Media competition and electoral politics ☆

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ABSTRACT

We build a framework linking competition in the media market to political participation. Media outlets report on the ability of candidates running for office and compete for audience through their choice of slant. Citizens consume news only if the expected utility of being informed about candidates' ability is sufficiently large for their group collectively. Our results can reconcile seemingly contradictory empirical evidence showing that entry in the media market can either increase or decrease turnout. While information pushes up independent turnout, partisans adjust their turnout to the ability of their preferred candidate, and on average they vote less when informed.

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1. Introduction

Both theory and evidence have identified information as a key determinant of whether people participate in elections (Feddersen and Pesendorfer, 1996; Lassen, 2005; Larcinese, 2007a). Because the media are an important source of political information for many people, there is reason to believe that media markets play a role in shaping turnout. A string of recent empirical papers, highlighting the connection between media markets and political participation, supports this view (e.g., DellaVigna and Kaplan, 2007; Enikolopov et al., 2011; Gentzkow et al., 2011; George and Waldfogel, 2008). Yet, most of the economic theory literature has glossed over the connection between media and turnout, either assuming that everybody votes or abstracting from the voting decision altogether.[1] The aim of this paper is to take a step toward filling this gap. We ask how competition in the media market affects political participation, and how this impacts the selection of politicians. To address these questions, we develop a parsimonious framework in which both the decision to consume political news and the decision to vote are endogenously determined.

Our model identifies two opposing forces that drive variation in turnout in response to an increase in media competition. On the one hand, entry of new outlets may allow some previously undecided voters to gather information and decide which candidate to vote for, leading to increased turnout. On the other hand, entry can reduce turnout for partisan voters, who know in advance who their preferred candidate is and vote even when uninformed. Uninformed partisans adjust turnout based on expectations of their candidate's ability. Receiving information about higher than expected ability leads them to increase turnout, while information about lower than expected ability leads them to decrease turnout. We show that in the presence of diminishing returns to voting, the average effect of information on partisan turnout is negative.

The presence of these two opposing forces in our model allows us to reconcile seemingly contradictory empirical evidence showing that

[1] The media-turnout link has received some attention in the theoretical political-science literature; see, e.g., Aidt (2000), Larcinese (2007b, 2009), and the references in Dhillon and Peralta (2002).

media entry can either increase or decrease turnout. Studies of U.S. media markets tend to find that entry leads to higher turnout: Strömberg (2004) (radio), Oberholzer-Gee and Waldfogel (2009) (television), and Gentzkow et al. (2011) (newspapers) consistently report a positive effect of media entry on turnout.[2] Drago et al. (2014) also report a positive effect for Italy. By contrast, Enikolopov et al. (2011) show that exposure to an independent TV news channel decreased turnout in Russia, and Cagé (2014) finds that newspaper competition had a negative effect on voter participation in France. Importantly, all of these papers use sources of plausibly exogenous variation in media competition, so the reported effects can be interpreted as causal; they correspond closely to our theoretical analysis, which is based on a comparative-statics exercise varying the number of media outlets active in the market.

In the model, two candidates *A* and *B* compete for election. Their relative ability depends on the state of the world. There are three groups of citizens, one of which cares only about the winning candidate's ability (*independents*), while the others prefer one candidate regardless of ability (*partisans* of *A* and *B*, respectively). For partisans, the intensity of their preference depends on ability. Citizens are initially uninformed about the state of the world but can become informed by consuming news.[3]

Following Mullainathan and Shleifer (2005), we assume that partisans derive utility from receiving information that is favourable to their preferred candidate and disutility from receiving unfavourable information, perhaps because they like to see their own beliefs confirmed. This demand-driven view of media slant has found empirical support (Gentzkow and Shapiro, 2010; George and Waldfogel, 2003; Larcinese et al., 2011; Friebel and Heinz, 2014). There is a market for news in which profit-maximising media outlets compete for audience. Media outlets receive a perfectly informative signal about the state of the world and decide whether to report or conceal it. Outlets' editorial position can be either independent, in which case they always report their signal, or partisan, in which case they only report information that is favourable to the candidate they support. The editorial position of outlets is common knowledge and all citizens are rational. Hence, they can perfectly infer the state of the world from a partisan outlet's news report even when the outlet reports no signal (i.e., "no news is bad news").[4]

The rationality assumption implies that voters are not fooled by partisan media outlets. The evidence in Chiang and Knight (2011), who study newspaper endorsements of U.S. presidential candidates, suggests that voters indeed account for slant when assessing information provided by the media.[5] Gerber et al. (2009) report results from a field experiment in which voters were randomly allocated a subscription to either a conservative or liberal newspaper. Contrary to the idea that partisan media always ramp up support for their candidate, voters in *both* groups were found to be more likely to vote for the Democratic candidate than those in the control group.[6]

