The Returns to Office in a “Rubber Stamp” Parliament

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Abstract

Are there returns to office in an authoritarian parliament? A new dataset shows that over 500 deputies to China’s National People’s Congress are CEOs of various companies. Entropy balancing is used to construct a weighted portfolio of Chinese companies that matches companies with NPC representation on relevant financial characteristics prior to the 11th Congress (2008-2012). The weighted fixed effect analysis suggests that a seat in the NPC is worth an additional 2.01 to 2.04 percentage points in returns and a 6.92 to 7.46 percentage point boost in operating profit margin in a given year. Additional evidence reveals that these rents stem primarily from the “reputation boost” of the position, and not necessarily formal policy influence. These findings confirm the intuitions of several prominent theories but suggest the need to further probe the nature of rent distribution and representation in authoritarian systems.

authoritarian institutions; representation; co-optation; selectorate theory; power sharing; returns to office; China; National People’s Congress; entropy balancing

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Both evidence and intuition suggest that legislators in democratic contexts reap personal benefits from their positions. In a detailed historical analysis of British Members of Parliament, Eggers and Hainmueller (2009) show that members of the Conservative Party used their political influence to obtain lucrative outside employment. Winning a seat effectively doubled their wealth over the course of a lifetime, as compared to a group of candidates that narrowly lost their elections. Querubin & Snyder (2008) exploit a similar regression discontinuity approach to examine the accumulation of wealth among U.S. Congressmen in the middle of the 19th Century, finding significant returns during the Civil War years. Using more recent data, Cox and Magar (1999) take advantage of changes in control of the House and Senate to show that a position in the majority is particularly valuable, bringing about $36,000 worth of PAC contributions per member.

Theories of authoritarian politics predict similar returns for authoritarian legislators, but for reasons having to do with regime stability. Co-optation theory states that autocrats create legislative institutions to co-opt would-be opposition into the policy process (Gandhi 2008; Gandhi & Przeworski 2006, 2007; Malesky & Schuler 2010), giving key actors limited policy influence and access to rents (Lust-Okar 2006). Across several works, Boix and Svolik contend that parliaments are institutions of power-sharing, helping autocrats credibly commit to distributing resources to the rest of the ruling clique (Svolik 2009, 2012; Boix & Svolik 2013). Selectorate theory hinges on the idea that authoritarian regimes generally allocate private rents to the small group of supporters that keep them in office. We would expect members of parliament to fall into that group (Bueno de Mesquita et al. 2003, 2008).

While these theories differ in their depictions of authoritarian politics, they all point to legislative institutions as places of action, places where rents and influence are distributed to foster the co-operation and support of key actors. To date, there is little hard evidence in this regard. Recent macro-level work suggests that parliaments are associated with growth and regime stability (Gandhi & Przeworski 2007; Gandhi 2008; Wright 2008), but it remains
unclear whether these institutions actually bring tangible benefits to their members.

Common perceptions of these “rubber stamp” institutions would suggest they do not, giving reason to doubt the theoretical consensus. In China, for example, journalists describe the annual two week meeting of the National People’s Congress (NPC) as a “tightly controlled event featuring much pageantry and precious little drama” (“What Makes a Rubber Stamp” 2012). To date, no single law or nomination before the full NPC plenary session has ever been voted down. Hu Xiaoyan, an NPC deputy and migrant worker from Guangdong, famously commented, “As a parliamentary representative, I don’t have any real power” (Bristow 2009). At first glance, these observations do not seem indicative of an institution that is a meaningful forum of rent distribution.

This paper aims to ask and answer two related questions. Are there “returns to office” in authoritarian parliaments? If so, how exactly do representatives reap personal benefits, given that these institutions are so highly constrained?

I address this question with new data on the backgrounds, behaviors, and financial connections of the China’s nearly 3000 national legislators. China presents an interesting case given the country’s growing importance, and a challenging case for the theories above given that the NPC is commonly dismissed as meaningless. Empirically, certain institutional features allow me to estimate the personal benefits of membership for a subset of deputies. Unlike representatives in most national parliaments, NPC deputies fulfill their duties on a part time basis and have full careers in other sectors, an institutional feature aimed at keeping the representatives close with their constituents. The NPC Deputy Database (NPCDD), gathered in 2011-2012, shows that approximately 500 deputies in the 11th NPC (2008-2012) can be considered chairmen or CEOs of various companies. Within this group, around 50 deputies were CEOs of publicly listed firms that first gained representation in the 11th NPC. The goal will be to discern whether having a CEO in the NPC brings financial rewards to these companies.
The main empirical concern is that NPC membership is not randomly assigned. Firms that gain NPC seats may simply have better financial prospects to begin with, for any number of reasons. To gain traction over the problem and address selection concerns, I employ an entropy weighted (Hainmueller 2011) fixed effect design. A standard fixed effects model accounts for time-invariant confounders and aggregate level shocks but is vulnerable to departures from the parallel trends assumption. To make a more plausible counterfactual group, entropy balancing is used to construct a weighted portfolio of Chinese companies that matches the companies with NPC representation on relevant financial characteristics just prior to the 11th NPC. The “NPC portfolio” and weighted “Non-NPC portfolio” have the same operating profit margin and return on assets over the 2005-2007 period, as well as identical distributions across industries and other financial metrics. Any performance differences that emerge in the 11th NPC session (2008-2012) are suggestive of a causal effect, although we should always remain cautious in making this inference from observational data.

The evidence suggests that a seat in the NPC may be worth an additional 2.01 to 2.04 percentage points in returns and a 6.92 to 7.46 percentage point boost in operating profit margin in a given year. Interviews with Chinese financial experts confirm the plausibility of these estimates (Personal Interview BJ22213; Personal Interview BJ28213a; Personal Interview BJ28213b; Personal Interview BJ28213c; Personal Interview BJ1313; Personal Interview BJ2313a; Personal Interview BJ2313b), which are robust across a number of different specifications and estimation strategies.

With this finding in mind, the discussion section investigates how NPC seats contribute to financial gain. Although existing theories focus on sharing formal policy influence (Gandhi 2008; Gandhi & Przeworski 2007; Malesky & Schuler 2010; Svolik 2012; Boix & Svolik 2013), the evidence suggests that rents in China’s NPC arise primarily through other mechanisms. Deputies do influence policy through the introduction of opinions and motions, but they are constrained in their ability to directly lobby on behalf of their firms due to growing represen-
tational norms in the body. Instead, the primary benefit of NPC membership seems to be the “reputation boost” of the position. The office itself acts like a signal to outsiders, engendering positive perceptions that foster business development and investment. Additional quantitative analysis shows that NPC firms experience a 3.049 to 3.397 RMB increase in stock price in the month following their membership announcement, meaning that the “returns to office” begin to take effect even before the deputies actually take office. Interviews with market analysts confirm the importance of this signaling mechanism to company perceptions (Personal Interview BJ2313; Personal Interview BJ1313; Personal Interview BJ2313a; Personal Interview BJ1313b).

