ONLINE APPENDIX

Growing Up under Mao and Deng:
On Politician Ideology and Corporate Policies

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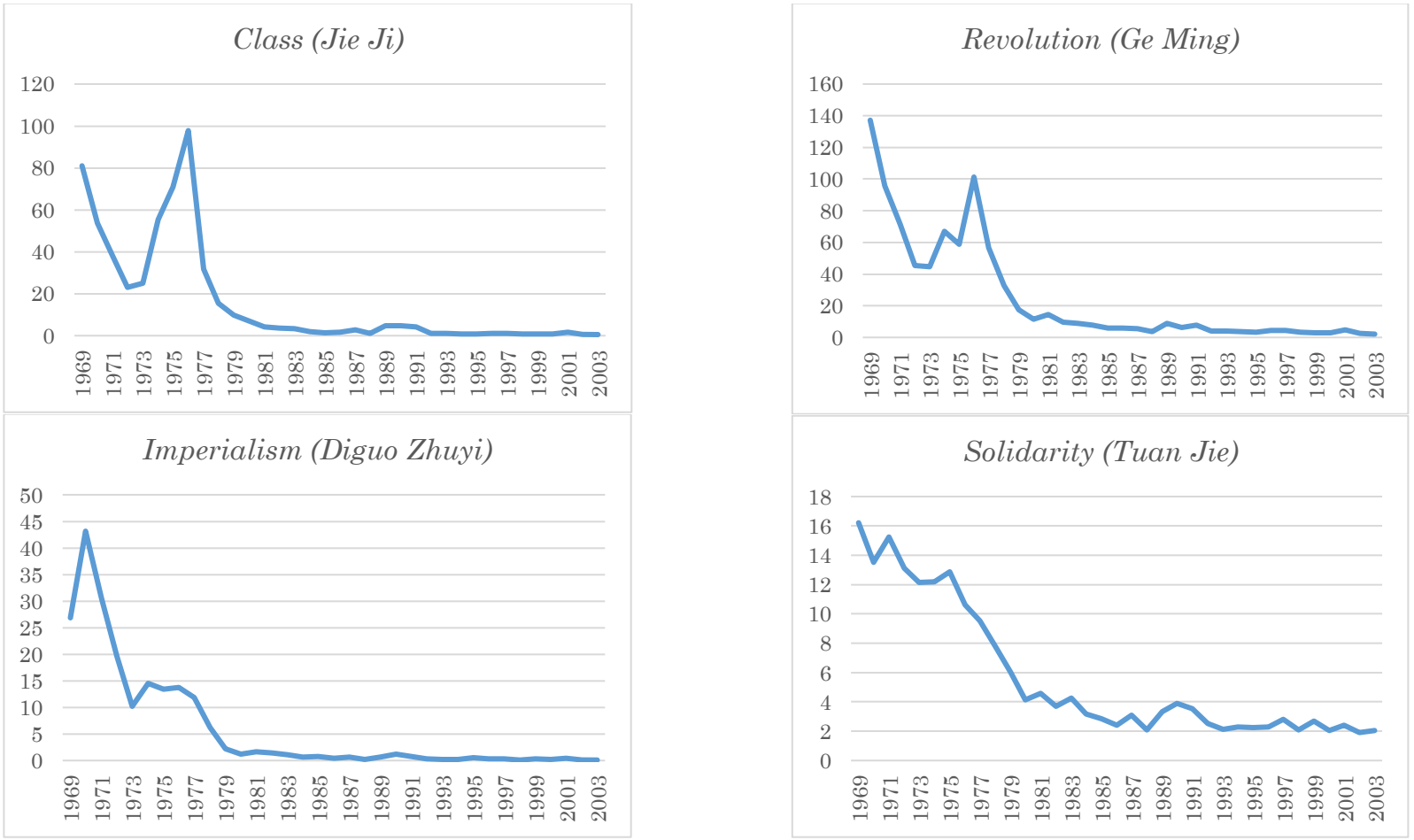

Fig. OA.1. Frequency of Ideological Keywords on *People's Daily* over Time

This figure plots the scaled frequency of four major Maoist keywords on *People's Daily* over the period of 1969-2003. The scaled frequency measure is defined in Table OA.13.

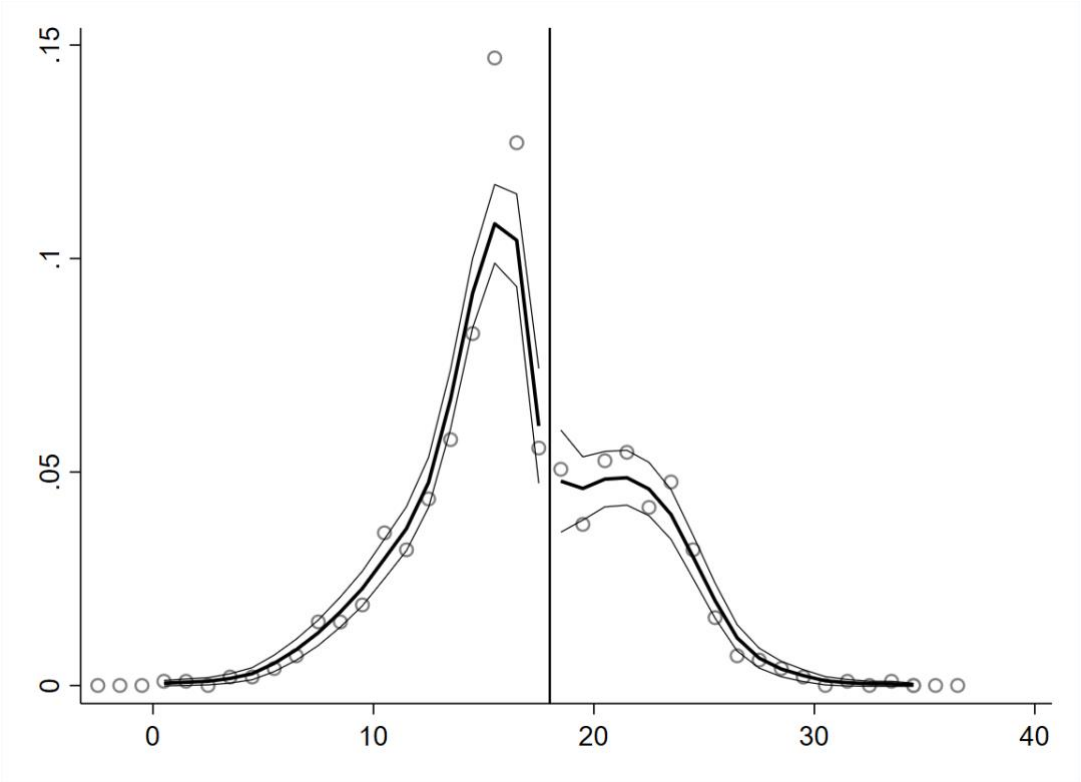

Fig. OA.2. Sample Smoothness at the Cutoff Point: McCrary's Density Test (2008)
This figure plots the age distribution of city mayors in our sample in 1978. We use McCrary's density test (2008) and show that the sample distribution of city mayors is smooth around the cutoff point of 18 years old.

