The political economy of mass media

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A roadmap

- ▶ The political position of the media: how to measure it

- ▶ What determines the political position of media outlets? (demand vs. supply)

- ▶ What are the persuasive effects of the media? (relevance of supply side)

- ▶ Media capture: government influence on the media

- ▶ Media influence on policies

The political position of the media: measuring it

- First approximation: a unidimensional policy space (but: what about a multidimensional policy space?)

- Methodological standpoint: get replicable and portable measures.

- Two different approaches:

  - (1) the comparison approach: compare media outlets with political actors whose ideological position is known (e.g. congressmen and/or voters))

  - (2) the agenda approach: analyse the amount of coverage devoted to different policy relevant issues (*agenda-setting*) and/or the way those issues are covered (*framing* and *priming*)

Measurement: the comparison approach

▶ Premise: one can easily classify congressmen on an ideological scale by studying their roll call votes.

▶ Still, we need to find a "bridge" that connects congressmen and media outlets.

▶ First idea: We code a given newspaper or TV news broadcast as left leaning, the more it cites –in a non-negative fashion– those think-tanks which are more often cited by Democratic congressmen: Groseclose and Milyo [2005].

▶ Second idea: We code a newspaper or TV broadcast as left leaning if its language is more similar to the language used by Democratic congressmen. For example: *estate tax* vs. *death tax*. Gentzkow and Shapiro [2009].

▶ Third idea: I code a newspaper as left leaning the more it provides endorsements on referenda that are aligned with the endorsements made by the Democratic party. Since voters vote on referenda (by definition!), I can compare newspapapers to voters as well. Puglisi e Snyder [2009].

Measurement: the agenda approach

- One can investigate whether and to what extent during presidential campaigns a given newspaper gives more coverage to issues on which Democrats or Republicans are perceived as more competent(*issue ownership*). E.g.: health care and civil rights vs. defense. Puglisi [2011]: issue coverage by the NYT during the 1946-1996 period.

- Investigate the variation in coverage of bad economic news, as a function of the political affiliation of the incumbent president. Larcinese *et al.* [2011].

- Investigate the variation in coverage of corruption scandals, depending on the political affiliation of those involved Puglisi and Snyder [2011].

- Analyse the variation in the tone of newspaper headlines about the release of macroeconomic figures, again as a function of the political affiliation of the incumbent president. Lott and Hassett [2004].
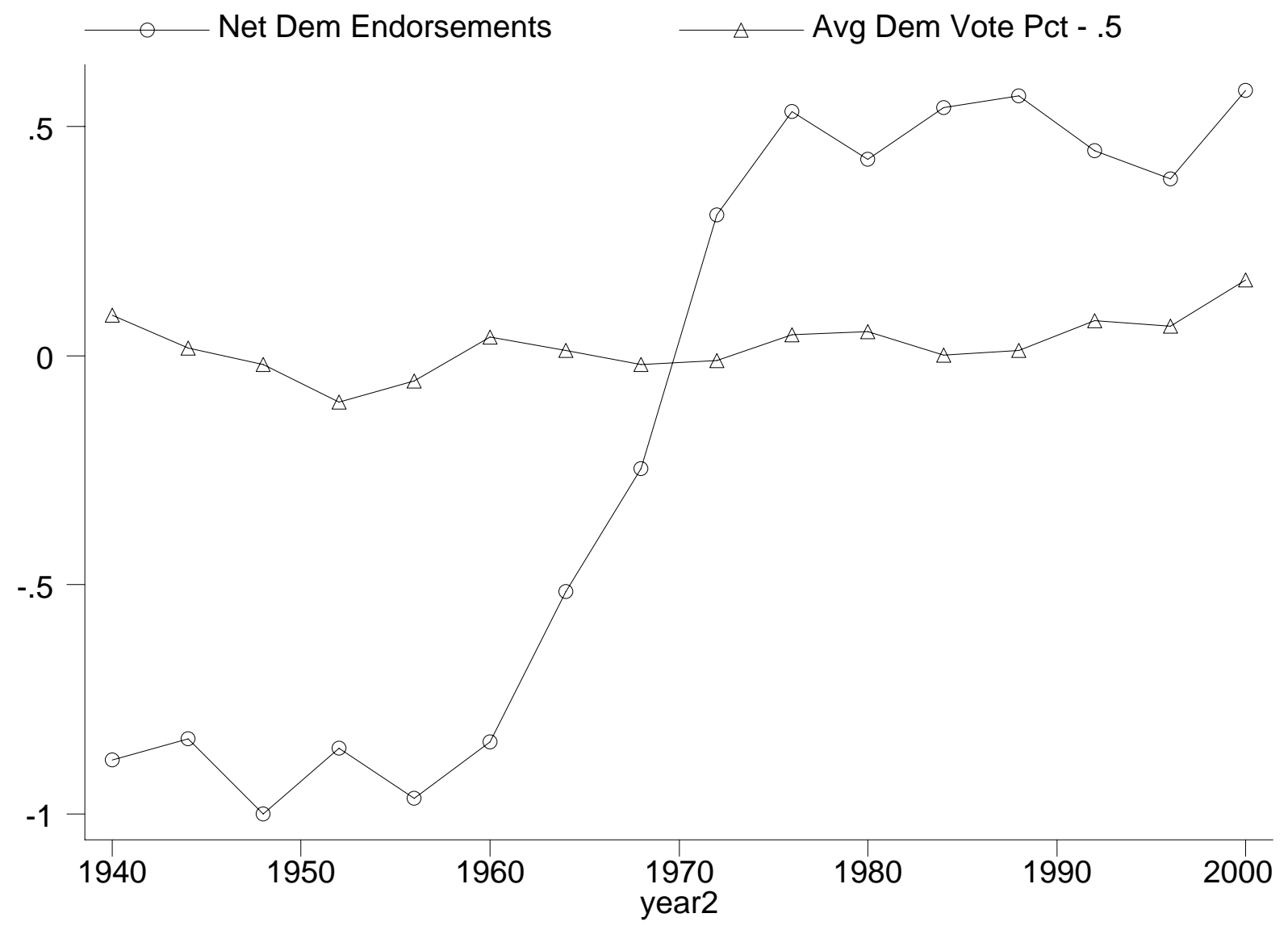
News (y-axis)

