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FALSE HOPES: THE IMPACT OF NATIONAL LEADERS' FIRM VISITS ON INDUSTRY PEERS

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Abstract

I study how politicians' activities affect the stock market and firm performance. Using hand-collected data on China's national leaders' corporate visits, I investigate the industry-wide implications of these visits. I find that over the six days surrounding a visit, an average industry peer's value increases by 4% of its total assets. This result reflects investors' favourable reactions to leaders' indications of more government support for the industry. However, the industry peer's profitability plummets by more than 11% in the following two years. Further analysis reveals that after the visits, industry peers increase their investments, presumably in anticipation of additional government subsidies and credits. However, these resources are never delivered, and the profitability of these firms falls. My findings suggest that national leaders' visits do not help boost the targeted industries, and firms should carefully interpret the politicians' activities.

JEL Classifications: G14, G31, H71, P26

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1 Introduction

Politicians perform various activities, such as giving speeches, tweeting, and traveling domestically and internationally to meet citizens and other politicians. Anecdotal evidence shows that these activities have profound impacts on the corporate sector.¹ However, the extensive literature examining the politics-business nexus (e.g., [Bertrand et al., 2018](#); [Brogaard et al., 2021](#); [Faccio, 2006](#); [Fisman, 2001](#); [Liu et al., 2022a](#)) has paid little attention to the impacts of these activities.² I fill this gap by investigating how Chinese leaders' firm visits affect the entire industry in the short- and long run.

Chinese leaders visit firms frequently, and firms hosting these visits enjoy value and performance premiums following these visits ([Cai and Hou, 2019](#); [Schuler et al., 2017](#); [Wang et al., 2019](#)). Moreover, during these visits, leaders often express the government's intention to support the visited industries. For instance, Wen Jiabo visited Fiberhome Communication Technology in 2006. He underlined that the government must provide more assistance to the electronics industry. When visiting Dalian Heavy Industry in 2015, Li Keqiang mentioned that it is crucial to help the equipment manufacturing industry to achieve scientific transformation and obtain global competitiveness. Thus, these visits are likely to also contain information for other

¹For example, all three major indices in the US surged after Biden's speech about rejecting the proposal to exclude Russia from SWIFT ([White, 2022](#)); the stock price of GEM jumped in the afternoon of Xi Jinping's company tour ([Yan, 2013](#)); and the plan to end the COVID relief plan negotiations caused a 1.5% drop in all three major US indices ([Santoreneos, 2020](#)).

²Exceptions are [Maligkris \(2017\)](#), who studies the stock market reactions to politicians' speeches, [Aleksanyan et al. \(2021\)](#), who document that diplomatic visits stimulate cross-border mergers, and [Schuler et al. \(2017\)](#) and [Wang et al. \(2019\)](#), who find that Chinese politicians' firm visits increase hosting firms' values and performances.

firms from the visited industries. Indeed, studies show that Chinese leaders typically use these visits to emphasize the country's priority industries (Cai and Hou, 2019; Schuler et al., 2017).

How do these visits affect the decisions of investors and managers of industry peers of the visited firms? Are these visits effective tools in boosting the visited industries? Answering these questions can enrich our knowledge of how and to what extent politicians can actively influence the corporate sector. To achieve this purpose, I manually collect data on firm visits made by China's top two leaders, the General Secretary of the Chinese Communist Party and the Premier of the State Council, between 2007 and 2017. My sample thus contains four national leaders spanning two administrations, namely Secretary Hu Jintao and Premier Wen Jiabao from 2007 to 2012, and Secretary Xi Jinping and Premier Li Keqiang from 2012 to 2017.

I focus on these two leaders for several reasons. First, they are the top-ranking officials of the party (General Secretary) and the state (Premier), and hence the most powerful politicians in China. Compared to those of other politicians, their activities receive the greatest attention from the media, managers, and investors (Cai and Hou, 2019; Schuler et al., 2017). Second, visits made by the top two leaders send out the clearest signal to the market and the public. Other leading politicians, such as other Politburo Standing Committee members, have specific responsibilities (e.g., in charge of the Central Commission for Discipline of the CCP). Hence, their visits to firms could be made for specific purposes that are related to these responsibilities. Third, the top two leaders make disproportionately more visits than other Politburo

Standing Committee members.³

It is worth mentioning that national leaders from other countries also visit their firms to highlight contemporaneous policy focus and strategic plans.⁴ Three reasons make China a more suitable empirical laboratory to study the spillover effect of leaders' visits. First, the destination and timing of the visits are top-down decisions in China, leaving little room for special interest groups to influence the firms and industries to be visited. Second, most investors in China can only learn about a leader's visit *after* it happens. This fact mitigates the concern over the anticipation effect when studying the market reactions to visits. Third, Chinese leaders visit firms more frequently than Western leaders, allowing richer data for inference.

I document strong evidence of positive intra-industry return spillover following leaders' visits. Six days after the visit, an average same-industry firm enjoys a 1% cumulative abnormal return, equivalent to an increase of more than 120 million RMB Yuan (or 19 million USD at the 2012 exchange rate). This increase in value is about 4% of the firm's total assets. This result indicates that stock market participants consider these visits positive news for the non-visited industry peers.

Then I study these visits' longer-run impacts on the non-visited industry peers using the cohort-time difference-in-differences (DID) method (Callaway and Sant'Anna, 2021). First, I find that following the visit, stock market analysts started to pay more

³Hu Jintao and Wen Jiabao contributed about 25% of all the visits made by the nine Politburo Standing Committee members from 2007 to 2012, while Xi Jinping and Li Keqiang contributed nearly half of all visits made by the seven Politburo Standing Committee members from 2012 to 2017.

⁴For example, in February 2021, US President Joe Biden visited Pfizer's Michigan facility amid the COVID pandemic, expressing the government's support for vaccine and medicine development. In May of the same year, Australian Prime Minister Scott Morrison toured the innovation commercialisation company Planet Innovation, emphasising the government's desire to promote related activities.

attention to the same industry firms, evidenced by the increased number of analysts following them and the increased research reports issued on them. These analysts also become overly optimistic about the industry peers when issuing earnings forecasts. These results suggest that the stock market participants consider leaders' visits to contain additional information about the hosting firms' industries.

Second, firms respond to leaders' visits to their industries by increasing their intangible asset investments and raising their leverages. Specifically, an average industry peer increases its intangible investment by nearly 15% during the three years after the visit. During the same time interval, it raises about 12% of its book leverage. These findings indicate that an average industry peer responds to a leader's visit to its industry by expanding its operation, presumably in anticipation of additional support from the government as indicated by the leaders during visits.

However, I find no evidence suggesting an average industry peer would receive additional support, measured as incremental government subsidies or bank loans, during the three years following a visit. Under China's decentralized authoritarian system, the sub-national governments enjoy large autonomy in determining their local economic policies. As they also face budget constraints, they might not be able to provide sufficient support to an average industry peer.

This mismatch in investment and government support is manifested in these industry peers' financial performance. I find that, during the three years following a leader's visit, same-industry firms on average suffer a profitability drop by more than 11%.

I interpret these results in the following way. During a leader's visit to an industry, they often indicate that the government wish to provide further support to this industry. The stock market participants interpret the visit as positive news for all firms in this industry. Hence, these firms experience positive value increases in the short run. Industry peers themselves anticipate that their industries will be supported in the future, and thus they increased their investments and leverage in the hope of grasping this growth opportunity. However, these hopes do not materialize into additional resources, at least to an average industry peer, and their profitability declines as a result.

I find evidence consistent with this interpretation. Specifically, I argue that firms with better connections with the government possess more information about whether the latter will distribute additional resources than their less-connected counterparts. Moreover, better-connected firms are also more likely to receive favourable treatment in the new resource distribution process. As a result, compared to their non-connected peers, firms with connections to the governments should perform better and receive more resources. Using state ownership and politically connected directors as proxies for connectedness, I find that after a visit, connected firms indeed are more likely to receive additional resources and suffer fewer performance discounts.

I use various methods to ensure the validity of my results. First, I test the market reactions to firms from different industries as the visited firms and show that their stock prices do not respond to the event. Second, using 12 months before the actual visit dates as placebo even dates, I do not find industry peers' stock prices reacting to

these pseudo-events. For the difference-in-differences analyses, I conduct falsification tests by moving the visit dates backwards by three years as the placebo treatment timing.⁵ I do not find these pseudo-events affecting treatment firms' operations or performance.

I exclude multiple alternative interpretations of my results. The first concern is that the government might have already extended support to these industries, and the documented lack of support following visits is a consequence of such pre-existing assistance. A second possibility is that the visited firms are drawing a substantial portion of the available resources, leaving the government with limited additional resources to allocate to industry peers. However, utilizing China's inter-regional market segmentation, I do not find evidence substantiating this interpretation. Next, I demonstrate that it is implausible to attribute the expansion of investment to managers' learning of growth opportunities from their firms' elevated market values, as opposed to leaders' visits. I further elucidate that the performance drop does not stem from managers using excessive intangible investment as a disguise for tunnelling behaviour. Finally, I show that my results are robust after excluding the influence of the Great Financial Crisis.

This paper contributes to various strands of literature. First, I enrich the work on the political economy of finance, especially the literature investigating politicians' influences on the corporate sector. I find that in addition to channels such as ownership structure (Alok and Ayyagari, 2020; Borisova et al., 2015) and personal connections

⁵I choose a three-year gap to avoid including the actual post-visiting period in calculating the placebo treatment effect.

(Bertrand et al., 2018; Brogaard et al., 2021; Faccio, 2006; Fisman, 2001), politicians' physical activities can also profoundly affect firm value and performance. Moreover, I present evidence that politicians' influences can go beyond the focal firm and reach the entire industry.

Second, I add to the studies on spillover effects in financial markets. This literature has documented the spillover of various corporate activities, including IPOs (Hsu et al., 2010; Li and Zhang, 2021), share repurchases (Massa et al., 2007), M&As (Albuquerque et al., 2019; Song and Walkling, 2000), bankruptcies (Boone and Ivanov, 2012; Lang and Stulz, 1992), and innovation (Matray, 2021), among others. My paper documents the inter-industry propagation of the politics-business nexus and highlights the importance of the general equilibrium framework in studying corporate activities (Huber et al., 2023).