The paper seeks to make four main contributions. First, it provides the first estimates of the “returns to office” for members of an authoritarian legislative institution. The fact that NPC deputies earn tangible rents lends support to the intuitions of several prominent theories of authoritarian politics (Bueno de Mesquita et al. 2003; Gandhi 2008; Svolik 2009, 2012; Boix & Svolik 2013). This micro-level finding also buttresses macro-level evidence on the importance of studying and understanding the role of these institutions (Gandhi & Przeworski 2007; Gandhi 2008; Wright 2008). Future research can potentially replicate and extend this type of analysis in other authoritarian settings.

Second, the analysis of mechanisms suggests there could be theoretical payoffs in making finer-grained distinctions on the meaning of “rents.” The phrase “rent distribution” typically brings to mind an autocrat dividing a fixed sum of wealth among his loyal followers, but in the NPC, these types of perks remain relatively low. Instead, we observe a different type of rent—the prestige of the deputy position itself—which in turn contributes to financial gain because of outsider perceptions. Simply signaling favor with the regime can bring individuals substantial benefits, and while these signals are not costless, they do appear to follow a different logic than the “divide the pie” approach assumed in existing models (Bueno de Mesquita et al. 2003; Svolik 2009; Boix & Svolik 2013).
Third, the findings join an emerging body of research that seeks to estimate the financial benefits of holding political office (Eggers & Hainmueller 2009) and the value of political connections (Roberts 1990; Fisman 2001; Johnson & Mitton 2003; Jayachandran 2006; Ferguson & Voth 2008; Goldman, Rocholl & So 2009). In the Chinese context, Kennedy’s (2008) rich qualitative analyses shows that firms and industries are increasingly seeking to lobby different government offices and build political connections. This paper gives hard evidence to the idea that political positions and relationships bring real benefits to businesses in authoritarian settings.

Fourth, the research design demonstrates how entropy balancing can be used in conjunction with panel data to create more plausible counterfactuals. In employing a fixed effect or Difference-in-Differences framework, analysts must defend the validity of the parallel trends assumption. This assumption is impossible to test, but it appears less plausible when the treatment and control groups follow different trajectories in the pre-treatment period, or when they have vastly different underlying characteristics. Entropy balancing offers the analyst a means of ensuring balance across relevant covariates, as well as the dependent variable, in the pre-treatment period (Hainmueller 2012). This preprocessing technique has the potential to yield more convincing estimates than standard approaches.

The remainder of the paper is structured as follows. The first section provides background information on China’s National People’s Congress and the role of NPC deputies. After briefly outlining the data collection for the project, I summarize the research design and present different estimates for the effect of NPC representation on financial performance. The discussion section evaluates possible mechanisms with additional qualitative and quantitative analysis. The paper concludes with a note on the implications of the findings for the study of authoritarian politics and authoritarian parliaments.
Background Information

China’s National People’s Congress sits atop the country’s formal state structure. Nominally, the body has sweeping powers, including the authority to amend the constitution and oversee its enforcement; to enact and amend basic laws; to approve budgets and work reports; and to appoint members of key state organs include the President. The full congress, which has nearly 3000 members, meets only once per year in March for a period of two or three weeks. The NPC Standing Committee, a more professionalized body comprised of around 170 members, meets throughout the year and has effectively the same powers as the NPC itself, although certain laws and appointments require the approval of the full plenary session (O’Brien 1988, 1990; Jiang 2003).

Despite its broad formal role, the NPC is largely a subservient institution in the sense that most relevant political and policy decisions are made either in the State Council or high-level CCP bodies (Tanner 1998). By the time a bill is placed before the NPC, the major content has already been decided and members are expected to simply vote it through. Since around 75% of NPC deputies are CCP members, bills are never voted down. Deputies are also given little time to review bills and do not know the agenda until right before plenary sessions begin. This trend has earned the NPC the familiar “rubber stamp” moniker among many critics.

Adding to this reputation is the fact that deputies to the NPC lack a true electoral connection with the citizenry. China has congresses at five administrative levels: national, provincial, prefectural, county, and township. Representatives at the county level and below are elected directly by the people, and higher level deputies are elected by the congresses below. At all levels, candidates usually receive nomination from the relevant CCP authorities, although there has been an increase in “independent candidates” in recent years. Still, strict limits as to the ratio of candidates to seats (110 candidates for every 100 seats at the national

Increasingly, CCP authorities have been picking and choosing members of the business class. Of the 2987 deputies in the NPC, 503 can be identified as CEOs or leaders of companies of some shape or form. This reflects Jiang Zemin’s call for the party to represent “the advanced productive forces” and accords with recent efforts to create “red capitalists” and co-opt the business class (Dickson 2008; Kennedy 2008). The following sections explore whether a seat in the congress brings tangible benefits to these business types.

Data

The data presented here is part of an ongoing effort at analyzing the backgrounds and behaviors of China’s highest legislators. The analysis involves the use of two datasets: the NPC Deputy Database (NPCDD) and the COMPUSTAT financial database. The NPCDD was compiled by the author from publicly available sources in Chinese in 2011 and 2012. The COMPUSTAT database is a commonly used financial database made available by Wharton Research Data Services.

The NPCDD contains personal background and behavioral information for all 2987 NPC members in the 11th Congress (2008-2012). While the official Chinese version of the NPC website contains some basic information on the deputies (age, gender, party membership, etc.), a richer set of variables was collected using Baidu Encyclopedia, China’s version of Wikipedia. Like Wikipedia, Baidu contains short profiles of noteworthy individuals, and roughly 80% of members had detailed information on the site. In instances where the information was not detailed enough, additional internet searches of newspapers and other websites were conducted until the missing information could be filled in.

For the analysis in this paper, the NPCDD was helpful in identifying those NPC deputies with ties to large businesses. Of the 2987 deputies in the NPC, 503 were identified as CEOs
or leaders of companies of some shape or form. Additional information was gathered on the work histories of these deputies, including any major positions held at companies over the last twenty years, as well as basic information on the companies themselves. Many are small companies or township or village enterprises (TVEs) for which there is no financial data available, but a portion are publicly listed on the Shanghai or Shenzhen exchanges. Within this group, there are 48 mainland Chinese companies that have complete financial data and gained NPC representation in the 11th Congress (2008-2012), and they will be the focus of the analysis.

