

Historical Memory and Brand Preference ^{*}

(Preliminary Draft)

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Abstract

We study how historical memory of war affects current brand preference in the context of the Chinese auto market. Our unique research design exploits (i) historical exogenous variations in causalities during the Imperial Japanese Army's Continent Cross-Through Operation in 1944 and (ii) the contemporary Sino-Japan conflict over sovereignty in the East China Sea in 2012 that revitalized the wartime memory. We find that after the conflict, sales of Japanese cars dropped 8.5% more in invaded counties than in their neighboring non-invaded counties, despite having similar pre-trends. The effect is not driven by consumers delaying their purchase. Instead, we find strong evidence that consumers in invaded counties substitute more towards domestic cars. We find the invasion-specific substitution effects are particularly strong for more expensive and larger cars. The effects persist for over 24 months. Finally, we find that protests, ethnic identify, or patriotic education cannot explain the effects.

Keywords Brand, Economic History, Political Economy, China

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