Unemployment (x-axis)
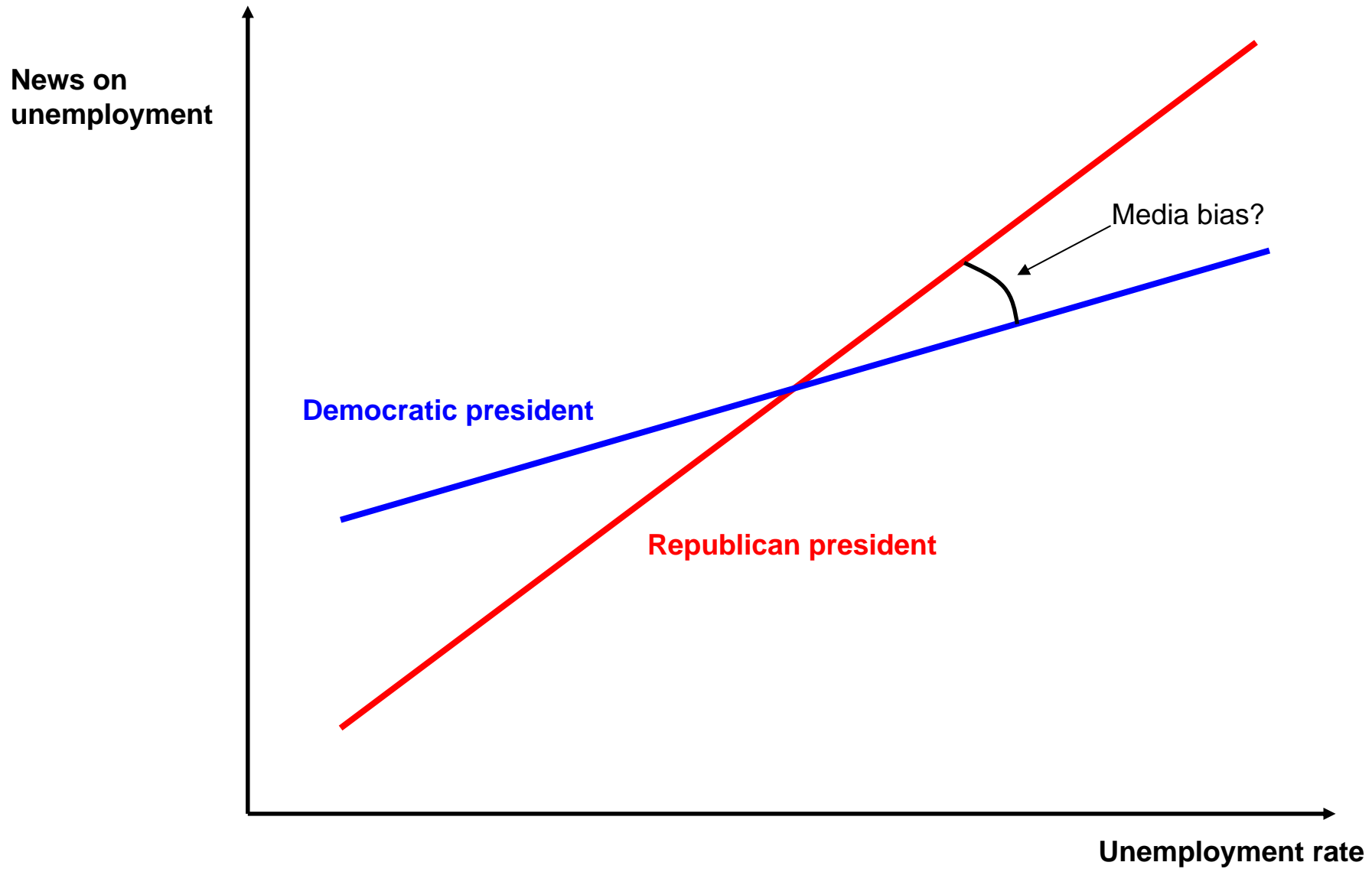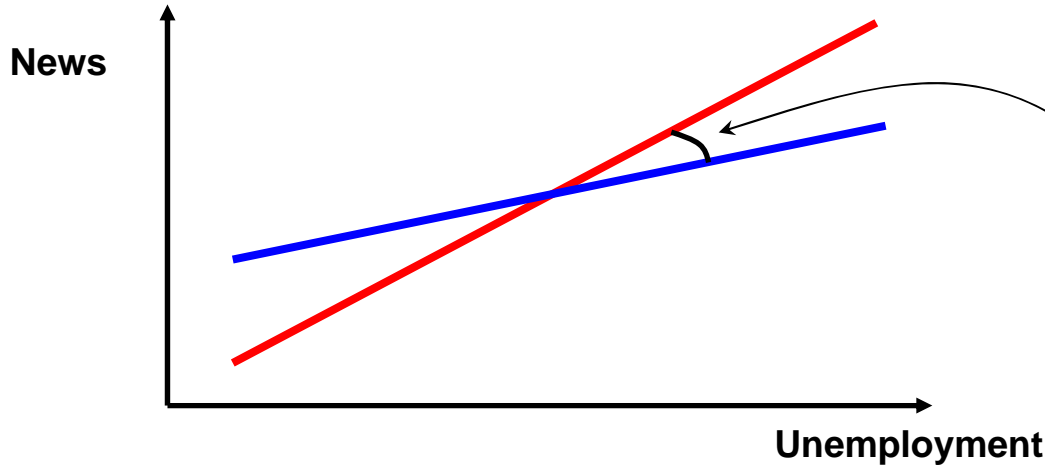
Republican newspaper

