

Table A9. Placebo Tests — Disclosure Patterns for 31-Province Sample

LHS: indicator of a firm being disclosed								
Panel A. Linear probability model. Assumption: every firm advertises in the three provinces of Jiangsu, Zhejiang, and Inner Mongolia								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Nonlocal	0.007*** (0.001)	0.006*** (0.002)	0.006*** (0.002)	0.006*** (0.002)	0.007*** (0.002)	0.004 (0.005)	0.007*** (0.002)	0.005 (0.010)
# Firms	7,883	5,531	5,531	5,531	5,531	2,637	5,311	5,310
# Observations	62,718	37,578	37,578	37,578	37,578	13,170	28,683	28,677
Adj. R^2	0.002	0.087	0.087	0.087	0.087	0.092	0.097	0.097
Panel B. Bivariate probit model. Assumption: every firm advertises in the three provinces of Jiangsu, Zhejiang, and Inner Mongolia								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Nonlocal	0.010*** (0.003)	0.009*** (0.003)	0.013*** (0.004)	0.012*** (0.004)	0.015*** (0.005)	0.033*** (0.015)	0.016*** (0.004)	-0.003 (0.022)
# Firms	7,883	5,531	5,531	5,531	5,531	2,637	5,311	5,310
# Observations	62,718	37,578	37,578	37,578	37,578	13,170	28,683	28,677
Panel C. Linear probability model. Assumption: every firm advertises in 31 provinces								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Nonlocal	0.000 (0.001)	0.001 (0.001)	0.002** (0.001)	0.002** (0.001)	0.003*** (0.001)	0.006* (0.003)	0.002* (0.001)	-0.002 (0.005)
# Firms	7,883	5,531	5,531	5,531	5,531	2,637	5,311	5,310
# Observations	648,086	388,306	388,306	388,306	388,306	136,090	296,391	296,329
Adj. R^2	0.001	0.064	0.064	0.066	0.064	0.072	0.071	0.071
Ratio of nonlocal (lagged)	No	No	No	No	Yes	No	No	No
Nonlocal × Ratio of nonlocal (lagged)	No	No	No	No	Yes	No	No	No
Ad expenditure	No	No	No	No	No	Yes	No	No
Nonlocal × Ad expenditure	No	No	No	No	No	Yes	No	No
Ad intensity	No	No	No	No	No	No	Yes	Yes
Nonlocal × Ad intensity	No	No	No	No	No	No	Yes	Yes
Labor productivity	No	No	No	No	No	No	No	Yes
Nonlocal × Labor productivity	No	No	No	No	No	No	No	Yes
Sales (lagged)	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Previously disclosed	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ownership dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes	No	Yes	No	No	No
Market dummies	No	No	Yes	No	Yes	No	No	No
Market-year dummies	No	No	No	Yes	No	Yes	Yes	Yes

Note. This table reports regression results for the determinants of disclosure in “illegal” drug advertising inspections for the sample of all firms in 31 provinces, under alternative assumptions on the advertising locations of these firms. The dependent variable takes on the value of one if a firm is disclosed in the province during the calendar year and zero otherwise. “Ratio of nonlocal (lagged)” is now the ratio of the number of nonlocal firms to that of local firms in the provincial market, lagged one year, under the assumption that they all advertise in that market. Definitions of the other variables are the same as in the previous tables. Standard errors (in parentheses) are clustered at the firm-level. ***, **, * and * indicate significance at the 1%, 5% and 10% levels respectively.