



Citizen-editors' endogenous information acquisition and news accuracy [☆]



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ABSTRACT

This paper provides a model of the market for news where profit-maximizing media outlets choose their editors from a population of rational citizens. The analysis identifies a novel mechanism of media bias: the bias in a media outlet's news reports is the result of the slanted endogenous information acquisition strategy of its editor. In particular, the results show that the expected accuracy of news reports is lower the more ideological an editor is. Nevertheless, citizens find it optimal to acquire information from a media outlet whose editor has similar ideological preferences. Depending on the distribution of citizens' ideological preferences, a media outlet may choose an ideological editor even in a monopolistic market. Moreover, ideological editors are more likely to be present in the market for news: i) the higher the number of media outlets competing in the market for news; ii) the lower the opportunity cost that citizens have to incur to acquire information.

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1. Introduction

The importance of news media on the overall functioning of democracies is well documented by the extensive empirical evidence showing the significant influence of media on political outcomes.¹ At the same time, journalists and communications scholars have provided substantial anecdotal evidence suggesting that the information supplied by news media to their viewers is often far from being “fair and balanced” (e.g., Goldberg, 2002; Alterman, 2003; Bagdikian, 2004; Davies, 2008). Significant deviations from the standard of unbiased news seem to be

present even in fairly competitive media markets as, for example, the US. Indeed, a recent empirical literature in economics and political science has shown the presence of a systematic bias in the market for news using a variety of instruments to measure such bias (e.g., Groseclose and Milyo, 2005; Ho and Quinn, 2008; Gentzkow and Shapiro, 2010; Larcinese et al., 2011; Puglisi and Snyder, 2011).² In parallel, a fast growing theoretical literature has provided (supply-driven or demand-driven) economic rationales for the presence of such systematic bias in the media by focusing on various incentives to bias the information supplied to media viewers (e.g., Mullainathan and Shleifer, 2005; Baron, 2006; Besley and Prat, 2006; Gentzkow and Shapiro, 2006; Anand et al., 2007; Chan and Suen, 2008; Ellman and Germano, 2009; Anderson and McLaren, 2012).³ Since these theoretical contributions take the information available to media outlets as exogenously given, they all assume, implicitly or explicitly, media outlets to bias their news reports by either *selectively omitting* a subset of their (exogenously given) information or by *framing* this information using an ideologically charged language.

Differently from the existing literature, this paper analyzes the endogenous acquisition of information by media editors and shows that the bias in media reports may arise from the way media editors

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¹ See, among the others, (Strömberg, 2004a; Gentzkow, 2006; Eisensee and Strömberg, 2007; Oberholzer-Gee and Waldfogel, 2009; Snyder and Strömberg, 2010; Chiang and Knight, 2011; Gentzkow et al., 2011; Drago et al., forthcoming).

² For evidence on the empirical effects of media bias see DellaVigna and Kaplan (2007), Gerber et al. (2009), DellaVigna and Gentzkow (2010) and Enikolopov et al. (2011).

³ See Prat and Strömberg (forthcoming) for an extensive survey of the literature on the political economy of mass media.

gather information in the first place, rather than from the selective omission (or ideological framing) of exogenously given information. That is, the paper points out that the bias in a media outlet's news reports may be the result of the slanted optimal information acquisition strategy of its editor. In particular, the results show that a moderate editor (i.e., one who is *ex-ante* indifferent between a leftist or a rightist candidate) uses a balanced information acquisition strategy. The amount of evidence in support of the leftist candidate that she requires in order to stop collecting information and endorse such candidate is the same as the one she requires to endorse the rightist candidate. Instead, an ideological editor (i.e., one who, *ex-ante*, always prefers either the leftist or the rightist candidate) acquires information in a slanted way. A small amount of evidence in support of the leftist candidate is sufficient to induce a leftist editor to stop investing in information acquisition and endorse that candidate. On the other hand, such an editor would endorse the rightist candidate only after having collected a large amount of evidence in support of that candidate.

The model analyzes a market for news driven by the citizens' demand for information. Citizens have to choose between two alternative candidates (or policies). Citizens differ in their ideological preferences, but all equally value the *valence* (i.e., quality) of alternative candidates (or public benefit of alternative policies). Citizens may acquire some information about the quality of different candidates by watching news reports. News reports are produced by editors chosen by media outlets from the population of citizens. That is, once chosen by a media outlet, a citizen-editor can gather (costly) information about the candidates' quality and then report it to the viewers. Since citizen-editors with different ideological preferences have different optimal information acquisition strategies, a rational leftist (or rightist) citizen may prefer to watch the news reports supplied by a like-minded editor (i.e., an editor with similar ideological preferences) simply because the set of information acquired by such an editor provide her with a higher expected utility with respect to the one acquired by a moderate editor. Hence, while rational citizens always want any media editor to never omit any available information, they may still prefer a like-minded editor to a moderate one, due to the endogenous acquisition of costly information by citizen-editors. Media outlets anticipate this behavior by citizens and hence they choose their editors taking into account the expected demand for news reports produced by editors with different ideological preferences. That is, by choosing a more leftist, moderate or rightist editor, media outlets implicitly choose their product location in the political space.

