

Legitimizing State Capitalism:

External Threat, Nationalism, and Support for State Ownership

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Abstract

State ownership has outlived the socialist ideology that once justified it. In China, about half or more of citizens have favored expanding state ownership since 1990, despite decades of market-oriented reform and the well-documented inefficiency and corruption of state-owned enterprises (SOEs). I argue that, under intensifying geopolitical rivalry, the Chinese state has extended nationalism into the economy, invoking external threat to present SOEs as guardians of national security. This frame may translate into support for state ownership through two mechanisms: state firms come to stand for “us” against “them” (identity), or state control promises to insure the nation against foreign coercion (insurance). Analyses of high school textbooks and 4.3 million party newspaper articles show that the party-state has increasingly justified state ownership in nationalist terms. A factorial difference-in-differences design around the 2012 Diaoyu/Senkaku dispute shows that support for state ownership was markedly higher where exposure to nationalist mobilization was greater, a gap that opened only after the dispute. A conjoint experiment favors identity over insurance: the premium on state control is largest when SOEs are framed as safeguards against foreign threat, and no larger in chokepoint sectors such as critical minerals and high technology than elsewhere.

Keywords: nationalism, external threat, national security, state ownership, state capitalism, public opinion, China.

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1 Introduction

At the close of the twentieth century, the direction of political-economic change appeared settled. Privatization spread from Thatcher’s Britain to Latin America, post-communist Europe, and reform-era China, raising more than one trillion dollars for governments by 1999 (Megginson and Netter 2001), and the Washington Consensus codified it as policy orthodoxy (Williamson 1990). The collapse of Soviet communism removed the only systemic alternative to the market, the moment Fukuyama (1992) called the “end of history.” State ownership of enterprise looked like a residue of the old century that markets and time would dissolve.

China seemed to bear out this expectation. Since 1978, market reform and opening to the world economy produced the fastest sustained growth on record, much of it from outside the state sector (Naughton 2017; Xu 2011), and state firms’ share of industrial output fell from 78 percent to 29 percent in 1996 (Lin et al. 1998, 422). The firms that remained in state hands stayed less efficient and became a main arena of corruption (Lardy 2019; Pei 2016).

Given this record, one would expect Chinese citizens to have turned against state ownership. Instead, their support for it has remained remarkably high. In every wave of the World Values Survey (WVS) since 1990, about half or more of Chinese respondents have favored increasing government rather than private ownership of business and industry (Figure 1). Support stood at 72 percent in 1990¹ and at two-thirds in 2001 and 2007, 20 to 30 percentage points above the global average. It fell to about half in 2012 and 2018, yet even then it matched or exceeded the global average, and by 2025 it had climbed back to 62 percent. This persistence is puzzling, given that the socialist doctrine that once justified public ownership has also lost much of its hold (Zhao 1998; Chen 1995). If neither the performance nor socialist ideology can account for this support, what sustains it?

This paper argues that the answer lies in the rise of nationalism, activated by external threat and channeled by the state’s framing of state-owned enterprises (SOEs) as guardians of national security. China’s state ownership, I contend, is increasingly legitimized by the promise that state firms will protect nation against foreign threat, a justification that rests neither on socialist com-

1. The 1990 and 1995 samples are less representative than later waves; I report them to describe the long-run trend but exclude them from the analysis (Section 4)

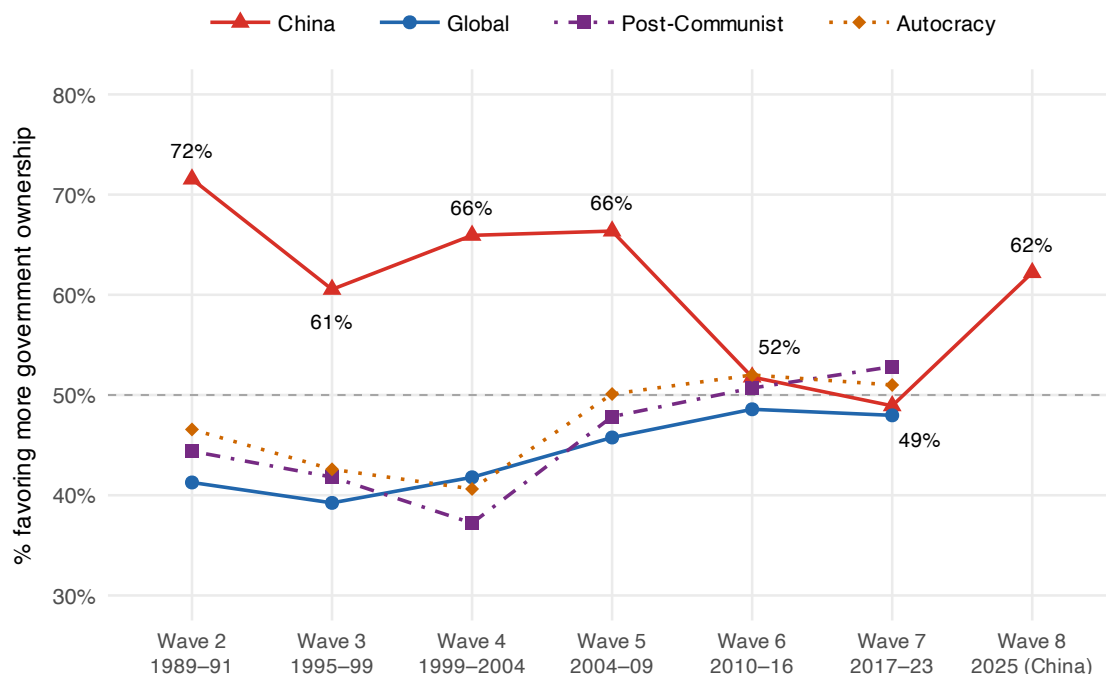


Figure 1. Support for State Ownership in China and around the World, World Values Survey Waves 2–8 (1989–2025)

Notes: Share of respondents who favor an increase in government ownership of business and industry, that is, 6 or above on the ten-point scale running from “private ownership of business and industry should be increased” (1) to “government ownership of business and industry should be increased” (10). Wave 8 has not been publicly released and covers China only. The question uses a four-point scale, on which the two upper categories are coded as support. Post-communist countries are the former Soviet republics, the former communist states of Central and Eastern Europe, Mongolia, and Vietnam; autocracies are country-years classified as closed or electoral autocracies by the V-Dem Regimes of the World measure. Survey weights applied; countries weighted equally within each wave.

mitments to redistribution nor on claims about economic performance.

The argument starts from the interaction between rulers, who always want the assets that state firms place under their control, and the citizens and private businesses that bear the costs of state ownership, including its inefficiency and its encroachment on private enterprise. Their resistance limits how much state ownership a ruler can sustain. External threat relaxes these constraints. It leads citizens to place security above efficiency and makes national identity more salient. State ownership fits both: it confers control over strategic assets in a crisis, and a state firm is by construction the nation’s property, which makes it a natural carrier of a nationalist frame. Rulers seize the opening by attaching national-security narratives to state firms, and their control of schooling and the media makes this frame persuasive. The frame may then translate into support for state ownership through two mechanisms. State firms may come to stand for

“us” against “them” (the *identity mechanism*), or state control may promise to keep strategic industries in national hands in a crisis, which regulating private firms cannot guarantee (the *insurance mechanism*).

China is the largest and most consequential case of contemporary state capitalism: Chinese SOEs alone account for 4.5 percent of global GDP (Zhang 2023). It has also undergone a major ideological transition. Under classical socialism (1949–1978), state ownership was justified by Marxist-Leninist commitments to public ownership of the means of production, egalitarian redistribution, and class struggle. The reform era gradually replaced this framework. The *socialist market economy*, endorsed by the Fourteenth Party Congress in 1992 after Deng Xiaoping’s Southern Tour, retained public ownership as a foundational principle while giving markets a basic role in allocating resources. I argue that China has since entered a third phase, in which state ownership is justified neither by socialist redistribution nor by market-oriented reform but by the protection of the nation against foreign threat.

The empirical analysis proceeds in three steps. First, I document the supply of the frame in the two channels through which the party-state indoctrinates citizens in the national meaning of state ownership. In high school politics textbooks, the share of the text on public ownership that justifies it in terms of national security rose from under 1 percent in the 1990 edition to about 11 percent in the 2004 and 2017 editions. In 4.3 million articles from central and provincial party newspapers (1990–2024), the share of state-sector articles invoking nationalist themes rose from 6.9 percent in the 1990s to 21.2 percent in 2020–2024, and the gap relative to private-sector coverage grew from 1.6 to 10.4 percentage points, while substantive socialist rhetoric remained rare.

Second, a factorial difference-in-differences design tests whether exposure to the nationalist mobilization that an external threat sets off raises support for state ownership. It exploits the 2012 Diaoyu/Senkaku dispute, which set off the largest wave of anti-foreign protest in post-Mao China. Exposure to the nationalist mobilization that followed varied across provinces, and I proxy it with a factor fixed before the dispute: the concentration of college students, which predicts the local intensity of the 2012 protests. Support for state ownership fell across China between 2007 and 2012–13, but it fell markedly less where residents were more exposed to nationalist mobilization. A one-standard-deviation higher college share leads to a 13 percentage points increase in support

for state ownership, about four-fifths of the average change. The gap was absent before 2012, opened immediately after the dispute, and narrowed in the following years, and it is not explained by economic interest in the state sector, local economic development, or a general shift in political attitudes.

Third, a conjoint experiment tests the two mechanisms. Respondents chose between pairs of SOE reform proposals that varied in ownership structure (full state, state-majority, or private-majority), in the rationale attached to them (market reform, socialist equality, national pride, or national security), and in the sector targeted (public services, manufacturing, critical minerals, or high technology). The results favor the identity mechanism over the insurance mechanism: the preference for state control is strongest when state firms are framed as safeguards against foreign threat, while the premium is no larger in chokepoint sectors such as critical minerals and high technology than in manufacturing or public services. Respondents also reward state control most in its mixed form, preferring state-majority ownership to full state ownership.

This paper makes three contributions. First, it speaks to the **political economy of state capitalism**. A rich literature explains the return of the state from the top down, through crisis, geopolitical competition, and the developmental and political interests of incumbents (Bremmer 2010; Musacchio et al. 2015; Naughton and Tsai 2015; Kurlantzick 2016; Pearson et al. 2021, 2023; Lei 2023; Alami and Dixon 2024). This paper supplies the missing demand side, the popular support of state ownership, which can help to sustain the state capitalist system.

Second, the paper extends research on **economic preferences toward state ownership and market reform**. Studies of how citizens view the role of the state in the economy fall into three explanatory traditions: the *economic-interest school* (Hayo 2004; Denisova et al. 2012; Eble and Koeva 2002), the *institutional school* (Denisova et al. 2009; Grosjean and Senik 2011; Bjørnskov and Paldam 2012), and the *cultural-ideational school* (Guiso et al. 2003; Cantoni et al. 2017; Pop-Eleches and Tucker 2017). This paper offers a new explanation: external threat raises support for state ownership by activating nationalism, an ideational force that the cultural-ideational tradition has largely overlooked.

Third, the paper contributes to research on the consequences of **nationalism**. Studies of its economic consequences show that nationalism shapes preferences over trade and globalization (Mayda and Rodrik 2005; Mansfield and Mutz 2009; Mutz and Kim 2017; Mutz 2018; Huddy

and Del Ponte 2019) and over redistribution (Shayo 2009, 2020; Johnston et al. 2010; Wright and Reeskens 2013). Studies of its political consequences show that nationalist attachment of the uncritical, outgroup-rejecting kind clusters with authoritarian dispositions (Adorno et al. 1950; Altemeyer 1996; Schatz et al. 1999; Parker 2010), and it bolsters support for political leaders as well as the regime (Mueller 1970; Hale 2018; Nathan 2020; Tudor and Slater 2021). This paper connects the two. It shows that nationalism legitimizes not only political regimes but also the economic institutions on which they rely to maintain their rule.

The remainder of the paper proceeds as follows. Section 2 develops the argument, and Section 3 applies it to China and document the supply of the frame. Section 4 leverages a factorial difference-in-differences design around 2012 Diaoyu/Senkaku disputes. Section 5 tests the mechanisms with a conjoint experiment. Section 6 concludes with broader implications.

2 The Argument: External Threat and the Public Constraint on State Ownership

This section sets out the argument in general terms. It treats the extent of state ownership as the outcome of an interaction between rulers, who want state firms, and the citizens and private businesses that bear their costs. It then shows how external threat, and the framing that rulers attach to it, weakens resistance to state ownership.

2.1 Rulers, Citizens, and the Constraint on State Ownership

The argument starts from the premise that rulers always want assets they control. State-owned enterprises deliver political benefits that the regulation or taxation of private firms cannot. They are easy to tax, generate revenue that never enters the budget, supply the jobs and patronage with which to reward supporters and weaken the opposition, and can be directed to serve rulers' policy goals at home and abroad (Gehlbach 2008; Shleifer and Vishny 1994; Oi 1992, 1999; Naughton and Tsai 2015; Albertus et al. 2018; Rosenfeld 2020; Han et al. 2022; Stone et al. 2022). These benefits give incumbents a standing incentive to preserve and expand state ownership.²

2. Treating this incentive as constant is a conservative assumption. External threat is also likely to raise the value that rulers place on state control, because strategic assets, and firms that can be directed abroad, are worth more in

What holds them back is the resistance of those who bear the costs of state ownership. Citizens and private business alike bear two kinds of cost. The first is inefficiency. State firms are less productive and more prone to corruption than private firms, because their managers answer to political principals rather than to owners and because soft budget constraints assure them that the state will cover their losses (Kornai 1992; Lin et al. 1998; Megginson and Netter 2001). A large state sector therefore means slower growth and public money diverted to insiders. The second is encroachment. Each extension of state ownership narrows the room for private enterprise, exposes private firms to state competitors that enjoy cheaper credit and political protection, and makes private property and economic freedom less secure.

Resistance constrains rulers even without competitive elections. Autocrats need an acceptance that coercion cannot supply (Gerschewski 2013), and economic institutions that lack it are costly to maintain and liable to reversal (Roland 2002). Private business can also withhold the investment on which growth and revenue depend, or move its capital abroad. The extent of state ownership that a ruler can sustain is the point at which the political benefit of a further state firm no longer exceeds the political cost of the resistance it provokes. Public support for state ownership therefore helps determine how much state ownership a ruler can sustain, and it is this side of the balance that the paper examines.

2.2 External Threat, Nationalist Framing, and Support for State Ownership

External threat changes what citizens ask of the economy. When cross-border dependencies in production, finance, and technology can be turned into instruments of coercion (Farrell and Newman 2019; Gertz and Evers 2020; Pearson et al. 2022), citizens judge economic arrangements not only by efficiency and growth but also by who would control strategic assets in a crisis. Security rises in their order of priorities, and efficiency falls. Citizens who perceive their nation to be under threat become more willing to cede liberties to the state in exchange for security (Davis and Silver 2004; Huddy et al. 2005), and the same logic extends to the economy, where it favors state control over economic freedom. Threat also raises the salience of national identity. Once

a rivalry than in peace. Such an increase would push the extent of state ownership further in the direction that the argument predicts.

the nation is salient, people sort themselves and others into “us” and “them” (Tajfel and Turner 1979; Huddy 2001) and judge economic policy in the same terms. Their views of trade reflect anxiety about out-groups more than material self-interest (Mansfield and Mutz 2009), and they prefer policies under which “we” gain relative to “them” over policies that maximize total gains (Mutz and Kim 2017).

