

Truncating the Tail: Wage Caps and the Human Capital Pipeline in Finance *

Qin Chen[†] Zibin Huang[‡] Mengyuan Wang[§] Wenjian Xu[¶]

February 26, 2026

Abstract

This paper examines how a unique Chinese policy that capped wages in the financial industry influenced the allocation of human capital. Leveraging the 2022 policy as a quasi-natural experiment, we use administrative university admissions data from 2017 to 2024 to analyze resulting shifts in students' major choices. We find that standardized admission scores for finance (economics) majors decreased by 0.071 (0.061) standard deviations, corresponding to a drop of 1.2 (1.0) percentiles within the provincial score distribution. This cooling effect is primarily driven by a contraction in student demand rather than adjustments in enrollment quotas. The observed decline is driven by both a reduction in expected pecuniary returns to financial sector jobs—amounting to as much as 20%—and the emergence of a “finance stigma” that lowered the perceived prestige of universities specialized in economics and finance. These effects are attenuated at elite universities and for new interdisciplinary majors such as internet finance. Overall, our results underscore the power of administrative interventions in reshaping the human capital pipeline.

Keywords: Wage Cap, Financial Industry, Major Choice, Brain Drain, Human Capital

JEL Codes: G20, G28, J24, J31, J62

*We wish to thank Siqi Guo, Haibing Shu, Zhongzhi Song, Yuta Suzuki, and seminar participants at Shanghai Jiao Tong University for their comments and suggestions. We also thank Qi Zhong for his great research assistance. Xu acknowledges financial support from the National Natural Science Foundation of China (Grants NSFC-72302147), Shanghai Pujiang Program 22PJC072, and the Shanghai Institute of International Finance and Economics. Huang acknowledges financial support from the National Natural Science Foundation of China (Grant No. 72403152). Any remaining errors are our own. Authors contributed equally to this work and are listed alphabetically.

[†]Metro Data, qinchen1986@hotmail.com

[‡]College of Business, Shanghai University of Finance and Economics, and Shanghai Institute of International Finance and Economics, huangzibin@mail.shufe.edu.cn

[§]College of Economics, Hebei University of Economics and Business, wangmengyuan@163.sufe.edu.cn

[¶]Antai College of Economics and Management, Shanghai Jiaotong University, wenjianxu@sjtu.edu.cn

1 Introduction

High wages in the financial industry have emerged as a pervasive global phenomenon over recent decades (Bell and Van Reenen, 2014; Boustanifar, Grant, and Reshef, 2018; EIlul, Pagano, and Scognamiglio, 2021). This rising wage premium has sparked significant academic and policy concern that the lure of exceptional compensation diverts high ability individuals away from other productive sectors, potentially inducing a "brain drain" that stymies long-term economic growth (D'Acunto and Frésard, 2018; Hsieh et al., 2019; Liu et al., 2024). In both developed and developing economies, a disproportionate share of top-tier students gravitate toward economics, business, and finance majors, competing fiercely for entry into elite financial institutions (Goldin and Katz, 2008; Shu, 2016). China is no exception. Data from the 2014 Chinese Top Scorers Survey reveals that between 1977 and 2013, 38.5% of all top-scoring students in the National College Entrance Exam (NCEE) chose to major in economics or business management.¹ This high-scoring cohort's preference for finance has potentially crowded out talent from other fields, such as science and engineering. To address this perceived imbalance and respond to growing public concern over excessive wage premia in the financial sector, Chinese authorities have recently implemented administrative measures to cap wages and reshape the human capital pipeline. It has three main components: base pay cap, deferred performance-based compensation, and stringent regulation on informal wage subsidies.

This paper empirically examines how the wage intervention in Chinese finance industry affected the inflow of talent into finance via major choice. Leveraging the 2022 financial industry wage cap policy as a quasi-natural experiment, we find that the wage cap reduced the overall labor market return and thus discouraged students to choose finance and economics-related majors in universities. These results carry significant macroeconomic implications: they suggest that the allocation of talent is not merely a product of market demand but is deeply responsive to the regulatory environment and the social standing of an industry. Our findings also advance the understanding of how policy-induced shifts in

¹For more details, please see: https://www.edu.cn/gkzy_11686/20140619/t20140619_1135714.shtml

the human capital landscape can potentially redirect talent across industries in a modern economy.

The wage cap policy in Chinese financial industry provides a unique laboratory for studying the dynamics of human capital for several reasons. First, the 2022 wage cap policy serves as a sharp, exogenous shock to the upper tail of the income distribution, offering a rare opportunity to observe how a deliberate regulatory truncation of financial incentives redirects talent. Unlike market-driven wage fluctuations, this administrative intervention allows us to isolate the impact of policy-induced changes from changes in cognitive talent, sectoral trends, or productivity. Furthermore, the Chinese context is particularly illuminating due to the centralized and highly competitive nature of the NCEE. Because students make path dependent commitments at the point of major choice, admission scores act as a sensitive "equilibrium price" that reflects shifts in student preferences and perceived sector-specific returns. Studying China thus allows us to quantify the underlying human capital response to industrial policy shifts with a degree of precision often unavailable in more decentralized education systems.

Utilizing administrative university admissions data from 2017 to 2024 across 31 provinces, we employ a difference-in-differences (DID) framework to identify the policy's impact on the "equilibrium price" of majors, as reflected in NCEE admission cutoff scores. Our baseline results reveal a statistically significant decline in admission scores for both economics and finance majors following the policy's implementation. Specifically, standardized admission scores for finance (economics) majors dropped by 0.067 (0.051) standard deviations relative to other fields, translating to a reduction of 1.1 (0.8) percentiles in the within-province-track-year score distribution. This signals a material decrease in the competitiveness and perceived attractiveness of finance-related human capital investments.

To further distinguish between student preferences and institutional supply, we examine the impact of the policy on enrollment quotas. While both admission scores and quotas are jointly determined in equilibrium, our findings indicate that the decline in scores is primarily driven by a contraction in student demand rather than an expansion of available slots. In fact, university-major enrollment quotas and quota shares decreased very modestly following the wage cap. Because a reduction in supply would mechanically exert upward

pressure on admission scores, the observed drop in cutoffs likely represents a lower bound on the true cooling of student preferences for finance-related fields.

To ensure that the observed decline in admission scores is uniquely attributable to the wage cap policy, we implement a battery of robustness checks that address potential confounding factors. First, we account for the contemporaneous rise in the popularity of STEM majors by excluding these majors from our sample; the results remain robust, indicating that our findings are not merely a byproduct of a national trend towards science and engineering. Second, we address institutional shifts by dropping observations from provinces that underwent National College Entrance Examination reforms. Third, we drop samples during the COVID-19 pandemic. Fourth, we control for the U.S.-China trade conflict, specifically by accounting for province-major level tariff exposure. In all cases our results remain very robust.

The response to this regulatory shock exhibits significant heterogeneity across institutional tiers and academic specializations. The post-policy decline in admissions outcomes is notably attenuated at national elite universities. This suggests that elite institutions may offer stronger alumni networks, cross-industry mobility, or other unobservable benefits that partially insulate their students from sector-specific pay compression. Within the finance discipline, we find that demand for traditional finance majors has been hit hardest, whereas student interest in interdisciplinary majors like internet finance remains comparatively resilient. Furthermore, the impact is more pronounced in provinces with higher regional financial development, where the local labor market is more exposed to the wage cap policy. These results illustrate that the sensitivity of human capital to financial incentives is contingent upon the availability of outside options and the perceived transferability of skills.

Our analysis further identifies three primary channels through which the wage cap policy reshaped student preferences. First, we document a significant decline in expected pecuniary returns. Following the policy, average wages for finance-related jobs posted in a leading Chinese online job platform dropped by 25.1% to 36.6% , while salaries for employees in listed financial firms fell by 12.4% to 26.7%. The wage cap policy reduced wages for both new hires and incumbent employees. Second, the policy appears to have induced

a "finance stigma," creating a reputational spillover that transcends simple salary calculations. This is evidenced by the fact that specialized finance and economics universities experienced a significant post-policy decline in admission outcomes even for their non-economics majors, suggesting a broader deterioration in the perceived prestige of these institutions. Third, we show that the local information environment critically shapes how students respond to the wage-cap shock. Exploiting cross-provincial variation in the reach of a prominent university admissions commentator who systematically disseminates career and salary information, we find that the post-2022 decline in finance and economics major outcomes is significantly attenuated in provinces with stronger information diffusion capacity. This pattern is consistent with an information-asymmetry mechanism: where structured, career-oriented information is more accessible, students and families update beliefs more precisely and are less likely to over-extrapolate from salient regulatory news.

Our research contributes to the extensive literature regarding the mobility of human capital and its macroeconomic implications (Hsieh et al., 2019; Shu, Sivadasan, and Xu, 2024; Gao, Wang, and Wu, 2024; Gao, Wang, and Yu, 2024; Lin et al., 2025; Bai et al., 2025). A central concern is the "brain drain" hypothesis, which posits that the financial sector, by offering exceptionally high wages for a given level of talent, may lure high ability individuals away from other productive industries (Murphy, Shleifer, and Vishny, 1991; Philippon, 2010; Altonji and Zhu, 2025). This misallocation is particularly acute for STEM talent. For instance, Bolton, Santos, and Scheinkman (2016) show theoretically that the rent-seeking nature of certain financial activities can divert graduates from other fields, where their social marginal product might be higher. Empirical evidence supports this, showing that financial jobs increasingly attracts top engineering graduates (Gupta and Hacamo, 2022; Marin and Vona, 2023) and even draws talent away from critical regulatory roles (Bond and Glode, 2014; Shive and Forster, 2017). By examining a policy-induced wage cap, we provide a unique test of how the removal of extreme financial incentives affects talent allocation and the underlying elasticity of human capital across sectors, underscoring the power of government intervention in shaping the human capital composition of the future economy.

Our paper is also related to the mechanisms behind the finance wage premium and

the efficacy of regulatory responses. Scholars have long sought to disentangle whether the sector's high compensation reflects a rising demand for specialized skill or the capture of significant informational rents (Bolton, Santos, and Scheinkman, 2016; C  lerier and Vall  e, 2019; B  hm, Metzger, and Str  mberg, 2023). While early career finance wages are often justified by the competitive assignment of top-tier talent to large scale projects (C  lerier and Vall  e, 2019), U.S. and international evidence suggests that financial deregulation is the primary driver of wage inflation (Philippon and Reshef, 2012; Boustanifar, Grant, and Reshef, 2018). In particular, the growth of the premium is heavily concentrated in trading-related activities and among top earners, where compensation often reflects "rent-sharing" of industry profits rather than measurable increases in cognitive talent or productivity (Kaplan and Rauh, 2010; Philippon, 2015; B  hm, Metzger, and Str  mberg, 2023). The persistence of these excess returns has spurred a debate regarding the impact of direct interventions, such as wage caps. Theoretically, when finance workers capture informational rents through socially inefficient risk-taking, capping bonuses can restore a more optimal allocation of talent (Philippon, 2010; Lockwood, Nathanson, and Weyl, 2017). While these previous studies have focused on the efficiency of the financial sector's wage premium or its impact on the existing workforce, we offer novel evidence on how the deliberate truncation of the earnings distribution shapes the human capital pipeline at its inception.

This study further contributes to the burgeoning literature on the efficacy and consequences of industrial policy in China (Liu, 2019; Barwick, Kalouptside, and Zahur, 2025; Wang and Yang, 2025; Luo, Wang, and Yang, 2025). While extant research has primarily focused on fiscal and trade-related instruments—such as output subsidies, subsidized loans, directed foreign credits, preferential tax treatments, and tariff barriers (Chen et al., 2021, 2023; Li and Branstetter, 2024; Choi and Levchenko, 2025)—there remains a lack of empirical evidence on how administrative mandates reshape the human capital landscape. Recent advancements using large language models to decode Chinese industrial policy documents highlight the increasing prominence of labor-oriented directives within the state's strategic toolkit (Fang, Li, and Lu, 2025). We complement this strand of literature by examining the 2022 financial industry wage cap as a novel administrative tool. Our findings demonstrate that such interventions can effectively divert the flow of high ability talent at a critical early

stage of career development, thereby serving as a potent mechanism for sectoral human capital reallocation.

Finally, this paper contributes to the literature on major choice and the long-run consequences of these human capital investments (Wiswall and Zafar, 2015, 2021). Standard economic models posit that students select majors by maximizing expected utility, balancing future earnings against perceived ability (Altonji, Arcidiacono, and Maurel, 2016). A recent study by Choi, Lou, and Mukherjee (2025) shows that superstar firms attract more social attention and shape patterns of major selection. Moreover, major choice is highly sensitive to macroeconomic shocks and industrial policy shifts, such as trade-related technological rivalry (Bao et al., 2025). By demonstrating that high ability students are sensitive to both pecuniary incentives and social reputation, our findings show the power of industrial policy to redirect talent toward alternative sectors, such as science and engineering.

The remainder of the paper is organized as follows. Section 2 provides the policy background. Section 3 describes the datasets used in our analysis. Section 4 details the econometric specification and our DID empirical strategy. Section 5 presents the main results. Section 6 explores heterogeneity across university tiers, major types, and regions. Section 7 investigates the underlying mechanisms. Section 8 concludes.

