Partisan news: 
A perspective from economics

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THE CASE AGAINST THE MEDIA.
BY THE MEDIA.

For decades, the pollsters at Gallup have been asking Americans if they trust their media. In 1974, the year Woodward and Bernstein brought an end to Richard Nixon’s presidency, 69 percent of them did. In a poll released last year, that number was at a historic low. Today, the only...
1. News is an entertainment business, even if it pretends otherwise.

“You can’t have drama without conflict. And you can’t have melodrama without good guys and bad guys. The problem for journalism is: Our actual problems are bigger, more complicated, more sprawling and complex, than good guys and bad guys. I don’t take any issue with the press attending to conflict. That’s Job One, actually. But the simplicity of the narrative is incredibly debilitating. News organizations chase simple narratives, and if they are prize-hunting, they look for an evil actor. Such folks can be found, to be sure, and a scandal is a scandal. But it is mortifying to realize that much of the press thinks exposing the overt scandal is the equivalent of examining, assessing, and arguing for systemic solutions to systemic problems.”

— DAVID SIMON, creator of The Wire and former reporter for the Baltimore Sun
[Read the Interview Transcript]

2. So it doesn’t know how to handle serious issues.
And “bias,” of course.

"Let me put it this way: Mitt Romney's not a candidate who fits the elite media's ideal of what a president should be — obviously there's a preference for Obama over Romney. However, Romney's not someone who fits the grassroots conservative ideal of who a president should be either. And so you get someone like Romney who does prevail in the Republican primaries and goes into the general election and there's an internal psychological problem of identity there, because he can't quite figure out what media profile he wants to present, what his public image is.

In a weird way, I think the media sets that up by the way it presents and reflects the images of candidates. It winds up being very ironic, because Mitt Romney is someone who's basically pretty centrist as far as the Republican Party goes, certainly compared to a lot of other possibilities. And yet he is presented by much of the media as being a kind of hard-right guy during the general election. And then he sometimes tries to almost do the Trump thing, tries to take advantage of that, but winds up not being able to because, of course, that's not who he is. So I think there is a complex psychological effect here that does harm Republicans in general elections.

Now certainly, on the Democratic side, sometimes there also is a tendency to be fighting against stereotypes that the media may have promoted: examples being that Democrats are weak on foreign policy, or pacifistic, and also soft on crime. But you see less of that stereotyping. It's less of a problem for Democrats than it is for Republicans, who automatically, I think, are presented by the media as heartless and cruel and
Partisan bias is only problem #38

• But some evidence of partisan conflict on the rise.
Senate filibusters

- Cloture motions filed, source: senate.gov
Party-line voting in Congress

Feelings toward the ‘other’ party

- Feelings toward in-party vs 1980
- Feelings toward out-party vs 1980

Source: Stone (2016)
And of course –
Outline

I. Quick history of econ work on news/partisan media
II. 7 key early papers
III. Other contributions
IV. Conclusions
V. Open questions/thoughts
I. History of econ research on political media

• Pre-2000: very little
• Post-2000: lots
• Why?
  • Build-up/competing accusations of bias in ‘MSM’
  • Technological change: cable news, Internet
  • Changing/more competitive markets
  • Broadening scope of economics (freakonomics, behavioral econ)
  • New technical tools (text, natural experiments)
  • Initial papers in top journals and herding within profession (?)
II. 7 key early papers

• 5 theory:
• (model)
• (sets of logical assumptions on: 1) players; 2) actions; 3) payoffs)
• Find (Nash) equilibrium
• (action for each player such that no one wants to unilaterally deviate)

• 2 empirical (data)
1. “The market for news” – Mullainathan and Shleifer, AER, 2005

- Complaints about bias mostly re supply-side
- But what if media consumers want bias? (demand-driven)
- “We assume that readers prefer to hear or read news that is more consistent with their [prior] beliefs…”
- ..about “some underlying variable \( t \), such as the state of the economy”

- News outlet observes noisy ‘signal’ of state. Reports signal + slant

- Results:
  - If readers have same beliefs: monopoly, duopoly pander same way
  - If readers heterogeneous: duopolists differentiate (different slants)
  - Monopolist takes centrist/unslanted position to have broad appeal
  - Duopoly: more slant + \textit{higher} prices

- Key point: \textbf{competition does not promote truth – could do opposite}
2. “Persistent media bias” – Baron, 06

- Suppose consumers are neutral, truth-seekers
- Can supply-side bias persist in competitive market?
- Big media = corporate = wants to max profit
- If consumers want no bias – firms should provide this

- But journalists lean left, are relatively low paid given skills
- Baron: firms optimally allow bias as substitute for low pay

**Bias persists even in competitive mkts**
- Prediction: lower paid media more biased/slanted
- Consistent with reality (alt weeklies, bloggers paid less)

- But - neutral/truth-seeking consumers realistic?
3. “Media bias and reputation” – Gentzkow and Shapiro, JPE, 06

- Suppose some media outlets are high quality and some are low
- Suppose either L or R is true ‘state of world’
- Suppose consumers prior belief is L is more likely true
- If media outlet then reports ‘L is true’...
- These (lefty) consumers (rationally) infer this outlet is higher quality
- Low quality outlets – knowing this – have incentive to bias news to left

**Clever rationalization of bias**
- Prediction: if truth emerges faster after news report – less bias
- Consistent with evidence:
  - Weather/sports prediction bias relatively low
  - Global warming/macroecon bias higher