Under external threat, state ownership fits both the priority on security and the salience of national identity better than private ownership does. It fits the priority on security because securing a strategic industry requires a firm that will act against its commercial interest when the state demands it, by keeping a loss-making plant open, refusing a lucrative foreign buyer, or redirecting output in a crisis. Regulation can prohibit conduct but cannot easily compel a firm to do what does not pay, and no contract can specify in advance what a firm must do in contingencies that no one has foreseen. Ownership supplies the residual right to decide in the contingencies that rules and contracts leave open (Grossman and Hart 1986; Hart and Moore 1990), which is why public provision is preferred when an important dimension of quality, such as national security, cannot be written into a contract (Hart et al. 1997).³ State ownership also fits the salience of national identity. A state firm is by construction the nation’s property, so it is the natural carrier of a frame that casts it as a shield of “us” against “them.” Its expansion can then be read as the nation holding its ground rather than as the state encroaching on private property and economic freedom.

On the supply side, rulers always want to keep, and if possible expand, the assets they control, but resistance ties their hands. A worsening external environment gives them a way out. Because state ownership fits the priorities that threat raises, rulers can justify it in terms that do not depend on the performance of state firms. They attach nationalist narratives to state firms, presenting them as instruments that keep strategic industries in national hands and as symbols of a nation standing up to foreign pressure.

Control of the information environment makes the frame persuasive. Autocrats have long used schooling to teach obedience and shape political attitudes (Cantoni et al. 2017; Paglayan

3. The golden share that the U.S. government took in United States Steel in 2025 illustrates the logic. Rather than rely on the acquirer’s written commitments, the government reserved a veto over plant closures and other decisions affecting domestic production, and within months the threat of exercising it kept the company from idling its plant in Granite City, Illinois (Associated Press 2025).

2022), and through it they can instill the national meaning of state ownership before any threat arrives. Because the state controls the media, its propaganda reinforces the frame with little competition from other frames. Together, the two channels make the nationalist framing of state ownership an available and accessible predisposition (Zaller 1992; Chong and Druckman 2007). External threat then make it applicable, and rulers can also amplify the threat itself, presenting a moderate threat as a grave one.

On the demand side, the frame can translate into support for state ownership through two mechanisms. The first is an **identity mechanism**, which is symbolic. Citizens for whom the nation is salient adopt the frame as a heuristic and support state firms as defenders of “us” against “them” without weighing their performance. Identity can rest on attachment to the ingroup, which needs no foreign foil, or on hostility toward an outgroup perceived as a threat (Brewer 1999). Because the argument traces support to external threat, it implies the second. Support for state ownership should therefore be stronger when state firms are framed as safeguards against foreign threat than when they are framed as sources of national pride.

The second is an **insurance mechanism**, which is material. Citizens who face a volatile international environment accept a less efficient but more secure domestic economy, much as one pays a premium for insurance. They accept the frame because they expect state control to keep strategic assets in national hands in a crisis. If this mechanism operates, support for state ownership should be largest where the insured risk is greatest, in strategic sectors exposed to foreign coercion such as critical minerals and high technology.

The argument yields three hypotheses.

1. *Demand.* Given the nationalist framing of state ownership, citizens more exposed to the nationalist mobilization that an external threat sets off become more supportive of state ownership.
2. *Identity.* If citizens support state firms as symbols of the nation under external threat, their support for state ownership is greater when state firms are framed as defenders of the nation against foreign threat.
3. *Insurance.* If citizens value state firms as protection for strategic industries and national interests under external threat, their support for state ownership is greater in sectors more

exposed to foreign coercion.

3 The Chinese Context

This section introduces the Chinese context and shows how the argument applies to it. It then presents descriptive evidence on how the party-state frames state ownership in nationalist terms through education and propaganda.

3.1 From Socialism to Market-Oriented Reform

Under the planned economy, public ownership was an end in itself. It was the economic foundation of socialism, and state firms were judged by the plan rather than by their returns (Kornai 1992). Neither objection to state ownership had standing. Inefficiency was not a criterion for judging state firms, and private property was suspect rather than a right to be protected. Market-oriented reform, launched under the policy of Reform and Opening, changed this standard gradually. As private and foreign firms entered the economy and prices were freed, state firms came to be judged by their performance, and the efficiency and encroachment objections gained force. The argument therefore applies to China since market-oriented reform began in 1978.

The rulers' standing incentive to keep state firms is explicit in the leaders' own words, and it has not weakened with reform. Successive leaders, from Deng Xiaoping to Xi Jinping, insisted that public ownership remain dominant and that the state sector control the lifelines of the economy, and they described state firms as a foundation of the party's rule (Deng 1993; Jiang 2006a, 2006b; Hu 2016; Xi 2025b).

However, reform made the costs of state ownership visible. State firms ran chronic losses that the state covered, and by the late 1990s about two-fifths of them were losing money (Lin et al. 1998; Lardy 2014). Under the slogan of "grasp the large, let go of the small," the government corporatized the large state firms and closed or privatized the small and medium ones. More than 80 percent of the state firms of 1998 had been shut down or privatized by 2007 (Hsieh and Song 2015). Some thirty million state workers lost their jobs, and unemployment reached double digits in large cities (Giles et al. 2006; Lardy 2014). Private firms, meanwhile, became the main source of growth and new employment (Lardy 2014). Public opinion moved with these changes.

In a survey conducted in 2015 and 2016, only 38 percent of respondents agreed that state firms were well run, and firms of every other type of ownership were rated higher; 69 percent saw corruption as a major problem in state firms, and younger respondents were the most critical (Eaton and Hasmath 2021).

Citizens also embraced the market. In a 2014 national survey reported by the Pew Research Center, 76 percent of Chinese respondents agreed that most people are better off in a free market economy, and since 2002 this share had been consistently higher in China than in the United States and Western Europe (Simmons 2014). In the WVS, support for state ownership fell from 72 percent in 1990 to 49 percent in 2018 (Figure 1). A party whose rule rested on an official ideology, and which valued its state firms but could no longer justify them in socialist terms, faced a problem of legitimation (Chen 1995).

3.2 State-Led Nationalism and the National Meaning of State Ownership

The party-state addressed this problem with nationalism (Zhao 1998; Zheng 1999; Zhao 2004). After 1989 it launched the Patriotic Education Campaign, which blurred the boundaries among patriotism, socialism, and party leadership and portrayed continued party rule as necessary to protect China from humiliation, division, and foreign containment (Zhao 1998; Wang 2008; Zhao 2022). The nationalism it promoted is state-centered. The party-state presents itself as the embodiment of the nation, the defender of its sovereignty, and the agent of its rejuvenation, so that love of China is difficult to separate from support for the party (Zhao 2004).

The party-state also controls the information environment in which this nationalism is taught. It sets the school curriculum, and curricular reform has measurably shifted students' political attitudes, including their skepticism toward free markets (Cantoni et al. 2017). It controls the news media and limits what citizens can find online (Stockmann 2013; Roberts 2018). Where nationalist propaganda in China has been tested, it has generally proven effective. It raises anti-foreign sentiment (Mattingly and Yao 2022), recasts foreign criticism of human rights as a matter of defending the nation (Gruffydd-Jones 2019), and increases approval of the government's handling of territorial disputes (Weiss and Dafoe 2019).

Section 2.2 argued that a state firm, as the nation's property, is the natural carrier of a nationalist frame. In China, history reinforced this fit. In the late Qing, the Self-Strengthening

Movement founded state-sponsored enterprises to acquire foreign technology and resist foreign aggression (Feuerwerker 1958; Bian 2005). State-owned wartime industry later supported mobilization against Japan (Bian 2005, 2015). After 1949, state firms were cast as the industrial vanguard that would enable China to catch up with the Western powers (Bian 2015; Mao 1999, 2023). The party-state still tells the story this way. In a 2016 speech, Xi Jinping credited state firms with China's economic independence, its national security, and its standing in the world, and assigned them a "major historical mission" in the great rejuvenation of the Chinese nation (Xi 2025b, 344–45).

The leaders have also justified state ownership in the material terms of the insurance mechanism. Jiang Zemin argued that state control of the lifelines of the economy was needed for "national economic security" (Jiang 2006b, 615). In his report to the Eighteenth Party Congress in November 2012, Hu Jintao called for state capital to be concentrated in the sectors that bear on national security (Hu 2016, 629). Xi Jinping has praised state firms as the force that "can be relied on at critical moments" (Xi 2025b, 344). During the COVID-19 pandemic, in a speech that called for keeping the economy functioning in extreme situations, he credited them with leading the response and keeping industrial chains running (Xi 2025a, 579). Public opinion is consistent with this line. In the 2015–2016 survey, 58 percent of respondents agreed that sectors related to national security and important to the national economy and people's livelihoods must be controlled by state firms, and 68 percent wanted the state to dominate the defense industry (Eaton and Hasmath 2021).

External threat gave both frames their occasion. In the early 1990s, as China's economy boomed, observers abroad began to debate whether a rising China posed a threat (Roy 1996). From the late 2010s, economic conflict merged with strategic rivalry and targeted the firms that the party-state champions. After investigating China's technology-transfer practices and industrial policies (Office of the United States Trade Representative 2018), the United States launched a trade war in 2018, and by late 2019 it had imposed tariffs on roughly \$350 billion of imports from China (Fajgelbaum and Khandelwal 2022). Washington also subjected Chinese telecommunications firms to unprecedented export controls and pressed its allies to exclude these firms from their networks (Bown 2020; Pearson et al. 2022). The leadership presented these measures as a coordinated campaign to contain China. In March 2023, Xi Jinping told political advisers from the

business community that “Western countries led by the United States” had imposed “all-round containment, encirclement, and suppression” on China (Xinhua 2023). As the threat became increasingly economic, the claim that state firms keep strategic industries in national hands became more credible.

3.3 The Supply of the Frame: Textbooks and Party Newspapers

Section 2.2 argued that under external threat rulers attach nationalist, and specifically national-security, framing to state firms. If they do, this framing should set state firms apart from private firms and intensify as the threat grows. I examine the two channels through which the party-state teaches citizens what state ownership means, the school curriculum and state propaganda.

The first channel is the high school politics course (*sixiang zhengzhi*, 思想政治). The course is compulsory, its textbooks are approved by the state, and students in both the humanities and the science tracks are tested on it as part of the college entrance process (Cantoni et al. 2017). I reconstruct the full text of the economics lessons on the ownership system in five editions of the textbook, from the 1990 edition to the 2017 edition, and code every sentence that discusses public ownership or the state sector (Appendix A.1). The share of this text that justifies state ownership in terms of national security rose from under 1 percent in the 1990 edition to about 11 percent in the 2004 and 2017 editions (Figure 2). The textbooks tie state ownership to national security through a few fixed formulations.⁴ Every edition since 1997 states that the state sector “must hold a dominant position in the important industries and key areas that bear on the lifelines of the national economy,” and the 1997 and 2004 editions add that a strong state sector enhances China’s “economic strength, national defense strength, and national cohesion.” The 2004 and 2017 editions list the “industries concerning national security,” such as the defense industry and currency printing, among the sectors the state must control, and the 2017 edition credits central state firms with a role of “industrial control” and “security support” in strategic industries, energy, and food supply.

Socialist language did not disappear, but its content changed. Ritual affirmations of the dominance of public ownership grew from 7 percent of the text in 1990 to 28 percent in 2017. They uphold socialism with Chinese characteristics as the regime’s identity and as an object of diffuse

4. Translations from the textbooks are mine.

support (Easton 1975). Substantive socialist arguments, about the equality of incomes, the end of exploitation, and the superiority of the socialist system, fell from 33 percent of the text in 1994 to 12 percent in 2004 and 17 percent in 2017.

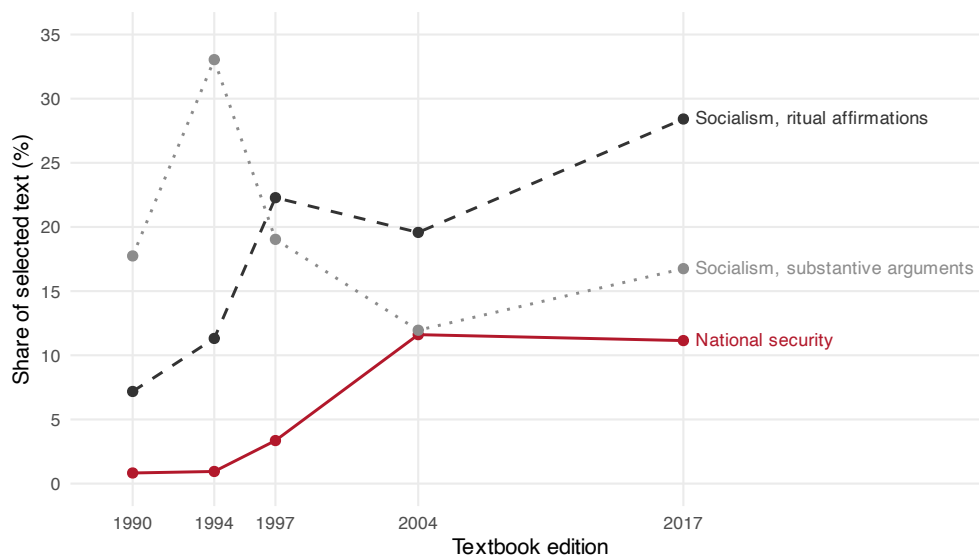


Figure 2. Justifications of Public Ownership in High School Politics Textbooks, 1990–2017

Notes: Share of the characters in the passages on public ownership and the state sector that justify state ownership in terms of national security, that ritually affirm the dominance of public ownership, and that make substantive socialist arguments, by textbook edition. Categories are not exclusive. Table A1 in the appendix reports all categories.

The second channel is state propaganda. Its authoritative outlets are the party newspapers, which communicate the CCP’s ideological line and whose content is set by the propaganda apparatus rather than by the market (Shambaugh 2007; Brady 2008). I assemble a corpus of about 4.3 million articles from three central party organs, *People’s Daily* (1990–2024), *Guangming Daily* (1991–2023), and *Economic Daily* (2017–2026), and from the party newspapers of seven provinces and municipalities.⁵ Using a two-step procedure that combines a supervised classifier with a fine-tuned large language model, I sort the articles by the sector of ownership they cover and code the ideological rationales they invoke (Appendix A.2). I focus on two rationales, nationalism and socialism. The main analysis pools *People’s Daily* and *Guangming Daily*, the two central organs with continuous coverage since the early 1990s.

As shown in Figure 3, substantive socialist rhetoric remained rare in coverage of the state

5. The provincial newspapers, with the years they cover, are *Beijing Daily* (2012–2020), *Jiefang Daily* of Shanghai (2012–2017), *Nanfang Daily* of Guangdong (2012–2022), *Zhejiang Daily* (2012–2026), *Hubei Daily* (2017–2026), *Liaoning Daily* (2012–2026), and *Chongqing Daily* (2012–2026).

sector.⁶ It appeared in only 3.1 percent of state-sector articles over the whole period and barely moved. Nationalist rhetoric, by contrast, increasingly set coverage of the state sector apart. In the 1990s, articles on the state and the private economy invoked nationalism at nearly the same rate, 6.9 and 5.3 percent. The state-sector share then rose faster, to 9.8 against 6.6 percent in the 2000s, 14.0 against 7.7 percent in the 2010s, and 21.2 against 10.8 percent in 2020–2024. The gap widened more than sixfold, and it widened most in the 2010s and 2020s, as China’s external environment deteriorated.

For example, in May 2019, shortly after the United States raised tariffs on about \$200 billion of Chinese imports, *People’s Daily* published an interview with a deputy head of the commission that oversees the central state firms. He said that self-reliance had defined state firms “from the day they were born” and that the central state firms had “the confidence, the determination, and the ability to cope with all kinds of external risks and shocks,” a line the paper ran as its headline (*People’s Daily*, May 31, 2019).⁷ The same patterns appear in *Economic Daily* and the provincial newspapers (Appendix Figure A3). The party press thus came to justify state firms not by socialism but by the nationalist legitimacy, as the argument expects.