2 Background

2.1 China’s Financial Industry Wage Cap Policy

The Chinese financial sector has expanded rapidly since the initiation of economic reforms in the early 1980s. As shown in Figure 1, the value added of the financial industry increased from 5.73 billion USD in 1980 to 1,418.7 billion USD in 2025, implying a compound annual growth rate of 17.02%. This rapid expansion generated substantial demand for skilled labor and created high-paying employment opportunities. Figure 2 illustrates wage dynamics in the financial and non-financial sectors using online job posting data. From 2015 to 2022, prior to the implementation of the financial industry wage cap policy, average wages in finance and other service sectors were consistently higher than in other

sectors. High wages in the financial sector were long viewed by the public as a market signal attracting talent to the industry. This perception shifted in 2022, when a series of high-profile social media incidents and related policy regulations brought financial sector compensation under intense public scrutiny. Figure 3 presents a timeline of these events and the subsequent policy rollout.

On January 6, 2022, a brokerage analyst disclosed on an annual income of 2.24 million RMB on social media, triggering widespread discussion about inequality and “unfair” wage premia in the financial sector. The following day, the Securities Association of China circulated a notice initiating an industry-wide review of compensation practices. In May 2022, it subsequently issued guidance calling for the establishment of more prudent compensation structures in securities firms. Public attention intensified again in July 2022, when the wife of a brokerage employee at China International Capital Corporation (CICC) posted her husband’s paycheck on a major Chinese social media platform, bragging that his monthly income exceeded RMB 80,000. The episode immediately drew widespread attention: Major Chinese news outlets—including The Paper (Pengpai) and Sina Finance—reported on the incident the following day. the Baidu Search Index for the relevant keyword rose from 3,067 prior to the incident to 137,790 within one day, and the related topic on Jinri Toutiao reached a heat score of 8,753,793.²

In early August 2022, the Ministry of Finance (MOF) promulgated *The Notice on Further Strengthening the Financial Management of State-owned Financial Enterprises*. This directive is widely regarded as one of the most stringent pay-restraint policies implemented in China’s financial sector. The policy has three main components. First, base pay for executives and employees in key positions, specifically members of the management team and traders responsible for risk-taking, should not exceed 35% of total payroll. Second, at least 40% of performance-based compensation must be deferred for a minimum of three years, contingent on the realization of potential risks, with the aim of mitigating principal-agent problems. Third, the policy imposes stringent regulations prohibiting informal wage subsidies

²The Paper news link, https://www.thepaper.cn/newsDetail_forward_19249173. The Sina Finance news link, <https://finance.sina.com.cn/chanjing/cyxw/2022-07-29/doc-imizmscv4065582.shtml>. Baidu Index, which is comparable to Google Trends, is constructed as a weighted index based on the search volume of a given keyword in Baidu’s web search. Jinri Toutiao is a major Chinese news-aggregation and information platform operated by ByteDance.

and restricting reimbursements for business travel.

Although the policy formally targets state-owned financial institutions, it has also generated substantial spillover effects on non-state-owned enterprises. These firms are “recommended” by the MOF to comply with the regulations, and the Ministry has indicated that any firms involved in public interests and financial stability may be subject to future scrutiny under the standards set forth in this policy notice. This policy was widely reported by the media and attracted heated discussion by the public.³ Consistent with this policy shift, Figure 4 shows that the wages of workers who majored in finance began to decline markedly relative to provincial norms, falling from the 60th to below the 50th percentile of wages within two years.

2.2 China’s National College Entrance Examination (Gaokao) System

China’s National College Entrance Examination (NCEE) is an annual nationwide exam administered each June that allocates undergraduate seats across universities and majors. In practice, it serves as the dominant gateway to higher education in China and students take the exam simultaneously across all provinces (Jia, Li, and Cousineau, 2025). While the Ministry of Education (MOE) sets the overarching rules and timeline, the administration of the NCEE is decentralized at the provincial level. The overall process consists of three stages: examination, application, and university admission.

Examination The exam typically takes place from June 7 to June 9. Students are tested on a bundle of mandatory subjects—Chinese, mathematics, and English—along with additional subjects determined by their academic track, traditionally either science or liberal arts. Liberal arts examinees are additionally tested in History, Political Science, and Geography, while science examinees are additionally tested in Physics, Chemistry, and Biology. Within a given province-year-track cell, exam scores are directly comparable and induce a complete ranking of examinees.

University major choice Unlike the U.S. system, Chinese applicants must select university–

³Please refer to the following links of news reports. https://www.mycaijing.com/article/detail/467895?source_id=40, <https://www.chinanews.com.cn/cj/2022/08-04/9819802.shtml>

major pairs at the application stage. Post-enrollment major switching is typically difficult and quantitatively rare, making the initial major choice particularly consequential. A second defining feature of the system is the use of a parallel preference list in most provinces. Applicants may submit a relatively long ranked list of university–major bundles. Admissions proceed sequentially down the list without penalty via a combination of the Boston mechanism and the deferred acceptance algorithm (Chen and Kesten, 2017; Bao et al., 2025). This mechanism expands feasible choice sets and reduces strategic “gambling”, thereby encouraging applicants to rank options according to their true preferences.

University admission Universities allocate province-specific admissions quotas across majors and admit applicants mainly in descending order of Gaokao scores within each province and track, subject to these quotas. Each university–major pair has a fixed (or nearly fixed) number of seats. Even within the same university, majors can differ substantially in selectivity. The score of the marginal admitted applicant is defined as the cutoff admission score, which summarizes the competitiveness of a given university–major pair.

3 Data and Descriptive Analysis

We utilize multiple datasets to document the empirical patterns in our analysis. This section introduces them in detail.

3.1 Major Categorization Data

The *Catalogue of Undergraduate Majors for Regular Higher Education Institutions* issued by the Chinese MOE classifies undergraduate programs into 792 six-digit *majors* at the most disaggregated level. Aggregating up, the system uses 82 four-digit *major groups* and 12 two-digit *major categories*. Economics is one of the two-digit major categories and consists of four four-digit major groups: General Economics, Finance, International Trade, and Public Finance. Within the four-digit Finance major group, there are 11 six-digit majors, such as Finance Technology, Financial Mathematics, and Internet Finance (see Figure 5).

In our baseline analysis, we adopt two definitions of the treatment group. First, we

define the treatment group as all majors within the four-digit Finance major group. Second, we use a broader definition that includes all six-digit majors within the two-digit Economics major category.

3.2 University Enrollment Data

We employ university enrollment data from the NCEE spanning 2017 to 2024, obtained from official university application guidance documents across all provinces. The dataset contains admission statistics for 1,463 undergraduate institutions in 31 provinces of mainland China. It includes information on the number of enrolled students, admission cutoff scores, and provincial cutoff rankings for each university–major (six digits) combination in each province. The original observations are at the university–major–province–track–year level, where province refers to the applicant’s province of residence.

Among the 1,463 undergraduate institutions, 111 are classified as national elite universities, including 38 Project 985 universities and 73 Project 211 (but not Project 985) universities. Project 985 and Project 211 are two higher education development and sponsorship programs established by the Chinese central government. Schools included in these two programs are usually considered elite, nationally-recognized universities. Project 985 is even more selective than Project 211. In addition, there are 253 local elite universities (*shuang fei yi ben*) and 1,099 ordinary universities.

Figure 6 provides a first look at the enrollment data by plotting the evolution of standardized admission cutoff scores for finance versus non-finance majors across elite and non-elite universities from 2017 to 2024. We find a clear decline in the observed finance–not-finance gap around 2022, especially among non-elite universities. This gives us the initial evidence that finance-related majors became less attractive after the wage cap policy. More descriptive statistics for the enrollment data are reported in Panel A of Table 1.

3.3 Job Posting and Wage Data

We also use online job posting data to examine the impact of the financial industry wage cap policy on labor market outcomes. The dataset consists of approximately 300 million recruitment postings from the *Qian Cheng Wu You* (51job.com) platform between 2017–2024, one of the largest online recruitment platforms in China. We obtain the raw data through web scraping and carefully clean the dataset to remove duplicate entries. The cleaned dataset provides detailed information on job postings, including posted wages, the number of vacancies, job titles, job descriptions, firm names and profiles, job locations, and education and major requirements. Descriptive statistics for this data are reported in Panel B of Table 1.

3.4 Listed-Firm Compensation Data

Our listed-firm data are drawn from the China Stock Market & Accounting Research Database (CSMAR), covering the period 2017–2024 and comprising more than 30,000 firm–year observations. CSMAR reports detailed firm fundamentals and operating information for Chinese listed firms and provides a comprehensive set of financial statement and performance variables, including measures of solvency, operating efficiency, profitability, risk exposure, shareholder returns, cash flows, growth, dividend policy, and per-share outcomes.

Using data on total annual employee compensation and headcount, we construct firm-level measures of average employee wages. We further utilize detailed executive compensation data to examine how the financial industry wage-cap policy affects pay at the top of the organization—typically including the general manager, deputy general managers, chief financial officer, and board secretary—who are most directly exposed to the regulation.

4 Econometric Specification

In our baseline specification, we examine the effect of China’s financial industry wage cap policy on how students choose university majors. We estimate the following empirical model:

$$Y_{ipsmt} = \alpha + \beta_1 Fin_m \times Post_t + \delta_m + \zeta_{pst} + \varphi_{ipt} + \mu_{ipsM} + \varepsilon_{ipsmt}. \quad (1)$$

The dependent variable, Y_{ipsmt} , represents either the standardized admission score cutoff or the admission score percentile for major m at university i in applicant’s province p , track s , and year t . The admission score cutoff is standardized within province–track–year cells to have mean zero and standard deviation one, and represents the minimum NCEE score required for admission to a given university–major pair in a specific province, track, and year. The admission score percentile is the ranking of the minimum NCEE score required for admission to a given university–major pair in a given province-track-year cell.⁴ Fin_m is an indicator equal to one if major m is a finance-related major. In alternative specifications, we replace Fin_m with an indicator $Econ_m$ for all economics-related majors. As finance majors (four-digit) are a subset of economics majors (two-digit), the treatment group of $Econ_m$ is more broadly defined. $Post_t$ equals one for years 2022 and later, and zero otherwise. Major m is defined at the six-digit level (the most detailed level), while M denotes the two-digit major category, corresponding to the more aggregated disciplinary classification (e.g., Economics, Science, and Engineering). The sample period spans 2017–2024. All variable definitions are listed in Table A1.

We control for four sets of fixed effects. First, major-level fixed effects, δ_m , capture time-invariant differences in the attractiveness of majors to students. Second, ζ_{pst} absorbs unobserved heterogeneity at the province-track-year level. This control is essential because the NCEE is administered at this level, and exam scores are only comparable among students within the same province, track, and year. Third, φ_{ipt} captures shocks at the school-

⁴Both the admission score percentile and the standardized admission score are increasing in the cutoff: higher cutoff scores imply higher percentiles. Specifically, a percentile of 0.6 indicates that admission to a given university–major pair requires a minimum NCEE score that exceeds that of 60% of test takers in the same province–track–year cell.

province-year level e.g., a university partnering with local government to cultivate talent. Fourth, μ_{ipsM} captures the reputation and attractiveness of university-major category combinations across provinces and tracks. For instance, law programs at Renmin University are typically more prestigious in North China particularly for students in the liberal arts track, whereas the same major at Fudan University is relatively more attractive to students from South China.

5 Main Results

5.1 Baseline Result

Table 2 shows our main results. Columns (1)–(3) use the standardized admission score as the dependent variable, while columns (4)–(6) replace it with the admission score percentile within province–track–year cells. Columns (1) and (2) report the baseline specifications, in which the economics or finance major indicators are used as the treatment variables, respectively. To have a clear control group, in column (3), we exclude other non-finance (4-digit) majors belonging to the economics (2-digit) major category from the control group (such as public finance) when finance majors are defined as the treatment group.

Overall, we find a statistically significant decline in admission scores for both economics and finance majors following the financial industry wage cap policy. Specifically, the standardized admission score for broadly defined all economics-related majors decreased by 0.051 s.d. relative to other majors, while the corresponding decline for finance majors was 0.067 s.d.. When admission scores are measured using percentiles, the estimates imply reductions of 0.8 percentiles for all economics-related majors and 1.1 percentiles for finance majors. These magnitudes correspond to dropping down roughly 1,100 to 1,500 rank positions among an average of 140,329 NCEE examinees within a given province–track–year cell. The results remain robust when other non-finance economics majors are excluded from the control group.

5.2 Event Study Regression

We further examine the dynamic effects of the financial industry wage cap policy by implementing an event study regression. We normalize the coefficient for the year 2021 (the year immediately preceding the policy) to zero and treat it as the baseline period. Figure 7 presents the event study estimates. Subfigures (a), (b), (c), and (d) correspond to the regression specifications in columns (1), (2), (4), and (5) in Table 2, respectively.

We have two main conclusions. First, we find no evidence of differential pre-trends between the treatment and control groups prior to policy implementation, supporting the validity of the parallel trends assumption. Second, we observe a sharp decline in the admission scores of economics and finance majors following the policy, with the effect persisting through 2024.

5.3 Effects on Enrollment Quotas

The admission score for a given major can be interpreted as an equilibrium price, jointly determined by students' major-choice preferences and the enrollment quotas supplied by university-major pairs. Consequently, the financial industry wage cap policy may affect not only student preferences but also the quotas set by universities. Table 3 reports the estimated effects of the policy on enrollment quotas. Columns (1)-(3) use the actual enrollment quota as the dependent variable, while columns (4)-(6) replace it with the enrollment quota share, defined as the ratio of the enrollment quota at university-major-track-province level to the university's total enrollment within the same province and track.

We find that, following the implementation of the wage cap policy, enrollment quotas in economics- and finance-related majors declined modestly. The number of available slots decreased by approximately 0.3 to 0.5 students, while the enrollment quota share fell by 0.1 percentage points. These results indicate that the observed decline in admission scores reflects a combination of changes in student demand and university supply. Nevertheless, two considerations suggest that the student preference channel plays a dominant role. First, the magnitude of the quota supply response was quantitatively minimal. Second, because

enrollment quotas declined slightly after the policy, the supply side adjustment would mechanically raise, rather than lower, admission scores, thereby attenuating the estimated effect. The observed reduction in admission scores therefore likely understates the true impact of the policy on students' major-choice preferences.