- But – other theories make similar predictions – how to distinguish?
4. “Political polarization and the electoral effects of media bias” – Bernhardt et al, 08

- Suppose media consumers “enjoy” good news about favored candidate, bad news about other candidate
- Since unlikely vote is pivotal (affects electoral outcome)...
- And being more informed mostly benefits the rest of electorate ...
- Incentive to get “enjoyable” news dominates incentive to be informed

- ‘Market failure’ due to externality problem
  - Benefit of informative news mostly goes to other people
  - Leads to ‘bad’ electoral outcomes, more often w/ more competitive media
5. “A spatial theory of news consumption and electoral competition” – Chan and Suen, 08

- Theory of slanted news truly being more informative
- Suppose ideally I vote R 90% of the time, and vote L 10%
- With no news: I vote R
- Media outlet makes binary endorsement
- Should I bother to listen to it?

- Centrist media endorsements are 50-50, R and L
- Has no effect on my vote

- Rightist media endorses R 90%, L 10%
- L endorsement actually convinces me to vote L!
- Rightist outlet is truly more informative to me
- Like delegation of advice to advisor with aligned interests

- Demand or supply? (2005 newspapers)
- How to measure media slant?
- Compare newspaper phrases to phrases used by politicians (‘estate tax’ vs ‘death tax’)  
  
- Find slant highly correlated with local voting
- Not correlated across newspapers with same owner
- And not correlated with political contributions by owner
- Conclusions: demand drives bias (in 2005 newspaper mkt)

- Open Q: is this true in weaker newspaper markets today?
Slant (y-axis) vs local politics (x-axis)

Slant of other papers with same owner (y-axis) vs slant controlling for local politics (x-axis)

- Does media slant even matter? How do we know? (3rd person effect)
- Most observational data – hard to interpret
- Fox News viewers vote Republican – but which direction is causality?
- Lab data – external validity concerns

- DVK use ‘natural experiment’ of Fox News gradual roll-out
- Only fraction of towns have Fox access in 2000
- Compare voting change from 96 to 00 for Fox towns vs non-Fox towns
- Find 0.4-0.7% increase in R voting due to Fox; likely under-stated; still affects FL

- Q: is this good or bad?
Since then

- Theory:
  - More rationalizations of bias (a la Chan and Suen)
  - Some new theoretical results (e.g. Chan and Stone, 2012: psych consumer bias can increase benefits of biased news)
  - GSS 2015: Definition of bias; clarification of ‘distortion’ vs ‘filtering’ bias

- Empirics:
  - Extensions of Fox empirical analysis to voting in congress; knowledge effects
  - Empirical work on online ‘ideological segregation’/echo chambers
  - (mostly showing not as bad as you’d think)
  - New natural experiment (channel position) finds stronger effects (Martin and Yurukoglu, WP)
Summary/what we’ve learned (or think we’ve learned)

• Supply-demand framework
• Media bias is in demand; concerns about supply-side bias down
• Media bias can be rational
• Media bias can even be optimally informative
• But bias can certainly be socially harmful; externality problem
• Systematic methods for measuring bias and ideological segregation
• Cleaner evidence of variety media effects and methods for estimating effects
But what about..
Big open questions:

• To what extent has new media caused recent political problems?

• What can be done about it?
Thoughts on future research (feasible and otherwise)

• ‘What drives demand for media slant?’

• More work on real-world media effects

• E.g., international comparisons. How do political issues vary w/media landscapes? (Brexit debate/violence – despite BBC)

• Less theory work without empirical/policy bite

• Better awareness/use of work across disciplines
Thoughts on policy (feasible and otherwise)

• Things we can rule out as saviors (?):
  • Publicly funded media
  • Fairness Doctrine
  • Fact-checker websites – though maybe more potential here –
  • real-time fact-checking seems helpful!
A suggestion from Tetlock:

• “asking falsifiable questions and forecasting on them has the potential to moderate polarizing policy debates because accountability fundamentally alters the parameters of the discussion.”
Trump and the stock market: what was the debate about?

by Tyler Cowen on October 1, 2016 at 1:02 am in Current Affairs, Data Source, Economics, Political Science | Permalink

The two people (Wolfers and Ozimek) who did the empirical work did a great job, but much of the rest of the exchange from other commentators has missed the point.

If you approach the debate as an emotional referendum on how good or bad Trump (Clinton) would be, you’re probably going to be wrong. You will view yesterday’s exchange as being about choosing the Wolfers estimation or the Ozimek one, the latter showing increases in Trump’s odds didn’t seem to hurt the stock market up through a particular date. If then you sided with Wolfers, you keep a very negative view of what Trump would be like, or if you sided with Adam’s investigation you could still wonder to a great extent.
More radical

• Cagé (pronounced like caché?): a new type of organization just for media

• Canada’s prohibition on ‘falsity in news’?

• Pigouvian taxes/subsidies to consumers for being well-informed?

• (or even just obtaining info from variety of sources?)
Things we all can do..

• Be conscientious + socially-minded media consumers and citizens

• Don’t rush to judgment
• Try to get different sides of story
• Be comfortable with uncertainty/not having strong opinion
• Consider social benefits and costs to how we spend our media consumption ‘time budget’
• (avoid reading stories just b/c they tell us what we want to hear)
• (avoid stories we’d regret spending time on – noise, trivial topics)
• Avoid clickbait (links with questions, top X lists..)
• Avoid anger

• And appreciate/recognize/commend others who do these things