4 The 2012 Diaoyu/Senkaku Shock and Support for State Ownership

This section turns to what citizens absorb. If the framing of the state sector as a guardian of national security takes hold, external threat should raise the value that citizens place on state ownership, whether because state firms come to stand for the nation against a foreign adversary (the identity mechanism) or because state control promises to keep strategic assets in national hands in a crisis (the insurance mechanism). Either way, a sudden external threat should raise support for state ownership, more where citizens are exposed to nationalist mobilization that it

6. The classifier codes an article as socialist only when it discusses socialist goals in substance, such as common prosperity, income equality, and the elimination of polarization, rather than invoking them as slogans (Appendix A.2).

7. The interview, conducted by reporters from Xinhua and *People’s Daily*, ran on page 2 under the title “Yangqi you xinxin, you juexin, you nengli yingdui waibu gezhong fengxian he chongji” [The Central State Firms Have the Confidence, the Determination, and the Ability to Cope with All Kinds of External Risks and Shocks]. The interviewee, Weng Jieming, was vice chairman of the State-owned Assets Supervision and Administration Commission of the State Council. The classifier codes the article as nationalist and not socialist.

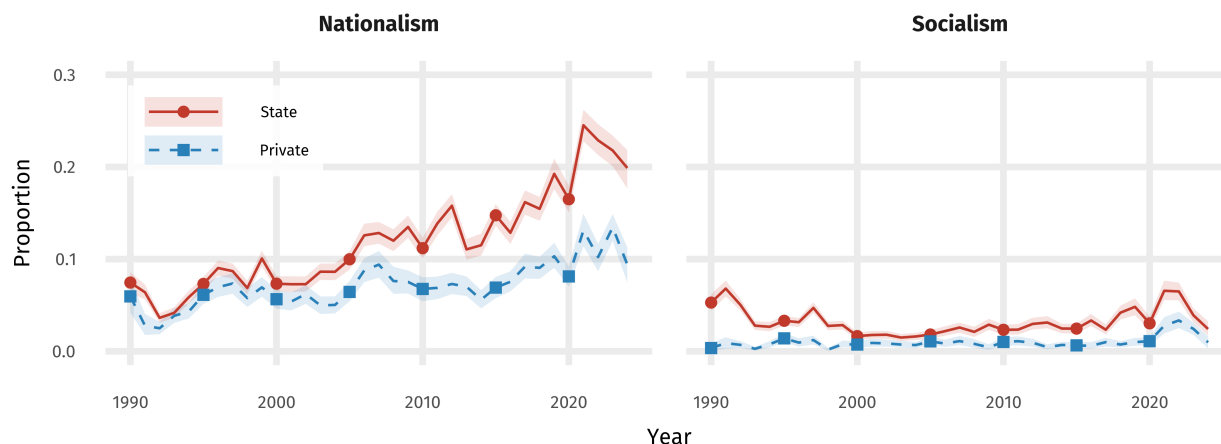


Figure 3. Nationalist and Socialist Rhetoric in State-Sector and Private-Sector Coverage, *People’s Daily* and *Guangming Daily*, 1990–2024

Notes: Each panel plots the annual share of articles invoking the indicated ideological rationale, separately for articles substantively covering the state-owned economy (solid red) and the private economy (dashed blue). Mixed-ownership articles are merged into the state category. Shaded bands are bootstrapped 95 percent confidence intervals (1,000 iterations). $N = 179,464$ articles.

sets off. I test this prediction, Hypothesis 1, with the 2012 Diaoyu/Senkaku dispute, in which Japan’s nationalization of the islands and set off the largest wave of anti-foreign protest in post-Mao China.

The shock struck the whole country at once: no province escaped it, and virtually every citizen learned of it through the national media. What varied across China was local exposure to the nationalist mobilization it unleashed. I exploit this variation with a factorial difference-in-differences (FDID) design (Xu et al. 2026), which combines a common event with a local factor that predates it. The intensity of the 2012 protests, the most direct measure of exposure, was itself produced by the dispute and therefore cannot serve as this factor. I instead use the concentration of college students before 2012, which predicts where the 2012 protests broke out. Combined with the timing of the World Values Survey (WVS), the design compares the change in support for state ownership between 2007 and 2012–13 across provinces that differed in this pre-2012 potential for nationalist mobilization.

4.1 Background

On September 11, 2012, the Japanese government nationalized three of the disputed Diaoyu/Senkaku Islands in the East China Sea, purchasing them from their private Japanese owner. The government of Prime Minister Yoshihiko Noda presented the purchase as a way to preempt a more provocative plan announced in April by Tokyo Governor Shintaro Ishihara, but Beijing read it as a breach of the long-standing tacit understanding to shelve the territorial dispute (Weiss 2014). The escalating dispute, culminating in the nationalization, set off the largest wave of anti-foreign protest in post-Mao China. Between August 15 and the end of September 2012, Wallace and Weiss (2015) document 377 protest events in 208 of China's 287 prefectural cities. Mobilization peaked on September 18, the anniversary of Japan's 1931 invasion of Manchuria, when demonstrations took place in at least 180 cities. Protesters burned Japanese flags and attacked Japanese-branded cars, factories, and stores, and the damage forced several Japanese manufacturers, including Toyota, Honda, and Panasonic, to suspend operations in China.

Four features make the episode well suited to testing the argument. First, the trigger was an external threat, and, more important for causal identification, an exogenous one. A foreign state's claim to territory that Chinese citizens are taught to regard as inseparable from the nation is the paradigmatic external threat. At the same time, the timing and the form of the shock were set by Japanese domestic politics: Ishihara's purchase plan and the Noda government's decision to preempt it had nothing to do with economic or political conditions inside Chinese provinces. Respondents surveyed in 2007 could not have anticipated the dispute, and the shock reached all provinces at the same moment. These features allow the 2012 dispute to be treated as a common exogenous shock whose effects can be compared across places that differed beforehand.

Second, the mobilization was unambiguously nationalist. Protesters invoked the "Century of National Humiliation", demanded the return of "China's inseparable territory," and timed their marches to the anniversary of the Japanese invasion, drawing directly on the memory of imperial aggression that patriotic education has cultivated. Third, the protests drew a visible line between foreign and domestic ownership. The boycott of Japanese goods was a central expression of the movement, and Japanese brands, factories, and retailers were its targets. State-owned enterprises sit on the domestic side of that line as the institutional embodiment of national ownership. By

drawing this line in a confrontation with a foreign power, the dispute made salient both who owns the economy and how foreign ownership can expose it to disruption, the two considerations on which the state's national-security framing of the state sector draws. Fourth, the timing of the WVS makes it possible to observe attitudes shortly after the shock. The sixth wave of the survey in China was fielded between November 7, 2012 and January 21, 2013, seven weeks after the protests peaked.

4.2 Data

The analysis draws on five waves of the World Values Survey in China: Wave 4 (2001), Wave 5 (2007), Wave 6 (2012–13), Wave 7 (2018), and Wave 8 (2025).⁸ The main analysis compares Waves 5 and 6, the two waves that bracket the 2012 dispute. The full set of waves from 2001 to 2025 is used in an event-study analysis that examines whether the provinces followed parallel trends before 2012 and how long the effect persisted after it. Each wave is a stratified, multi-stage probability sample of the adult population of mainland China.⁹

The outcome is a binary indicator of support for state ownership. Respondents place themselves on a ten-point scale running from “Private ownership of business and industry should be increased” (1) to “Government ownership of business and industry should be increased” (10), and I code responses of 6 or above as support.¹⁰ The main sample consists of the nineteen provinces that were surveyed in both Wave 5 and Wave 6. Provinces observed in only one of the two waves contribute nothing to a comparison of changes once province fixed effects are included, and I therefore exclude them.

8. The WVS also surveyed China in 1990 (Wave 2) and 1995 (Wave 3), and Figure 1 includes both waves to describe the long-run trend. I exclude them from the analysis. The 1990 survey used random quota sampling, and the demographic profile of its respondents departs considerably from the census, while the documentation for the 1995 survey does not describe its sampling procedure.

9. Wave 5 used list-based sampling and Wave 6 GIS-assisted spatial sampling; Section 4.8 examines whether the composition of the samples changed differently across provinces. Wave 8 has not been publicly released yet; I use the China data through early access.

10. Wave 8 asks the question on a four-point scale, on which I code the two upper categories as support.

4.3 A Factorial Difference-in-Differences Design

The 2012 dispute did not divide China into treated and untreated regions. It was a common national event, but the exposure to nationalist mobilization that it produced varied from place to place, and this local variation is the basis of the design. A growing body of research studies such settings by interacting a one-time event that affects all units with a pre-existing characteristic that conditions how strongly each unit responds. Fouka (2019) examines how the anti-German hostility of World War I shaped the assimilation of German Americans across states with different levels of anti-German sentiment; Squicciarini (2020) examines how the skill-intensive Second Industrial Revolution affected development across French departments that differed in religiosity; and Cao et al. (2022) examine how the Great Famine affected mortality across Chinese counties that differed in clan density (see also Chen et al. 2025). Xu et al. (2026) formalize this research design as a factorial difference-in-differences (FDID). In an FDID, a common event Z and a baseline factor G , fixed before the event, jointly determine outcomes. Because no unit escapes the event, identification comes from comparing the change in outcomes across units with different values of G , rather than from comparing exposed and unexposed units.

In this application, the event Z is the 2012 Diaoyu/Senkaku dispute, an external threat that every Chinese citizen confronted through the national media. The baseline factor G is a province's pre-existing potential for nationalist mobilization, which shapes the extent to which its residents would be exposed to nationalist protest once an external threat struck. The survey respondents are ordinary citizens, and the large majority of them did not take part in the protests. What differed across places was their exposure to mobilization: whether demonstrations filled the streets of their city, whether they saw Japanese cars overturned and Japanese shops shuttered, and whether friends, classmates, and colleagues joined in. Exposure of this kind can heighten the sense of external threat and activate nationalist sentiment among people who never march themselves, and the party-state's national-security framing of the state sector ties both to the ownership of the economy.

The most direct measure of exposure would be the intensity of protest in each locality. Protest intensity, however, cannot serve as the baseline factor, as FDID requires G to be fixed before the event (Xu et al. 2026). The 2012 protests were produced by the dispute itself, and their scale also

reflected the decisions of local authorities to tolerate or contain them (Weiss 2014). I therefore proxy the potential for mobilization with a factor fixed years in advance: college students as a percentage of the provincial population, averaged over 2004–06, before the 2007 survey.¹¹

College students are a natural proxy for the potential for nationalist mobilization. Students were at the core of the anti-Japanese protests of 1985 and 2005 (Weiss 2014), and college-educated youth participated disproportionately in the 2012 wave (Wallace and Weiss 2015). Universities concentrate young people in dense networks and supply the organizational resources that turn a national affront into collective action, so places with more students are places where residents are more likely to be exposed to protest when an external threat emerges. The 2012 data bear out this logic. Across the 209 prefectural cities in the nineteen sample provinces with data on both variables, a city’s college share in 2004–06 predicts the number of protest events in 2012: a one-percentage-point higher college share is associated with about 0.28 more events (Appendix Figure A4).

Figure 4 maps the elements of the design. Panel (a) shows the number of protest events in each prefectural city. Panel (b) aggregates the protests to the province as the average number of events per prefectural city.¹² Panel (c) shows the baseline factor, the college share, and panel (d) the change in support for state ownership between 2007 and 2012–13. Beijing and Shanghai, the two provinces with the highest college shares, saw support rise by about 22 percentage points, and Hubei and Liaoning saw only small declines. The largest declines occurred in Henan (52 percentage points), Guizhou (36), and Guangxi (30), all among the provinces with the fewest college students.

4.4 Estimation and Identification

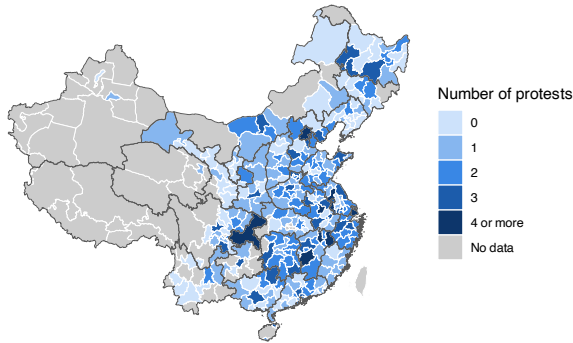
I estimate the following model on the pooled Wave 5 and Wave 6 samples:

$$y_{ipw} = \beta (G_p \times \mathbb{1}[w = 6]) + X'_{ipw}\gamma + (Z_p \times \mathbb{1}[w = 6])'\theta + \alpha_p + \delta_w + \varepsilon_{ipw}, \quad (1)$$

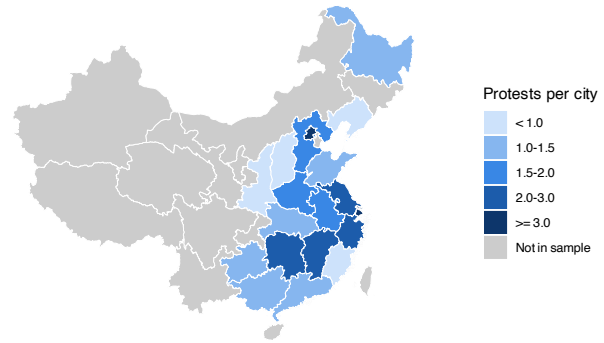
11. Regular undergraduate and junior-college students (普通本专科在校学生数) divided by total population, from the EPS China Macroeconomic Database. Across the nineteen provinces, the measure ranges from 0.54 (Guizhou) to 3.48 (Beijing), with a standard deviation of 0.65 percentage points.

12. The average rather than the total is used because the total would rise mechanically with the number of cities in a province.

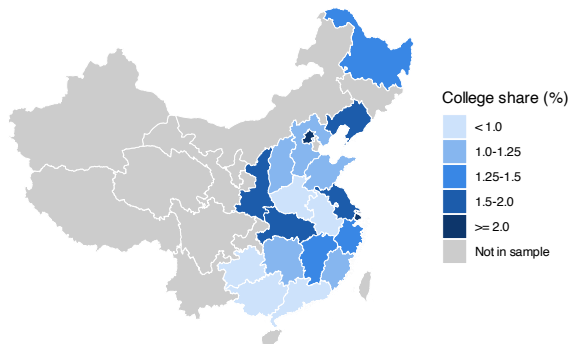
(a) Anti-Japanese protests, Aug-Sep 2012: prefecture cities



(b) Anti-Japanese protests, Aug-Sep 2012: provinces



(c) College students per 100 residents, 2004-06



(d) Change in support for state ownership, 2007-2012

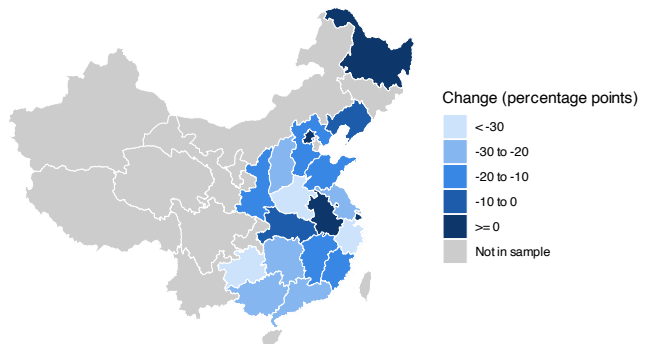


Figure 4. Protests, College Students, and Change in Support for State Ownership

Notes: (a) Number of anti-Japanese protest events in each prefectural city, August 15 to September 30, 2012 (Wallace and Weiss 2015). (b) Average number of protest events per prefectural city in each province. (c) College students as a percentage of the provincial population, 2004–06 average. (d) Change in the weighted share of respondents supporting state ownership between WVS Wave 5 (2007) and Wave 6 (2012–13), in percentage points. Panels (b)–(d) show the nineteen provinces surveyed in both waves; grey indicates no data in panel (a) and provinces outside the sample in panels (b)–(d). Boundaries: GADM 4.1. Boundaries are for illustration and do not imply any position on territorial claims.

where y_{ipw} indicates whether respondent i in province p and wave $w \in \{5, 6\}$ supports state ownership, G_p is the province's college share in 2004–06, and α_p and δ_w are province and wave fixed effects. The province fixed effects absorb time-invariant heterogeneity across provinces, and the wave fixed effects absorb the national change between the two surveys. The vector X_{ipw} contains individual characteristics that adjust for differences between the two samples: age, gender, a college degree, membership in a political party, employment, subjective income ranking, and subjective social status.