Third, my paper contributes to the growing literature studying China's industrial policy. Extant work fails to identify conclusive evidence on the effectiveness of these policies (Aghion et al., 2015; Chen et al., 2020; Liu et al., 2022b) and finds that lack of policy persistence harms the corporate sector (Deloof et al., 2022; Wu et al., 2019). I add to these studies by showing that national leaders' presences and promises do not constitute a remedy for policy ineffectiveness.

The rest of the paper is organized as follows. Section 2 provides the institutional background on Chinese leaders' corporate visits and discusses predictions on their impacts. Section 3 describes the data and sample. Section 4 presents the short- and long-run impacts of leaders' visits on industry peers. Section 5 provides an

interpretation to the empirical findings. Robustness checks are discussed in [Section 6](#). [Section 7](#) concludes.

2 Institutional Background and Empirical Predictions

National leaders' domestic inspection tours in China can be traced back to imperial times. During the Han dynasty (202 B.C. to 220 A.D.), a system under which the Emperor routinely sent out delegates to tour the country on his behalf was already institutionalized ([Hucker, 1951](#)). The ruling class used these tours to oversee the sub-national administrations and demonstrate that they cared about the grassroots ([de Crespigny, 1981](#)).

The leaders of the People's Republic of China inherited this tradition and regularly travel across the country to meet with the local community. The official purposes of these visits are disclosed in the substantial media coverage they receive. Textual analysis of these news articles reveals that there are three main objectives, to emphasize recent policy focus, to promote economic development, and to ensure continuous improvement of social welfare ([Figure A2](#)).

During many of these inspection tours, the leaders would also visit firms in the hosting cities. These firms consider receiving a leader's visit as a tremendous honour and would post news and images of the visits on their websites. Many firms even repeatedly refer to the visits in subsequent annual reports. These visits garner

substantial public attention,⁶ and the hosting firms enjoy significant value increase following the visit (Schuler et al., 2017).

Although it is not apparent to outsiders how leaders select particular firms to visit, studies reveal that praising the hosting firms is not the primary purpose of these visits (Cai and Hou, 2019). In fact, the hosting firms are typically exemplars of China's contemporaneous industry policy priorities (Schuler et al., 2017). For example, Hu Jintao visited Sinotruk in 2009 to highlight the national policy of promoting the vehicle manufacturing industry. During his visit to the China Railway Engineering Equipment Co. in 2014, Xi Jinping pointed out that developing the engineering equipment industry is paramount to the country. Moreover, national leaders often express the government's intention to further support the visited industry.

These visits thus indicate that the government views these visited industries as critical to the country's economic development, and firms in these industries might be able to access additional resources such as credits, government subsidies, and relaxed regulations (Schuler et al., 2017). Realizing the nature of these visits, investors interpret them as positive news for firms in the visited industries. Based on this argument, I hypothesize that stock prices of firms in the same industries as the visited firms increase following the visits.

These visits are also likely to affect industry peers in the longer run. First, in anticipation of future supports to them as indicated by the leaders during visits, these firms' managers might consider expanding their businesses. Second, the sub-national

⁶Figure A3 plots the search intensity of a visited firm on Baidu.com, the largest Chinese search engine.

governments and banks might favour firms from the visited industries in their future resource distribution. These two forces would then manifest in these industry peers' financial performance.

3 Data and Sample

3.1 Leader Visits

I manually collect the data of corporate visits made by the Party General Secretary and the Premier from *People's Daily*, the largest newspaper agency in China and the official newspaper of the Chinese Communist Party (CCP). My sample period spans between October 2007 and October 2017. It covers two administrations: Secretary Hu Jintao and Premier Wen Jiabao from October 2007 to November 2012 and Secretary Xi Jinping and Premier Li Keqiang from November 2012 to October 2017.

I start by recording all domestic tours made by these leaders. Then, for each tour, I identify whether firms listed on Shanghai or Shenzhen Stock Exchange hosted the leaders. A *visit* is thus defined as an incident in which a leader visits a listed firm. I cross-validated this information from various alternative sources, including *Baidu Encyclopedia*, firms' websites, and local newspapers. I exclude all visits to the financial, utility, and central government-owned firms.⁷ I also exclude visits made for disaster relief. The final sample includes 65 visits that involve 103 listed firms. Panel

⁷China's financial and utility sectors are highly regulated. Central government-owned firms typically also operate in "strategically important industries to the national security". These firms have very few industry peers, and the same shareholder, the central government, typically owns these peers.

A of [Table 1](#) shows the annual distribution of visits and firms visited.

3.2 Firm Information

I obtain firm information from the China Stock Market and Accounting Research (CSMAR) database. I exclude all firms with missing stock market and financial information. The final sample includes 103 visited firms. [Table 1](#) shows the annual distribution of visits and firms visited (panel A) and the industry distribution of firms visited based on the one-digit CSRC classification (panel B). [Table 2](#) Panel A shows the characteristics of visited firms measured at the year-end before the visiting year. The definitions of variables are provided in [Table A1](#).

I determine each visited firm's industry using its three-digit China Securities Regulatory Commission (CSRC) code. For each visit, I identify firms sharing the same three-digit CSRC code with the visited firm as the *industry peers*. Excluding firms with insufficient stock market and financial information yields a final sample of industry peers of 3,942 firms. Their baseline characteristics are reported in [Table 2](#) Panel B.

Compared to their industry peers, firms visited by leaders are larger, have higher leverage, are more profitable, are more likely to be owned by the government, and are more likely to have political connections. This finding is consistent with the extant literature, which finds that firms visited by politicians are not randomly chosen ([Cai and Hou, 2019](#); [Wang et al., 2019](#)). However, since this paper aims to evaluate how leaders' visits affect industry peers, this selection issue does not pose an immediate threat.

4 Reactions to Leaders' Visits in the Industry

4.1 Stock Market

I examine stock market reactions to visits by calculating the cumulative abnormal returns (CAR) across various event windows. The event day is the date that a visit took place. Following the standard event study methodology (Brown and Warner, 1985), I adopt a 252-trading day estimation window that ends 46 days before the event day to estimate the market model:

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_i \quad (1)$$

where R_{it} is the daily return of firm i and R_{mt} is the daily return of the Shanghai-Shenzhen A-share value-weighted index. Next, I compute for each firm the abnormal return:

$$AR_{it} = R_{it} - \hat{\alpha}_i - \hat{\beta}_i R_{mt} \quad (2)$$

and the cumulative abnormal return (CAR):

$$CAR_i^{t,t+T} = \sum_t^{t+T} AR_{it} \quad (3)$$

where T is the number of trading days in the event window. Figure 1 plots the 10-day market reactions to visits for both hosting firms (panels (a) and (b)) and industry peers (panels (c) and (d)), using different pre-visit windows. These graphs illustrate

that after a leader's visit, the stock market reacts positively for both types of firms, with the reactions to visited firms being more pronounced.

Table 3 Panel A shows parametric evidence of these findings. I consider three event windows: 2-day $[0, +1]$, 4-day $[0, +3]$, and 6-day $[0, +5]$. I also include two pre-visit periods, 10-day $[-10, -1]$ and 5-day $[-5, -1]$, as falsification tests. I report the mean CARs of these event windows for the visited firms and other firms in the same industry. The results show that the average 6-day CAR of the event firms is 2.48%, while the average 6-day CAR of the industry peers is almost 1% (about 40% of the event firms' CAR).

Since leaders might visit some industries multiple times, I investigate whether the market responds to the initial visit and subsequent visits to an industry differently. Panels B and C show the mean CARs of initial visits and subsequent visits separately. The results show that when comparing the initial and subsequent visits to the industry, market responses are similar for firms hosting the visits.⁸ However, the market reactions to industry peers are smaller (and statistically less significant) for subsequent visits than for the first visits. These results reveal that the stock market always interprets leaders' visits to a firm as positive news to the hosting firms. However, for industry peers, subsequent visits do not convey much incremental good news.

In **Table 3**, I use regressions to show that the market reaction to visited firms is an important factor explaining the market reaction to industry peers. I regress the 6-day CARs of the industry peer on the 6-day CARs of the visited firm, with standard

⁸Notice that subsequent visits to the industry could be a visit to the same firm as the initial visit or a visit to different firms as the initial visit.

errors clustered at the industry level:

$$CAR_j = \alpha + \beta CAR_{Event} + \gamma X_j + \lambda X_{Event} + Industry + Year + \varepsilon \quad (4)$$

Column (1) does not include any control variables, whereas subsequent columns are conditional on firm and year indicators, visited firm characteristics (X_{Event}), and industry peer characteristics (X_j).

Focusing on column (5), which has the most comprehensive set of controls, a one-percentage-point increase in the market reaction of a visited firm is associated with approximately a 0.52 percentage-point increase in the CARs of its average industry peers. These results suggest that there is indeed a spillover effect of leaders' visits to industry peers.

4.2 Analysts

If a visit indeed conveys information about the industry, the non-visited firms in the same industry will attract more attention after a visit. I test this conjecture by investigating how stock market analysts react to these visits with a difference-in-differences (DiD) framework. The recent literature highlights that a setting with staggered treatment timing and heterogeneous treatment effects will introduce bias to the DiD estimator (Athey and Imbens, 2022; de Chaisemartin and D'Haultfœuille, 2020; Goodman-Bacon, 2021). To alleviate this concern, I utilize the group-time DiD estimator proposed by Callaway and Sant'Anna (2021) as the empirical strategy.

In my context, the treatment is the visit, and the treated firms are firms in the same industries as those hosting the visits. I define treatment year (year 0) as the year of the visit if the visit happens during the first half of a year, or the year after the visit if the visit happens during the second half of a year. To avoid confounding factors introduced by repeated visits, I include a visiting event if there is no event in the same industry during the surrounding two years. For each event, the control group consists of firms from industries that never received a visit during my sample period and firms from industries that have not been visited yet. I estimate the average treatment effect on the treated during the three-year window (i.e., year 0 to year 2) following the treatment.

I test two measures related to analyst attention: the number of analysts following and the number of research reports issued. Columns (1) to (4) from Table 5 Panel A show the results. In the two years after a visit (and conditional on covariates), an average industry peer will receive about 0.8 more analysts following and 1.1 more reports issued. These values are roughly 8.7% and 6.3% of the sample average. These results imply that leaders' visits have intra-industry spillover effects, as these events induce analysts to pay more attention to firms from the same industry.

