Online Appendix of
“From One to Many Central Plans:
Drug Advertising Inspections and Intra-National
Protectionism in China”

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Appendix

Two Examples of Public Disclosure

In 2007 “Fei Xiao Tong Chang” cough syrup was disclosed for exaggerated advertisements in the city of Suzhou. The Bureau for Industry and Commerce in Suzhou forced its manufacturer to stop the advertisement immediately as well as to pay a fine of 7,500 yuan (at the time around US$1,000); see http://www.bsqgssj.gov.cn/baweb/show/shiju/bawebFile/3411.html. In a more serious case in 2013, an advertiser in Zhejiang Province was fined 122,679 yuan (at the time around US$20,000) for “misleading content in advertisement” of its drug to treat arthritis-related diseases; see http://news.xinhuanet.com/health/2013-04/25/c_124630444.htm. It should be noted that fines for illegal advertisement in China never appear to have been set under a nationwide standard and that in practice different local FDAs and related authorities enjoy a great degree of discretion when it comes to specific cases; see, for instance, the recent rules set by Sichuan Province, http://opinion.chengdu.cn/topic/2014-10/14/content_1563916.htm?node=12023.

Additional Tables and Figures

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<th>Year</th>
<th>ASIE</th>
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<th>Matched</th>
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<td>3,486</td>
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<tr>
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<td>3,680</td>
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</tr>
<tr>
<td>2003</td>
<td>4,062</td>
<td>221</td>
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<td>2004</td>
<td>4,709</td>
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<td>174</td>
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<td>2005</td>
<td>4,969</td>
<td>328</td>
<td>270</td>
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<td>-----------</td>
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<td>129</td>
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<td>103</td>
<td>106</td>
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<td>Sichuan</td>
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<td>Hubei</td>
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<td>142</td>
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<tr>
<td>Henan</td>
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<td>66</td>
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<tr>
<td>Guangdong</td>
<td>5</td>
<td>90</td>
<td>95</td>
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<td>Shandong</td>
<td>8</td>
<td>187</td>
<td>195</td>
</tr>
<tr>
<td>Zhejiang†</td>
<td>0</td>
<td>134</td>
<td>134</td>
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<tr>
<td>Jiangsu†</td>
<td>6</td>
<td>173</td>
<td>179</td>
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</tbody>
</table>

Note. Provinces are ordered by their proportions of pharmaceutical firms in the country. †Provinces contained in our regression sample.
### Table A3. Numbers of Licensed and Unlicensed Firms Disclosed — Three-Province Sample

<table>
<thead>
<tr>
<th>Year</th>
<th>Jiangsu disclosed</th>
<th>Jiangsu undisclosed</th>
<th>Zhejiang disclosed</th>
<th>Zhejiang undisclosed</th>
<th>Inner Mongolia disclosed</th>
<th>Inner Mongolia undisclosed</th>
<th>Three provinces disclosed</th>
<th>Three provinces undisclosed</th>
</tr>
</thead>
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<tr>
<td></td>
<td>Licensed</td>
<td>Unlicensed</td>
<td>Licensed</td>
<td>Unlicensed</td>
<td>Licensed</td>
<td>Unlicensed</td>
<td>Licensed</td>
<td>Unlicensed</td>
</tr>
<tr>
<td></td>
<td>Nonlocal</td>
<td>Local</td>
<td>Nonlocal</td>
<td>Local</td>
<td>Nonlocal</td>
<td>Local</td>
<td>Nonlocal</td>
<td>Local</td>
</tr>
<tr>
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<td>0</td>
<td>6</td>
<td>0</td>
<td>68</td>
<td>65</td>
<td>169</td>
<td>40</td>
</tr>
<tr>
<td>2002</td>
<td>9</td>
<td>0</td>
<td>28</td>
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<td>66</td>
<td>71</td>
<td>178</td>
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<tr>
<td>2003</td>
<td>9</td>
<td>2</td>
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<td>0</td>
<td>79</td>
<td>75</td>
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<td>2004</td>
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<td>0</td>
<td>81</td>
<td>99</td>
<td>220</td>
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<tr>
<td>2005</td>
<td>15</td>
<td>2</td>
<td>66</td>
<td>1</td>
<td>85</td>
<td>102</td>
<td>213</td>
<td>44</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>59</td>
<td>9</td>
<td>182</td>
<td>1</td>
<td>379</td>
<td>412</td>
<td>988</td>
<td>212</td>
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Note. The sample here is made up of all 569 licensed firms in the three provinces, comprising 2,906 observations.
## Table A4. Descriptive Statistics: 31-Province Sample versus Three-Province Sample