5.4 Robustness Checks

In this section, we validate our regression specification by implementing a battery of robustness checks.

Contemporaneous STEM Shocks During the period encompassing the implementation of the wage cap policy, STEM majors were becoming more popular in China. Consequently, the observed decline in economics- and finance-related majors could potentially reflect a reallocation of student demand toward STEM fields rather than a direct response to the wage cap policy. To address this concern, we exclude all STEM majors from the regression sample. Under this specification, the control group consists solely of non-economics/finance/STEM majors, such as law and history. Column (1)-(4) of Table 4 show that our main results remain unchanged, indicating that the estimated effects are not driven by contemporaneous shocks to STEM major popularity.

Reform of the University Entrance Exam and Admission Policies Starting in 2017, China has rolled out a staggered NCEE reform across provinces. The reform replaces the traditional arts–science tracking system, instead giving students free choice of three elective subjects out of eight, allowing combinations of subjects from different fields. These institutional changes may mechanically affect the admissions competitiveness of certain majors. To ensure that the observed decline in admission scores for finance-related majors is not spuriously driven by NCEE reform, we drop all province–year observations after a province adopts the reform. As reported in columns (5)-(8) of Table 4, the results remain unchanged.

COVID-19 Pandemic The COVID-19 pandemic significantly affected the Chinese economy and educational norms. The confounding effect of the pandemic has already been partly absorbed by province-year fixed effects in the main regression. To further alleviate any concerns around COVID effects, we exclude observations from 2020–2022 and re-estimate

our baseline specifications. Columns (1)–(4) of Table 5 show that our main results remain robust.

U.S.-China Trade Conflict In 2018, the U.S. launched a Section 301 investigation against China, marking the onset of the U.S.–China trade conflict (Shu, Sivadasan, and Xu, 2024). Thereafter, the United States and China imposed multiple rounds of retaliatory tariffs, curtailing bilateral trade. U.S. tariffs focused on high-end manufacturing, which stimulated strong resistance from the Chinese government and firms. The trade war and associated responses of government and industry shaped students’ expectations of employment prospects across occupations (Bao et al., 2025; Ju et al., 2024). Following Bao et al. (2025), we construct province–major level measures of tariff exposure to U.S. and Chinese tariffs and add them to our baseline specification to control for the influence of trade frictions on major choice. Columns (5)–(8) of Table 5 show that the coefficient on our main explanatory variable remains significant and negative.

In Appendix B, we show more robustness checks. First, we drop special majors such as programs with determined post-graduation employers and arts talent programs such as music and dancing. Second, we drop schools which changed their names. Third, we drop all majors established after 2022. The main results are not changed.

6 Heterogeneity Analysis

We conduct three heterogeneity analyses. First, we investigate heterogeneity by university quality. Since selective universities may offer stronger networks, placement opportunities, and cross-industry mobility, they may partially insulate students from sector-specific negative wage shocks. Second, we examine heterogeneity within finance majors. Emerging interdisciplinary tracks such as internet finance plausibly draw on more transferable, technology-oriented skills and may be perceived as less tightly linked to regulated, traditional finance compensation. Third, we investigate the heterogeneous effect across regions with different degrees of exposure to finance. In regions that are more dependent on the financial industry, the wage cap policy should impose a larger shock on the local labor market, yielding greater impacts on student major choices.

6.1 Elite and Ordinary Universities

To investigate the heterogeneous effect of the wage cap policy on different universities, we introduce three dummy variables capturing university quality: Project 985 institutions (38 leading national elite universities), Project 211 (but not Project 985) institutions (73 second-tier national elite universities), and regionally selective universities outside the 985/211 categories (local elite universities). We add interaction terms between the treatment variable and these university tier dummies. As reported in Table 6, the post-policy decline in admissions outcomes is markedly attenuated at top-tier universities: the interaction coefficients for 985 (and, to a lesser extent, 211) are positive and statistically significant, offsetting much of the baseline drop. Overall, the policy-induced reduction in the attractiveness of finance-related fields was concentrated among lower-tier institutions, showing that resources from top universities may alleviate the negative shock.

6.2 Traditional vs. Interdisciplinary Finance Majors

Table 7 examines heterogeneity within finance. We consider newly-developed internet finance programs separately from traditional finance majors. The baseline DID coefficients for only traditional economics/finance majors are negative and precisely estimated. By contrast, the triple-interaction terms for Internet Finance \times Treat \times Post are positive and statistically significant, largely offsetting the baseline decline. The results suggest that the policy-induced loss in attractiveness was concentrated in traditional finance tracks, whereas student demand for new internet finance majors was comparatively resilient. Consistent with Hanks et al. (2024), these interdisciplinary programs combine computer science and statistics with traditional financial training, which may help students hedge against earnings shocks and thus render them less affected by the policy.

6.3 Heterogeneous Effects by Regional Financial Development

To examine whether the policy effect varies with local exposure to the financial sector, we proxy regional financial development with two indicators: the financial industry's

value-added share in provincial GDP and the financial industry's share of total firm value among all listed firms in the province. We include each triple interaction between the provincial financial development indicator *Finvalue* and the treatment variable in different specifications. As shown in table 8, the coefficient on the triple interaction is consistently negative, implying that the post-policy decline in admission outcomes for finance majors was more pronounced in provinces where finance accounts for a larger share of economic activity.

7 Mechanism Analysis

There are three main mechanisms through which admission scores respond to the financial industry wage cap policy. First, the policy reduced expected labor market returns to finance- and economics-related majors, thereby discouraging students from choosing these fields. Second, the implementation of the wage cap policy was accompanied by a broader social stigmatization of the financial sector and its employees. This deterioration in the perceived reputation of the industry could have reduced the attractiveness of finance- and economics-related majors to prospective students. Third, the local information environment influences how students and their families perceive and respond to the policy shock, and the effects of the shock should be moderated by the availability and salience of this information.

7.1 Effects on Wages in Finance

We investigate the impact of the financial industry wage cap policy on the wages of finance- and economics-related jobs in two steps. First, we run a city-level regression using online job posting data. Second, we implement a firm-level regression using data from publicly listed companies.

7.1.1 City-level Evidence from Online Job Posting Data

We use comprehensive online job posting data from a major Chinese recruitment platform, 51job, covering 2017–2024. The data covers a broad spectrum of firms that post job vacancies across cities and years. We estimate the following regression:

$$Wage_{cmt} = \alpha + \beta_1 Fin_m \times Post_t + \delta_{ct} + \zeta_m + \varepsilon_{cmt} \quad (2)$$

The dependent variable $Wage_{cmt}$ denotes the average wage of job vacancies posted in city c and year t that are related to major m . A job vacancy is classified as related to major m if it explicitly requires a degree or skills associated with that major in the vacancy description. We consider two alternative measures of wages: (i) the logarithm of the average posted wage within city-year-major cells, and (ii) the percentile rank of major m 's average posted wage relative to the average posted wages of all majors conditional on city and year. Fin_m is an indicator equal to one if major m is a finance-related major. $Post_t$ equals one for years 2022 and later, and zero otherwise. We additionally control for city-year fixed effects δ_{ct} and major fixed effects ζ_m .

Table 9 reports the estimation results. Columns (1)-(4) present unweighted regressions, while columns (5)-(8) report specifications weighted by the number of vacancies associated with each job posting. Columns (1), (2), (5), and (6) use the logarithm of the average posted wage as the dependent variable, whereas columns (3), (4), (7), and (8) use the wage percentile measure. We find that the financial industry wage cap policy led to a substantial decline in wages for economics- and finance-related majors. Specifically, average posted wages decreased by 30 percent for economics-related majors and by 36.6 percent for finance-related majors. Similarly, the average wage ranks of these jobs fell by 33.5 and 41.3 percentiles, respectively. The results are quantitatively similar across the weighted and unweighted specifications, indicating robustness to alternative weighting schemes. The estimates display a dynamic event study pattern of wage reduction. Figure A1 shows that our estimated coefficients are close to zero before 2022 and only become negative afterward.

7.1.2 Firm-level Evidence from Listed Companies

We use firm-level wage data to further examine the impact of the policy on wages paid by listed companies. These data are drawn from the annual reports of publicly listed firms in China, which disclose detailed information on the wage structure of both rank-and-file workers and executive teams. Specifically, We construct firm-level average worker wages using accounting-based payroll information, defined as the sum of (i) the change in payroll payable during the year and (ii) cash paid to and on behalf of employees, divided by the total number of employees. Average executive compensation is measured as total compensation of senior managers divided by the number of senior managers. We then define Fin as an indicator variable equal to one if a firm operates in the financial industry. We then estimate a DID regression as follows:

$$Wage_{it} = \alpha + \beta_1 Fin_i \times Post_t + \gamma \mathbf{X}_{it} + \delta_i + \zeta_t + \varepsilon_{it} \quad (3)$$

The dependent variable $Wage_{it}$ denotes the logarithm of listed firm i 's average wage in year t . Fin_i is an indicator equal to one if firm i is a financial firm. $Post_t$ equals one for years 2022 and later, and zero otherwise. \mathbf{X} denotes a vector of firm-year level controls, including Tobin's Q, the natural logarithm of total assets, return on assets (ROA), and leverage. We additionally control for firm fixed effects δ_i and year fixed effects ζ_t .

Table 10 presents the results. Columns (1) and (3) report estimates for the logarithm of average worker wages, while columns (2) and (4) report results for the logarithm of average executive team's wages. Columns (1) and (2) present estimates from a standard DID specification. To address potential selection concerns, columns (3) and (4) implement a propensity score matching difference-in-differences (PSM-DID) approach, in which financial firms are matched to observationally similar non-financial firms.

We find that, following the implementation of the policy, wages of workers in listed financial firms declined by approximately 12 to 14 percent relative to firms in other industries. The effects were even larger for executive teams, with estimated reductions ranging from 26 to 31 percent. An event study analysis yields a similar dynamic pattern and shows no evidence of differential pre-trends (see Appendix Figure A2). These findings are con-

sistent with our evidence from the online job posting data and point to a broad decline in wages in the financial sector for both workers and executive team members, which likely contributed to the reduced attractiveness of finance- and economics-related majors among prospective students.

7.2 Finance Stigma

Our evidence also points to a reputational channel—what we refer to as finance stigma. The wage cap policy was accompanied by heightened public scrutiny of the financial sector, fueled by widely circulated social media posts from financial industry workers flaunting high incomes. This environment may have increased the perceived social and reputational costs of being associated with finance. If the operative mechanism were purely a decline in expected pecuniary returns, the impact should be concentrated in finance- and economics-related majors, and we would not expect to see negative spillovers to other fields in these schools. We assess this implication by focusing on non-economics majors offered at specialized finance and economics universities. The labor market pay for these majors was not directly affected by the wage cap policy. We estimate the following specification:

$$Y_{ipsmt} = \alpha + \beta_1 E_{univ_i} \times post_t + \delta_{ipsM} + \zeta_{pst} + \varphi_m + \varepsilon_{ipsmt} \quad (4)$$

i , p , s , m , and t index universities, provinces, tracks, six-digit major, and years, respectively. E_{univ_i} is an indicator for “finance and economics” institutions: we code it as 1 if the university’s name contains any of the keywords “Finance and Economics (*cai jing*)”, “Economics (*jing ji*)”, “Economics and Trade (*jing mao*)”, “Finance (*jin rong*)”, “Accounting (*kuai ji*)”, “Industry and Commerce (*gong shang*)”, “Commerce (*shang ye*)”, or “Business School (*shang xue yuan*)”.⁵

Table 11 shows that, relative to non-specialized institutions, specialized finance and economics universities experienced a significant post-policy decline in admission outcomes across all majors (Column 1–2), 2-digit economics majors (Column 3–4), and, importantly,

⁵Out of 1,463 universities in China, 110 are classified as finance and economics institutions, 7.52% of the sample.

non-economics majors (Column 5–6). The magnitudes of the reductions were similar for each. This cross-major deterioration is difficult to reconcile with a purely returns-based channel. Instead, the pattern is consistent with a “finance stigma” channel that depresses overall demand for finance-focused universities. That is, due to widespread negative sentiment toward the financial industry, even non-economics majors at finance and economics-specialized universities were substantially affected. An alternative explanation is that non-economics and non-finance majors at specialized finance and economics universities are more likely to enter the financial sector than their counterparts at other universities, and are therefore also exposed to the policy. However, if the mechanism operated solely through expected pecuniary returns, the effect on non-economics students should be smaller than that on economics and finance majors. In this table, we find that the estimated effects are of nearly identical magnitudes across the two groups. This evidence suggests that a purely returns-based channel is insufficient to account for the observed patterns.

We also group economics and management fields (2-digit economics majors + 2-digit management majors) versus all others as a robustness check. The results are similar (see Appendix Table A2).

7.3 Information Asymmetry and the Role of Social Media

Choosing a university major is an investment decision under uncertainty. Students must form expectations about long-term earnings, employment stability, and industry prospects, yet reliable information about future returns is limited. Prior research shows that educational choices respond strongly to perceived earnings (Arcidiacono, Hotz, and Kang, 2012; Wiswall and Zafar, 2015), while expectations are often imprecise or biased (Hastings, Neilson, and Zimmerman, 2015; Bleemer and Zafar, 2018). When a salient policy shock occurs—such as the 2022 wage cap in the financial industry—information frictions may amplify behavioral responses if students over-extrapolate from headline news.

