, C., Heitzman, S., and Melendrez, K. (2008). Auditor fees and cost of debt. *Journal of accounting, auditing finance*, 23(1):1–22.
- Fang, L., Lerner, J., Wu, C., and Zhang, Q. (2018). Corruption, government Subsidies, and innovation: Evidence from China. NBER Working Papers 25098, National Bureau of Economic Research, Inc.
- Feng, X., Johansson, A. C., and Zhang, T. (2015). Mixing business with politics: Political participation by entrepreneurs in China. *Journal of Banking & Finance*, 59:220–235.
- Jensen, M. (1986). Agency costs of free cash flow, corporate finance, and takeovers. *American Economic Review*, 76:323–329.
- Jin, S. and Zhang, Z. (2019). Political Connections, Government Subsidies, and Capital Misallocation: Evidence from China. *SSRN Working Paper Series*.
- Lai, K.-W. (2011). The cost of debt when all-equity firms raise finance: The role of investment opportunities, audit quality and debt maturity. *Journal of Banking Finance*, 35(8):1931–1949.
- Lim, C. Y., Wang, J., and Zeng, C. (2018). China’s “Mercantilist” Government Subsidies, the Cost of Debt and Firm Performance. *Journal of Banking & Finance*, 86:37–52.
- Martin, M. (2012). China’s Banking System: Issues for Congress. Technical report.
- Myers, S. (1977). Determinants of corporate borrowing. *Journal of Financial Economics*, 5(2):147–175.

- Pittman, J. and Fortin, S. (2004). Auditor choice and the cost of debt capital for newly public firms. *Journal of Accounting and Economics*, 37(1):113–136.
- Rajan, R. and Petersen, M. (1994). The benefits of lending relationships: Evidence from small business. *The Journal of Finance*, 49(1):3–37.
- Shailer, G. and Wang, K. (2015). Government ownership and the cost of debt for Chinese listed corporations. *Emerging Markets Review*, 22:1–17.
- Smith Jr, C. and Watts, R. (1992). The investment opportunity set and corporate financing, dividend, and compensation policies. *Journal of Financial Economics*, 32(3):263–292.
- Xu, C. (2011). The Fundamental Institutions of China's Reforms and Development. *Journal of Economic Literature*, 49(4):1076–1151.