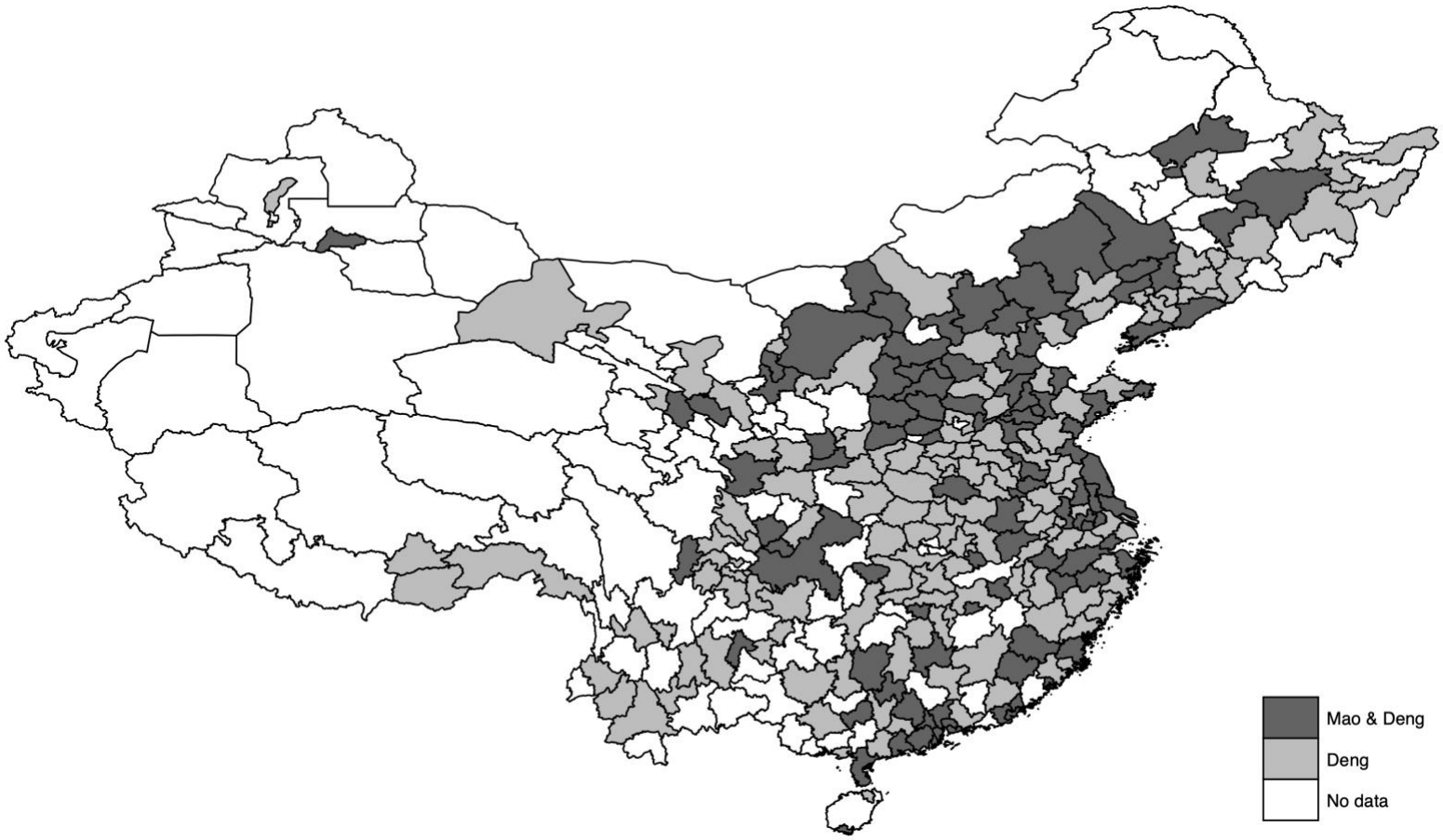

Fig. OA.3. Distribution of Maoist and Dengist Mayors across Mainland China

This figure plots the distribution of cities in Mainland China with mayors having different ideologies during our sample period based on whether they joined the CPC before or after 1978. We classify cities into three groups. The group marked in darker grey consists of cities with both Maoist mayors and Dengist mayors. The group marked in lighter grey consists of cities with only Dengist mayors. Cities with missing data are marked without color.

Table OA.1. Ideology Imprinting and Mayor Ideology: Textual Analysis

This table presents the results of textual analysis validating our main ideology measure. Panel A reports summary statistics for several variables used for the textual analysis. The key variable of interest, *Mayor article ideology*, is a continuous variable measuring the ideology of a politician based on all her bylines published on *People's Daily* and local official media during her term as a mayor. We collect the top 100 most frequent words used in all the articles bylined by a mayor for the RDD sample with a bandwidth of 4. Each of these keywords is then rated by ten native Chinese-speaking faculty members and graduate students based on whether it is leaning toward Maoist (assigned a rating of +1), Dengist (assigned a rating of -1), or neutral (assigned a rating of 0). The ideology rating of a keyword ("keyword ideology") takes the value given by the majority of raters. For a given mayor, we compute her overall "article ideology" using the following formula:

$$Mayor\ article\ ideology_i = \frac{\sum frequency\ of\ a\ keyword \times keyword\ ideology}{Total\ \#\ of\ keywords\ (or\ words)}$$

Panel B reports the results of regressing mayor article ideology on *Mao ideology*, a dummy variable equal to 1 if the city mayor joined the Communist Party of China in or before 1978, and 0 otherwise. The *Article ideology* measure is scaled by the total number of keywords and the total number of words in all articles bylined by the mayor in Columns (1)-(3) and (4)-(6), respectively. In Columns (2)-(3) and (5)-(6), we control for mayors' gender, education degree, major, and age and further include region fixed effects based on mayors' native places in Columns (3) and (6). Robust standard errors are reported in the parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A. Summary statistics