In China’s university admissions market, Zhang Xuefeng has emerged as one of the most influential commentators on major selection. Through large social media platforms, he systematically analyzes employment prospects, salary structures, industry risks, and

long-term career paths across majors, explicitly advocating rational choice based on expected future returns. In this sense, Zhang functions as a large-scale information intermediary, analogous to analysts or public news in financial markets (Tetlock, 2010; Chen, Kelly, and Wu, 2020), helping interpret policy shocks and translate them into career-relevant signals.

We exploit cross-provincial variation in Zhang’s TikTok live viewer base in 2023 to proxy for differences in local information environments. Specifically, we use (i) the logarithm of Zhang’s TikTok live viewers in each province, and (ii) Zhang’s viewers scaled by the number of NCEE applicants in that province. We incorporate these measures by adding a triple interaction using this measure of information intensity and the DID term $\text{Media} \times \text{Fin/Econ} \times \text{Post}$.

Table A3 shows that the triple-interaction coefficient is positive and statistically significant. This implies that the post-policy decline in admissions outcomes for finance majors is attenuated in provinces with better information environments. This pattern is consistent with reduced information asymmetry: where structured, career-oriented information is more widely disseminated, students and parents update beliefs more precisely and are less prone to excessive pessimism following the wage-cap shock.

8 Conclusion

This paper provides a comprehensive empirical analysis of how the Chinese 2022 financial industry wage cap policy immediately and meaningfully reshaped China’s human capital pipeline. By leveraging administrative university admission and online job posting data, we offer unique evidence on the underlying elasticity of talent allocation in response to a deliberate regulatory modification of industry wages. Our findings contribute to the long-standing debate regarding the "brain drain" hypothesis, which posits that the financial sector’s high compensation lures high ability individuals away from other productive fields where their social marginal product might be higher (Murphy, Shleifer, and Vishny, 1991; Philippon, 2010).

We document a significant decline in the attractiveness of finance and economics majors following the policy. This cooling effect is primarily driven by a shift in student preferences rather than institutional supply side adjustments, as enrollment quotas remained relatively stable or even decreased slightly. Our mechanism analysis reveals that this behavioral shift is fueled by both a direct reduction in expected pecuniary returns and a broader social stigma that has diminished the prestige of finance-focused institutions.

From a policy perspective, our research highlights the efficacy of administrative wage interventions in redirecting human capital toward alternative fields, such as science and engineering. However, this reallocation is not without its costs. The emergence of "finance stigma" suggests that such policies can have far-reaching reputational consequences that extend beyond the targeted sector, potentially affecting the long-term viability of specialized educational institutions. As policymakers continue to grapple with the challenges of talent misallocation and economic growth (Hsieh et al., 2019; Liu et al., 2024), our study provides a cautionary yet insightful roadmap of the multifaceted consequences of intervening in high-skill labor markets.

References

- Altonji, Joseph and Zhengren Zhu. 2025. "Returns to Specific Graduate Degrees: Estimates Using Texas Administrative Records." Tech. rep., National Bureau of Economic Research.
- Altonji, Joseph G, Peter Arcidiacono, and Arnaud Maurel. 2016. "The Analysis of Field Choice in College and Graduate School: Determinants and Wage Effects." In *Handbook of the Economics of Education*, vol. 5. Elsevier, 305–396.
- Arcidiacono, Peter, V Joseph Hotz, and Songman Kang. 2012. "Modeling college major choices using elicited measures of expectations and counterfactuals." *Journal of Econometrics* 166 (1):3–16.
- Bai, Chong-En, Ruixue Jia, Hongbin Li, and Xin Wang. 2025. "Entrepreneurial Reluctance: Talent and Firm Creation in China." *The Economic Journal* 135 (667):964–981.
- Bao, Xiaohua, Qin Chen, Zibin Huang, Lei Li, and Mengyuan Wang. 2025. "Defensive Innovation: Technological Rivalry and College Major Choice." Tech. rep., Working Paper.
- Barwick, Panle Jia, Myrto Kalouptsi, and Nahim Bin Zahur. 2025. "Industrial Policy Implementation: Empirical Evidence from China's Shipbuilding Industry." *Review of Economic Studies* :rdaf011.
- Bell, Brian and John Van Reenen. 2014. "Bankers and Their Bonuses." *The Economic Journal* 124 (574):F1–F21.
- Bleemer, Zachary and Basit Zafar. 2018. "Intended college attendance: Evidence from an experiment on college returns and costs." *Journal of Public Economics* 157:184–211.
- Böhm, Michael J, Daniel Metzger, and Per Strömberg. 2023. ""Since You're So Rich, You Must Be Really Smart": Talent, Rent Sharing, and the Finance Wage Premium." *Review of Economic Studies* 90 (5):2215–2260.
- Bolton, Patrick, Tano Santos, and Jose A Scheinkman. 2016. "Cream-Skimming in Financial Markets." *The Journal of Finance* 71 (2):709–736.
- Bond, Philip and Vincent Glode. 2014. "The labor Market for Bankers and Regulators." *The Review of Financial Studies* 27 (9):2539–2579.
- Boustanifar, Hamid, Everett Grant, and Ariell Reshef. 2018. "Wages and Human Capital in Finance: International Evidence, 1970–2011." *Review of Finance* 22 (2):699–745.
- Célérier, Claire and Boris Vallée. 2019. "Returns to Talent and the Finance Wage Premium." *The Review of Financial Studies* 32 (10):4005–4040.
- Chen, Yan and Onur Kesten. 2017. "Chinese College Admissions and School Choice Reforms: A Theoretical Analysis." *Journal of Political Economy* 125 (1):99–139.
- Chen, Yong, Bryan Kelly, and Wei Wu. 2020. "Sophisticated investors and market efficiency: Evidence from a natural experiment." *Journal of Financial Economics* 138 (2):316–341.

- Chen, Zhao, Xian Jiang, Zhikuo Liu, Juan Carlos Suárez Serrato, and Daniel Yi Xu. 2023. "Tax Policy and Lumpy Investment Behaviour: Evidence from China's VAT Reform." *The Review of Economic Studies* 90 (2):634–674.
- Chen, Zhao, Zhikuo Liu, Juan Carlos Suárez Serrato, and Daniel Yi Xu. 2021. "Notching R&D Investment with Corporate Income Tax Cuts in China." *American Economic Review* 111 (7):2065–2100.
- Choi, Darwin, Dong Lou, and Abhiroop Mukherjee. 2025. "Superstar Firms and College Major Choice." *Journal of Political Economy Microeconomics* Forthcoming.
- Choi, Jaedo and Andrei A Levchenko. 2025. "The Long-Term Effects of Industrial Policy." *Journal of Monetary Economics* :103779.
- D'Acunto, Francesco and Laurent Frésard. 2018. "Finance, Talent allocation, and Growth." Available at SSRN 3102825 .
- Eble, Alex and Feng Hu. 2022. "Signals, Information, and the Value of College Names." *Review of Economics and Statistics* :1–45.
- Ellul, Andrew, Marco Pagano, and Annalisa Scognamiglio. 2021. "Careers in Finance." *Center for Financial Studies Working Paper* (674).
- Fang, Hanming, Ming Li, and Guangli Lu. 2025. "Decoding China's Industrial Policies." Tech. rep., National Bureau of Economic Research.
- Gao, Janet, Wenyu Wang, and Yufeng Wu. 2024. "Human Capital Portability and Careers in Finance." *The Review of Financial Studies* 37 (9):2732–2778.
- Gao, Janet, Wenyu Wang, and Xiaoyun Yu. 2024. "Big Fish in Small Ponds: Human Capital Migration and the Rise of Boutique Banks." *Management Science* 70 (11):7829–7850.
- Goldin, Claudia and Lawrence F Katz. 2008. "Transitions: Career and Family Life Cycles of the Educational Elite." *American Economic Review* 98 (2):363–369.
- Gupta, Nandini and Isaac Hacamo. 2022. "The Finance Wage Premium and Entrepreneurship." *Kelley School of Business Research Paper* (18-18).
- Hanks, Andrew S, Shengjun Jiang, Xuechao Qian, Bo Wang, and Bruce A Weinberg. 2024. "Do double majors face less risk? An analysis of human capital diversification." Tech. rep., National Bureau of Economic Research.
- Hastings, Justine, Christopher A Neilson, and Seth D Zimmerman. 2015. "The effects of earnings disclosure on college enrollment decisions." Tech. rep., National Bureau of Economic Research.
- Hsieh, Chang-Tai, Erik Hurst, Charles I Jones, and Peter J Klenow. 2019. "The Allocation of Talent and U.S. Economic Growth." *Econometrica* 87 (5):1439–1474.
- Jia, Ruixue, Hongbin Li, and Claire Cousineau. 2025. *The Highest Exam: How the Gaokao Shapes China*. Harvard University Press.

- Ju, Jiandong, Hong Ma, Zi Wang, and Xiaodong Zhu. 2024. "Trade Wars and Industrial Policy Competitions: Understanding the US-China Economic Conflicts." *Journal of Monetary Economics* 141:42–58.
- Kaplan, Steven N and Joshua Rauh. 2010. "Wall Street and Main Street: What Contributes to the Rise in the Highest Incomes?" *The Review of Financial Studies* 23 (3):1004–1050.
- Li, Guangwei and Lee G Branstetter. 2024. "Does "Made in China 2025" Work for China? Evidence from Chinese Listed Firms." *Research Policy* 53 (6):105009.
- Lin, Chen, Chicheng Ma, Yuchen Sun, and Yuchen Xu. 2025. "The allocation of Talent and Financial Development, 1897 to 1936." *Management Science* 71 (6):4688–4706.
- Liu, Ernest. 2019. "Industrial Policies in Production Networks." *The Quarterly Journal of Economics* 134 (4):1883–1948.
- Liu, Guanchun, Feng He, Chengsi Zhang, Saeed Akbar, and Youwei Li. 2024. "Human capital in the Financial Sector and Corporate Innovation: Evidence from China." *The British Accounting Review* 56 (5):101370.
- Lockwood, Benjamin B, Charles G Nathanson, and E Glen Weyl. 2017. "Taxation and the Allocation of Talent." *Journal of Political Economy* 125 (5):1635–1682.
- Luo, Kaicheng, Shaoda Wang, and David Y Yang. 2025. "Laboratories of Autocracy: Landscape of Central–Local Dynamics in China’s Policy Universe." Tech. rep., National Bureau of Economic Research.
- Marin, Giovanni and Francesco Vona. 2023. "Finance and the Reallocation of Scientific, Engineering and Mathematical Talent." *Research Policy* 52 (5):104757.
- Murphy, Kevin M, Andrei Shleifer, and Robert W Vishny. 1991. "The Allocation of Talent: Implications for Growth." *The Quarterly Journal of Economics* 106 (2):503–530.
- Philippon, Thomas. 2010. "Financiers versus Engineers: Should the Financial Sector Be Taxed or Subsidized?" *American Economic Journal: Macroeconomics* 2 (3):158–182.
- . 2015. "Has the US Finance Industry Become Less Efficient? On the Theory and Measurement of Financial Intermediation." *American Economic Review* 105 (4):1408–1438.
- Philippon, Thomas and Ariell Reshef. 2012. "Wages and Human Capital in the US Finance Industry: 1909–2006." *The Quarterly Journal of Economics* 127 (4):1551–1609.
- Shive, Sophie A and Margaret M Forster. 2017. "The Revolving Door for Financial Regulators." *Review of Finance* 21 (4):1445–1484.
- Shu, Haibing, Jagadeesh Sivadasan, and Wenjian Xu. 2024. "Managerial Capital and Adverse Shocks: Evidence from the 2018 Us-China Trade War." Available at SSRN 4764359

- Shu, Pian. 2016. "Innovating in Science and Engineering or 'Cashing In' on Wall Street? Evidence on Elite STEM Talent." *Harvard Business School Technology & Operations Mgt. Unit Working Paper* (16-067).
- Tetlock, Paul C. 2010. "Does public financial news resolve asymmetric information?" *The Review of Financial Studies* 23 (9):3520–3557.
- Wang, Shaoda and David Y Yang. 2025. "Policy Experimentation in China: The Political Economy of Policy Learning." *Journal of Political Economy* 133 (7):000–000.
- Wiswall, Matthew and Basit Zafar. 2015. "Determinants of College Major Choice: Identification Using an Information Experiment." *The Review of Economic Studies* 82 (2):791–824.
- . 2021. "Human Capital Investments and Expectations about Career and Family." *Journal of Political Economy* 129 (5):1361–1424.

Table 1 Descriptive Statistics

Panel A: University Admission Data		Mean	Std Dev	Min	Max	N
Standardized Admission Score	Finance Majors	0.008	1.072	-3.494	4.115	87,717
	Other Majors	0.025	0.964	-4.229	4.603	2,780,679
Score Percentile	Finance Majors	0.737	0.217	0	1	87,717
	Other Majors	0.739	0.201	0	1	2,780,679
Enrollment Quota	Finance Majors	6.978	16.518	1	408	87,717
	Other Majors	7.877	21.206	1	1,644	2,780,679
Panel B: Job Posting Data		Mean	Std Dev	Min	Max	N
ln(Average Wage)	Finance Majors	9.066	0.605	4.208	11.303	7,517
	Other Majors	8.824	0.636	1.454	16.731	320,134
Wage Percentile	Finance Majors	0.737	0.235	0.013	1	7,517
	Other Majors	0.483	0.279	0.002	1	320,134

Notes: This table reports descriptive statistics for the main variables used in the analysis. Panels A and B both cover the sample period 2017–2024. Panel A presents statistics from the university admission dataset, compiled from official university application guidance documents across provinces, and includes finance-related majors (e.g., finance, financial engineering, insurance, investment, and related fields) as well as a comparison group of non-finance majors from the same admission records. “Standardized Admission Score” is the admission score normalized within province-year (and exam track, where applicable), “Score Percentile” is the percentile rank of the admission score within the corresponding province-year admission distribution, and “Enrollment Quota” is the enrollment number of admitted students for a given major in a given province-track-year. Panel B presents statistics from the 51job posting dataset. “ln(Average Wage)” is the natural logarithm of the average posted wage after harmonizing wage units and pay frequencies, and “Wage Percentile” is the percentile rank of the posted wage within the relevant comparison group; “Finance Majors” refers to postings requiring finance-related majors, while “Other Majors” refers to postings requiring non-finance majors.