I also test whether analysts also become more optimistic about these industry peers. I measure optimism using the proportion of analysts issuing upward-biased earnings forecasts in a year.⁹ The last two columns of Table 5 Panel A indicate that analysts have marginally upward-biased estimates about same-industry firms' earn-

⁹Formally, $\text{Optimism} = \frac{\# \text{ of } (EPS_{\text{analyst}} - EPS_{\text{actual}}) > 0}{\# \text{ of } EPS \text{ forecasts}}$.

ings.

To ensure the validity of my DiD framework, I adopt the chi-squared test of the hypothesis that all pre-visit treatment effects (i.e., years -2 and -1) are zero. The reported p-values of these tests suggest that there is no evidence of the parallel trend assumption being violated. Finally, I plot the dynamic effects across my estimation window (i.e., year -2 to +2) in panels (a) to (c) of [Figure 2](#). These figures confirm that the parallel trend assumption is not violated. They also provide a breakdown of the ATT estimated in [Table 5](#).

4.3 Firms

A firm may interpret a leader's visit to its industry peer as a signal that the government will support the development of this industry and tilt resources towards it. As a result, it may expand its operation in the hope of reaping the benefits of this prospect. I use the same DiD framework as above to examine this possibility with three measures: physical investment, intangible investment, and leverage.

Following [Peters and Taylor \(2017\)](#), I measure physical investment as capital expenditures and intangible investment as $R\&D + 0.3 \times SG\&A$, both scaled by total assets. Leverage is the ratio of total liabilities to total assets. [Table 5](#) Panel B shows the results. On average, there is no evidence that same-industry firms increase physical investments (columns (1) and (2)). However, an average industry peer raises its intangible investment and leverage by 14.6% ($= 0.034/0.233$) and 11.7% ($= 0.053/0.453$), respectively. Panels (d) to (f) of [Figure 2](#) confirm these findings and show that the

parallel trend assumption is not violated.

4.4 Governments and Banks

Next, I study whether same-industry firms receive additional resources after the visit. I use three variables as proxies: government subsidies, short-term loans, and long-term loans, all scaled by assets. Chinese listed firms are mandated to disclose in their financial statements the monetary subsidy they receive from the government. This variable is informative about the direct support a firm receives from the government. As the majority of banks in China are state-owned, loan levels are also informative about the resources a firm receives from the government (Liu et al., 2022a; Ru, 2018).

Table 5 Panel C shows the results. Overall, there is scant evidence that industry peers receive additional resources after a leader's visit. First, there is no extra subsidy or long-term loan flow into industry peers. Second, the ATT of the short-term loan (conditional on covariates) is only marginally significant and equivalent to about 5% of the sample mean short-loan level. The parallel trend assumptions for these specifications are not violated (see Figure 2 Panel (g) to (i) and the p-values in Table 5 Panel C).

4.5 Financial Performance

The analyses from the last sections indicate that after a leader's visit to an industry, the non-visited industry peers increase investment in intangible assets and take on more leverage. However, there is no evidence that these firms receive subsequent

resources such as subsidies and loans. How do these patterns contribute to the long-run financial performance of these firms?

I examine this question using the same DiD method as before. I focus on four measures: return-on-asset (ROA), return-on-equity (ROE), net income per employee (Labor Efficiency), and productivity (TFP).¹⁰ For each measure, I report the three-year average treatment effect on the treated (ATT) without covariates in the odd-number column. In the even-number columns, I estimate the ATTs conditional on firm size, sales growth, age, book-to-market ratio, state-owned status, and political connection.

Table 6 reports the results. In the two years following a leader's visit, an average same-industry firm's ROA declines by 0.47 to 0.62 percentage points, depending on whether the covariates are included. These figures are roughly equal to 11% ($=0.47/4.3$) to 14% ($=0.62/4.3$) of the sample mean and are thus also economically meaningful. Similarly, the reductions in ROE and labor efficiency can be as large as 12% and 18% of the sample averages. On the other hand, I do not find leader's visits to have a statistically significant impact on industry peers' TFP. The parallel trend test p-values and **Figure 3** suggest that the parallel trend assumption is not violated in these specifications.

These drops in the financial performance of industry peers can be reconciled with the firm and government reactions documented before. Firms interpret leaders' visits to their industries as a signal that the government would provide further support to their industries in the future. In response, they increased their investment and lever-

¹⁰I estimate a firm's TFP follow the method of **Olley and Pakes (1996)**.

age. However, as the sub-national government officials and bank managers who are in charge of distributing resources may face economic or career constraints, most industry peers would not receive additional resources. As a result, an average industry peer's performance deteriorates.

5 Reconciling the Results: One Interpretation

The DiD results above show that leaders' visits do not imply firms operating in the visited industries will perform better in the future, even though leaders often talk about developing these industries during their visits. This section attempts to identify which types of same-industry firms are more likely to be harmed.

A closer look at the leaders' speeches during the visits reveals that they rarely make concrete promises. For example, Wen Jiabo says that "the government must provide more assistance to the electronics industry" during his visit to Fiberhome Communication, while Li Keqiang claims that "it is crucial to help the equipment manufacturing industry to achieve scientific transformation and obtain global competitiveness". These speeches are more likely to be *motherhood statements* rather than *binding promises*.

Under China's decentralized economic system (Xu, 2011), sub-national governments have high autonomy in determining economic policies within their jurisdictions. As sub-national governments also face resource constraints, they might not be able to support an average firm from the visited industry. However, firms with better

connections with the government might have advantages in this resource distribution process.

To test this hypothesis, I proxy a firm's connection with the government using two variables: whether the government owns more than 30% of its shares (Huang et al., 2017) and whether it has at least one director with a government or military background (Fan et al., 2007). These connected firms may enjoy two advantages. First, they might have better information from the local governments and banks about whether the latter would indeed support their industries. Second, compared to their non-connected counterparts, these firms are more likely to receive resources from governments and banks. As a result, better-connected firms would be able to make more informed operational decisions and suffer less in profitability than non-connected firms.

I find evidence consistent with this conjecture by using two proxies for a firm's connection: whether the government owns more than 30% of its shares (Huang et al., 2017) and whether it has at least one director with a government or military background (Fan et al., 2007). Table 7 and Table 8 present the results.

Panel A of Table 7 shows that both state-owned and non-state-owned firms expand their investments following a leader's visit to their industries. SOEs focus on intangible investments, whereas non-SOEs mainly expand their physical investments. However, only SOEs receive additional resources in terms of loans (Table 7 Panel B). This mismatch between investment and resource distribution is manifested in the financial performance (Table 7 Panel C). Specifically, depending on the measure, an

average non-state-owned industry peer experiences a drop of about 15% to 40% in its profitability.¹¹ In contrast, an average state-owned industry peer does not suffer from profitability decline at conventional levels of statistical significance.

The heterogeneous analysis of industry peers with and without political connections presents similar evidence. During the three years following a leader's visit, an average industry peer with politically connected directors increases its investment in intangible assets. At the same time, an average non-connected peer significantly raises its capital expenditure and leverage (Table 8 Panel A). However, only the politically connected peers receive additional loans (Table 8 Panel B). As a result, the profitability of the non-connected peers decreases on average by 11% to 25% (Table 8 Panel C).¹²

6 Robustness Checks

6.1 Stock Market Reactions

First, I plot the CARs of non-visited industry firms over the event window and juxtapose them with CARs of the same industry firms in Figure A4. For both 21-day [-10, +20] and 16-day [-5, +20] windows, other industry firms do not react to the visiting events in the same way as the same industry firms do.

I also conduct a placebo test by moving the event date to 12 months before the ac-

¹¹The average ROA, ROE, and labor efficiency of non-state-owned industry peers are 3.55%, 7.13%, and 0.067.

¹²The average ROA, ROE, and labor efficiency of non-state-owned industry peers are 4.25%, 7.67%, and 0.079.

tual visit date. [Figure A5](#) shows that same industry firms do not react to this placebo event, further validating that the market reactions observed in the main analyses should indeed be attributed to the visits.

6.2 Financial Performances

For the DiD analyses, I conduct robustness tests in which I move the event date to three years prior to the actual visiting date. Using three years before the actual date as the placebo date allows me to avoid including the actual post-visit years in the calculation of the placebo ATT. [Table A2](#) shows the results for investment (Panel A), additional resources gained (Panel B), and financial performance (Panel C). All specifications include the pre-treatment covariates. None of the coefficients are statistically significant. These results further assure that the probability drop documented in the main analyses can be attributed to the leaders' visiting events.

6.3 Alternative Explanations

I also consider various potential alternative interpretations of the results. First, leaders do not randomly select industries to visit. If industries visited by the leaders have already been experiencing some trends that will affect the outcome variables, whereas the non-visited industries are not experiencing those trends, my results would be biased.

The cohort-time difference-in-differences framework ([Callaway and Sant'Anna, 2021](#)) I adopt for my analyses can at least partially alleviate this concern. Specifi-

cally, this framework allows me to use firms from not-yet-visited industries as the control group, and these industries are likely to be experiencing similar changes as the currently-visited industries. This feature reduces the magnitude of the potential bias. Moreover, the pre-treatment p-values (reported for each specification) and dynamic treatment effects (plotted in [Figure 2](#) and [Figure 3](#)) indicate that the parallel trend assumption is not violated.

Second, it is possible that governments and banks have limited resources that they tilt towards the *visited firms*. As a result, there are not many resources left for the industry peers (siphoning effect). Utilizing China's regionally decentralized feature ([Xu, 2011](#)), I present evidence inconsistent with this argument. China's sub-national politicians have high autonomy in determining economic policies within their jurisdictions, leading to a market characterized by high levels of inter-regional market segmentation and local protectionism ([Bai et al., 2004](#); [Barwick et al., 2021](#)). Therefore, even if a visited firm obtains more resources from its local government, its industry peers from *other provinces* are unlikely to suffer from the siphoning effect.

Based on this premise, I limit my analysis to industry peers headquartered in provinces that are different from the visited firms. [Table 9](#) presents evidence that is against this explanation. Firms not operating in the same provinces as the visited ones, on average, do not receive additional resources and suffer from profitability drop.

