

Internet Appendix for
“Expropriation Risk and Investment: A Natural Experiment”

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Table IA1

Property Law and Corporate Investment: Alternative Treatment and Control Samples

This table examines the effects of the Property Law on corporate investments using alternative treatment and control samples. In column 1, we exclude firms in Fujian, Tianjin, and Shandong provinces. In columns 2 to 5, the treatment (control) firms are those in the bottom 10, 15, 20, and 25 provinces (top 1, 2, 3, and 4 provinces), respectively, all based on PROPERTY_RIGHTS_SCORE. In column 6, we use entropy balancing following McMullin and Schonberger (2020). In column 7, we use an unmatched and unbalanced sample. In column 8, we exclude firms below the 5th percentile or above the 95th percentile in investment values. In column 9, we conduct propensity-score matching using firm characteristics in 2005 and use 2004–2005 as the pre-Law period. The t -statistics reported in parentheses are based on standard errors clustered by city. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively. Variable definitions are provided in the Appendix of the main paper.

Dependent Variable	1	2	3	4	5	6	7	8	9
	INVESTMENT								
TREATED \times POST	1.74*** (7.33)	0.80*** (2.71)	1.24*** (5.06)	1.51*** (7.18)	1.45*** (7.26)	1.66*** (5.83)	0.89*** (4.18)	0.65*** (6.16)	0.87*** (4.19)
SIZE	0.48*** (10.27)	0.58*** (6.63)	0.52*** (8.36)	0.47*** (9.21)	0.47*** (10.87)	9.22*** (24.62)	0.81*** (20.37)	0.30*** (12.08)	0.75*** (18.71)
PROFITABILITY	-2.45*** (-3.51)	-3.22** (-2.27)	-3.72*** (-4.12)	-3.50*** (-4.54)	-2.29*** (-3.67)	-5.23*** (-4.34)	-5.13*** (-9.13)	1.73*** (5.26)	-4.09*** (-7.23)
LEVERAGE	-2.05*** (-7.01)	-0.75 (-1.54)	-1.84*** (-5.01)	-1.94*** (-6.11)	-2.21*** (-8.56)	-8.27*** (-11.08)	-2.83*** (-12.39)	-0.38*** (-2.93)	-2.83*** (-11.74)
Δ SALES	4.43*** (31.43)	4.37*** (19.91)	4.41*** (23.93)	4.51*** (28.03)	4.41*** (35.57)	3.24*** (21.55)	3.46*** (39.22)	1.74*** (30.25)	3.59*** (28.88)
Δ PROVINCIAL_GDP	-4.49 (-1.19)	4.62 (1.00)	5.05 (1.20)	7.95** (2.44)	-5.23 (-1.41)	-10.96*** (-13.72)	3.32 (1.16)	-0.40 (-0.18)	52.82* (1.73)
SIZE \times POST	-0.06 (-1.05)	-0.17** (-1.97)	-0.08 (-1.13)	-0.04 (-0.63)	-0.04 (-0.82)	-0.69*** (-9.57)	-0.20*** (-4.99)	-0.01 (-0.28)	-0.26*** (-5.37)
PROFITABILITY \times POST	7.22*** (8.52)	5.82*** (3.69)	7.34*** (6.54)	7.57*** (7.88)	7.31*** (9.53)	3.93*** (3.52)	6.45*** (10.74)	1.92*** (5.11)	7.63*** (11.18)
LEVERAGE \times POST	-0.46 (-1.38)	-0.75 (-1.31)	-0.43 (-0.87)	-0.33 (-0.83)	-0.41 (-1.38)	0.10 (0.22)	-0.17 (-0.65)	-0.37** (-2.35)	0.21 (0.76)
Δ SALES \times POST	-4.76*** (-24.41)	-4.82*** (-18.74)	-4.65*** (-17.87)	-4.89*** (-22.02)	-4.80*** (-28.30)	-3.64*** (-18.09)	-3.66*** (-33.28)	-1.43*** (-23.87)	-4.24*** (24.01)
Δ PROVINCIAL_GDP \times POST	-1.29 (-0.32)	2.68 (0.46)	-6.34 (-1.26)	-8.32** (-2.08)	1.24 (0.32)	8.09 (1.51)	-4.56 (-1.26)	-2.24 (-0.96)	-0.56 (-0.14)
Firm FEs	Yes								
Industry-Year FEs	Yes								
City FEs	Yes								
Adjusted R ²	0.06	0.06	0.07	0.07	0.06	0.16	0.11	0.04	0.08
Within R ²	0.05	0.04	0.05	0.05	0.05	0.07	0.06	0.03	0.05
Observations	169,825	52,360	92,920	125,697	202,285	206,536	502,043	185,881	250,168

