

## Chapter 4

# Rhetoric and Authority in a Polarized Transition: The Case of China's Stock Market

*How do actors in positions of authority attempt to justify their right to rule while introducing controversial institutional practices that potentially delegitimize their authority?* The establishment of the stock market in China raises this very question. It epitomizes the legitimacy challenges that the Chinese Communist Party (CCP) has to deal with because adoption of the quintessentially capitalist stock market contradicts the existential bases on which the CCP is founded. However, the CCP has implemented many capitalist practices and policies, including boldly adopting the stock market in 1990. This paper deploys the method of rhetorical criticism to analyze the objectives and intended effects of the CCP's rhetoric. We show that actors use different rhetorical genres—fusions of distinct rhetorical content and rhetorical style—in response to the polarizing situations they confront. Actors use these rhetorical genres to achieve simultaneously two seemingly contradictory objectives: justify institutional practices that challenge the very legitimacy of the actors and validate the same actors' right to rule. Remarkably, the CCP has firmly established itself as a key player in the establishment of a supposedly capitalist stock market.

This paper contributes to management studies in two substantive ways. First, our study provides a conception of authority as a dynamic and ongoing interplay between the actors in authority, the exigencies of the situation, and the expectations of the audience. We demonstrate how actors' authority involves a continuous effort to take charge of a rhetorical situation and provide rhetorical responses that not only create new speaker–audience relationships but also manage the contradictions in the situation. Our study highlights how the same actor can use rhetoric to create different kinds of discursive spaces in which multiple subject positions are constructed. This conceptualization of authority helps differentiate between the concepts of authority and legitimacy: legitimacy resides with the interpretive acceptance of the audience, whereas authority is the creative work of the speaker. Distinguishing between legitimacy and authority enables researchers to identify and discuss the illegitimacy that is often associated with actors in authority positions.

Second, our study responds to the call to pay more attention to actors' intentionality in the study of institutional work (Lawrence, Suddaby, & Leca, 2009, 2011; Phillips & Lawrence, 2012). Research on intentionality has mainly focused on its temporal dimensions and tried to explain when and how actors become more or less intentional (Emirbayer & Mische, 1998; Battilana & D'Aunno, 2009). Our findings suggest that intentionality is multifaceted in that an actor's utterance can be motivated by several different intentions. Specifically, we identify the speaker's intention to claim and assert authority as an implicit meaning in addition to the explicit intention of

justifying controversial practices. We arrived at this insight by combining rhetorical situation theory with genre analysis to reveal the manifest as well as latent objectives of a rhetorical utterance beyond its ostensible content. Despite the difficulty and lack of consensus on how to infer intentionality, it is important to our understanding of action and agency to describe and makes sense of the complexity of actors' intentionality (Lawrence et al., 2009, 2011). Our findings can shed light onto the complexity of intentionality partly because the actors that we study find themselves in a very polarized institutional environment and are pressured for change and order at the same time. The actors have done something that few have examined, that is, they have maintained their authority positions while deliberately departing from established practices and radically introducing new and controversial ones. The complexity of the institutional environment provides an ideal case for understanding actors' intentionality.

In the remainder of the paper, we first review the relevant literature on legitimacy and authority. Then we describe our methodology, including data collection and the method of rhetorical criticism. Our findings focus on 1) showing how the rhetorical genres deployed by the CCP construct different speaker-audience relationships; 2) discussing how rhetorical genres function as discursive spaces in polarizing or institutionally complex situations; 3) tracing the changes in rhetoric in relation to the changing institutional context that entails different rhetorical situations; and 4) identifying resistance to the rhetoric. We conclude with a discussion of our theoretical contribution.

## Authority, Discursive Space, and Rhetoric

Authority is a core concept in institutional theory. Weber conceptualizes authority as "legitimate domination"—a special kind of power vested in beliefs of the rightfulness of those who give commands (Weber, 1978). Authorities desire voluntary compliance because domination based on the sole deployment of coercion is not sustainable (Ilchman & Uphoff, 1969; Leites & Wolf, 1970; Wriggins, 1969). As Weber observes, no institutional authority bases its regime on force alone; all engage in cultivating a belief in its legitimacy (Weber, 1968). Following Weber, Bendix (1974) argues that institutional authority rarely commands without a higher justification and that followers are seldom docile enough not to provoke such justification.

Although it is generally acknowledged that actors in positions of authority are dependent on those who confer them legitimacy, classical institutional theory fails to separate authority from legitimacy, and instead attributes legitimacy to actors in positions of authority, or equates authority with the regulative pillar of institutions (Scott, 1995). Conflating authority and legitimacy is problematic because actors in authority positions can well be illegitimate in the eyes of many constituencies. Research in political science suggests that the problem of conflating authority and legitimacy probably began with Weber's or the interpretation of Weber's conception of legitimate "Herrschaft" (Bee-

tham, 1991). Scholars influenced by Weber tend to reduce the complex concept of authority to the forms of legitimacy (i.e., rational-legal, traditional, and charismatic) and ignore the substantive grounds of legitimacy (e.g., beliefs or principles about the rightful source of legitimacy such as dynastic succession, divine authorization, popular sovereignty, or Maxism-Leninism). As a result, the Weberian typology of authority is an inadequate tool for analyzing some of the political regimes of the twentieth century, especially non-legitimate regimes (Beetham, 1991). That authority can be illegitimate is also evident in the scholarly discourse of the French Revolution, arguably the root of the modern conception of popular sovereignty. In particular, generations of thinkers analyzing Napoleon's regime often debated whether this regime was the embodiment of popular sovereignty or the illegitimate usurpation of the legitimate authority of the monarchy (Richter, 1982). We agree with these scholars that the Weberian influence in subsequent conceptualization of authority is problematic and argue that it reifies authority and neglects the subjective nature of authority—the cognitive and symbolic processes that make authority almost always a work-in-progress instead of a fixed reality.

A distinction offered by the political scientist Uphoff represents the first step in building a more robust conception of authority in institutional theory. Uphoff distinguished between authority and legitimacy by reinterpreting Weber's original German writings: authority differs from legitimacy in that authority is a "claim for compliance," while legitimacy indicates "acceptance of that claim" (Uphoff, 1989: 303). For actors in positions of authority, legitimacy is their desired goal whereas authority is the work that they do to obtain that goal. According to this view, authority may not be regarded as legitimate by everyone at all times; the legitimacy of authority can be challenged, disputed, and subject to removal. Perhaps because of this, actors in positions of authority may spend a great deal of time and effort claiming that their authority is legitimate and worthy of voluntary compliance. This view allows us to explore authority as the purposeful work of actors in persuading their audiences of their legitimacy, and to conceptualize authority construction as an ongoing process of interaction between the actor who makes claims for compliance and the audience who chooses to accept or deny such claims.

### **Discursive Space and Subject Positions**

The discursive institutional perspective offers several insights into how actors construct their authority in their interactions with an audience. First, authority construction takes place within a sphere of activities. For example, regulatory actors gain or lose authority in relation to the industry they regulate (Hoffman, 1999: 362). More broadly, the sphere can be conceptualized in terms of discursive spaces, defined as physical (e.g., different venues of a conference) or virtual spaces (e.g., journals or newspapers) in which actors contest meanings, formulate rules, and change the structural relationship within a field (Hardy & Maguire, 2010). For example, financial pro-

professionals saw their status rise with the creation of academic journals as a discursive space and the dominance of the space by a body of academically controlled knowledge (Lounsbury, 2002). Actors with alternative framings of globalization compete for legitimacy in discursive spaces such as the financial, news, and editorial sections of prominent newspapers (Fiss & Hirsch, 2005).

Second, discursive institutionalism employs the concept of subject positions to understand the roles of actors in discursive spaces. Subject positions are socially constructed, negotiated, and legitimated identities and social relations (Hardy & Phillips, 1999; Maguire & Hardy, 2009; Maguire, Hardy, & Lawrence, 2004; Oakes, Townley, & Cooper, 1998). Actors' subject positions give them the right to make statements, and these statements are in turn dependent on the discourse that constructs certain subject positions (Phillips & Hardy, 1997). Moreover, actors' subject positions in a field change through discourse. Similar to institutional fields, which often comprise multiple and sometimes contradictory logics and meanings (Bourdieu, 1990; Friedland & Alford, 1991; Lounsbury, 2008; Reay & Hinings, 2009; Sewell, 1992), discursive spaces are replete with multiple voices, competing interests, and contentious definitions (Hardy & Maguire, 2010). By shaping discursive spaces and subject positions (Hardy & Maguire, 2010), actors can exploit the multiplicity and contradictions of logics and meanings to change the existing structure of a field (Creed, DeJordy, & Lok, 2010; Rao, Monin, & Durand, 2003; Seo & Creed, 2002).

While the concepts of discursive space and subject positions point to the importance of discourse in shaping actors' authority, they tend to emphasize how discourse defines and thus imposes limits on subject positions at the expense of explaining how actors can use language purposefully to achieve and change subject positions and discursive space. Studies that do focus on how actors use language purposefully often examine the purposeful infusing of legitimacy into institutional practices or forms (Brown, Ainsworth, & Grant, 2012; Green Jr., Li, & Nohria, 2009; Munir & Phillips, 2005; Sillince & Barker, 2012; Vaara, Tienari, & Laurila, 2006). For example, Munir and Phillips (2005) demonstrate how Kodak in its early years artfully shaped the change in meaning of a technological artifact through discursive strategies, such as producing texts that constitutes new subject positions, concepts, and objects that become institutionalized in everyday experience. Vaara and colleagues (2006) identify the discursive strategies of industrial restructuring by journalists in the media. These studies highlight the effort and intentionality of actors in creating, maintaining, and disrupting institutions, but they have not made explicit an underlying intention that is potentially important to these actors, that is, the legitimacy of these actors' authority.

## **Rhetoric and Authority**

Rhetorical theory offers a vantage point at studying the underlying intentions of actors engaging in discursive activities for it "has a long history of analyzing how differ-

ent uses of words connect actors, interests and audiences” (Sillince & Suddaby, 2008; Suddaby, 2010). Organization research informed by rhetorical approaches emphasizes how actors establish their authority by making present sources of authority in conversations (Benoit-Barné & Cooren, 2009), producing competing statements of multiple identities to control stakeholder perceptions (Sillince & Brown, 2009), and selectively using narratives to normalize the abnormal and reinforce their particular versions of reality (Brown, 2000, 2004).

Central to a rhetorical perspective on authority is the rhetorical capabilities of the speaker. Authority is understood as the capacity to produce reasoned elaboration and persuasive arguments (Willard, 1989). Moreover, authority presumes a purposive act of agents who self-impose a responsibility to provide proofs in the ways they are “authorized to speak out” (Liu, 1997: 422). At its core, authority is the actor’s self-conscious act of seeking opportunities to persuade and articulate using rhetorical invention and creativity (Perelman & Olbrechts-Tyteca, 1969). Hence, authority is distinct from positional power and can be understood as a product of “the power accruing to the speaker from their use of language” (Sillince, 2000: 1134).

While these studies have provided important insights into understanding authority as a rhetorical product, they have not gone very far in exploring the ongoing interaction between speaker and audience, texts and contexts. Consequently, we still tend to understand authority as a property and fall short of explaining the continuous performance of actors in shaping speaker-audience relationships and the broader institutional contexts.

### **Rhetorical Situation Theory and Genres Analysis**

We introduce rhetorical situation theory and genre analysis to provide a more dynamic and nuanced conception of authority that involves the ongoing interaction between speaker and audience, text and context. Rhetorical situation theory posits that rhetoric is situational, which means that the nature of the context in which speakers create their rhetorical utterance is a necessary condition for the rhetorical utterance, and that this context shapes and gives significance to the characters of the rhetoric (Bitzer, 1968). Bitzer (1968: 6) defines rhetorical situation as “a complex of persons, events, objects, and relations presenting an actual or potential exigence which can be completely or partially removed if discourse, introduced into the situation, can so constrain human decision or action as to bring about the significant modification of the exigence.” According to rhetorical situation theory, the situation is the source and ground for rhetorical activity and rhetorical criticism. A rhetorical situation calls for a rhetorical response that fits with the situation. Since many rhetorical situations are recurrent and general, such as a presidential inauguration or a funeral, it is useful to use rhetorical genre analysis to understand the kind of rhetorical response that fits with the situation.

A rhetorical genre is a constellation of recognizable substantive, stylistic, and situational characteristics fused together by an internal dynamic into an indivisible whole (Campbell & Jamieson, 1978). There are two reasons why genre analysis is suited for exploring the construction of authority. First, genre analysis assumes that “situations fall into general types, depending on the objective of the rhetoric,” and seeks to “discern the similarities in rhetorical situations and the rhetoric constructed in response to them” (Foss, 2009: 137). As such, genre analysis is well suited to study the interaction between rhetoric and the institutional context (Johnson, 2004) and between rhetoric and authority (Simons & Aghazarian, 1986). Second, genre analysis encompasses not only the argument, but also “the role of the listener, and the relationship between the speaker and the audience” (Campbell & Jamieson, 1978: 17). Rhetorical frameworks that include the relationships between the speaker and audience provide the most appropriate tools for exploring how such relationships—defining features of authority—are the product of rhetorical processes.

