Addressing Risk by Doing Good: Business Response to Government Policy Initiative

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Why do some firms in authoritarian regimes respond actively to government policy initiatives while others resist? This article highlights firm-level political risk as the primary motivator of responses, allowing firms to defend their property rights in weak institutional environments. Supporting evidence derives from the responses of listed firms to the Targeted Poverty Alleviation campaign launched by China in 2015. Empirically, firm-level political risk is measured with a text-as-data approach involving 418,480 Q&As in the meetings between institutional investors and listed companies, not only capturing within-firm variations but also providing a substantial understanding of the political risk firms face. Difference-in-differences models show that political risks increase firms' expenditure on poverty-reduction programs, especially for those without preexisting political connections. Evidence of regulation decisions suggests that firms actively responding to poverty-alleviation initiatives received preferential treatment in terms of the size of fines and the likelihood of punishment for violation of regulations.

Firms face the risk of financial loss due to government actions, including policy shifts in taxation and regulation, outright and covert expropriation, and international and domestic political conflicts that might threaten their property and its associated profits (Arel-Bundock, Peinhardt, and Pond 2020; Brink 2004; Esberg and Perlman 2022; Graham, Johnston, and Kingsley 2018; Henisz 2000; Jensen 2008). A recent example is China's regulatory crackdown, which began with the suspension of Ant Group, the world's largest IPO, a fintech spin-off of China's tech giant Alibaba. After months of antitrust investigation, Alibaba was slapped with a record $2.8 billion fine, and 75% of its market value evaporated.

Although firms in developed democracies use political donations as a quid pro quo to mitigate political risk (Fowler, Garro, and Spenkuch 2020; Gordon and Hafer 2005; Hart 2001; Hassan et al. 2019; Peltzman 1976; Stigler 1971; Tullock 1967), conventional wisdom suggests their counterparts in weak institutional environments are policy takers who can only either distort business strategies at a cost of profit or build patron–client linkages by handing out bribes or hiring retired politicians through a practice known as revolving doors (Cai, Fang, and Xu 2011; Chapman et al. 2021; Li 2023; Markus 2012; Johns and Wellhausen 2016; Zhu and Deng 2021). Relatively little is known about the political activities in which firms engage to address political risk in nondemocratic contexts, where competitive elections remain limited. Contrary to conventional wisdom, in the regulatory crackdown noted above, Tencent Group, the other Chinese tech titan, proactively announced a $7.7 billion investment in sustainability with a focus echoing that of the National Plan for Rural Revitalization launched by the central government.

The case of Tencent highlights an important but undertheorized strategy for firms to address political risk: active participation in government policy initiatives, which are defined as the public declarations of a government's promotion of specific policies and commitments to achieve specific policy goals (Naoi, Shi, and Zhu 2022). In this article, I contend that individual firms facing political risk are motivated to respond to government policy initiatives. A firm's active responses to and substantial participation in these policy initiatives integrate business resources and survival with competition and the promotion of political actors, all of which translate into helping hands from the government in regulation enforcement or resource allocation.

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I locate this argument in the context of China's Targeted Poverty Alleviation campaign (TPA), instituted in 2015. While facing criticism for property rights insecurity, China now has a rapidly growing private sector that contributes more than 50% of taxes, 60% of the GDP, 70% of innovations, and 80% of employment opportunities and accounts for more than 90% of the total number of enterprises (Nee 1992; Pearson, Rithmire, and Tsai 2020).[1] In 2015, the Chinese central government initiated a campaign called Ten Thousand Firms Help Ten Thousand Villages, mobilizing private firms to help alleviate poverty by 2020 (Chang, He, and Wang 2020; Zeng 2020). Poverty alleviation has long been an important source of legitimacy for the Chinese Communist Party and became a top priority since Xi came to power in 2012.[2] The achievement of eradicating absolute poverty is considered the main legacy of Xi's first term and a significant achievement acknowledged in a prominent party resolution.[3] The centrality of TPA in Chinese politics and the state-led mobilization make the various responses of corporations to this campaign strategic and political decisions, instead of merely corporate social responsibilities.[4] While facing strong top-down state mobilization, however, firms responded in considerably varied ways. About 29% of the top 500 largest private companies in China reported no participation, and over 30% of the top 100 internet companies did nothing for TPA.[5]

Empirically, I explain individual firms' responses to TPA in terms of the political risk they face. I begin by measuring firm-level political risk with a text-as-data approach on 418,480 questions posed by institutional investors and answered by publicly traded firms in China. Then I quantify the impact of the Political Risk Index (*PRI*) on firms' expenditure on poverty-reduction programs, using both difference-in-differences (DID) estimation and two-way fixed effect regression. On average, a standard deviation increase in firm-level political risk leads to an 8.8% increase in expenditure on poverty-reduction programs, which amounts to approximately 44,000 US dollars. The effects are mainly driven by business concerns regarding government policy and regulation enforcement but not international relations. In particular, the impact mainly exists for private firms without connections but not state-owned or politically connected firms. Finally, I provide suggestive evidence that firms' active responses are converted into preferential treatment in China's environmental regulation.

These findings enrich the understanding of business prosperity and property security in a weak institutional environment. Political risk stemming from weak institutions is considered a threat to the development of the private economy (Arel-Bundock et al. 2020; Jensen 2008; Jensen et al. 2012). Existing literature offers several strategies to address political risk, including handing out bribes, maintaining personal connections with politicians, hiring through revolving doors, serving in elected offices, or merely distorting business strategies at a cost of profit (Chapman et al. 2021; Earle and Gehlbach 2015; Fisman 2001; Hou 2019; Kung and Ma 2018; Lei 2021; Li 2023; Markus 2012; McNally 2011; Nee 1992; Szakonyi 2020; Zhu and Zhang 2017). This article highlights an alternative strategy, that is, responding actively to policy initiatives proposed by the government. Similar to electoral donations in developed democracies, private companies' contributions to governments' campaign-styled initiatives play an important role in political competition in developing contexts. Instead of handing out bribes, firms can spend money on policy goals critical to the career advancement of particular politicians; instead of personal linkages between businesspeople and politicians, firms can become part of valuable government alliances by embedding themselves substantially in policy implementation and the governance process. Furthermore, these interactions also enrich the understanding of developmental states and the sources of embedded autonomy (Evans 1995; Kohli 1994). In particular, addressing political risk in this article serves as a strong incentive for private businesses to partner with the state to promote economic development.

This article also underscores the blurred line between the public and private sectors highlighted by recent studies. From developed democracies in Western Europe to weak states in communal conflict, corporations have played ever more important roles in providing public goods directly, surpassing their roles as mere economic actors (Ivanic and Martin 2018; Jaax 2020; Karnani 2017; Naminse and Zhuang 2018). Recent studies on developed democracies highlight the increasing institutional power of private business through participation in fundamental public service, which might affect state autonomy and distort policymaking at a cost of public interest

1. Paper News, "From 0 to 56789: A 40-Year Code of China's Private Economy," https://m.thepaper.cn/kuaibao_detail.jsp?contid=2627851&from=kuaibao (accessed May 26, 2025).

2. CSIS, "Is China Succeeding at Eradicating Poverty?," https://chinapower.csis.org/poverty/ (accessed November 10, 2022).