Table IA2
Property Law and Corporate Investment: Alternative Sample Periods

This table examines the effects of the Property Law on corporate investment using alternative sample periods. Column 1 uses 2005–2006 and 2008 as the pre- and post-Law periods, respectively. Column 2 uses 2005–2006 and 2007–2010 as the pre- and post-Law periods, respectively. Column 3 uses 2005–2006 and 2009–2010 as the pre- and post-Law periods, respectively. Columns 4 to 6 use 2003–2006 and 2007–2008 as the pre- and post-Law periods, respectively. In columns 5 and 6, we control for pre-Law trends in CAPEX by including the growth rate of CAPEX and the changes in CAPEX in the previous year, respectively. In column 7, we conduct a placebo test using propensity-score matching based on firm characteristics in 2001 and use 2000–2001 and 2002–2003 as the pre- and post-Law periods, respectively. POST2002 equals one if the year is 2002 or 2003, and zero otherwise. The *t*-statistics reported in parentheses are based on standard errors clustered by city. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively. Other variable definitions are provided in the Appendix of the main paper.

Dependent Variables	INVESTMENT			CAPEX			
	1	2	3	4	5	6	7
Sample Periods	2005-2006 & 2008	2005-2010	2005-2006 & 2009-2010		2003-2008		2000-2003
TREATED × POST	1.38*** (3.79)	1.75*** (5.68)	1.42*** (2.87)	2.71*** (8.2)	2.43*** (7.31)	2.58*** (7.61)	
TREATED × POST2002							-0.00 (-0.34)
SIZE	7.35*** (21.33)	7.86*** (23.46)	6.65*** (16.25)	0.97*** (16.68)	0.93*** (16.95)	0.93*** (16.59)	0.07*** (17.54)
PROFITABILITY	-3.90*** (-3.16)	2.95*** (3.46)	1.65 (1.09)	-2.74*** (-5.09)	0.03 (0.04)	-0.16 (-0.22)	-0.01 (-0.67)
LEVERAGE	-6.41*** (-8.76)	-7.07*** (10.49)	-6.60*** (-7.71)	-2.27*** (-6.59)	-1.71*** (-5.37)	-1.77*** (-5.52)	-0.04*** (-7.48)
ΔSALES	2.64*** (17.90)	-2.53*** (-16.84)	-2.36*** (-13.07)	2.25*** (18.10)	2.20*** (10.80)	2.18*** (10.87)	0.03*** (11.34)
ΔPROVINCIAL_GDP	-9.95*** (-13.31)	-2.67 (-1.48)	-7.12 (-1.57)	-3.39 (-0.11)	24.03 (0.75)	25.06 (0.79)	0.00 (1.06)
SIZE × POST	-0.82*** (-10.31)	-0.29*** (-3.87)	-0.47*** (-3.16)	0.29*** (4.06)	0.30*** (4.62)	0.31*** (4.70)	-0.00*** (-4.45)
PROFITABILITY × POST	3.79*** (2.90)	-2.19** (-2.56)	-1.83 (-1.12)	2.73*** (5.08)	-0.03 (-0.04)	0.16 (0.22)	-0.02* (-1.88)
LEVERAGE × POST	0.19 (0.40)	-0.57 (-1.31)	0.66 (0.82)	-0.32 (-0.46)	-0.85 (-1.25)	-0.94 (-1.35)	0.00 (0.74)
ΔSALES × POST	-3.40*** (-13.88)	0.29* (1.67)	0.12 (0.46)	-0.82*** (-5.31)	-0.79*** (-3.53)	-0.78*** (-3.55)	-0.01*** (-5.16)
ΔPROVINCIAL_GDP × POST	-7.24 (-1.17)	-10.61** (-2.05)	-15.14* (-1.65)	-10.79 (-1.63)	-5.24 (-0.79)	-6.85 (-1.01)	0.00 (0.92)
GROWTH(CAPEX) _{t-1}					-0.00 (-1.40)		
GROWTH(CAPEX) _{t-1} × POST					0.00* (1.78)		
ΔCAPEX _{t-1}						-0.04***	