The vector Z_p contains two provincial characteristics measured in 2004–06, log GDP per capita and the share of the population employed by state-owned enterprises, each interacted with the Wave 6 indicator. They correspond to the two most direct alternative interpretations of the college share: that it captures economic development, or that it captures the population's material dependence on the state sector.¹³

The coefficient β measures how much more support for state ownership changed between 2007 and 2012–13 in a province whose college share was one percentage point higher. A more flexible specification adds interactions between the college share, each provincial characteristic in Z_p (centered at its sample mean), and the Wave 6 indicator (Xu et al. 2026, Definition 7). This specification allows the moderating effect of the college share to differ across provinces with different levels of development and state-sector employment, in the spirit of fully interacted regression adjustment (Lin 2013).

The interpretation of β depends on which identifying assumptions hold (Xu et al. 2026). The first assumption is *no anticipation*: support for state ownership in 2007 was not affected by the coming dispute. It is plausible because the trigger lay in Japanese domestic politics and the 2007 survey preceded the dispute by five years. The second is *canonical parallel trends*: in the absence of the shock, support for state ownership would have evolved similarly in provinces with different college shares. Under these two assumptions, β identifies *effect modification*, a descriptive statement that the shock changed support for state ownership more in provinces with more college

13. SOE employment is the year-end employment of enterprises supervised by local State-owned Assets Supervision and Administration Commissions, from the EPS China State-owned Assets Database, divided by total population. Because these characteristics vary across only nineteen provinces, each additional provincial covariate uses up scarce degrees of freedom. The main specification therefore includes only the two characteristics that address the main competing explanations. The results are robust to adding foreign direct investment, the unemployment rate, industrial SOE output, and the employment share of state and party organs (Appendix Table A2).

students. Canonical parallel trends cannot be verified for the post-2012 period, but its plausibility can be assessed with the earlier wave of the survey, which I do in the event-study analysis below.

The quantity of theoretical interest, however, is *causal moderation*: whether greater exposure to nationalist mobilization amplified the shock’s effect. Identifying it requires an additional assumption, *factorial parallel trends*, under which the college share is unrelated to the trends in potential outcomes under every combination of the baseline factor and the shock (Xu et al. 2026, Assumption 5). In substantive terms, the assumption rules out any unobserved provincial characteristic that is correlated with the college share and that would by itself have changed support for state ownership differently between 2007 and 2012. Like the unconfoundedness assumption in cross-sectional studies, factorial parallel trends cannot be tested. I assess its plausibility below with a sensitivity analysis and with direct tests of the most plausible alternative explanations. Finally, because the WVS draws new respondents in each wave, the comparison also requires that the composition of the samples did not change differently across provinces in ways that matter for the outcome (Athey and Imbens 2006; Sant’Anna and Xu 2026). This is a separate assumption of repeated cross-sectional designs, which I examine in Section 4.8.

Inference requires particular care. Because the interaction between college share and the Wave 6 indicator varies only across nineteen provinces, inference rests on a small number of clusters. Conventional cluster-robust standard errors rely on a large number of clusters and tend to understate uncertainty when there are few clusters (Cameron et al. 2008; MacKinnon et al. 2023a). In addition to the conventional standard errors reported in the tables, I therefore report two procedures designed for this situation, which rest on different assumptions.

The first is the wild cluster restricted bootstrap, which does not rely on the large-sample normal approximation, hence remaining reliable with few clusters (Cameron et al. 2008; MacKinnon and Webb 2017; Webb 2023). The second is randomization inference (Young 2019; MacKinnon and Webb 2020). It requires no large-sample approximation either, only that the college share can be treated as if it had been assigned at random across provinces, conditional on the covariates.¹⁴

14. The bias-reduced CR2 variance estimator with Bell–McCaffrey degrees of freedom and the leave-one-province-out jackknife, which address the same problem analytically, are reported in the appendix (Bell and McCaffrey 2002; Imbens and Kolesár 2016; Pustejovsky and Tipton 2018; MacKinnon et al. 2023b).

4.5 Main Results

Table 1 presents the estimates. In Column 1, which includes only province and wave fixed effects, a one-percentage-point higher college share is associated with 20.6 percentage points higher support for state ownership in 2012–13, relative to 2007. Adding individual characteristics in Column 2 barely changes the estimate (19.3 percentage points). Adding the provincial covariates in Column 3 leaves the estimate at 20.1 percentage points: holding local economic development and dependence on the state sector constant, the estimated moderation by the college share remains large. Column 4 allows the moderating effect of the college share to vary with both covariates. The average moderating effect is 24.3 percentage points, and the two triple interactions are small and imprecisely estimated, so there is no evidence that the moderation is concentrated in richer provinces or in provinces with larger state sectors.

Scaled by the standard deviation, the estimate in Column 3 implies that a one-standard-deviation higher college share is associated with 13 percentage points higher support for state ownership. In these provinces, support fell by 16 percentage points on average between 2007 and 2012–13. A difference of one standard deviation in the potential for nationalist mobilization is therefore associated with a difference in the change in support that amounts to about four-fifths of the average change.

Figure 5 shows the 95 percent confidence intervals for all four columns under conventional cluster-robust standard errors, the wild cluster bootstrap, and randomization inference; every interval excludes zero except the wild bootstrap interval for Column 4. The wild bootstrap 95 percent confidence interval for Column 3 runs from 8 to 31 percentage points. No single province drives the result. Dropping one province at a time yields estimates between 15.9 percentage points (without Hubei) and 24.4 percentage points (without Beijing).

The result is robust to several further choices. Allowing for region-specific trends strengthens rather than weakens the result, so broad regional divergence, such as faster change on the coast than in the interior, does not account for the pattern. Adding further provincial covariates, namely foreign direct investment, the unemployment rate, industrial SOE output, and the employment share of state and party organs, raises the estimate to 0.257, which remains significant

Table 1. The 2012 Dispute and Support for State Ownership: FDID Estimates

Dependent Variable: Model:	Support for state ownership			
	(1)	(2)	(3)	(4)
College share $\times$ Wave 6	0.206*** (0.032)	0.193*** (0.036)	0.201*** (0.045)	0.243*** (0.072)
Log GDP per capita $\times$ Wave 6			0.004 (0.039)	-0.046 (0.154)
SOE employment share $\times$ Wave 6			-0.006 (0.015)	0.058 (0.087)
College share $\times$ log GDP per capita $\times$ Wave 6				0.052 (0.165)
College share $\times$ SOE employment share $\times$ Wave 6				-0.038 (0.060)
Province fixed effects	✓	✓	✓	✓
Wave fixed effects	✓	✓	✓	✓
Individual controls		✓	✓	✓
Provincial covariates $\times$ Wave 6			✓	✓
College share $\times$ covariates $\times$ Wave 6				✓
Observations	2,881	2,457	2,457	2,457

Notes: Linear probability models. The outcome equals 1 if the respondent chooses 6 or above on the ten-point scale from “private ownership should be increased” (1) to “government ownership should be increased” (10). WVS Waves 5 (2007) and 6 (2012–13), nineteen provinces surveyed in both waves, unweighted. College share is college students as a percentage of the provincial population, 2004–06. Provincial covariates are measured in 2004–06; in Column 4 they are centered at their sample means. Standard errors clustered by province in parentheses; few-cluster inference is reported in Appendix Table A3. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

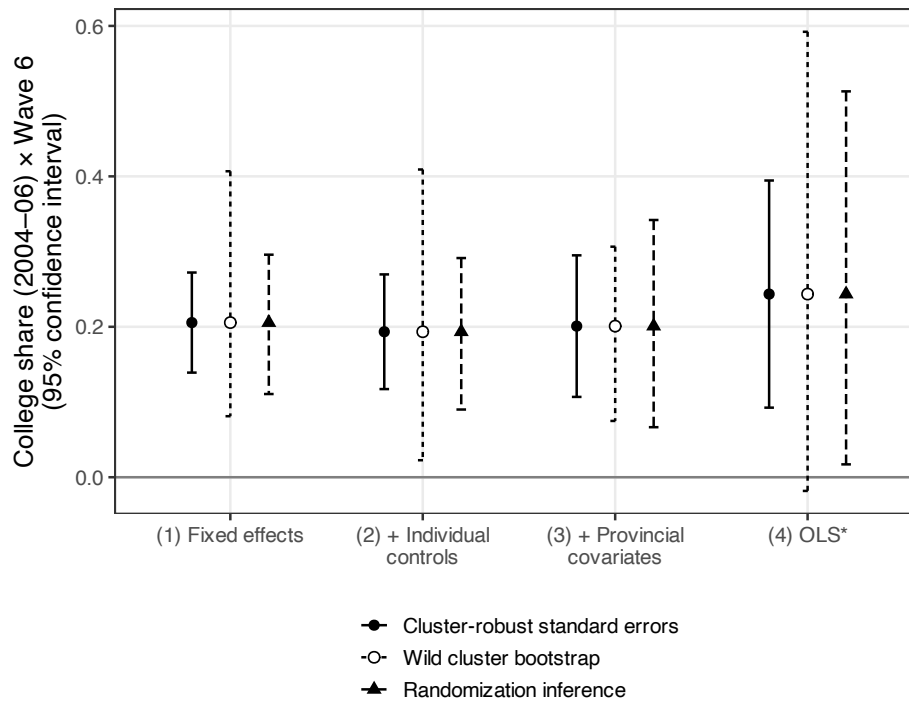


Figure 5. Estimates under Three Inference Procedures

Notes: Coefficients on college share (2004–06) × Wave 6 from the four columns of Table 1, with 95 percent confidence intervals based on conventional standard errors clustered by province, the wild cluster restricted bootstrap with Webb weights (9,999 replications), and randomization inference that reassigns the college shares across the nineteen provinces (1,999 permutations). Unweighted.

at the 1 percent level under the wild cluster bootstrap (Appendix Table A2).¹⁵

4.6 Dynamics: Pre-2012 Trends and Persistence

The surveys of 2001, 2018, and 2025 make it possible to trace the relationship between the college share and support for state ownership before and after 2012. I estimate an event-study version of the model, interacting the college share with an indicator for each wave and using Wave 5 (2007), the last survey before 2012, as the reference:

$$y_{ipw} = \sum_{k \in \{4,6,7,8\}} \beta_k (G_p \times 1[w = k]) + X'_{ipw} \gamma + \alpha_p + \delta_w + \varepsilon_{ipw}. \quad (2)$$

The coefficient for Wave 4 tests for differential trends before 2012: it captures whether support for state ownership evolved differently between 2001 and 2007 in provinces with different college shares, at a time without a shock of comparable scale.¹⁶ The coefficients for Waves 6 to 8 trace the difference after 2012.¹⁷

Figure 6 reports the estimates. Before 2012, the coefficient is negative and statistically indistinguishable from zero at conventional levels. In 2012–13 it rises sharply: a one-percentage-point higher college share is associated with 21 percentage points higher support, relative to 2007, an estimate that is statistically significant at the 1 percent level. The gap then narrows, to about 11 points in 2018, where it remains significant at the 5 percent level, and to about 5 points in 2025, where it can no longer be distinguished from zero.

The trajectory, with no significant divergence before 2012, a sharp gap immediately after it, and gradual decay thereafter, is the pattern one would expect if the gap was produced by the 2012 dispute. Nationalist mobilization is intense but brief: protests subside within weeks, while the sentiment they activate should fade as they recede from memory. A secular divergence between

15. The results do not depend on the period over which the college share is measured: measuring it in each single year from 2004 to 2011 yields estimates between 19.4 and 20.6 percentage points, all significant at the 1 percent level (Appendix Figure A5).

16. The anti-Japanese protests of 2005 fall within this window, but they were smaller, and any effect lingering in 2007 would make the 2001 coefficient negative and bias the 2012–13 estimate toward zero.

17. The event study conditions only on individual characteristics. Interacting the two provincial covariates of Table 1 with every wave indicator would add eight coefficients identified from the same nineteen provinces, which leaves little variation for the coefficients of interest. The comparison between 2007 and 2012–13 is robust to these covariates (Table 1, Column 3).

high- and low-college provinces, by contrast, would have continued or widened after 2012 rather than reversed. The dynamics therefore make it unlikely that the result reflects a common trend that merely happened to differ across provinces.

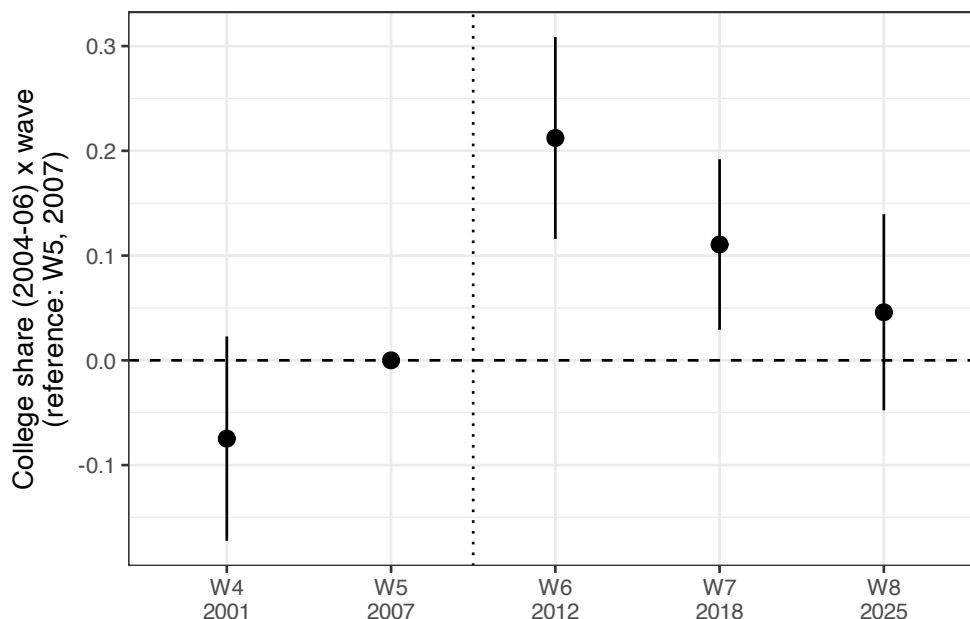


Figure 6. Event Study: College Share and Support for State Ownership, 2001–2025

Notes: Coefficients on college share (2004–06) interacted with wave indicators, with Wave 5 (2007) as the reference. Individual controls, province and wave fixed effects; unweighted. Bars show 95 percent confidence intervals based on standard errors clustered by province. The dotted line marks the September 2012 dispute.

An insignificant pre-2012 coefficient does not establish parallel trends, because tests of pre-trends often have little power (Roth 2022). I therefore follow Rambachan and Roth (2023) and ask how large a violation of parallel trends after 2007 would have to be to overturn the 2012–13 estimate, measured relative to the deviation observed between 2001 and 2007. The estimate remains statistically significant at the 5 percent level as long as the post-2007 deviation from parallel trends is no larger than the pre-2007 deviation; the breakdown value is approximately one, and at that value the robust confidence interval runs from 0.003 to 0.351 (Appendix Figure A6).¹⁸ The result is thus robust to violations of parallel trends as large as the one observed before 2012.

18. Because Wave 4 precedes Wave 5 by six years and Wave 6 follows it by about five and a half, a breakdown value of one allows a somewhat larger deviation per year after 2007 than was observed before.