	N	**Mean**	**Std. Dev.**	**1st pct.**	**25th pct.**	**50th pct.**	**75th pct.**	**99th pct.**
No. of articles per mayor	75	5.77	4.97	1	3	4	9	33
No. of keywords in articles per mayor	75	5,325	3,773	235	2,441	4,532	7,761	15,652
No. of words in articles per mayor	75	44,384	33,418	1,314	19,692	39,741	63,069	138,659
Mao ideology	75	0.43	0.50	0.00	0.00	0.00	1.00	1.00
Mayor article ideology (scaled by keywords)	75	-0.15	0.11	-0.45	-0.23	-0.16	-0.08	0.20
Mayor article ideology (scaled by words)	75	-0.02	0.02	-0.08	-0.03	-0.02	-0.01	0.03

Panel B. Mayor article ideology and main ideology measures

Dep. Var.: Mayor articles ideology	**Scaled by keywords**			**Scaled by words**		
	(1)	(2)	(3)	(4)	(5)	(6)
Mao ideology	0.062**	0.068***	0.077***	0.007**	0.007*	0.008**
	(0.025)	(0.024)	(0.025)	(0.004)	(0.003)	(0.004)
Controls mayor characteristics	N	Y	N	N	Y	Y
Mayor region FE	N	N	Y	N	N	Y
Obs.	75	75	74	75	75	74
R-squared	0.08	0.20	0.29	0.17	0.17	0.24
Economic magnitude	41.84%	45.83%	52.11%	39.87%	35.39%	40.81%

Table OA.2. OLS Gradually Adding Controls

This table reports the results from OLS estimations following the same regression specification in Panel A of Table III. The dependent variables are firm-level stakeholder spending in Panel A, wage inequality in Panel B, and foreign sales ratio in Panel C. We report the univariate test results in Column (1) and gradually add additional fixed effects and controls through Columns (2)-(8). Column (9) includes the full set of controls as in Panel A of Table III. Standard errors reported in the parentheses are clustered at the city level. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively. All variable definitions are provided in Appendix A.

Panel A. Stakeholder spending									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Mao ideology	0.017**	0.002	0.010**	0.012**	0.012***	0.009*	0.010***	0.004	0.014***
	(0.007)	(0.005)	(0.005)	(0.006)	(0.004)	(0.005)	(0.004)	(0.004)	(0.005)
Obs.	17,596	17,596	17,596	17,596	17,596	17,596	17,596	17,596	17,596
R-squared	0.00	0.74	0.74	0.76	0.82	0.82	0.84	0.40	0.84
Panel B. Wage inequality									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Mao ideology	-0.160	-0.452**	-0.315*	-0.278*	-0.423**	-0.613*	-0.480	-0.456**	-0.632*
	(0.309)	(0.180)	(0.161)	(0.166)	(0.167)	(0.315)	(0.324)	(0.197)	(0.364)
Obs.	17,573	17,573	17,573	17,573	17,573	17,573	17,573	17,573	17,573
R-squared	0.00	0.71	0.71	0.73	0.74	0.74	0.76	0.28	0.76
Panel C. Foreign sales ratio									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Mao ideology	-2.107*	-0.152	0.276	0.154	-0.215	-0.774	-0.814	0.137	-1.375*
	(1.214)	(0.549)	(0.510)	(0.521)	(0.531)	(0.859)	(0.951)	(0.631)	(0.755)
Obs.	13,245	13,245	13,245	13,245	13,245	13,245	13,245	13,245	13,245
R-squared	0.00	0.86	0.86	0.86	0.86	0.87	0.88	0.31	0.88
Year FE	N	N	Y	Y	Y	Y	Y	Y	Y
Firm FE	N	Y	Y	Y	Y	Y	Y	N	Y
CPC secretary FE	N	N	N	Y	Y	Y	Y	Y	Y
City politician controls	N	N	N	N	Y	Y	Y	Y	Y
City macro controls	N	N	N	N	Y	Y	Y	Y	Y
Firm controls	N	N	N	N	Y	Y	Y	Y	Y
Industry × Year FE	N	N	N	N	N	N	Y	Y	Y
City admin. rank × Year FE	N	N	N	N	N	N	N	N	Y
Economic zone × Year FE	N	N	N	N	N	N	N	N	Y
Native place × Province FE	N	N	N	N	N	Y	Y	N	Y

Table OA.3. The Effects of Ideology on Foreign Assets Ratio

This table presents the results of testing the effect of mayor ideology on local firms' policies. Panel A reports the OLS results from the regressing a firm's foreign assets ratio on a binary indicator *Mao ideology* that equals 1 if the city mayor was a member of the CPC by 1978, and 0 otherwise. The OLS regression includes control variables at the firm-, politician-, and city levels. Firm Controls include firm size, ROA, leverage, revenue growth rate, and Tobin's Q. City Politician Controls include city mayor's gender, age bin, minority status, education degree, major, work experience in state-owned or privately owned enterprises, and city CPC secretary fixed effects. City Macro Controls include a city's GDP per capita, number of individual labor, and total employee wages. In addition, we control for firm fixed effects, year fixed effects, industry-year pair fixed effects, city administrative rank-year pair fixed effects, economic zone-year pair fixed effects, and native place (of the mayor)-province (of the firm) fixed effects. Panel B reports the RDD results for foreign assets ratio with a bandwidth of 4. We report results estimated with either the triangular (Column 1) or uniform (Column 2) kernel as well as the number of observations on the two sides of cutoff lines. Standard errors are clustered at the city level, and are reported in the parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively. All variable definitions are provided in Table OA.13.