3. China Daily, "Resolution of the Central Committee of the Communist Party of China on the Major Achievements and Historical Experience of the Party Over the Past Century," https://language.chinadaily.com.cn/a/202111/18/WS6195aa45a310cdd39bc75fe0_1.html.

4. China Business Times, "Ten Thousand Enterprises Help Ten Thousand Villages: Writing the Chapter of Private Enterprises in the Great Work of Poverty Eradication," https://www.acfic.org.cn/ztzlhz/wqbwc/xddt/202103/t20210301_104890.html (accessed May 26, 2025).

5. Securities Daily, "Internet Companies' Poverty Alleviation Index Released: 13 Firms Score Full Marks, Nearly 30% Take No Action," http://www.zqrb.cn/finance/hangyedongtai/2021-01-25/A1611579573424.html (accessed May 26, 2025).

(Busemeyer and Thelen 2020; Culpepper and Thelen 2020; Hacker and Pierson 2002; Valdez 2022). However, evidence from developing contexts presents an exactly opposite scenario in which firms driven by political risk participate in unprofitable public service following the state's direction (Amengual 2018; Frye 2006; Holland and Rios 2022). Drawing on evidence from China's party-state capitalism, I find that nondemocratic regimes can leverage private business to improve governance performance for political survival (Pearson et al. 2020).

Finally, the text-as-data measurement of firm-level political risk also results in empirical contributions (Hassan et al. 2019). Although political risk is a widely used concept in comparative and international political economy, existing measurements focus on the regime-level variation caused by political institutions or are applicable only to multinational companies (Arel-Bundock et al. 2020). This measurement I use not only helps capture firm-level variation in the same institutional environment but also offers methods for studies on domestic companies. Furthermore, the text-as-data approach provides both a quantitative measurement of overall political risk and a substantial understanding of risks faced by individual firms. Last but not least, this measurement helps to distinguish the latent motivation of firms to engage in political activities from the rewards they receive. Equating motivation with rewards received might lead to circular reasoning and ignore conditional and unintended consequences.

THEORY: ADDRESSING RISK BY DOING GOOD

Political risk refers to the probability that private firms will suffer financial losses as a result of a political system's (in)actions, decisions, and policies (Arel-Bundock et al. 2020; Brink 2004; Henisz 2000; Jensen 2008). When the formal institution cannot credibly constrain power, firms face the threat of the loss of government finance, arbitrary regulatory enforcement, and expropriation of property rights.

Political risk is determined by two capacities of the state (Henisz 2000). First, firms are politically vulnerable when the state can easily enact policy change that negatively affects business performance. In authoritarian contexts, the absence of the rule of law, lower transparency, and limited checks and balances in policymaking result in economic policies that are less predictable than in democracies (Baker, Bloom, and Davis 2016; Jensen 2008). Existing studies of multinational companies demonstrate that such risk deters continued investment and distorts business strategies at a cost of profitability (Jensen 2008; Jensen et al. 2012; Johns and Wellhausen 2016; Kenyon and Naoi 2010; Markus 2012; Moehlecke and Wellhausen 2022), which poses an even more severe credible threat to domestic businesses with no exit options (Jia and Mayer 2017).

The second capacity refers to the state's ability to expropriate business directly and indirectly with or without a legal basis. Conventional wisdom reveals several overt and covert methods of state expropriation, including outright nationalization, forced sale, and contract renegotiation that threaten firms' property security (Esberg and Perlman 2022; Graham et al. 2018; Jensen et al. 2012; Markus 2012; Resimic 2021). In authoritarian contexts, discretion in the enforcement of regulation also empowers the state to impose punishments on businesses like delayed administrative procedures, unauthorized levies, and arbitrary penalties (Holland 2017; Hou 2019; Nee 1992; Zhang 2019).

When firms' profitability relies heavily on government resources and regulatory approval, the state owns de facto power to threaten business survival by withdrawing or terminating preferential treatment, shaping the political risk faced by individual firms. Existing evidence shows that firms employ several strategies to manage political risk, including handing out bribes, maintaining friendships with politicians, running for elected offices, and hiring through revolving doors (Cai et al. 2011; Chapman et al. 2021; Fisman 2001; Hou 2019; Kung and Ma 2018; McNally 2011; Nee 1992; Szakonyi 2020; Truex 2016).[6] Although evidence suggests these strategies are useful to some extent, they are also costly both for businesses and the public interest. On one hand, these strategies help with private businesses at a cost of public interest because the preferential treatment that firms access through these channels further weakens the institutional environment and leads to deep-rooted judicial favoritism, window-dressing representative institutions, clientelism, corruption, and government–business collusion (Ang 2020; Holland 2017; Nie 2017; Xu 2020; Zhang 2019). On the other hand, increasing evidence shows these political ties are not only financially costly to build and maintain but also negatively affect business performance (Bertrand et al. 2018; Cai et al. 2011; Fisman and Wang 2015; Han, Li, and Oi 2022; Zhu and Deng 2021). In particular, with only a limited legal basis, these political ties might further intensify the political uncertainty these firms face in turbulent times. For instance, as Xi's anticorruption campaign increased top-down monitoring over government–business interaction, the cost and risk of bribery giving for personal connections have sharply increased. Recent evidence offered by Li (2023) demonstrates that politically connected firms suffered financial losses in China's anticorruption campaign since 2013 because of the deterioration of firms' public perception in the stock market.

6. In addition to these nonmarket strategies, firms might also employ market solutions. For instance, Jia and Mayer (2017) find that firms facing a higher political risk in China might diversify their investments geographically.

Political connections that are costly and sometimes adverse are by no means the only way to address political risk. This article sheds light on a strategy that allows firms to address risk by doing good, that is, actively responding to and participating in government policy initiatives. Government policy initiatives are a prevalent strategy, in which politicians commit to specific policy goals and use public appeals, organizational mobilization, and policy resources to mobilize social forces and the business sector in the direction of government-preferred policy (Naoi et al. 2022). Because many public goals are hindered by collective action dilemmas, this practice is employed in various policy areas, such as social welfare, sustainability, and international development. For example, to address global warming and climate change, the government of the United States launched a Global Climate Ambition Initiative, encouraging private businesses to cooperate to reach net-zero emissions by 2050.[7] As a part of the initiative, the United States government plans to leverage an investment of $250 million to attract $3.5 billion in private sector financing for climate crises and zero emissions.[8] Recent years have witnessed other similar practices in both democracies and nondemocracies, such as the European Union's Decent Work Agenda[9] and China's Belt and Road Initiative (Banik and Lin 2019).

Government policy initiatives are political opportunities through which firms can strategically align their participation with political actors' incentives. The career advancement of political actors in nondemocratic contexts is determined mainly by higher-level supervisors, creating upward accountability within the political system (Landry, Lü, and Duan 2018; Zhou 2021). When higher-level politicians explicitly highlight prioritized policy goals, firms' substantial assistance in accomplishing these goals contributes to the competitive advantages of low-ranking officials. Evidence shows that the private sector helps governments by providing financial resources and public service, creating job opportunities, and transforming industrial structures for long-term growth (Amengual 2018; Chen 2018; Holland and Rios 2022). For instance, Han et al. (2022) provide a case in which private companies paid extra taxes so local officials could meet local government targets for tax revenue. In exchange, those who offered helping hands to government officials gained access to low-interest loans from state-owned banks. Because continued business participation is valuable for political competition, business survival and performance are then internalized into political actors' utility and decision-making.