### **Maintaining Authority in Polarized Institutional Context**

Authority construction is most needed when the actors in positions of authority face constant legitimacy challenges. The contested nature of legitimacy is especially visible when contradictory meaning systems in the institutional context put the very legitimacy of these actors in question (Creed et al., 2010). In such cases, opposing views in the institutional context make the criteria for judging legitimacy disputable (Suddaby & Greenwood, 2005), thus increasing the difficulty of establishing or retaining legitimate authority. We define a polarizing institutional context as one that contains opposing, yet equally strong and pervasive, institutional logics, and one in which these logics frequently confront one another in discursive struggles. Institutional scholars have paid increasing attention to institutional fields with multiple and potentially conflicting logics (Dunn & Jones, 2010; Friedland & Alford, 1991; Purdy & Gray, 2009; Reay & Hinings, 2009). While many studies have shown how actors exploit contradictions in logics in legitimating new organizational and institutional forms, scholars know little about how actors in positions of authority maintain, defend, or even transform the ground of their authority in a field influenced by polarizing institutional logics. Institutional maintenance in a polarized institutional context can be tricky. Instead of relying on institutional maintenance mechanisms such as enforcing and reproducing existing rules, norms and belief systems (Lawrence & Suddaby, 2006; Dacin, Munir, & Tracey, 2010) or restoring and repairing these rules, norms and beliefs when they are disrupted (Mice-lotta & Washington, 2013; Lok & De Rond, 2013; Wright, Zammuto, & Liesch, in-press), actors may have to play two contradictory roles at the same time: the change agent and the enforcer of order. This is not unusual for organizations in an institutional context characterized by radical transition (Martin de Holan & Phillips, 2002). Understanding how actors can achieve both authority and change has broad implications for manage-

ment research. For instance, leaders in corporations, governments, and other types of entities may face the problem of maintaining authority in contexts that are increasingly characterized by multiple and contradictory logics and meanings, and their failure to address these contradictions may lead to executive turnover, instability, or a collapse of the social order.

## Methodology

Economic policy during the reform era in China was unstable and inconsistent, and political authorities employed policy discourse as a means of providing citizens with rational accounts that would make sense of the situation and justify specific courses of action. As Yang (2000: 64–68) observed, “In China, the actual ruling institutions are not legal regulations, nor cultural conventions, but policies made by the Chinese Communist Party.” Party policies often take the forms of CCP reports, newspaper editorials, and spontaneous public and private talks by government officials (Yang, 2000). These policy texts comprise our data.

We collected our data in two phases. In the first phase, we read extensive secondary accounts of China’s adoption of the stock market in historical and scholarly works, in both English and Chinese (Green, 2003; Li, 2001; Walter & Howei, 2006). To supplement our reading, we conducted twelve in-depth interviews between 2005 and 2007 with knowledgeable individuals, including regulators, fund managers, investment bankers, and academics who study China’s stock markets. We used these secondary accounts and interviews to triangulate and validate our interpretation of the meaning of the discourse surrounding the evolution of events.

In the second phase, we identified a key primary source from which we collected systematic data for analysis: we selected articles about China’s stock market from a national daily newspaper, the *People’s Daily*. The *People’s Daily* is the mouthpiece of the CCP Central Committee and is its most important channel of propaganda (Wu, 1994). It is the most widely circulated official daily newspaper in China and publishes all CCP Congress reports and important speeches by top party officials, as well as daily news. Although the different kinds of articles it publishes—such as editorials, opinions, and reports—have different degrees of authoritativeness, the CCP Central Committee’s Propaganda Department carefully reviews and approves all articles to ensure that they represent the views of the CCP. Therefore, articles in the *People’s Daily* are robust representations of the collective beliefs and sentiments of the state apparatus. Management researchers use the *People’s Daily* as a credible source for gauging the political climate of China (Li, Yang, & Yue, 2007). During the reform era, although the voice of the conservative camp was reflected in a few pieces, and the newspaper was temporarily dominated by the conservative camp after the Tiananmen incident in 1989, the general orientation of the *People’s Daily* is pro-reform. The newspaper is therefore a robust and



consistent representation of the voice of the CCP's reform camp on the institutional field and practices surrounding the stock market.

To ensure the representative nature of our sampled texts, we checked our search strings with our interviewees<sup>1</sup> and revised the strings as necessary. The searches resulted in 792 articles, of which we deleted 129 because they were tangential to the subject matter (i.e., they mentioned China's stock market only incidentally). The final database contained 663 articles (1563 pages of Chinese text), spanning the period 1986–2004. The articles range from around 150 words to about 13,000 words in length, with an average of 2,300 words. 1986 is the year when the first relevant article appeared and the over-the-counter (OTC) market was established the same year. We chose 2004 to be the end of our observation period, for it is a few years after 1999, the year the Securities Law went into effect. The implementation of the Securities Law is an important indication that the stock market is firmly embedded in China's economy. We did not include more recent data because the relationship between the stock market and the CCP is no longer marked by a question of legitimacy: the stock market has not posed challenges to the CCP's authority no matter how it performed, as demonstrated in the market crash in 2007 and again in 2015. New controversies arose and further market liberalization measures were intensely debated, but they have not changed the CCP's role in the market in a fundamental way. Figure 5 shows the total number of articles we coded as well as the volume of initial public offerings (IPOs) from 1986 to 2004.

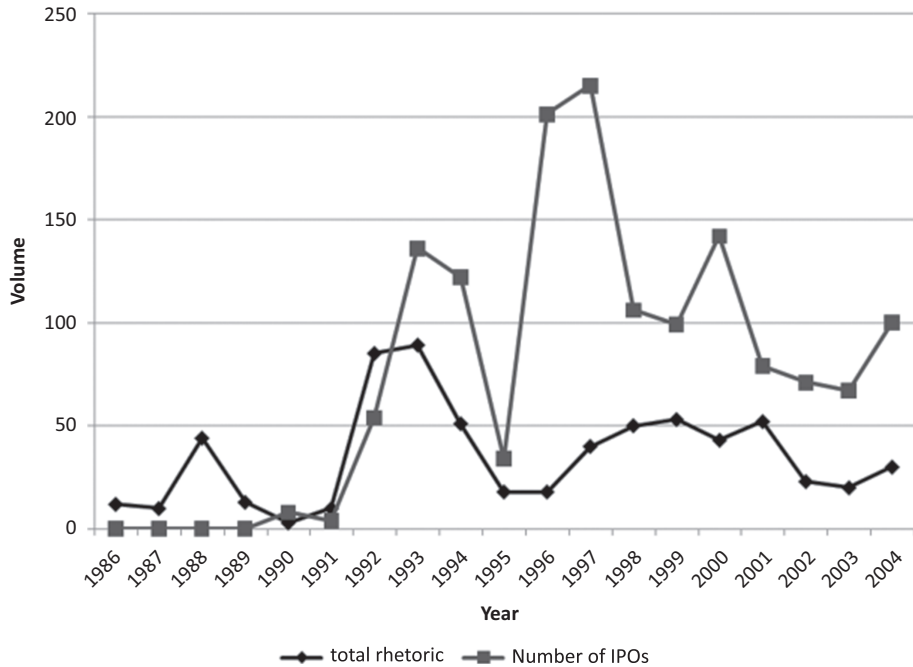
## Analysis

Our analysis is informed by rhetorical approaches (Foss, 2009; Grant, Hardy, Oswick, & Putnam, 2004; Phillips, Lawrence, & Hardy, 2004). Similarly to rhetorical analyses of public reports (Brown, 2000, 2004; Brown et al., 2012), we treat the articles from the *People's Daily* as rhetorical products that reflect authorial intent and as discursive constructions that constitute power relations. In the first stage of our data analysis, we adopted a narrative strategy (Langley, 1999), which involves developing a detailed story of the evolution of the stock market based on the extensive body of secondary accounts written by scholars, journalists, regulators, and observers, supplemented and triangulated by our interviews. In this process, we paid particular attention to the role of the states and converging views on key events in the history of the stock market.

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<sup>1</sup> We searched the electronic database of the *People's Daily* using the keywords “China's stock market,” “China's capital market” or “China's securities market” to find relevant articles. We also searched for articles containing both the keywords “stocks” and “the shareholding system,” which gave us articles on Chinese stocks and stock-issuing companies. Enterprises that restructure to become shareholding companies are the foundation of the stock market, and articles on these companies and activities are part of the CCP discourse on the Chinese stock market.





**Figure 5:** Volume of IPOs and China stock market discourse in the *People's Daily*.

In the second stage of our data analysis, the first author and a research assistant identified rhetorical artifacts in these articles through open coding of the data. The coding draws from the method of rhetorical criticism, which is “a qualitative research method . . . designed for the systematic investigation and explanation of symbolic acts and artifacts for the purpose of understanding rhetorical processes” (Foss, 2009: 6). During this stage, we coded significant rhetorical elements of the articles, paying particular attention to recurring patterns such as repeated use of images, metaphors, vocabularies, lines of arguments, structures, tones, and styles. In a highly iterative process, cycling back and forth between data and theory, we employed and subsequently dropped several rhetorical frameworks that have been used by organization scholars, including Aristotle’s three rhetorical proofs (Brown et al., 2012; Erkama & Vaara, 2010; Green Jr., 2004), Burke’s four master tropes (Cornelissen, 2008; Sillince & Barker, 2012), Burke’s dramatic pentad (1969), and categories that scholars found inductively (Goodrick & Reay, 2010; Suddaby & Greenwood, 2005). We also created and subsequently dropped some categories that we developed from the data because although they captured some aspects of the rhetorical processes at work, they fell short in addressing our central questions, which concern the relationship between the speaker and the audience and between the rhetoric and the situation.

In the third stage of our analysis, we began to look for ways to categorize the implicit authorial intent and our codes began to coalesce into higher-order categories (Miles & Huberman, 1994; Strauss & Corbin, 1994). After numerous discussions and consultations with rhetorical scholars, we adopted Aristotle's framework of rhetorical genres as the overarching conceptual scheme for our analysis because the categories we developed from inductive coding are nicely congruent with Aristotle's three rhetorical genres. Categorizing articles into rhetorical genres allows us to analyze the message being conveyed that is beyond the content of the article.

Aristotle's rhetorical genres have been used widely in communication studies (Condit, 1985; Medhurst, 1989; Sullivan, 1993). Aristotle divides rhetoric into three genres—forensic, epideictic, and deliberative—based on the type of audience and the nature of the rhetorical situation (Aristotle, 1991; Herrick, 2005; Poulakos & Poulakos, 1999). Forensic rhetoric originated in ancient Greece as a genre used by litigants in the setting of a court of law in front of jurors. This genre uses the language of prosecution and defense, and its goal is to evaluate the justice or injustice of an action that is under question. Epideictic rhetoric arose in public ceremony settings such as funerals, festivals, and athletic events. Epideictic speakers use the language of praise and denunciation, aiming to demonstrate what is honorable or what is shameful in the given state of affairs. Deliberative rhetoric took place in political assemblies. This genre uses the language of urging and deterring to decide on the most practical course of action for the immediate future, that is, the most expedient means to achieve a given end under conditions of uncertainty. Table 2 summarizes the three rhetorical genres.

**Table 2:** Aristotle's Typology of Rhetorical Genres.

	<b>Forensic rhetoric</b>	<b>Epideictic rhetoric</b>	<b>Deliberative rhetoric</b>
Audience	Judge	Spectator	Judge
Time-orientation	Past	Present	Future
Setting	Court	Ceremony	Political assembly
Language	Prosecution and defense	Praise and denunciation	Urge and deterrence
Objective	Evaluate what is right and wrong	Demonstrate what is honorable and shameful	Weigh the advantage and harm from alternative courses of action
Image of the speaker	Defendant	Priest/teacher	Decision maker/manager
Method of reasoning	Deductive	Example-based, inductive, extensive information, amplification	Combination of theoretical reasoning and practical reasoning

Whereas the Aristotelian categorization of the genres was based on the physical space in which the rhetoric occurred—courts, festivals, or political assemblies—contemporary scholars regard any rhetoric to be classifiable as one of these genres (Herrick, 2005). In line with the definition of a rhetorical genre, which is an indivisible whole with an internal dynamic between substance, style, and situational factors (Jamieson & Campbell, 1982), we used the article as the unit of analysis. We categorized an article as forensic when the question of right or wrong was at the center of the argument. We categorized an article as epideictic when it extolled virtues or denigrated vices. We categorized an article as deliberate when its main arguments focused on weighing the advantages and costs of different courses of actions. When an article was a hybrid form of two or more genres, we categorized it based on the most pronounced genre. Out of the 663 articles we coded, 109 or 16% are forensic articles, 388 or 58% are epideictic articles, and 166 or 25% are deliberative articles. Within the forensic and epideictic genres, we further identified two subgenres that are distinguished by their unique fusion of substantive arguments and the style of argumentation. Figure 6 illustrates our process of data analysis and the data structure. Our inter-coder agreement using Cohen's Kappa was  $k = .88$  (Cohen, 1960).

