SILENCE THE MEDIA OR THE STORY: THEORY AND EVIDENCE OF MEDIA CAPTURE

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Her research focuses on political economy, media economics and development.

Working papers and work in progress:

TV in Times of Political Uncertainty: Evidence from the 2017 Election in Kenya. (2020) *SSRN Working Paper.*

Silence the Media or the Story? Theory and Evidence of Media Capture (2020) *with Charles Louis-Sidois. SSRN Working Paper.*

Money and Ideology: Evidence from French Parliamentary Elections. *With Julia Cagé (Sciences Po) and Caroline Le Pennec-Caldichoury (UC Berkeley).*

Competing for the local audience: the impact of the entry of digital TV on Kenyan newspapers.

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*This article is co-written with **Charles Louis-Sidois**, postdoctoral researcher at the University of Mannheim.*

We explore a theory of media capture where a principal can either influence journalistic investigation (internal capture) or let the media investigate and pay to suppress news stories at the publication stage (external capture). We predict that the likelihood of internal capture increases with perceived corruption but decreases with competition on the media market. Instead, external capture decreases with perceived corruption if the media market is sufficiently competitive. Exploiting new survey data conducted in 166 countries by Reporters Without Borders, we use the revelation of the Panama Papers a shock to perceived corruption. With a difference-in-differences identification strategy based on cross-country variation in exposure to the shock, we show that internal capture increases with perceived corruption.

How to explain the coexistence of different forms of pressure against the media in the world? How do their prevalence covary with corruption?

Theoretical insights

We propose a theoretical model to explain the prevalence of media different types of capture. A principal, who could be a politician, a firm or a lobby, is corrupt with a given probability. Media outlets strategically choose how much to investigate to discover a news story about the corrupt principal. The latter has two strategies to prevent the media from disclosing the story:

- **Internal capture:** the principal resorts to a preventive, or ex ante strategy, such as media ownership, that gives her total control of the agenda.
- **External capture:** the principal resorts to a reactive strategy proposing a bribe, in exchange for the suppression of a negative news story.

In equilibrium, the investigation effort of a media outlet depends on the expected return of investigation, which is determined by the investigation efforts of other media outlets and the belief about the type of the principal. If the prior probability that the principal is corrupt is low, media outlets have little interest to investigate. In such a case, the principal prefers to let the media outlets investigate freely and, potentially, capture them ex-post in the unlikely case that they find a news to publish.

Theoretical predictions:

- **Internal capture is increasing in the prior probability that the principal is corrupt.**
- **External capture is decreasing when the media market is less competitive and increasing otherwise.**

Empirical framework

The positive relationship between media capture and corruption is well established, but the causal relation is hard to identify. To overcome this challenge, we use the Panama Papers as an exogenous shock to perceived corruption. The Panama Papers consisted in a leak of documents that explicitly mentioned individuals or firms involved in tax avoidance schemes that triggered a worldwide scandal which received a considerable coverage in 2016 (Figure 1).

Our identification assumption is that the Panama Papers were an unanticipated exogenous shock to perception of corruption, affecting unevenly countries across the globe. We use this variation to study the impact of the revelation on perception of corruption and media capture.

The Panama Papers and perceived corruption

We first implement a difference-in-differences strategy and document a positive impact of the Panama Papers on perceptions of corruption (Figure 2). On average, perception of corruption increased by 1.2% after the revelation in countries mentioned the leaks, compared to not affected countries (control group).
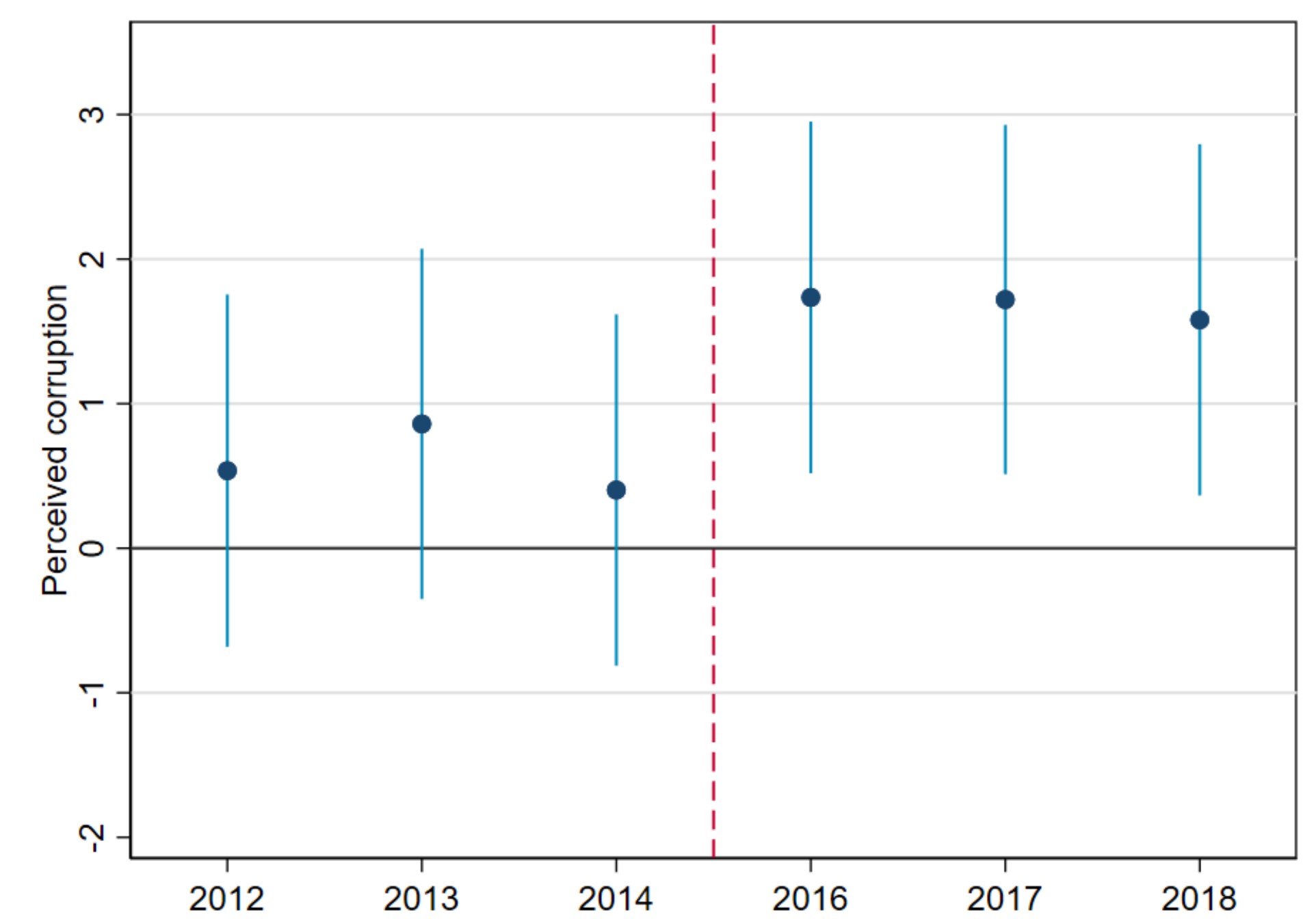

