Introduction
- Research Question: Would unintended consequences of state engagement, even with goodwill, de-legitimize the state?
- Data and Method: Our experimental study employs data collected from the largest Chinese online forum of stock buyers, guba.
- We randomly prime forum viewers by posting threads on state involvement (treatment post) and examine their response to our treatment.
- In addition to the experiment, we also collect all comments and posts in the entire forum from year 2015. We explore the linkage between stock price and topics of posts by analyzing 100 million posts and comments.
- Results: In our experiment, when primed with state involvement, investors express more grievances as stock performance declines in Chinese stock market. Our preliminary text analysis also points to the link between stock price and state involvement.

Theory
- State activism in the economy — a general awareness of state activism in the economy.
- Economic performance becomes government performance.
- End-heuristic relates recent experience of pain to retrospective evaluation (Ariely, 1998; Healy & Lenz, 2014)

Chinese stock market is “systematically politicized”
- Macro intervention: direct manipulation of stock price
- Ordained “national team” to revive the stock market
- Prosecuted traders who sold stocks short
- Meso intervention
- Origin of the stock market: as a new source of finance for state-owned enterprises (SOEs) (official document)
- State-holding reform to help SOEs go public (Walter & Howie 2012)
- Launch of ChiNext to help small and medium enterprises to raise capital and restructure Chinese economy (e.g. “Internet plus”)
- Macro intervention: effect of industrial policies on the stock market (policy-driven market)
- “Systematic politicization” (Li & Zhou 2017)

The 2015 drama of Chinese stock market
- Stock investors in China, over 80% of who are ordinary households, anchor their trading strategies to changes in government policies
- To ordinary investors, stock index in 2015 must go up because of government’s urgent need to promote innovation-based economic transformation and other economic restructuring schemes more generally.
- Recent stock market crash and heavy, desperate rescue by the “national team”

Experiment
Research Design
- guba.com — largest online stock forum in China — over 2000 sub-forum representing each stock
- We select 100 most discussed forum between February 15th and 19th 2016, and these stocks
- cover a wide range of industries
- have lively discussion in their corresponding sub-forum
- These 100 forum are randomly divided into the equal-sized treatment and control group

Figure 1: Guba sub-forum

Treatment vignette
Control
- The situation has become much clearer. XXXX will surely go up!
- Absolute pricing of XXXX will rise, prices of other stocks related to XXXX will also rise.
- From August 9 to September 9, we collect investors’ replies to our posts every day, before “bumping” our post.
- We code a reply as “negative” if it expresses disapproval of our post.

Treatment
- The situation has become much clearer. The government has expressed clearly that it supports the development of the stock market.
- XXXX will surely go up!
- From August 9 to September 9, we collect investors’ replies to our posts every day, before “bumping” our post.
- We code a reply as “negative” if it expresses disapproval of our post.

Results

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Conclusions
- We document that state engagement in the economy may incur a political cost. This cost arises because salience of state involvement leads the public to associate economic performance with government performance, thus blaming the incumbent for their own losses of fortune.
- We support this theory by harnessing a field experiment designed to coincide with plausibly exogenous stock price variation at the firm level in the Chinese stock market. Results of our experiment suggest that investors’ grievances increase among sub-forums in the treated group following stock price declines, but the same effect does not exist in the control group.
- Our preliminary text analysis results also suggest that the public are more concerned about state engagement as stock prices decline.