### **Research Setting: The CCP's Legitimacy Challenge and the Stock Market**

To many Chinese and Western audiences, the CCP's actions are often decoupled from their espoused ideologies. The CCP has maintained its allegiance to communism yet it has adopted some of the most vibrant capitalist practices. The decoupling has its roots in the deep divide in policies within the CCP. In China's post Cultural Revolution era, top leaders in the CCP have deep and polarized public policy orientations (Fewsmith, 1999; Pye, 1981), commonly referred to by Chinese as "leftist" and "rightist" camps. The leftists, also known in Chinese as conservatives, often espouse a strict adherence to the central planning model, thus placing more importance on ideological purity than the practical needs of the populace (Baum, 1994; Fewsmith, 2008). The rightists, usually pro-economic reform, often focus on the impoverishing reality of the socialist China and are more pragmatic, prioritizing practical solutions over ideological consistency with conventional party conceptions (Baum, 1994; Fewsmith, 2008). As early as the 1950s, Deng Xiaoping allowed farmers to contract for land in order to fight starvation. For such acts, Mao and his associates labeled him as the "biggest capitalist roader within the CCP". When Deng finally rose to power after the death of Mao and the dethronement of Mao's official successor, he embarked on a direction very different from Mao. However, Deng also decided not to break away from communism or to declare Mao illegitimate. Deng orchestrated the reform by enlisting both the reformers whose agenda he endorsed and the conservatives who were his comrades in the revolutionary era (Lai, 2006). By carefully balancing the influence of conservatives and radical reformers, Deng moved the reform forward while holding onto the ideological

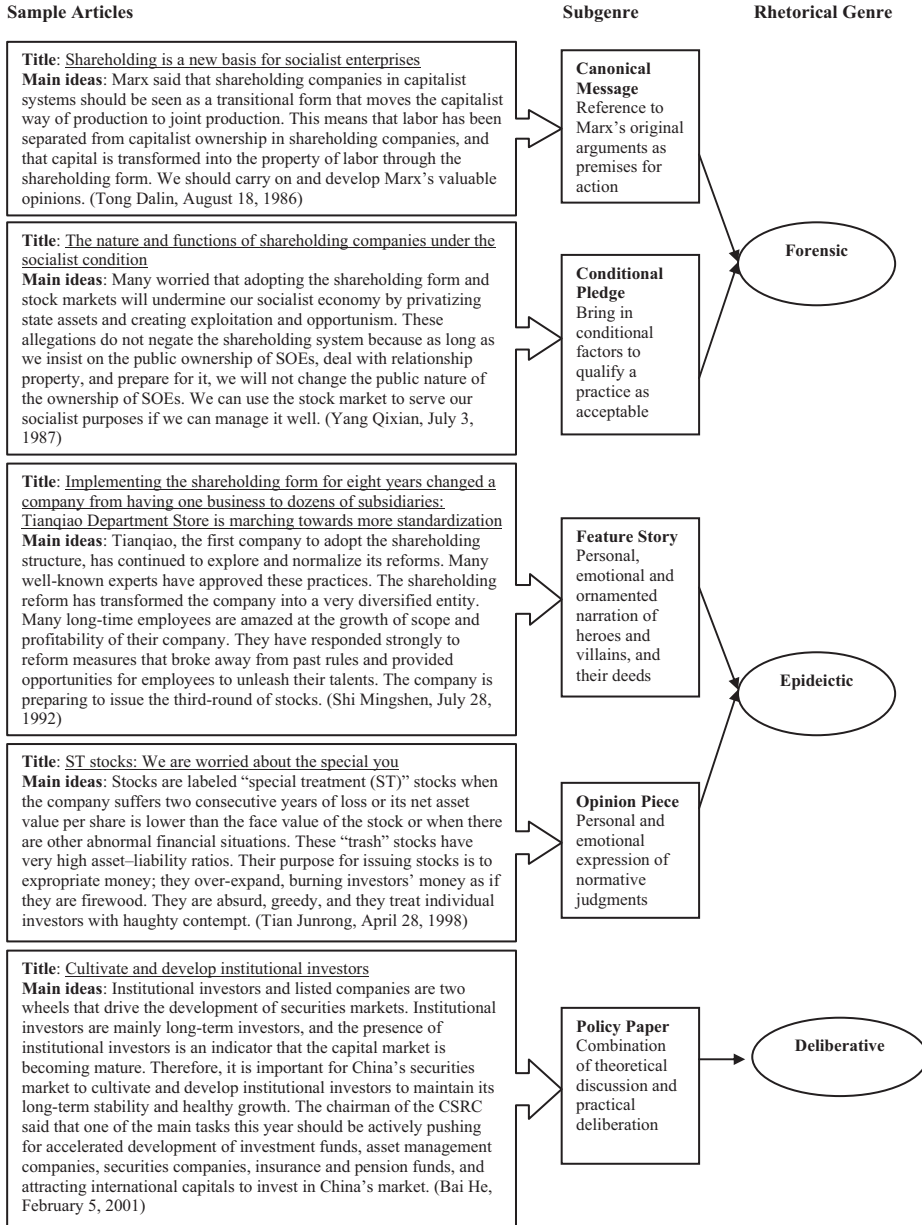


Figure 6: Data Structure.

legitimacy of the party (Lai, 2006). As the paramount leader of the economic reform, Deng could not and did not want to completely thrash the conservatives, not only because the conservatives had a lot of power but also because they are an important

balancing force when the reform camp's policies became too radical. Hu Yaobang and Zhao Ziyang, two General Secretaries of the CCP, although handpicked by Deng to lead the economic reform, were both forced to resign for making the mistake of "bourgeois liberalization" in the 1980s.

The reform camp consists of a diverse body of people, including intellectuals, party cadre, bureaucrats, and ordinary people, many of them suffered injustices during the pre-reform era, with some even put into correction camps as rightists. Similarly, the conservative camp is just as diverse, with influential wartime revolutionaries, as well as other adherents with strong convictions to communist ideologies and practices. Often, the conservative voice is so strong that it sets the boundaries of what qualifies as legitimate vocabularies in the public sphere. As an interesting example, Deng Xiaoping told an American visitor as early as 1980, that China needed to establish a "market economy," yet the CCP did not publicly adopt the label "market economy" in its domestic rhetoric until 1992.

Although the CCP's post Cultural Revolution orientation has been broadly in line with the vision of the reform camp of the CCP, the party faced legitimacy crises of epic proportions in the early years of the economic transition (Kluver, 1996). Straddling the line between upholding communist ideology and adopting capitalist practices, the reform camp of the CCP lacked the legitimacy in the eyes of many stakeholders: conservatives, radicals, as well as the general public. Conservatives accused reform projects of breaching the communist ideology, thus delegitimizing the reformers' right to lead (Wang, 2011). More radical reformers and the international community viewed the leadership's reform initiatives with deep suspicion and mistrust precisely because of their communist roots (Goldman & MacFarquhar, 1999). In addition, the CCP suffered the dual threat of questioning an ideology that might undermine their authority combined with the lack of trust by the populace in light of the economic damage done to the country under the CCP's governance.

Many scholars observe that although China's party-state faced enormous legitimacy challenges and lacked the electoral legitimacy of its Western counterparts (Zhao, 2009a), it derives legitimacy from other sources such as Maoist ideology and indigenous Confucianism (Kluver, 1996; Lin, 2011; Wang, 2011; Zhao, 2009). More recently, researchers have come to understand that the CCP has been transformed from a revolutionary party to an administrative entity (Zheng, 2010) and that the legitimacy of China's party-state now lies in its performance, primarily its ability to deliver sustained economic growth (Guo, 2003; Lardy, 2002; Lin, 2011). Note that this scholarly insight was obtained only after many failed predictions of a collapse of the CCP rule by western observers. To the surprise of many, the CCP has transformed its economy from a command economy to a market-oriented economy while maintaining its one-party rule.

Establishing the stock market represents the most radical and difficult reform led by the CCP. As a China scholar notes, "It is this paradox—a stockmarket, that most capitalist of institutions—being nurtured in a country run by a communist party, that

most fascinates observers (Green, 2003, p. xiv).” The history of stock markets in China tells how a stock market posed threat to the legitimacy of the CCP. Stock markets were not new to China. The first private securities company was established in Shanghai in 1882 when China was semi-colonized by western powers. From the 1920s to the 1940s, stock trading in Shanghai was active and popular. With 140 stock trading houses at the peak, the stock market in Shanghai was described by the then newspapers as a “paradise for adventurers.” In 1949, at the dawn of the creation of communist China, Mao Zedong personally ordered the Shanghai stock exchange to be shut down when the CCP’s Liberation Army took control of Shanghai. The socialist era witnessed waves of movements and campaigns with class struggle as the mantra. Class struggle, the struggle between the bourgeoisie and the proletariat, virtually eliminated all traces of capitalist practices. It is therefore ironic that forty years later, in 1990, Mao’s successor, the paramount reform leader Deng Xiaoping, personally approved the opening of an official stock exchange in Shanghai. To many, the re-opening of stock markets marked a fundamental departure from Maoist ideology because it revived the capitalist practices that the Maoist regime tried hard to dismantle.

Unlike many other countries whose adoption of the stock market is influenced by the world-wide diffusion of stock markets since the 1980s, the adoption of the stock market in China is more an indigenous initiative. For Soviet bloc countries, the stock market is a mechanism for mass privatization; for some third-world countries that are dependent on international development aid, the stock market is forced onto them as part of the aid package; for other countries that are embedded in the international trade system, the stock market is a result of emulation of their trade partners (Weber, Davis, & Lounsbury, 2009). None of these factors feature strongly in China’s adoption. Instead, economic reform carried out first in the rural areas, which provided the ground for the development of the shareholding form, and the issuing of shares and bonds facilitated the emergence of the black market for trading, which led to the opening of an official OTC market. Although the stock market seemed to be the next step in the economic reform, it was also much more controversial and elicited much stronger resistance. In fact, the Chinese leadership did not publicize the stock market when it first opened in 1990: there was little domestic media coverage. Interestingly, foreign observers seemed more curious about this phenomenon. Japanese media gave full coverage of the opening up of China’s stock market (Li, 2001). An article in the *Economist* pondered why a communist party was interested in having a stock market.

Due to lack of legitimacy, the stock market did not take off immediately after it first opened. State-owned-enterprises (SOEs) initially refrained from getting listed on the stock market. Only collective-owned-enterprises sought IPOs. Ideological attacks from conservatives and hesitation from potential investors led to a period of dormancy in IPOs and trading activities. The thought that the stock markets could easily lose momentum and that the CCP would shut it down, hindered mass participation. However, the stock market gained confidence and developed rapidly after Deng Xiaoping affirmed

the direction of the economic reform in his spring tour in 1992. Although the growth rate of IPO temporarily slowed down during 1994–1995 due to Zhu Rongji's retrenchment campaign and during 1997–2001 because the CCP's three-year plan to revamp SOEs placed pressure on the valuation of stocks, the stock market grew exponentially during this time period. From 1990 to 2004, listed companies grew from only 10 stocks in 1990 to over 1,300 in 2004, total capital raised from 1.81 billion RMB to over 80 billion, total market capitalization from 5.1 billion RMB to 3,700 billion, and investor accounts from 120,000 to 72 million.

In the 1990s, the government exercised many forms of administrative control over the stock market. For instance, the government imposed an annual quota which, from 1993 to 1996, restricted the total amount of capital companies can raise through IPO issuance, and from 1996 to 1999, the total number of companies to go public (Wong, 2006). The government also selected qualified issuers, determined the time of IPO, and even restricted P/E ratios to about 13–15 to all firms, regardless of their industries (Yao, 1998). Furthermore, the government restricted SOEs to trade only 25%–35% of their total shares and kept the rest of the shares non-tradable (Walter & Howei, 2006). Administrative interventions were so pronounced that people called the Chinese stock market a “policy market” (Green, 2003). Various administrative proclamations may well explain the extraordinary peaks and troughs in trajectories of the A-share indices (Ma, 2004). Many believe that government policy is the direct trigger to the bull market in 1996 and 1998 (Yao, 1998). In fact, many observers called the stock market the “Zhu market” indicating that it was closely managed by the then Premier Zhu Rongji, himself a long-time rightist and reformer.

The stock market did not conform to all government arrangements. Actual capital raised or companies going public often exceeded the quota drastically, reflecting a weak management at the central government and the fragmented nature of the market governance system between 1992 and 1997 (Green, 2004). Extreme volatility and speculative trading also characterized the early years of the stock market because the majority of investors are individual investors (Gao, 2002). Early investors in the stock market experienced something similar to roller coaster rides with huge price fluctuations and several highly publicized scandals of corruption in managing stock issuance and trading. The ratio of the highest to lowest values of the indices for Shanghai Stock Exchange Composite Index reached 4.88 in 1992 and 2.45 in 1996, and that ratio was 2.45 and 4.84 for Shenzhen Stock Exchange Component Index in the equivalent years. The average volatility of Dow Jones China is 51.10% from 1994 to 2001, comparing to Dow Jones Industrial Average's 15.80%, Nikkei's 20.80%, and the Dow Jones World Emerging Market's 27.92% in the same period (Gao, 2002).