Once these NPC companies were identified, this NPC representation dummy was merged with the COMPUSTAT financial data from 2005 to 2010 for all publicly listed Chinese companies. The COMPUSTAT database contains reliable financial information derived from quarterly and annual accounting statements. China’s domestic accounting standards, while generally less stringent than international standards, still require companies to report the core financial metrics needed for the analysis: total assets, total liabilities, net income, total revenue, the cost of goods sold, outstanding shares, and many others. These fields are used to derive various profitability metrics and construct a plausible counterfactual for the NPC companies.

1Individuals who were company board chairman, presidents, or other senior level executives are included in this group and will hereafter be referred to as “CEO deputies.”

2The analysis excludes companies with CEOs that held office in the 10th NPC, as we are seeking to identify the effects of gaining representation and should therefore exclude pre-treated observations. A small number of companies that were extreme outliers (more than five standard deviations away from the sample mean) on certain financial characteristics were excluded in order to facilitate the entropy balancing procedure. I also exclude companies with incomplete or incomparable financial data across the 2005-2010 period, as well as companies with headquarters located outside mainland China. This leaves a total of 1056 companies, 48 of which gained CEO representation in the NPC for the first time in 2008.
Research Design and Quantitative Analysis

The paper attempts to estimate the causal effect of gaining NPC membership on firms’ financial performance. The main threat to this inference, of course, is that membership is anything but randomly assigned. As one NPC staffer commented, “The firms in the NPC are big and famous. They provide a lot of benefits to the local economy” (Personal Interview NH002). China scholars have also demonstrated that political connections play a role in promotion throughout the party-government hierarchy (Shih, Adolph & Liu 2012), and the NPC is no exception in this regard. A number of other firm characteristics—industry, state ownership, age—might also confound the relationship between NPC membership and firm performance. This selection problem poses a serious concern for any causal claim; perhaps the NPC seat is meaningless, but the NPC companies just have better growth prospects to begin with.

To address these confounding concerns, I employ an entropy weighted fixed effects design that exploits within-firm variation over time. The standard fixed effect model is as follows:

\[ Y_{it} = \alpha + \beta NPC_{it} + \eta_i + \theta_t + \epsilon_{it} \]

Here, \( i \) indexes each firm and \( t \) indexes each year; \( Y_{it} \) represents the financial performance metrics of interest; \( \eta_i \) are firm fixed effect parameters; \( \theta_t \) are year fixed effects; and \( \epsilon_{it} \) is the error term. Our coefficient of interest is \( \beta \), the effect of NPC membership on financial performance. The analysis includes yearly data from 2005 through 2010, with the “NPC treatment” taking effect for 48 companies in 2008. I also estimate a model with a narrower three year time window, 2007-2009, to address additional selection concerns discussed below.

As mentioned in the introduction, researchers employing this sort of Difference-in-Differences thinking must argue that in the absence of the treatment, the average change in the outcome variable would be equal across both groups. This “parallel trends” assumption often appears problematic. Indeed, for this analysis, the raw data would not make for a particularly con-
vincing counterfactual. As we might expect, the 48 firms that enter the NPC in 2008 prove to be in a more stable, profitable financial trajectory than the 1008 that do not.

To create a more comparable control group, I employ Hainmueller’s (2012) entropy balancing, an alternative to standard matching techniques for preprocessing data in observational studies with binary treatment variables. In using entropy balancing, the analyst first specifies a set of moment conditions that she would like to hold across the treatment and control groups. The algorithm then searches for weights for different observations in the control group to satisfy these moment conditions. In the analysis here, the goal is to achieve full balance on financial variables in the period prior to the 11th NPC, 2005-2007. The 1008 companies without NPC representation will be weighted to achieve these conditions. This procedure guarantees that the treatment and control groups not only show parallel financial trends in the pre-treatment period, but identical trends. They will also be balanced on a number of other important covariates: stock price, revenue, outstanding shares, firm age, state ownership, industry, and debt ratio.3

The weighted fixed effect approach addresses several possible inferential issues. The firm fixed effect parameters $\eta_i$ account for any immeasurable firm characteristics that are constant over the analysis period—the business acumen of the CEO, the location of the firm, among others. The year fixed effects $\theta_t$ remove the influence of any system level influences that are changing over time. The effects of the global recession, fluctuations in exchange rates, and

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3Entropy balancing has advantages over propensity score matching and similar preprocessing techniques. Propensity score matching does not allow the analyst to specify moment conditions, and frequently, covariates do not achieve full balance in practice. Analysts are left to tweak the propensity score model and iterate between matching and balance checking, a process that can ultimately counteract bias reduction in many cases (Diamond & Sekhon 2006). Entropy balancing brings the balance conditions directly into the optimization problem, thus avoiding this issue. An added advantage is that the entropy balanced weights vary smoothly, in contrast to the binary “keep or discard” weights used in some other matching methods. This retains more information in the dataset and can improve the efficiency of subsequent analysis (Hainmueller 2012).
other aggregate shocks are captured in this way. The entropy weighting technique lends more plausibility to the assumptions underlying this model, balancing the treatment and control groups on a rich set of historical financial performance indicators.

Thus far, I have been reticent about the possible confounding influence of political connections. If we observe a difference in performance in our “NPC portfolio” and our “non-NPC portfolio,” it may simply be because the companies that gained NPC representation have better political connections, and these connections are responsible for their performance. Given the politicized nature of China’s business environment, this alternative explanation is probably the most credible, and therefore the most pressing to address.

Recent innovative studies in Chinese politics have attempted to quantify political connections. Shih, Adolph, and Liu (2012) measure connections with rich biographical data, assuming that individuals working/studying in the same place at the same time become connected to each other. Unfortunately, the detailed biographical information necessary for this location-based approach is not available for the CEOs of the 1056 firms in the analysis.

Rather than construct some weaker measure of connections or abandon the inquiry entirely, I attempt to account for the connections confounder through the fixed effects framework. Recall that the model includes firm fixed effects $\eta_i$, which account for any time-invariant confounders, and year fixed effects $\theta_t$, which account for aggregate shocks. The remaining threat to inference is a factor that is changing over the analysis period, covarying with a firm’s entry into the NPC in 2008, and that is causally prior to NPC membership.4

Political connections are not immutable, of course, but if we restrict the analysis to a short enough time period, they may be relatively constant. In other words, the benefit of a

\[4\text{With respect to connections, for example, we should not be concerned about changes in connections that occur after NPC membership is gained. If NPC membership generates new political connections which in turn increase performance, this would be considered a mediating relationship, not a confounding relationship.}\]
firm’s stock of connections would be captured in its firm-specific intercept. To that end, I initially run the analysis over 2005-2010, and then restrict the inquiry to a tight three-year window just before and after the 11th NPC took office in 2008 (2007-2009). The estimates do not change appreciably. As a further test, and to probe the external perceptions mechanism, I replicate the weighted fixed effect analysis with weekly stock data and restrict to time period to the months surrounding the change in NPC membership in 2008. NPC firms experience a 3.049 to 3.397 RMB boost in their stock price following their membership announcement, and it is highly unlikely that changes in political connections could confound this relationship given the short time window.