Panel A. OLS analysis

Dep. Var.	*Foreign assets ratio*
Mao ideology	-1.649***
	(0.504)
Firm controls	Y
City politician controls	Y
Firm FE and Year FE	Y
Industry × Year FE	Y
City admin. rank × Year FE	Y
Economic zone × Year FE	Y
Native place × Province FE	Y
Obs.	8,037
R-squared	0.80
Economic magnitude	-75.01

Panel B. RDD analysis

Dep. Var.	*Foreign assets ratio*	
	(1)	(2)
Mao ideology	-2.602***	-3.044***
	(0.784)	(0.591)
Obs. left	1,508	1,508
Obs. right	54	54
Bandwidth	4	4
Kernel	Triangular	Uniform

Table OA.4. Ideology and Economic Covariates

This table reports the results of OLS estimations by regressing the incoming mayor's ideology on a set of mayor, firm, CEO, and city characteristics. We restrict our sample to the interval of one year before and one year after mayoral turnovers in the full sample. The dependent variable, Incoming mayor Mao ideology, is a binary indicator that equals 1 if the incoming city mayor was a member of the CPC by 1978, and 0 otherwise. In all columns, the regressors include the current mayor's ideology, economic performance (GDP growth rate in Panel A and GDP per capita growth rate in Panel B), the interaction between them, as well as firms' stakeholder spending, wage inequality, and foreign sales ratio. Column (2) further includes year fixed effects. Column (3) includes additional firm characteristics such as firm ROA, leverage, size, revenue growth, CEO age, CEO gender, and CEO political connection. We also include city characteristics such as (the natural logarithm of) a city's GDP, population, and GDP per capita in the last column. The test is conducted at the city level and firm level variables are aggregated accordingly. Standard errors are clustered at the city level and are reported in the parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively. All variable definitions are provided in Table OA.13.

Panel A. Economic performance measured by GDP growth

Dep.Var.	*Incoming mayor Mao ideology*			
	(1)	(2)	(3)	(4)
Mao Ideology	-0.009	-0.031	-0.050	-0.072
	(0.006)	(0.036)	(0.053)	(0.060)
Stakeholder spending	0.010	0.017	0.034	0.048
	(0.013)	(0.016)	(0.028)	(0.034)
Wage inequality	0.001	0.000	0.000	0.000
	(0.001)	(0.001)	(0.000)	(0.000)
Foreign sales ratio (%)	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Mayor average GDP growth	-0.016	-0.041	-0.043	-0.058
	(0.019)	(0.031)	(0.032)	(0.040)
Mayor average GDP growth	0.015	0.114	0.225	0.255
× Mao Ideology	(0.020)	(0.164)	(0.265)	(0.270)
Return on assets			0.001	0.001
			(0.001)	(0.001)
Leverage			-0.000	-0.000
			(0.000)	(0.000)
Ln(total assets)			0.003	0.002
			(0.003)	(0.003)
Revenue growth			-0.000	-0.000
			(0.000)	(0.000)
CEO age			0.000	0.000
			(0.001)	(0.001)
CEO gender			0.014	0.041
			(0.021)	(0.033)
CEO political connection			-0.005	0.002
			(0.005)	(0.004)
Ln(City GDP per capita)				0.020
				(0.017)
Ln(City GDP)				0.000
				(0.010)
Ln(City population)				0.013
				(0.015)
Intercept	-0.002	0.009	-0.095	-0.355
	(0.011)	(0.009)	(0.081)	(0.253)
Year FE	N	Y	Y	Y
Obs.	374	374	357	356
R2	0.00	0.05	0.05	0.09

Table OA.4. Ideology and Economic Covariates, continued;

Panel B. Economic performance measured by GDP per capita growth

Dep.Var.	*Incoming mayor Mao ideology*			
	(1)	(2)	(3)	(4)
Mao Ideology	-0.010	-0.028	-0.044	-0.061
	(0.007)	(0.032)	(0.047)	(0.052)
Stakeholder spending	0.010	0.017	0.033	0.047
	(0.013)	(0.016)	(0.027)	(0.033)
Wage inequality	0.001	0.000	0.000	0.000
	(0.001)	(0.001)	(0.000)	(0.000)
Foreign sales ratio (%)	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Mayor average GDP per capita growth	-0.022	-0.046	-0.050	-0.047
	(0.023)	(0.034)	(0.036)	(0.035)
Mayor average GDP per capita growth	0.026	0.105	0.201	0.203
× Mao Ideology	(0.022)	(0.153)	(0.244)	(0.245)
Return on assets			0.001	0.001
			(0.001)	(0.001)
Leverage			-0.000	-0.000
			(0.000)	(0.000)
Ln(total assets)			0.003	0.002
			(0.003)	(0.003)
Revenue growth			0.000	-0.000
			(0.000)	(0.000)
CEO age			0.000	0.000
			(0.001)	(0.001)
CEO gender			0.014	0.039
			(0.020)	(0.032)
CEO political connection			-0.005	0.002
			(0.005)	(0.004)
Ln(City GDP per capita)				0.019
				(0.016)
Ln(City GDP)				0.001
				(0.010)
Ln(City population)				0.012
				(0.015)
Intercept	-0.001	0.014	-0.083	-0.337
	(0.011)	(0.016)	(0.073)	(0.245)
Year FE	N	Y	Y	Y
Obs.	374	374	357	356
R2	0.00	0.05	0.05	0.09

Table OA.5. Cross-Regional Variation

This table reports the RDD results of testing the cross-regional heterogeneity in the ideological effects on a firm's policies following the same specification in Panel B of Table III, with a bandwidth of 4. The key explanatory variable, *Mao ideology*, is a binary indicator that equals 1 if the city mayor was a member of the CPC by 1978, and 0 otherwise. Panel A shows the results of partitioning the sample into firms facing high- and low levels of marketization based on whether it is headquartered in a province with above or below the sample median level of market development in financial intermediary and legal environment. Panel B shows the results of partitioning the sample into firms located in, or the city mayor comes from, a former CPC revolutionary base area. We use triangular kernel for RDD estimation in all tests and report 95% confidence intervals of each coefficient. Standard errors reported in the parentheses are clustered at the city level. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively. All variable definitions are provided in Table OA.13.

Dep. Var.	***Stakeholder spending***		***Wage inequality***		***Foreign sales ratio***	
Panel A. Subsample results based on local marketization						
	(1)	(2)	(3)	(4)	(5)	(6)
Marketization Index	High	Low	High	Low	High	Low
Mao ideology	0.143***	0.366*	-23.414***	4.494	-24.085***	-8.813***
	(0.049)	(0.200)	(3.834)	(3.198)	(8.671)	(2.761)
Confi. int. lower	0.05	-0.03	-30.93	-1.78	-41.08	-14.22
Confi. int. upper	0.24	0.76	-15.90	10.76	-7.09	-3.40
Obs. left	2,140	268	2,152	278	1,771	228
Obs. right	543	98	554	102	305	74
Panel B. Subsample results based on revolutionary base						
	(1)	(2)	(3)	(4)	(5)	(6)
Revolutionary Base	Y	N	Y	N	Y	N
Mao ideology	0.194***	1.358***	0.464	-29.325***	-13.916**	-42.409***
	(0.053)	(0.220)	(2.722)	(3.774)	(6.212)	(6.698)
Confi. int. lower	0.09	0.93	-4.87	-36.72	-26.09	-55.54
Confi. int. upper	0.30	1.79	5.80	-21.93	-1.74	-29.28
Obs. left	489	1,919	490	1,940	442	1,557
Obs. right	249	392	262	394	148	231

