Department of Accountancy
Hong Kong Institute of Business Studies

Lingnan University 嶺南大學 香港 Hong Kong

Postgraduate Seminar Series

Topic Defense–How Much Is Government–Business Relationship Worth? Evidence from a Regulatory Discontinuity in China's 2018 Tax Merger

- **Date:** 11 May 2026
- **Time:** 10:00 -11:30
- **Venue:** SEK210
- **Presenter**: Yafei Chen, MPhil student of Accountancy

Abstract: Government-business relations (GBR) are widely regarded as a valuable corporate asset. However, existing literature largely conceptualizes political connections as individual attributes, overlooking institutionalized local GBR — a form of relationship capital sustained through organizational arrangements and independent of specific individuals. This paper employs the merger of China's State Tax Bureau (STB) and Local Tax Bureau (LTB) in 2018 as a structural shock to measure the value of such institutionalized local GBR. The merger permanently transformed the organizational identity of LTBs as local government appendages, severing the institutionalized interface between local governments and firms. Using an Event Study, we capture the market's immediate pricing of relationship capital's depreciation; using a DID design, we examine the actual performance losses resulting from this relationship rupture. This paper advances GBR research from the individual level to the institutional level, with a specific focus on local government–firm linkages.

All are welcome

Contact:

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