Key Variables

The analysis employs two key financial performance metrics as dependent variables: returns on assets (\textit{ROA}) and operating profit margin (\textit{MARGIN}). \textit{ROA} is the most basic measure of how profitable a company is relative to its invested capital. It is calculated by dividing net income by total assets, with larger values indicating the company derives more earnings for the assets they control. Operating profit margin, which is operating profit divided by total revenue (or sales), measures the proportion of revenue left after variable costs (wages, raw materials, etc.) are accounted for. It excludes interest income and tax payments. Both margins and returns are driven both by industry characteristics and how well a firm manages its pricing and expenses.\textsuperscript{5}

To create a more plausible control counterfactual, the two portfolios will be balanced across the following financial factors for December 2007, the period directly before entry into

\textsuperscript{5}To fix naming conventions, the variable names will be followed by the data year. \textit{MARGIN\_08} will indicate margin in 2008, \textit{ROA\_10} will indicate returns in 2010, and so forth.
the 11th NPC: industry (IND#), time since the initial public offering (FIRMAGE), debt ratio (DEBTRATIO), current shares outstanding (SHARES), share price (PRICE), and the percentage of shares owned by the state (SOPORTION). The balancing model also includes historical values from 2005 to 2007 for our two dependent variables of interest, ROA and MARGIN, as well as total revenue (REV). With these variables included, the two portfolios will have comparable financial standing directly prior to the 11th NPC, as well as identical financial trajectories over the few years prior. Table 1 offers more detailed descriptions of these variables.

Analysis and Results

The analysis proceeds in two steps. First, the entropy balancing procedure is used to assign weights to the observations. Second, I run the weighted fixed effect analysis and consider robustness across different analysis periods and balancing models.

[Table 2 About Here]

The results of the full balancing procedure are shown in Table 2. The NPC portfolio contains 48 companies altogether. As the unbalanced data shows, on average these firms tend to have more revenue and higher returns than their 1008 non-NPC counterparts, as well as more outstanding shares and a greater portion of shares owned by the state. We also observe imbalances in the industries represented. Over 12% of firms in the NPC come from the Chemicals (IND3) and Metals & Mining (IND6) industries, while the unbalanced non-NPC firms have only 9.1% and 6.2% in these industries, respectively. Similar imbalances occur across the 55 industry indicators not depicted in the table.

6The SOPORTION variable was compiled using the China Stock Market and Accounting Research (CSMAR) database, which contains information on Chinese firms. This variable was merged with the COMPUSTAT data using company stock codes.
Despite these differences, there is considerable overlap in the covariate densities, which facilitates the balancing procedure. The Control (wt) column shows the relevant sample moments for the weighted non-NPC Portfolio. Entropy balancing has achieved the desired result. The weighted control group has identical average values across all the relevant covariates, and nearly-identical variances. The sum of the weights equals 48, the number of firms in the NPC portfolio.

With the two portfolios balanced in the pre-treatment period (2005-2007), we can now investigate the effects of NPC membership on firm performance. Figure 1 shows this visually, depicting average ROA and MARGIN for the two portfolios over the full six year analysis period. The red line depicts the entire unweighted non-NPC group as a reference point. The successful entropy balancing procedure ensures that the treatment and control groups behave identically from 2005-2007, shown by the overlapping blue and yellow dotted lines. Once the 11th NPC takes office in 2008, however, the portfolios diverge substantially. The NPC portfolio maintained an ROA of around 5% despite the global financial crisis. The weighted non-NPC portfolio plunged to nearly 3% before slowly recovering. Similarly, operating profit margin remained relatively constant at 10% for the NPC portfolio, but fell to 3.4% in the counterfactual group. These performance differences continue through 2009 and 2010.

The figure suggests that NPC representation is associated with better performance, and this intuition is confirmed with more formal hypothesis testing. Table 3 presents estimates of the NPC effect for different fixed effect models. The table explores robustness across a narrow three year (2007-2009) time window and a wider six year analysis period (2005-2010), as well

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7The entropy balancing package allows the analyst to force balance on the second moment as well, but this can prove difficult when a lot of parameters are used. For the analysis here, it is preferable to have a richer set of covariates rather than balance on variance, and the current weights nearly balance the second moment anyway.
as four different entropy balancing models that include different firm level covariates. We should have the most confidence in the specification with the richest balancing model (W4), as these models do the most to account for possible confounding influences. They suggest that a seat in the NPC is worth an additional 2.01 to 2.04 percentage points in returns and a 6.92 to 7.46 percentage point boost in operating profit margin in a given year. The estimates are relatively consistent across the different balancing models and time windows. The ROA estimates range from 1.98 to 2.83 points, while the effect on MARGIN ranges from 3.55 to 11.2 percentage points. With the exception of the wide window, minimal balancing model W1 for MARGIN, all estimates reject the two-sided null hypothesis of no effect at conventional levels of statistical significance.

[Evaluating Possible Mechanisms]

The analysis above suggests there are non-trivial returns to office for companies that gain seats in China’s National People’s Congress. Interviews with entrepreneurs, business professionals, and financial experts confirm the plausibility of this estimate (Personal Interview BJ22213; Personal Interview BJ28213a; Personal Interview BJ28213b; Personal Interview BJ28213c; Personal Interview BJ1313; Personal Interview BJ2313a; Personal Interview BJ2313b). When prompted with the idea that an NPC seat brings a two percentage point increase in returns, one financial analyst remarked, “I do believe that. I think it’s more than two percent” (Personal Interview BJ28213a).

The remaining task is to consider possible mechanisms through which represented companies reap financial gain. It is beyond the scope of the paper to offer a comprehensive evaluation of different mechanisms, but this section provides some simple “eyeball tests” for two possibilities: formal policy influence and positive external perceptions. Interviews also
point to two other likely mechanisms which are more difficult to test empirically: *access to information* and *preferential treatment*. The evidence suggests that the returns to office may stem in part from all of these sources, although interestingly, formal policy influence may prove the least salient.