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<th>Three-province sample</th>
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</thead>
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<td></td>
<td>Mean</td>
<td>SD</td>
</tr>
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<td><strong>Firm size, productivity, and advertising variables:</strong></td>
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<tr>
<td>Log sales</td>
<td>9.96</td>
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</tr>
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<td>Lagged log sales</td>
<td>10.07</td>
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<td>Log employment</td>
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<td>Log sales per employee</td>
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</tr>
<tr>
<td>Log advertisement expenditure†</td>
<td>5.06</td>
<td>6.25</td>
</tr>
<tr>
<td>Ratio of advertisement expenditure to sales</td>
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<td>0.36</td>
</tr>
<tr>
<td><strong>Affiliation type:</strong></td>
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<td></td>
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<tr>
<td>Affiliation to central government</td>
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<td></td>
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<tr>
<td>Affiliation to provincial government</td>
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<td>Licensed for advertising in Jiangsu</td>
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<td>Licensed for advertising in Zhejiang</td>
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<td>Licensed for advertising in Inner Mongolia</td>
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<td><strong>Disclosure type:</strong></td>
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<tr>
<td>Not disclosed</td>
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<td>Disclosed in local province</td>
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<td>188</td>
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<tr>
<td>Disclosed in both local and nonlocal province</td>
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<tr>
<td>Disclosed in any province before</td>
<td>1,090</td>
<td>166</td>
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</table>

Note. This table presents summary statistics of the full sample and the three-province sample (Jiangsu, Zhejiang, and Inner Mongolia). “Mean”, “SD”, and “N” indicate mean value, standard deviation, and number of observations. † Adjusted for zeros by adding one yuan to the original value.
### Table A5. Disclosure Patterns — Two-Provience Sample

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<th>(6)</th>
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<th>(8)</th>
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<td>0.070***</td>
<td>0.083***</td>
<td>0.082***</td>
<td>0.109***</td>
<td>0.106***</td>
<td>0.092***</td>
<td>0.193***</td>
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<tr>
<td></td>
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<td>(0.011)</td>
<td>(0.013)</td>
<td>(0.013)</td>
<td>(0.026)</td>
<td>(0.025)</td>
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<tr>
<td>Nonlocal $\times$ Ratio of nonlocal (lagged)</td>
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<td>Yes</td>
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<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
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</tbody>
</table>

| # Firms | 472 | 443 | 443 | 443 | 439 | 438 | 472 |
| # Observations | 2,139 | 1,586 | 1,586 | 1,586 | 1,214 | 1,212 | 1,704 |
| Adj. $R^2$ | 0.043 | 0.118 | 0.121 | 0.125 | 0.122 | 0.138 | 0.137 | 0.131 |

Note. This table reports regression results of the linear probability models on the determinants of disclosure in “illegal” drug advertising inspections for the sample of firms which held advertising licenses in Jiangsu and/or Zhejiang. The dependent variable takes on the value of one if a firm is disclosed in the province during the calendar year and zero otherwise. 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.
Table A6. Time-Varying Disclosure Patterns — Three-Province Sample