Explaining why people demand information about politics is less than straightforward.[7] In this paper, we employ a rule-utilitarian approach, pioneered by Harsanyi (1980) and developed into a theory of ethical voting by Coate and Conlin (2004) and Feddersen and Sandroni (2006a,b), to generate demand for political news. The electorate is divided into the three homogeneous groups mentioned above. Each citizen considers what would occur if all members of her group behaved according to the same rule. Ethical citizens derive a benefit from following the rule which produces the best outcome for the group, given the behaviour of the other groups of citizens. Because the group as a whole may benefit from its members being informed, this allows us to endogenously derive the demand for news and link it to the decision to vote. In our context, a rule of ethical behaviour comprises both a media outlet to consume and a cutoff on the voting cost below which citizens should cast their ballot. Citizens compare the merits of different rules of behaviour. Becoming informed is collectively optimal, and thus part of ethical behaviour, if the group's gain from being informed exceeds the opportunity cost of consuming news.

There is some evidence that many people consume political news because they consider it their civic duty to stay informed about politics or because they strive to make good decisions at the ballot box. In a recent survey of reasons people use the news, 69% of respondents say they "feel a special social or civic obligation to stay informed" (Pew Research Center, 2010).

The effect of entry depends not only on how information affects each group's turnout, but also on which groups become informed, which, in turn, depends partly on the equilibrium reporting strategies of media outlets. We show that a group's gain from being informed and the probability that at least one outlet reports with a slant that is palatable to group members are both increasing in the size of the group.[8] As a result, the relative size of partisans and independents determines the impact of entry on turnout. The larger the share of partisans, the more likely it is that entry leads partisans to become informed, reducing turnout; the larger the share of independents, the more likely it is that entry leads independents to become informed, raising turnout. If both partisans and independents become informed, the net effect is ambiguous but more likely to be positive when there are more independents. This suggests that the sign of the effect depends on the composition of the population, a point we expand on in Section 4.

We show that competition in the media market often leads to more supply and consumption of partisan news, as additional media outlets try to grab market share by catering to specific groups of citizens. This

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[2] Although Gentzkow (2006) finds that the introduction of television decreased turnout, he attributes this to a crowding out effect, whereby consumers substituted television for other media with more political coverage such as newspapers and radio. As discussed below, in our model this corresponds to an increase in the opportunity cost of consuming news. The same crowding-out phenomenon may apply to Barone et al. 2015, who find that the introduction of digital terrestrial television in western Piedmont (Italy) had a negative effect on turnout in towns with many elderly.

[3] We use the term *partisan* to refer to a voter whose preference between candidates does not depend on the information the media reports. Although in established democracies citizens' political affiliations are relatively stable, in transitional democracies – such as Russia in the period analysed in Enikolopov et al. (2011) – partisanship as defined here may be quite volatile; hence, idiosyncratic shocks may lead to changes in partisanship from one election to another.

[4] Anderson and McLaren (2012) and Bernhardt et al. (2008) also assume that media outlets suppress unfavourable information. Unlike us, however, they assume that outlets do not always receive a signal about the state of the world. Hence, citizens cannot fully recover the suppressed information because they cannot distinguish whether the outlet received no signal or whether it concealed the signal. Online Appendix A provides an extension that allows for this kind of uncertainty and shows that our main result is unaffected. We discuss this further in Section 5.

[5] The evidence on this is not unequivocal, however. As shown, e.g., by White et al. (2005) for the case of Russian elections and Adena et al. (2014) for the case of Nazi propaganda, voters may sometimes fail to fully correct for the bias of their information sources.

[6] To be sure, the evidence concerning the effect of exposure to partisan media on partisan turnout is somewhat more mixed. DellaVigna and Kaplan (2007) show that the entry of the conservative Fox News Channel increased the Republican vote share. Although they cannot distinguish the effects of exposure on partisans and independents, for lack of individual-level data, other studies suggest that partisan media can boost partisan turnout (Prior, 2007, 2013; Stroud, 2011; Hopkins and Ladd, 2014). By contrast, Gerber et al. (2009) find that overall turnout was unaffected by exposure to a conservative newspaper, which leads us to conjecture that exposure decreased turnout of Republican-leaning voters and increased turnout of Democrat-leaning and independent voters, with the two effects cancelling each other out. On balance, we believe the jury is still out on the causal effect of partisan media exposure on partisan turnout.

[7] The instrumental benefit from becoming informed equals the gain from swinging the election in favour of the preferred candidate. Because in large electorates a single vote is unlikely to be pivotal, rational citizens with standard preferences have little incentive to become informed (Downs, 1957).

[8] Our result that the gain from being informed increases with group size is in line with evidence that, in local markets, news consumption is increasing in the size of a group's population (George and Waldfogel, 2003). Although this has commonly been explained by arguments about the media targeting larger groups, such supply-side arguments cannot explain recent findings reported by George and Peukert (2013) according to which consumption of *national* news media also increases with the size of a group in *local* markets. Supply-side arguments have no bite there since national news media cannot tailor their content to local markets.