compare them!

News (y-axis)

Unemployment (x-axis)
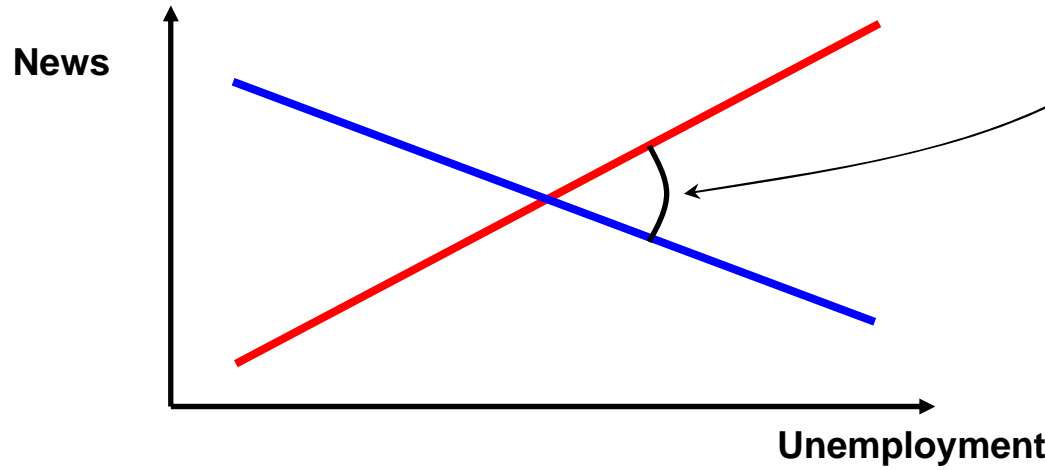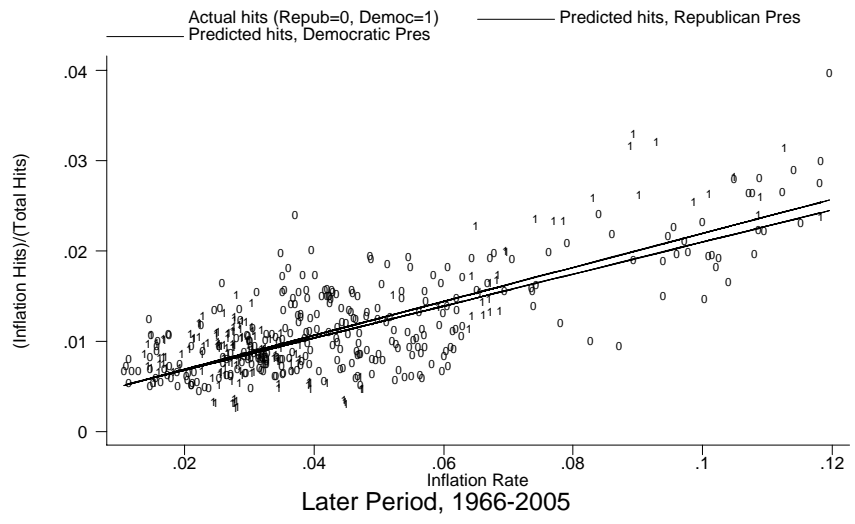