During 1997–1998, the central government managed to strengthen the power of the regulatory agency Chinese Securities Regulatory Commission (CSRC), thus limiting the power of local governments, state agencies, and stock exchanges in shaping stock market development (Green, 2003). Many characterize the years after the promulgation of the Securities Law in 1999 as the beginning of serious attempts to dissociate



the stock market from the legacy of central planning (Wang, 2011). The CCP also brought many experts trained in the West to lead the further liberalization of the stock market in the 2000s. China's official entry into the World Trade Organization (WTO) in 2001 marked a new beginning of China's economic integration into the world and sent a strong message of China's commitment to market economy. In the years after 2001, the Chinese stock market outperformed the stock markets of most other transition economies on many standard measures of performance, including the number of listed firms, market capitalization, liquidity, and fundraising capacity (Pistor & Xu, 2005; Wong, 2006). Today, it is one of the largest stock market in the world by market capitalization and an indispensable institution in China. More interestingly, unlike many other transition economies, where the transition to capitalism accompanied the collapse of communist regimes, the CCP has maintained its communist claims and its position of authority.

Given the phenomenal success of the stock market in China and the paradoxical co-existence of a communist party leadership, China's adoption of the stock market provides a unique context for studying the construction of authority in polarized transition. Our premise is that a stock market in a transition economy does not automatically lead to higher firm performance, more efficient allocation of capital, better returns for investors, or economic growth in general. Rather, stock markets can benefit, harm, or have no consequential effect on a transition economy. In fact, many economists believe that establishing a stock market is too radical for transition economies, and is incapable of helping transition economies to achieve promised levels of economic growth and prosperity (Akimov & Dollery, 2008; Arestic, Demetriades, & Kuintel, 2001; Singh, 1997). This is important, because although in capitalist countries, people would not normally question the legitimacy of a stock market, in China, people upset about a bear market, investment losses, and poor company performance, often question the very legitimacy of the stock market. Critics observe strong political motivations of the CCP in being an influential actor in the stock market (Wang, 2011). Moreover, scholars argue that the CCP employed rhetoric as strategic response to the dilemmas and challenges they faced in the transitional period (Lu & Simons, 2006). In the next sections, we analyze how the Chinese reform leadership used rhetoric to justify its authority by discursively portraying the stock market as relevant, important, and beneficial to China.

## **Construction of CCP Authority in China's Stock Market**

### **Forensic Rhetoric: The CCP as Defendant**

During the transitional period, Chinese conservatives frequently attacked market-based practices as capitalist and thus contradictory to the communist ideology (Fewsmith, 1994). This kind of ideological labeling was quite common across the state-owned newspapers and magazines, forming a formidable discursive court with accusations. Many articles in

the *People's Daily* responded to these accusations: they refuted the idea that the nature of a stock market is capitalist and defended the righteousness of adopting stocks and stock markets in China. We label these articles as “forensic rhetoric,” following Aristotle, and we identify two subgenres in the category. Table 3 provides a description and illustrations.

**Table 3:** Forensic Rhetoric of CCP Reformers.

Audience	<p>The direct audience intended by authors of forensic articles was the conservatives who believed that the stock market was ideologically wrong because it was capitalist.</p> <p>More broadly, the forensic audience was comprised of potential market participants who were suspicious, confused, and hesitant in making judgments because of uncertainty in the moral righteousness of the stock market.</p>
Time Orientation	Past. The rhetoric emphasizes Marx's positive words about the stock market and the poor economic conditions of China in the past.
Setting/Discursive Space	Discursive court
Substance of genre	Reformers justified the stock market by defending against the ideological charges. The defense was based on canonical words of Marx and conditions specific to China.
Style	Deductive, theoretical, objective
Image of the Speaker	Courageous defendant of free-market practices for the commonwealth of the Chinese people
Implication for Legitimacy	To construct moral and cognitive legitimacy of the CCP reformers
Illustrations	<p><i>Canonical Message</i></p> <p>The forensic rhetoric of the CCP reformers disregards Marxist ideology's overall claim on capitalism; instead, it invokes Marx's words on the functions of the stock market to argue that the stock market is not ideologically wrong.</p> <p>For example, many articles reference Marx's own words on the shareholding company, pointing out that Marx said that building railways would not have been possible had it not been for the accumulation of capital in a short time due to the issuing of stocks. Many articles also argue that stocks are not instruments of capitalism; in fact, as Marx noted, the shareholding company discarded the private nature of capitalism, and will eventually eliminate private enterprises.</p>

Table 3 (continued)

<p><i>Conditional Pledge</i></p> <p>The CCP rhetoric often shifts to major premises that highlight specific conditions of China. One such condition is poverty. Practice that can lift Chinese people out of poverty is justifiable on a deep moral ground.</p> <hr/> <p>Another condition is China's stage in socialist development. Chinese Marxist theorists strategically redefined China's stage as still in an "early stage of socialism" and proclaimed that in the "early stage," some form of market-based institutions such as shareholding companies are permissible and should not be considered a reversal to capitalism.</p> <hr/> <p>A related special condition often invoked to justify reform measures is the goal of socialist China, which was redefined in 1978 to be developing the "production force," a central idea of Marx's theory that replaced the previous goal, "class struggle," another mantra of Marxism. The theory emphasizes that the development of the production force is in accordance with the basic interests and needs of the people. Practices that can enhance the production force, such as the exchange of goods on the markets, give managers more power and autonomy, and the shareholding form is therefore justified.</p>
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**Canonical messages.** Marxism as an ideology in China is a set of ideas that form a coherent and systematic body of beliefs that actors support through practices such as central planning and structures such as the SOEs, and Marxist ideology was the ground upon which conservatives or the old guard "leftists" launched severe attacks against the stock market. In defending the stock market, reformers delved deep into Marx's work and ideas to establish the consistency of the stock market with Marxism. For instance, in an article published on April 6, 1987, titled "Some thoughts on the shareholding economy," a Marxist theorist argued:

In *Capital*, Marx gave an incisive analysis of the shareholding economy in the capitalist system. He pointed out that the establishment of shareholding companies united many pools of capital that had already emerged or were still emerging. In *The Complete Collection of Marx and Engels (Vol.23, page 688)*, he said, "If we had to wait for accumulation results in some single capitals to become substantial enough to build railways, perhaps there still would not be railways in the world today. However, this accumulation is done through shareholding companies in the blink of an eye."

What is striking about this article is that it does not try to dispute the negative ways that Marx characterized the stock market, such as its gambling and preying nature. After years of propaganda and indoctrination, these criticisms were firmly embraced by the Chinese. However, arguments by Marx on the benefits of stock markets, such as these being perhaps the most efficient way to combine individual pools of capital to build large projects such as infrastructures, were new and very surprising to the average Chinese citizen. The CCP reformers facing the conservatives' accusation defended the stock market by selectively invoking Marx's original words as major premises to

construct arguments in support of the stock market. Referencing an authority figure such as Marx enhances an author's own credibility (Benoit-Barné & Cooren, 2009).

**Conditional pledges.** In line with accusing an actor's practice as capitalist, capitalist practices were attacked as fundamentally immoral. Conservatives claimed that stock markets would foster a social class that makes money from capital investment rather than from work. The creation of a bourgeois class is in direct opposition to socialist morality. A Shanghai OTC market spokesperson's encounter with foreign reporters during the initial phases of the market in 1986 exemplifies a "court-like" setting (Li, 2001). Although posed by a foreigner, this kind of question captured the gist of the ideological charges by conservatives and was on the mind of many Chinese citizens.

**Foreign journalist:** The stock market is exploitative. Does establishing a stock market conform to socialist morality?

**State official:** Our people have lived in poverty for a long time. Does this conform to any kind of morality?

The charge is a typical enthymeme, which is a syllogism with the major premise suppressed (Areni, 2002; Gill & Whedbee, 1997). Here the suppressed major premise is that exploitation is immoral. The claim is that the practice of establishing a stock market is immoral, and the minor premise is that the stock market is a form of exploitation. The state official showed his rhetorical prowess in his response. Rather than directly refuting this charge, he employed an enthymematic argument that implicated another major premise: keeping people impoverished is immoral. The rhetorical strategy here was to emphasize the particularity of China's economic condition in order to make space for exceptions to controversial practices. Many articles in the *People's Daily* that we coded as forensic similarly refer to the unique condition of China to defend against charges that market practices are contradictory to socialist principles.

**Rhetorical style and authority construction using the forensic genre.** Common to these two subgenres is the dominance of deductive reasoning. Aristotle (1991) observed that deduction in the form of an enthymeme is characteristic of forensic rhetoric. He noted that speakers deploy enthymemes in forensic rhetoric because this rhetoric needs to establish cause–effect relationships. Institutional scholars have found that syllogisms are especially powerful and necessary for justifying new or controversial practices in the early stages (Green Jr. et al., 2009). Our data corroborate this finding and show that deductive reasoning in the form of syllogisms and enthymemes served as justification for an alternative conception of the dominant ideology in the context of China's reform, an alternative conception that then provided the basis for justifying specific reform practices. The use of deductive reasoning provides these articles with rigorous theoretical arguments, which highlight the rationality of the author. Additionally, these articles often employ an impersonal tone to confer an objective and neutral quality on the arguments, suggesting that the claims they make are natural conclusions of logical reasoning. Together, the substance and style of

these articles suggest an important objective: to persuade the audience that the adoption of shareholding companies and a stock market is not ideologically wrong or flawed, but is actually morally sound and desirable. Organizational scholars have found that language can affect perceptions of the moral legitimacy of institutional participants. For example, in the case of hostile takeover initiators, language is used to transform actors' perceptions of the initiators as disreputable villains to perceptions of their being professional game contestants (Hirsch, 1986). In the case of China's adoption of the stock market, the CCP reformers used forensic rhetoric to project the image of an actor who was concerned about the commonwealth of the Chinese people and who had the courage to approve alternative, although politically risky, practices.

Moreover, forensic rhetoric positioned the speaker as the defendant and placed the audience in the role of a jury. The audience (as jurors) was given new evidence—pieces of Marxist canons—that supported the stock market and heard higher-order moral reasons for the defendant's adoption of the stock market. These justifications contradicted the audience's prior beliefs but helped establish new grounds for judging actions as right or wrong. The CCP's use of forensic rhetoric is intriguing from a rhetorical perspective. As the actor with formal authority in governing the country, the CCP was not required to provide justification for its actions. However, considering the legitimacy crisis—the opposition the CCP faced from both radical reformers and conservatives—it was imperative for the CCP to manage its legitimacy. This required the CCP to take on subject positions in relation to the market. The fact that the CCP stretched Marxism to defend the adoption of the stock market and to place its adoption on high moral grounds reflects its attempts not only to justify a new market institution, but also to make its own presence in the new market central and significant. Justifying a controversial market institution in fact gave the CCP a new subject position for claiming its own righteousness.

According to secondary accounts, most individual investors perceived the reformers as brave and progressive and not afraid to champion controversial practices in the face of ideological opposition (Li, 2001). The CCP's vision of itself as “fresh, courageous to engage in reform, and full of vitality” in the 1987 CCP National Congress Report was largely embraced by the public. Many accounts emphasize the strong determination of Zhu Rongji to build the stock market, citing an anecdote about Zhu, then Shanghai City Mayor, telling his subordinates that he would take all the political responsibility for creating the stock market if anything went wrong (Li, 2001; Walter & Howei, 2006). Similarly, our interviewees recounted the power of the pervading conservative ideology at various times during the reform era, describing the reformers as intrepid and selfless.

### **Epidictic Rhetoric: The CCP as Community Builder**

The articles we coded as epidictic report current affairs, describe phenomena, explain concepts, and express attitudes toward them; and we identified two subgenres here as well. See Table 4 for illustrations.