Table OA.6. The Impact of Ideology on City Policies

This table reports the results of OLS and RDD analyses testing the ideological impact on the city-level social security expense, inequality, and internationalization. Panel A reports the OLS results and Panel B reports the RDD results. The dependent variables are the ratio of social spending to GDP (Column (1) in Panel A and Columns (1)-(2) in Panel B), the urban-rural income gap (Column (2) in Panel A and Columns (3)-(4) in Panel B), and the outward foreign direct investment (OFDI) to GDP ratio (Column (3) in Panel A and Columns (5)-(6) in Panel B), all at the city level. The key explanatory variable, *Mao ideology*, is a binary indicator that equals 1 if the city mayor was a member of the CPC by 1978, and 0 otherwise. Politician Controls include a mayor's gender, age bin, minority status, education degree, major, and work experience in state-owned or privately owned enterprises. Macro Controls include a province's GDP per capita, and province GDP per capita growth. In addition, we control for province fixed effects, year fixed effects, and city administrative rank-year pair fixed effects. The RDD models in Panel B are estimated using triangular kernel in odd columns and using uniform kernel in even columns. Standard errors reported in the parentheses are clustered at the city level. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively. All variable definitions are provided in Table OA.13.

Panel A. OLS analysis

Dep. Var.	*Social spending to GDP ratio*	*Urban-rural income gap*	*OFDI to GDP ratio*
	(1)	(2)	(3)
Mao ideology	0.195**	-0.006*	-0.669
	(0.084)	(0.003)	(0.587)
Politician Controls	Y	Y	Y
Macro Controls	Y	Y	Y
Province FE	Y	Y	Y
Year FE	Y	Y	Y
City Admin. Rank × Year FE	Y	Y	Y
Obs.	1,836	1,556	2,064
R-squared	0.92	0.94	0.80

Panel B. RDD analysis

Dep. Var.	*Social spending to GDP ratio*		*Urban-rural income gap*		*OFDI to GDP ratio*	
	(1)	(2)	(3)	(4)	(5)	(6)
Mao ideology	1.517**	1.318*	-0.131***	-0.142***	-12.867***	-12.213***
	(0.593)	(0.718)	(0.017)	(0.022)	(2.698)	(3.362)
Obs. left	112	112	98	98	133	133
Obs. right	80	80	81	81	83	83
Bandwidth	4	4	4	4	4	4
Kernel	Triangular	Uniform	Triangular	Uniform	Triangular	Uniform

Table OA.7. OLS: Ideology and City-Level Outcomes

This table reports the results of OLS and RDD analyses testing the ideological impact on the city-level financial and economic performance, measured as the city's (a) market cap to GDP ratio, (b) credit to GDP ratio, (c) (the natural logarithms of) number of listed firms, (d) (the natural logarithms of) GDP, and (e) (the natural logarithms of) GDP per capita, all at *t+1*. Panel A presents the OLS results with all regressions controlling for a mayor's gender, age bin, minority status, education degree, major, and work experience in state-owned or privately owned enterprises, province's GDP per capita, and province GDP per capita growth. In addition, we control for province fixed effects, year fixed effects, and city administrative rank-year pair fixed effects. Panel B presents the results from RDD models, which are estimated using triangular kernel in odd columns and using uniform kernel in even columns. Standard errors reported in parentheses are clustered at the city level. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively. All variable definitions are provided in Table OA.13.

Panel A. OLS analysis

Dep. Var.	*Market cap to GDP ratio* $_{(t+1)}$	*Credit to GDP ratio* $_{(t+1)}$	*Ln(1+no. of listed firms)* $_{(t+1)}$	*Ln(GDP)* $_{(t+1)}$	*Ln(GDP per capita)* $_{(t+1)}$
	(1)	(2)	(3)	(4)	(5)
Mao ideology	-0.073*	-0.121**	-0.017	-0.078**	-0.061
	(0.043)	(0.053)	(0.044)	(0.038)	(0.046)
Controls & FEs	Y	Y	Y	Y	Y
Obs.	1,879	1,879	2,087	2,067	2,067
R-squared	0.96	0.88	0.97	0.97	0.95

Panel B. RDD analysis

Dep. Var.	*Market cap to GDP ratio* $_{(t+1)}$		*Credit to GDP ratio* $_{(t+1)}$		*Ln(1+no. of listed firms)* $_{(t+1)}$		*Ln(GDP)* $_{(t+1)}$		*Ln(GDP per capita)* $_{(t+1)}$	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Mao ideology	-3.377*	-3.221**	-0.768***	-0.706**	-3.355***	-3.402***	-3.973***	-3.834***	-2.284***	-2.392***
	(1.825)	(1.632)	(0.267)	(0.284)	(0.983)	(0.928)	(0.674)	(0.718)	(0.708)	(0.702)
Obs. left	121	121	121	121	143	143	136	136	136	136
Obs. right	82	82	82	82	93	93	83	83	83	83
Bandwidth	4	4	4	4	4	4	4	4	4	4
Kernel	Triangular	Uniform	Triangular	Uniform	Triangular	Uniform	Triangular	Uniform	Triangular	Uniform

Table OA.8. Additional Robustness Tests

This table presents the results of various robustness tests. Panel A shows the results from RDD analysis following the specifications as in Panel B of Table III, but on a subsample of mayors who received tertiary education after 1977. Panel B shows the results from RDD analysis with the sample partitioned into firms with old and young CEOs, based on whether the age of the firm's CEO is above or below the sample average. Panel C reports the results of RDD analysis following the specifications as in Panel B of Table III but additionally controls for mayor age and city CPC secretaries' ideology. In Panel D, we follow the same OLS specification as in Panel A of Table III, but define the explanatory variable as the ratio of the number of years since 1978 to the total number of years since she became a CPC member if she joined before 1978, and as 1 if she joined after 1978. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively. All variable definitions are provided in Table OA.13.