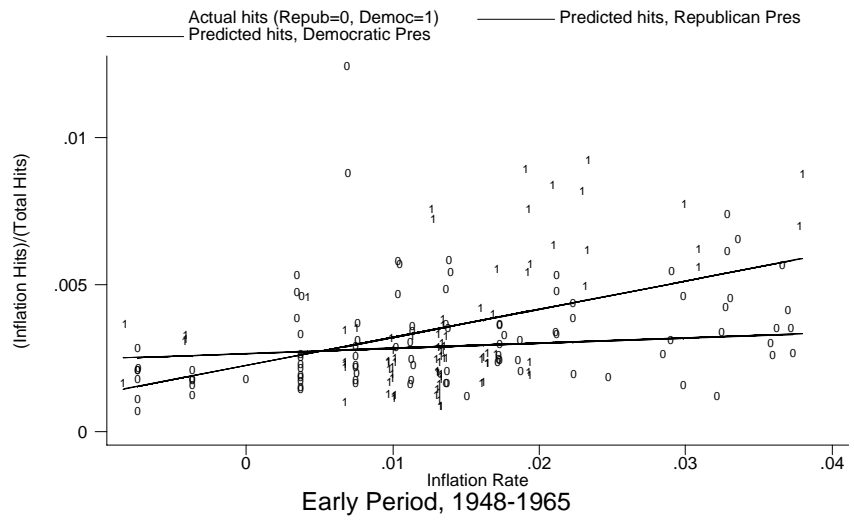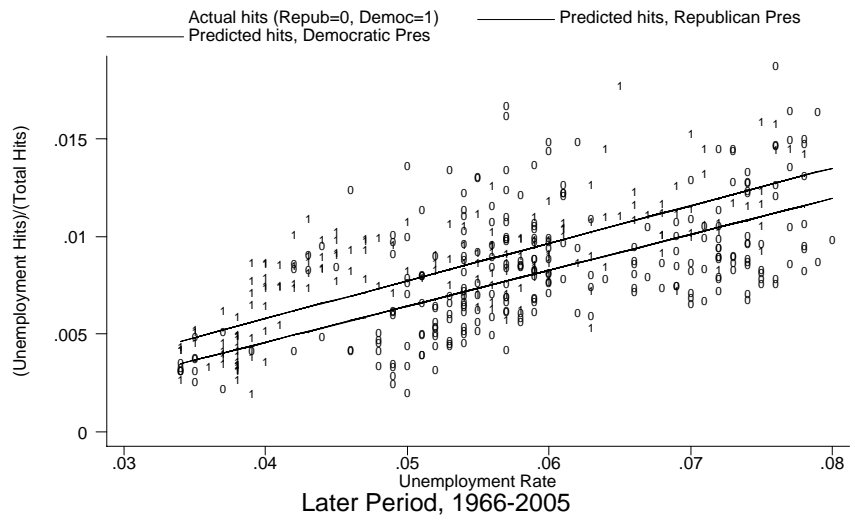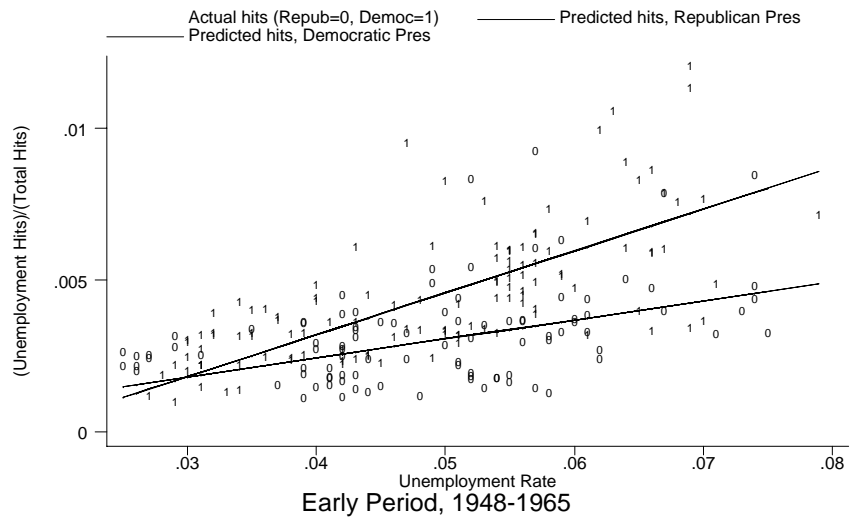
Democratic newspaper