*Formal Policy Influence*

The first possible mechanism is that CEO deputies use their seats to advance policies that favor their firms. While voting on legislation remains largely a formality, deputies are beginning to exert real influence through the opinions and motions process. Motions are short policy proposals, often calling for a new piece of legislation, that require the signatures of 30 or more deputies. Deputies may also individually file formal opinions, which tend to be shorter and less developed. These proposals are then submitted to different NPC working committees and can eventually become bills, or they may be incorporated into policies in more informal means by various ministries and agencies. Contrary to popular belief, deputy motions and opinions are taken quite seriously by the central government and can affect policy change (Jiang 2003, p. 344; Personal Interview NH001; Personal Interview NH002). Many advocacy organizations, companies, and activists now lobby NPC deputies to put forth opinions and motions on their behalf (Deng & Kennedy 2010). This form of interest articulation has grown increasingly important over time, with over 9000 proposals in 2011 alone.

When prompted with the “returns to office” finding, one NPC staff member pointed to this process as the most plausible mechanism. “It isn’t that having a deputy in the NPC means the company will just directly get benefits. But the deputies can help their company

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8 There is no hard data released explaining what happens to any individual proposal, but at least a portion appear to have an influence (Personal Interview NH001). Official statistics in the 2011 NPC Standing Committee Work Report state that 76.7% of the 7590 suggestions from 2010 were “resolved” in some way. In a detailed analysis of proposals to the Hainan Provincial People’s Congress, (identifying citation omitted) finds that approximately 50% resulted in some policy movement.
and industry indirectly when they give motions and opinions” (Personal Interview NH002).

For the staff member to be right, and for the formal policy influence mechanism to hold, we should observe that CEO deputies propose opinions and motions in 2008, 2009, and 2010 that differentially benefit their firms.

There is no information released at the national level on the results of different proposals, but we can observe whether CEO deputies raise opinions and motions consistent with the interests of their firms. In addition to data on deputy personal backgrounds, I collected data on all publicly available opinions, motions, and policy-relevant press comments from 2008 to 2010, totaling 1939 proposals in all.9 A close analysis of this Opinion Motion Database gives mixed evidence for the formal policy influence mechanism. On one hand, CEO deputies do show a different set of priorities and seem to focus their energy on economic issues. Table 4 shows the descriptive differences between CEO and non-CEO deputy opinions and motions.

Around 29.4% of all CEO deputy proposals deal with improving the business environment and regulatory conditions, while non-CEO deputies raise proposals primarily aimed at increasing regional development (13.0% of proposals), raising incomes and employment (11.6% of proposals), and education reform (9.9% of proposals).

[Table 4 About Here]

On the other hand, CEO deputies may be constrained in what they can accomplish through this channel. Deputies are discouraged from lobbying for their own firms with their proposals, and none of the opinions and motions in the database are centered around firm-level issues. Instead, many deputies use their positions to comment on regulations for their specific industry. For example, Deputy Zhong Faping, who also serves as Chairman of Hunan Corun New Energy Co. Ltd., proposed an opinion to increase financial and policy support

9The Oriprobe NPC database aggregates newspaper articles mentioning NPC deputies, and these articles were the primary source for the Opinion Motion Database.
for the production of energy-efficient vehicles. Ma Yuanzhu, president of Emei Shan Tourism
Company, made several suggestions to improve policy support for the tourism industry. Recall
that the entropy balancing procedure includes industry indicators, and so proposals that aim
to benefit the entire industry can not really account for the findings.

Financial experts are also somewhat skeptical that deputies could use their formal policy
influence to get that kind of return (Personal Interview BJ22213; Personal Interview BJ1313).

If the CEO of the company is the NPC member, he can have some say. For
example, he can make a proposal to say that the government should develop the
solar industry, but whether the government actually follows the idea is another
thing. But at least, you have a chance to say it, and this is still important. But
you can’t expect too much (Personal Interview BJ1313).

Before entirely dismissing the formal policy influence mechanism, we should note that
while CEO proposals typically cover industry-wide issues, it appears that some construct
their suggestions in such a way as to differentially benefit their own firms. Deputy Zhong’s
proposal above calls for subsidies for energy-efficient vehicles, but he fails to mention his
company specializes in the advanced batteries used in such vehicles. In 2008, CEO deputy Sun
Piaoyang called for a revision of the drug bidding system, which at the time was characterized
by fierce competition among producers of low quality generic drugs. Rather than simply
choose the lowest bidder, Sun suggested that hospitals should weigh both quality and price
when conducting drug procurement. In line with the ideas of this proposal, drug procurement
standards have recently been revised, encouraging hospitals to purchase premium medicines.
Sun’s company, Jiangsu Hengrui Medicine Co., Ltd., is known for producing innovative but
pricier drugs, and so it stands to differentially gain from these procurement reforms. Sun’s
other main proposal suggests lengthening the patent protection period for innovative drugs.
This would also benefit Jiangsu Hengrui, which tends to spend more on R&D than other
Chinese firms.

To summarize, there is some limited evidence that deputies attempt to use formal policy channels to benefit their own firms, but it is unlikely that these opinions and motions are wholly responsible for the returns to office, especially given the short time frame under consideration. Other mechanisms—positive external perceptions, access to information, and preferential treatment—may be more salient.

**Positive External Perceptions**

A second possibility is that gaining NPC membership acts as a signal to outsiders, demonstrating that a firm is well-run, has achieved a certain level of status and has connections to government officials. This “reputation boost” in turns fosters investment, business relationships, and general confidence in the firm.

One observable implication of the external perceptions mechanism is that stock prices should move in reaction to news about NPC membership. If outsiders really do take NPC membership as a positive signal, firms that gain NPC membership should experience better stock performance in the period immediately following the announcement of this information.

While the full membership of the 11th NPC was formally announced by the state-owned media in a Xinhua news article on February 29th, 2008, the truth is that the revelation of new membership occurs over a longer period of approximately six to eight weeks. As discussed above, NPC deputies are elected by the provincial-level people’s congresses, which meet at varying times in January and February before the national level meeting in March. Some provinces reveal their election results immediately, some delay, and occasionally candidate lists are accessible beforehand. In short, there is no one single moment where the full NPC membership list becomes suddenly known, but a longer two month period where the information is gradually revealed. Some traders may also seek inside information on these sort of political matters (Personal Interview BJ28213a). Because it is unclear when exactly
observers learn about NPC membership, the safest bet is to compare performance in the “no information” period—just prior to around January 4th, 2008—to the “full information” period—following February 29th, 2008. This type of event study has been used in previous studies to measure the financial benefits of political connections (Fisman 2001; Ferguson & Voth 2008; Goldman, Rocholl & So 2009).

Figure 2 provides a visual test of the plausibility of the external perceptions mechanism. It shows the average stock prices (in RMB) for the NPC portfolio and non-NPC portfolio over short time window, the few weeks before and after NPC membership was revealed (shown within the dark rectangle). As before, the entropy weighting procedure creates a more plausible counterfactual and ensures the two groups exhibit comparable performance prior to the NPC treatment.