A third possibility is that managers of industry peers are not making investment decisions by following leaders' visits. Instead, they are learning from the stock mar-

ket. An increase in their own and peers' stock prices lead the managers to believe their firms are facing great growth opportunities and thus invest more. This explanation would not hold if there is a reversal of the returns following the initial surge. I thus calculate the CAR and buy-and-hold abnormal returns (BHAR) thirty days after the visiting date. I use the same method as before to calculate CAR and the following equation to calculate BHAR:

$$BHAR_{0,30} = \frac{1}{N} \sum_{j=1}^N \left(\prod_{t=0}^{30} (1 + R_{j,t}) - \prod_{t=0}^{30} (1 + a_{j,t}) \right) \quad (5)$$

where $R_{j,t}$ is the return of stock j at time t , and $a_{j,t}$ is the market adjusted return for stock j at t . N is the number of firms.

Figure 4 plots the results, with panel (a) showing the 41-day [-10, +30] CARs and panel (b) the 31-day [0, +30] BHAR. Both methods reveal an apparent reversal of the initial return surge, suggesting that the increased investments are unlikely to be the consequence of managers learning from the stock market.

Another alternative explanation is that managers use intangible investments as a way to tunnel resources for their own benefit (Yu et al., 2022). To test this possibility, I proxy tunnelling behaviour using a firm's *other receivables* (Jiang and Kim, 2020; Jiang et al., 2010) and investigate whether leaders' visiting events alter an average industry peer's activity. The estimation result plotted in **Figure 5** suggests no evidence of increased tunnelling by the same industry firms.

One might also wonder whether the Great Financial Crisis would affect my results.

Panel A of Table 1 shows that during 2008 and 2009, Chinese leaders exhibited an anomalously high tendency to visit firms. If these visited industries were severely affected by the crisis, it is reasonable for firms in these industries to have relatively poor performance over the next few years (i.e., treatment years). As a result, what my estimates capture are likely to be the effect of the crisis but not that of the visits. To mitigate this concern, I re-estimate the impact of visits using a sample that excludes all visits made in 2008 and 2009. The results reported in Table 10 are comparable to the main analysis, suggesting that the Great Financial Crisis was not the major factor driving my results.

7 Conclusion

National leaders frequently visit firms in their countries. In this paper, I investigate how these visits generate market-wide ramifications by examining their impacts on industry peers of the visited firms. I find that China's top two leaders' visits boost industry peers' returns in the short run and induce these firms to invest more and take on more leverage. However, these firms do not receive additional resources in terms of subsidies and loans, and as a result, their profitability suffers in the longer run.

My findings indicate that leaders' visits are not necessarily positive news to the firms in the same industry, even though the initial goals of the visits were to promote industrial growth. More generally, my study shows that politicians' activities

can significantly impact the corporate sector in both the short- and long-run. Since these impacts are not always positive, firms and stock market participants should be cautious in interpreting these activities.

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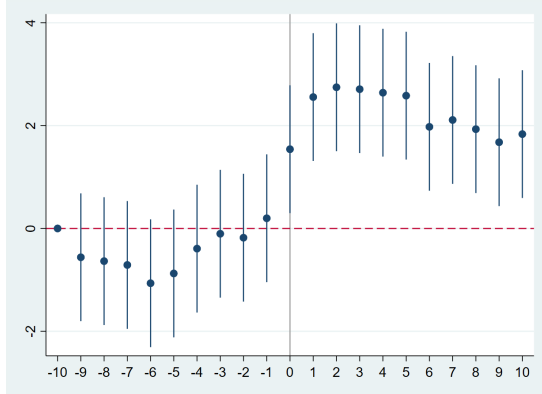
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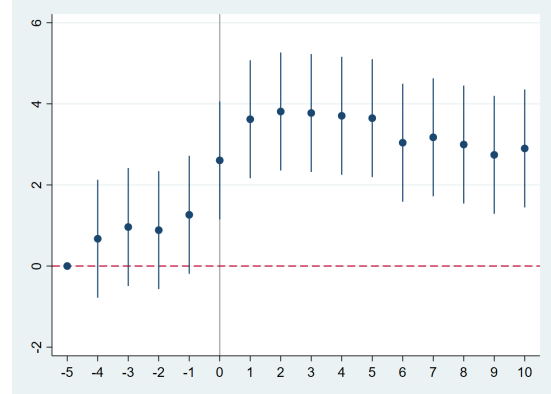
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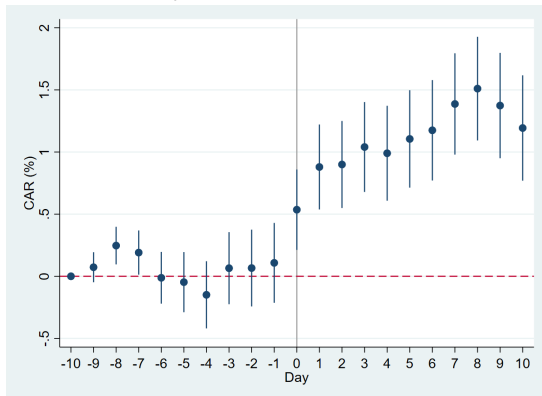
Figures and Tables



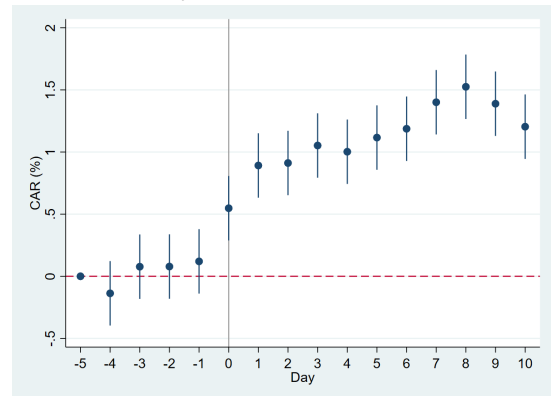
(a) 21-Day Window: Visited Firms



(b) 16-Day Window: Visited Firms



(c) 21-Day Window: Industry Peers



(d) 16-Day Window: Industry Peers

Figure 1: Market Reactions to Leaders' Visits. This figure plots the stock market reactions (average CARs (%) and 95% confidence intervals) surrounding a leader's visit to a listed firm. Day 0 is the visit day. Panels (a) and (b) are reactions to visited firms, whereas panels (c) and (d) are reactions to industry peers. For both firm types, a 21-day window (left, [-10:+10]) and a 16-day window (right, [-5:+10]) are reported.

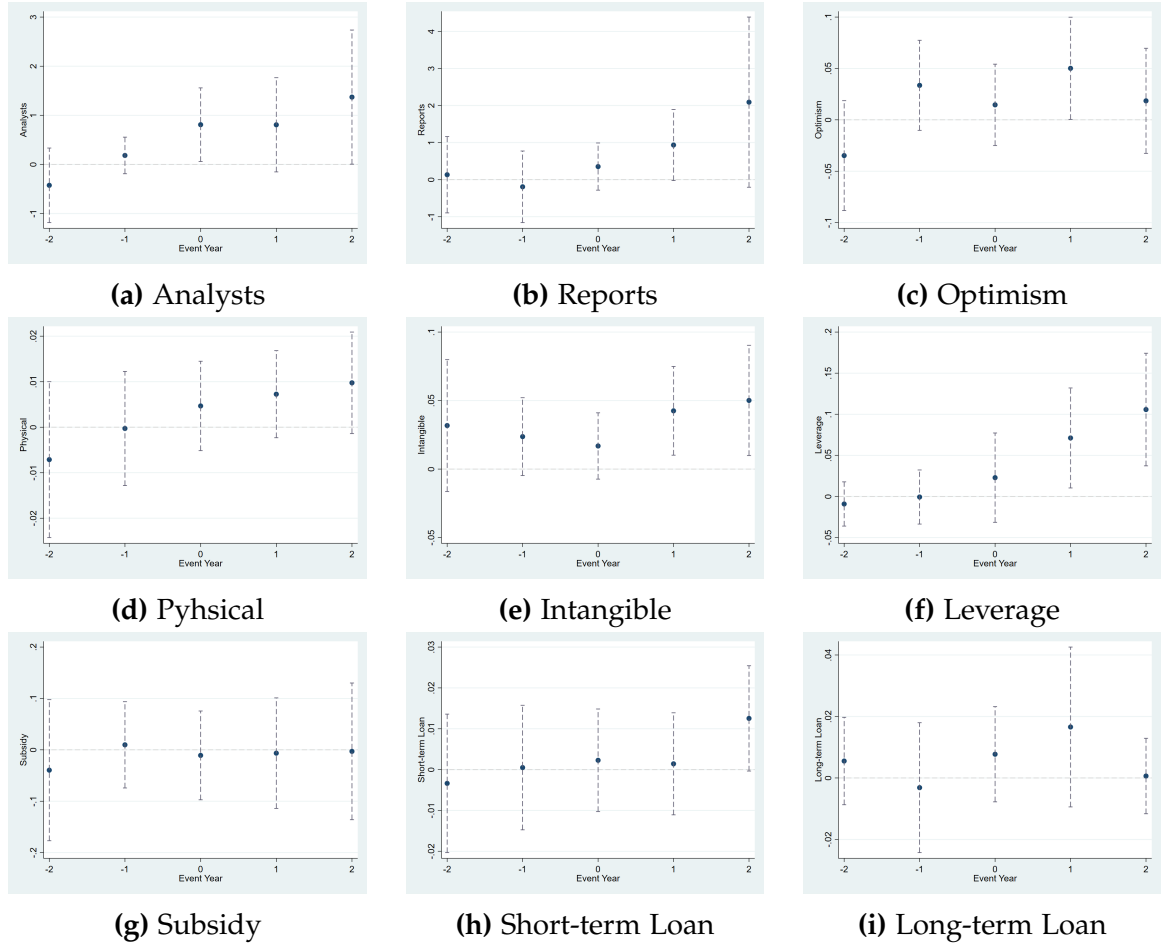
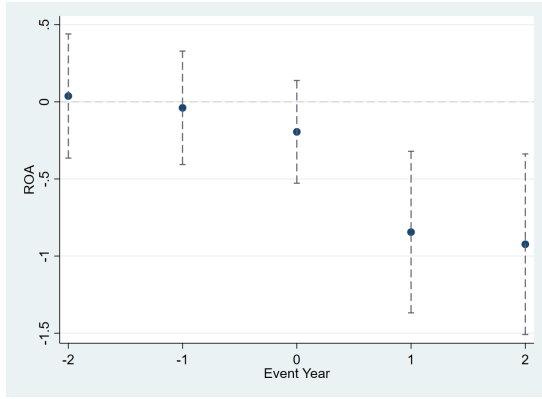
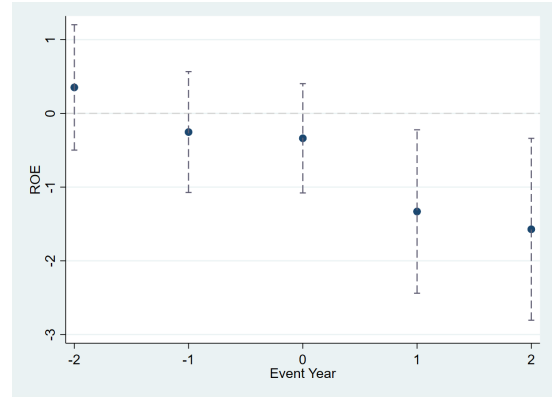