Time variation in net Democratic endorsements on the LA Times vs. Democratic vote in California

Early Period, 1948-1965

Later Period, 1966-2005

Early Period, 1948-1965

Later Period, 1966-2005

Los Angeles Times, Pre- and Post- Otis Chandler

Unemployment coverage, 1996-2005
Democratic vs. Republican newspapers
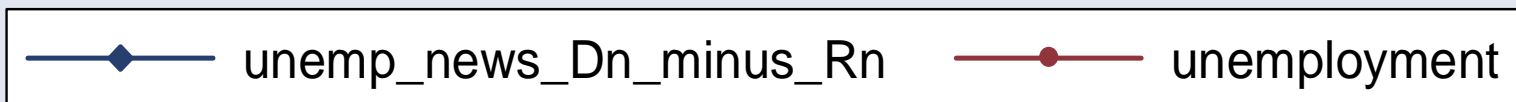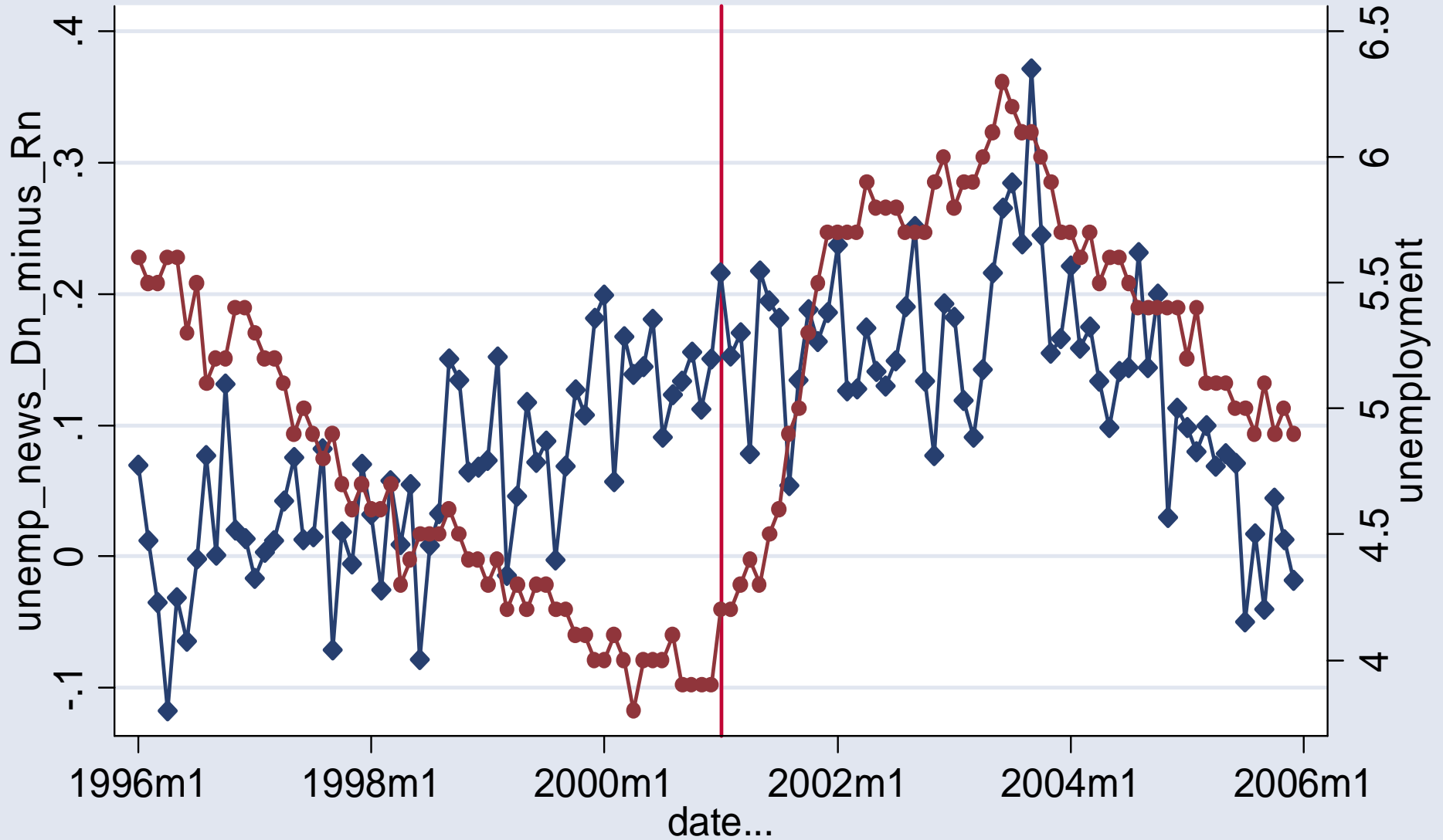
Factors affecting the political position of the media