4.7 Factorial Parallel Trends: Sensitivity and Competing Explanations

The event study speaks to canonical parallel trends and hence to effect modification. Interpreting the estimate as causal moderation, that is, as evidence that greater exposure to nationalist mobilization amplified the shock's effect on support for state ownership, requires the stronger factorial parallel trends assumption, which cannot be tested directly (Xu et al. 2026; Imbens and Xu 2025). I assess its plausibility in two ways. The first is a sensitivity analysis that asks how strong an unobserved confounder would have to be to overturn the result. The second is a set of direct tests of the confounders that the most plausible alternative explanations imply.

4.7.1 Sensitivity to Unobserved Confounding

Following Cinelli and Hazlett (2020), as applied to factorial designs by Xu et al. (2026), I ask how strongly an unobserved confounder would have to be associated with both the treatment, the interaction between college share and the Wave 6 indicator, and support for state ownership to eliminate the estimate.¹⁹ I benchmark the confounder against the observed covariates that correspond to the two most plausible alternative explanations. Economic interest is captured by the respondent's own employment in the public sector and the provincial SOE employment share, and economic development by provincial GDP per capita, with both provincial variables interacted with the Wave 6 indicator. The robustness value is 6.6 percent: a confounder that explained 6.6 percent of the residual variance of both the treatment and the outcome would reduce the estimate to zero. Benchmarked against the observed covariates, the estimate is robust to a confounder as strong as own public-sector employment or provincial GDP per capita, even at three times their strength (bias-adjusted estimates of 0.17 and 0.15). The most demanding benchmark is the provincial SOE employment share, which is closely correlated with the college share: a confounder as strong as it would leave an estimate of 0.17, and a confounder about 1.6 times as strong would reduce the estimate to zero (Appendix Figure A7).

19. The analysis uses the specification in Column 3 of Table 1 with the respondent's public-sector employment added (N = 1851; estimate = 0.185).

4.7.2 Economic Interest

If the college share proxied for a province's material dependence on the state sector, the 2012 change in support for state ownership could reflect economic interest rather than nationalism. Two kinds of evidence speak against this interpretation. First, if the effect operated through material stakes, it should be concentrated among those whose livelihoods depend on the state. Controlling for the respondent's own public-sector employment leaves the estimate at 0.185. Estimated separately for the two groups, the estimate is larger among the 502 public-sector employees (about 24 percentage points), but it is also positive and significant at the 5 percent level among the 1,349 respondents, who work outside the public sector (about 14 percentage points; Appendix Table A4). The effect is therefore not confined to those with a material stake in the state sector.

Second, if the state sector had expanded more in high-college provinces around 2012, for instance through the investment stimulus that followed the 2008 financial crisis, support for state ownership might have risen there for reasons unrelated to the 2012 dispute. Provincial panel data show no such expansion in state-sector employment. In a province-year panel for 2003–2018 that interacts the same college share with year indicators, with province and year fixed effects, the college share predicts no differential expansion of state-sector employment. Relative to 2007, SOE employment per capita fell significantly in high-college provinces in most years between 2008 and 2015, and employment in state and party organs fell significantly between 2009 and 2014. Industrial SOE output per capita, available only until 2011, grew faster in high-college provinces throughout 2003–2011. Yet support did not diverge significantly between 2001 and 2007 (Figure 6). This growth therefore cannot by itself explain why the gap in support opened between 2007 and 2012–13 (Appendix Figure A8).

4.7.3 Economic Development

The college share is higher in richer provinces, and development might change attitudes toward the market for reasons unrelated to nationalism. Four results speak against this interpretation. GDP per capita interacted with the Wave 6 indicator has a coefficient close to zero and leaves the estimate unchanged (Table 1, Column 3). The moderating effect of the college share does not vary with development (Column 4). Region-by-wave fixed effects, which absorb differential trends

between the coast and the interior, also increase rather than reduce the estimate. Finally, high-college provinces did not grow faster around 2012. In the province-year panel described above, the college share predicts slower growth in GDP per capita throughout 2003–2018, a smooth relative decline consistent with regional convergence that began before 2007 and shows no break around 2012, whereas the gap in support opened sharply in 2012–13 and then narrowed (Appendix Figure A8).

4.7.4 A General Shift in Political Attitudes

A further possibility is that support for state ownership merely tracks a broader shift in political attitudes, for instance a turn toward the state, toward redistribution, or toward the regime in provinces with more college students. I re-estimate the model in Column 3 with other attitudes as outcomes (Appendix Table A5). Views on whether the government should take more responsibility for ensuring that everyone is provided for, confidence in the central government, and support for larger income differences as incentives for individual effort, did not change differently across provinces. The relative rise in support for state ownership was therefore not part of a general shift toward statist economic views or toward the regime. Controlling for these attitudes, one at a time or jointly, leaves the estimate between 0.20 and 0.22 (Appendix Table A6).

4.8 Stable Sample Composition

The last assumption concerns the repeated cross-sectional structure of the data. Because the WVS samples different respondents in each wave, a change in who was interviewed could mimic a change in attitudes (Sant’Anna and Xu 2026). I re-estimate the model with each individual characteristic as the outcome, controlling for the remaining characteristics and the provincial covariates. None of the characteristics changed differently across provinces with different college shares; no estimate is statistically significant at the 10 percent level (Appendix Table A7).

5 Identity versus Insurance: Evidence from a Conjoint Experiment

The FDID evidence shows that, when an external threat struck, support for state ownership declined markedly less where citizens were more exposed to the nationalist mobilization it set off. Because the WVS measures neither threat perceptions nor exposure to official framing, it cannot show how that mobilization was converted into support for the state sector, and two questions remain open. First, *which mechanism* carries the support? The observational evidence cannot distinguish the identity mechanism from the insurance mechanism set out in Section 2.2, nor separate the two components that nationalist mobilization combines, pride in national achievement and the perception of external threat. Second, *what exactly* does nationalism legitimize? Survey items treat state ownership as a single object, but the policy space of SOE reform is graded, from full state ownership, through mixed ownership in which the state remains the controlling shareholder, to a minority state stake.²⁰ Hypotheses 2 and 3 address the first question, and the second is exploratory.

The conjoint experiment addresses both questions. Respondents choose between pairs of hypothetical SOE reform proposals that vary independently in ownership structure, official rationale, and target sector. Varying ownership across three forms identifies which kind of state involvement respondents reward. Varying the rationale pits the party-state's successive justifications against one another, from socialist equality and market reform to the two nationalist rationales, national pride and national security. If nationalism has become an additional source of legitimacy for state ownership, nationalist rationales should raise support for state control relative to socialist or market ones, and presenting pride and security separately distinguishes what the standard nationalist survey item conflates, the contrast on which Hypothesis 2 turns. The sector attribute tests the insurance mechanism (Hypothesis 3), because a preference for state control that rests on insurance against foreign coercion should be strongest in chokepoint sectors such as critical minerals and high technology. Finally, because each proposal varies on several features at once, the design makes the object of interest less conspicuous and lets respondents

20. This gradation follows the typology of Musacchio et al. (2015), who describe a shift from "Leviathan as entrepreneur" toward "Leviathan as majority investor" and "Leviathan as minority investor."

justify their choices on other grounds, which can reduce preference falsification toward a state-endorsed institution (Horiuchi et al. 2022).

5.1 Experiment Design

The experiment is designed as a two-wave study. The first wave was fielded in July–August 2026 on a Qualtrics online panel through the UCSD 21st Century China Center’s *China from the Ground Up* project. A second wave, field on the Credamo online panel in October 2026 with the same attributes and levels, will be pooled with the present data in a subsequent version of the paper. The target population is urban adults in the 27 provinces listed in Table A8. Respondents were quota-sampled to the urban population in the 2020 census on gender, age, and province, with a fixed education quota because online panels substantially under-represent citizens with low educational attainment.²¹ The final sample comprises 1,072 respondents, 6,432 respondent-task observations, and 12,864 profile observations. I weight the sample by raking it to the 2020 census margins of gender, age, province, and education, trimming weights at the 1st and 99th percentiles with iterative re-raking (DeBell and Krosnick 2009). The weighted sample matches the census targets on all four dimensions to within 0.02 percentage points.

In the conjoint experiment, each respondent completed six choice tasks. In each task, the respondent viewed two hypothetical proposals to reform a state-owned enterprise, presented side by side, and was asked to choose the proposal they preferred. Each proposal is defined by three attributes: the ownership structure of the reformed enterprise, the ideological rationale attached to the proposal, and the industry targeted by the reform. All attribute levels were drawn independently and with equal probability, and are listed in Table 2. The outcome is a binary indicator of whether a profile was selected; because the choice is forced, the two profiles in each task are in direct competition and selection probabilities average to 0.50 by construction. Average marginal component effects (AMCEs) report how changing one attribute level relative to the baseline level changes the probability that a profile is selected, averaged over the randomized distribution of the other attributes (Hainmueller et al. 2014). Marginal means report the average

21. The education quota was 15 percent middle school or below, 20 percent vocational school, 20 percent academic high school, 20 percent junior college, and 25 percent college and above. Detailed quotas are reported in Appendix Table A8.

probability of selecting a profile at each attribute level and are evaluated against the forced-choice benchmark of 0.50 (Leeper et al. 2020). All estimates apply the post-stratification weights, and standard errors are clustered by respondent.

Table 2. Conjoint Attributes and Levels

Attribute	Level	Wording
Ownership	Private Majority (reference)	Private capital as the largest shareholder, with the state as a minority shareholder.
	State Majority	The state as the largest shareholder, with private capital brought in as co-investors.
	Full State Ownership	Maintain 100% state ownership.
Ideological rationale	Market reform (reference)	Deepen market-oriented reform and foster a level playing field for fair competition between SOEs and private firms.
	Socialist equality	Consolidate the dominant role of the state-owned economy, regulate income distribution, and prevent polarization between rich and poor.
	National pride	Strengthen the leading role of SOEs in major national projects, showcasing national achievements and enhancing national pride.
	National security	Strengthen the role of SOEs in safeguarding national security, so as to better counter the containment and challenges from the United States and other Western countries.
Sector	Public Services (reference)	Increase support for public-service sectors such as transportation, electricity, and water resources.
	Critical Minerals	Increase support for key mineral-resource sectors such as rare earths and petroleum.
	Manufacturing	Increase support for manufacturing sectors such as automobiles and steel.
	High Technology	Increase support for high-tech sectors such as artificial intelligence and semiconductor chips.

Notes: Attribute levels were drawn independently and with equal probability, except that profile pairs identical on all three attributes were not allowed; this restriction leaves the marginal distribution of each attribute unaffected. Reference categories indicate the baseline levels for the AMCE estimates.

5.2 Preferences for State Ownership

Figure 7 reports the baseline estimates: panel (a) shows AMCEs relative to the reference levels in Table 2, and panel (b) shows marginal means. The ownership attribute yields a clear result: respondents reward state control in its mixed form, preferring state-majority ownership over both

full state ownership and private control. Relative to private-majority ownership, state-majority mixed ownership raises the probability that a profile is selected by 7.4 percentage points, an effect that is statistically significant at the 1 percent level, whereas full state ownership lowers it by 1.8 points, a difference that cannot be distinguished from zero. The marginal means give the same ordering: state-majority profiles are selected 55.4 percent of the time, against 48.0 percent for private-majority and 46.5 percent for fully state-owned profiles.

The ideological rationales, by contrast, produce no distinguishable average effects. Relative to the market-reform rationale, socialist equality, national pride, and national security each change the probability of selection by less than 2 percentage points, and none of these differences is statistically distinguishable from zero; the marginal means cluster tightly around the 50 percent benchmark.

The sector attribute moves choices substantially. Proposals targeting high-technology sectors are 8.3 percentage points more likely to be selected than proposals targeting public services, and proposals targeting manufacturing are 6.0 points less likely, both differences statistically significant at the 1 percent level; proposals targeting critical minerals do not differ significantly from the public-services baseline.

5.3 Ideological Framings and the Identity Mechanism

If a rationale legitimizes state control, respondents should reward state-controlled ownership more strongly when a proposal is justified in its terms, and Hypothesis 2 predicts that the national-security rationale does so more than the national-pride rationale. Because ownership and rationale are independently randomized in the conjoint design, this hypothesis can be tested directly: the ownership AMCE within each rationale is itself causally identified, and differences in these conditional AMCEs across rationales constitute formal tests of interaction.

As shown in Figure 8, the advantage of state-majority ownership is largest under the national-security rationale. When a proposal is justified on security grounds, state-majority ownership raises the probability of selection by 13.8 percentage points relative to private-majority ownership, an effect that is statistically significant at the 1 percent level. Under the market-reform and socialist-equality rationales, the effect is less than half as large, 6.3 and 6.4 points, and significant only at the 10 percent level; under national pride, it falls to 3.3 points and is indistinguishable

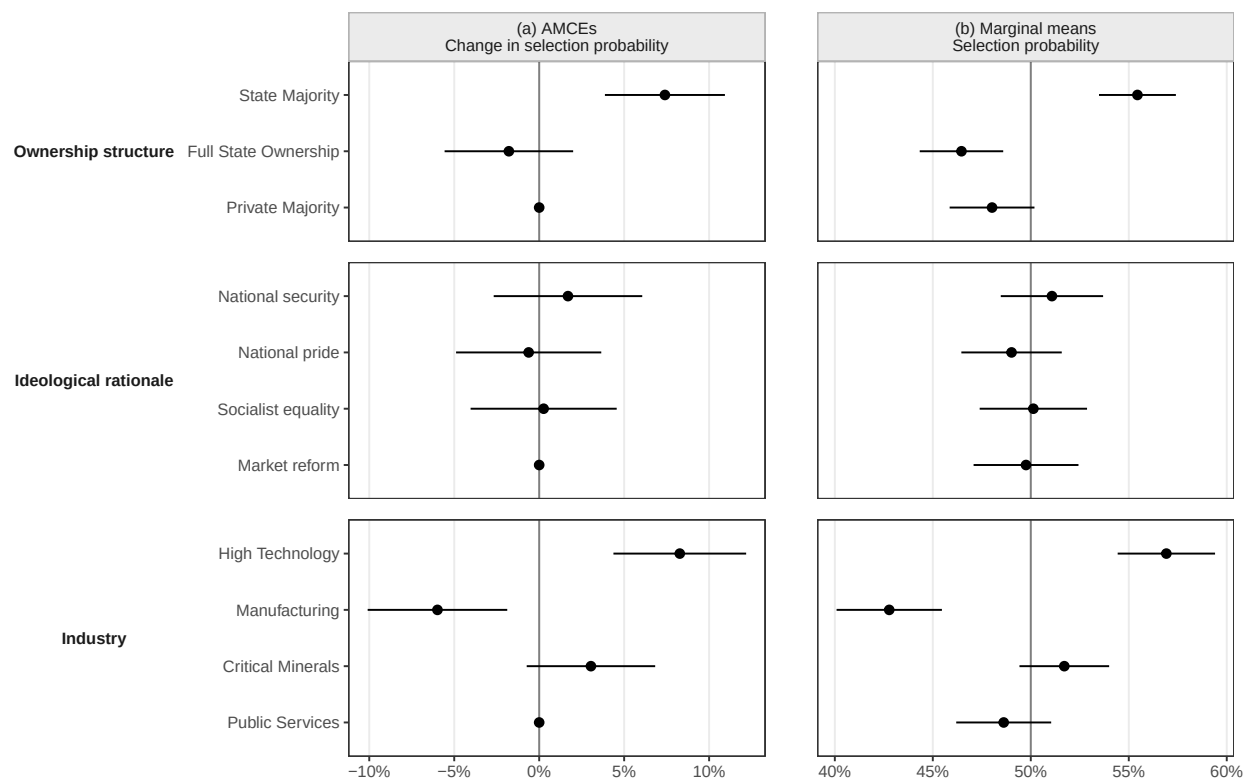


Figure 7. Baseline AMCEs and Marginal Means

Notes: Points show estimated effects in panel (a) and selection probabilities in panel (b); horizontal lines indicate 95 percent confidence intervals. Vertical reference lines mark zero in panel (a) and the 50 percent forced-choice benchmark in panel (b). Estimates apply the post-stratification weights, and standard errors are clustered by respondent.

from zero. The conditional marginal means convey the same pattern: under the security rationale, state-majority profiles are selected 59.8 percent of the time, against 46.0 percent for private-majority and 48.0 percent for fully state-owned profiles. Full state ownership, by contrast, is not favored under any rationale, including security.