Dep. Var.	***Stakeholder spending***		***Wage inequality***		***Foreign sales ratio***	
Panel A. RDD: Only mayors with college education after 1977						
	(1)	(2)	(3)	(4)	(5)	(6)
Mao ideology	0.271**	0.318***	-9.408***	-9.197**	-20.216***	-18.664***
	(0.108)	(0.102)	(3.616)	(3.711)	(5.016)	(5.918)
Obs. left	2,408	2,408	2,430	2,430	1,999	1,999
Obs. right	561	561	576	576	328	328
Bandwidth	4	4	4	4	4	4
Kernel	Triangular	Uniform	Triangular	Uniform	Triangular	Uniform
Panel B. RDD: Subsamples of young and old CEOs						
	(1)	(2)	(3)	(4)	(5)	(6)
Older CEO	Y	N	Y	N	Y	N
Mao ideology	0.249*	0.128**	-7.664**	-24.702***	-22.214***	-19.457***
	(0.134)	(0.056)	(3.193)	(4.633)	(5.142)	(5.464)
Confi. int. lower	-0.01	0.02	-13.92	-33.78	-32.29	-30.17
Confi. int. upper	0.51	0.24	-1.41	-15.62	-12.14	-8.75
Obs. left	1,668	740	1,687	743	1,409	590
Obs. right	412	229	417	239	226	153
Bandwidth	4	4	4	4	4	4
Kernel	Triangular	Triangular	Triangular	Triangular	Triangular	Triangular
Panel C. RDD: Controlling for CPC Secretary ideology						
	(1)	(2)	(3)	(4)	(5)	(6)
Mao ideology	0.284***	0.330***	-8.607***	-8.245***	-9.272*	-8.437
	(0.107)	(0.101)	(3.068)	(3.167)	(4.918)	(5.399)
Mayor age & CPC Secretary ideology	Y	Y	Y	Y	Y	Y
Obs. left	2,408	2,408	2,430	2,430	1,999	1,999
Obs. right	641	641	656	656	379	379
Bandwidth	4	4	4	4	4	4
Kernel	Triangular	Uniform	Triangular	Uniform	Triangular	Uniform

Panel D. OLS: Continuous ideology measure based on the exposure to Deng's ideology			
	(1)	(2)	(3)
Deng's exposure	-0.001***	0.056*	0.127**
	(0.000)	(0.029)	(0.060)
Controls	Y	Y	Y
Obs.	17,596	17,573	13,245
R-squared	0.84	0.76	0.88

Table OA.9. The Impact of Ideology on Corporate Policies with Alternative Cutoff Years

This table reports results from the RDD analysis following similar specifications as in Panel B of Table III, but with Year 1973 (Panel A) and Year 1982 (Panel B) as the alternative cutoff year. The key explanatory variable, *Mao ideology*, is a binary indicator that takes a value of 1 if the city mayor was a member of the CPC by 1973 (Panel A) and 1982 (Panel B), and 0 otherwise. Standard errors are clustered at the city level and reported in the parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively. All variable definitions are provided in Table OA.13.

Panel A. Cutoff year is 1973			
Dep. Var.	*Stakeholder spending*	*Wage inequality*	*Foreign sales ratio*
	(1)	(2)	(3)
Mao ideology	0.024	1.241	0.012
	(0.025)	(1.167)	(4.766)
Obs. left	1,022	1,035	680
Obs. right	936	978	604
Panel B. Cutoff year is 1982			
Dep. Var.	*Stakeholder spending*	*Wage inequality*	*Foreign sales ratio*
	(1)	(2)	(3)
Mao ideology	-0.022	-0.935	0.396
	(0.020)	(0.750)	(3.721)
Obs. left	975	993	936
Obs. right	1,589	1,592	1,428
Bandwidth	4	4	4
Kernel	Triangular	Triangular	Triangular

Table OA.10. Falsification Tests - Alternative Turnover Time

This table reports RDD results using the same specification as in Table III, Panel B, but with alternative mayoral turnover time. We first set hypothetical mayoral turnover which occurs one/two/three years before the actual turnover years in the full sample, and then construct the RDD sample based on the newly constructed dataset and repeat the baseline analyses. We further refine the sample by dropping firm-year observations where mayors do not change after turnovers in the falsification samples. Standard errors are clustered at the city level and are reported in the parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively. All variable definitions are provided in Table OA.13.

Panel A. Pseudo-mayoral turnover one year earlier						
Dep. Var.	*Stakeholder spending*		*Wage inequality*		*Foreign sales ratio*	
	(1)	(2)	(3)	(4)	(5)	(6)
Mao ideology	-0.020	-0.019	-2.315	-2.374	12.013	10.330
	(0.015)	(0.016)	(1.959)	(1.936)	(8.507)	(8.405)
Obs. left	588	588	594	595	522	523
Obs. right	51	63	56	68	44	47
Panel B. Pseudo-mayoral turnover two years earlier						
Dep. Var.	*Stakeholder spending*		*Wage inequality*		*Foreign sales ratio*	
	(1)	(2)	(3)	(4)	(5)	(6)
Mao ideology	0.002	0.011	-1.583	-1.881	6.839	1.838
	(0.016)	(0.017)	(1.943)	(1.768)	(12.103)	(10.347)
Obs. left	770	784	772	787	677	693
Obs. right	89	102	93	106	71	73
Panel C. Pseudo-mayoral turnover three years earlier						
Dep. Var.	*Stakeholder spending*		*Wage inequality*		*Foreign sales ratio*	
	(1)	(2)	(3)	(4)	(5)	(6)
Mao ideology	-0.003	-0.010	-2.110	-2.041	6.051	-1.982
	(0.019)	(0.016)	(1.730)	(1.444)	(13.150)	(10.331)
Obs. left	814	846	814	847	670	704
Obs. right	92	107	92	107	64	66
Panel D. Pseudo-mayoral turnover predecessor mayor's ideology						
Dep. Var.	*Stakeholder spending*		*Wage inequality*		*Foreign sales ratio*	
	(1)	(2)	(3)	(4)	(5)	(6)
Mao ideology	0.206	0.114	-0.970	-4.400	-9.503	-4.360
	(0.217)	(0.211)	(3.845)	(2.919)	(12.183)	(10.594)
Obs. left	244	356	245	355	218	308
Obs. right	1,775	1,883	1,752	1,857	1,453	1,548
Bandwidth	4	4	4	4	4	4
Kernel	Triangular	Uniform	Triangular	Uniform	Triangular	Uniform