- Demand side: preferences of readers/viewers for ideologically consonant media content. How to measure it? The average Democratic vote in areas where a given newspaper circulates. Gentzkow and Shapiro [2009].

- Supply side: ideological preferences of owners, editors and journalists. How to measure them? Party donations by owners. Average propensity to endorse Democratic vs. Republican candidates on the editorial page. Larcinese *et al.* [2011], Puglisi and Snyder [2011].

- Other relevant factors: extent of competition on the media market; pressure by incumbent politicians.

- A case study on Italy (time devoted to politicians): Durante and Knight [2009].

The persuasion effects of the media

- ▶ Full-fledged experiment vs. natural experiment.
- ▶ Experiment: a free subscription to a right wing newspaper (the Washington Times)) to a random sample, a free subscription to a liberal newspaper to another random sample (Washington Post) + control group. Study the effects on gubernatorial vote in Virginia. Gerber, Karlan and Bergan [2008].
- ▶ Natural experiment: correlation between gradual introduction of Fox News in T cable markets and Republican vote in presidential elections. DellaVigna and Kaplan [2007].
- ▶ Persuasion and rationality of message recipients: only "surprising" endorsements have significant effects on propensity to vote for that candidate. Chiang and Knight [2011].

Media capture

Source: expert-based measures of media freedom (Freedom House, Reporters without Borders
Three types of countries:

- Effective censorship (e.g. North Korea, Iran)
- Formally free, but with substantial government influence on the media (e.g. Peru, Russia, Italy).
- Mostly independent media (e.g. US, UK, Sweden)

A Model of Endogenous Capture (Besley-Prat 2006)

- A politician who can be good or bad
- n newspapers receive a signal about the incumbent being of bad quality
- A newspaper can make money in two ways:
  - Scoops (increase in advertising and sales)
  - Bribes from the politician to suppress news
- Commercial revenue a, to be shared among media featuring the scoop
- Transaction cost τ, cost to the politician of providing one dollar of bribe to the media
  - direct control on media (e.g. state ownership)
  - cash transfers (McMillan-Zoido 2004, see below)
  - political favors, industrial policy
  - privileged access to info

Media Pluralism as a Defense against Capture

- The incumbent must silence all newspapers
- If one newspaper deviates, it gets the whole additional revenue a.
- The politician must bribe every newspaper as if it is a monopolist.
- Total cost of buying silence $= an\tau$

Proposition

Turnover of politicians and voter welfare are non-decreasing in

- *The number of newspapers n;*
- *Audience-related news revenues a;*
- *Transaction cost between government and media τ.*

Direct Evidence of Capture

McMillan-Zoido (2004): Detailed records of bribes paid to politicians, judges and media to secure Fujimori's power in the '90s.