The formal interaction tests point in the same direction but are less precise (Table 3). Under the national-security rationale, the effect of state-majority ownership is 7.5 percentage points larger than under market reform and 7.3 points larger than under socialist equality. The effect of full state ownership is likewise 7.3 points larger under security than under market reform, because the penalty of about 5 points that it carries under market reform disappears. Given the limited power of the first wave, none of these three differences is significant in a two-sided test, but three of the four one-sided tests specified in the hypothesis that nationalist framing amplifies support for state control reach the 10 percent level. The pooled second wave is designed to sharpen these estimates. Substantively, the security frame shifts both state-controlled forms by a similar margin but with different consequences. It turns the small advantage of mixed ownership into a strong reward, whereas for full state ownership it only offsets a deficit.

The comparison with national pride bears on which form of nationalism is at work. The state-majority advantage under national security exceeds that under national pride by 10.4 points, a difference that is statistically significant at the 5 percent level. The identity mechanism thus operates less through attachment to national achievement than through the framing of state firms as shields of “us” against “them,” a frame that intensified geopolitical rivalry keeps supplying.

Table 3. Differences in Conditional Ownership Effects: National Security versus Other Rationales

National security minus:	Full State Ownership			State Majority		
	Δ	Two-sided p	One-sided p	Δ	Two-sided p	One-sided p
Market reform	+7.3	.132	.066	+7.5	.132	.066
Socialist equality	+1.9	.696	.348	+7.3	.156	.078
National pride	+5.3	.195	.098	+10.4	.047	.024

Notes: Entries are differences, in percentage points, between the conditional AMCE of each ownership level (relative to private-majority ownership) under the national-security rationale and the corresponding AMCE under the row rationale; positive values indicate a larger ownership effect under national security. One-sided p -values test whether each ownership effect is larger under the national-security rationale than under the row rationale. Standard errors are clustered by respondent; estimates apply the post-stratification weights.

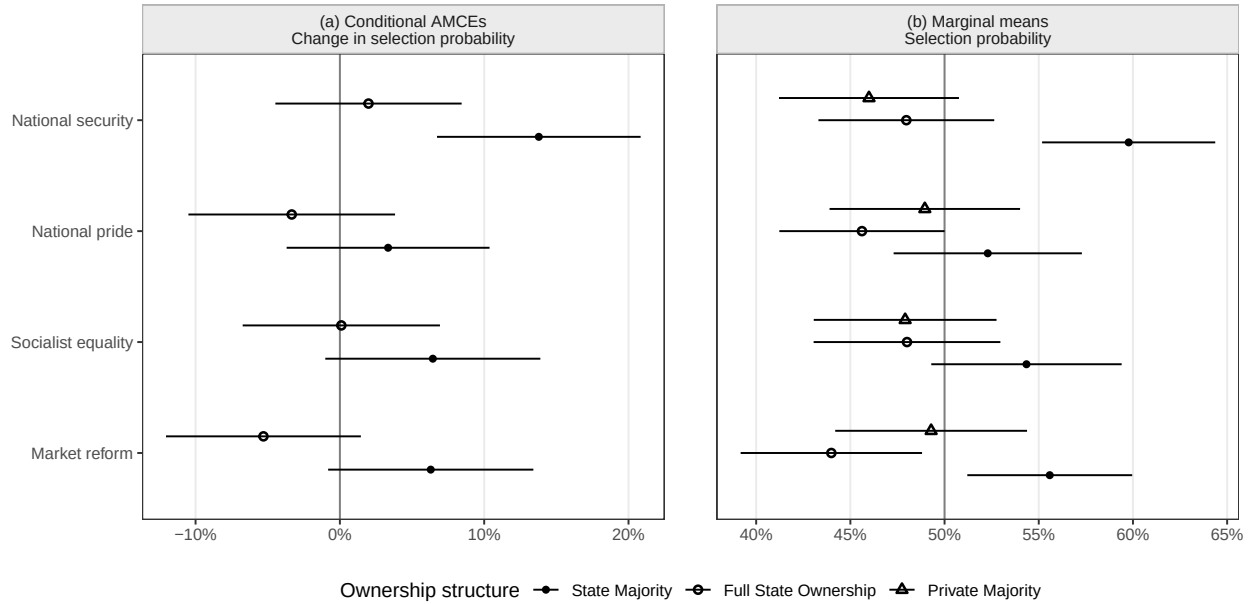


Figure 8. Ownership Effects by Ideological Rationale

Notes: Panel (a) reports conditional AMCEs of full state ownership and state-majority ownership relative to private-majority ownership under each rationale; panel (b) reports conditional marginal means. Horizontal lines indicate 95 percent confidence intervals; vertical reference lines mark zero in panel (a) and the 50 percent forced-choice benchmark in panel (b). Estimates apply the post-stratification weights, and standard errors are clustered by respondent.

5.4 Sector and the Insurance Mechanism

Hypothesis 3 follows from the insurance mechanism. If citizens support state control because state firms insure the nation against foreign coercion, the premium on state ownership should be largest in the chokepoint sectors where that coercion is exercised, critical minerals and high technology, and smaller in manufacturing and public services. Because ownership and sector are independently randomized, the ownership AMCE within each sector is causally identified, and differences in these conditional AMCEs across sectors test the prediction (Figure 9).

The prediction is not borne out. The point estimates favor state-majority ownership over private-majority ownership in every sector, but the premium is no larger where the insurance logic says it should be. It is largest in public services (10.5 percentage points) and smaller in critical minerals (7.3 points), manufacturing (6.8 points), and high technology (4.8 points); it is statistically significant at the 1 percent level in public services and at the 5 percent level in critical minerals and manufacturing, but not in high technology. None of the cross-sector differences in the state-majority premium is statistically significant. Full state ownership is likewise not

rewarded in critical minerals or high technology, and it is penalized in manufacturing (about -7.5 points), a competitive sector.

High technology is instructive. It is the sector respondents most want reform to support, with the highest marginal means under every ownership form (between 54.1 and 60.8 percent), yet it is the sector in which ownership matters least for their choice. Support for promoting a strategic sector is therefore not a demand for state ownership of it.

Taken together with the results in the previous subsection, the experiment favors the identity mechanism over the insurance mechanism. Both mechanisms predict a larger premium under the national-security frame, but only insurance predicts that the premium should concentrate in chokepoint sectors, and it does not. The preference for state control responds to how state firms are framed, not to whether foreign coercion is most likely to bite in the sector in question. Although leaders justify state ownership in the material language of insurance, citizens appear to receive the frame as a cue to national identity. As with the rationale interactions, the cross-sector contrasts are estimated with standard errors of roughly 4 to 6 percentage points, so modest sectoral differences cannot be ruled out; the pooled second wave will provide more precise estimates.

6 Concluding Remarks

More than three decades after the collapse of Soviet communism, and despite the erosion of the socialist ideology that once justified it, state ownership retains broad public support in China. In every wave of the World Values Survey since 1990, about half or more of Chinese respondents have favored more state ownership, despite decades of market reform and abundance evidence that SOEs are less efficient and more prone to corruption than private firms. I have argued that this support reflects how external threat relaxes the public constraint on state ownership. Rulers always want state firms, but the citizens and private businesses that bear their costs limit how much state ownership a ruler can sustain. External threat raises the priority that citizens place on security and makes national identity salient. The party-state has used this opening to present SOEs as guardians of national security, and external threat gives this framing its force. Supporting state ownership thus becomes one way of supporting a strong and secure nation.

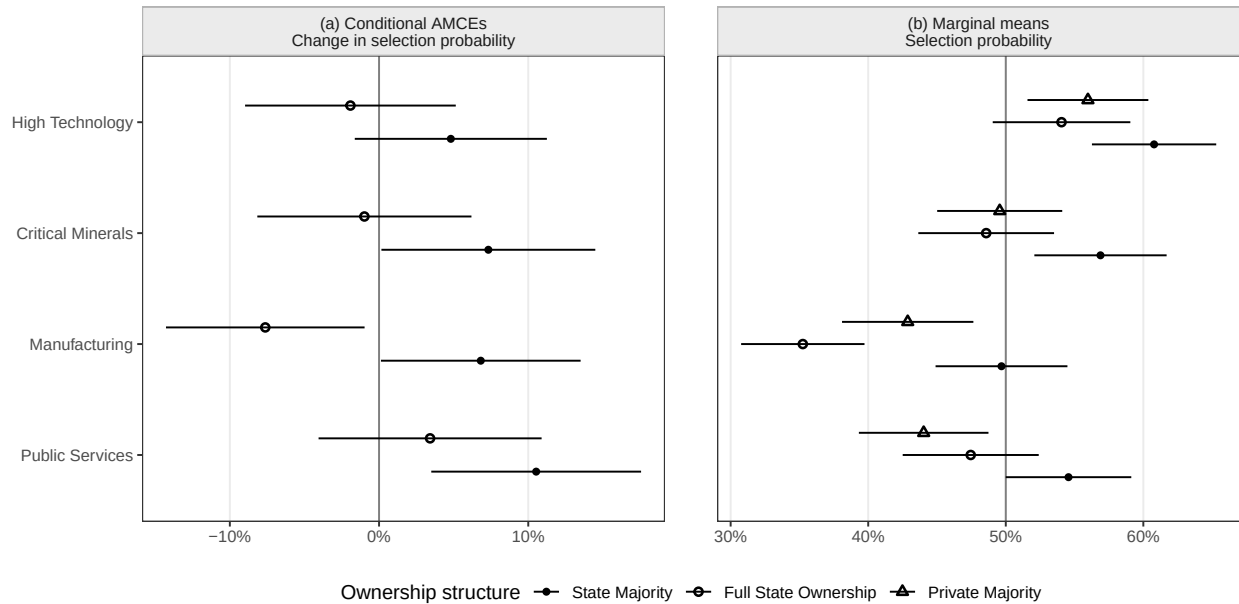


Figure 9. Ownership Effects by Sector

Notes: Panel (a) reports conditional AMCEs of full state ownership and state-majority ownership relative to private-majority ownership within each sector; panel (b) reports conditional marginal means. Horizontal lines indicate 95 percent confidence intervals; vertical reference lines mark zero in panel (a) and the 50 percent forced-choice benchmark in panel (b). Estimates apply the post-stratification weights, and standard errors are clustered by respondent.

The evidence supports this argument. High school politics textbooks and party newspaper show that the party-state has justified the state sector in increasingly nationalist terms, with a widening gap relative to the private sector, while substantive socialist justifications have remained marginal. A factorial difference-in-differences design around the 2012 Diaoyu/Senkaku Islands shows that, against a nationwide decline, support for state ownership fell markedly less where citizens were more exposed to the nationalist mobilization that the dispute set off. The gap opened only after the dispute, narrowed in the following years, and is not explained by economic interest, economic development, or a general shift in political attitudes. The first wave of a conjoint experiment shows that the preference for state control is stronger when reform is justified by national security and no stronger in chokepoint sectors. The results favor the identity mechanism over the insurance mechanism and point to the perception of external threat, rather than national pride, as its source. The two designs together point to the same form of nationalism, out-group animosity originated from external threat, strengthens the preference for state ownership. Respondents also reward the state as controlling shareholder rather than as sole owner, which

provide a more nuanced understanding about the preference for state ownership.

The findings carry two implications for our understanding of authoritarian political economy. First, they speak to the lineage of ideological conflict in the global political economy. The twentieth century was structured by the contest between socialism and capitalism, in which state ownership drew its legitimacy from socialist commitments to equality, collective ownership, and class struggle. With the collapse of the Soviet bloc, that ideological underpinning largely disappeared, yet state ownership did not. In China and other contemporary state-capitalist economies, state-dominated institutions persist, and in some cases expand, without the socialist ideology that historically justified them. The findings of this paper suggest that nationalism has emerged as an additional ideological foundation, one that legitimizes state ownership not through appeals to equality or class struggle but through appeals to sovereignty and protection from foreign threat. The twenty-first-century contest between state capitalism and free-market capitalism can be read as a successor to the twentieth-century contest between socialism and capitalism, continuing the same fundamental rivalry over the relationship between the state and the economy, but with nationalism rather than socialism as the ideological anchor of the state-dominated side.

Second, the nationalism-economy nexus is not static. External shocks that activate nationalist sentiment, such as foreign-policy crises or geopolitical confrontation, may measurably shift public attitudes toward state ownership. This raises a broader question that the present paper does not directly address: do other types of shocks known to fuel nationalism also reshape attitudes toward state ownership? The international political economy literature has documented that economic shocks from globalization, most prominently the “China shock” to manufacturing employment in advanced economies, have contributed to the rise of populism and economic nationalism in the United States and Europe (e.g., Autor et al. 2020; Colantone and Stanig 2018; Broz et al. 2021; Ballard-Rosa et al. 2021). If similar shocks operate through similar nationalist channels in state-capitalist economies, they may also reinforce public support for state-dominated institutions there. I leave this possibility, and the broader question of whether the global rise of state capitalism and economic nationalism are connected phenomena, to future research.

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A Appendix

A.1 Textbooks: Data, Coding, and Results

I examine five editions of the high school politics textbook, dated 1990, 1994, 1997, 2004, and 2017 by their edition year (Figure A1). The 1990, 1997, 2004, and 2017 editions were published by the People’s Education Press. The 1994 edition is a provincial edition (Jilin Education Press) from the period in which provinces could adopt different textbooks under a common syllabus. The copies of the 1997, 2004, and 2017 editions are later printings, and their content reflects revisions made around 2002, 2008, and 2023. From page images, I reconstruct the full text of the economics lessons on the ownership system and state enterprises and select, under a common rule, every passage that discusses public ownership or the state sector. The selection contains 1,102 sentences and 45,409 Chinese characters.

Two independent coders assign each sentence to three non-exclusive categories, nationalism (national security and national pride), socialism (divided into ritual affirmations and substantive claims about equality, distribution, and the superiority of the socialist system), and market reform. Disagreements are resolved by adjudication. Agreement is high (Cohen’s $\kappa = 0.94$ for national security, 0.90 for national pride, 0.83 for socialism, and 0.89 for market reform). Table A1 reports the share of selected characters in each category. Appeals to the performance of socialist firms in comparison with Western economies, which are concentrated in the 1994 edition (12.8 percent of its selected text), are coded as socialism because the textbook uses them to argue for the superiority of public ownership.

Table A1. Justifications of Public Ownership in High School Politics Textbooks, 1990–2017

Edition	Sentences	Characters	Nationalism		Socialism		Market reform
			Security	Pride	Ritual	Substantive	
1990	195	8,217	0.8	0.0	7.2	17.7	51.8
1994	419	18,507	0.9	1.1	11.3	33.0	42.1
1997	300	12,193	3.4	2.0	22.3	19.0	39.0
2004	70	2,033	11.6	2.8	19.6	12.0	32.7
2017	118	4,459	11.1	0.0	28.4	16.8	43.1

Notes: Entries in the last five columns are percentages of the selected characters in each edition. Categories are not exclusive, so a sentence can count in more than one column.