**Table 4:** Epideictic Rhetoric of CCP Reformers.

Audience	<p>The direct audience intended by authors of epideictic articles was actors who wanted to learn about the stock market with an interest in joining the stock market.</p> <p>More broadly, the epideictic audience was comprised of members of the general public who did not participate in the stock market yet whose attitude toward the stock market was an important source of public opinion.</p>
Setting/Discursive Space	Discursive ceremony
Time Orientation	Present. The rhetoric tells stories of market activities, events, and participants; it focuses on defining and describing what is happening in the stock market right now.
Substance of Language	Reformers praised good deeds, companies and individuals and denounced vicious and scandalous ones by telling lively and dramatic stories and expressing opinions with strong attitudes.
Style	Example based/inductive, extensive information, amplification, vernacular language, personal, emotional
Image of the Speaker	Community builder knowledgeable about the technicalities, rules and roles of the stock market and market participants, capable of setting values and norms for conducts
Implication for Legitimacy	To construct cognitive and moral legitimacy of the CCP reformers
Illustrations	<p><i>Feature story</i></p> <p>The epideictic articles in the form of feature stories praise heroic and capable managers taking risks and transforming their companies into shareholding forms that ultimately have a successful IPO on the stock market. For example, one story describes a village CCP Party leader who led an entire village out of poverty and into admirable wealth by establishing shareholding business groups. Another story describes the courage and vision of the managers of the Shenzhen Stock Exchange, who established and operated the first OTC market in spite of misunderstandings, suspicion, hostility and even life threats.</p> <p>Other stories include: managers of securities companies who greatly expanded the role of investment banks in China's stock market; zealous and risk-taking individual investors who made unbelievable profits from investing in the stock market in times when others were risk averse and timid; workshops and conferences that discussed the current condition of the stock market and educated the public on how to participate in the stock market; and cities and regions that encouraged companies to adopt the shareholding form and thus were successful at building a modern, competitive economy.</p>

Table 4 (continued)

<p><i>Opinion Piece</i></p> <p>These epideictic articles in the forms of editorials and opinions often take a critical view toward stock-market practices and participants. For example, one article labels corruption, bribery, and fraud as the ghost of devils in the stock market. Many articles denounce the embezzling of state assets of SOEs restructuring into shareholding companies. Many criticize companies for their poor performance, irresponsible management, lack of transparency, and greed.</p> <hr/> <p>Many articles between 1997 and 2000 pointed out problems related to SOEs as listed companies. During these years, the CCP embarked on a plan to revamp SOEs. One of the methods was to use the stock market as a venue to fund SOEs. The policy made it much easier for SOEs to get approval for IPOs than privately owned or collectively owned companies. However, many SOEs, when listed, showed poor performance and yet they kept exploiting individual investors through false information, manipulation, and promises of reform and restructuring.</p>
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**Feature stories.** The articles in this subgenre are in-depth profiles and detailed, concrete stories extolling or criticizing a company or individuals. They were written by *People's Daily* journalists. The coverage is often full of vivid narratives and dialogues, rich in depictions of characters, emotions, and practices, and presented in highly ornamented writing. Take, for example, an article about a SOE entitled "In Search of Excellence: A Story of Shenzhen 'An Da' Company," published on April 8, 1993. The title borrows the name of the bestselling business book by Tom Peters. The article portrays how a new general manager turned a small, struggling SOE into a shareholding company with skyrocketing profits, a vastly expanded business scope, and a superior corporate structure built for intense market competition. This company was the fourth company to be listed on the Shenzhen Stock Exchange. Many similar stories praise or condemn various market participants and events with depictions of dramatic plots and incredible characters in language designed to create theatrical effects.

The content and style of these feature stories form a coherent subgenre. Underlying these stories is the voice of someone who has the conviction that the stock market is a good thing and who has acumen in the stock market business. The lively descriptions and narratives are intended to help the audience overcome the difficulty of learning about the stock market from abstract theories. Abundant and detailed stories about neighbors and neighboring companies help the general public transform this foreign, unfamiliar practice into one that is intimate and familiar. In addition to cognitive comprehension, these articles have the style to induce curiosity, excitement, and enthusiasm from the audience, thus attracting potential participants, such as retail investors, companies looking to issuing shares, financial institutions, and accounting and legal professionals, to jump in and become part of this exciting activity. Through the display of commendable or despicable people and deeds, these epideictic



articles are also intended to induce shared understandings and attitudes in the audience, thus facilitating the formation of a community of market participants with emotional bonds.

**Opinion pieces.** The articles in this subgenre consist of opinion pieces and editorials that express strong negative or positive attitudes about a current practice or trend. The editor, contributors, and guest commentators write these articles. It is important to recall that the editor-in-chief must approve all articles in this most authoritative CCP-controlled newspaper and that top party leaders monitor these articles closely. Various forms of opinion pieces closely reflect the understandings and attitudes of the CCP (Wu, 1994). Accordingly, negative criticisms carry significant weight, especially in editorial pieces. In fact, these editorials are often accompanied by state actions and material consequences such as regulatory agency investigations of fraudulent behaviors and sudden drops in the stock prices of certain companies. More importantly, these opinion pieces and editorials serve ceremonial purposes: by publicly denouncing certain companies and behaviors, they establish norms and values that shape the behaviors of the community and foster self-regulation on the part of other market participants.

The *People's Daily* published only two front-page, headlines, "Special Guest Commentaries" in the first ten years of the stock market development. These two Special Guest Commentaries have become the most dramatic and memorable events in the minds of Chinese investors. They were published at moments of great uncertainty and they sent strong messages that had a profound impact on the stock market. The first "Special Guest Commentary" on December 16, 1996 caused the market to plummet from its peak. The second one on June 15, 1999 was credited for setting in motion a two-year long bull market. Although the two Special Guest Commentaries are distinctly different in their tone and style, they each made a huge impact on the discursive and interpretive landscape. In this and the next sections I analyze in greater detail the 1996 and 1999 commentaries as quintessential examples of epideictic and deliberative rhetoric respectively.

The 1996 "Special Guest Commentary" appeared against a background of a roaring market. After two years of a bear market, the stock market saw a powerful upward movement in the market from April 1996 to December of 1996. This rapid rise in price in such a short period raised concerns for the Chinese Securities Regulatory Commission (CSRC) that the stock market was overheating. With the intention to cool the market, the CSRC wished to signal a tightening of control and thus issued several rules and reports on strengthening the monitoring and supervision of investment banks, brokers, and the movement of the stock market. The commission also repeatedly issued warnings about improper speculation, irresponsible comments by securities analysts, and potential illegal trading in the market. In addition, the director of the commission stated publicly that speculative behavior was bad for the market. Even more serious, the CSRC began to prosecute some commercial banks that violated rules for registering new securities. As one noted historian of China's

stock market observed, the government sent altogether 15 warnings to the public (Li, 2001). However, these signals did not seem to put a brake on the soaring market.

On December 15, 1996, the Chinese Central Television (CCTV) station broadcasted the commentary on the 7 o'clock news the evening before it was published in the *People's Daily*, and then repeated the broadcast every hour for seven hours. One of our interviewees remarked that he still remembered the stiff face of the news anchor who delivered the segment. The unprecedented broadcasting of a news article was a shocking event for many individual investors (Li, 2001). When the editorial appeared in the *People's Daily* the next morning, it also appeared as a reprint in every major newspaper. The two newspapers that did not reprint the piece on the 16th, *Shanghai Securities News* and *Securities Times*, received a warning from the CSRC and had to reprint the commentary the following day. This theatrical display of the CCP's view of the stock market, a negative one (see below), produced an immediate market crash. On the morning of December 16, all 614 securities, including stocks and funds, plummeted by 10%, the downward price limit set by the CSRC. The steep downfall continued for several days, and the downward trend extended for the rest of the year, making it a historic crash. Our interviewees mentioned this dramatic event as an important turning point in the development of China's stock market. More than a decade later, this discursive event was still ever present in the collective psyche of the market. In fact, a fake *People's Daily* commentary circulated on the internet in April 2007 had a tremendous effect on the market. Figure 7 graphs the move of stock market indexes before and after the publication of this article.

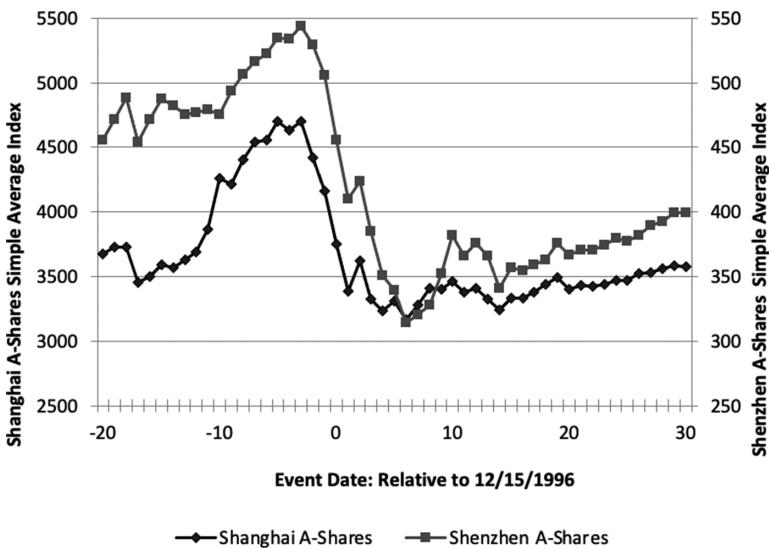


Figure 7: Movements of Market Returns around the Special Guest Commentary on Dec. 16, 1996.

People were curious as to who had authored this article. Rumors at the time named then Vice Premier Zhu Rongji as the author of this piece (Green, 2004). This mystery was solved when Zhou Zhengqing, the third CSRC chairman from July 1997 to February 2000, admitted in 2003 that he wrote the 1996 and the 1999 “Special Guest Commentaries” (Li, 2003). At the time when Zhou wrote these commentaries, he was the director of State Council Securities Committee (SCSC), the government authority of CSRC in the State Council. In addition, several experts suggest that the Vice Premier Zhu Rongji must have approved these commentaries considering the significance of publishing this kind of article in the *People’s Daily*. Many of our interviewees also suggested that the publication of these commentaries needed the approval from at least the Premier Li Peng, or even the Party Chief Jiang Zemin.

The content and style of this “Special Guest Commentary” demonstrate its epideictic nature. Titled “A Correct View of the Current Stock Market,” it compared the current condition of the Chinese stock market to the American stock market disaster in 1929, “Black Monday” in 1987, and the Mexican financial crisis of 1994 to warn that the Chinese market was “abnormal” and “irrational.” It blamed four major players whose actions violated the rules and led to the excessive manipulation in stock trading: SOEs, banks, securities companies, and the media. The language used in the commentary was especially astonishing: it was emotion-laden, full of Chinese idioms that express extreme anger and criticism, and used a vernacular vocabulary that would be easy for commoners to read and understand. One paragraph reproached the SOEs:

[I]nstitutional investors and the Zhuangjia [Big Shots, the House] manipulate the market. Some Zhuangjia with huge assets take advantage of the roaring stock market and the individual investors who follow the wind [jump on the bandwagon]. They repeatedly act as the Zhuangjia and take turns to manipulate prices. These Zhuangjia are mostly SOEs, who rely on their status and connections to summon wind and rain [stir up trouble], and seek exorbitant profits. They stake a billion pieces of gold on one throw [throw away money like dirt] without considering any risks: if they succeed, their waist will become loaded with millions of dough [gain enormous profit]; if they fail, they will transfer the trouble to the state.

The term “Zhuangjia” is Chinese slang referring to SOEs and other powerful investors who manipulate the price of certain stocks. The term is borrowed from the dealer or house in gambling games and has an image rooted in the concept of a landlord in feudal society. Zhuangjia had become dominant and ubiquitous in China’s stock market during the 1990s, to such an extent that many investors based their investment decisions directly or indirectly on the Zhuangjia’s actions. Since individual investors were rarely the winners in this gamble, they often had grievances about the Zhuangjia’s manipulation. Common citizens who were not stock market investors were even more negative about these infamous practices and were suspicious about the integrity of the stock market as a whole. Responding to these negative views, this commentary depicted the Zhuangjia as despicable, employing empirical evidence and statistics to prove that its view of the stock market was correct, and projecting strong emotions to show the CCP’s unyielding determination to condemn those violating the rules. The

delivery of the message in major media outlets throughout the country reaffirmed the CCP as the authority to define what was happening and set the rules of the game. More interestingly, by directing criticism toward established power structures such as the SOEs, banks, securities companies, and the media, the CCP showed its solidarity with the exploited. To strengthen its identification with individual investors, the CCP commentary even adopted the vernacular language, such as calling manipulators “Zhuangjia,” which portrayed the CCP as itself being taken advantage of by the manipulators and thus sharing the anger and frustration of individual investors. The message of the CCP was received as intended: these audiences listened and panicked; they immediately withdrew from the market, causing the big plunge. Interestingly, the regulators had sent the same messages through many changes in policies and administrative measures, yet these market participants only responded to the Special Guest Commentary in the *People's Daily*.

***Rhetorical style and authority construction using the epideictic genre.*** The epideictic articles stand in contrast to the logical, objective, neutral tone assumed by forensic rhetoric; instead, they offer lively examples of people and firms, show strong personal attitudes toward them, and often adopt the vernacular language. Contemporary rhetorical scholars emphasize the purpose of epideictic rhetoric as definition and education (Condit, 1985; Johnson, 1970; Perelman & Olbrechts-Tyteca, 1969; Sullivan, 1991). Speakers gain authority through their ability to define (Condit, 1985). Epideictic rhetoric educates the audience about the particular values, beliefs, and cultures of the community and produces communal bonds (Poulakos & Poulakos, 1999). Epideictic rhetoric creates and defines a world of realities and invites the audience to evaluate the verisimilitudes of the speech (Sullivan, 1993). Organizational scholars have established the connection between rhetoric and cognitive legitimacy (Hirsch, 1986). Hirsch's (1986) study of the linguistic framing of corporate takeovers, for example, illustrates how invoking popular-culture images such as white knights to talk about takeovers enhances the cognitive legitimacy of the innovation by making it familiar, comprehensible, and bounded, with clear role expectations. Consistent with these findings, our analysis suggests that the epideictic rhetoric represents the CCP's attempt to establish a community of participants and to create and enforce norms and rules for new practices in a young market with few formal or informal regulations and norms.