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<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
<th>(7)</th>
<th>(8)</th>
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</thead>
<tbody>
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<td>Nonlocal</td>
<td>0.013**</td>
<td>0.084***</td>
<td>0.081***</td>
<td>0.084***</td>
<td>0.074***</td>
<td>0.103***</td>
<td>0.102***</td>
<td>0.223***</td>
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<tr>
<td></td>
<td>(0.006)</td>
<td>(0.018)</td>
<td>(0.018)</td>
<td>(0.019)</td>
<td>(0.027)</td>
<td>(0.030)</td>
<td>(0.026)</td>
<td>(0.075)</td>
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<td>2002</td>
<td>0.002*</td>
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<td>-0.014</td>
<td>-0.013</td>
<td>-0.024*</td>
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</tr>
<tr>
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<td>(0.001)</td>
<td>(0.009)</td>
<td>(0.009)</td>
<td>(0.009)</td>
<td>(0.014)</td>
<td>(0.016)</td>
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<td>0.022**</td>
<td>0.008</td>
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<td>0.040**</td>
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<td>(0.009)</td>
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<td>(0.015)</td>
<td>(0.016)</td>
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<td>-0.018</td>
<td>-0.035**</td>
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<td>(0.012)</td>
<td>(0.016)</td>
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</tr>
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<td>Nonlocal×2002</td>
<td>0.059***</td>
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<td>-0.000</td>
<td>-0.002</td>
<td>-0.004</td>
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<tr>
<td></td>
<td>(0.016)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.030)</td>
<td>(0.030)</td>
<td>(0.030)</td>
</tr>
<tr>
<td>Nonlocal×2003</td>
<td>0.085***</td>
<td>0.006</td>
<td>-0.014</td>
<td>-0.014</td>
<td>-0.022</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.018)</td>
<td>(0.019)</td>
<td>(0.022)</td>
<td>(0.022)</td>
<td>(0.025)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonlocal×2004</td>
<td>0.126***</td>
<td>0.061**</td>
<td>0.023</td>
<td>0.025</td>
<td>0.001</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>(0.023)</td>
<td>(0.027)</td>
<td>(0.028)</td>
<td>(0.028)</td>
<td>(0.033)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonlocal×2005</td>
<td>0.140***</td>
<td>0.062***</td>
<td>0.002</td>
<td>0.005</td>
<td>0.006</td>
<td>0.009</td>
<td>0.006</td>
<td>0.008</td>
</tr>
<tr>
<td></td>
<td>(0.021)</td>
<td>(0.024)</td>
<td>(0.025)</td>
<td>(0.025)</td>
<td>(0.027)</td>
<td>(0.027)</td>
<td>(0.027)</td>
<td>(0.027)</td>
</tr>
</tbody>
</table>

| 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 | Yes | No | No | No |
| Nonlocal×Ad expenditure | No | No | No | No | Yes | No | No | No |
| Ad intensity | No | No | No | No | No | Yes | No | Yes |
| Nonlocal×Ad intensity | No | No | No | No | No | Yes | No | Yes |
| Labor productivity | No | No | No | No | No | Yes | No | Yes |
| Nonlocal×Labor productivity | No | No | No | No | No | No | Yes | Yes |
| Sales (lagged) | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Previously disclosed | No | No | Yes | Yes | Yes | Yes | Yes | Yes |
| Ownership dummies | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Market dummies | No | No | Yes | Yes | Yes | Yes | Yes | Yes |

| # Firms | 569 | 531 | 531 | 531 | 531 | 526 | 523 | 523 |
| # Observations | 2,906 | 2,140 | 2,140 | 2,140 | 2,140 | 1,647 | 1,644 | 1,644 |
| Adj. $R^2$ | 0.051 | 0.045 | 0.127 | 0.133 | 0.131 | 0.138 | 0.136 | 0.138 |

Note. This table reports regression results of the linear probability models on the determinants of disclosure in “illegal” drug advertising inspections for the sample of firms which held advertising licenses in Jiangsu, Zhejiang, and/or Inner Mongolia. The dependent variable takes on the value of one if a firm is disclosed in the province during the calendar year and zero otherwise. Definitions of the other variables are the same as in the previous tables, except the introduction of the interactions between year dummies (with 2001 as the committed base) and the nonlocal dummy. Standard errors (in parentheses) are clustered at the firm-level. ***, **, and * indicate significance at the 1%, 5% and 10% levels respectively.
<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
<th>(7)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nonlocal</strong></td>
<td>0.156***</td>
<td>0.185***</td>
<td>0.135***</td>
<td>0.065</td>
<td>0.133***</td>
<td>0.137***</td>
<td>0.243***</td>
</tr>
<tr>
<td><strong>Jiangsu</strong></td>
<td>0.026***</td>
<td>0.034***</td>
<td>0.024***</td>
<td>-0.118</td>
<td>0.032*</td>
<td>0.029*</td>
<td>0.026</td>
</tr>
<tr>
<td><strong>Zhejiang</strong></td>
<td>0.011**</td>
<td>0.014**</td>
<td>0.010</td>
<td>-0.072</td>
<td>0.022</td>
<td>0.022</td>
<td>0.018</td>
</tr>
<tr>
<td><strong>Nonlocal × Jiangsu</strong></td>
<td>-0.038</td>
<td>-0.045</td>
<td>-0.039*</td>
<td>0.022</td>
<td>-0.024</td>
<td>-0.024</td>
<td>-0.022</td>
</tr>
<tr>
<td><strong>Nonlocal × Zhejiang</strong></td>
<td>-0.082***</td>
<td>-0.095***</td>
<td>-0.072***</td>
<td>-0.037</td>
<td>-0.058**</td>
<td>-0.068***</td>
<td>-0.058**</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
<th>(7)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ratio of nonlocal (lagged)</strong></td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Ad expenditure</strong></td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Ad intensity</strong></td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Labor productivity</strong></td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Previously disclosed</strong></td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Ownership dummies</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Year dummies</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Note.** This table reports regression results of the linear probability models on the determinants of disclosure in "illegal" drug advertising inspections for the sample of firms which held advertising licenses in Jiangsu, Zhejiang, and/or Inner Mongolia. The dependent variable takes on the value of one if a firm is disclosed in the province during the calendar year and zero otherwise. Definitions of other variables are the same as in the previous tables, except the introduction of the interactions between market dummies (with Inner Mongolia as the omitted base) and the nonlocal dummy. Standard errors (in parentheses) are clustered at the firm-level. *, **, and *** indicate significance at the 10%, 5%, and 1%, respectively.
Table A8. Numbers of Firms by Location and Affiliation Type — Three-Province Sample