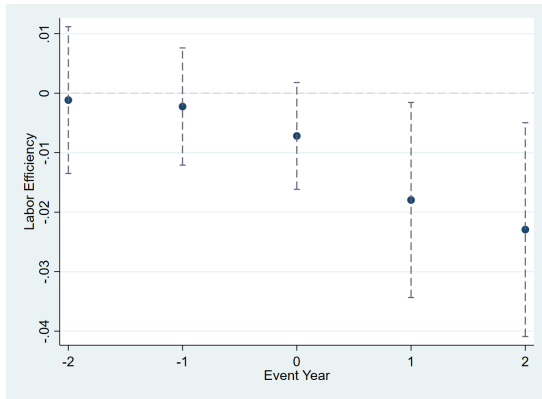
Figure 2: Dynamic Effects of Reactions to Industry Peers. This figure plots the dynamic effect of leaders' visits on various outcome variables of the same industry firms. Panels (a) to (c) are reactions by analysts, panels (c) to (e) are operation decisions by firms, and panels (g) to (i) are resources received by firms. Year 0 is the visit year if the visit happens during the first half of that year and the next year of the visit year if the visit happens during the second half of that year.



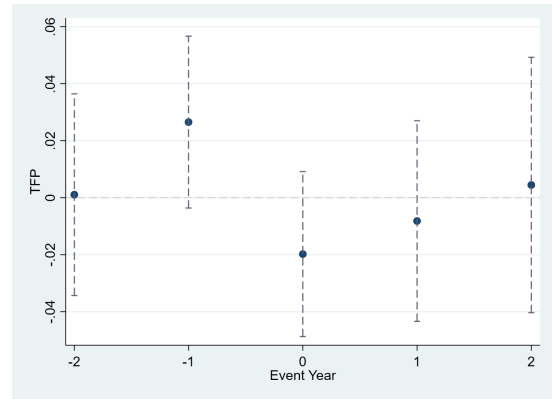
(a) Return-on-Assets



(b) Return-on-Equity

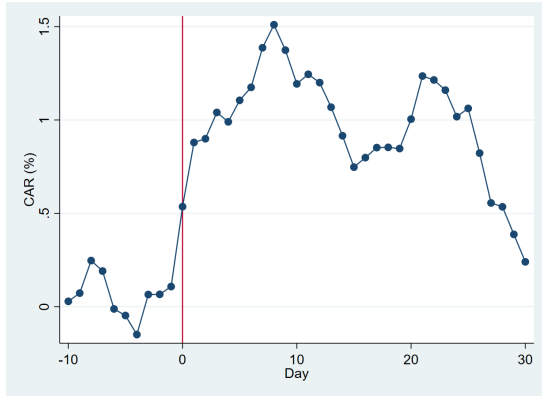


(c) Labor Efficiency

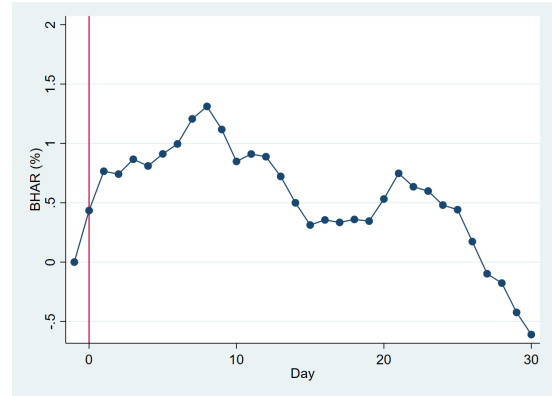


(d) Total Factor Productivity

Figure 3: Dynamic Effects of Financial Performance of Industry Peers. This figure plots the dynamic effects of leaders' visits on the same industry firms' return-on-assets, return-on-equity, labor efficiency, and total factor productivity. Year 0 is the visit year if the visit happens during the first half of that year and the next year of the visit year if the visit happens during the second half of that year.



(a) 30-Day CAR



(b) 30-Day BHAR

Figure 4: 30-Day Market Reactions to Same Industry Firms. This figure plots the 30-day market reactions to industry peers following a leader's visit to a listed firm. Panel (a) shows the average CAR $[-10:+30]$, whereas panel (b) shows the buy-and-hold abnormal returns (BHAR, $[0:+30]$). Day 0 is the visit day.

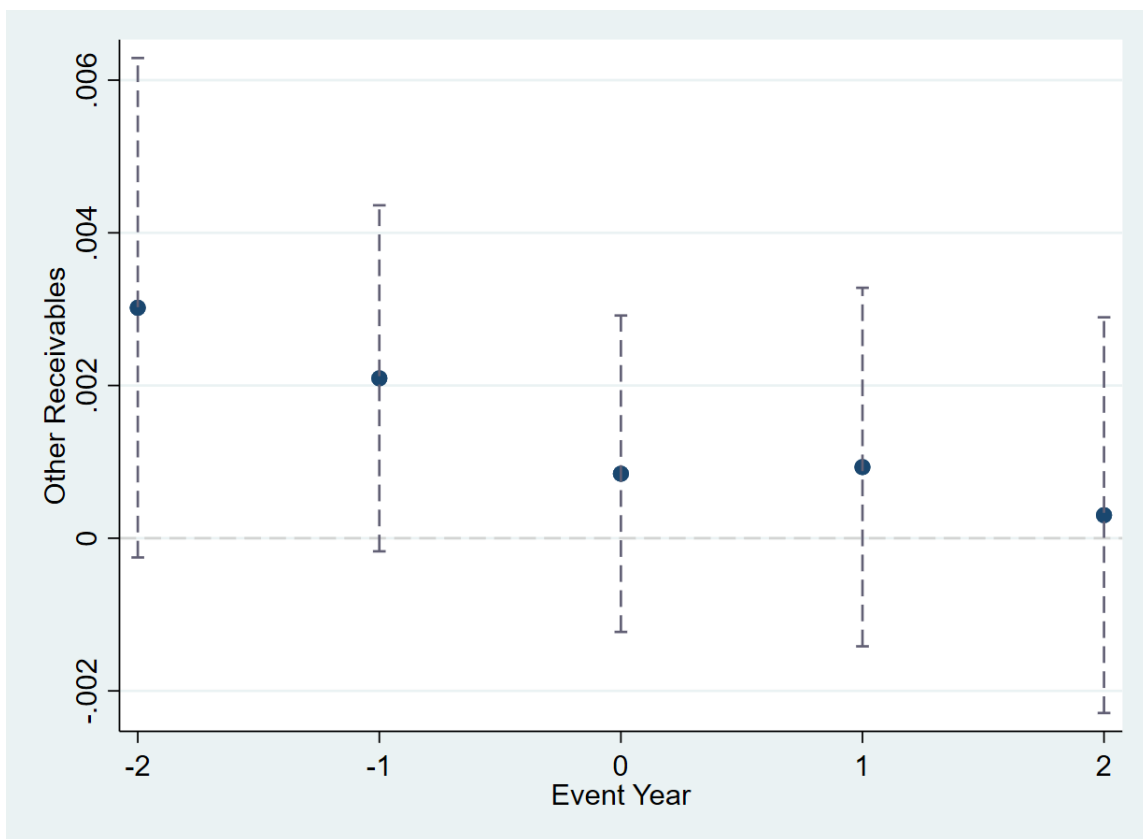


Figure 5: Other Receivables. This figure plots the dynamic effect of leaders' visits on the same industry firms' *other receivables*. Year 0 is the visit year if the visit happens during the first half of that year and the next year of the visit year if the visit happens during the second half of that year.

Table 1: Sample Distribution of Leader Visits

This table shows the distribution of China's top two leaders' visits to listed firms during the sample period. Panel A tabulates the annual distribution of visits (columns 2 and 3) and firms visited (columns 4 and 5). Panel B tabulates the industry distribution of firms visited. The industries are defined at the one-digit CSRC level.

Panel A: Sample Distribution by Year				
Year	Visits Made	Percentage	Firms Visited	Percentage
2007	1	1.54%	1	0.97%
2008	10	15.38%	16	16.53%
2009	16	24.62%	29	28.16%
2010	6	9.23%	9	8.74%
2011	5	7.69%	7	6.80%
2012	1	1.54%	3	2.91%
2013	6	9.23%	8	7.77%
2014	6	9.23%	8	7.77%
2015	6	9.23%	8	7.77%
2016	3	4.62%	6	5.83%
2017	5	7.69%	8	7.77%
Total	65	100%	103	100%
Panel B: Sample Distribution by Industry				
Industry			Firms Visited	Percentage
Mining			4	3.88%
Manufacturing			83	80.58%
Construction			2	1.94%
Transportation, warehousing & postal services			10	9.71%
Accommodation and Catering			1	0.97%
Software and Information Technology			3	2.91%

Table 2: Summary Statistics

This table presents the characteristics of the visited firms (panel A) and same-industry firms (panel B), measured at the year-end before the visiting year. All variables are defined in [Table A1](#).