The figure offers some evidence in favor of the mechanism. In the period just prior to membership revelation, the NPC portfolio and non-NPC portfolio both had average stock prices of about 29.4 RMB per share. By the beginning of March, the average price dropped to 26.47 RMB per share for non-NPC firms, while the NPC firms maintained a price of 30.00 RMB. A formal weighted fixed effect analysis, similar to that conducted on the MARGIN and ROA measures, suggests that the NPC treatment brings a boost in share price ranging from 3.049 to 3.397 RMB, depending on the window of time included.10 This effect is statistically

10As before, I estimate an entropy weighted fixed effect model of the form:

\[ Y_{it} = \alpha + \beta NPC_{it} + \eta_i + \theta_t + \epsilon_{it} \]  

This time, \( Y_{it} \) represents the stock price of firm \( i \) in week \( t \), and \( \theta_t \) represents a vector of week fixed effects. The observations are weighted using the W4 entropy balancing model shown in Table 3. All weeks during the information revelation period are excluded. For the full analysis period (11/16/07 to 3/28/08), the estimate of \( \beta \) is 3.397 RMB. The narrower two-period model (12/27/07
significant at conventional levels.

Interviews with financial analysts confirm the intuition of the external perceptions mechanism. NPC membership is a positive signal about a company and its leadership (Personal Interview BJ2313; Personal Interview BJ1313; Personal Interview BJ2313a). “In China if you are working for the NPC, it means your company is stable and good,” one financial analyst describes. “It means you have a very good background. This means good fortune for the investors, and so they will be interested in NPC companies” (Personal Interview BJ28213b). Beyond investors, NPC membership may send a positive message to potential business partners. One entrepreneur describes, “If people know you are NPC deputy, they would like to do business with you. So that’s very good for business to expand... People trust you. People know you have this kind of position. So they trust you. Trust is very important for business.” (Personal Interview BJ28213a).

Market analysts pay attention to NPC membership announcements, especially if a deputy and his/her company is newly selected to the congress (Personal Interview BJ28213a). One analyst went as far as to claim that NPC companies always succeed, at least in the short period after announcement.

Because you know that the stock price, it has some important relationship with the political system. In China, the share index and share price is tightly related to politics. I mean, if the CEO is the NPC member, their share price will rise in the period after. At least, at least, it won’t fall down. This is a guarantee (Personal Interview BJ1313b).

Empirically, this guarantee not strictly true, but it illustrates how NPC membership is a strong signal to would-be investors and business partners. These impressions give further

and 3/7/08) yields an estimate of 3.049. Full regression output is available from the author upon request.
support to the plausibility of the external perceptions mechanism.

*Additional Mechanisms*

Beyond limited formal policy influence and reputation benefits, NPC membership may offer additional benefits in the form of *access to information* and *preferential treatment*.

NPC deputies are at the center of government policymaking, and even if they cannot lobby directly for their own firms, they have an advantage in understanding government priorities and the likely direction of future policy changes. Most draft laws circulate between the NPC, the State Council, and relevant government ministries for months before they are finally made publicly available. “NPC companies have the first sense and understanding of national policies’ formulation and execution,” explains one businessperson. “They can quickly adjust their management and business practices” (Personal Interview BJ2313a). This early access may prove less relevant as transparency improves, but NPC companies will likely always have some form of an “insider’s advantage” in terms of information (Personal Interview BJ28213a).

A final advantage is that NPC companies may enjoy preferential treatment and government protection as a result of their newfound status. NPC membership signals that a firm is supported by the government, and many financial analysts express the view that membership in the NPC would make it easier to get access to credit (Personal Interview BJ2313b; Personal Interview BJ1313; Personal Interview BJ28213b; Personal Interview BJ28213a; Personal Interview BJ22213).

For an enterprise to be an NPC member, it means the government has supported you, and the bank will be very glad to lend money to you. If the CEO is the NPC member, it is much easier to get a loan from the national bank. If you are just a private company by yourself, it is very difficult. They will refuse you, or they will check on you all the time (Personal Interview BJ1313).
Similarly, NPC companies may have some protection from corruption investigations and unfavorable regulations (Personal Interview BJ1313; Personal Interview BJ2313a; Personal Interview BJ2313b; Personal Interview BJ28213b; Personal Interview BJ28213b).

For example, if the government thinks the pollution in an area is bad, they may want some enterprise to shut down its factory, but if the CEO is NPC member, he can say that his company is important to the economy and that he is important, and he can stop this. If you don’t have an NPC seat, the government will just shut it down (Personal Interview BJ1313).

It is difficult to measure this sort of preferential treatment directly, but it is likely that it is a relevant underlying mechanism behind the “returns to office.”

To summarize, the financial benefits of NPC membership appear to come through several mechanisms. Although the NPC does allow for limited policy influence and insider information, the status symbol of NPC membership may be more helpful for business. One local business school professor describes, “What you say in the NPC does not really matter. It matters that you are an NPC member. This is the most important” (Personal Interview BJ1313). NPC membership is a positive signal that encourages investment, fosters business relationships and offers protection from government intervention.

**Conclusion**

Several prominent theories of authoritarian politics assume that parliaments allow for the distribution of rents to actors critical to regime stability (Gandhi 2008; Magaloni 2008; Gandhi & Przeworski 2006, 2007; Malesky & Schuler 2010; Lust-Okar 2006; Bueno de Mesquita et al. 2003; Svolik 2009, 2012; Boix & Svolik 2013). This paper tests for this possibility using original data on the backgrounds and behaviors of deputies to China’s National People’s Congress, an institution widely dismissed as a meaningless “rubber stamp.” Although the
analysis is certainly not conclusive, it suggests there are real “returns to office” for companies whose CEOs gain membership in the body. Interestingly, these returns may come primarily through external perceptions and the “reputation boost” of the office. Current theories may need to complicate their conceptions of rent distribution beyond the standard “divide the pie” approach.

If seats in these “rubber stamp” institutions are indeed valuable, future research must aim to develop a more comprehensive theory of authoritarian representation. Existing studies of micro-level behavior, while still too limited, suggest there is substantial variation in the quality of representation both within and across authoritarian parliaments. In the Vietnamese setting, Malesky and Schuler (2010) find that delegates vigorously participate in query sessions, although their effort is conditional on the nominating procedures of their seat and the electoral competitiveness of their district, among other factors. Representatives nominated by central authorities prove less critical than locally nominated candidates. Ironically, heightened transparency may actually reduce the quality of representation, as delegates want to avoid having their controversial statements broadcast for all to see (Malesky, Schuler & Tran 2012). This research program, following the pioneering work on local level congresses by Manion (2011), reveals similar variance in deputy behavior in the Chinese setting. While some deputies use their seats for narrow self-interest, many are increasingly in tune with the needs of their geographic constituents and take their representative responsibilities quite seriously (Manion 2011).