Furthermore, our analysis suggests that the epideictic articles in the *People's Daily* positioned the CCP as community builders like preachers or teachers, simultaneously placing the people in the role of observers. Through the epideictic rhetoric, the CCP projected an image of a knowledgeable, wise, charismatic, and confident speaker who was eager to intervene in the market by expressing personal views. The CCP attempted to earn its right to speak through its display of knowledge and attitudes. The legitimacy of the speaker would be judged based on the truth and verisimilitude of the speech (Sullivan, 1993). The audience learned how the stock market works, and through this came to understand and accept the CCP's role in defining what was acceptable and appropriate behavior for market participants. In sum, epi-

deictic rhetoric allowed the CCP to take on new subject positions and naturalized its central role as a community builder in the stock market.

### **Deliberative Rhetoric: The CCP as Manager**

Deliberative rhetoric in the *People's Daily* constitutes another genre of the CCP discourse. Consistent with Aristotle's definition, the deliberative articles focus on the means instead of the ends, emphasizing the advantages or disadvantages of future actions. In contrast to forensic and epideictic rhetors, deliberators were not as concerned with the morality or virtue or vice of stock trading; instead, they were concerned about *how* to trade stocks. Numerous articles in the *People's Daily* are concerned with "how to" questions. These articles advocate policies, offer advice, and propose solutions to problems, and many renowned economists and policy makers author these articles. We label this subgenre the "policy paper." See Table 5 for more examples.

**Policy papers.** As an example, Dong Furen, an economist and vice director of the Finance and Economics Committee of the National People's Congress, wrote a 295-paragraph and nearly 9,000-word piece titled "Take Meticulous Care to Nurture the Securities Market," published on June 21, 1999. The article acknowledged the rapid development of the stock market, yet argued that many urgent problems were hindering the market's further growth. Dong thoroughly reviewed the structures and functions of bonds, mutual funds, and institutional investors, as well as the size, share structure, corporate governance, and performance of the listed companies. He noted that a major problem in China was that one of its objectives in developing the stock market was to support the SOE reform, as opposed to the common functions of a stock market in a market economy, i.e., raising money for companies and allocating resources efficiently. Dong argued that China's stock market would face enormous risk if it served only to raise funds for SOEs. The issue of using the stock market as a cash cow for SOEs was very controversial, representing the structural contradictions between the function of the market economy and the communist ideology that favors SOEs. In contrast to forensic or epideictic rhetoric, which focused on accusing wrongdoers or shaping attitudes toward disgraceful behaviors, Dong's article—like most deliberative articles—sought practical solutions to problems. Their deliberative rhetoric focused on how best to take into consideration the interests of all the parties involved. Dong's article proffered specific and realistic action plans based on sound logical reasoning, with many examples.

Deliberative rhetoric can also have material effect on the movement of stock price. The second "Special Guest Commentary" in 1999 came at a time when the market had been on a continuous downturn for two years. The market took an upward turn on May 19, 1999, and kept rising for the next 20 days. Whether this turn indicated a bottom to the bear market or simply a short-term move up before the continuation of falling prices was on everyone's mind (Li, 2001). People were looking anxiously for

**Table 5:** Deliberative Rhetoric of CCP Reformers.

Audience	<p>The direct audience intended by the authors of deliberative rhetoric is comprised of market participants.</p> <p>More broadly, the deliberative audience can be all the people who think that the stock-market development is relevant to their well-being.</p>
Setting/Discursive Space	Discursive assembly
Time Orientation	Future. The rhetoric focuses on what to do next with regard to stock market development.
Substance of Language	Reformers urged (deterred) policies and actions that would bring advantage (harm) by giving reasons for why such policies were efficient and effective (unproductive).
Style	Combination of theoretical reasoning and practical reasoning
Image of the Speaker	Capable, rational decision maker
Implication for Legitimacy	To construct pragmatic legitimacy of the CCP reformers
Illustrations	<p><i>Policy Paper</i></p> <p>The deliberative rhetoric in the <i>People's Daily</i> is distinguished by its focus on the question of how to make the stock market function better: more efficient as the mature stock markets in the West, healthier with more institutional investors, more transparency, laws, protection of the interest of small investors, and more effective as a tool to advance the economy as a whole by aligning the stock-market practices with other reform measures, such as the restructuring of SOEs into shareholding companies, the reform of the banking industry, the development of the social security fund, and the advancement of professional services related to the stock market, such as investment banks, lawyers, accountants, and traders. It is relatively easy to distinguish these deliberative articles from forensic and epideictic articles, as they are not concerned with expressing value judgments, nor are then interested in laying charges or blames. Instead, they treat problems, deficiencies, and conflicts as something that can be fixed and resolved, and they are interested in proposing ways to do these things effectively.</p>

signs. The publication of the article by the “Special Guest Commentator” in the *People's Daily* on June 15 came at this critical moment. This article, entitled “Standardizing Stock Market Development with Firmer Confidence,” states that the recent market rise “reflects the actual condition of the macro-economic development and the inherent demand of market operations, is a normal, restorative rise.” More importantly it declared a series of policies that energized the market. Encouraged by this commentary, the market soared 25% in half a month, and the market continued its rise for the next two years. Figure 8 graphs the moves in stock market indexes before and after the publication of this article.



**Figure 8:** Movements of Market Returns around the Special Guest Commentary on Jun. 15, 1999.

In contrast to the 1996 commentary's epideictic reasoning, the 1999 commentary is distinguished by deliberative reasoning. Specifically, the commentary gave specific instructions to some major market players as to what they should do to improve the market performance. These instructions or guidance were supported by arguments about the practical benefits of these actions to various market constituencies.

Securities regulatory agencies should strive to maintain the market principles, conscientiously improve the standardization of conducting regulatory work. Reform the share issuance policies, open up the IPO approval process, enhance the transparency of regulatory work; investigate illegal activities on the basis of laws, in order to practically protect the interests of investors.

Listed companies should comply with the law in disclosing information, . . . to reward investors with better performance.

Further expand the experimentation of securities investment funds, accelerate the rate of nurturing institutional investors. Fund management companies should improve operations and management, in order to increase investment returns.

Implicit in these arguments is the voice of a decision maker who makes rational judgments about the advantages and disadvantages of particular courses of action within particular social relationships and situations. It is also a voice that urges the audience or Chinese people to take actions on the basis of these deliberations. The decisive and



authoritative tone of the rhetoric created effects that no issuances of policies or rules would have achieved.

Many articles in the *People's Daily* give recommendations or announce actions, plans, and policies. Rhetorical theory suggests that deliberative rhetoric speaks to a different audience than do forensic and epideictic rhetoric and constructs a different speaker–audience relationship. The immediate audience for the deliberative rhetoric in the present study was comprised of stock-market participants. Compared with the general public and market observers, who are more interested in debating whether the market is moral or conforms to ideal models, market participants are more concerned about how to move forward within the current situation. For example, investors read deliberative articles in order to make decisions about whether to maintain or change their current positions; issuers read deliberative articles in order to gauge whether it is an optimal time to issue stocks; and market makers read deliberative articles in order to formulate business strategies. Market participants were acutely aware of the market's structural problems, such as policies favoring SOEs, the lack of transparency and monitoring, and the dubious role of institutional investors. However, market participants are more interested in knowing the courses of action that will best advance their goals and interests in this political arena. Deliberative rhetoric focuses attention on how to correct deficiencies and improve the technical aspects of the stock market in order to increase efficiency and benefit all participants.

***Rhetorical style and authority construction using the deliberative genre.*** Compared with forensic or epideictic articles, the language of deliberative articles is a blend of theoretical reasoning and practical wisdom. The focus of these articles is an attempt to urge or to deter certain actions. Through the use of deliberative rhetoric, the CCP took on the subject position of a manager or strategist speaking to employees or followers, where the leader assumes authority on the ground that he or she possesses the technical competence and skills necessary to make the most rational decisions for the entire organization (Perrow, 1986). Occupying the subject position of a manager/decision-maker, the CCP authorized itself to speak about the benefits and costs of alternatives and to design plans for action, thus highlighting effective means for achieving common goals. This rhetoric directed market participants' attention to the practical benefits of these new market relationships and practices, simultaneously pushing into the background the ideological contradictions that might exist between the CCP's communist ideology and its capitalist practices. Deliberative rhetoric not only further solidified the legitimacy of the new market institution; it also signaled the CCP's ability to manage the market and thus placed the CCP at the core of these market relationships and activities.

### Using Rhetorical Genres to Contain Institutional Contradictions

The CCP reformers' decision to establish stock markets in China was a risky move with uncertain outcomes. China's polarizing institutional context posed challenges to the legitimacy of the CCP reformers. The push toward market liberalization and the pull from the conservative ideologues placed tough constraints on the discursive possibilities through which the reformers could make a case for legitimacy (Lu & Simons, 2006). Overly aggressive market liberalization could agitate the conservatives and potentially lead to the downfall of the leadership, while too little reform could give the impression of incompetence and damage the reform leaders' credibility.

We argue that the CCP reformers' rhetoric in the *People's Daily* is a strategic response to the exigencies of the rhetorical situation that they faced. These rhetorical responses create discursive spaces for settling institutional contradictions in the situation and creating new possibilities. New topics and styles in the *People's Daily* have always meant more than the articles themselves; they often reflect political struggles or foreshadow significant changes. For example, one of the most successful private entrepreneurs in China recounted how he decided to start his own business: One day he read a strange article in the *People's Daily* about how to raise cows, the sort of topic that had never appeared in a newspaper devoted to political indoctrination. He interpreted this as a signal that the CCP had approved the development of businesses and enterprises and therefore acted upon it (Ling, 2003). Consistent with the story of this entrepreneur, the fund managers and investment bankers we interviewed all admitted that they paid close attention to the CCP policy orientations, and some said they watched the CCTV evening news closely to decipher the message of the CCP. For example, fund managers and traders pay careful attention to the CCP's rhetoric in specific sectors, industries, technologies, or regions to predict the trend of stocks in those segments.

***The forensic genre as a discursive space for rectification.*** The forensic rhetoric of the CCP reformers responded primarily to the conservatives' antagonistic ideological charges. China's political culture values the rectification of names, a Confucius doctrine that emphasizes the righteousness of a ruler or action as necessary for subsequent success (Zhao, 2009a). The forensic genre represented the effort of the CCP to open up a discursive space for addressing these contradictions and publicizing its own justifications for its action. Although directly refuting the charges made by the conservatives, the forensic rhetoric served to alleviate conflicts among the audiences. Although the defense put forth by the CCP was directly targeted at the party ideologues, the reformers managed, through their invocation of Marxist canons to justify the stock market, to reassure the old guard that adoption of a stock market would not entail abandoning Marxist ideology. This rhetorical move was important because it signaled to the conservatives that the reform was not meant to overthrow the political power structure. This defense also lessened the resistance of others who embraced Marxism by providing them with new information about Marx's ideas. To the other end of the political opposi-

tion—those who espoused a more radical agenda—the reformist forensic rhetoric demonstrated that the reform leaders were capable of making a commitment to the most capitalist market institution, which raised their hopes for further market liberalization. Using the forensic discursive space, the CCP dealt with an antagonistic and difficult rhetorical situation by openly discussing institutional contradictions while containing these contradictions within the realm of discourse.

***The epideictic genre as a discursive space for cultivation.*** The epideictic rhetoric of the CCP reformers responded to a situation where multiple values and norms coexist and compete. Epideictic rhetoric tackles opposing value and belief systems through “its ability to weave in and out of opposite systems of thought” (Poulakos & Poulakos, 1999: 67). Compared to forensic rhetoric, which asks the audience to take a definite side in the dispute, epideictic rhetoric brings competing value claims into productive debates and dialogues (Danisch, 2007). The consequence of the forensic defense in China was a matter of life and death for the stock market: reformers failing to defend the legitimacy of a stock market in a communist country could lead to the downfall of the stock market and tarnish the reputation of the reformers. In contrast, rather than providing an ultimate verdict for a practice, epideictic rhetoric opens an opportunity for inquiry into competing claims, which often helps actors make sense of contradictory value systems (Poulakos, 1988). The CCP reformers used epideictic rhetoric as a discursive space to connect the participants in and practices of the stock market with the broader value systems upheld by society, thus cultivating a community of players and practices. Many articles accentuated traditional values that affirm the virtue of wealth and productivity based on hard work, intelligence, and monetary incentives. These articles competed with the communist values that the CCP had emphasized in the past, which had downplayed the costs of poverty in order to extol the virtue of equality and equal outcomes. Numerous articles described amazing transformations of SOEs into shareholding companies, highlighting the value of private ownership, decision autonomy, individual freedom, and independence, all of which subtly compete with established communist values. Epideictic rhetoric invites the audience to appreciate and understand similarities and differences in opinions about a practice. This helped create a bond between stock market nonparticipants and market participants, with the potential of converting nonparticipants into participants.

