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Alternative Corporate Governance: Domestic Media Coverage of Mergers and Acquisitions in China

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Abstract

A text analysis of domestic Chinese newspaper articles covering 797 proposed domestic mergers shows that the media in developing countries is susceptible to pressure: coverage is more favorable for deals consistent with government objectives and involving powerful local firms. However, we also find that coverage can affect the outcome of proposed M&A deals in non-stateowned firms. We identify this effect using an exogenous shock to market-driven governance from the Split-Share Structure Reform of 2007. Negotiation coverage predicts long-term performance, consistent with information dissemination. Despite biased coverage, domestic media in developing countries can function as an alternative channel for corporate governance.

JEL classification: G34; G14; O16

Keywords: Mergers and acquisitions; media bias; text categorization; corporate governance; China

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