For businesses, the interlock with political actors through government policy initiatives mitigates firms' political risk directly and indirectly. First, officials who benefited from this alignment are likely to offer a helping hand to connected companies facing political hardship. Existing literature documents benefits available to firms from their political network in various forms, including government finance, precious resources, regulatory forbearance, private information, access to policymaking, and administrative approval and simplification (Ang 2020; Earle and Gehlbach 2015; Fisman 2001; Kung and Ma 2018; Nee 1992; Nie 2017). If not more prevalent, such partnerships between businesses and politicians also exist in democracies (Aggarwal, Meschke, and Wang 2012; Busemeyer and Thelen 2020; Pond and Zafeiridou 2020).

Second, the integration of firms and governments is also a signal to lower-level bureaucrats enforcing regulation and allocating resources. By embedding firms' participation into local governance performance, firms send a costly and strong signal of their political connectedness and importance in political competition, which indicates their de facto power to punish lower-level bureaucrats if losing their original access to government resources or facing excessive regulatory enforcement. Similar to political expenditure as "flexing muscle" theorized by Gordon and Hafer (2005), Hou (2019) offers experimental evidence for the signaling effect of private entrepreneurs' political capital in the context of China.

In a nutshell, beyond existing strategies in which political connections and personal relationships are highly emphasized, the effectiveness of "addressing risk by doing good" relies on the incentive compatibility between firms and political actors. When the government publicly proposes specific policy initiatives, it creates a political opportunity for firms facing political risk to form alliances with political actors who are evaluated based on their performance in achieving these policy targets. Firms' responses to government policy initiatives are therefore motivated by their level of political risk, and firms facing higher political risk will respond more actively and substantially in exchange for a helping hand in the future.

The remainder of this article is structured as follows. After introducing the context of China's recent wave of poverty-alleviation campaigns in 2015, I provide empirical evidence

7. White House, "The Governments of the United States and Canada Announce New Greening Government Initiative"; USAID, "USAID Announces New Targets to Support the Global Climate Ambition Initiative," accessed on November 10, 2022.

8. In 2022, Biden–Harris Administration also received support from the private health sector that pledged to reduce their greenhouse gas emissions by 50% by 2030 and to achieve net zero emissions by 2050. The US Department of Health and Human Services (HHS), Biden–Harris Administration catalyzes private health sector commitments to reduce climate impacts and protect public health (accessed on November 10, 2022).

9. International Labour Organization, "Decent Work and the 2030 Agenda for Sustainable Development," https://www.ilo.org/topics-and-sectors/decent-work-and-2030-agenda-sustainable-development (accessed November 10, 2022).

in four steps. First, I use a text-as-data approach to measure firm-level political risk. Second, using this firm-level measurement, I quantify the impact of political risk on firms' expenditure on poverty-reduction programs from 2012 to 2019. Third, I explore the heterogeneous impact contingent on firms' preexisting political connections and the topic of political risk. Finally, I delve into the risk of environmental regulation and estimate the return of firms' participation.

CONTEXT: CHINA'S TPA CAMPAIGN

In 2015, the Chinese government, the All-China Federation of Industry and Commerce (ACFIC), and the China Society for Promoting the Guangcai Programme initiated a program called Ten Thousand Firms Help Ten Thousand Villages; the purpose of which was to mobilize private firms to participate in poverty reduction. According to official statistics, more than 109,500 private firms have participated in the antipoverty campaign and have invested more than 16.4 billion dollars by 2020.[10]

The Chinese government in particular has implemented development-oriented poverty reduction, emphasizing the growth of local industries and long-term improvement. Unlike general charitable giving or corporate social responsibility, the state expects private companies to engage in substantial poverty alleviation by applying business logic. Companies are encouraged to invest in agricultural industries in poor areas to create jobs, engage in business partnerships with rural cooperatives to ensure long-term income improvement, and sell agricultural products through e-commerce platforms or other business channels.

A critical component in this campaign is top-down mobilization through the party-state system, including East-West Collaboration (东西协作) and Central Targeted Assistance (中央定点帮扶), which asks local governments in coastal provinces and central ministries to help the targeted poor counties. For instance, Leishan County in Guizhou province, a national-level poor county since 1986, achieved the target of poverty reduction in 2018, with 48,600 people lifted out of poverty with assistance from Hangzhou City in Zhejiang province and the State Council Poverty Alleviation Office. In another example, Geely Auto, a famous automobile company located in Hangzhou, invested in a tea factory in Leishan and operated it for years. Other enterprises in Hangzhou, like NetEase, helped with its marketing and made significant purchases annually. In 2020, after the central government adjusted the pairing relationships and asked Zhengjiang to help other provinces with poverty alleviation, Geely transferred the ownership of the tea factory to the county government for free.[11]

Nevertheless, motivation for participation varies greatly. By 2020, the year that Beijing committed to achieving the target of poverty alleviation, ACFIC reports 71% of the top 500 private firms in China participated in the poverty alleviation; 15.2% suggested they were still planning to do so, and about 9.2% claimed they were uncertain or had no plans for participation.[12] In 2021, the Chinese Academy of Social Sciences published a report asserting that 30% of the top 100 Internet companies took no action for poverty alleviation, including Autohome, Xunlei, and miHoYo.[13]

To test the theory of "addressing risk by doing good," I use listed firms' behavior in China's targeted poverty-alleviation campaign to provide supportive evidence for three reasons. First, this campaign of poverty alleviation launched by the central government is a nationwide policy initiative, specific targets of which were set as a major factor in bureaucratic promotion (Zeng 2020), creating a political opportunity for alignment of political actors and business. Second, the size and resources of listed firms subject them to governmental mobilization in the campaign. The variation in firms' responses to the campaign of poverty alleviation is politically meaningful, not merely comprising strategies of corporate social responsibility (Chang et al. 2020). Finally, relative to other companies, listed companies are supposed to be responsive to shareholders instead of business owners only. Their (non)responses to policy initiatives are more discretionary than individual decisions, reducing bias caused by unobserved individual characteristics of business owners (Ansolabehere, Figueiredo, and Snyder 2003; Wang, Du, and Marquis 2019). In addition, relative to others, the information disclosure of listed firms allows for controlling firm-level time-variant covariates, which reduces bias caused by unobserved confounders.

MEASURING FIRM-LEVEL POLITICAL RISK

Although political risk is a widely discussed concept in studies of political economy, most focus mainly on regime- or sector-level variations (Jensen 2008) or involve other financial indicators as proxies (Arel-Bundock et al. 2020; Zhu and Deng 2021).

10. People's Net, "Ten Thousand Firms Helping Ten Thousand Villages Benefited More Than 15.6 Million People as a Decisive Achievement in Fighting Against Poverty," http://env.people.com.cn/n1/2020/1116/c1010-31932456.html (accessed on November 10, 2022).

11. Based on interviews with officials and practitioners in Leishan County in June 2021.

12. ACFIC, "Research and Analysis Report on Top 500 Private Enterprises in China" (accessed on November 10, 2022).

13. Securities Daily, "Internet Companies' Poverty Alleviation Index Released: 13 Firms Score Full Marks, Nearly 30% Take No Action,"http://www.zqrb.cn/finance/hangyedongtai/2021-01-25/A1611579573424.html (accessed May 26, 2025).