Theoretically and empirically, the next step is to consider how the presence of rents and other incentives are related to this variation. Are the “returns to office” more meaningful for certain types of representatives? Are these types more active as a result? What system of incentives motivate representatives in an authoritarian parliament, and how do personal rents fit into that system? If the analysis here offers a preliminary contribution to this important set of questions, it will have achieved its purpose.
References


Table 1: Variable Definitions

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>\textit{NPC}</td>
<td>Indicator for having representation in 11th NPC</td>
</tr>
<tr>
<td>\textit{PRICE}</td>
<td>Share price (RMB)</td>
</tr>
<tr>
<td>\textit{ROA}</td>
<td>Net income divided by total assets</td>
</tr>
<tr>
<td>\textit{MARGIN}</td>
<td>Operating profit divided by total revenue</td>
</tr>
<tr>
<td>\textit{REV}</td>
<td>Total revenue (RMB)</td>
</tr>
<tr>
<td>\textit{FIRMAGE}</td>
<td>Days since IPO</td>
</tr>
<tr>
<td>\textit{DEBTRATIO}</td>
<td>Total liabilities over total assets</td>
</tr>
<tr>
<td>\textit{SHARES}</td>
<td>Total shares outstanding</td>
</tr>
<tr>
<td>\textit{SOPORTION}</td>
<td>Percentage of shares owned by the state</td>
</tr>
<tr>
<td>\textit{IND#}</td>
<td>Indicator for being in particular industry (65 in total)</td>
</tr>
</tbody>
</table>

Note: All financial variables drawn from the COMPUSTAT database and measured on December 31st of the given year. All data converted into RMB using exchange rates from that date. The detailed list of industry indicators is available upon request.
Table 2: Results of Entropy Balancing

<table>
<thead>
<tr>
<th></th>
<th>Treatment</th>
<th></th>
<th>Control</th>
<th></th>
<th>Control (wt)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\mu$</td>
<td>$\sigma^2$</td>
<td>$\mu$</td>
<td>$\sigma^2$</td>
<td>$\mu$</td>
</tr>
<tr>
<td>$ROA_{07}$</td>
<td>0.064</td>
<td>0.003</td>
<td>0.040</td>
<td>0.012</td>
<td>0.064</td>
</tr>
<tr>
<td>$ROA_{06}$</td>
<td>0.051</td>
<td>0.002</td>
<td>0.028</td>
<td>0.009</td>
<td>0.051</td>
</tr>
<tr>
<td>$ROA_{05}$</td>
<td>0.038</td>
<td>0.004</td>
<td>0.018</td>
<td>0.014</td>
<td>0.038</td>
</tr>
<tr>
<td>$MARGIN_{07}$</td>
<td>0.123</td>
<td>0.015</td>
<td>0.0611</td>
<td>0.135</td>
<td>0.123</td>
</tr>
<tr>
<td>$MARGIN_{06}$</td>
<td>0.118</td>
<td>0.010</td>
<td>0.067</td>
<td>0.050</td>
<td>0.118</td>
</tr>
<tr>
<td>$MARGIN_{05}$</td>
<td>0.103</td>
<td>0.016</td>
<td>-0.103</td>
<td>24.74</td>
<td>0.103</td>
</tr>
<tr>
<td>$REV_{07}$</td>
<td>7976</td>
<td>2.05 E8</td>
<td>2806</td>
<td>4.09 E7</td>
<td>7976</td>
</tr>
<tr>
<td>$REV_{06}$</td>
<td>5441</td>
<td>7.23 E7</td>
<td>2163</td>
<td>2.04 E7</td>
<td>5441</td>
</tr>
<tr>
<td>$REV_{05}$</td>
<td>4463</td>
<td>4.51 E7</td>
<td>1807</td>
<td>1.31 E7</td>
<td>4463</td>
</tr>
<tr>
<td>$PRICE$</td>
<td>29.2</td>
<td>1504</td>
<td>20.25</td>
<td>298.8</td>
<td>29.2</td>
</tr>
<tr>
<td>$SOPORTION$</td>
<td>0.325</td>
<td>0.059</td>
<td>0.245</td>
<td>0.0493</td>
<td>0.325</td>
</tr>
<tr>
<td>$FIRMAGE$</td>
<td>3243</td>
<td>2993338</td>
<td>3161</td>
<td>3314165</td>
<td>3243</td>
</tr>
<tr>
<td>$DEBTRATIO_{07}$</td>
<td>0.500</td>
<td>0.024</td>
<td>0.519</td>
<td>0.099</td>
<td>0.500</td>
</tr>
<tr>
<td>$SHARES_{07}$</td>
<td>1188</td>
<td>9418424</td>
<td>462.3</td>
<td>791359</td>
<td>1188</td>
</tr>
</tbody>
</table>

**IND#**

1 - Energy & Eqpmnt 0.000 0.000 0.004 0.004 0.000 0.000
2 - Oil, Gas & Fuels 0.042 0.041 0.017 0.017 0.042 0.040
3 - Chemicals 0.125 0.111 0.091 0.083 0.125 0.110
4 - Construction Mat. 0.021 0.021 0.024 0.023 0.021 0.020
5 - Containers & Pckng 0.000 0.000 0.005 0.005 0.000 0.000
6 - Metals & Mining 0.125 0.111 0.062 0.059 0.125 0.110
7 - Paper & Forest Prod. 0.021 0.021 0.020 0.019 0.021 0.020
8 - Aerospace & Defense 0.000 0.000 0.005 0.005 0.000 0.000
9 - Building Prod. 0.000 0.000 0.012 0.012 0.000 0.000
10 - Cons. & Engin. 0.021 0.021 0.022 0.022 0.021 0.021

Note: Table shows results of entropy balancing across the NPC Portfolio (Treatment) and non-NPC Portfolio (Control). Industry indicators 11 through 65 not depicted in the interest of clarity (IND11-IND65). Treatment group has $n = 48$. The unweighted control group has $n = 1008$, and the sum of the control weights equals 48.
Figure 1: Effects of NPC Membership on Key Financial Indicators

NPC Membership and Returns on Assets

NPC Membership and Operating Profit Margin

Note: Figure shows changes in average ROA and MARGIN for the NPC portfolio, weighted Non-NPC portfolio, and overall unweighted set of non-NPC companies. The two portfolios are completely balanced up until the 11th NPC took office in 2008.
Table 3: Fixed Effect Estimates and Robustness Checks