Table 2 Baseline Results

	Standardized Admission Score			Score Percentile		
	(1)	(2)	(3) Drop other Econ	(4)	(5)	(6) Drop other Econ
Econ×Post	-0.051*** (0.015)			-0.008*** (0.003)		
Fin×Post		-0.056*** (0.013)	-0.067*** (0.013)		-0.009*** (0.002)	-0.011*** (0.002)
Prov-Track-Year FE	Y	Y	Y	Y	Y	Y
Prov-University-Year FE	Y	Y	Y	Y	Y	Y
Prov-University-Major Cat-Track FE	Y	Y	Y	Y	Y	Y
Major FE	Y	Y	Y	Y	Y	Y
Observations	2,868,396	2,868,396	2,742,226	2,868,396	2,868,396	2,742,226
R-squared	0.926	0.926	0.926	0.930	0.930	0.930

Notes: This table reports the impact of China’s financial industry wage cap policy on university major admission scores. The dependent variable is the university-province-track-major-year standardized admission scores in columns (1)-(3) and admission score percentile in columns (4)-(6). The independent variable is the interaction of the economics (columns (1) and (4)) or finance (columns (2), (3), (5), and (6)) major dummy and the post-policy dummy. Data span 2017 to 2024. All regressions are weighted by the number of enrollments at the province-university-track-major level. We control for province-track-year fixed effects, province-university-year fixed effects, province-university-major category-track, and major fixed effects in all columns. Major category refers to two-digit major. Columns (3) and (6) exclude non-finance majors from the economics field. Standard errors are clustered at the 4-digit major level. *** p < 0.01, ** p < 0.05, * p < 0.1.

Table 3 Effect on Enrollment Quotas

	Enrollment Quota			Enrollment Quota Share		
	(1)	(2)	(3) Drop other Econ	(4)	(5)	(6) Drop other Econ
Econ×Post	-0.255 (0.216)			-0.001 (0.000)		
Fin×Post		-0.367*** (0.129)	-0.476*** (0.158)		-0.001*** (0.000)	-0.001*** (0.000)
Prov-Track-Year FE	Y	Y	Y	Y	Y	Y
Prov-University-Year FE	Y	Y	Y	Y	Y	Y
Prov-University-Major Cat-Track FE	Y	Y	Y	Y	Y	Y
Major FE	Y	Y	Y	Y	Y	Y
Observations	2,868,396	2,868,396	2,742,226	2,868,396	2,868,396	2,742,226
R-squared	0.571	0.571	0.570	0.841	0.841	0.838

Notes: This table reports the impact of China’s financial industry wage cap policy on university enrollment quotas across majors. The dependent variable is the enrollment quota (Column (1)-(3)) or the enrollment quota share (Column (4)-(6)). The enrollment quota share is defined as the ratio of the enrollment quota at university-major-track-province level to the university’s total enrollment within the same province and track. The independent variable is the interaction of the economics (columns (1) and (4)) or finance (columns (2), (3), (5), and (6)) major dummy and the post-policy dummy. Data span 2017 to 2024. We control for province-track-year fixed effects, province-university-year fixed effects, province-university-major category-track fixed effects, and major fixed effects in all columns. Major category refers to two-digit major. Columns (3) and (6) exclude non-finance majors from the economics field. Standard errors are clustered at the 4-digit major level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 4 Robustness Exercises for Contemporaneous STEM Shocks and NCEE Reform

VARIABLES	Contemporaneous STEM Shocks				Reform of NCEE			
	(1) Score	(2) Percentile	(3) Score	(4) Percentile	(5) Score	(6) Percentile	(7) Score	(8) Percentile
Econ×Post	-0.040** (0.017)	-0.007** (0.003)			-0.050*** (0.015)	-0.008** (0.003)		
Fin×Post			-0.046*** (0.014)	-0.008*** (0.003)			-0.040*** (0.014)	-0.006** (0.002)
Prov-Track-Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Prov-University-Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Prov-University-Major Cat-Track FE	Y	Y	Y	Y	Y	Y	Y	Y
Major FE	Y	Y	Y	Y	Y	Y	Y	Y
Observations	1,522,612	1,522,612	1,522,612	1,522,612	1,981,725	1,981,725	1,981,725	1,981,725
R-squared	0.930	0.939	0.930	0.939	0.919	0.926	0.919	0.926

Notes: This table reports the results of the robustness checks investigating contemporaneous STEM shocks by dropping STEM majors and NCEE reform by dropping years following a province-level reform from the regression. The dependent variable is the university-province-track-major-year standardized admission score in columns (1), (3), (5), (7), and admission score percentile in columns (2), (4), (6), (8). The key regressors are interactions between the post-policy indicator (Post, equal to 1 for 2022 and later) and indicators for economics-related majors (Econ) or finance-related majors (Fin). Columns (1)–(4) exclude all STEM majors. Columns (5)–(8) exclude all province-year observations if a province has conducted NCEE reform. Data span 2017 to 2024. All regressions are weighted by the number of enrollments at the province-university-track-major level. We control for province-track-year fixed effects, province-university-year fixed effects, province-university-major category-track fixed effects, and major fixed effects, in all columns. Major category refers to two-digit major. Standard errors are clustered at the 4-digit major level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 5 Robustness Exercises for the Pandemic and Trade Conflict

VARIABLES	COVID-19 Pandemic				U.S.-China Trade Conflict			
	(1) Score	(2) Percentile	(3) Score	(4) Percentile	(5) Score	(6) Percentile	(7) Score	(8) Percentile
Econ×Post	-0.065*** (0.020)	-0.011*** (0.004)			-0.051*** (0.015)	-0.008*** (0.003)		
Fin×Post			-0.076*** (0.016)	-0.013*** (0.003)			-0.056*** (0.013)	-0.009*** (0.002)
U.S. Tariff Exposure	N	N	N	N	Y	Y	Y	Y
Chinese Tariff Exposure	N	N	N	N	Y	Y	Y	Y
Prov-Track-Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Prov-University-Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Prov-University-Major Cat-Track FE	Y	Y	Y	Y	Y	Y	Y	Y
Major FE	Y	Y	Y	Y	Y	Y	Y	Y
Observations	2,495,087	2,495,087	2,495,087	2,495,087	2,868,396	2,868,396	2,868,396	2,868,396
R-squared	0.922	0.927	0.922	0.927	0.926	0.930	0.926	0.930

Notes: This table reports the results of the robustness checks investigating the impact of the pandemic and the U.S.-China trade conflict. The dependent variable is the university-province-track-major-year standardized admission score in columns (1), (3), (5), (7), and admission score percentile in columns (2), (4), (6), (8). The key regressors are interactions between the post-policy indicator (Post, equal to 1 for 2022 and later) and indicators for economics-related majors (Econ) or finance-related majors (Fin). Columns (1)–(4) drop observations from 2020 to 2022. Columns (5)–(8) include province-major level tariff exposure to U.S. tariffs and Chinese tariffs. Data span 2017 to 2024. All regressions are weighted by the number of enrollments at the province-university-track-major level. We control for province-track-year fixed effects, province-university-year fixed effects, province-university-major category-track fixed effects, and major fixed effects, in all columns. Major category refers to two-digit major. Standard errors are clustered at the 4-digit major level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 6 Heterogeneous Effects across University Tiers

	Score		Score Percentile	
	(1)	(2)	(3)	(4)
Econ×Post	-0.043*** (0.013)		-0.009*** (0.002)	
Econ×Post×985	0.067 (0.060)		0.017** (0.008)	
Econ×Post×211	-0.006 (0.017)		0.005 (0.003)	
Econ×Post×localelite	-0.029** (0.013)		-0.002 (0.002)	
Fin×Post		-0.054*** (0.010)		-0.011*** (0.002)
Fin×Post×985		0.036*** (0.014)		0.015*** (0.003)
Fin×Post×211		0.023 (0.022)		0.008*** (0.003)
Fin×Post×localelite		-0.015 (0.013)		0.001 (0.002)
Prov-Track-Year FE	Y	Y	Y	Y
Prov-University-Year FE	Y	Y	Y	Y
Prov-University-Major Cat-Track FE	Y	Y	Y	Y
Major FE	Y	Y	Y	Y
Observations	2,868,396	2,868,396	2,868,396	2,868,396
R-squared	0.926	0.926	0.930	0.930

Notes: This table reports the heterogeneous effect of China’s financial industry wage cap policy across university tiers. The dependent variable is the university-province-track-major-year standardized admission score in columns (1)-(2) and admission score percentile in columns (3)-(4). The independent variable is the interaction of the DID dummy (Econ×Post or Fin×Post) with the university-tier dummies. 985 denotes Project 985 universities (38 first-tier national elite schools), 211 denotes Project 211 (but not Project 985) universities (73 second-tier national elite schools), and local elite denotes regionally selective universities outside the 985/211 projects. Data span 2017 to 2024. All regressions are weighted by the number of enrollments at the province-university-track-major level. We control for province-track-year fixed effects, province-university-year fixed effects, province-university-major category-track fixed effects, and major fixed effects, in all columns. Major category refers to two-digit major. Standard errors are clustered at the 4-digit major level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 7 Heterogeneous Effects on Interdisciplinary Finance Majors

	(1) Score	(2) Percentile	(3) Score	(4) Percentile
Internet Finance × Econ × Post	0.027*** (0.008)	0.004** (0.002)		
Econ × Post	-0.051*** (0.015)	-0.008*** (0.003)		
Internet Finance × Fin×Post			0.038*** (0.007)	0.006*** (0.002)
Fin × Post			-0.057*** (0.013)	-0.010*** (0.002)
Prov-Track-Year FE	Y	Y	Y	Y
Prov-University-Year FE	Y	Y	Y	Y
Prov-University-Major Cat-Track FE	Y	Y	Y	Y
Major FE	Y	Y	Y	Y
Observations	2,868,396	2,868,396	2,868,396	2,868,396
R-squared	0.926	0.930	0.926	0.930

Notes: This table reports the heterogeneous effect within finance major group by distinguishing internet finance from other finance majors. The dependent variable is the university-province-track-major-year standardized admission score in columns (1)-(2) and admission score percentile in columns (3)-(4). The independent variable is the interaction of the DID dummy (Econ×Post or Fin×Post) with the *InternetFinance* dummy (major coded 020309) . Data span 2017 to 2024. All regressions are weighted by the number of enrollments at the province-university-track-major level. We control for province-track-year, province-university-year, province-university-major category-track fixed effects, and major fixed effects, in all columns. Major category refers to two-digit major. Standard errors are clustered at the 4-digit major level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 8 Heterogeneous Effects by Regional Financial Development

Variable	Local Financial Industry Value Share				Financial Firm Value Share in Listed Firms			
	(1) Score	(2) Percentile	(3) Score	(4) Percentile	(5) Score	(6) Percentile	(7) Score	(8) Percentile
Finvalue×Econ×Post	-0.211* (0.124)	-0.084*** (0.024)			0.001 (0.015)	-0.007* (0.004)		
Econ×Post	-0.036** (0.018)	-0.002 (0.003)			-0.050*** (0.017)	-0.007** (0.003)		
Finvalue×Fin×Post			0.068 (0.111)	-0.016 (0.021)			-0.004 (0.018)	-0.010*** (0.003)
Fin×Post			-0.061*** (0.015)	-0.008*** (0.002)			-0.054*** (0.015)	-0.007** (0.003)
Prov-Track-Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Prov-University-Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Prov-University-Major Cat-Track FE	Y	Y	Y	Y	Y	Y	Y	Y
Major FE	Y	Y	Y	Y	Y	Y	Y	Y
Observations	2,868,396	2,868,396	2,868,396	2,868,396	2,661,950	2,661,950	2,661,950	2,661,950
R-squared	0.926	0.930	0.926	0.930	0.925	0.930	0.925	0.930

Notes: This table examines the heterogeneous effects of China’s financial industry wage cap by regional financial development. The dependent variable is the university-province-track-major-year standardized admission score in columns (1), (3), (5), (7), and admission score percentile in columns (2), (4), (6), (8). The independent variable is the interaction of the DID dummy (Econ×Post or Fin×Post) with province-level measures of financial development *Finvalue*. *Finvalue* is measured by the provincial share of value-added contributed by finance in columns (1)–(4), and the provincial share of listed equity values contributed by financial firms in columns (5)–(8). Data span 2017 to 2024. All regressions are weighted by the number of enrollments at the province-university-track-major level. We control for province-track-year fixed effects, province-university-year fixed effects, province-university-major category-track fixed effects, and major fixed effects, in all columns. Major category refers to two-digit major. Standard errors are clustered at the 4-digit major level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 9 Policy Effect on City-Level Wages