Figure A1. Covers of the High School Politics Textbooks

Notes: Volumes whose economics lessons on the ownership system are coded. The 1990 edition is titled *Jingji changshi* (Economic Common Knowledge), and the later editions are titled *Sixiang zhengzhi* (Politics). The 2004 volume is subtitled *Jingji shenghuo* (Economic Life) and the 2017 volume *Jingji yu shehui* (Economy and Society).

A.2 Newspaper: Corpus and Classification Pipeline

The corpus covers the CCP party newspapers at the central and provincial levels. At the central level, it includes the three party organs that most regularly cover economic policy and SOE reform, *People's Daily* (1990–2024), *Guangming Daily* (1991–2023), and *Economic Daily* (2017–2026). At the provincial level, it includes the party newspapers of seven provinces and municipalities chosen to span China's major regions and levels of economic development, namely Beijing, Shanghai, Guangdong, Zhejiang, Hubei, Liaoning, and Chongqing. Coverage of the provincial newspapers varies by source and ranges from 2012 to 2026. The full corpus contains approximately 4.3 million articles.

Coding 4.3 million articles by hand is infeasible. Applying a commercial closed-source large language model (LLM) to the full corpus would be costly and hard to replicate, and conventional supervised classifiers perform worse than recent LLMs at coding ideological content. I therefore adopt a two-step pipeline. A supervised classifier first filters the corpus by ownership type, and a fine-tuned open-weight LLM then codes ideological content within the relevant subset (Figure A2).

Step 1: Supervised ownership classification. I hand-label 1,500 randomly sampled articles (300 held out for testing) into four ownership categories, state (articles substantively discussing SOEs, state assets, SOE reform, public ownership, or collective enterprises), private (articles substantively discussing private firms, individual businesses, or foreign-invested enterprises), mixed (articles substantively covering both sectors), and unrelated. I then fine-tune a MacBERT model, a BERT variant pretrained on Chinese text, on the labeled set. The model achieves a macro-averaged F1 score of 0.89 on the held-out test set. Applying the fine-tuned classifier to the full corpus yields approximately 420,000 articles classified as state, private, or mixed-ownership, after dropping the unrelated category.

Step 2: LLM-assisted ideology coding. I then code each of the 420,000 ownership-relevant articles along non-exclusive ideological dimensions. Nationalism captures appeals to national interest, economic independence, reducing foreign dependence, national brands, and the “great rejuvenation of the Chinese nation.” Socialism captures appeals to socialist goals, such as common prosperity, reducing income disparity, and eliminating polarization. Market reform captures fair competition, modern corporate governance, mixed-ownership reform, and government deregulation. An article is coded as positive on a dimension only when it contains at least one sentence of substantive discussion, not merely slogans or passing mentions.

To implement coding at scale, I fine-tune Qwen 3.5-72B using LoRA, a parameter-efficient fine-tuning approach. The training set consists of 256 hand-labeled articles, the subset of the original 1,500 labeled articles that were classified as state, private, or mixed-ownership in Step 1. Because of the limited size of the labeled pool, I use all 256 articles for training and assess classification quality through post hoc validation. After the full corpus of 420,000 articles is labeled, I randomly sample 500 articles and hand-code them as ground truth. The fine-tuned Qwen model achieves an average F1 of approximately 0.80 across the coded dimensions. To guard against model-specific

bias, I cross-validate results with DeepSeek V3 using few-shot prompting, and agreement across the two models is high on all three dimensions. For each newspaper-year, I compute the share of state-sector and private-sector articles that invoke each ideological dimension.

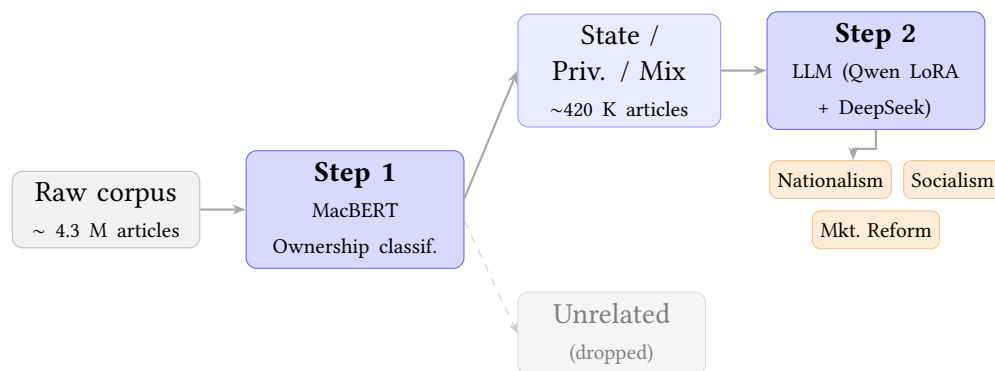


Figure A2. Two-Step Text Classification Pipeline

A.3 Newspaper: *Economic Daily* and Provincial Newspapers

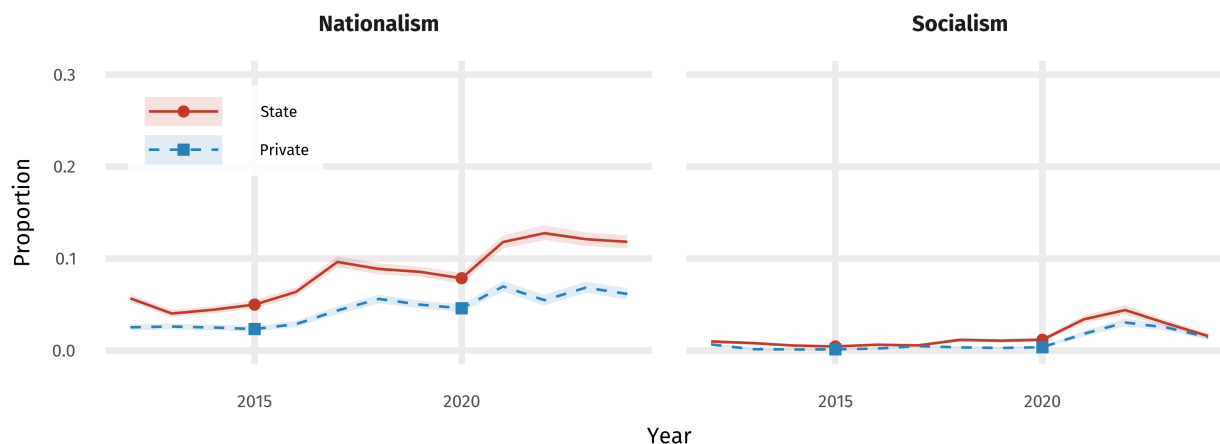


Figure A3. Nationalist and Socialist Rhetoric in State-Sector and Private-Sector Coverage, *Economic Daily* and Provincial Newspapers

Notes: As in Figure 3, for *Economic Daily* and the party newspapers of Beijing, Shanghai, Guangdong, Zhejiang, Hubei, Liaoning, and Chongqing.

A.4 FDID: College Students and the 2012 Protests

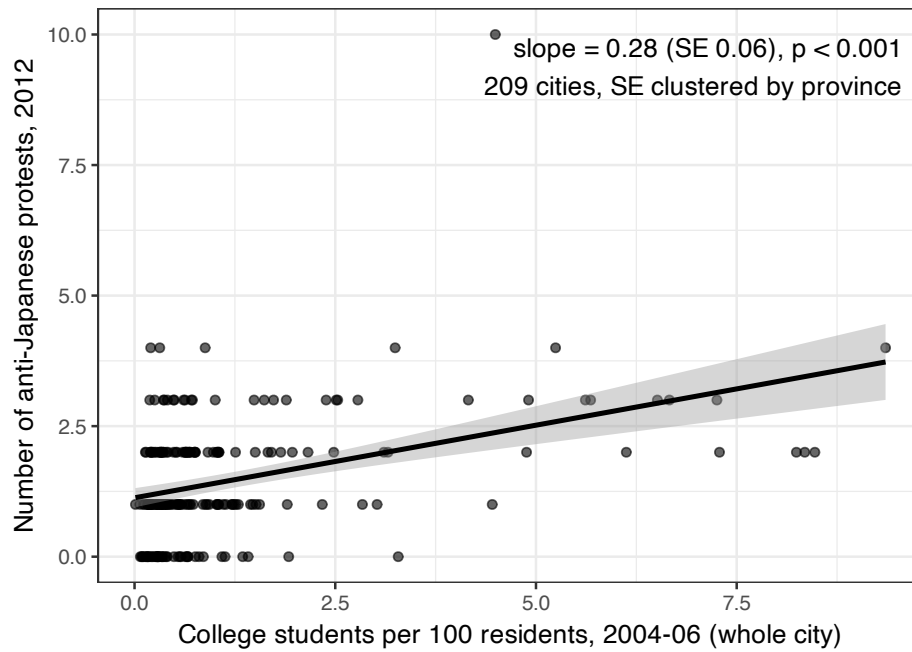


Figure A4. College Students and Anti-Japanese Protests across Prefectural Cities

Notes: Each point is a prefectural city in the nineteen provinces of the main sample (209 cities with data on both variables). Horizontal axis: regular college students per 100 registered residents of the whole city, 2004–06 average. Vertical axis: number of anti-Japanese protest events, August 15 to September 30, 2012 (Wallace and Weiss 2015). The line is the least-squares fit with its 95 percent confidence band; the slope and its standard error, clustered by province, are reported in the figure.

A.5 FDID: Additional Provincial Covariates

Table A2. Additional Provincial Covariates

Dependent Variable: Model:	Support for state ownership	
	(1)	(2)
College share $\times$ Wave 6	0.201*** (0.045)	0.257*** (0.057)
Wild cluster bootstrap p -value	0.005	0.008
Province fixed effects	✓	✓
Wave fixed effects	✓	✓
Individual controls	✓	✓
Log GDP per capita, SOE employment $\times$ Wave 6	✓	✓
Four additional provincial covariates $\times$ Wave 6		✓
Observations	2,457	2,457

Notes: Column 1 reproduces Table 1, Column 3. Column 2 adds four provincial covariates measured in 2004–06, each interacted with the Wave 6 indicator: foreign direct investment (percent of GDP), the registered urban unemployment rate, the gross output of state-owned and state-holding industrial enterprises (percent of GDP; 2005–06), and employment in state and party organs (percent of the population). Wild cluster restricted bootstrap p -values use Webb weights and 9,999 replications. Standard errors clustered by province in parentheses. Unweighted. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

A.6 FDID: Inference with Few Clusters

Table A3. Inference with Few Clusters

	(1) Fixed effects	(2) + Individual controls	(3) + Provincial covariates	(4) OLS*
Estimate	0.206	0.193	0.201	0.243
<i>Conventional cluster-robust (CR1)</i>				
Standard error	0.032	0.036	0.045	0.072
<i>p</i> -value	<0.001	<0.001	<0.001	0.003
<i>Wild cluster restricted bootstrap (Webb weights, 9,999 replications)</i>				
<i>p</i> -value	0.025	0.040	0.005	0.060
95% confidence interval	[0.081, 0.407]	[0.023, 0.409]	[0.075, 0.307]	[−0.018, 0.592]
<i>Randomization inference (1,999 permutations, <i>t</i>-statistic)</i>				
<i>p</i> -value	0.001	0.004	0.015	0.040
95% confidence interval	[0.111, 0.296]	[0.090, 0.291]	[0.067, 0.342]	[0.017, 0.513]
<i>CR2 with Bell–McCaffrey degrees of freedom</i>				
Standard error	0.039	0.045	0.055	0.081
Degrees of freedom	2.1	2.2	4.1	3.6
<i>p</i> -value	0.030	0.042	0.021	0.047
<i>Leave-one-province-out jackknife</i>				
Standard error	0.055	0.065	0.073	0.095
<i>p</i> -value	0.001	0.008	0.013	0.019
Range of leave-one-out estimates	[0.182, 0.254]	[0.164, 0.250]	[0.159, 0.244]	[0.168, 0.272]
Observations	2,881	2,457	2,457	2,457

Notes: Coefficient on college share (2004–06) $\times$ Wave 6 in the four columns of Table 1, under five inference procedures. CR1: conventional cluster-robust standard errors with a *t* distribution with 18 degrees of freedom, as in Table 1. Wild cluster restricted bootstrap: the null hypothesis is imposed, and each province’s residuals are perturbed as a block with Webb’s six-point weights; the confidence interval inverts the bootstrap test (Cameron et al. 2008; MacKinnon and Webb 2017; Webb 2023). Randomization inference: the nineteen provincial college shares are reassigned at random 1,999 times; the two-sided *p*-value is the share of the 2,000 assignments, including the observed one, whose *t*-statistic is at least as large in absolute value as the observed one, and the confidence interval collects the hypothesized coefficients that the test does not reject at the 5 percent level (Young 2019; MacKinnon and Webb 2020). CR2: bias-reduced cluster-robust variance with Bell–McCaffrey (Satterthwaite) degrees of freedom (Bell and McCaffrey 2002; Imbens and Kolesár 2016; Pustejovsky and Tipton 2018). Jackknife: variance of the nineteen leave-one-province-out estimates, with a *t* distribution with 18 degrees of freedom (MacKinnon et al. 2023b). Unweighted.

A.7 FDID: Measuring the College Share in Single Years

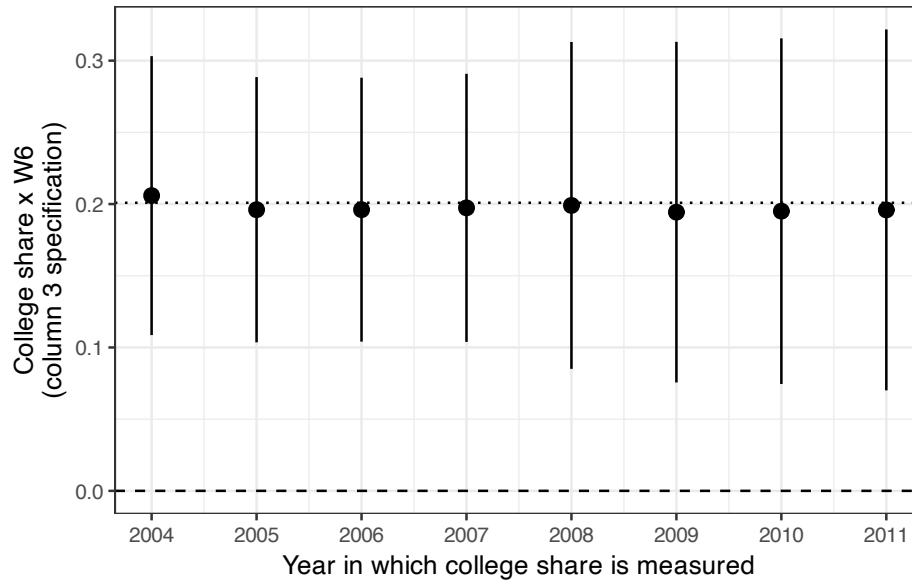


Figure A5. College Share Measured in Single Years, 2004–2011

Notes: Each point is the coefficient on college share $\times$ Wave 6 in the specification of Table 1, Column 3, with the college share measured in the indicated year instead of averaged over 2004–06. Bars show 95 percent confidence intervals based on standard errors clustered by province. The dotted line marks the main estimate (Table 1, Column 3). Unweighted.