						(-12.76)	
$\Delta\text{CAPEX}_{t-1} \times \text{POST}$						0.00	
						(0.87)	
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Firm FEs				Yes			
Industry-Year FEs				Yes			
City FEs				Yes			
Adjusted R ²	0.08	0.09	0.08	0.04	0.05	0.05	
Within R ²	0.05	0.06	0.05	0.02	0.02	0.02	0.03
Observations	154,902	262,666	159,398	265,906	209,042	209,042	114,148
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Table IA3
Property Law and Corporate Investment: Alternative Specifications

This table examines the effects of the Property Law on corporate investment using alternative specifications. In column 1, we additionally control for lagged investment. In column 2, we estimate the regression in first differences (i.e., the change in all level variables), using an unmatched and unbalanced sample (as in Table IA1 column 7) because it requires data from years prior to the main sample. In column 3, we replace firm fixed effects with match-firm-pair fixed effects. The *t*-statistics reported in parentheses are based on standard errors clustered by city. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively. Other variable definitions are provided in the Appendix of the main paper.

Dependent Variables	1 INVESTMENT	2 Δ INVESTMENT	3 INVESTMENT
TREATED \times POST	1.10*** (4.91)	1.13*** (3.43)	1.41*** (7.26)
SIZE	0.53*** (9.65)	15.89*** (28.05)	0.46*** (10.81)
PROFITABILITY	-3.21*** (-3.85)	0.22 (1.49)	-2.19*** (-3.58)
LEVERAGE	-2.75*** (-7.71)	-9.25*** (-10.73)	-2.18*** (-8.62)
Δ SALES	4.89*** (33.28)	-4.69*** (-3.74)	4.39*** (36.06)
Δ PROVINCIAL_GDP	-2.15 (-0.49)	-67.51** (-2.04)	-7.40** (-2.02)
SIZE \times POST	-0.09 (-1.49)	-1.02* (-1.68)	-0.03 (-0.70)
PROFITABILITY \times POST	7.82*** (8.55)	-0.40** (-2.54)	7.26*** (9.57)
LEVERAGE \times POST	0.05 (0.12)	0.36 (0.36)	-0.41 (-1.40)
Δ SALES \times POST	-5.01*** (27.97)	2.65* (1.92)	-4.78*** (-28.59)
Δ PROVINCIAL_GDP \times POST	-4.75 (-1.09)	-18.44*** (-2.75)	0.53 (0.14)
INVESTMENT _{t-1}	-3.17*** (-3.95)		
INVESTMENT _{t-1} \times POST	-0.12 (-0.13)		
Firm FEs	Yes	Yes	No
Match-Firm-Pair FEs	No	No	Yes
Industry-Year FEs	Yes	Yes	Yes
City FEs	Yes	Yes	Yes
Adjusted R ²	0.08	0.07	0.06
Within R ²	0.07	0.06	0.05
Observations	154,902	362,955	206,536

Table IA4

Property Law and Corporate Investment: Separate Regressions for Treatment and Control Firms

This table examines the effects of the Property Law on corporate investment separately for treatment and control firms. We replace industry-year fixed effects with industry fixed effects because POST is the variable of interest. The *t*-statistics reported in parentheses are based on standard errors clustered by city. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively. Variable definitions are provided in the Appendix of the main paper.