Overall, by identifying a novel mechanism of media bias, the paper provides additional insights with respect to the existing literature. First, the model of endogenous information acquisition by media editors represents a mechanism of endogenous commitment by citizen-editors. In particular, as in the literature on citizen-candidates voters know that a candidate can only credibly commit to her preferred policy (Osborne and Slivinsky, 1996; Besley and Coate, 1997), in the present paper viewers know that a media outlet's editor can only credibly commit to her own optimal information acquisition strategy. Therefore, this mechanism allows one to overcome possible issues related with assuming that a media outlet exogenously commits to a given editorial policy. Accordingly, this mechanism is particularly suited to explain why "surprise" endorsements have an effect on voters while "non-surprise" endorsements do not, consistently with the insightful empirical evidence provided by Chiang and Knight (2011). Moreover, the model shows the presence of a negative correlation between the editor's ideology and the accuracy of news reports. That is, the more ideological an editor is, the lower the expected accuracy of her news reports (i.e., the more extreme her ideological preferences, the lower the expected number of signals she collects and the higher the probability of her endorsing the low-valence candidate). This result derives from the different optimal information acquisition strategies of editors with different ideological preferences. In particular, moderate editors are the ones who (in expectation) collect the most signals before endorsing a

candidate. Accordingly, they are also the ones with the lower expected probability of endorsing the low-valence candidate. At the same time, the results show that rational citizens find it optimal to acquire information from a liked-minded source of news. An economic rationale for the demand for liked-minded news is already present in other models of demand-driven media bias (Mullainathan and Shleifer, 2005; Gentzkow and Shapiro, 2006; Anand et al., 2007; Chan and Suen, 2008). In the context of the present paper, this result derives from the fact that, when choosing among different media outlets, rational citizens anticipate that the news reports coming from media editors with different ideological preferences will be different simply because the information acquired by each of these editors are different. Accordingly, rational (non-moderate) citizens prefer a media outlet with a like-minded editor simply because they derive a higher utility from the set of information acquired by such an editor with respect to the one acquired by a moderate editor.⁴ Finally, the results show that, *ceteris paribus*, the extent of media slant might vary both across issues (i.e., according to the strength of the *valence* component of the issue at stake) and across types of news media market (i.e., depending on the opportunity cost of acquiring information). In particular, since the valence component captures the importance of the "quality" of the issue/candidate with respect to the ideology, the model predicts that on issues where the ideological component is likely to be less relevant, editors are likely to deliver more accurate news reports. On the other hand, ideological editors are more likely to be present in the market for news the lower the opportunity cost that citizens have to incur to acquire information is. This result is driven by the demand for news coming from "extremist" citizens. When the opportunity cost of acquiring information is high, the expected benefit of watching news reports for "extremist" citizens is lower than the cost. Hence, in this case, media outlets are likely to choose moderate editors since the bulk of the demand for news comes from moderate citizens. Instead, when the opportunity cost is low, even "extremist" citizens may find convenient to watch news reports when such reports come from an editor with similar idiosyncratic preferences. Accordingly, a media outlet may find it optimal to choose an ideological editor to capture this demand for news by ideological citizens.⁵

The paper is organized as follows. Section 2 describes the model and the structure of the game. Section 3 derives the optimal information acquisition strategy by citizen-editors and discusses its implications for the accuracy of news reports. Section 4 discusses the demand for news. Section 5 contains the results on the optimal choice of editors by media outlets. Section 6 summarizes the main theoretical insights of the paper and relates them to the empirical evidence on the market for news. Section 7 concludes. All the proofs are provided in online Appendix A.

2. The Model

2.1. Structure of the game

There are two alternative candidates/policies L and R where $L = 0$ and $R = 1$, i.e., the policy space is $\{0,1\}$. A continuum of citizens of measure one have to decide which candidate $P \in \{L; R\}$ to choose. There are two possible states of the world $s \in \{l,r\}$. To preserve symmetry, the common prior belief that the state of the world is r is assumed to be $\Pr(s = r) = 1/2$. Citizens care about the ideological distance between their

⁴ At the same time, since the more extreme the idiosyncratic preferences of an editor are, the lower the accuracy of its news reports, there is always an upper bound on the possible "extremism" of an editor above which the demand for news of citizens is strictly decreasing.

⁵ The model also predicts that ideological editors are more likely to be present in the market for news the higher the number of media outlets competing in the market for news. This result is typical in models of demand-driven media bias (e.g., Mullainathan and Shleifer, 2005; Anand et al., 2007; Chan and Suen, 2008). It follows from the incentives of profit-maximizing media outlets to differentiate their news products.

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