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>W1.</td>
<td>PRICE + ROA.07 + MARGIN.07 + REV.07</td>
<td>0.0198**</td>
<td>0.0283**</td>
<td>0.0355</td>
<td>0.112**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.00856)</td>
<td>(0.0139)</td>
<td>(0.0560)</td>
<td>(0.0481)</td>
</tr>
<tr>
<td>W2.</td>
<td>W1. + ROA.06 + ROA.05 + MARGIN.06 + MARGIN.05 + REV.06 + REV.05</td>
<td>0.0225***</td>
<td>0.0253*</td>
<td>0.0734**</td>
<td>0.0917**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.00865)</td>
<td>(0.0140)</td>
<td>(0.0317)</td>
<td>(0.0448)</td>
</tr>
<tr>
<td>W3.</td>
<td>W2. + IND1:IND65 + SOPORTION</td>
<td>0.0210**</td>
<td>0.0225*</td>
<td>0.0716**</td>
<td>0.0817*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.00861)</td>
<td>(0.0121)</td>
<td>(0.0297)</td>
<td>(0.0423)</td>
</tr>
<tr>
<td>W4.</td>
<td>W3. + FIRMAGE + SHARES + DEBTRATIO</td>
<td>0.0201***</td>
<td>0.0204**</td>
<td>0.0692***</td>
<td>0.0746***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.00760)</td>
<td>(0.00983)</td>
<td>(0.0213)</td>
<td>(0.0281)</td>
</tr>
</tbody>
</table>

Note: Table shows results of entropy balanced fixed effect regressions of different financial indicators on the NPC representation dummy. The table explores robustness across four different balancing models and two different analysis periods. Robust standard errors clustered at the firm level are shown in parenthesis. W4, 2007-09 is the "baseline specification" referred to throughout the paper. * p < 0.10 ** p < 0.05 *** p < 0.01.
Table 4: Policy Proposals in the 11th NPC by Profession (2008-2012)

<table>
<thead>
<tr>
<th>Area of Concern</th>
<th>CEOs</th>
<th></th>
<th>Non CEOs</th>
<th></th>
<th>Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
<td>n</td>
<td>%</td>
<td>n</td>
<td>%</td>
</tr>
<tr>
<td>Business Environment</td>
<td>151</td>
<td>29.4%</td>
<td>178</td>
<td>9.0%</td>
<td>329</td>
<td>13.2%</td>
</tr>
<tr>
<td>Raising Incomes/Employment</td>
<td>81</td>
<td>15.8%</td>
<td>228</td>
<td>11.6%</td>
<td>309</td>
<td>12.4%</td>
</tr>
<tr>
<td>Regional Development/Agriculture</td>
<td>34</td>
<td>6.6%</td>
<td>256</td>
<td>13.0%</td>
<td>290</td>
<td>11.7%</td>
</tr>
<tr>
<td>Education Reform</td>
<td>15</td>
<td>2.9%</td>
<td>195</td>
<td>9.9%</td>
<td>210</td>
<td>8.4%</td>
</tr>
<tr>
<td>Environmental Protection</td>
<td>52</td>
<td>10.1%</td>
<td>152</td>
<td>7.7%</td>
<td>204</td>
<td>8.2%</td>
</tr>
<tr>
<td>Corruption/Government Performance</td>
<td>17</td>
<td>3.3%</td>
<td>139</td>
<td>7.0%</td>
<td>156</td>
<td>6.3%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>30</td>
<td>5.8%</td>
<td>124</td>
<td>6.3%</td>
<td>154</td>
<td>6.2%</td>
</tr>
<tr>
<td>Social Protection</td>
<td>27</td>
<td>5.3%</td>
<td>104</td>
<td>5.3%</td>
<td>131</td>
<td>5.3%</td>
</tr>
<tr>
<td>Political Openness/Human Rights</td>
<td>11</td>
<td>2.1%</td>
<td>110</td>
<td>5.6%</td>
<td>121</td>
<td>4.9%</td>
</tr>
<tr>
<td>Crime, Order and Stability</td>
<td>14</td>
<td>2.7%</td>
<td>107</td>
<td>5.4%</td>
<td>121</td>
<td>4.9%</td>
</tr>
<tr>
<td>Other</td>
<td>13</td>
<td>2.5%</td>
<td>84</td>
<td>4.3%</td>
<td>97</td>
<td>3.9%</td>
</tr>
<tr>
<td>Cultural Protection</td>
<td>4</td>
<td>0.8%</td>
<td>81</td>
<td>4.1%</td>
<td>85</td>
<td>3.4%</td>
</tr>
<tr>
<td>Food Safety/Consumer Protection</td>
<td>29</td>
<td>5.6%</td>
<td>36</td>
<td>1.8%</td>
<td>65</td>
<td>2.6%</td>
</tr>
<tr>
<td>Housing</td>
<td>8</td>
<td>1.6%</td>
<td>55</td>
<td>2.8%</td>
<td>63</td>
<td>2.5%</td>
</tr>
<tr>
<td>Property Rights</td>
<td>13</td>
<td>2.5%</td>
<td>28</td>
<td>1.4%</td>
<td>41</td>
<td>1.6%</td>
</tr>
<tr>
<td>Disaster Prevention</td>
<td>3</td>
<td>0.6%</td>
<td>35</td>
<td>1.8%</td>
<td>38</td>
<td>1.5%</td>
</tr>
<tr>
<td>National Security</td>
<td>4</td>
<td>0.8%</td>
<td>33</td>
<td>1.7%</td>
<td>37</td>
<td>1.5%</td>
</tr>
<tr>
<td>Labor Protection</td>
<td>8</td>
<td>1.6%</td>
<td>29</td>
<td>1.5%</td>
<td>37</td>
<td>1.5%</td>
</tr>
<tr>
<td>Total Motion/Opinion Issues</td>
<td>514</td>
<td></td>
<td>1974</td>
<td></td>
<td>2488</td>
<td></td>
</tr>
<tr>
<td>Total Motions/Opinions</td>
<td>379</td>
<td></td>
<td>1560</td>
<td></td>
<td>1939</td>
<td></td>
</tr>
</tbody>
</table>

Note: Table shows the motion and opinion issues raised by CEO and non-CEO deputies. The number of issues raised exceeds the number of total motions/opinions because some motions/opinions covered multiple issues. The data is drawn from the Opinion Motion Database, which was gathered by the author using Chinese newspaper sources in 2012.
Figure 2: Testing the External Perceptions Mechanism

Note: Figure shows changes in average *PRICE* for the NPC portfolio, weighted Non-NPC portfolio, and overall unweighted set of non-NPC companies. The two portfolios are completely balanced up until membership begins to be revealed in January 2008. The figure illustrates a market reaction to NPC membership announcement.