To better understand the political risk faced by individual firms and their strategic responses, I employ a text-as-data approach to measure firm-level political risk based on more than 400,000 interchanges comprising questions posed by institutional investors and answered by firm leadership from 2012 to 2019. These recorded Q&A transcripts are drawn from various meetings between investors and firms, including quarterly earnings calls, IPO roadshows, analyst meetings, and other forms of investor management conferences with institutional investors, analysts, and administrators of funds and securities companies. These meetings usually begin with a brief introduction of the firms' business performance and then move to the Q&A sessions. The China Stock Market and Accounting Research Database (CSMAR)[14] collects these Q&As from 61,720 reports published by 2,145 listed firms for investor-relationship management. The average number of Q&As for a firm-year unit is 44, and the median number is 25. To avoid variation caused by the COVID-19 pandemic, I use only materials recorded in Chinese by 2019 ($N = 418{,}480$). The sample covers 53% of firms listed in China's A-share market, 75% of which are private-owned enterprises. The number of firms ranges from 1,495 to 1,632 over the years because some firms went IPO or exited during this period. Table B1 in the appendix displays the descriptive statistics of variables used in the model.

The text-as-data approach is increasingly used to measure unobservable political risk, policy uncertainty, and geopolitical tension (Baker et al. 2016; Caldara and Iacoviello 2022; Hassan et al. 2019). In particular, Hassan et al. (2019) offer an innovative measurement of firm-level political risk of United States companies, using the share of political phrases in the quarterly earning calls, which is widely accepted and used by recent studies in social science (Chatjuthamard et al. 2021; Karimov et al. 2021). Building on the existing measures, I measure firm-level political risk with the share of discussion devoted to political risk in meetings between institutional investors and firm leaders. The discussion of political issues between investors and firms is by no means cheap talk but rather the deliberate exchange of necessary information regarding the government–firm relationship and its associated impact on investment return (Solomon and Soltes 2015), especially for business people with strong self-censorship in a nondemocratic society (Beazer et al. 2022; Chang and Manion 2021).[15] Because these meetings are often time-constrained, questions from institutional investors are supposed to be highly selective and deliberately prepared based on their preinterview research (Huang and Knight 2017; Reid and Toffel 2009). When investors express concerns about a firm's political risk in these meetings, it is a strong signal that investors are confused, uncertain, or seriously worried about the firm's relationship with the government and the associated impact on investment return. In some answers, firm managers might also discuss associated policies, changes in regulation enforcement, or the status of administrative applications when perceiving investors' underlying concerns, even if the question has not explicitly mentioned political issues. Therefore, the share of time devoted to politics-related discussion indicates the extent to which firms are under political risk from investors' perspectives.

For operationalization, I define a Q&A conversation between investors and firms as political if governments and branches, public policies, or politicians are explicitly mentioned in the conversations. To conduct the binary categorization, I use the state-of-the-art supervised machine-learning model Bidirectional Encoder Representations from Transformers (BERT), a transformer-based machine-learning technique for natural language processing pretraining published by Google in 2018. Natural language processing studies prove the high performance of BERT relative to other language models (Devlin et al. 2018); furthermore, it is increasingly used in the studies of political communication and considered the state-of-the-art BERT model for text categorization (Lu, Pan, and Xu 2021).

To begin with, I randomly select approximately 4,000 Q&As from the dataset. Three trained classifiers placed all 4,000 Q&As into two groups—nonpolitical and political—independently, and the final annotation was based on majority agreement. Table 1 presents examples of political conversations. Then I use this training data to fine-tune the pretrained Chinese BERT. In fine-tuning models, I test various parameters (learning rates and rounds) to maximize F1 scores, balancing precision and recall rates. Finally, out of 418,480 Q&As, the fine-tuned Chinese BERT model identifies 54,021 political conversations (12.9%) with an F1 score of 0.91.

Figure 1 shows the difference in topics in political and nonpolitical conversations. Results from structural topic models (STMs) show that political Q&As mainly focus on policy, government, environmental and financial regulation, and international relations, whereas nonpolitical conversations mainly involve business operation, competition, and performance. The difference in topics demonstrates the credibility of the binary categorization. Table B2 in the appendix presents the variance by sectors and highlights six sectors with 20% higher political Q&As, including energy

14. The China Stock Market and Accounting Research Database, https://cn.gtadata.com/.

15. A recent case is the disappearance of Jack Ma after criticizing China's financial system publicly. BBC, "Why Aid Alibaba's Jack Ma Disappear for Three Months?," https://www.bbc.com/news/technology-56448688 (accessed November 10, 2022).

Table 1. Examples of Political Conversations

Firm-Year	Investors-Firm Q&A Conversation
000021-2014	When will the urban renewal application be approved by the prefecture government?
000413-2015	Will government subsidies continue at the same level as in previous years?
000157-2019	Does China–United States trade friction have a big impact on the company?
300056-2014	Is there a change in the overall environmental enforcement at the moment?

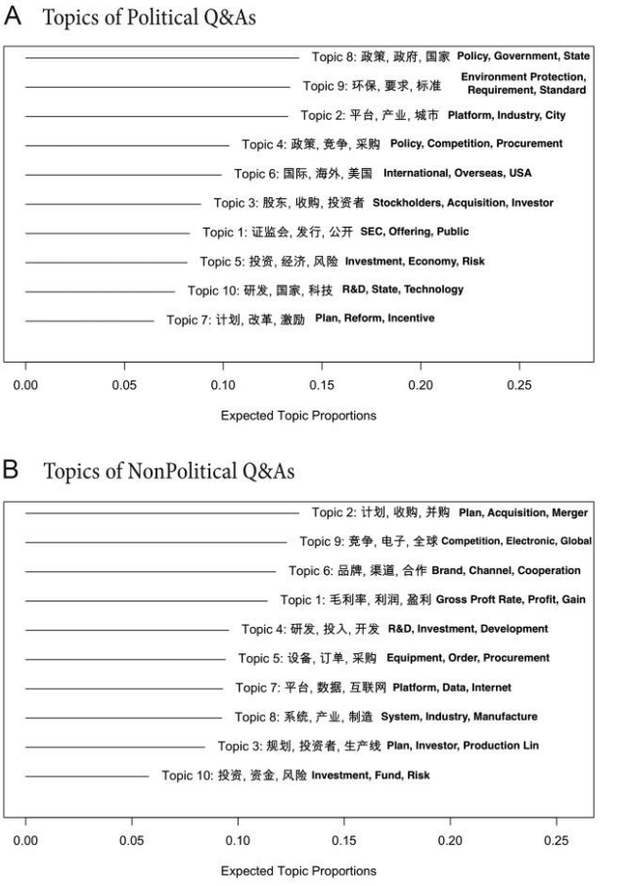


Figure 1. STMs: political versus nonpolitical Q&As.

and power, finance, education, real estate, construction, and environment facilities. As expected, these sectors are generally highly reliant on governmental purchases or face several regulatory measures according to existing literature (Cao 2015; Hu, Zheng, and Yin 2016; Zhu and Deng 2021).