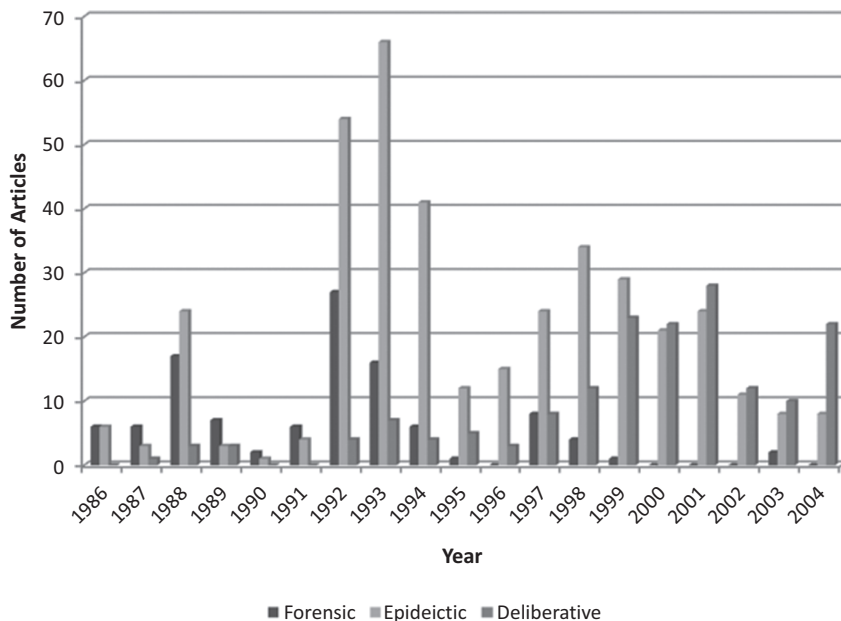
***The deliberative genre as a discursive space for negotiation.*** The deliberative rhetoric of the CCP reformers responded to a situation with emerging interest groups competing to win in the market. Deliberative rhetoric handles conflicts and contradictions differently than do forensic and epideictic rhetoric. Deliberation requires taking into consideration the conflicting interests, needs, and opinions of citizens in order to decide on a particular course of action. Deliberation allows people to use politics to resolve their conflicting needs and disagreements (Bickford, 1996). By employing the deliberative genre, the CCP opened up a discursive space for market participants to resolve conflicts through negotiation. Within this deliberative discursive space, moral and evaluative judgments were placed on hold while market participants focused on practical outcomes

and action plans. Contradictions between ideological orientations and value systems were translated into material terms and strategies for playing the game.

### Authority Construction in Progress: Changing the Basis of Legitimacy

Our data suggest that the CCP varied the kinds of rhetorical discourse it employed over time. We argue that the variation reflects the CCP's attempts to gradually shift the basis of its legitimacy claims. Figure 9 graphs the number of articles from the dataset for each of the three rhetorical genres from 1986 to 2004. Figure 9 shows that the CCP used the three genres of stock market rhetoric in-conjunction in most years. Specifically, the forensic genre went through several cycles of peaks and troughs, with particularly strong use during earlier years; Actors use the epideictic genre at a relatively high level throughout this period, and this rhetorical genre was dominant between 1992 and 1999. The deliberative genre rose steadily as time passed and dominated rhetorical discourse after 1999.

To further our understanding of the relative significance between these three genres, we divided the number of each rhetorical genre per year by all of the articles for that year. This gives the proportion of each rhetorical genre's occurrence relative to all three genres for that year. Figure 10 shows the weight of rhetorical genres. Specifically, actors deployed epideictic rhetoric at relatively high percentages throughout the years, with an average proportion of 52%. Actors employed forensic rhetoric



**Figure 9:** Trends of rhetorical genres in the *People's Daily*.

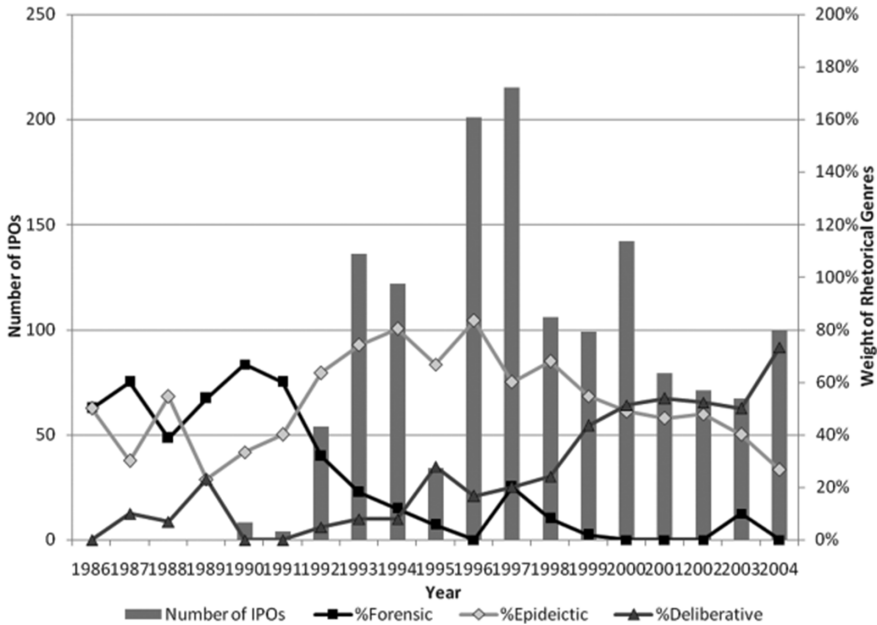


Figure 10: IPOs and relative weight of rhetorical genres in the *People's Daily*.

mostly in the first few years and decreased their use of this rhetoric in later years. Finally, deliberative rhetoric is below 10% on average between 1986 and 1994, rises steadily, and reaches dominance after 2000 with an average of 56%. Figure 10 places the weight of rhetorical genres and the IPO volume together, allowing us to see how different genres of rhetoric correspond with market activities. Forensic rhetoric predominates in most years leading to the official opening of the stock market, and its weight only declines after around the same time Deng Xiaoping reaffirmed economic reform in his 1992 southern tour. Epideictic rhetoric is the most heavily used rhetorical genre in early and mid-1990s, coinciding with extreme fluctuations in IPO volumes. When deliberative rhetoric rose significantly from late 1990s onwards, IPO volume fluctuation decreased.

The change in the composition of the rhetorical genres employed by the CCP suggests changes in the nature of the rhetorical situation and the corresponding shifts in the genre of rhetorical response over time. Specifically, we suggest that there are roughly three stages, each with distinct demands in the rhetorical situation. Table 6 presents these three stages. The first stage—the years leading up to and immediately after the opening of official stock exchanges—was characterized by a rhetorical situation that was ideologically and morally intolerant at best and hostile at worst. This rhetorical situation called for a strong rhetorical response from reformers. Forensic rhetoric is probably the strongest form of rhetoric to deal with these conflicts because the ground for conflict is questions of justice or right and wrong and thus is associated with moral legitimacy (Suchman, 1995). Practices that are established based on moral legitimacy are

harder to justify, yet, once established, are more enduring (Green Jr., 2004). The CCP reformers used the discursive space of the forensic genre to construct the moral legitimacy of their authority. Moreover, combining forensic with epideictic rhetoric, the CCP reformers intended to help unfreeze Chinese citizens' entrenched ideological beliefs and prepare them for the introduction of a new set of practices.

The second stage—from 1992 to 1999—was characterized by extreme volatility in market indices and IPO volumes, speculative trading, and frequent administrative interventions by regulators (Gao, 2002; Ma, 2004; Yao, 1998). The rhetorical situation was wide open for creative manipulation. The CCP did not formulate and implement the Securities Law until 1999. Rather, the CCP used epideictic rhetoric to shape the behaviors of market participants such as denouncing SOEs, banks, securities companies, and media of their unruly manipulation or praising listed companies for their performance and individual investors for their investment tactics. This echoes Steven Lukes's idea of the third face of power, that is, power exercised to prevent conflicts from arising in the first place by shaping the very desires and wants of those being influenced (Lukes, 1974). Rhetorical theorists posit that epideictic rhetoric increases adherence to general values that might later support deliberative arguments about specific actions (Perelman & Olbrechts-Tyteca, 1969). As such, epideictic rhetoric is reminiscent of Weber's charismatic authority, strengthening the leaders' emotional appeal. Epideictic rhetoric is a milder form of rhetoric than forensic rhetoric for dealing with conflicts. It does not seek prosecution but rather focuses on reinforcing good behaviors and sanctioning bad ones. It does this by appealing to the audience's ability to comprehend and therefore is associated with cognitive legitimacy (Suchman, 1995). Epideictic rhetoric is useful when formal laws are missing and when actors develop binding norms to institute and stabilize a field of action.

The third stage—from 1999 onward—was characterized by exponential market growth as well as standardization of many practices and roles. Institutional investors experienced rapid growth and formed stronger interest groups. Law firms and accounting firms also helped standardize rules and procedures. The rhetorical situation was ripe for rule-based participation and negotiation. The CCP reformers shifted their focus from constructing moral and cognitive legitimacy to constructing pragmatic legitimacy. Deliberative reasoning took place at this stage because market participants had overcome both the moral barrier concerning whether the stock market was right and the cognitive barrier concerning how the market operates. The discursive space was now open to reasoning about how to coordinate and work within these new social and market relations, with the aim of discovering and implementing the best courses for future action. By engaging in deliberative reasoning, the CCP complemented the moral and cognitive bases of its legitimacy with a pragmatic focus, shifting the focus to weighing benefits and costs in order to propose executable plans. Deliberative rhetoric is the least confrontational of the three genres, dealing with conflicts through political negotiation. It highlights that the speaker is concerned with maximizing collective value and has the ability to calculate, negotiate, and implement the best practices. Deliberative rhetoric is associated with Weber's rational-legal form

**Table 6:** Stages of Rhetorical Construction of CCP's Authority in the Stock Market.

	1 <sup>st</sup> Stage	2 <sup>nd</sup> Stage	3 <sup>rd</sup> Stage
Time Period	1986–1991 (years leading to and after the opening of official >stock exchanges)	1992–1999 (rapid growth and huge fluctuation in market activities)	2000–2004 (institutionalized rules and structures, less volatility and fluctuation)
Rhetorical Situation	Morally hostile toward the stock market	Competing norms and understandings emerge	Norms well accepted, interest groups start forming
Dominant Rhetorical Genre of the CCP (Aristotle's typology)	Forensic: Reformers defended against the ideological charges. The defense was based on canonical words of Marx and conditions specific to China.	Epidictic: Reformers praised good deeds, companies and individuals and denounced vicious and scandalous ones by telling lively and dramatic stories and expressing opinions with strong attitudes.	Deliberative: Reformers urged (deterred) policies and actions that would bring advantage (harm) by giving reasons for why such policies were efficient and effective (unproductive).
Style of Rhetoric	Deductive, theoretical, objective	Example based/inductive, extensive information, amplification, vernacular language, personal, emotional	Combination of theoretical reasoning and practical reasoning
Objective of Rhetoric	To establish the ideological righteousness of the stock market in socialist China; to ascertain the ideological uprightness of the CCP.	To normalize the market by demonstrating appropriate roles, behaviors, and relationships in the stock market; to showcase the knowledge and power of the CCP.	To develop the stock market by laying out specific actions plans that would benefit the market itself, people, and the economy; to place the CCP leadership at the center of making the critical decisions on how to develop the stock market
Legitimacy (Suchman's typology)	Moral and cognitive	Cognitive and moral	Pragmatic
Authority of the CCP (Adapted from Weber)	Moral and charismatic	Charismatic and moral	Rational–Legal
Function of the Discursive Space	Rectification: allows the CCP to confront ideological contradictions by taking a stand while not directly rejecting Marxism	Cultivation: facilitates the appreciation of competing and contradictory value systems to foster the emergence of shared understandings	Negotiation: highlights practical and interest-based actions in the face of contradictions while pushing to the background moral and evaluative differences



of authority. It constructed the pragmatic dimension of the CCP reformers' legitimate authority, projecting an image of pragmatic and action-oriented decision makers.

### **Paradoxical Authority: Resistance to the CCP Rhetoric**

Although by many accounts the CCP reformers' rhetoric is effective in establishing the CCP's central role in the stock market, the rhetoric is not without resistance. The paradoxical nature of the CCP's authority—a communist party in charge of a capitalist market—is widely acknowledged by researchers and market participants (Green, 2003). Resistance to the CCP rhetoric is demonstrated in alternative explanations for the CCP's intentions. In response to the CCP's forensic defense that it has the moral obligation to use the stock market to improve people's living conditions, China scholars as well as the fund managers and investment bankers we interviewed believe that economic growth is the most important means through which the CCP can hold onto power (Lardy, 2002; Wang, 2011), and that although the CCP's rule is characterized by numerous good policies, these policies are only a way to win public support and solidify its one-party rule (Wang, 2011).