A.8 FDID: Sensitivity to Violations of Parallel Trends

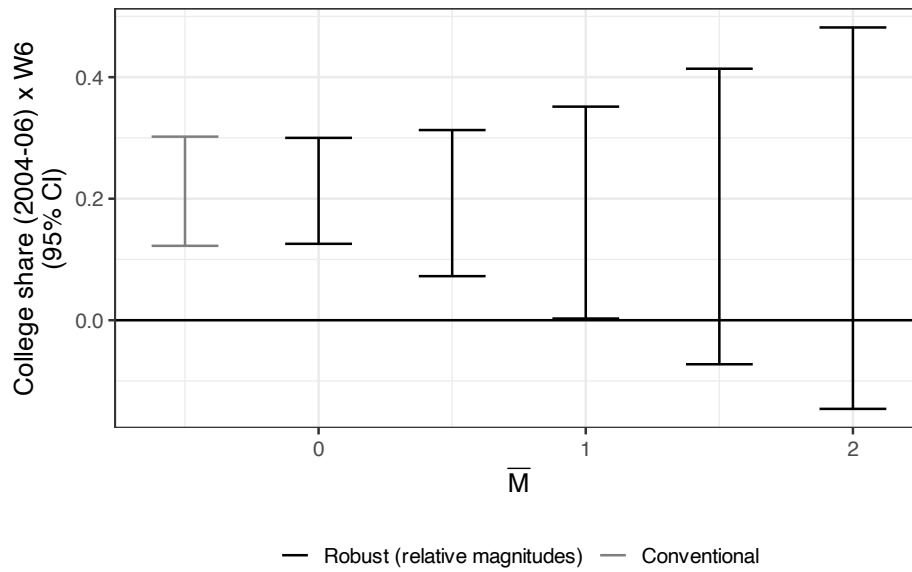


Figure A6. Sensitivity of the 2012–13 Estimate to Violations of Parallel Trends

Notes: 95 percent confidence intervals for the Wave 6 coefficient of the event study (Figure 6). The conventional interval assumes parallel trends. The robust intervals follow Rambachan and Roth (2023) and allow the deviation from parallel trends between 2007 and 2012–13 to be as large as $\bar{M}$ times the deviation between 2001 and 2007 (relative magnitudes); $\bar{M} = 0$ imposes exact parallel trends. Both use the province-clustered covariance matrix of the event-study estimates. Unweighted.

A.9 FDID: Sensitivity to Unobserved Confounding

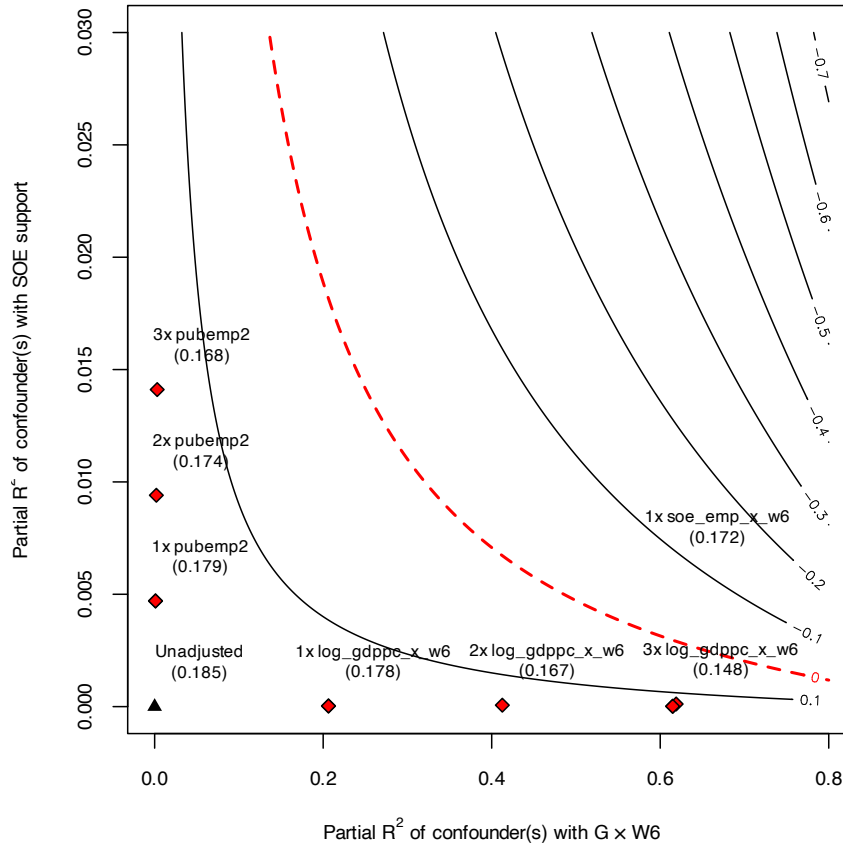


Figure A7. Sensitivity to Unobserved Confounding

Notes: Contours of the bias-adjusted estimate of college share $\times$ Wave 6 as a function of the partial R^2 of a hypothetical confounder with the treatment (horizontal axis) and with the outcome (vertical axis) (Cinelli and Hazlett 2020). The model is Table 1, Column 3, with the respondent's public-sector employment added ($N = 1,851$; unadjusted estimate 0.185). The red dashed line marks the contour on which the bias-adjusted estimate equals zero. Diamonds mark confounders one, two, and three times as strong as the benchmark covariates, with bias-adjusted estimates in parentheses: own public-sector employment (pubemp2), log GDP per capita $\times$ Wave 6 (log_gdppc_x_w6), and the SOE employment share $\times$ Wave 6 (soe_emp_x_w6). Multiples that exceed the strongest mathematically possible confounder are not shown. Unweighted.

A.10 FDID: Public-Sector Employment

Table A4. Public-Sector Employment

Dependent Variable:	Support for state ownership		
Sample:	All	Public sector	Other
Model:	(1)	(2)	(3)
College share $\times$ Wave 6	0.185*** (0.043)	0.239*** (0.063)	0.138** (0.058)
Public-sector employment	0.081** (0.030)		
Province fixed effects	✓	✓	✓
Wave fixed effects	✓	✓	✓
Individual controls	✓	✓	✓
Provincial covariates $\times$ Wave 6	✓	✓	✓
Observations	1,851	502	1,349

Notes: Specification of Table 1, Column 3, estimated on respondents with non-missing information on public-sector employment. Public-sector employment equals 1 for respondents who work for the government or a public institution. Column 1 controls for it; Columns 2 and 3 estimate the model separately for public-sector employees and for all other respondents. Standard errors clustered by province in parentheses. Unweighted. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

A.11 FDID: Provincial Panel

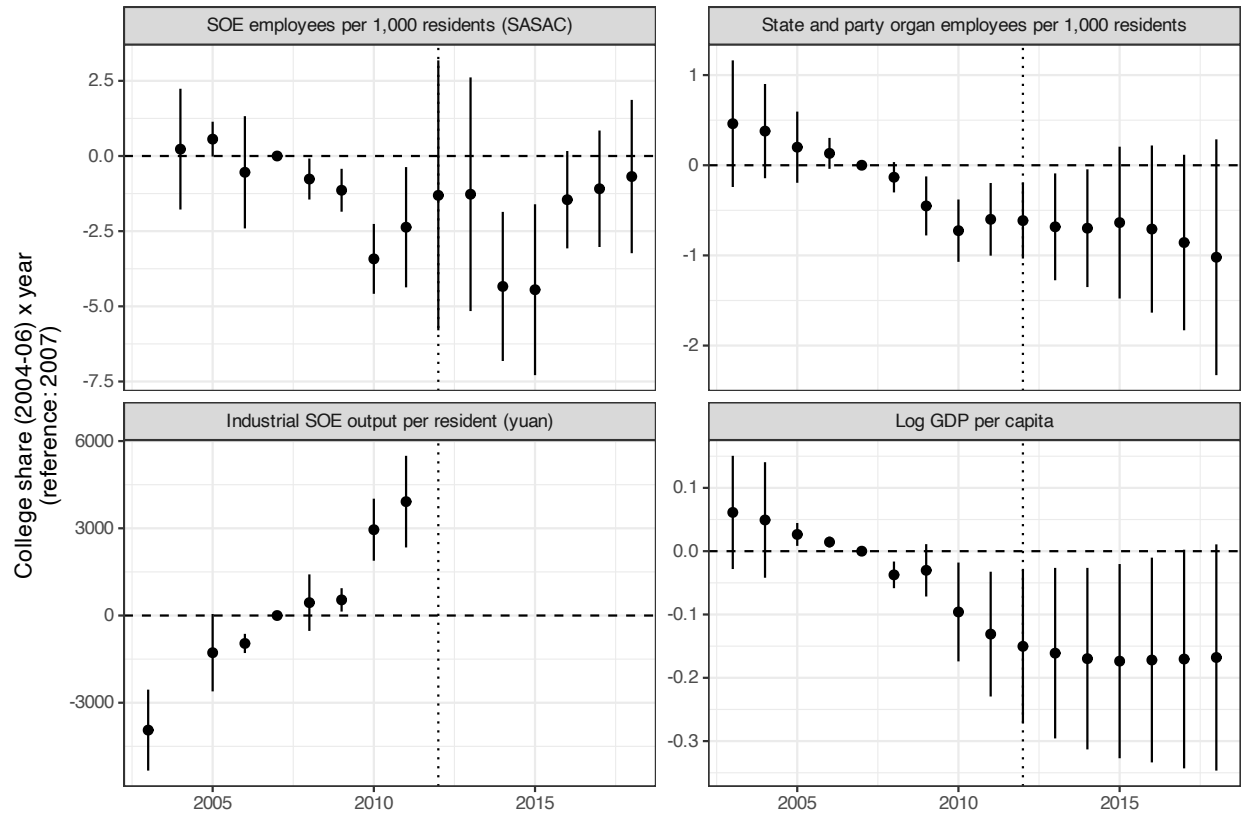


Figure A8. College Share, State-Sector Employment, SOE Output, and GDP per Capita, 2003–2018

Notes: Coefficients on the college share (2004–06) interacted with year indicators, with 2007 as the reference, from province-year regressions with province and year fixed effects for the nineteen provinces of the main sample. Bars show 95 percent confidence intervals based on standard errors clustered by province. SOE employment: year-end employment of enterprises supervised by local SASACs (EPS China State-owned Assets Database). State and party organ employment: China Labour Statistical Yearbook. Industrial SOE output: gross output of state-owned and state-holding industrial enterprises in current yuan, published for 2003 and 2005–2011. Log GDP per capita: EPS China Macroeconomic Database. The dotted line marks 2012.

A.12 FDID: Other Attitudes

Table A5. Other Attitudes as Outcomes

Dependent variable: Model:	State ownership (1)	Government responsibility (2)	Confidence in central government (3)	Larger income differences (4)
College share $\times$ Wave 6	0.201*** (0.045)	-0.067 (0.090)	-0.031 (0.027)	0.151 (0.100)
Province fixed effects	✓	✓	✓	✓
Wave fixed effects	✓	✓	✓	✓
Individual controls	✓	✓	✓	✓
Provincial covariates $\times$ Wave 6	✓	✓	✓	✓
Observations	2,457	2,423	2,398	2,434

Notes: Specification of Table 1, Column 3, with the indicated outcome; Column 1 reproduces Table 1, Column 3. Government responsibility equals 1 for respondents closer to “the government should take more responsibility to ensure that everyone is provided for” than to “people should take more responsibility to provide for themselves” on a ten-point scale. Confidence in the central government equals 1 for a great deal or quite a lot of confidence. Larger income differences equals 1 for 6 or above on the ten-point scale from “incomes should be made more equal” (1) to “we need larger income differences as incentives for individual effort” (10). Standard errors clustered by province in parentheses. Unweighted. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table A6. Controlling for Other Attitudes

Dependent Variable: Model:	Support for state ownership				
	(1)	(2)	(3)	(4)	(5)
College share $\times$ Wave 6	0.220*** (0.039)	0.213*** (0.034)	0.223*** (0.039)	0.203*** (0.033)	0.204*** (0.031)
Government responsibility		-0.077*** (0.027)			-0.046 (0.028)
Confidence in central government			0.120*** (0.033)		0.113*** (0.032)
Larger income differences				0.096*** (0.025)	0.079*** (0.025)
Province fixed effects	✓	✓	✓	✓	✓
Wave fixed effects	✓	✓	✓	✓	✓
Individual controls	✓	✓	✓	✓	✓
Provincial covariates $\times$ Wave 6	✓	✓	✓	✓	✓
Observations	2,228	2,228	2,228	2,228	2,228

Notes: Specification of Table 1, Column 3, with the attitudes of Table A5 added as controls, one at a time (Columns 2–4) and jointly (Column 5). The sample is restricted to respondents who answered all attitude items. Standard errors clustered by province in parentheses. Unweighted. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

A.13 FDID: Sample Composition

Table A7. Sample Composition

Dependent variable:	Age	Female	College	Party	Employed	Income (upper half)	Class (middle or above)
Model:	(1)	(2)	(3)	(4)	(5)	(6)	(7)
College share $\times$ Wave 6	-0.507 (1.733)	-0.025 (0.040)	-0.049 (0.044)	-0.044 (0.057)	0.032 (0.088)	-0.017 (0.098)	-0.067 (0.085)
Province fixed effects	✓	✓	✓	✓	✓	✓	✓
Wave fixed effects	✓	✓	✓	✓	✓	✓	✓
Other individual characteristics	✓	✓	✓	✓	✓	✓	✓
Provincial covariates $\times$ Wave 6	✓	✓	✓	✓	✓	✓	✓
Observations	2,457	2,457	2,457	2,457	2,457	2,457	2,457

Notes: Each column regresses the indicated respondent characteristic on college share $\times$ Wave 6, the other individual characteristics, the provincial covariates of Table 1, Column 3, and province and wave fixed effects. Income and class are subjective self-placements: income in the upper half of the ten-point income scale, and middle class or above. Standard errors clustered by province in parentheses. Unweighted. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

A.14 Conjoint: Sample Quota (First Wave)

Table A8. Sampling Quotas (First Wave)

	Census %	Quota %	Quota <i>N</i>		Province	Urban pop. (m)	Quota %	Quota <i>N</i>
<i>Gender</i>					Beijing	17.75	3.17	33
Male	50.73	50.73	533		Tianjin	10.93	1.95	21
Female	49.27	49.27	517		Hebei	22.13	3.95	41
<i>Age</i>					Shanxi	13.20	2.36	25
18–19	2.49	3.07	32		Inner Mongolia	9.45	1.69	18
20–24	6.65	8.20	86		Liaoning	25.57	4.57	48
25–29	7.72	9.52	100		Jilin	10.29	1.84	19
30–34	10.44	12.87	135		Heilongjiang	14.44	2.58	27
35–39	8.37	10.32	108		Shanghai	19.87	3.55	37
40–44	7.34	9.05	95		Jiangsu	40.27	7.19	76
45–49	8.18	10.08	106		Zhejiang	33.08	5.91	62
50–54	7.80	9.61	101		Anhui	16.33	2.92	31
55–59	6.59	8.12	86		Fujian	17.11	3.05	32
60+	15.55	19.17	201		Jiangxi	13.56	2.42	26
<i>Education</i>					Shandong	39.46	7.05	74
Middle school or below	–	15.00	158		Henan	25.97	4.64	49
Vocational school	–	20.00	210		Hubei	24.66	4.40	46
Academic high school	–	20.00	210		Hunan	18.92	3.38	35
Junior college	–	20.00	210		Guangdong	76.39	13.64	143
College and above	–	25.00	262		Guangxi	14.79	2.64	28
					Hainan	3.76	0.67	7
					Chongqing	16.34	2.92	31
					Sichuan	30.43	5.43	57
					Guizhou	10.13	1.81	19
					Yunnan	12.36	2.21	23
					Shaanxi	15.66	2.80	29
					Gansu	7.10	1.27	13

Notes: Census figures are from the 2020 Population Census of China (urban population). Quotas were set on the margins of each dimension separately rather than on their cross-classification, and each dimension sums to the planned total of 1,050 respondents; counts are rounded to integers that preserve this total. For age, census shares are expressed as percentages of the total urban population, of which adults aged 18 and above constitute 81.13%; quota percentages renormalize these shares to the adult population. The education quota is fixed by design rather than matched to the census (see Section 5). The province quota covers 27 provincial-level units; Tibet, Qinghai, Ningxia, and Xinjiang are not covered. Urban population is reported in millions, and province quota percentages are shares of the combined urban population of the covered units (559.9 million).