Dependent Variables	1	2	3	4	5	6
	INVESTMENT		CAPEX		R&D	
Samples	Treatment	Control	Treatment	Control	Treatment	Control
POST	3.14** (2.51)	-4.47*** (-2.80)	2.73** (2.17)	-4.89*** (-3.08)	0.41*** (5.94)	0.42*** (6.04)
SIZE	0.67*** (11.77)	0.58*** (9.86)	0.60*** (10.44)	0.51*** (8.69)	0.07*** (15.73)	0.07*** (13.62)
PROFITABILITY	-2.97*** (-3.56)	-3.06*** (-3.04)	-3.25*** (-3.89)	-3.38*** (-3.39)	0.28*** (7.54)	0.32*** (6.30)
LEVERAGE	-3.92*** (-13.40)	-1.45*** (-3.98)	-3.84*** (-13.10)	-1.41*** (-3.86)	-0.08*** (-5.57)	-0.05*** (-3.11)
ΔSALES	4.53*** (32.27)	3.71*** (22.52)	4.53*** (32.26)	3.70*** (22.45)	0.00 (0.78)	0.01 (1.31)
ΔPROVINCIAL_GDP	-38.16 (-1.60)	-79.85 (-0.40)	-37.32 (-1.55)	-86.24 (-0.42)	-0.84 (-1.48)	6.39 (1.36)
SIZE × POST	-0.16** (-2.27)	-0.06 (-1.01)	-0.13* (-1.76)	-0.03 (-0.49)	-0.04*** (-10.56)	-0.03*** (-7.35)
PROFITABILITY × POST	6.92*** (6.50)	5.68*** (5.04)	7.13*** (6.69)	5.83*** (5.20)	-0.21*** (-6.21)	-0.15*** (-2.92)
LEVERAGE × POST	0.43 (1.15)	-0.26 (-0.60)	0.38 (1.01)	-0.31 (-0.73)	0.05*** (4.04)	0.05*** (3.32)
ΔSALES × POST	-5.18*** (-29.10)	-4.10*** (-16.47)	-5.18*** (-29.12)	-4.11*** (-16.39)	0.00 (0.73)	0.00 (0.99)
ΔPROVINCIAL_GDP × POST	-11.01** (-2.45)	14.41** (2.55)	-10.49** (-2.35)	15.17*** (2.69)	-0.52** (-2.09)	-0.76*** (-2.99)
Firm FEs				Yes		
Industry FEs				Yes		
City FEs				Yes		
Adjusted R ²	0.09	0.08	0.09	0.08	0.06	0.08
Within R ²	0.06	0.05	0.06	0.05	0.02	0.02
Observations	103,268	103,268	103,268	103,268	103,268	103,268

Table IA5
Property Law and Firm-Level Employment

This table examines the effects of the Property Law on firm-level employment. Δ EMPLOYEES is the change in the natural log of the number of employees in a firm during the year. The t -statistics reported in parentheses are based on standard errors clustered by city. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively. Other variable definitions are provided in the Appendix of the main paper.

Dependent Variable	1	2	3
	Δ EMPLOYEES		
TREATED \times POST	0.03*** (6.27)	0.02*** (4.66)	0.01*** (2.70)
TREATED	-0.02*** (-6.21)	-0.02*** (-6.66)	
POST	-0.05*** (-14.13)	-0.07*** (-2.82)	
SIZE		0.02*** (19.65)	0.02*** (21.33)
PROFITABILITY		0.08*** (7.83)	0.09*** (8.20)
LEVERAGE		-0.01*** (-3.58)	-0.00 (-1.23)
Δ SALES		0.08*** (31.61)	0.08*** (32.01)
Δ PROVINCIAL_GDP		-0.10 (-1.63)	-0.27 (-0.44)
SIZE \times POST		0.00 (1.20)	-0.00 (-0.86)
PROFITABILITY \times POST		-0.04*** (-3.07)	-0.02* (-1.92)
LEVERAGE \times POST		-0.01 (-1.14)	-0.01** (-2.10)
Δ SALES \times POST		-0.03*** (-17.28)	-0.03*** (-16.91)
Δ PROVINCIAL_GDP \times POST		0.05 (0.51)	0.03 (0.33)
Firm FEs	No	No	Yes
Industry-Year FEs	No	No	Yes
City FEs	No	No	Yes
Adjusted R ²	0.01	0.06	0.08
Within R ²			0.05
Observations	206,536	206,536	206,536

Table IA6

Property Law and Corporate Investment: Alternate Property Rights Measures

This table examines the effects of the Property Law on corporate investment using three alternative definitions of pre-Law property rights. In columns 1–3, we use PPRI (the likelihood that the responding firms’ property and contract rights would be protected and enforced), BUREAUCRACY (the number of days firms spend dealing with important government agencies every year), and LAWYER (the number of lawyers as a percentage of population) to define pre-Law property rights, respectively. We obtain city-level PPRI and BUREAUCRACY from the World Bank survey (Mako (2006)) and take the average values for cities in each province to create a provincial-level measure. We obtain the number of lawyers and total population in each province from the national lawyer staff statistics table in the “China Lawyers Yearbook” and the National Bureau of Statistics of China, respectively. TREATED_ALT equals one for firms in provinces with higher (lower) values of PPRI and LAWYER (BUREAUCRACY), and zero otherwise. The *t*-statistics reported in parentheses are based on standard errors clustered by city. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively. Other variable definitions are provided in the Appendix of the main paper.