- The cost of "buying" a democracy:
    - judiciary: $250,000/month;
    - legislature: $300,000/month;
    - media: $3 million/month.
- Politicians and judges bid down the bribes accepted (recall: minimum winning coalition in a legislature), each media has hold-up power.
- One media owner did not sell out: financial newspaper + news channel: high a. This TV channel finally brought down Fujimori's regime.
- Peru's competitive and commercially driven media system was a strong defense against autocracy

Table 3: Judicial Capture

Position	Name	Bribe Data (Bresani)	Bribe Receipts
General Manager of the Judicial Power	Ricardo Mendoza Torres (Montesinos' cousin)	$55,000	$10,000 +$5,000 +$10,000 +$10,000
Justice in the National Elections Board	Alipio Montes de Oca	$50,000	$15,000 +$10,000
Justice in the National Elections Board	Luis Serpa Segura	$45,000	$10,000 +$10,000 +$10,000
President of the Supreme Court	Victor Raul Castillo Castillo	$35,000	$10,000
Supreme Justice	Luis Ortiz Bernardini	$25,000	$10,000
President of the Superior Court	Pedro Infantes Mandujano	$24,000	$5,000 +$3,000 +$3,000
Superior Justice	Raul Lorenzzi Goicochea	$25,000	
Justice in the Appeals Court	William Paco Castillo Castillo	$16,000	$10,000
Supreme Justice, Provisional	Alejandro Rodriguez Medrano	$10,000	$5,000 +$5,000 +$10,000
Supreme Justice	Carlos Saponara Miligan	$10,000	$5,000 +$5,000
Superior Justice in a local Court	Daniel Bedrinana Garcia	$2,500	
Judge	Percy Escobar Lino	$10,000	$5,000 +$5,000
Judge	Fernando Aguirre Infante	$10,000	
Judge	Manuel Ruiz Cueto	$6,000	
Judge	William Ardiles Campos	$3,000	
Judge	Victor Martinez Candela	$3,000	
Judge	Sonia Pineda	$2,500	
Judge	Alminda Lopez Pizarro	$2,500	
Judge	Willy Herrera Casina	$2,500	
Judge	Nicolas Trujillo López (Ivcher case)		$5,000
President of the Public Law Court	Sixto Muñoz Sarmiento (Lucchetti and Ivcher cases)		$3,000 +$3,000

Others involved but without data on bribes:

Supreme Court Justices: Orestes Castellares Camac, Eliana Salinas de Alencastre, Jorge Gonzales Campos, Arturo Chocano Polanco, Jose Pariona Pastrana, Caslos Alarcon del Portal, Wilber Villafuerte Mogollon, Juan Quespe Alcala, Luis Castro Reyes, Carlos Henriquez Clfer, Juan Miguel Ramos Lorenzo

Judges: Segundo Sarria Carbajo, Carlos Alcantara Perez, Karina Sanchez Alarcon, Ricardo Nunez Espinoza, Arturo Vilchez Requejo, Jose Rios Olson.

Source: Bresani (2003) and author calculations. The list of the others' involved come from Bresani (2003) and has been confirmed by several journalistic reports.
Note: The data in the first column of bribes are from Bresani (2003). The second column of bribe data is from a set of receipts like the ones reproduced in Figure 1 and that we collected from journalistic sources in Peru. From the information available, the frequency of these payments is unclear. It is probable that the data in Bresani (2003) aggregate the receipts, but Bresani gives no reference for these data.

Table 4: Media Capture

TV Channels	Bribe Estimates
America Television (Channel 4) Jose Francisco Crousillat	**$9,000,000** in a signed contract for **$1,500,000** per month from November 1999 to April 2000, possibly more (C) **$619,000** in October 1998, promised more monthly payments (C) (BH)
Frequencia Latina (Channel 2) Samuel and Mendel Winter (owners after Baruch Ivcher exiled)	**$3,000,000** in a signed contract for **$500,000** per month from November 1999 to April 2000, possibly more (R) **$3,073,407** on December 1999 for an increase of capital that gave 27% of shares to Montesinos (R)
Panamericanan Television (Channel 5) Manuel Delgado Parker (brother of Genaro) and Ernest Schutz (shareholders)	**$9,000,000** contract agreed by Shutz and Montesinos on video 1783. In total Montesinos claims he handed **$10,600,000** to Schutz (BH) **$350,000** handed by Montesinos to Shutz, video screened by congress 10/02/01 (BH)
Cable Canal De Noticias CCN (Cable Channel Network) Vicente Silva Checa (Video 1778)	**$2,000,000** for his shares in the CCN to the Ministry of Defense in November 1999 (C)
Andina de Television (ATV)(Channel 9) Julio Vera	**$50,000** to fire Cecilia Valenzuela and Luis Iberico (C)
Red Global (Channel 13) Genaro Delgado Parker (borther of Manuel)	In exchange business help and judicial favors, Delgado Parker fired popular commentator Cesar Hidelbrandt (C)