Variable	Simple Average Wages				Weighted Average Wages			
	(1) Ln(Wage)	(2) Ln(Wage)	(3) Wage Rank	(4) Wage Rank	(5) Ln(Wage)	(6) Ln(Wage)	(7) Wage Rank	(8) Wage Rank
Econ×Post	-0.251*** (0.045)		-0.365*** (0.079)		-0.300*** (0.084)		-0.335*** (0.101)	
Fin×Post		-0.285*** (0.029)		-0.427*** (0.044)		-0.366*** (0.048)		-0.413*** (0.062)
City-Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Major FE	Y	Y	Y	Y	Y	Y	Y	Y
Observations	327,651	327,651	327,651	327,651	327,651	327,651	327,651	327,651
R-squared	0.648	0.648	0.749	0.749	0.677	0.677	0.643	0.643

Notes: This table reports the estimated effects of the wage cap policy on local labor market wages using city-major level job posting data from 2017 to 2024. The dependent variable is the logarithm of the average wage in columns (1), (2), (5), (6), and the wage-rank measure in columns (3), (4), (7), (8). Wage rank is defined as the within-city percentile rank (scaled from 0 to 1) of a major’s average wage relative to other majors in the same city. Columns (1)–(4) report unweighted specifications based on the simple average, whereas columns (5)–(8) weight observations by the number of vacancies associated with each job posting. The key regressors are the interactions between the DID dummy and indicators for economics-related majors (Econ) or finance-related majors (Fin). All specifications include city-year fixed effects and major fixed effects. Standard errors are clustered at the 4-digit major level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 10 Policy Effect on Listed Company Wages

	DID		PSM-DID	
	(1) Workers	(2) Executive team	(3) Workers	(4) Executive team
Ln(Average Wage)				
Fin × Post	-0.124*** (0.026)	-0.311*** (0.108)	-0.134*** (0.030)	-0.267** (0.115)
Firm Controls	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Observations	37,905	37,905	1,762	1,762
Adjusted R-squared	0.864	0.809	0.920	0.810

Notes: This table reports DID estimates of the effect of the wage cap policy on listed firm wages. The dependent variable is the logarithm of average annual wages, measured separately for workers (columns (1) and (3)) and management (columns (2) and (4)). The key regressor is $Fin \times Post$, where Fin indicates firms in the financial industry and $Post$ equals 1 for 2022 and later. Columns (1)–(2) report baseline DID estimates with firm fixed effects, year fixed effects, and firm controls (Tobin’s Q , $\ln(Assets)$, ROA , and leverage). Columns (3)–(4) report PSM-DID estimates based on a propensity-score-matched sample in which financial firms are matched to observably similar non-financial firms. All specifications include city-year fixed effects and major fixed effects. Standard errors are clustered at the firm level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 11 Stigmatization of Finance and Economics Institutions

Variable	All majors		Econ		Non-Econ	
	(1) Score	(2) Score Percentile	(3) Score	(4) Score Percentile	(5) Score	(6) Score Percentile
Euniversity \times Post	-0.132*** (0.019)	-0.026*** (0.005)	-0.113*** (0.020)	-0.021*** (0.004)	-0.118*** (0.019)	-0.024*** (0.005)
Prov-Track-Year FE	Y	Y	Y	Y	Y	Y
Prov-University-Track-Major Cat FE	Y	Y	Y	Y	Y	Y
Major FE	Y	Y	Y	Y	Y	Y
Observations	2,868,396	2,868,396	211,468	211,468	2,656,928	2,656,928
R-squared	0.903	0.899	0.920	0.922	0.902	0.898

Notes: This table reports the effect of the financial industry wage cap policy on admission outcomes at specialized finance-and-economics institutions relative to other universities. The dependent variable is the standardized admission score in columns (1), (3), and (5) and the score percentile in columns (2), (4), and (6). The key regressor is $Euniversity \times Post$, where $Post = 1$ for 2022 and later, and $Euniv$ indicates finance-and-economics institutions coded as 1 if the university name contains one of the keywords “Finance and Economics,” “Economics,” “Finance,” “Accounting,” “Industry and Commerce,” “Commerce,” or “Business School,” and 0 otherwise. Columns (1)–(2) use all majors, columns (3)–(4) restrict to economics majors, and columns (5)–(6) restrict to non–economics majors. All specifications include province–track–year fixed effects, province–university–major category–track fixed effects, and major fixed effects. Major category refers to two-digit major. Standard errors are clustered at the university level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

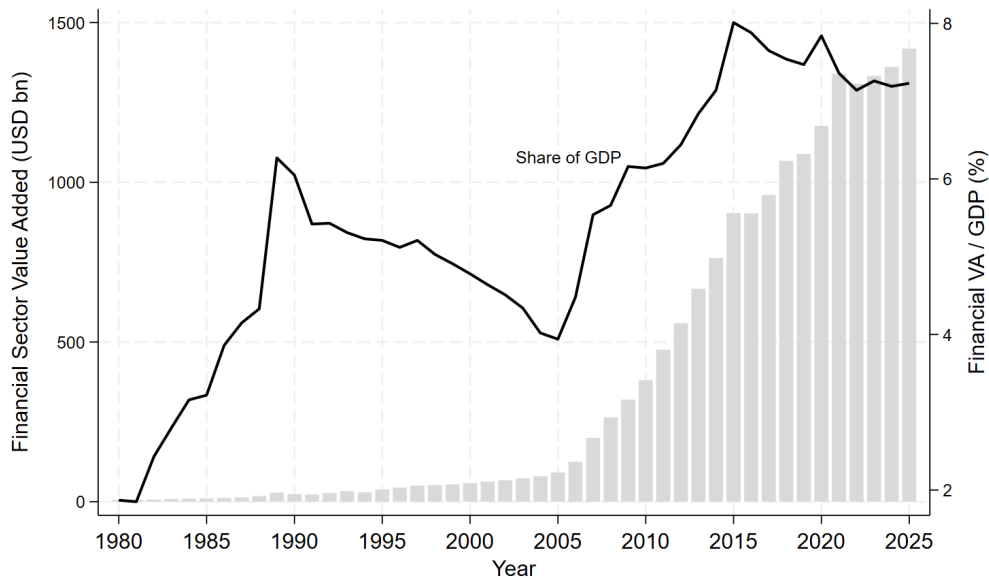


Figure 1 China's Financial Sector Value Added and Its Share of GDP

*Notes:*The bars show nominal value added (billion USD) of the Chinese financial sector. The solid line plots the financial sector's nominal value added as a share of nominal GDP (percent). Both series are in current prices.

Source: National Bureau of Statistics of China (NBS).

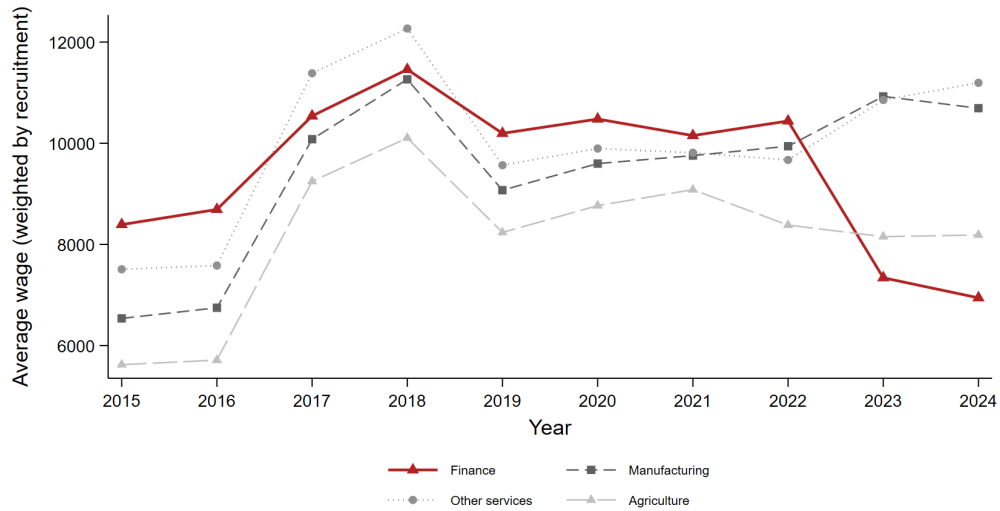


Figure 2 Average Wages By Industry

Notes: This figure shows weighted average monthly wages by industry from 2015 to 2024. For each industry-year, wages are averaged across job postings using the number of positions as weights. “Other services” includes real estate, construction, wholesale and retail trade, transportation, storage and postal services, and hotels and restaurants. All wages are nominal and denominated in RMB.

Source: 51job (Qian Cheng Wu You) online job posting data.

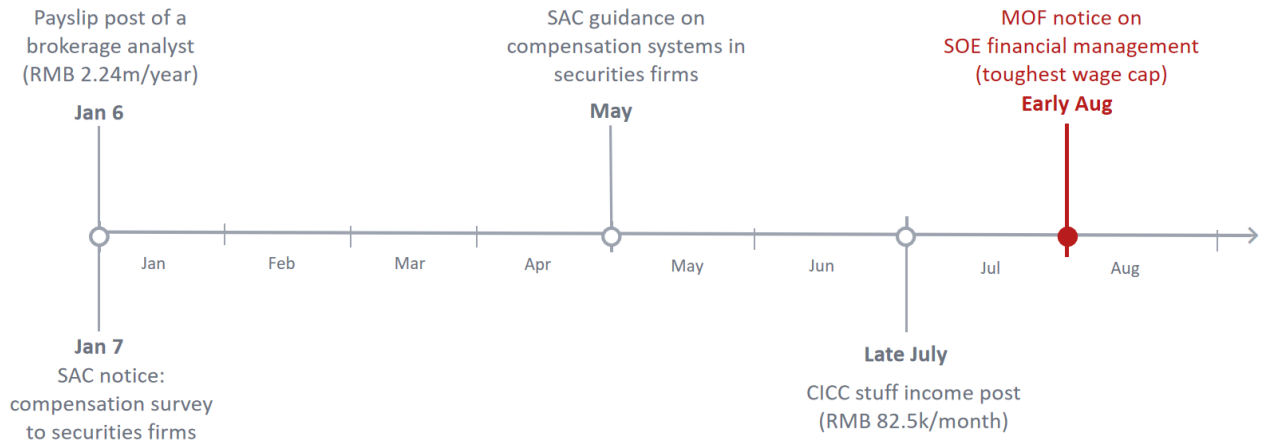


Figure 3 Timeline: Financial Sector Compensation Tightening (2022)

Notes: This figure summarizes key public events related to the imposition of China’s financial sector wage cap in 2022, including two widely circulated “high-salary” posts. For scale, China’s GDP per capita in 2022 was RMB 85,698 per year.

Abbreviations: SAC = Securities Association of China; CICC = China International Capital Corporation; MOF = Ministry of Finance; SOE = state-owned enterprise.

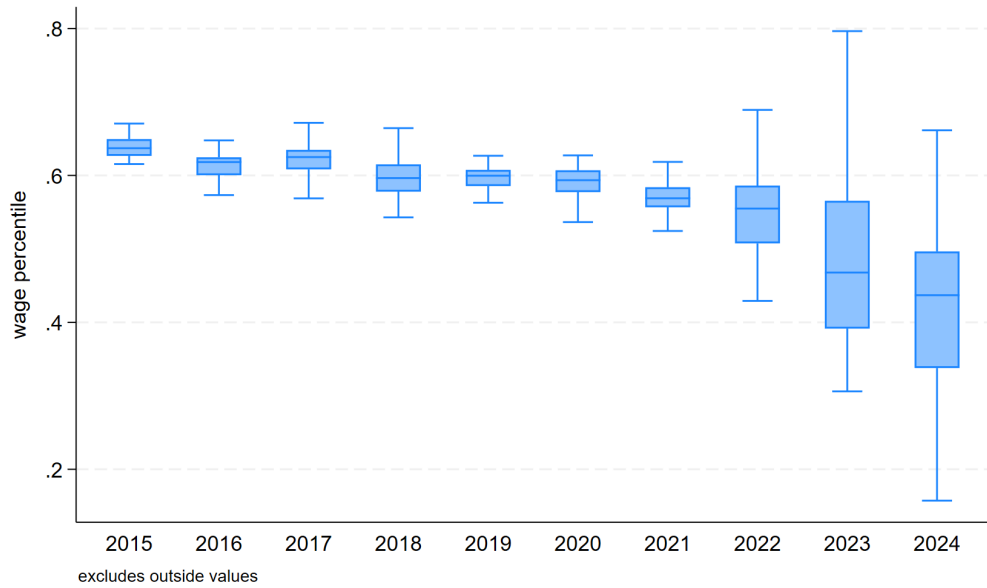
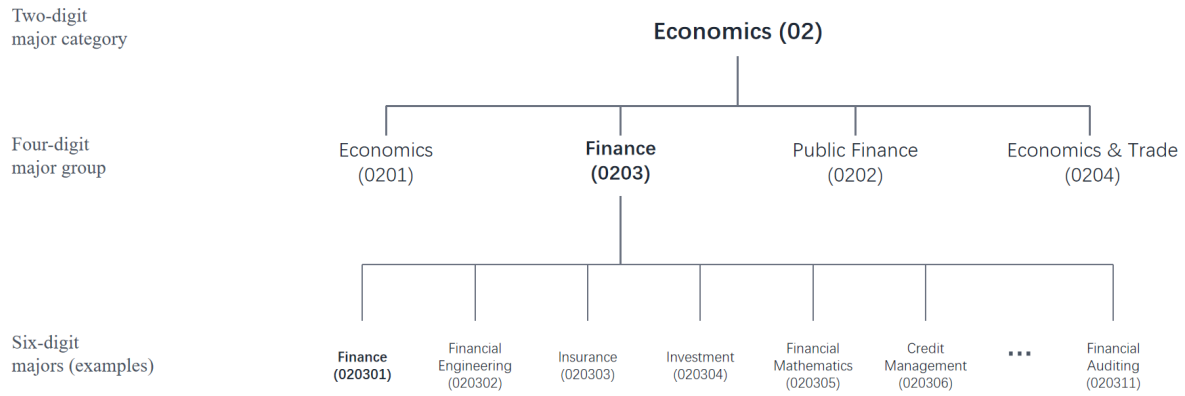


Figure 4 Average Wage Percentile of Finance Majors Across Provinces

*Notes:*The figure shows the average wage percentile of finance majors by year (2015–2024) across provinces. Finance majors are coded as 0203 (Finance). The wage percentile equals $1 - rank$, where $rank$ is the within-province rank of average finance major wages among all majors. Outliers are excluded.