	1	2	3
Dependent Variable		INVESTMENT	
Treatment Variables based on	PPRI	BUREAUCRACY	LAWYER
TREATED_ALT × POST	0.61*** (3.01)	0.41** (1.96)	1.12*** (5.68)
SIZE	0.60*** (14.43)	0.58*** (14.28)	0.59*** (14.19)
PROFITABILITY	-3.80*** (-5.94)	-3.71*** (-5.82)	-3.70*** (-5.78)
LEVERAGE	-2.38*** (-9.84)	-2.57*** (-10.44)	-2.33*** (-9.65)
ΔSALES	4.15*** (36.31)	4.13*** (36.38)	4.16*** (36.38)
ΔPROVINCIAL_GDP	17.30 (0.43)	10.48 (0.26)	14.21 (0.36)
SIZE × POST	-0.11** (-2.33)	-0.06 (-1.28)	-0.10** (-2.04)
PROFITABILITY × POST	7.43*** (9.64)	7.13*** (9.10)	7.13*** (9.25)
LEVERAGE × POST	-0.21 (-0.73)	-0.08 (-0.27)	-0.30 (-1.04)
ΔSALES × POST	-4.66*** (-29.74)	-4.63*** (-29.45)	-4.67*** (-29.80)
ΔPROVINCIAL_GDP × POST	-0.30 (-0.08)	1.72 (0.40)	2.64 (0.69)
Firm FEs		Yes	
Industry-Year FEs		Yes	
City FEs		Yes	
Adjusted R ²	0.09	0.08	0.09
Within R ²	0.05	0.05	0.05
Observations	206,536	206,536	206,536

Table IA7
Property Law and Listed Firms' Investment

This table examines the effect of the Property Law on listed firms' capital expenditures. The *t*-statistics reported in parentheses are based on standard errors clustered by city. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively. Variable definitions are provided in the Appendix of the main paper.

Dependent Variable	1	2	3
		CAPEX	
TREATED × POST	0.05 (0.97)	0.05 (0.87)	0.03 (0.33)
TREATED	0.02 (0.26)	0.00 (0.04)	
POST	-0.01*** (-2.60)	-0.44*** (-2.65)	
SIZE		0.02*** (5.06)	0.38** (2.30)
PROFITABILITY		0.19*** (7.83)	0.71 (1.32)
LEVERAGE		-0.00 (-0.49)	0.32* (1.74)
ΔSALES		0.05*** (3.51)	0.17 (1.15)
ΔPROVINCIAL_GDP		0.09 (1.40)	0.36 (1.23)
SIZE × POST		0.02*** (2.66)	-0.02* (-1.89)
PROFITABILITY × POST		-0.07 (-1.15)	-0.84 (-1.64)
LEVERAGE × POST		0.05 (1.12)	-0.05 (-1.60)
ΔSALES × POST		0.28 (1.63)	0.03 (0.55)
ΔPROVINCIAL_GDP × POST		-0.35** (-2.12)	-0.54 (-1.46)
Firm FEs	No	No	Yes
Industry-Year FEs	No	No	Yes
City FEs	No	No	Yes
Adjusted R ²	0.00	0.00	0.11
Within R ²			0.02
Observations	5,249	5,249	5,249

Table IA8

Property Law and Corporate Investment: Cross-sectional Tests of Firm Life Cycle Stages

This table examines the effects of the Property Law on corporate investment in early-stage and mature firms. In columns 1 and 2, and 3 and 4, we classify firms as early-stage and mature based on whether FIRM_AGE (the number of years since firm formation) and SIZE are below or above the sample medians, respectively. In columns 5 and 6, we classify firms as early-stage and mature based on whether Δ SALES are above or below the sample medians, respectively. The t -statistics reported in parentheses are based on standard errors clustered by city. The F -test presents the differences in coefficients of TREATED \times POST in the respective cross-sectional tests. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively. Other variable definitions are provided in the Appendix of the main paper.

Dependent Variable Partition Variables	1	2	3	4	5	6
	INVESTMENT					
	FIRM_AGE		SIZE		Δ SALES	
	Low	High	Low	High	High	Low
TREATED \times POST	1.49*** (6.34)	1.41*** (6.39)	1.26*** (5.19)	1.51*** (6.64)	1.68*** (6.42)	1.06*** (5.19)
F -tests	0.08		-0.25		0.62*	
Controls and Interactions			Yes			
Firm FEs			Yes			
Industry-Year FEs			Yes			
City FEs			Yes			
Adjusted R ²	0.06	0.06	0.06	0.08	0.04	0.07
Within R ²	0.05	0.06	0.05	0.06	0.03	0.06
Observations	110,513	96,023	103,268	103,268	103,268	103,268