Based on the results of binary text categorization, for firm i in year t, I calculate the *PRI* in the following way:

$$PRI_{it} = \frac{Number\ of\ Political\ Q\&A_{it}}{Total\ Number\ of\ All\ Q\&A_{it}} \times 100.$$

I then verify the credibility of the *PRI* by examining its correlation with regional-, sector-, and firm-level covariates that are considered determinants of political risk faced by individual firms in the existing literature. More specifically, I show both inter- and within-sector variations in table 2. The result shows that the *PRI* is positively correlated with its share of fixed assets and loans over total assets because these make firms more subject to government expropriation (Zhu and Deng 2021). Provincial-level marketization and the coverage of the provincial five-year plan for the economy and industrial development are negatively correlated with the *PRI* because an institutional environment and codified policies strengthen commitment credibility (An et al. 2016; Fan, Ma, and Wang, 2019; Luo, Chen, and Wu 2017). In addition, the finance and real estate sectors, relative to other sectors, have a higher level of the *PRI* because these sectors are more subject to government regulations according to existing literature (Cao 2015; Hu et al. 2016; Zhu and Deng 2021). In addition, table E1 in the appendix shows the correlation between anticorruption investigations and firm-level political risk. Overall, the correlations of the *PRI* and these determinants of political risk demonstrate the measurement credibility. For robustness and further analysis, I create two variables following this approach: (1) PRI_{Refine} that counts only political questions with uncertain answers and (2) topic-specific indicators capturing specific concerns of firms. I will elaborate on the measures when using them for analysis.

FIRM-LEVEL *PRI* AND EXPENDITURE IN POVERTY ALLEVIATION

In this section, I estimate the impact of the *PRI* on firms' financial expenditure on poverty-reduction programs. CSMAR offers detailed statistics on firms' poverty-alleviation expenditure based on online announcements and annual reports since 2016, the year after the national government began to mobilize private enterprises. I then manually collected information before 2016 from annual reports. Figure 2 presents the number of firms that invested in poverty reduction from 2012 to 2019, a clear surge indicated after 2015 in both panels. In robustness checks, I employ other indicators to measure business responses and find consistent results.

Table 2. Measurement Verification: Inter- and Within-Sector Variation

	PRI						
	Intersector			Within-Sector			
Dependent Variable							
Model	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Variables							
Five-year plan	−1.32**						−.481
	(.469)						(.448)
$Sector_{Finance}1$		7.75**					7.51**
		(2.55)					(2.60)
$Sector_{RealEstate}1$			1.0***				9.18***
			(1.24)				(1.31)
Marketization				−1.27***			−1.32***
				(.172)			(.171)
Fixed asset					.040*		.041*
					(.018)		(.017)
Loan						.054***	.056***
						(.011)	(.011)
Fixed effects							
Year	✓	✓	✓	✓	✓	✓	✓
Ownership	✓	✓	✓	✓	✓	✓	✓
Province	✓	✓	✓	×	×	×	×
Sector	×	×	×	✓	✓	✓	×
Fit statistics							
Observations	9,395	9,416	9,416	9,398	9,416	9,416	9,377
R^2	.081	.082	.098	.117	.106	.109	.125

Note. Clustered (firm) standard errors in parentheses. Marketization is measured at the province level, using the index from Fan, Ma, and Wang (2019) (https://cmi.ssap.com.cn/). Fixed asset is the share of fixed assets over total assets, and loan is the share of loan over total assets. Finance and real estate are dummy variables indicating whether they belong to finance and real estate sectors or not. Five-year plan is a dummy variable where 1 suggests it belongs to key sectors in the five-year provincial industrial development plan.

*** $p < .001$.

** $p < .01$.

* $p < .05$.

+ $p < .1$.

To quantify the effect, I employ a DID estimation by exploiting two sources of variation (Bai and Jia 2016; Nunn and Wantchekon 2011). The first is the time variation arising from the introduction of Ten Thousand Firms Help Ten Thousand Villages in October 2015, before which firms had no such political opportunity to construct linkages with officials and governments. This policy introduction provides a clear temporal break, allowing for a comparison of firm behavior before and after the policy was implemented. The second source of variation is the within-firm variance in political risk. This identification strategy relies on the interaction of the two sources of variation, and only the interaction can be interpreted as plausibly exogenous. In particular, the following model is estimated:

$$Expenditure_{it} = \beta_1 PRI_{it} \times Post2015_t + \beta_2 PRI_{it} + \beta_3 X_{it} + \epsilon_i + \mu_t + \delta_{it},$$

where *Expenditure* stands for the expenditure of firm i in poverty-reduction programs in year t, which is transformed into its natural logarithm ($\ln(X + 1)$). PRI_{it} stands for the level of political risk faced by individual firms. *Post*2015 is a binary variable, where 1 indicates years after 2015. X_{it} is a vector of control variables, including the overall tax rate, the total assets of firms (logged), the total sale (logged), and

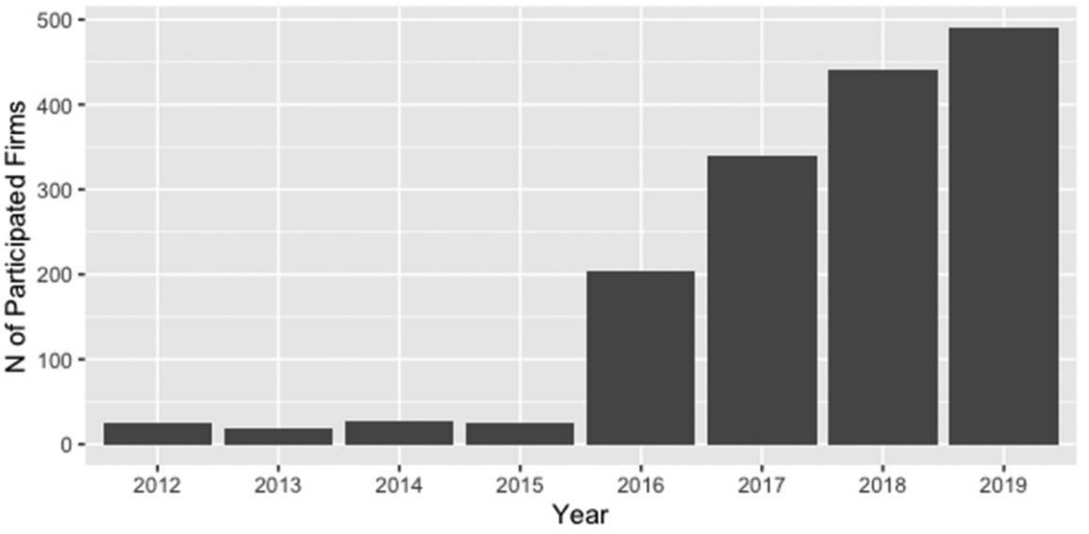


Figure 2. Firms in the TPA campaign.

performance measured by the return on equity, age after establishment (logged), and political connections (binary). ϵ_i captures time-invariant firm characteristics, μ_t controls the year-specific impact, and δ is the error term. Coefficient β_1 quantifies the effects of political risk on poverty-alleviation expenditure, that is, the difference between firms with high versus low levels of political risk in their changes in poverty-alleviation expenditure after the Ten Thousand Firms Help Ten Thousand Villages was proposed. I also conduct conventional DID estimations using binary coding of treatments and present the results in table G1 in the appendix. All models use clustered standard errors at the firm level.

