Introduction. News media is an important industry. It provides societies with the information necessary to make political decisions, such as voting, and tends to be persuasive (Enikolopov et al., 2011; Martin and Yurukoglu, 2017). Thus, it is crucial that the information supplied to the societies is “unbiased,” meaning that the news reporting is not influenced by the information preferences of political actors, private companies, or even consumers.

Yet, as with any other industry, the product generated by news outlets is formed by supply and demand. On the supply side, media owners, journalists (Baron, 2006) and governments (Besley and Prat, 2006) might have incentives to influence the production process, creating “media bias.” Given that media owners can affect only news outlets under their control, regulators, such as the Federal Communication Commission (FCC) in the United States, has traditionally encouraged media competition and argued against media concentration.\(^1\) However, more recent work has shown that media bias can also originate from the demand side (Gentzkow and Shapiro, 2010), driven by consumer preferences, in which case more competitive markets might produce more “biased” news (Mullainathan and Shleifer, 2005), questioning the decades-long government policy of restricting media concentration.\(^2\)

There is one other potential source of media bias that usually receives less attention from media regulators: advertisers. Operating as two-sided platforms, newspapers has historically

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\(^1\)For examples, see FCC’s cross-ownership rules of 1975, FCC (2003), and Bagdikian (2000).

\(^2\)In fact, in the recent years the FCC has started to deregulate the media industry, with the latest vote to eliminate the cross-ownership restrictions in November 2017, https://www.nytimes.com/2017/11/16/business/media/fcc-local-tv.html.
generated most of their revenues from the advertisers’ side, making the newspapers susceptible to advertisers’ influence.\(^3\) Acknowledging this, newspapers have designed the editorial and advertising separation principles. While there is anecdotal evidence that these principles are sometimes violated,\(^4\) there is only limited empirical evidence of a systematic influence of advertisers on the news coverage (Reuter and Zitzewitz, 2006), restricting the discussion around the importance of advertisers’ media capture.\(^5\)

**Paper Summary.** The paper of Graham Beattiwe, Ruben Durante, Brian Knight, and Ananya Sen aims to present new empirical evidence of advertisers’ media capture using an important and unique empirical set-up of car safety recall coverage. The set-up is important because learning about a car’s recall can prevent the car users from getting into traffic accidents due to the car’s malfunction. The set-up is unique because it is well-suited to overcome a standard identification problem of the origins of media bias: if we observe some media bias in favor of advertiser \(A\), does it come from this advertiser, or does it come from the news readers who like advertiser \(A\), and this advertiser is on the platform because the news readers like the products of \(A\)? In the case of car safety recalls, people who like a car of advertiser \(A\) should be interested in this car’s safety information and encourage car recall coverage by the news outlet they read, while the advertiser of car \(A\) is incentivized to hide this information.

The car safety recall set-up presents an intuitive identification argument. Take car advertisers \(A\) and \(B\) and news outlets \(X\) and \(Y\). If \(A\) advertisers in \(X\) and \(B\) advertisers in \(Y\), is it true that the news outlet \(X\) reports car recalls of \(B\) but not of \(A\), and the news outlet \(Y\) reports the car recalls of \(A\) but not of \(B\)? If consumers care about the car safety and advertisers target the news outlets with more of their consumers, results should be the opposite, with \(X\) having more car recall coverage of \(A\) and \(Y\) having more car recall coverage of \(B\). One potential caveat is the case of consumers who get a disutility from hearing any bad news about their preferred car manufacturer, and care about this disutility more than about learning the true car quality. In order to avoid this scenario, the authors include controls of the advertiser and newspaper combinations and use temporal variation in advertising spending and coverage to identify media capture. Notice that these adjustments change the identification strategy and require an additional argument for why shifts in the advertising spending are exogenous to the car recall coverage. I discuss this issue in more details in the Comments section below.


\(^4\)Recent examples include the allegations on Daily Telegraph for not covering the tax scandal of HSBC, one of their largest advertisers, [https://www.theguardian.com/media/2015/feb/17/peter-oborne-telegraph-hsbc-coverage-fraud-readers](https://www.theguardian.com/media/2015/feb/17/peter-oborne-telegraph-hsbc-coverage-fraud-readers), and BuzzFeeds removal of the news articles critical of their advertisers, Dove and Hasbro, [https://www.theguardian.com/media/2015/apr/11/buzzfeed-denies-deleting-critical-articles-to-appease-advertisers](https://www.theguardian.com/media/2015/apr/11/buzzfeed-denies-deleting-critical-articles-to-appease-advertisers).