Table OA.11. External Validity: The U.S. Sample

This table reports the results of the effect of politician ideology on corporate behavior using OLS regressions on a sample of U.S. firms. The dependent variables are firm-level donation to sales ratio in Columns (1)-(2), donation to assets ratio (%) in Columns (3)-(4), salary gap (defined as the ratio between a firm's highest salary and average salaries) in Columns (5)-(6), foreign sales ratio in Column (7)-(8), and a binary indicator for when a firm has net positive CSR performance (strengths minus concerns using KLD ratings) in Columns (9)-(10). The key explanatory variable is an indicator variable, *Republican*, which equals 1 if a state governor is a member of the Republican Party, and 0 otherwise. We collected state voting outcomes from www.270towin.com. The regression includes control variables for firm-level and macroeconomic characteristics in even-number columns. Firm Controls include log-firm assets, ROA, leverage, and Tobin's Q. Macro Controls include state GDP, population size, and GDP per capita. In addition, we control for year fixed effects, state fixed effects, and firm industry fixed effects throughout. Data on firm-level donations, salary gap, and foreign sales as well as macro-level variables are collected from Refinitiv (Eikon), and on CSR are collected from KLD. Standard errors are clustered at the state level. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Dep. Var.	*Donation to sales ratio*		*Donation to assets ratio*		*Salary gap*		*Foreign sales ratio*		*Net positive CSR(Y/N)*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Republican	-0.056**	-0.058**	-0.201*	-0.213*	220.681	218.632*	-0.006	-0.165	-0.018*	-0.022*
	(0.025)	(0.028)	(0.117)	(0.118)	(136.603)	(128.302)	(0.349)	(0.275)	(0.011)	(0.011)
Firm controls	N	Y	N	Y	N	Y	N	Y	N	Y
Macro controls	N	Y	N	Y	N	Y	N	Y	N	Y
Year FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
State FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Obs.	5,016	4,969	5,001	4,975	5,271	5,093	39,798	36,057	22,382	21,937
R-squared	0.34	0.35	0.41	0.43	0.29	0.32	0.39	0.46	0.45	0.46

Table OA.12. External Validity: Comparing Regimes before and under Xi

This table reports the results of testing the difference in ideological effects on corporate behavior during and before Xi Jinping's administration. Panel A presents the OLS results following the regression specification as in Panel A of Table III, but further interacting Mao ideology with a binary indicator, *Xi*, which equals 1 for the period from 2012 onward (the period under Xi Jinping's reign), and 0 otherwise. Panel B presents the RDD results of partitioning the sample into periods before and under Xi's reign (Pre-Xi and Xi), all estimated using triangular kernel. We also report 95% confidence intervals of each coefficient. Standard errors are clustered at the city level for OLS regressions and the city level for RDD analysis and are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

	Stakeholder spending	***Wage inequality***	***Foreign sales ratio***
Panel A. OLS analysis			
	(1)	(2)	(3)
Mao ideology	0.017***	-0.876**	-1.534*
	(0.005)	(0.394)	(0.911)
Mao ideology × Xi	-0.010*	0.741	0.324
	(0.005)	(0.452)	(1.100)
Controls in Panel A, Table III	Y	Y	Y
Obs.	17,596	17,573	13,245
R-squared	0.84	0.76	0.88

Panel B. RDD: Subsample results based on Xi's administration						
	Xi	Pre-Xi	Xi	Pre-Xi	Xi	Pre-Xi
	(1)	(2)	(3)	(4)	(5)	(6)
Mao ideology	0.301***	0.299***	-12.767***	-15.628***	-7.908	-24.802***
	(0.061)	(0.073)	(1.759)	(3.401)	(6.120)	(4.703)
Confi. int. lower	0.18	0.16	-16.21	-22.29	-19.90	-34.02
Confi. int. upper	0.42	0.44	-9.32	-8.96	4.09	-15.58
Obs. left	1,796	612	1,801	629	1,741	258
Obs. right	193	448	195	461	180	199
Bandwidth	4	4	4	4	4	4

Table OA.13. Variables Definition

Variable name	Description
Stakeholder spending	The amount of a firm's stakeholder spending (measured by the sum of total tax contributions, employee payments, interest expenses, and donations) divided by the book value of equity of the firm. Source: CSMAR.
Wage inequality	The ratio of the average wage of the top three executives to the average employee wage within a company. The average employee wage is computed as the total employee compensations minus the compensations for directors, supervisory board members, and executives, and divided by the number of employees. Source: CSMAR.
Foreign assets ratio	The ratio of a firm's foreign assets (i.e., assets of its overseas subsidiaries) to its total assets. The total assets of overseas subsidiaries are weighted by the parent company's ownership (%). Source: CSMAR.
Foreign sales ratio	The ratio of a firm's foreign sales to its total sales revenue (%). Source: CSMAR & Datastream.
Mao ideology	An indicator variable that equals 1 if the mayor of the city where the listed firm is headquartered joined the Communist Party of China by 1978, and 0 otherwise. Source: CSMAR.
Gender	An indicator variable that equals 1 if the mayor of the city where the listed firm is headquartered is female, and 0 otherwise. Source: CSMAR.
Minority	An indicator variable that equals 1 if the mayor of the city where the listed firm is headquartered is ethnically a non-Han minority, and 0 otherwise. Source: CSMAR.
SOE experience	An indicator variable that equals 1 if the mayor of the city where the listed firm is headquartered had past work experience in a state-owned enterprise, and 0 otherwise. Source: CSMAR.
POE experience	An indicator variable that equals 1 if the mayor of the city where the listed firm is headquartered had past work experience in a non-state-owned (i.e., privately-owned) enterprise and did not work in a state-owned firm before, and 0 otherwise. Source: CSMAR.
Age	The age of the city mayor. Source: CSMAR.
Age bins	Three binary indicators indexing a mayor's age range: 40-50, 50-60, 60 or above. An age bin indicator takes a value of 1 when a city mayor's age falls into the range, and 0 otherwise. Source: CSMAR.
Education degree	An indicator variable that equals 1 if the mayor of the city where the listed firm is headquartered obtained a master or higher educational degree, and 0 otherwise. Source: CSMAR.
Education major	An indicator variable that equals 1 if the mayor of the city where the listed firm is headquartered majored in liberal arts or economics during her tertiary education, and 0 otherwise (i.e., majored in science and technology subjects). Source: CSMAR.
Promotion	An indicator variable that equals 1 if the mayor of the city where the listed firm is headquartered was promoted to a higher level of political position, and 0 otherwise. Source: CSMAR & manual collection.
Post-1977 education	An indicator variable that equals 1 if the mayor of the city where the listed firm is headquartered attended college after 1977, and 0 otherwise. Source: CSMAR.
Good school	An indicator variable that equals 1 if the mayor of the city where the listed firm is headquartered attended college after 1977, and 0 otherwise. Source: CSMAR.
Education tie	An indicator variable that equals 1 if the mayor attended the same school as her immediate superior government official, and 0 otherwise. An education tie can be between a provincial governor or CPC secretary and the mayor of the sub-provincial city or of the prefecture-level city; or between a member of the Politburo Standing Committee of the CPC and the mayor of a municipality directly under the central government. Source: CSMAR & manual collection.