Table 3 presents the results of DID estimation. Model 1 includes only the interaction term $PRI \times Post2015$ without any fixed effects or control variables, model 2 uses firm and year fixed effects, and model 3 adds control variables. The coefficients $PRI \times Post2015$ remain consistent and report a significant positive impact on poverty-alleviation expenditures. More specifically, every 1% increase in firm-level political risk in the same firm leads to 1.6% higher poverty-alleviation expenditure after 2015 (about 8.1 thousand US dollars on average). In other words, after the government launched the poverty-alleviation campaign, firms' spending decisions in poverty-alleviation programs are associated with increases in the level of political risk; such association does not exist before the policy initiative was proposed.

Figure 3 presents the dynamic effects of the *PRI* over time. The coefficient, as shown in the figure, is significantly larger than zero only since 2016 after Ten Thousand Firms Help Ten Thousand Villages was proposed. The insignificant pretreatment effects of the *PRI* support the parallel trend assumption and demonstrate that the interaction of $PRI \times Post2015$ is plausibly exogenous. In a nutshell, the figure shows that firm-level political risk shapes firms' decisions about poverty-alleviation expenditure as a strategic response to the policy initiative.

Models 4 and 5 use two alternative measurements of the *PRI* and show consistent results. In model 4, I construct PRI_{Refine} to capture "risk" more precisely by redefining one conversation related to political risk when the conversation (1) mentions governments, policy, and politicians and (2) includes words of uncertainty, such as "risk," "uncertain," and "pending." The BERT model identifies 21,343 political-risk conversations at an accuracy of 0.83. Table E2 and figure A1 in the appendix show the measurement validity and pretreatment trend. In model 5, I calculate the average level of pretreatment *PRI* for each firm, that is, the mean of the *PRI* before 2016. This time-invariant indicator helps to reveal the interfirm difference caused by political risk faced by different firms. Both models report a significant positive impact of political risk on poverty-alleviation expenditure after the policy initiative.

Table F1 in the appendix shows the effect of control variables. The empirical results show that firms with lower tax burdens and larger sizes are more motivated to engage in poverty-alleviation programs than others. These effects are plausibly driven by better business performance (Nave and Ferreira 2019). In addition, firms established later (i.e., younger firms) also pay more for poverty alleviation programs, which might be driven by a need to establish linkages with the government.

Overall, the DID estimation demonstrates that after Ten Thousand Firms Help Ten Thousand Villages was launched in 2015, firms' spending decisions were highly influenced by firm-level political risk. When perceiving a higher degree of

Table 3. PRI and Poverty-Alleviation Expenditure

	Expenditure				
Dependent Variable					
Model	(1)	(2)	(3)	(4)	(5)
Variables					
PRI × Post2015	.019***	.019***	.016***		
	(.003)	(.004)	(.003)		
PRI_{Refine} × Post2015				.021***	
				(.005)	
$PRI_{before2016}$ × Post2015					.014***
					(.004)
Control			✓	✓	✓
Fixed effects					
Firm		✓	✓	✓	✓
Year		✓	✓	✓	✓
Fit statistics					
Observations	9,466	9,466	9,371	9,371	11,433
R^2	.08	.56	.54	.54	.47

Note. Clustered (firm) standard errors in parentheses. Models 1, 2, and 3 use the original measure of *PRI*. Model 4 uses PRI_{Refine}, which keeps only political conversations with words of uncertainty. Model 5 uses $PRI_{before2016}$, and the coefficient reveals the interfirm effects. Please see table F1 in the appendix for detailed results.

*** $p < .001$.

** $p < .01$.

* $p < .05$.

$^{+}$ $p < .1$.

political risk, firms strategically responded to the policy initiative more actively by paying more for poverty-alleviation programs.

Topic-specific *PRI*

To better understand the content and impact of the political risk faced by individual firms, I employ Keyword Assisted Topic Models (keyATM), offered by Eshima, Imai, and Sasaki (2024), to categorize political conversations into various topics. KeyATM allows researchers to specify topics before fitting a model to the data, which captures topic-specific content more precisely and generates more interpretable results.

Based on the most frequent keywords identified by STM in figure 1, I select five groups of keywords, including

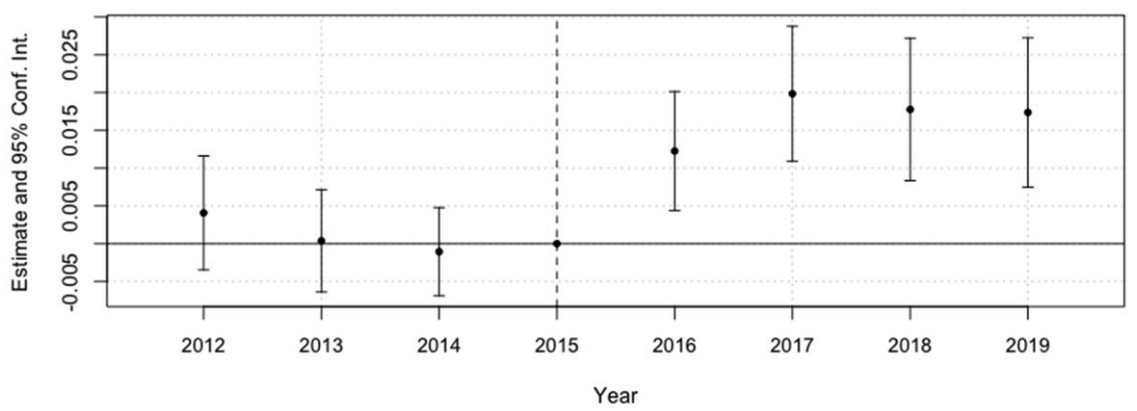


Figure 3. Effect of the PRI on expenditure.

Table 4. Examples of Topic-Specific Political Conversations

Topic	*n*	Example
Government finance	7,195	[Firm 002604, 2015] "What is the financial subsidy for fuel ethanol? After a significant drop in oil prices, will the government increase the subsidy amount?"
Government investment	10,243	[Firm 002236, 2018] "Xinjiang suspends PPP projects, including the your project in Shache County. How does this affect the company's performance?"
Financial regulation	8,671	[Firm 000429, 2016] "What is the progress of the investigation launched by the China Securities Regulatory Commission against the company?"
Environment regulation	5,565	[Firm 000823, 2017] "Under the increasingly stringent national environmental regulations, is it advantageous for the company's printed circuit board business?"
International relations	6,230	[Firm 002916, 2019] "What is the impact of the China–U.S. trade war and the imposition of tariffs on the company's operations?"

Note. Conversations are categorized based on the largest topic share. See table D1 for detailed results generated by keyATM.

(1) government finance (subsidies and tax policies), (2) government investment and development plans, (3) financial regulation, (4) environmental regulation, and (5) international relations, and set five undefined groups to cluster other content that is not revealed by STM. Because each conversation might touch different topics, I then label each conversation based on its highest topic share. For instance, a conversation with 20% about government finance and 15% about government investments will be labeled as a subsidy-related conversation. Table 4 presents detailed examples and the size of each topic group, which covers more than 70% of political conversations. Table D1 in the appendix details the keywords identified for each topic.