The epideictic rhetoric has also generated backlash. First, excessive and exaggerated praise and blame often produced material consequences for the market (Ma, 2004). Strong criticism like the 1996 Special Guest Commentary led to a market crash and a big loss for many individual investors (Wei, 1999), while overly positive praise enticed many unprepared and impulsive individuals to invest in the market, not realizing that their money was in essence a cheap source for funding ailing SOEs (Wang, 2011). Second, the CCP's rhetoric fostered a unique norm that regards the state as responsible for whether people can make money from the market. When market indices go up, everyone is happy; however, in a market downturn, the agitation of individual investors pressures the government to intervene (Liu, 2009). This places the government in a conundrum: if the government does not intervene to move the market up, it loses the people's support, but if it does intervene, it reinforces the norm that the CCP can be depended upon to save the market. The CCP's interventionist style is a result of the tension between two objectives: developing the market so that it benefits SOEs and thus strengthens the CCP's power base and resource, and regulating the market so that fraudulent activities do not cause widespread discontent and transform market risks into political unrest, thus threatening the CCP's ruling status (Wang, 2011). Both are critical for the CCP's authority, yet they are in conflict because development inevitably implies tolerance for fraudulent activities while tight regulation always depresses market indices. The tension is best demonstrated in the CCP's fluctuation between positive cheerleading and negative criticism to achieve both objectives.

With regard to deliberative rhetoric, market participants welcome reform measures that curtail the administrative power of the regulators and introduce more market mechanisms into the issuance, pricing, trading, and other activities of the stock market. But many of the reforms that the CSRC implemented were difficult because they challenge

the entrenched power or they require the CSRC to relinquish some of its own power. Some observers conclude that the CSRC is in a situation of “regulatory capture” and therefore incapable of carrying out market reforms (Walter, 2011). When asked “Which actor can be seen as the institutional entrepreneur?” in the stock market field, more than half of our 12 interviewees chose the CSRC, and some regarded the state as the biggest impediment to further liberalization of the stock market.

## Discussion and Conclusion

### The Rhetorical Construction of Authority

Our study contributes to a discursive conception of authority that scholars have advanced through conversation analysis and textual analysis (Benoit-Barné & Cooren, 2009; Brown, 2000, 2004). We further employ rhetorical theory to conceptualize authority as a dynamic and ongoing interplay between the actors, the exigencies of the situation, and the expectations of the audience. In our case, authority involves a continuous effort to take stock of a rhetorical situation and provide rhetorical responses that target specific audiences, create new speaker-audience relationships, and manage the conflicts in the situation. The fact that the CCP shifted the specific combination of rhetorical genres over time supports the idea that authority construction is an ongoing work-in-progress.

More specifically, we use rhetorical situations and rhetorical genres as our analytical frames for understanding authority construction. We show how each of the genres of forensic, epideictic, and deliberative rhetoric contribute in distinctively different, yet complementary, ways to different demands in the rhetorical situation. The CCP responded to the exigencies of situations by using rhetorical genres that fit with the situations. Specifically, in a situation where ideological and moral charges by the conservative camp threatened the very existence of the stock market, the CCP responded with forensic rhetoric that decisively defended the righteousness of the stock market and alleviated the concerns of the conservative camp. In a situation where things were confusing, chaotic, and volatile, the CCP responded with epideictic rhetoric that defined reality and established norms. In a situation where competing interest groups began to form and demanded action, the CCP responded with deliberative rhetoric that facilitated the negotiation of resources and interests.

Each rhetorical genre creates a distinctive type of discursive space in the field of the stock market. Going beyond the conception of discursive spaces as physical or social spaces, we conceptualize discursive spaces as distinguished by rhetorical genres. This conception of discursive spaces emphasizes the role of rhetorical power—the actors’ ability to use persuasive language—in unsettling existing social practices and relations (Sillince, 2000). Aristotle’s framework provides three principle discursive spaces that rhetoricians may create in texts: courts, ceremonies, and political assemblies. These three types of discursive spaces, with their different structures and styles

of argumentation and narration, delineate the possibilities for action, the boundaries of change, and the relationships between actors in a field.

Within each discursive space, there are specific target audiences and implied speaker-audience relationships. These implied speaker-audience relationships allow the speaker to acquire subject positions that are not innate to the institutional field yet still metonymically confer on the speaker the right to speak. The CCP's real subject position in the stock market is embodied in the roles of various legislative and regulative bodies. However, the CCP was able to assume multiple additional subject positions in the market, such as the positions of defendant of the market's moral legitimacy, priest/educator who cares about building a community of meaningful exchanges, and manager/decision-maker who is responsible for the practical success of the market. By using the rhetorical genres that position the speaker in these roles—which are not natural roles for the CCP—the CCP created additional opportunities to make claims and used those opportunities to shape its right to rule. Without such a variety of additional symbolic positions, the CCP's role would have been restricted to the realm of legislative and regulative discourse. In a sense, through its rhetoric, the CCP made its role in the market much more intense, multifaceted, and central.

However, our findings also point to the limited success of such rhetorical construction. Scholarly research in China and abroad as well as our own research show that the audience, such as fund managers, investment bankers, and financial intermediaries, are aware of the paradoxical nature of the CCP's authority and show resistance to the CCP's rhetoric. The complexity and heterogeneity in the audience interpretation and understanding of the CCP's claims are indications of the differences between authority and legitimacy in practice, as proposed by political scientist Uphoff (1989). By conceptually separating authority from legitimacy, we can incorporate the concept of illegitimacy into discussions of authority, which allows us to pay attention to the illegitimacy of political regimes and more fruitfully study political authorities around the world (Beetham, 1991; Richter, 1982).

### **Intentionality of Institutional Work**

The institutional work literature focuses on how actors and actions affect institutions and further considers the intentionality of actors as a question that is theoretically interesting in itself (Lawrence et al., 2009), and that allows us to evaluate the direct influence of individuals on institutions (Lawrence et al., 2011). Recent studies of institutional work tend to focus on actions and practices; they do not address the question of intentionality or simply assume that the intentionality has to do with creating, maintaining, or changing institutions. We believe that it is critical to examine actors' intentionality because the same actions and practices can have very different meanings depending on the intentionality attributed to them (Li, 2017). Our method gives us a unique vantage point to examine intentionality directly by closely reading an ac-

tor's rhetoric and its context. We had set out to study how actors legitimate new and controversial institutional practices and forms, and from the very beginning we were struck by the strong voice of a speaker who, no matter what the specific topic was, seemed to have objectives beyond conveying the content of an article. By combining rhetorical situation theory and genre analysis, we show that while the explicit objective of the speaker was the justification of the controversial stock market practices, the implicit objective was the continuing maintenance of authority. The latent meaning and the manifest meaning are intended by the actors to mutually reinforce one another, even though these meanings can be contradictory. This is consistent with research in identity construction that finds that actors actively construct identities through the work they claim to do (Creed, Scully, & Austin, 2002; Weber & Glynn, 2006) and that discourse regulates identities by "establishing and clarifying a distinct set of rules of the game" and "defining the context" (Alvesson & Willmott, 2002, p. 631; Gagnon & Collinson, 2014; Phillips & Hardy, 1997).

By identifying the construction of authority as an implicit intention of actors' discursive activities, our paper reveals the complexity of intentionality in the mundane, day-to-day work that actors do to create, maintain, and change institutions. We show how hundreds of articles published over the course of nineteen years have subtly constructed the CCP as indispensable to the field of China's stock market. The CCP's claim for compliance was not accomplished through explicit demands for obedience; rather, it was carefully managed through the fusion of style and content in the publication of daily newspapers. The implicit intentionality plays an important role in endogenous institutional change (Powell & Colyvas, 2008). In contrast to exogenous institutional change, which is driven by environmental shocks, endogenous institutional change relies on the actors' ability to exploit institutional contradictions. Our paper reveals a rationale for why incumbent actors exploit contradictions to enact institutional change: they intend to maintain their authority, even in the most difficult situations where there are apparent contradictions between the change they advocate and the ground for their claims for authority.

Understanding the multifaceted nature of intentionality helps explain how the work of institutional actors can effect institutional change and maintenance at the same time. We showed how actors intended to maintain their authority despite, or rather, because of introducing radical changes. In many institutional studies, change is the antithesis of maintenance, and radical change often occurs only when the establishment or the incumbent actors are overthrown. Recent research has started to explore the complexity of institutional work and the entanglement of institutional creation, maintenance, and change (Hirsch & Beamiss, 2009; Zietsma & Mcknight, 2009; Zilber, 2009). For example, studies have shown that actors can create, disrupt, and maintain institutions at the same time (Zietsma & Mcknight, 2009), that actors can decouple what they preserve from what they change (Hirsch & Beamiss, 2009), and that institutional maintenance can involve both duplication and change (Zilber, 2009). We believe that the entanglement is most evident when the institutional environment is characterized by multiple and contradictory logics, such as in regimes of transition,

where institutional stability and change are often entangled and require actors to be vigilant in managing both stability and change (Martin de Holan & Phillips, 2002). In our case, the CCP simultaneously dismantled numerous existing practices, rules, and beliefs that the CCP had earlier endorsed and created or reintroduced numerous other practices, rules, and beliefs that the CCP had previously opposed. Both dismantling of the old and creating of the new threatens the legitimacy basis of actors in authority positions, because the contradictory actions invite challenges from both the conservative and the radical critics; and this is why regimes often collapse and leaders are replaced during times of such transition. We believe that what makes the case of the CCP unique is more than its strong hold on coercive power; its uniqueness also comes from the CCP's rhetorical work. Our rhetoric analysis shows that China's party-state does not passively respond to social changes or simply exert external constraints on an institutional field. Rather, the party-state can be an agent of change (Child, Lu, & Tsai, 2007), capable of reinterpreting dominant institutional arrangements that directly contradict the principles and assumptions that constitute and legitimate its own authority (Clemens & Cook, 1999). The agency of the CCP is demonstrated in its skillful use of rhetorical genres to contain and shape the contradictions in the polarized environment. More broadly, its agency is manifest in the CCP's ability to transform its own identity from a revolutionary party to an administrative party with a vision for reform. The rhetorical work that we explicate here is not just techniques or tactics that enable actors to achieve goals; it is epistemic, that is, a way of constructing knowledge about what is going on (Scott, 1967).

### Limitations and Future Research

Our study is limited in several respects. First, our study focuses on ideational constructs such as rhetoric and legitimacy at the expense of material factors. Although we provide information about the material aspects of the stock market, such as the number of listed firms, we have not analyzed these aspects in depth. Many China scholars have already documented the material aspects of China's stock market, shedding light on institutional actors, rules, governance structures, and the economic performance of the market (Green, 2003; Ma, 2004; Walter & Howei, 2006; Wei, 1999; Yao, 1998). Our rhetorical analysis complements these findings and fills in explanatory gaps. For example, those who adopt a sociological realist approach may argue that regardless of the rhetorical moves made by the CCP, China's stock market gained legitimacy because the stock market generated material benefits for people. Our findings suggest that the legitimacy of the stock market does not hinge solely on material benefits. The material gain from stock investment has been uncertain, risky, and volatile for Chinese investors. Without the symbolic acts of the CCP, it is doubtful that the material benefits the stock market achieves will generate legitimacy for the stock market. The social construction of risk is also evident in the market transition process. In the

beginning, the public did not want to bear the risks of investing and blamed the government when they lost money in the stock market (Li, 2001). Yet in later years, the public did not question the legitimacy of the stock market, even when China experienced a five-year bear market in the 2000s. The public has understood what risk means and no longer associates the rise and fall of market indexes with the legitimacy of the market. While acknowledging the economic roles that the stock market plays, our analysis highlights the production of symbolic meanings that order reality for actors (Creed et al., 2002; Phillips & Malhotra, 2008; Zilber, 2008).

A related limitation is the lack of unfiltered public opinion about the legitimacy of the CCP and the state. Without such data, we cannot assert causal effects between the CCP's rhetoric and its legitimacy. We relied on secondary accounts and interviews to gauge public perception. Future research might collect data from more independent media outlets to provide a more systematic measure of the CCP's legitimacy. Our findings of the shift in rhetoric do corroborate academic research on China's political institution. Our analysis shows that the rhetoric of the party coevolves with the shift in its legitimacy basis. Future research may examine more closely how the rhetoric and the material coevolve—for example, under what conditions are material factors interpreted and framed to influence particular audiences, and under what conditions do symbolic meanings change to reflect new material realities?

## Conclusion

Notwithstanding these limitations, our findings have implications for the continuing maintenance of authority as actors, interests, and situations evolve over time. The question motivating this study concerned how actors in positions of authority make claims for compliance while introducing practices that contradict their authority in a polarized institutional context. Through an empirical analysis of the CCP's rhetoric on the stock market, this study investigated how the content and style of that rhetoric coalesced into distinct genres, and how these genres represented the discursive space that accommodated the contradictions in the institutional context and afforded actors the right to speak. Actors in positions of authority take on the right to speak and construct new subject positions and relationship with the audience in spite of oppositions in the polarized environment. These claims to authority are nonetheless transient and situation dependent, always subject to new challenges and resistance, which means that authority is a linguistic performance always in the making.