<table>
<thead>
<tr>
<th>Location</th>
<th>Government affiliation</th>
<th>None</th>
<th>Lower Province</th>
<th>Central</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Baseline sample:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local</td>
<td>101</td>
<td>523</td>
<td>28</td>
<td>10</td>
<td>662</td>
</tr>
<tr>
<td>Nonlocal</td>
<td>250</td>
<td>1,495</td>
<td>449</td>
<td>50</td>
<td>2,244</td>
</tr>
<tr>
<td>Total</td>
<td>351</td>
<td>2,018</td>
<td>477</td>
<td>60</td>
<td>2,906</td>
</tr>
<tr>
<td><strong>Reduced sample:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local</td>
<td>59</td>
<td>401</td>
<td>22</td>
<td>8</td>
<td>490</td>
</tr>
<tr>
<td>Nonlocal</td>
<td>162</td>
<td>1,110</td>
<td>338</td>
<td>40</td>
<td>1,650</td>
</tr>
<tr>
<td>Total</td>
<td>221</td>
<td>1,511</td>
<td>360</td>
<td>48</td>
<td>2,140</td>
</tr>
</tbody>
</table>

Note. This table reports the number of firms in all rows. “Baseline sample” indicates the statistics for the models where lagged values are not included, while “Reduced sample” indicates the statistics for the models estimated where lagged values are included.
Investigating the bias from selective disclosure between licensed and unlicensed firms

As a first indication, it can be seen from Table A3 that virtually all (346/347=99.7%) of the disclosed firms who got caught for unlicensed advertising were from outside the region. Given the fact that in reality some local firms may also engage in unlicensed advertising, this figure shows an extremely strong bias against nonlocal advertisers when local FDAs deal with unlicensed advertising activities. As a result, even if unlicensed advertising firms were included in our analysis, the discrimination effect would probably only be stronger than it is currently estimated.

Second, we run placebo tests on expanded samples where all pharmaceutical producers in 31 provinces are included. In Panel A of Table A9, we apply the same specifications as in Table 2 on an enlarged sample of firm-province-year combinations by assuming that each firm advertises in the three provinces of Jiangsu, Zhejiang, and Inner Mongolia. As expected, the discrimination effect is now much lower (0.5%-0.74%) but is positive and statistically significant in most specifications. In Panel B, using the same set of explanatory variables we resort to the bivariate probit model with the dependent variable in the additional equation (unreported) being a dummy for whether the firm was granted a license in one of the three provinces in a given year. The assumption is that every firm applies for licenses and advertises in the three provinces and the determination mechanism for licensing is the same as that for disclosure. The estimated marginal effect of being a nonlocal firm indicates a significantly positive discrimination effect, larger than our results Panel A but smaller than the baseline estimates in Table 2 of the main paper. In Panel C, the sample is further expanded with an even more radical assumption that each firm advertises in all 31 provinces of the country. Not surprisingly, the estimated discrimination effect is further reduced to below 6% but remains significantly different from zero in most specifications. Since all three assumptions exaggerate the actual number of firms who advertise or apply for licenses in the data, the estimates could be easily driven downward to zero or even negative values. Nevertheless in fact the estimates are still mostly positive and significant (albeit of smaller sizes), which we then take as further supporting evidence for the existence of a discrimination effect.
Table A9. Placebo Tests — Disclosure Patterns for 31-Province Sample