Panel A: Visited Firms					
	Obs	Mean	SD	Min	Max
Size	103	23.416	1.568	20.418	27.166
Sale	103	23.059	1.704	19.433	27.057
Leverage	103	0.557	0.188	0.081	0.957
ROA	103	0.048	0.050	-0.067	0.220
ROE	103	0.109	0.138	-0.467	0.563
Labor Efficiency	103	0.097	0.157	-0.251	0.988
Book-to-Market	103	0.728	0.234	0.254	1.053
SOE	103	0.709	0.457	0	1
Connection	103	0.466	0.501	0	1
Panel B: Same Industry Firms					
	Obs	Mean	SD	Min	Max
Size	3,942	21.854	1.200	19.650	25.346
Sale	3,942	21.392	1.378	18.610	25.101
Leverage	3,942	0.453	0.196	0.028	0.887
ROA	3,942	0.043	0.055	-0.773	0.390
ROE	3,942	0.077	0.100	-0.421	0.324
Labor Efficiency	3,921	0.072	0.122	-0.181	0.753
Book-to-Market	3,942	0.614	0.231	0.125	1.068
SOE	3,942	0.543	0.498	0	1
Connection	3,942	0.410	0.492	0	1

Table 3: Market Reactions to Leaders' Visits

This table shows the market reactions to leaders' visits. Panel A pools all visits. Panel B tabulates the reactions to the first visit to a CSRC one-digit industry during the sample period, whereas panel C tabulates the reactions to subsequent visits. All panels report CARs of various event windows for both visited and same industry (non-visited) firms.

Panel A: All Visits						
Event windows	Visited Firms			Same Industry Firms		
	N	CAR	<i>t</i> -stat.	N	CAR	<i>t</i> -stat.
(-10:-1)	103	0.153	0.19	3,942	0.108	0.13
(-5:-1)	103	1.279	1.71*	3,942	0.120	0.26
(0:1)	103	2.428	6.27***	3,942	0.772	2.97***
(0:3)	103	2.589	5.35***	3,942	0.932	2.83***
(0:5)	103	2.481	3.94***	3,942	0.995	2.22**
Panel B: First Visit to Industry						
Event windows	Visited Firms			Same Industry Firms		
	N	CAR	<i>t</i> -stat.	N	CAR	<i>t</i> -stat.
(-10:-1)	45	0.292	0.28	1,332	0.380	0.72
(-5:-1)	45	1.258	1.33	1,332	0.655	1.24
(0:1)	45	2.549	4.02***	1,332	0.429	1.51
(0:3)	45	2.671	2.70**	1,332	1.153	2.92***
(0:5)	45	2.334	2.13**	1,332	1.121	2.19**
Panel C: Subsequent Visits to Industry						
Event windows	Visited Firms			Same Industry Firms		
	N	CAR	<i>t</i> -stat.	N	CAR	<i>t</i> -stat.
(-10:-1)	58	0.046	0.05	2,610	-0.541	-0.52
(-5:-1)	58	1.296	1.43	2,610	-0.153	-0.32
(0:1)	58	2.334	3.49***	2,610	0.947	2.28**
(0:3)	58	2.526	3.55***	2,610	0.820	1.90*
(0:5)	58	2.594	2.74**	2,610	0.930	1.50

Table 4: Spillover Effect of Leaders' Visits

This table reports estimates of OLS regressions with dependent variables of six-day CARs (i.e., (0,5)) for the same industry firms of a visiting event. $CAR_{EventFirm}$ is the six-day CAR of the visited firm. Variables with subscript $EventFirm$ are those of the visited firms, whereas variables without subscripts are of the same industry firms. Standard errors reported in parentheses are clustered at the industry level. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels.

	(1)	(2)	(3)	(4)	(5)
$CAR_{EventFirm}$	0.053*** (0.017)	0.391*** (0.095)	0.521*** (0.126)	0.389*** (0.092)	0.523*** (0.108)
$Size_{EventFirm}$			0.004 (0.008)		0.001 (0.007)
$ROA_{EventFirm}$			-0.133 (0.462)		-0.334 (0.378)
$Leverage_{EventFirm}$			-0.115 (0.162)		-0.163 (0.133)
$Connection_{EventFirm}$			0.013 (0.008)		0.013** (0.006)
$SOE_{EventFirm}$			0.344*** (0.026)		0.347*** (0.023)
$BtoM_{EventFirm}$			-0.035 (0.053)		-0.067 (0.043)
Size				-0.002 (0.003)	-0.002 (0.003)
ROA				-0.015 (0.033)	-0.019 (0.033)
Leverage				0.021** (0.008)	0.020** (0.008)
Connection				-0.002 (0.002)	-0.003 (0.002)
SOE				-0.001 (0.003)	-0.001 (0.003)
BtoM				0.003 (0.007)	0.004 (0.007)
Constant	0.013* (0.007)	0.088*** (0.012)	-0.207 (0.304)	0.120** (0.057)	-0.040 (0.269)
Firm & Year Indicators	No	Yes	Yes	Yes	Yes
Obs	3,942	3,942	3,942	3,942	3,942
Adj R^2	0.003	0.245	0.246	0.252	0.254

Table 5: Reactions to Leaders' Visits in Industry

This table shows the reactions by different parties to the same industry firms following a visit. Panel A reports the reactions of market analysts, Panel B the reactions of the same industry firms, and Panel C the reactions of the government and banks. Covariates include size, age, sales growth, and the book-to-market ratio. All variables are defined in [Table A1](#). Standard errors reported in parentheses are clustered at the industry level. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels.

Panel A: Professional Investors						
	Analysts		Reports		Optimism	
	(1)	(2)	(3)	(4)	(5)	(6)
ATT	0.859** (0.408)	0.826** (0.390)	0.810 (0.612)	1.126* (0.644)	0.023* (0.014)	0.017 (0.017)
Covariates	N	Y	N	Y	N	Y
Pre-trend p-value	0.14	0.28	0.11	0.35	0.26	0.26
Observations	12,395	9,807	10,425	10,230	12,021	10,752
Panel B: Firms						
	Physical		Intangible		Leverage	
	(1)	(2)	(3)	(4)	(5)	(6)
ATT	-0.003 (0.003)	0.009 (0.006)	0.029** (0.013)	0.034** (0.016)	0.055** (0.022)	0.053** (0.024)
Covariates	N	Y	N	Y	N	Y
Pre-trend p-value	0.30	0.14	0.28	0.55	0.60	0.52
Observations	22,431	17,099	22,440	17,118	25,716	20,984
Panel C: Government and Banks						
	Subsidy		Short Loan		Long Loan	
	(1)	(2)	(3)	(4)	(5)	(6)
ATT	0.046 (0.049)	0.046 (0.058)	0.003 (0.003)	0.007* (0.004)	0.002 (0.004)	0.006 (0.005)
Covariates	N	Y	N	Y	N	Y
Pre-trend p-value	0.23	0.30	0.10	0.33	0.17	0.67
Observations	22,440	17,117	16,613	13,529	16,606	16,125

Table 6: Operating Performance of Industry Peers

This table shows the operating performances of the same industry firms. Dependent variables are return-on-asset (ROA), return-on-equity (ROE), sales per employee (Labor Efficiency), and productivity (TFP). *ATT* is the average treatment effect on the treated (same industry) firms over the two years following the visits. Covariates are size, age, sales growth, and book-to-market ratio. Standard errors reported in parentheses are clustered at the industry level. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels.

	ROA		ROE		Labor Efficiency		TFP	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ATT	-0.623*** (0.180)	-0.470** (0.199)	-0.906*** (0.353)	-0.774* (0.405)	-0.014** (0.006)	-0.013** (0.006)	0.007 (0.024)	-0.010 (0.029)
Covariates	N	Y	N	Y	N	Y	N	Y
Pre-trend p-value	0.09	0.42	0.21	0.11	0.12	0.72	0.00	0.17
Obs	25,716	18,427	25,716	21,511	25,145	21,043	25,145	21,043

Table 7: State Ownership and Firm Outcomes

This table shows the heterogeneous outcomes of the same industry firms based on whether the firm is state-owned. Panel A reports firms' investments, Panel B the resources received by firms, and Panel C the financial performance. Covariates include size, age, sales growth, and the book-to-market ratio. All variables are defined in [Table A1](#). Standard errors reported in parentheses are clustered at the industry level. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels.

Panel A: Investment						
	Physical		Intangible		Leverage	
	(1) SOE	(2) non-SOE	(3) SOE	(4) non-SOE	(5) SOE	(6) non-SOE
ATT	0.002 (0.005)	0.032*** (0.011)	0.043** (0.026)	0.005 (0.018)	0.035 (0.030)	0.062** (0.031)
Pre-trend p-value	0.82	0.74	0.24	0.21	0.22	0.06
Observations	10,359	6,652	10,359	6,659	11,887	8,963
Panel B: Resources						
	Subsidy		Short Loan		Long Loan	
	(1) SOE	(2) non-SOE	(3) SOE	(4) non-SOE	(5) SOE	(6) non-SOE
ATT	0.042 (0.063)	0.030 (0.116)	0.013*** (0.004)	-0.002 (0.007)	0.011* (0.006)	-0.002 (0.013)
Pre-trend p-value	0.21	0.47	0.62	0.08	0.05	0.12
Observations	10,335	6,659	8,618	4,814	9,834	6,192
Panel C: Performance						
	ROA		ROE		Labor Efficiency	
	(1) SOE	(2) non-SOE	(3) SOE	(4) non-SOE	(5) SOE	(6) non-SOE
ATT	-0.359 (0.264)	-0.711** (0.304)	-0.726 (0.546)	-1.129* (0.580)	-0.008 (0.008)	-0.027** (0.011)
Pre-trend p-value	0.31	0.43	0.10	0.40	0.43	0.54
Observations	12,134	9,240	12,134	9,240	11,867	9,045

Table 8: Political Connection and Firm Outcomes

This table shows the heterogeneous outcomes of the same industry firms based on whether the firm has a political connection. Panel A reports firms' investments, Panel B the resources received by firms, and Panel C the financial performance. Covariates include size, age, sales growth, and the book-to-market ratio. All variables are defined in [Table A1](#). Standard errors reported in parentheses are clustered at the industry level. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels.