Then, using the same measure (i.e., $\frac{Topic\ Specific\ Q\ \&\ As}{All\ Q\ \&\ As}$), I create topic-specific indicators for estimation. Table 5 reveals the effect of each topic-specific *PRI* using the DID estimation. Models 1 to 5 estimate the effect of each topic, respectively, and model 6 includes all five topic-specific indicators. The results suggest that most topics have significant and positive effects on firms' spending decisions about poverty-reduction programs except PRI_{IR}. The size of the effects is larger than the original *PRI*. In particular, the risk of environmental regulation seems to be the most influential factor, and each 1% increase in $PRI_{Env.Reg.}$ improves 3.6% expenditure in poverty alleviation. The insignificance of PRI_{IR} is also consistent with the theory because firms' engagement in poverty alleviation can enhance integration with domestic local officials, who have limited capacity to address political risk overseas.

Robustness: alternative measurements and specifications

These results are robust to alternative measurements and model specifications. First, I replace the *PRI* with alternative measures in table G1 as follows: (1)PRI_{Length}, which refers to the share of the length of political conversation within all Q&As; (2) $PRI_{>Median}$ and (3) $PRI_{>3rdQuartile}$, which are binary variables indicating whether the *PRI* is above the median or the third quartile within a given year; (4) *Loan*, (5) *Fixed-Asset*, and (6) *Marketization*, which determine the level of political risk faced by individual firms; and (7) $PRI_{Past5Year}$, the average level of the *PRI* in the last five years.

Second, I use alternative measurements for firms' responses in table G3 as follows: (1) attention measured by the share of poverty-reduction content in firms' Corporate Social Responsibility reports offered by *The WinGo Financial Text Data Platform*;[16] (2) *TPA News* and (3) *TPA Online News*, the number of news articles (logged) published by state-owned financial newspapers or online platforms with "poverty-reduction" in the title, drawn from the *Financial News Database of Chinese Listed Companies*; and (3) relative measures, that is, poverty reduction expenditure as a proportion of total firm revenues and total expenditure.

Third, table G3 in the appendix employs various methods to compute *PRI* to address two potential biases. The first bias stems from right-skewed errors, where observed effects are

16. The WinGo Financial Text Data Platform, http://www.wingodata.cn/ (accessed November 10, 2022).

Table 5. Topic-Specific PRI and Poverty-Alleviation Expenditure

	Expenditure					
Dependent Variable						
Model	(1)	(2)	(3)	(4)	(5)	(6)
Variables						
$PRI_{Gov.Fin}$ × Post2015	.026*					.023*
	(.010)					(.010)
$PRI_{Gov.Inv.}$ × Post2015		.021**				.021**
		(.007)				(.007)
$PRI_{Fin.Reg.}$ × Post2015			.026***			.025***
			(.007)			(.007)
$PRI_{Env.Reg.}$ × Post2015				.033***		.031***
				(.009)		(.009)
PRI_{IR} × Post2015					.010	.010
					(.009)	(.009)
Control	✓	✓	✓	✓	✓	✓
Fixed effects						
Firm	✓	✓	✓	✓	✓	✓
Year	✓	✓	✓	✓	✓	✓
Fit statistics						
Observations	9,371	9,371	9,371	9,371	9,371	9,371
R^2	.54	.54	.54	.54	.54	.55

Note. Clustered (firm) standard errors in parentheses. Please see table F2 in the appendix for detailed results.
*** $p < .001$.
** $p < .01$.
* $p < .05$.
+ $p < .1$.

driven by extreme values. To address this, I use the logged *PRI* and also replaced *PRI* with the numbers of political and all questions, finding the effects to remain significant. The second bias concerns overly large or small numbers of all questions. By analyzing across different subgroups (namely, those with question counts below the third quartile, below the median, or at or above the median), the effect remains significant.

Finally, I show the results are robust to different fixed effect settings and clustered standard errors in table G4 in the appendix. Finally, I show in table G5 in the appendix that the initiative of poverty reduction only increases firm participation in this policy area but not the overall corporate social responsibility activities.

HETEROGENEITY: PREEXISTING POLITICAL CONNECTION

Although the main findings suggest business responses to government policy initiatives serve as a strategy to address political risk, existing literature highlights the centrality of political connections in protecting firms from political risk. If this theory of "addressing risk by doing good" holds, the effect of the *PRI* on firm responses should be more salient for private businesses without preexisting political connections because they are more politically vulnerable than state-owned enterprises and private firms with preexisting connections.

In table 6, I provide empirical evidence by exploring the heterogeneous impact within subgroups using a post-2015 sample. To recall, the political connection here means whether the board chair or CEO serves in local representative institutions or has work experience in government. Model 1 uses the whole post-2015 sample and shows the correlation between the *PRI* and *Expenditure*. On average, every 1% increase in firm-level political risk correlates with a 0.6% increase in poverty-alleviation expenditure with other covariates constant.

Model 2 retains only private-owned firms without political connections at time *t*, and model 3 uses others (i.e., state-owned enterprises and private firms without political connections at time *t*). The results show that political risk can motivate only private firms without political connections to

Table 6. Heterogeneity: Preexisting Political Connection

	Expenditure					
Dependent Variable						
Sample	All	Private Without PC	Others	All Private	With Pre2016 PC	Without Pre2016 PC
Model	(1)	(2)	(3)	(4)	(5)	(6)
Variables						
PRI	.006**	.010***	.003	.009**	.006	.006*
	(.002)	(.003)	(.003)	(.003)	(.004)	(.003)
PRI × PC1				−.009*		
				(.005)		
Control	✓	✓	✓	✓	✓	✓
Fixed effects						
Firm	✓	✓	✓	✓	✓	✓
Year	✓	✓	✓	✓	✓	✓
Fit statistics						
Observations	5,133	2,702	2,431	4,027	1,678	1,726
R^2	.78	.77	.80	.76	.73	.80

Note. Clustered (firm) standard errors in parentheses. Model 1 uses all post-2105 observations. Model 2 uses only private firms without political connections. Model 3 uses state-owned enterprises and private firms with political connections. Model 4 uses all private firms. Models 5 and 6 use private firms with and without political connections before 2016. Table F3 in the appendix presents detailed results. Please see table G6 for the estimation of state-owned enterprises. PC = political connections.

*** $p < .001$.

** $p < .01$.

* $p < .05$.

$^{+}$ $p < .1$.

participate in poverty reduction but not the others. The size of the effect also increases, and every 1% of the *PRI* correlates with a 1% increase in poverty-alleviation expenditure on average. Model 4 estimates the impact within only private firms and adds an interaction of the *PRI* and existing political connections. The *PRI* itself significantly correlates with expenditure in poverty reduction, but the negative coefficient of the interaction term suggests that the effects do not exist in private firms with political connections at time *t*.

Because the impact of political connections might be lasting after connected leaders leave the position, I divide private firms into two groups based on whether a political connection existed before the campaign was initiated in 2015. Model 5 shows, and the other models present, consistent results suggesting that the *PRI* motivates only firms without preexisting connections, not the others.

Overall, the results provide supportive evidence that political connection plays a central role in the decision-making of firms' poverty-reduction spending. In particular, while on average political risk motivates firms to engage in the poverty-alleviation campaign more substantially, those with existing connections are less affected because they can seek protection through other channels.

