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The Effects of Media Slant on Firm Behavior

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Abstract

The media can impose reputational costs on firms because of its important role as an information intermediary and its ability to negatively slant coverage. We exploit a quasi-natural experiment that holds constant the information event across firms but varies the availability of a major news outlet in local markets. We find that firms subject to the threat of slanted coverage suppress the release of negative information before the event and release it subsequently. Our results are consistent with theory on the active role firms can play in managing their reputational capital through anticipatory actions to avoid negative media coverage.

Keywords: Fox News, media slant, reputational capital, strategic corporate decisions

JEL classification: D72, G30, G34

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