Panel A: Investment						
	Physical		Intangible		Leverage	
	(1) Yes	(2) No	(3) Yes	(4) No	(5) Yes	(6) No
ATT	0.009 (0.011)	0.013* (0.007)	-0.062 (0.109)	0.079** (0.039)	0.032** (0.016)	0.063 (0.038)
Pre-trend p-value	0.11	0.19	0.25	0.19	0.12	0.01
Observations	5,672	8,770	5,672	8,780	6,942	10,819
Panel B: Resources						
	Subsidy		Short Loan		Long Loan	
	(1) Yes	(2) No	(3) Yes	(4) No	(5) Yes	(6) No
ATT	0.036 (0.119)	0.058 (0.067)	0.013** (0.005)	0.002 (0.007)	0.013 (0.008)	0.006 (0.009)
Pre-trend p-value	0.14	0.09	0.21	0.58	0.46	0.43
Observations	5,679	8,781	4,455	6,971	5,322	8,347
Panel C: Performance						
	ROA		ROE		Labor Efficiency	
	(1) Yes	(2) No	(3) Yes	(4) No	(5) Yes	(6) No
ATT	0.302 (1.303)	-0.516** (0.251)	-0.299 (0.717)	-0.849* (0.493)	-0.006 (0.011)	-0.020*** (0.008)
Pre-trend p-value	0.16	0.51	0.72	0.49	0.46	0.14
Observations	8,782	10,807	8,782	10,807	5,670	10,789

Table 9: Robustness Check - Siphoning Effect

This table shows the outcomes for industry peers not headquartered in the same province as the visited firms. Panel A reports firms' investments, Panel B the resources received by firms, and Panel C the financial performance. All specifications are conditional on covariates, including size, age, sales growth, and the book-to-market ratio. All variables are defined in [Table A1](#). Standard errors reported in parentheses are clustered at the industry level. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels.

Panel A: Investment			
	Physical	Intangible	Leverage
	(1)	(2)	(3)
ATT	0.005 (0.004)	0.050*** (0.019)	0.040 (0.025)
Pre-trend p-value	0.66	0.13	0.52
Observations	10,916	10,916	11,843
Panel B: Resources			
	Subsidy	Short Loan	Long Loan
	(1)	(2)	(3)
ATT	0.023 (0.060)	0.007 (0.005)	0.005 (0.009)
Pre-trend p-value	0.46	0.41	0.60
Observations	11,018	6,532	7,966
Panel C: Performance			
	ROA	ROE	Labor Efficiency
	(1)	(2)	(3)
ATT	-0.518** (0.253)	-0.961* (0.527)	-0.013* (0.007)
Pre-trend p-value	0.42	0.86	0.04
Observations	11,850	11,850	11,850

Table 10: Robustness Check - Excluding Great Financial Crisis Years

This table presents the [Callaway and Sant'Anna \(2021\)](#) DID analyses of the same industry firms' reactions to the leaders' visits by excluding the Great Financial Crisis Years (2008 and 2009). *ATT* is the average treatment effect on the treated (same industry) firms within two years of the visits. All specifications control for covariates, including firm size, firm age, sales growth, and book-to-market ratio. Standard errors reported in parentheses are clustered at the industry level. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels.

Panel A: Investment			
	Physical	Intangible	Leverage
ATT	-0.007 (0.005)	0.0047** (0.021)	0.016** (0.008)
Pre-trend p-value	0.29	0.22	0.92
Observations	12,031	12,018	12,018
Panel B: Resources			
	Subsidy	Short Loan	Long Loan
ATT	0.093 (0.065)	0.005 (0.005)	0.010 (0.007)
Pre-trend p-value	0.66	0.27	0.89
Observations	14,477	9,322	11,000
Panel C: Performance			
	ROA	ROE	Labor Efficiency
ATT	-0.551** (0.229)	-1.066*** (0.400)	-0.015 (0.007)
Pre-trend p-value	0.24	0.31	0.62
Observations	14,706	14,706	11,811

A Appendix

A.1 Appendix Tables

Table A1: Definition of Variables

Variable	Definition
Same Industry	Firms in the same industries as the visited firms
CAR	Cumulative abnormal return
CAAR	Average cumulative abnormal return
BHAR	Buy-and-hold abnormal return
Size	Natural logarithm of total assets
Sale	Natural logarithm of total sales
Age	Years since a firm's establishment
ROA	Return-on-asset, net income scaled by total assets
ROE	Return-on-equity, net income scaled by total assets
TFP	Total factor productivity calculated following Olley and Pakes (1996)
Labor Efficiency	Net income (million RMB) scaled by the number of employees
Leverage	Ratio of total liability to total assets
Book-to-Market	Book value of equity to the market value of equity
Subsidy	Government subsidy received by the firm, scaled by total assets
Short-Term Loan	End-of-year short-term loan value, scaled by total assets
Long-Term Loan	End-of-year long-term loan value, scaled by total assets
Physical Investment	Expenditure on PPE, scaled by total assets
Intangible Investment	$R\&D + 0.3 \times SG\&A$, scaled by total assets
SOE	Dummy indicating state-owned status of a firm
Connection	Dummy indicating whether a firm has at least one director that was/is a government/military official
Analysts	Number of analysts following a firm
Reports	Number of research reports on a firm
Optimism	Proportion of earnings forecasts that exceeds the actual earnings in a year

Table A2: Reactions to Placebo Visits

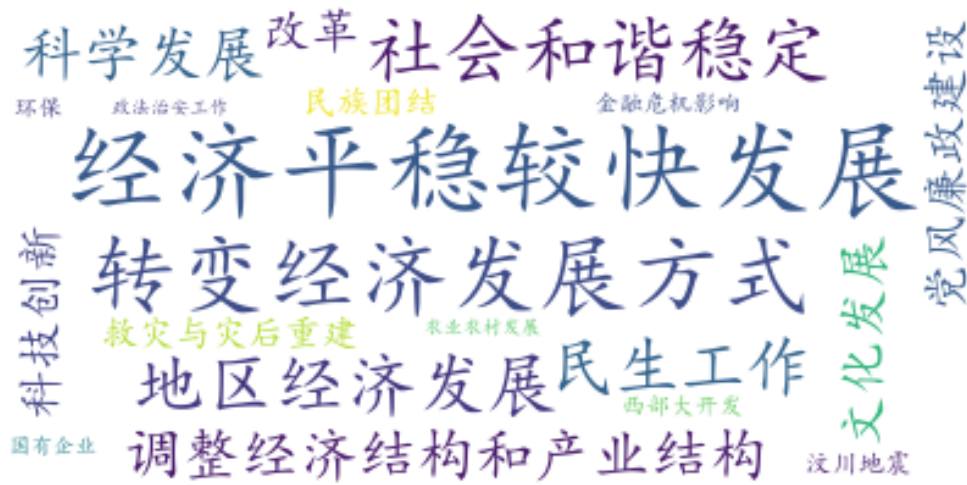
This table presents the [Callaway and Sant'Anna \(2021\)](#) DID analyses of same industry firm reaction to the visit using three-year before the visit date as the placebo date. *ATT* is average treatment effect on the treated (same industry) firms within two years of the visits. All specifications control for covariates, including firm size, firm age, sales growth, and book-to-market ratio. Standard errors reported in parentheses are clustered at the industry level. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels.

Panel A: Investment			
	Physical	Intangible	Leverage
	(1)	(2)	(3)
ATT	-0.002 (0.005)	0.004 (0.029)	0.014 (0.026)
Observations	12,943	12,948	12,717
Panel B: Resources			
	Subsidy	Short Loan	Long Loan
	(1)	(2)	(3)
ATT	-0.080 (0.463)	0.215 (0.328)	-0.002 (0.303)
Observations	13,282	10,815	10,815
Panel C: Performance			
	ROA	ROE	Labor Efficiency
	(1)	(2)	(3)
ATT	-0.011 (0.197)	0.095 (0.401)	0.001 (0.006)
Observations	12,925	12,925	12,717

A.2 Appendix Figures



Figure A1: Leader's Visits Reported in People's Daily. This is an example of a leader's visiting event reported in the *People's Daily*, which is the official news agency of the Chinese Communist Party. The article reports Hu Jintao's visit to Tianjin on 20th September 2012 which involved two firms, Lishen Battery and Dawning (Sugon) Information.



(a) Word Cloud of Visiting Purposes



(b) Frequency of Purposes Mentioned

Figure A2: Purposes of Leader Visits. This figure illustrates the purposes of Chinese national leaders' visits. Panel (a) is the word cloud (in Chinese) of the stated visiting purposes, and panel (b) plots the distribution of the fifteen most mentioned purposes.