Print Media	Bribe Estimates
Expreso (mainstream newspaper) Eduardo Calmell del Solar (director and stockholder)	**$1,000,000** in two installments, to buy shares in the newspaper (C) and videos 1492, 1736, 1753
El Tío, (Chicha/popular press) Jose Olaya Correa (owner and director)	**$1,500,000** between 1998 and 2000 (C) **$3,000-$4,000** per headline, **$5,000** for full coverage inside, **$500** for smaller stories (C)
La Chuchi (Chicha/popular press) Oliveri and Estenos (owners).	**$8,000** weekly, same press house as El Mañanero, Editora Americana) (B)
El Chato, Rafael Document (founder) and Ruben Gamarra (director) out	**$1,000** each time it comes, small circulation, only comes out two to three days a week. (B)

Media Not Captured	**Newspapers:** *La República and El Comercio* **Magazine:** *Caretas* **Cable News TV Channel:** *Canal N (owned by El Comercio)*

State-Owned Media	**Newspaper**: El Peruano **TV Channel**: Televisión Nacional Peruana **Radio Station**: Radio Nacional

Sources: (B) Bresani (2003), (BH) Bowen and Holligan (2003), (C) Conaghan (2002), (R) La República Feb 24. 2001.

Cross-Country Evidence

Djankov-McLiesh-Nenova-Shleifer (2003) trace ultimate owners of top 5 tv channels and top 5 newspapers in 97 countries.

- ▶ Staggering state involvement:
  - ▶ 29% of press, 60% of tv. The rest is mostly owned by powerful families. Diffuse ownership is rare
- ▶ State ownership correlated with negative political outcomes (corruption, political longevity, etc)
- ▶ Similarly, media concentration is correlated with negative political outcomes.

Within-Country Evidence

- Argentinian newspapers with more government-funded advertising cover corruption less (Di Tella-Franceschelli, 2011).
- Increased commercial motive made newspapers more independent and aggressive in the US in 1870-1920 (Hamilton 2004, Gentzkow-Glaeser-Goldin 2006, Petrova 2009).

Capture: Findings

- Free media is an obstacle to autocracy and corruption.
- Government capture: direct evidence + cross-country evidence + within-country evidence.
- Media pluralism –in the sense of multiple competing owners– limits capture.
- In most countries concentration is high, especially in TV but also in the press.

Coverage and Policy

- Assume non-captured media
- What issues do the media cover? [back to agenda-setting effects..]
- How does this coverage determine public policy?

Determinants and effects of issue selection

Model of media influence(Prat and Strömberg, 2005, Strömberg, 1999)

- ▶ voter use information from media to elect politicians,
- ▶ politicians select policy to win election and enjoy political rents,
- ▶ mass media select what issues to cover to maximize pro.ts.

Accountability

- Media provides information.
- Voters hold politicians accountable on issues of which they are informed.
- More political effort and better policies for voters who get the news and for covered issues.

Proposition

Public expenditures, e_i, to group i are increasing in (a) the share of media users, r_i, (who gets the news) and
(b) the amount of coverage by the media to issues affecting that group, q_i, (what issues are covered).

Some evidence: Who gets the news does infuence policy

- ▶ Radio access affected New Deal spending (Strömberg, 1999, 2004b).
    - ▶ Introduction of radio. Improved media access in rural America 1920-1940.
    - ▶ Voter turnout and New Deal spending increasing in share households with radio.
    - ▶ Identification: quality of reception (ground conductivity) drives radio ownership.
- ▶ Newspaper access influenced Indian disaster relief (Besley and Burgess, 2002).
    - ▶ Looks at responsiveness, interaction term between need and spending.
- ▶ Media biases policy in favor of voters with media access.

Concluding remarks

- An expanding literature, mainly focused on the US.

- Relevant aspects: replicable measures and identification of causal effect.

- A comparative perspective: approaches to be applied to other countries.