RETURN OF BUSINESS RESPONSES

I examine the return on this strategy with evidence from China's environmental regulation, within which local governments and bureaucrats have strong discretion (Anderson et al. 2019). As shown in figure 1, firms' concern regarding environmental regulation is one of the most salient issues in the discussion with investors. Focusing on one specific type of political risk contributes to revealing whether firms successfully address their risk by doing good.

Empirically, I investigate the impact of this strategy on the size of fines levied against firms because of environmental regulation. Based on information from the PKU Laws Database[17] and local government websites, I collected and identified 2,383 records of environmental violations and regulatory decisions related to listed firms and their subordinates in the

17. PKU Laws (北大法宝), https://www.pkulaw.com/penalty/ (accessed November 1, 2022).

post-2015 sample. Then, I aggregate the fine amount for each firm-year unit (for subordinate companies and joint ventures, fines are weighted by listed stake share of firms).

In table 7, I use a post-2015 sample to show the correlation between poverty-alleviation spending and environmental fines, using models with two-way fixed effects in table 7. Model 1 indicates a 0.02% decrease in environmental fines for every 1% increase in firms' expenditures on poverty reduction. Model 2 adds a binary variable Monitor_{it}, where one means firm i in year t appeared as an "Enterprise Subject to Intensive Monitoring and Control of the State (国家重点监控企业)" on a list published by the Central Ministry of Environmental Protection, and its interaction term with poverty-alleviation expenditure. For firms subject to the top-down monitoring implemented by the central ministry, local governments have less discretion in making punishment decisions and tolerate firms' environmental violations. In the results, the interaction term is positive but insignificant ($p = .13$), and the effect size of *Expenditure* increases to 0.031, which suggests that the effect is more salient for firms not under central monitoring. Overall, both models 1 and 2 reveal a negative correlation between poverty-alleviation spending and environmental fines, which suggests the effectiveness of the strategy of addressing risk by doing good in environmental regulation, especially in regulation enforcement conducted by local governments.

Effectiveness might also vary across firms. In models 3 and 4, I divide the post-2015 sample into two groups based on the preexisting concern regarding environmental regulation. Particularly, the *High-Risk* group includes firms whose average level of $PRI_{Env.Reg.}$ in the pretreatment period (2012–2015) is above the 3rd quartile, and the *Low-Risk* group includes the rest. The results show that the effect is beneficial only for those facing a high political risk of environmental regulation but not the others. In particular, firms of high risk receive 0.6% lower environmental fines with each 1% more they spend for poverty reduction. In other words, the effect on environmental punishments is more salient for firms that are more concerned about violating environmental regulations.

Models 4, 5, 6, and 7 use the binary outcome (i.e., whether firms received administrative penalties for environmental violations) and logit regression with two-way fixed effects, and the results remain consistent. More specifically, firms that spent more on poverty alleviation face a lower likelihood of being punished for violations of environmental regulations, especially those not under central monitoring or highly concerned about political regulation in the long term. Table G7 in the appendix offers consistent results using

Table 7. Poverty-Alleviation Spending and Environmental Regulation

	Environmental Fines (OLS)				Environment Regulation (Logit)			
Dependent Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Model	All Post-2015		Low Risk	High Risk	All Post-2015		Low Risk	High Risk
Variables								
Expenditure	−.020^{+}	−.031*	−.005	−.060*	−.115^{+}	−.164*	−.010	−.336**
	(.012)	(.013)	(.013)	(.024)	(.070)	(.081)	(.085)	(.126)
Exp. × Monitor 1		.027				.107		
		(.018)				(.096)		
Control	✓	✓	✓	✓	✓	✓	✓	✓
Fixed effects								
Firm	✓	✓	✓	✓	✓	✓	✓	✓
Year	✓	✓	✓	✓	✓	✓	✓	✓
Fit statistics								
Observations	5,133	5,133	4,099	1,034	1,158	1,158	812	346
Pseudo R^2	.47	.47	.52	.38	.10	.10	.10	.14

Note. Clustered (firm) standard errors in parentheses. See table F4 in the appendix for detailed results.
*** $p < .001$.
** $p < .01$.
* $p < .05$.
$^{+}$ $p < .1$.

mediation analysis offered by Imai, Keele, and Yamamoto (2010) and suggests the effects are unique to the expenditure caused by the political risk of environmental regulation. Table G8 in the appendix uses court cases that relate to firms as alternative outcomes and present consistent results (Chen and Xu 2023; Xu 2020).

Overall, these results suggest the effectiveness of this strategy in environmental regulation. When firms increase their expenditure on poverty-alleviation programs because of the concern regarding environmental regulation, doing so reduces the size of fines for environmental violations in the end as a return. Notably, fines are only part of what companies lose in environmental regulation. The punishment may itself be a signal that affects a company's earnings in the stock market (Li 2023). Therefore, although the reduced fine is never the only return of a firm's response to the poverty-alleviation initiative, these suggestive results show the effectiveness of "addressing risk by doing good" in the area of environmental regulation.

CONCLUSION

In this article, I argue that firms' active responses to government policy initiatives serve as a strategy to address political risk. Drawing on a text-as-data measurement of firm-level political risks, empirical analysis suggests that political risk motivates firms to respond to the TPA in China substantially and in a timely manner by paying more into the poverty-reduction programs. In particular, the effects are felt mainly by private firms without political connections. Evidence from environmental regulation also shows that firms actively responding to government policy initiatives received fewer fines.

Under what conditions is the strategy of addressing risk by doing good preferable to other options? Compared to other options, this strategy still has two noteworthy advantages. First, this strategy minimizes legal risks for companies while positively impacting their public image. Second, it avoids dependence on individual officials, leading to less susceptibility to fluctuations caused by official transfers. However, it is not necessarily the most preferred strategy among all options, nor is it exclusive to other strategies. The evidence presented in this article has two contextualized conditions: First, Xi Jinping's anticorruption campaign has increased the cost of bribery for businesses. Second, poverty alleviation is one of Xi's prioritized policy goals and has been included in the bureaucratic evaluation. In other words, this strategy may not be the optimal choice when supervision over officials is weakened or for policy initiatives lacking political salience. Future studies may investigate how these institutional constraints shape firms' choice of different strategies.

In this article, I use China as a case, but these strategies are supposed to be consistent with corporate political actions in other developing and authoritarian contexts. Findings in this article echo studies on Russia, Mexico, and Bolivia, where private businesses driven by political risks in different forms participate in local governance programs, such as primary education and poverty alleviation (Amengual 2018; Frye 2006; Holland and Rios 2022). Recent evidence based on developed democracies also reveals the correlation between firm-level political risk and their performance in corporate social responsibility (Bertrand et al. 2020; Chatjuthamard et al. 2021).

Responding to policy initiatives is a widely used strategy but one that has received inadequate scholarly attention. Similar to electoral campaigns in developed democracies, policy initiatives to some extent are campaigns in nondemocratic regimes. In this case, the accomplishment of poverty alleviation was recorded in the third historical resolution of the Chinese Communist Party and significantly enhanced Xi's legitimacy for continued governance.[18] Although China faces lasting criticism of property rights insecurity, ironically, this weakness of its institutional environment becomes leverage for the government to mobilize private business for the public interest.

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