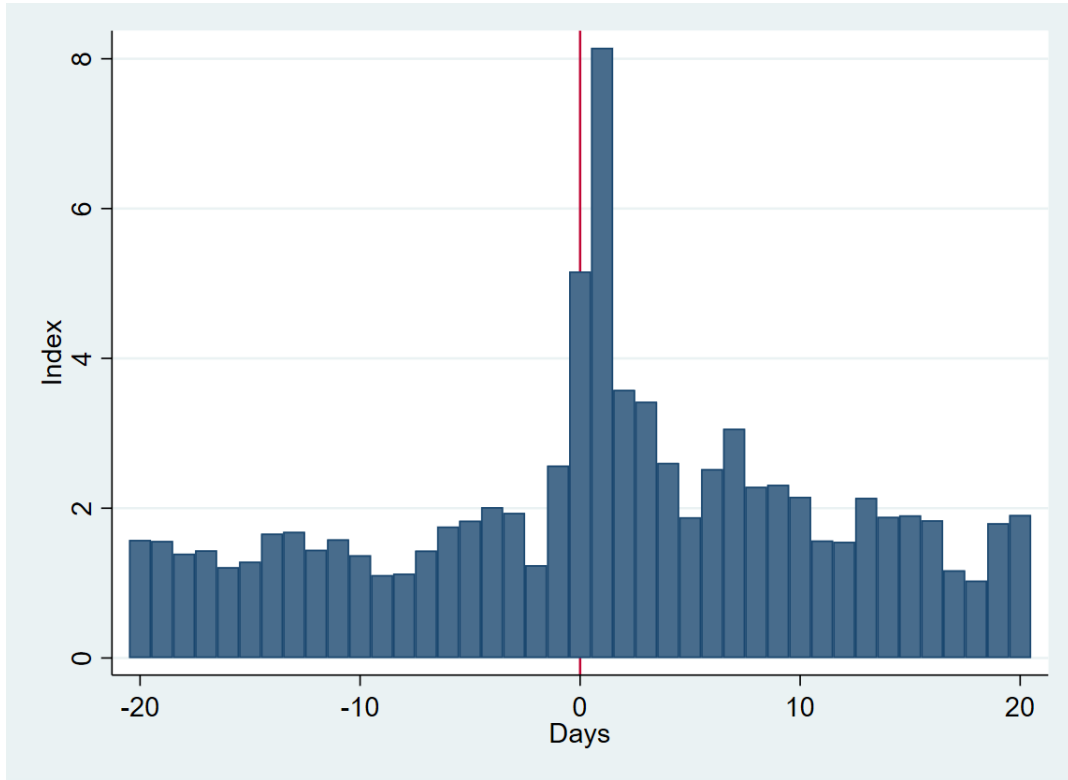
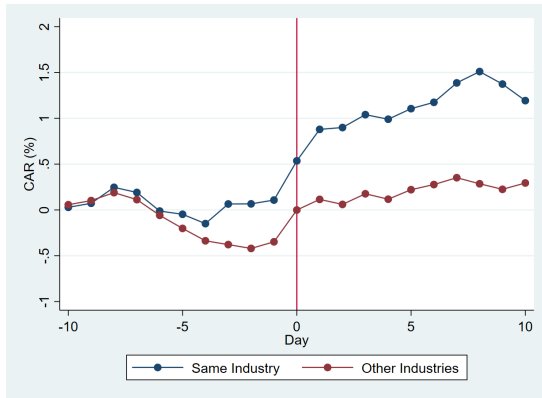
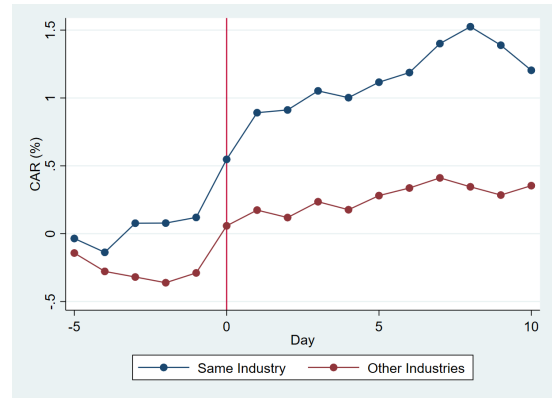


Figure A3: Public Attention to the Visited Firms. This figure plots the public attention to the visited firms surrounding the visits (Day 0). For each visit, I obtain the *Baidu Index* for the visited firm 20 days before and after the event. Then I scale these daily indexes by the 52-week average index before the visit. Next, I average the scaled indexes across firms and plot them.

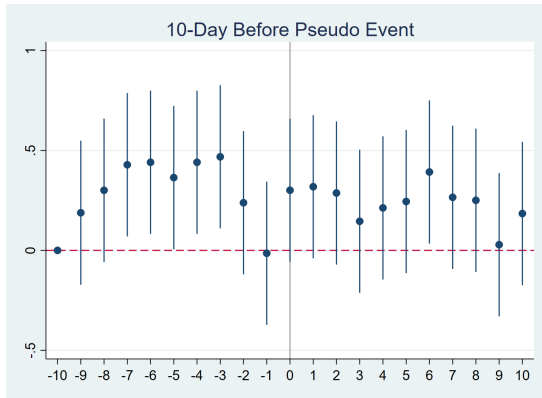


(a) 21-Day Window

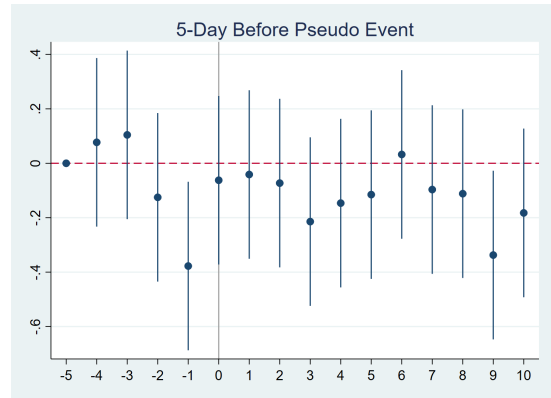


(b) 16-Day Window

Figure A4: Market Reactions to Same versus Other Industry Firms. This figure plots the market reactions (average CARs) to firms from the same industries and the different industries of the visited firms. Day 0 indicates the visiting date. The left panel plots the 31-day event window whereas the right panel the 21-day event window.

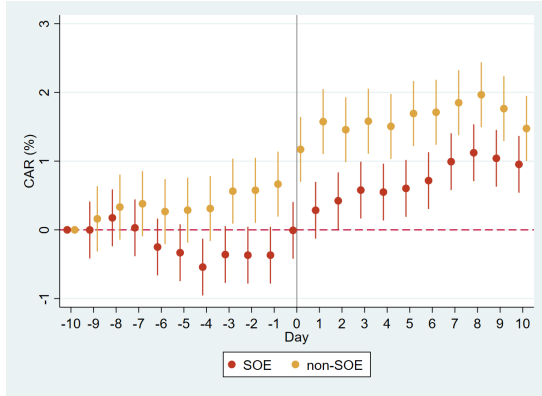


(a) All Firms

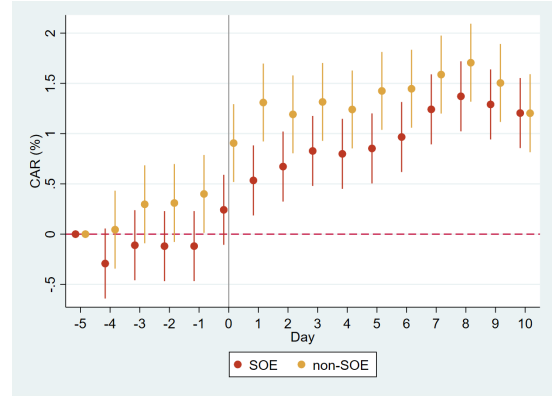


(b) SOE versus non-SOE

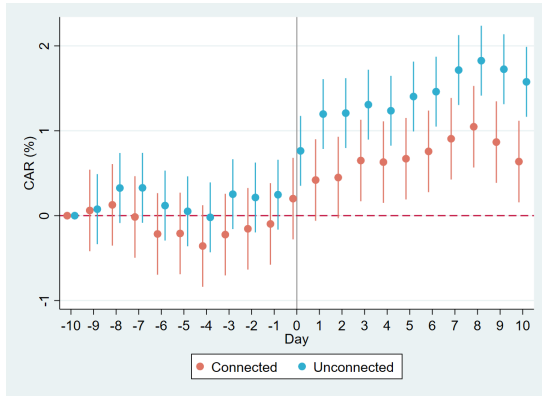
Figure A5: Placebo Market Reactions to Same Industry Firms. This figure plots the market reactions (average CARs (%)) with the corresponding 95% confidence intervals) to firms from the same industries as the visited firms, using 12-month before the event date as the placebo visiting date (Day 0). The left panel plots the 21-day event window whereas the right panel the 16-day event window.



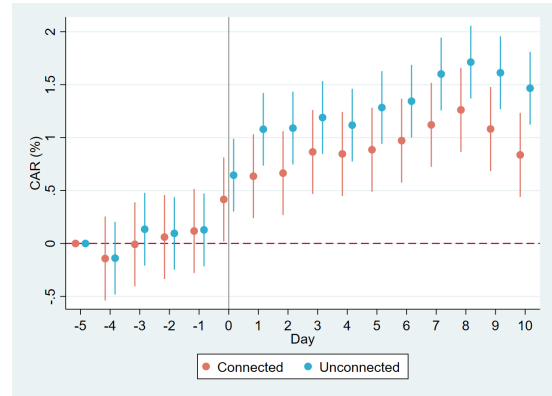
(a) 21-Day Window: State Ownership



(b) 16-Day Window: State Ownership

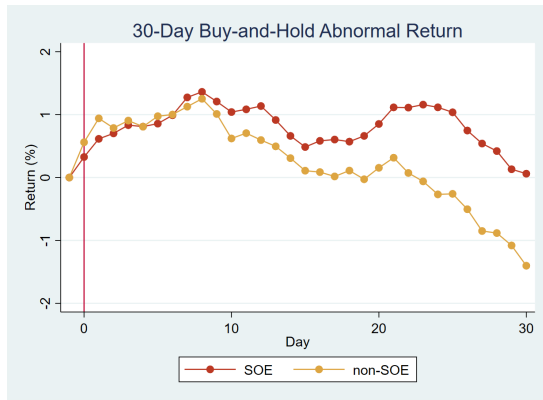


(c) 21-Day Window: Political Connection

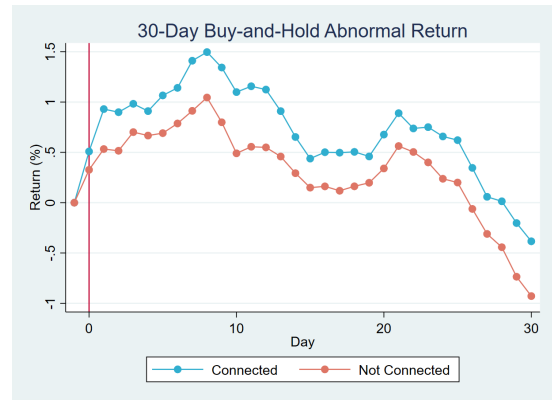


(d) 16-Day Window: Political Connection

Figure A6: Heterogeneous Market Reactions to Same Industry Firms. This figure plots the market reactions (average CARs (%)) to different types of same industry firms. Day 0 is the visit day. Panels (a) and (b) are reactions to state-owned versus non-state-owned enterprises, whereas panels (c) and (d) are reactions to politically connected versus non-connected firms. For both types of analyses, a 21-day window (left, [-10:+10]) and a 16-day window (right, [-5:+10]) are reported.



(a) 30-Day BHAR: Ownership



(b) 30-Day BHAR: PolCon

Figure A7: Heterogeneous Buy-and-Hold Abnormal Return of Same Industry Firms. This figure plots