Conservative TV and Corporate Social Responsibility

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Wildfires Bring New Devastation Across the West

A record 2.5 million acres have burned in California, while entire communities in Oregon and Washington have been largely wiped out.

Two people died from a wildfire in Oregon, and a 1-year-old boy was killed in northern Washington. Here's the latest.

‘Nuclear Winter’ Over Bay Area, as Wildfires Blot Out the Sun

Across Northern California, plumes of smoke from a fire that blasted through the foothills of the Sierra Nevada turned the day into an eerie twilight.
Coverage of yesterday’s Bay Area “apocalyptic” skies

California's Bay Area looks like Mars during the wildfires
Only orange sky I could find on Fox News

Business

Starbucks pumpkin spice latte early release reportedly boosted foot traffic, firm says
Media coverage affects firms’ CSR choice

- Intriguing finding: Sinclair entry $\implies$ CSR$\downarrow$
- Effect is large (15% of mean CSR)
- Careful methodology with myriad of robustness checks
- I learned a great deal about Sinclair Broadcast Group: reaches 39% of households (vs 27% of Fox!) and I knew nothing about it before this paper
- Thought-provoking empirical fact
- Discussion focus:
  - methodology
  - mechanisms
Event study

- Paper calls this “temporal dynamic test”, these days most papers in economics call this “event study” analysis
- This is strongest/most transparent specification (it checks for pre-trends)
Selection

- Authors carefully discuss selection concern: unobserved variable causing both CSR ↓ and Sinclair entry
- Would love to see selection concerns addressed with event study graph
- At the moment

\[ \text{Sinclair}_{ct} = \beta_1 \text{Unemployment}_{c,t-1} + \beta_2 \text{RepVotes}_{c,t-1} + \beta_3 \text{College}_{c,t-1} + \ldots \]

- Independent variables are likely to be correlated so each individual unlikely to be correlated with Sinclair
- For example: could check that there is no substantial long-term trend in College share in areas where Sinclair enters
Puzzle: No Link to Republican Share

- Table 1: if I understand correctly, you are comparing Sinclair-exposed county-years vs non-Sinclair exposed county-years
- While in general it’s good to find balance of other characteristics before and after Sinclair
- Surprising that % Republican Votes is not different
- Perhaps you want to check that at the time of Sinclair entry no difference in % Republican Votes?
- There is a substantial and important difference between % Republican Votes and other sociodemographic variables
Eventy study graph would help

- I do not believe the following scenario, but (I think) current regressions cannot rule out the following scenario
- But eventy study could!
Biggest question: Mechanism?

- Is this a plausible effect? What is the mechanism?
- Can the finding help us answer holy grail question: does CSR improve profitability?
- Paper lays out interesting channels (need more digging):
  1. Sinclair affects ideology of executives directly (cheap shot: how much local news do CEO consume?) or indirectly (friends, colleagues)
  2. Sinclair covers more national and less local news: less coverage of local bad/good deeds, less CSR
  3. Sinclair covers less CSR-related topics: less incentives to do CSR
Mechanism as a telltale of CSR profitability

- Evidence of mechanism 1 would imply CSR is NOT profit maximizing, but simply expression of agency problems
  - unless change in ideology involves most employees or customers
    (but null result on % Republican share seems to rule this out)
- Evidence of 2/3 would be compatible with CSR as profit maximizing
How can we distinguish between mechanisms?

I suggest you look for direct evidence of ideological shift:

- For the CEO/executives: check individual donations of executives (do they donate more to conservative politicians?)
- For the company as a whole: does the company Political Action Committee (PAC) donate more to Republican candidates?
Mechanisms: Fox News vs Sinclair

- Paper brings some good arguments in favor of using Sinclair (instead of Fox entry): staggered vs simultaneous entry, broader reach
- BUT, we know from Della Vigna and Kaplan (2007) that Fox News increased share of Republican votes and that entry was (conditionally) random
  - it would be surprising to NOT find a decline in CSR while Republican share increases
- The national nature of Fox News could help tell apart mechanism 1 vs mechanism 2
  - if you do not find an effect of Fox News DESPITE the conservative vote increase, then this would point to mechanism 2
Mechanisms: Heterogeneity analysis

- Currently paper has rich **heterogeneity** analysis, but does not paint a coherent picture of mechanism
- Sinclair $\implies$ larger CSR$\downarrow$
  - firms in “sin” industries $\implies$ mechanism 2?
  - acquisition of large share of Fox-affiliated: this is more a measure of intensity of treatment
- low institutional ownership $\implies$ mechanism 1?
- high litigation risk $\implies$ mechanism 2?
- firms with young/female executives $\implies$ mechanism 1?
Profitability analysis

- This part would benefit from more development
- I understand the temptation to use this mechanism as an “instrument”: Sinclair↑ → CSR↓ → Profitability↓
- But once again it depends on view of CSR
  - If CSR manifestation of agency problem ⇒ current CEO may be doing too much CSR/too little CSR ⇒ not obvious that reducing CSR is bad for firm value/profits
  - If CSR is optimally chosen input ⇒ mechanism 2/3 would imply that the firm is reducing CSR in an optimal way because the benefit of CSR (cost of not doing CSR) is declining ⇒ again, not obvious that this reduction in CSR should bring down profits