Source: 51job (Qian Cheng Wu You) online job posting data.



Finance group contains 11 six-digit majors (examples shown).

Figure 5 Detailed Structure within the Economics Major Category

Notes: This figure illustrates the hierarchical classification of undergraduate majors within the Economics discipline (two-digit code 02) used in our analysis.

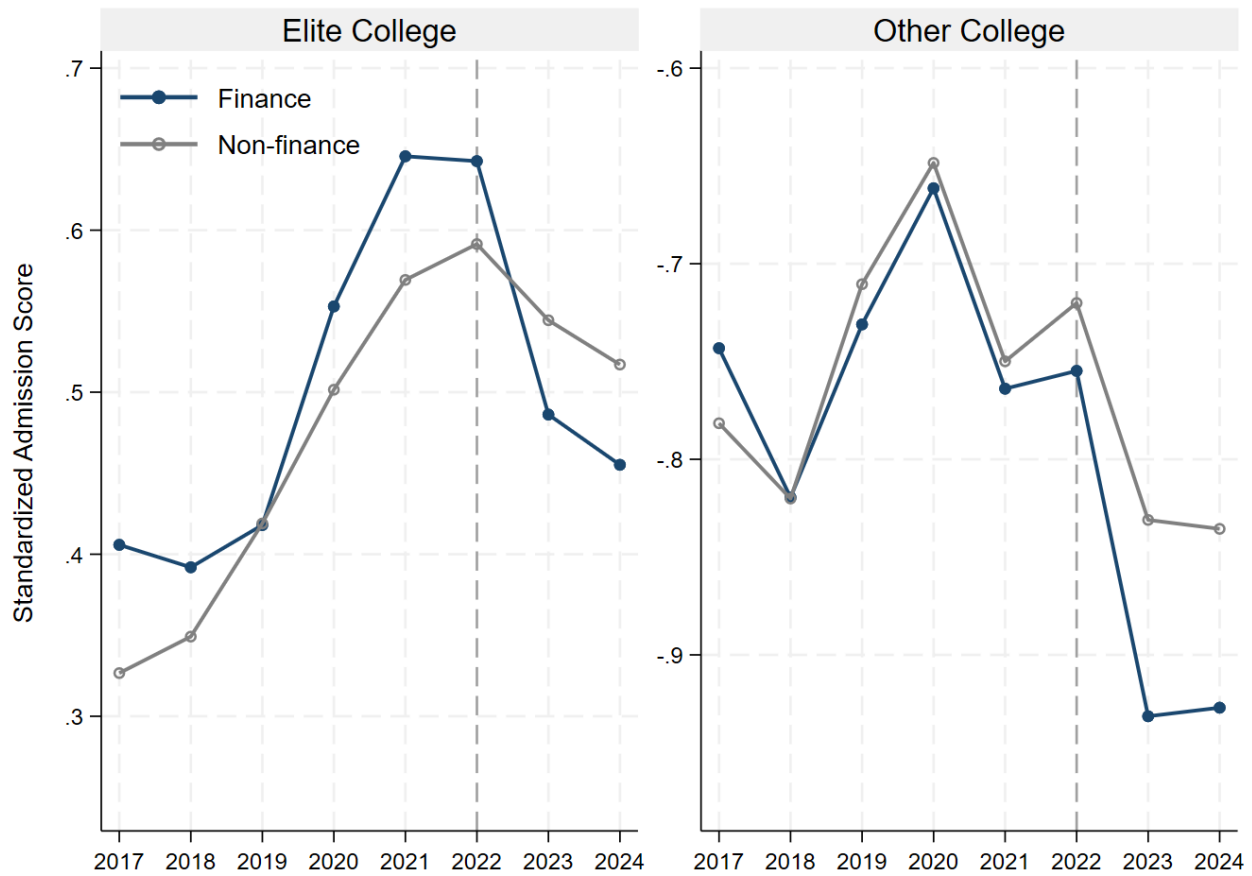
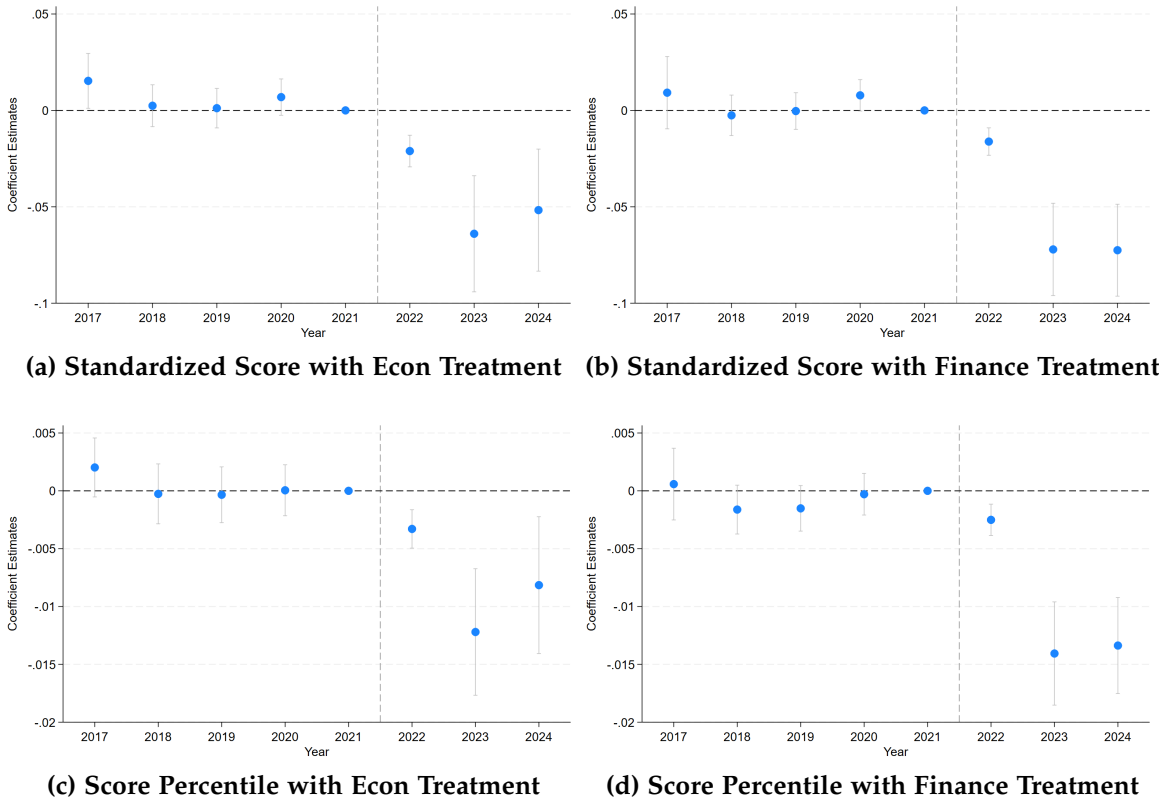


Figure 6 Standardized Admission Scores in Finance vs. Non-finance Majors

Notes: This figure plots the average standardized admission scores for finance and non-finance majors by year, for both elite and other universities. “Elite universities” include Project 985 and Project 211 institutions, along with local elite universities; “Other universities” comprise all remaining institutions. Admission scores are standardized within province–track–year to ensure comparability. The vertical dashed line marks the policy implementation year of 2022.

Source: Official application guidance documents for each province.

Figure 7 Dynamic Effect of the Finance Industry Wage Cap Policy



Notes: This figure shows the dynamic effect of the financial industry wage cap policy on admission scores for economics and finance-related majors. Subfigure (a) shows the result when the dependent variable is the standardized admission score and the treatment group is all economics majors, corresponding to column (1) in Table 2. Subfigure (b) shows the result when the dependent variable is the standardized admission score and the treatment group is finance majors, corresponding to column (2) in Table 2. Subfigure (c) shows the result when the dependent variable is the score percentile and the treatment group is all economics majors, corresponding to column (4) in Table 2. Subfigure (d) shows the result when the dependent variable is the score percentile and the treatment group is finance majors, corresponding to column (5) in Table 2. All confidence intervals reported in the figures are at the 90% level.

Appendix

A Additional Tables and Figures

Table A1 Variable Definitions

Variable	Definition
Panel A: University Admission Data	
Standardized Admission Score	Minimum NCEE cutoff score required for admission to a given university–major pair in a given province–track–year cell, standardized within province–track–year to mean 0 and SD 1.
Score Percentile	Percentile rank (0–1), defined as one minus the cutoff’s province–track–year rank divided by the number of NCEE applicants in the same cell; ranks are ordered from highest to lowest scores (1 = highest), higher cutoffs correspond to smaller ranks and thus higher percentiles.
Econ / Fin	Dummy equals 1 if the major belongs to the Economics category (2-digit code 02) / the Finance group (4-digit code 0203), and 0 otherwise.
Post Enrollment Quota	Dummy for the post-policy period, equals 1 for years 2022 and later.
Enrollment Quota Share	Number of enrollment slots in each province–track–university–major cell. Ratio of the university–major–track–province quota to the university’s total enrollment quota within the same province and track.
985 / 211	Dummy equals 1 if the institution is a Project 985 university / Project 211 university (not 985), and 0 otherwise.
Local Elite	Dummy equals 1 if the institution is a regionally selective university outside the 985/211 category.
Internet Finance University	Dummy equals 1 for the Internet Finance major (major code 020309). Dummy for finance-and-economics institutions, takes the value of 1 if identified by keywords in the university name. The keywords include “Finance and Economics (<i>cai jing</i>)”, “Economics (<i>jing ji</i>)”, “Economics and Trade (<i>jing mao</i>)”, “Finance (<i>jin rong</i>)”, “Accounting (<i>kuai ji</i>)”, “Industry and Commerce (<i>gong shang</i>)”, “Commerce (<i>shang ye</i>)”, or “Business School (<i>shang xue yuan</i>)”
Panel B: Job Posting Data (City level)	
ln(wage)	Log of the city–year average wage for a given major, using either an un-weighted (simple) or a recruitment-weighted mean across vacancies.
Wage Rank	Percentile rank (0–1) of a major’s average wage among all majors within the same city–year cell.
Panel C: Listed Companies Data	
ln(Average Wage)—Workers	Log of average annual salary for workers. Average worker wages is constructed using accounting-based payroll information, defined as the sum of (i) the change in payroll payable during the year and (ii) cash paid to and on behalf of employees, divided by the total number of employees.
ln(Average Wage)—Executive Team	Log of average annual salary for the executive team. Average executive compensation is measured as total compensation of senior managers divided by the number of senior managers.
Panel D: Other Variables	
U.S. Tariff Exposure	Province–major–year level tariff exposure to U.S. tariffs on Chinese exports during the U.S.–China trade friction.
Chinese Tariff Exposure	Province–major–year level exposure to Chinese tariffs on U.S. exports during the U.S.–China trade friction.
Finvalue	Province-level financial development proxy using the 2016 value; either (i) the share of financial industry value added in total value added across all industries, or (ii) the share of publicly listed financial industry market capitalization within total market capitalization.
ln(Zhang’s TikTok Viewers) Viewers Ratio	Log number of Zhang’s TikTok live viewers in each province. Zhang’s TikTok live viewers divided by the number of NCEE applicants.