Hometown tie	An indicator variable that equals 1 if a mayor's birth/native place is in the same city as the birth/native place of her immediate superior government official, and 0 otherwise. A hometown tie can be between a provincial governor or party secretary and the mayor of the sub-provincial city or of the prefecture-level city; or between a member of the Politburo Standing Committee of the CPC and the mayor of a municipality directly under the central government. Source: CSMAR & manual collection.
Political tie	An indicator variable that equals 1 if the mayor has either an education tie or a hometown tie (at the city level) with her immediate superior government official, and 0 otherwise. Source: CSMAR & manual collection.
Native place	The province of a mayor's family origin (which is often the hometown of one's grandfather, and may or may not be the same as where the mayor was born). Source: CSMAR.
Mayor average GDP growth	The average GDP growth rates during the tenure years of a mayor. Source: CSMAR.
Mayor average GDP per capita growth	The average GDP per capita growth rates during the tenure years of a mayor. Source: CSMAR.
City CPC Secretaries ideology	An indicator variable that equals 1 if the CPC secretary of the city where the listed firm is headquartered joined the Communist Party of China by 1978, and 0 otherwise. Source: CSMAR.
Size	The natural logarithm of the firm's total assets in RMB. Source: CSMAR.
TobinQ	A firm's Tobin's Q, calculated as its book value of total assets minus book value of equity plus market value of equity, divided by the book value of total assets. Source: CSMAR.
ROA	A firm's return on assets, calculated as the ratio of its net income to total assets (%). Source: CSMAR.
Market value growth	The annual growth rate of a firm's market capitalization (%). Source: CSMAR.
Revenue growth	The annual growth rate of a firm's sales revenue (%). Source: CSMAR.
Leverage	The ratio of debt to book equity of a firm (%). Source: CSMAR.
Total assets growth	The annual growth rate of a firm's total assets (%). Source: CSMAR.
CEO political connection	An indicator variable that equals 1 if the CEO of the firm used to work in a government organization, or shares the same workplace, birthplace, or school experience with the contemporary city mayor, and 0 otherwise. Source: CSMAR.
CEO gender	An indicator variable that equals 1 if the CEO is a female, and 0 otherwise. Source: CSMAR.
Marketization index	An indicator variable that equals 1 if the province where the listed firm is headquartered has an above-sample-median marketization score based on the development of market intermediary organization and legal environment, otherwise 0. Source: NERI Index of Marketization.
Revolutionary base	An indicator variable that equals 1 if the city was formerly a communist revolutionary base during the Sino-Japan War or the Civil War, and 0 otherwise. Source: self-collection.
City GDP	The natural logarithm of a city's gross domestic product (GDP) in RMB in a year. Source: CSMAR.
City GDP per capita	The natural logarithm of a city's per capita GDP in RMB in a year. Source: CSMAR.
City population	The natural logarithm of a city's total population in a year. Source: CSMAR.
Individual labor	The natural logarithm of the number of individual labor of the city in a year. Source: CSMAR.
Total employee wages	The natural logarithm of the total wages of all employees in a city in a year. Source: CSMAR.
Social spending to GDP ratio	The ratio of the fiscal spending on social securities to the GDP of the city in a year. Source: CSMAR.

Urban-rural income gap	The difference between average income per person between urban and rural residents of the city in a year. Source: CSMAR
OFDI	The total outward foreign investment to GDP ratio of the city in a year. Due to the lack of the OFDI information at the city level, we take the OFDI at the province level and allocate them to city level based on relative city GDP weights. Source: CSMAR
Market cap to GDP ratio	The ratio of the aggregated market capitalization of listed firms headquartered in a city to the GDP of the city in a given year. Source: CSMAR.
Credit to GDP ratio	The ratio of the aggregated credit from financial institutions in a city to the GDP of the city in a given year. Source: CSMAR.
Ln(1+no. of listed firms)	The natural logarithm of one plus the number of listed firms in a city in a given year. Source: CSMAR.
City administrative rank	An ordinal indicator variable that equals 1 if the administrative rank of a city is at the sub-provincial level, 2 if at the prefecture level, 3 if at the municipal level. Source: Development Research Center of the State Council.
Economic zone	A multinomial indicator variable representing the four economic zones defined by the Development Research Center of the State Council in 2005. It takes the value of 1 for Beijing, Tianjin, Hebei, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, and Hainan; 2 for Shanxi, Anhui, Jiangxi, Henan, Hubei, and Hunan; 3 for Inner Mongolia, Guangxi, Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang; 4 for Liaoning, Jilin, and Heilongjiang. Source: Development Research Center of the State Council.
Ideological keyword frequency	The frequency indexes for a set of ideological keywords appearing in *People's Daily*: "Class (*Jie Ji*)", "Imperialism (*Diguo Zhuyi*), "Solidarity (*Tuan Jie*)", "Revolution (*Ge Ming*)". For each keyword, the frequency index is calculated as: $$frequency_{it} = \frac{nr.of\ appearance_{it} \times length_i \times 10000}{total\ nr.of\ words\ on\ People's\ Daily_t}$$ where $nr.of\ appearance_{it}$ is the total number of times a keyword i appears on *People's Daily* on a given year t; $length_{\mathrm{i}}$ is the total length in words of the keyword i; and *total nr. of words on People's Daily* is the total number of words on *People's Daily* on that year. This measure is expressed as basis point for better readability. Source: People's Daily.
Mayor article ideology	A continuous variable measuring the mayors' ideology based on a textual analysis using bylined articles published during her term. We collect the top 100 most frequent keywords used in all the articles bylined by a mayor for the RDD sample with a bandwidth of 4. Each of these keywords is then rated by ten native Chinese speaking faculty members and graduate students based on whether it is leaning toward Maoist (assigned a rating of +1), Dengist (assigned a rating of -1), or neutral (assigned a rating of 0). The ideology rating of a keyword ("keyword ideology") takes the value given by the majority of the ten raters. For a given mayor, we compute her "article ideology" as: $$Mayor\ article\ ideology_i = \frac{\sum frequency\ of\ a\ keyword \times keyword\ ideology}{Total\ \#\ of\ keywords\ (or\ words)}$$ Source: Self-collection.