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Government ownership and exposure to political uncertainty: Evidence from China

Zhengyi Zhou¹

(School of Finance, Shanghai University of Finance and Economics, 200433)

Abstract

The government of China started its anti-corruption campaign in December 2012. Since then, more than 600 government officials have been investigated. We regard the investigations involving senior officials as signals of increased political uncertainty. Focusing on these events, we study how firms' exposure to political uncertainty varies with government ownership. It is found that the stock performance of private firms is worse on the event days than in normal times, whereas state-owned enterprises (SOEs) suffer less from the events. Moreover, the event-day effects are not quickly reversed in the post-event periods. Among SOEs, the negative impact of the events also decreases with government ownership. The evidence indicates that government ownership mitigates firms' exposure to political uncertainty.

JEL classification: G12, D73, P26

Keywords: Anti-corruption campaign; Government ownership; Political uncertainty; China; A-share market.

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