\(^5\)Other papers on this topic include Di Tella and Franceschelli (2011); Gambaro and Puglisi (2015); Beattie (2017).
In order to answer the stated question, the authors go through an admirable data collection exercise, gathering (1) car recall information for 9 manufacturers for years 2000-2014, (2) 13,600 recall-related articles in 115 US newspapers, (3) advertising spending data by newspapers, manufacturer and months combinations, (4) car ownership survey in 2001 and 2009, and (5) road fatalities data for 2000-2014.

The authors find that car manufacturers’ advertising in a news outlet in the past two years is associated with less coverage of the car recall by this outlet, both on extensive and intensive margins. Doubling the advertising spending is associated with 3-10% decrease in the probability of covering a car safety recall. The paper finds this relationship only between medium-term advertising spending and car recalls coverage, and it is stronger for larger advertisers and more severe recalls. Also, the relationship between advertising spending and car recall coverage is stronger in less competitive newspaper markets and becomes stronger with the entrance of Craigslist, online marketplace that reduced the number of classified ads in the newspapers, making the advertising side of the news outlets less competitive.

Comments. In my comments to this paper, I would like to focus on the identification argument underlying the main result, the negative relationship between changes in the advertising spending and car recall coverage. Showing that this relationship is causal, as the authors interpret it, would be the key contribution to the media capture literature.

Recall from the discussion above that we need to adjust our initial identification argument due to including the interacted advertiser and newspaper controls. Assume that there is an exogenous increase in the spending of the advertiser A in the news outlet X but not Y, keeping the advertising spending of B fixed. Then, in a case of advertising capture, news outlet X should be less likely to cover the car recall of A compared to (1) the car recall coverage of A by Y, or (2) the car recall coverage of B by X, or (3) the car recall of A by X before an advertising spending increase. Either identification argument works if A’s advertising spending increase is exogenous. However, “exogenous” means different things in these three arguments. For (1), advertising budget increase or reallocation due to a new targeting strategy should work, primarily because the effect of targeting should go in the opposite direction from the media capture effect, similar to the initial identification argument. However, for (2) and (3), temporal changes in the overall advertiser A’s spending might be a problem, for example, if changes in the advertising spendings are correlated with the new model introductions (likely), and if car recalls are also correlated with the new model introductions (possible). In fact, such correlation would explain the counter-intuitive result that only medium-term changes in the advertising spending are related to the car recall coverage, and large changes in the point estimates in the main specification once the month fixed effects are included in the estimation.

In the main specification in the paper, the authors use all three of these sources of variation in the data and do not provide an explicit identification discussion for what drives
changes in the advertising spendings. I think the paper will greatly benefit from such discussion. In addition to this, there are multiple ways to make sure that temporal changes in the overall advertiser $A$’s spending are not driving the results. The most natural way is to include the interactions of month and advertiser fixed effects. This will make sure that the variation in (2) and (3) does not affect the results. Another way is to redefine the car recall coverage as a share of coverage of this car recall by each news outlet, which implicitly keeps the comparison across the news outlets. Finally, if there is not enough statistical power for either of these methods, maybe it is worth going back to the original identification strategy that exploits the cross-sectional advertiser by newspaper variation and complements it with a supply-side instrument, such as Craigslist’s entrance to the market.

Once the causal link between the advertising spending and car recall coverage is established, there are some other interesting angles of advertisers’ media capture that the paper can explore. First, what is the mechanism behind this media capture? The authors do not find evidence that advertisers “punish” newspapers that do cover their car recall, but then why would the news outlet comply with censorship? Second, it would be useful to know if the news outlets that are captured also use different language when covering their advertisers’ car recall, using a more general slant measure instead of censorship. Third, what is the relationship between the car recall coverage and car returns or future sales of these cars? The paper explores the correlation in road fatalities, which is clearly important, but it seems that car recalls would be a more natural starting point. Finally, if advertisers’ media capture is severe, what should be the regulatory response to it? Should we construct an index of “advertisers’ media power”, motivated by the media power measure of Prat (2017), that will indicate which news outlets are at a high risk of being captured by their advertisers?

**Conclusion.** Media capture is an important issue and our limited knowledge to whether advertisers systematically bias the media prevents us from making informed regulatory decisions. This paper exploits a unique and important set-up of the car recall coverage to examine whether advertisers systematically influence the newspapers’ coverage. The authors go through an admirable data collection work and build a sensible empirical strategy. With a couple of additional checks and a more explicit identification argument, it can be one of the first papers that carefully shows the causal link between advertising spending and media coverage. On top of this, the authors’ result on the interaction of advertising capture with newspaper concentration fits into a more broad debate about the role of competition in the media markets, suggesting that media consolidation can increase the bias coming not only from media owners but also from advertisers.
References


