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(Host: Axel Dreher)

"Public Displays of Alignment: Firm Speech in Autocratic Regimes"

Firms around the world are increasingly adopting political rhetoric in their public statements, raising essential questions about the measurement, extent, and drivers of this phenomenon. We address these questions in the context of Chinese firms' rhetorical alignment with the ruling Communist Party. We introduce novel, general, and replicable quantitative measures of rhetorical alignment, using which we establish several empirical facts: (i) rhetorical alignment is prevalent but not universal; (ii) it has increased significantly over time; and (iii) it is more pronounced among state-owned and strategic sectors. Exploiting two natural experiments, we further show that (iv) rhetorically aligned firms experience larger stock price declines following events damaging the Party's reputation, and (v) firms increase rhetorical alignment after regulatory inspections. Guided by these findings, we propose a conceptual framework wherein rhetorical alignment serves as a commitment device: firms commit to supporting Party interests, and the Party commits to refraining from expropriation. Additional predictions of the framework are tested and supported by the data.