Figure 2 – The Panama Papers and perceived corruption

Perceptions of corruption and media capture

Turning to the effect of perceptions on media capture, we implement a similar difference-in-differences strategy, using survey data from Reporters Without Borders (2012-2018) from 166 countries. This worldwide survey allows distinguishing between different types of capture that we categorize as internal or external types of pressure. Our main results are in line with our theoretical predictions:

- **The revelation of the Panama Papers triggered an increase in the share of media owners with other economics interest by 6-9%.**
- **External capture, measured through bribes or in-kind benefits offered to journalists decreased in countries with a less competitive media market.**

These results are corroborated by an instrumental variable strategy, where perceived corruption is instrumented with the exposure to the Panama Papers.

Panama papers - Number of offshore entities

- No scandals

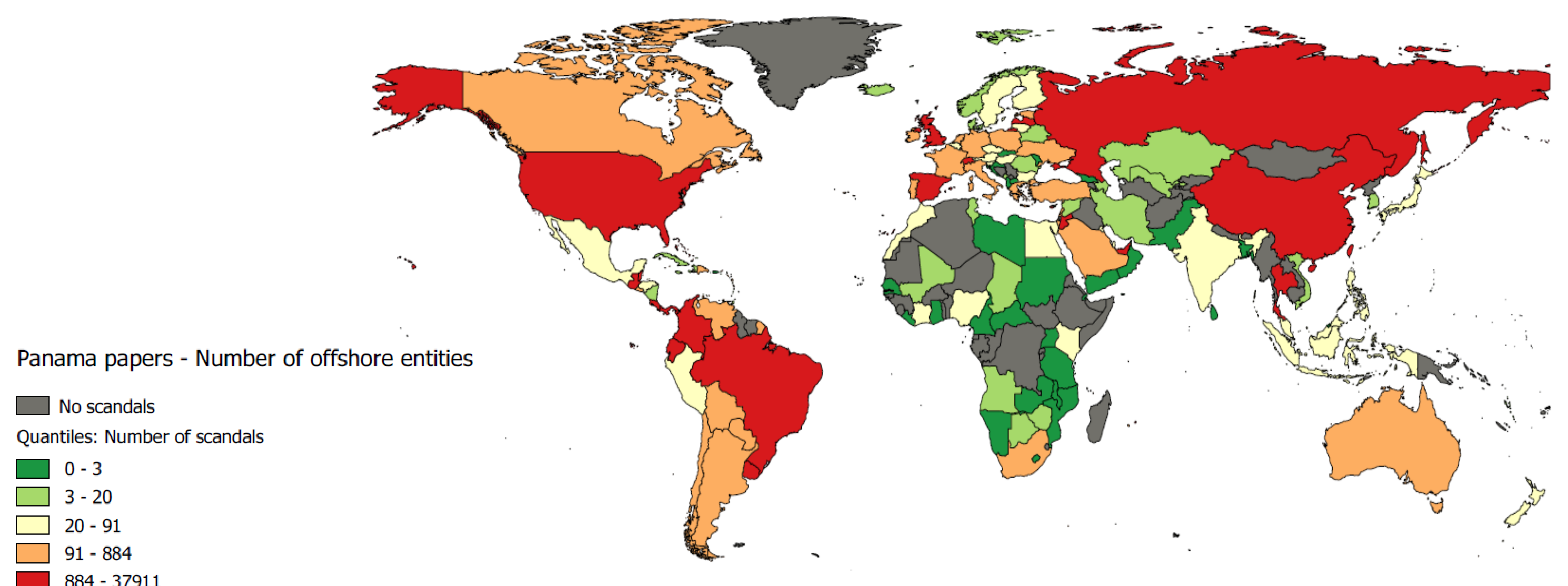Quantiles: Number of scandals

- 0 - 3
- 3 - 20
- 20 - 91
- 91 - 884
- 884 - 37911

Figure 1 - The Panama Papers in the world