Table A2 Stigmatization of Finance and Economics Institutions: Alternative Major Division

Variable	All majors		Econ & Business		Non-Econ & Business	
	(1) Score	(2) Score Percentile	(3) Score	(4) Score Percentile	(5) Score	(6) Score Percentile
Euniversity \times Post	-0.132*** (0.019)	-0.026*** (0.005)	-0.108*** (0.019)	-0.022*** (0.004)	-0.104*** (0.020)	-0.022*** (0.006)
Prov-Track-Year FE	Y	Y	Y	Y	Y	Y
Prov-University-Track-Major Cat FE	Y	Y	Y	Y	Y	Y
Major FE	Y	Y	Y	Y	Y	Y
Observations	2,868,396	2,868,396	757,439	757,439	2,110,957	2,110,957
R-squared	0.903	0.899	0.898	0.908	0.904	0.897

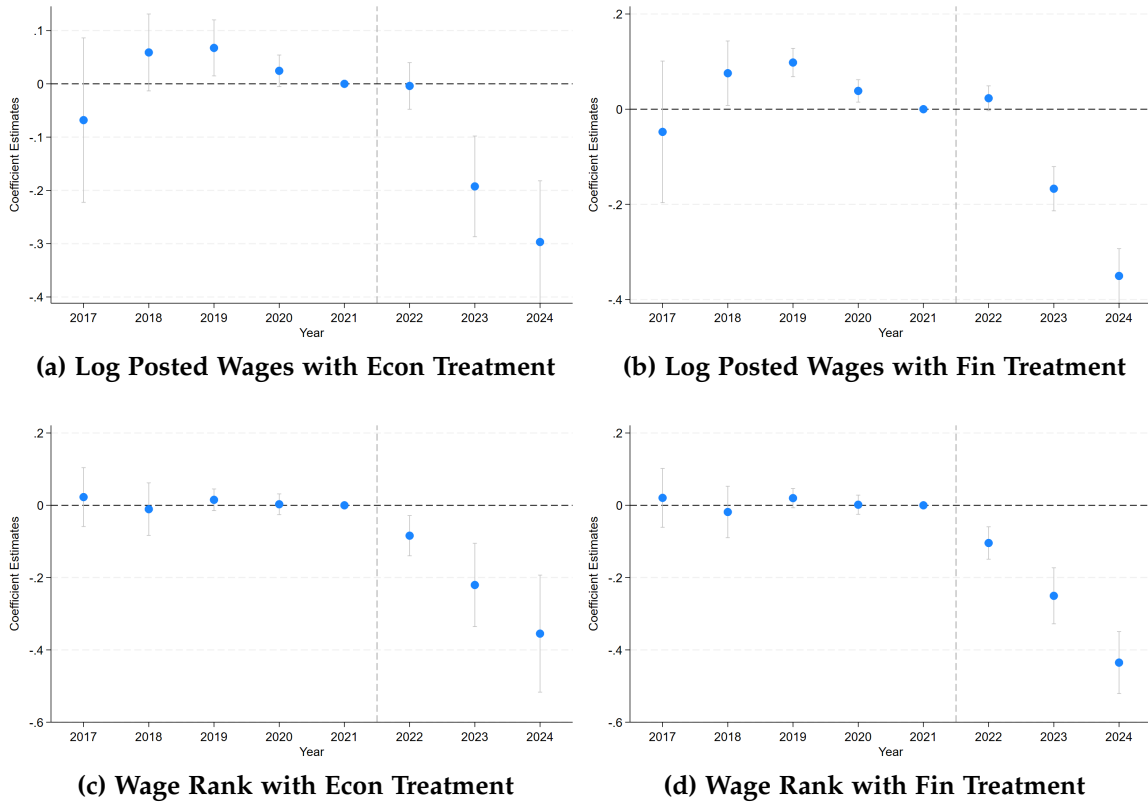
Notes: This table reports the effect of the financial industry wage cap policy on admission outcomes at finance-and-economics institutions relative to other universities. The dependent variable is the standardized admission score in Columns (1), (3), and (5) and the score percentile in columns (2), (4), and (6). The key regressor is *Euniversity* \times *Post*, where *Post* = 1 for 2022 and later, and *Euniversity* indicates finance-and-economics institutions coded as 1 if the university name contains at least one of the following keywords: “Finance and Economics,” “Economics,” “Finance,” “Accounting,” “Industry and Commerce,” “Commerce,” or “Business School,” and 0 otherwise). Columns (1)–(2) use all majors, columns (3)–(4) restrict to economics-and-business majors, and columns (5)–(6) restrict to non–economics-and-business majors. All specifications include province–track–year fixed effects, province–university–major category–track fixed effects, and major fixed effects. Major category refers to two-digit major. Standard errors are clustered at the university level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table A3 Heterogeneous Effects by Information Diffusion

Variable	Media=Ln(Zhang's TikTok viewers)				Media=Zhang's TikTok viewers to applicants ratio			
	(1) Score	(2) Percentile	(3) Score	(4) Percentile	(5) Score	(6) Percentile	(7) Score	(8) Percentile
Media×Econ×Post	0.018** (0.008)	0.003** (0.001)			0.007** (0.003)	-0.001 (0.001)		
Econ×Post	-0.273*** (0.098)	-0.046** (0.018)			-0.056*** (0.017)	-0.008*** (0.002)		
Media×Fin×Post			0.007 (0.005)	0.001 (0.001)			0.008** (0.003)	-0.000 (0.001)
Fin×Post			-0.142** (0.065)	-0.025** (0.011)			-0.063*** (0.014)	-0.009*** (0.002)
Prov-Track-Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Prov-University-Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Prov-University-Major Cat-Track FE	Y	Y	Y	Y	Y	Y	Y	Y
Major FE	Y	Y	Y	Y	Y	Y	Y	Y
Observations	2,868,396	2,868,396	2,868,396	2,868,396	2,868,396	2,868,396	2,868,396	2,868,396
R-squared	0.926	0.930	0.926	0.930	0.926	0.930	0.926	0.930

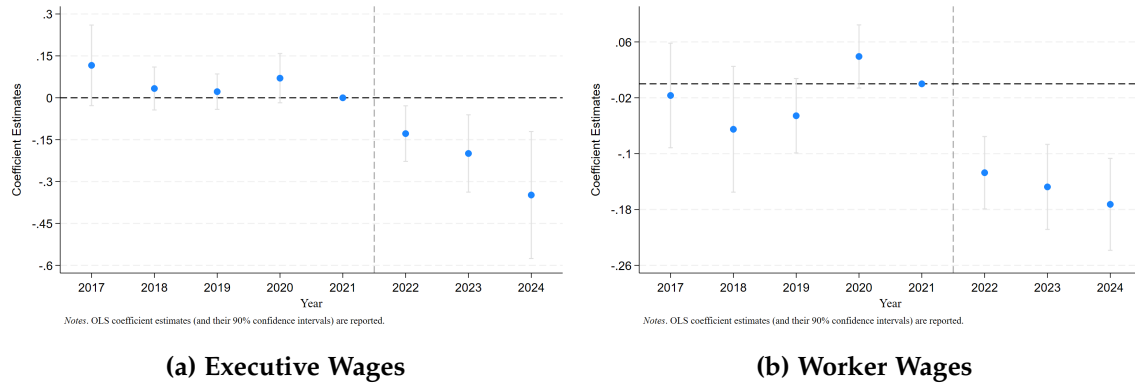
Notes: This table reports the effect of the financial industry wage cap policy by the local presence of financial and university admissions information. The dependent variable is the standardized admission cutoff score in Columns (1), (3), (5), and (7) and the score percentile in columns (2), (4), (6), and (8). The key regressors are triple interactions between the DID terms and province-level proxies for information diffusion (Media). Columns (1)–(4) measure Media as the log number of Zhang Xuefeng's TikTok live viewers in a province; Columns (5)–(8) use the viewers-to-NCEE applicants ratio. All specifications include province–track–year fixed effects, province–university–year fixed effects, province–university–major category–track fixed effects, and major fixed effects. Major category refers to two-digit major. Standard errors are reported in parentheses and are clustered at the 4-digit major level. The sample period covers 2017–2024. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Figure A1 Event Study Evidence on Wage Responses to the Financial Industry Wage Cap



Notes: This figure reports event study estimates of the effect of the 2022 financial industry wage cap policy on posted wages using city–major–year job posting data from 51job (2017–2024). Each dot plots the OLS coefficient on the interaction between a treatment indicator for economics-related majors (Panels (a) and (c)) or finance-related majors (Panels (b) and (d)) and a year dummy, relative to the omitted (normalized) pre-policy year 2021. The dependent variable is the log of the average posted wage in Panels (a)–(b) and the wage rank (percentile) measure in Panels (c)–(d). The vertical dashed line marks the policy implementation in 2022, and the horizontal dashed line denotes zero. Whiskers indicate 90% confidence intervals. All specifications include city-year fixed effects and major fixed effects; standard errors are clustered at the major level.

Figure A2 The Financial Industry Wage Cap and Wage Dynamics: Executives vs. Workers



Notes: This figure reports event study estimates of the effect of the 2022 financial industry wage cap policy on wages in listed firms over 2017–2024. Each dot plots the OLS coefficient on the interaction between an indicator for listed financial firms and a given year dummy, relative to the omitted (normalized) pre-policy year 2021. The vertical dashed line marks the policy implementation in 2022; the horizontal dashed line denotes zero. Whiskers show 90% confidence intervals. Subfigure (a) uses executive wages, while subfigure (b) uses worker wages.

B Additional Robustness Checks

B.1 Special Majors and Applicants

We account for potential confounding effects from special types of majors and applicants. First, we drop (i) teacher education majors, whose graduates predominantly enter primary and secondary school teaching; (ii) targeted employment majors, for which the post-graduation employer is predetermined and graduates are required to serve in the assigned position for a fixed period; and (iii) Sino–foreign joint programs, which are co-run by Chinese and overseas universities and may provide students with pathways to study and work abroad. Because employment outcomes in these majors are largely insulated from contemporaneous domestic industry conditions, including them could weaken the link between labor-market signals and major choice. However, re-estimating our baseline specifications after excluding these majors yields very similar estimates: Columns (1)–(4) of Table B1 show that our main results are unchanged.

Second, we exclude (i) arts talent applicants, whose admissions are typically determined through a separate discipline-specific examination (e.g., music, dancing, fine arts) in addition to the NCEE, and (ii) minority region applicants, since minority candidates often have different admission standards.⁶ The estimates reported in columns (5)–(8) of Table B1 remain robust.

B.2 University Upgradings and Renamings

During our sample period, two institutional changes could confound our estimates using major choices. First, some universities were formally upgraded from three-year colleges to four-year universities, a transition that may coincide with changes in admission quotas. Second, some universities changed their Chinese names from an “institute/college” (*XueYuan*) to a “university” (*DaXue*). Eble and Hu (2022) suggests that such name changes can meaningfully affect enrollment. To address these concerns, we re-estimate our baseline

⁶Using China’s 2020 population census, we classify provinces with an ethnic-minority population share above 30% as minority provinces: Xinjiang, Tibet, Yunnan, Guizhou, Ningxia, and Qinghai.

regressions after excluding universities upgraded or renamed. Columns (1)–(4) of Table B2 show that our main results remain unchanged.

B.3 Majors Established After 2022

From 2012 to 2024, the MOE introduced 409 new undergraduate majors. Because new majors are typically introduced to address specific economic and social needs, they may attract more attention from applicants. To rule out potential confounding effects associated with newly introduced majors, and to address concerns that new majors may be correlated with contemporaneous industry developments, we exclude majors introduced from 2022 onward. Columns (5)–(8) of Table B2 show that our main results remain unchanged.

Table B1 Excluding Special Majors and Applicants

Variable	Drop Special Majors				Drop Special Applicants			
	(1) Score	(2) Percentile	(3) Score	(4) Percentile	(5) Score	(6) Percentile	(7) Score	(8) Percentile
Econ×Post	-0.052*** (0.015)	-0.008*** (0.003)			-0.053*** (0.015)	-0.009*** (0.003)		
Fin×Post			-0.060*** (0.012)	-0.010*** (0.002)			-0.059*** (0.013)	-0.010*** (0.002)
Prov-Track-Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Prov-University-Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Prov-University-Major Cat-Track FE	Y	Y	Y	Y	Y	Y	Y	Y
Major FE	Y	Y	Y	Y	Y	Y	Y	Y
Observations	2,729,718	2,729,718	2,729,718	2,729,718	2,465,303	2,465,303	2,465,303	2,465,303
R-squared	0.932	0.936	0.932	0.936	0.927	0.931	0.927	0.931

Notes: This table reports the results of our robustness checks excluding special majors and applicants. The dependent variable is the university-province-track-major-year standardized admission score in columns (1), (3), (5), (7), and admission score percentile in columns (2), (4), (6), (8). The key regressors are interactions between the post-policy indicator (Post, equal to 1 for 2022 and later) and indicators for economics-related majors (Econ) or finance-related majors (Fin). Columns (1)–(4) drop teacher education majors, targeted employment majors, and Sino-foreign joint programs. Columns (5)–(8) exclude special arts talent (such as music and dancing) applicants and minority region applicants. Data span 2017 to 2024. All regressions are weighted by the number of enrollments at the province-university-track-major level. We control for province-track-year fixed effects, province-university-year fixed effects, province-university-major category-track fixed effects, and major fixed effects, in all columns. Major category refers to two-digit major. Standard errors are clustered at the 4-digit major level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table B2 Excluding Upgraded and Renamed Universities and New Majors

	Upgraded and Renamed Universities				New Majors			
	(1) Score	(2) Percentile	(3) Score	(4) Percentile	(5) Score	(6) Percentile	(7) Score	(8) Percentile
Econ×Post	-0.051*** (0.015)	-0.008*** (0.003)			-0.051*** (0.015)	-0.008*** (0.003)		
Fin×Post			-0.057*** (0.013)	-0.010*** (0.002)			-0.056*** (0.013)	-0.009*** (0.002)
Prov-Track-Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Prov-University-Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Prov-University-Major Cat-Track FE	Y	Y	Y	Y	Y	Y	Y	Y
Major FE	Y	Y	Y	Y	Y	Y	Y	Y
Observations	2,800,508	2,800,508	2,800,508	2,800,508	2,868,042	2,868,042	2,868,042	2,868,042
R-squared	0.924	0.928	0.924	0.928	0.926	0.930	0.926	0.930

Notes: This table reports the results of the robustness checks excluding renamed and upgraded universities and new majors. The dependent variable is the university-province-track-major-year standardized admission score in columns (1), (3), (5), (7), and admission score percentile in columns (2), (4), (6), (8). The key regressors are interactions between the post-policy indicator (Post, equal to 1 for 2022 and later) and indicators for economics-related majors (Econ) or finance-related majors (Fin). Columns (1)–(4) drop the universities upgraded or renamed during the sample period. Columns (5)–(8) exclude majors established after 2022. Data span 2017 to 2024. All regressions are weighted by the number of enrollments at the province-university-track-major level. We control for province-track-year fixed effects, province-university-year fixed effects, province-university-major category-track fixed effects, and major fixed effects, in all columns. Major category refers to two-digit major. Standard errors are clustered at the 4-digit major level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.