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
<th>(7)</th>
<th>(8)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonlocal</td>
<td>0.007***</td>
<td>0.006***</td>
<td>0.006***</td>
<td>0.006***</td>
<td>0.007***</td>
<td>0.004</td>
<td>0.007***</td>
<td>0.005</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.002)</td>
<td>(0.002)</td>
<td>(0.002)</td>
<td>(0.002)</td>
<td>(0.005)</td>
<td>(0.002)</td>
<td>(0.010)</td>
</tr>
<tr>
<td># Firms</td>
<td>7,883</td>
<td>5,531</td>
<td>5,531</td>
<td>5,531</td>
<td>5,531</td>
<td>2,637</td>
<td>5,311</td>
<td>5,310</td>
</tr>
<tr>
<td># Observations</td>
<td>62,718</td>
<td>37,578</td>
<td>37,578</td>
<td>37,578</td>
<td>37,578</td>
<td>13,170</td>
<td>28,683</td>
<td>28,677</td>
</tr>
<tr>
<td>Adj. $R^2$</td>
<td>0.002</td>
<td>0.087</td>
<td>0.087</td>
<td>0.087</td>
<td>0.092</td>
<td>0.097</td>
<td>0.097</td>
<td>0.097</td>
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</table>

Panel B. Bivariate probit model. Assumption: every firm advertises in the three provinces of Jiangsu, Zhejiang, and Inner Mongolia

<table>
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<tr>
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<th>(3)</th>
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<th>(5)</th>
<th>(6)</th>
<th>(7)</th>
<th>(8)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonlocal</td>
<td>0.010***</td>
<td>0.009***</td>
<td>0.013***</td>
<td>0.012***</td>
<td>0.015***</td>
<td>0.033**</td>
<td>0.016***</td>
<td>-0.003</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.003)</td>
<td>(0.004)</td>
<td>(0.004)</td>
<td>(0.005)</td>
<td>(0.015)</td>
<td>(0.004)</td>
<td>(0.022)</td>
</tr>
<tr>
<td># Firms</td>
<td>7,883</td>
<td>5,531</td>
<td>5,531</td>
<td>5,531</td>
<td>5,531</td>
<td>2,637</td>
<td>5,311</td>
<td>5,310</td>
</tr>
<tr>
<td># Observations</td>
<td>62,718</td>
<td>37,578</td>
<td>37,578</td>
<td>37,578</td>
<td>37,578</td>
<td>13,170</td>
<td>28,683</td>
<td>28,677</td>
</tr>
</tbody>
</table>

Panel C. Linear probability model. Assumption: every firm advertises in 31 provinces

<table>
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<th>(5)</th>
<th>(6)</th>
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<th>(8)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonlocal</td>
<td>0.000</td>
<td>0.001</td>
<td>0.002**</td>
<td>0.002**</td>
<td>0.003***</td>
<td>0.006*</td>
<td>0.002*</td>
<td>-0.002</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.003)</td>
<td>(0.001)</td>
<td>(0.005)</td>
</tr>
<tr>
<td># Firms</td>
<td>7,883</td>
<td>5,531</td>
<td>5,531</td>
<td>5,531</td>
<td>5,531</td>
<td>2,637</td>
<td>5,311</td>
<td>5,310</td>
</tr>
<tr>
<td>Adj. $R^2$</td>
<td>0.001</td>
<td>0.064</td>
<td>0.064</td>
<td>0.064</td>
<td>0.072</td>
<td>0.071</td>
<td>0.071</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Ratio of nonlocal (lagged)</th>
<th>No</th>
<th>No</th>
<th>No</th>
<th>Yes</th>
<th>No</th>
<th>No</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonlocal \times Ratio of nonlocal (lagged)</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Ad expenditure</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Nonlocal \times Ad expenditure</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Ad intensity</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Nonlocal \times Ad intensity</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Labor productivity</td>
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<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Nonlocal \times Labor productivity</td>
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<td>Yes</td>
</tr>
<tr>
<td>Sales (lagged)</td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td>Ownership dummies</td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year dummies</td>
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<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
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<tr>
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<td>Yes</td>
<td>No</td>
<td>No</td>
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<tr>
<td>Market-year dummies</td>
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<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

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.