Comments on: "State Television and Voter Information"

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Research Questions

- *How does the presence of government-controlled media affect political outcomes?*
- *What happens when the state monopoly is broken by the introduction of commercial TV?*

Sketch of a Model

- Segmented population
  - Interested in different public goods (and hence in different news stories)
- State-owned media: "BBC model"
  - Politicians effect who is informed and BBC is informative
- Political market
  - Ability of incumbent and challenger unobservable
  - Incumbent prefers to reveal type (through media) so as to be less risky
  - Equalizing influence: Prefer to reveal type to all
- Commercial media market
  - Distracts some (entertainment) and engages others (news)
  - Increases or decreases inequality of information and hence political outcomes

Result #1: Incumbency Advantage

- Two-period retrospective voting model
  - Ability of incumbent and challenger unobservable
  - But output of incumbent observable
- Informed voters:
  - The devil you know is better than the devil you don't
    - » Vote for the incumbent (Unless the incumbent is terrible)
- Uninformed voters:
  - Don't know either devil (incumbent or challenger)
  - Split their vote (abstaining would be optimal – only add noise to elections)
- *Incumbency informational advantage:*
  - *Probability of re-election = $\frac{1}{2}+sT$*
    - » Rises with risk premium of challenger (T)
    - » Rises with number of informed voters (s)
    - » Interdependence: Media matters only if risk premium is large

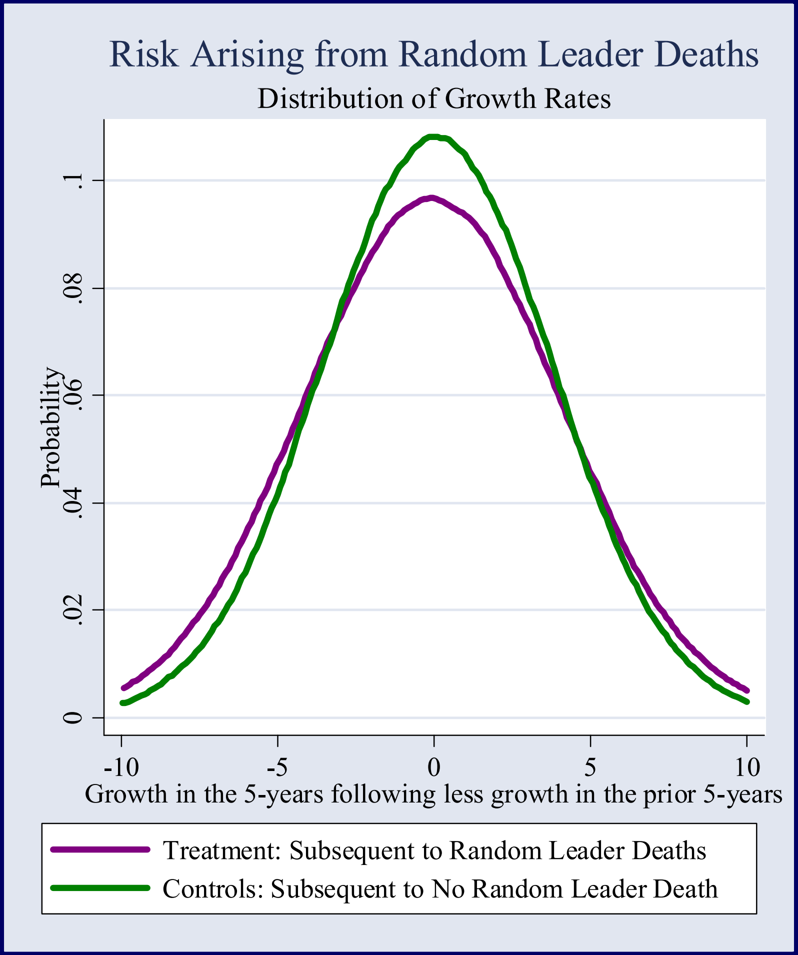
How Important is Uncertainty?

- Effect of the media on political equilibrium:
  - Informing voters of your type *reduces* the risk of voting for incumbent
- How much do I prefer the devil I know? Calibrating the risk premium:
    - » U(C)=Log[C+G(1+*competence*)]
    - » Public goods are 20% of consumption (NIPA)
    - » Competence of challenger~N(0,5%)
  - Risk premium in voting for challenger = 0.005% of consumption [≅$2 per year]
    - » Estimate is an upper-bound of the importance of uncertainty Assumes media:
      - *Eliminates* uncertainty about incumbent
      - Challenger cannot reveal type through media
- Alternatives: Loss aversion, ambiguity aversion, others?

Calibrating Leader Quality

Jones and Olken, “Do Leaders Matter?”

- Random variation in not electing incumbents:
  - Evaluate the effects of random leader deaths
- Compute the distribution of growth rates in the 5-years before and after a leader death
- Compare this with the 5-years before and after a leader doesn’t die
- Finding: A one-standard-deviation increase in leader quality raises GDP by 1%-point.



State-Owned Media

- "BBC Model"
  - Politicians determine resources devoted to targeting viewers in different groups
    - » Resource allocation inherently non-delegable
  - No control over content
    - » Content is delegable
  - TV news is informative
    - » Counterfactual?

Result #2: State-Media Allocation

- Political segments: Groups prefer different public goods
- Public good production function
  - Diminishing returns in production of each type of public good
  - ⇒Politicians prefer to equalize public good provision
- Implies media strategy
  - No point in producing public goods for an uninformed group
    - » Effort proportional to informed population
    - » Thus politicians prefer to equalize knowledge of different groups
      - If media is free, they will perfectly equalize
      - If not, media strategy achieves partial equalization of information
        - Requires diminishing returns in the media production function

Entertainment and Media Market

- 4 goods in the entertainment/media market
- Demand side:
  - State-provided news ($h_i \sigma_i$) [News-lovers]
  - Private-sector-provision ($1-h_i$) [Entertainment-lovers]
    - » Entertainment TV $(1-h_i)\varepsilon_i$
    - » Non-TV entertainment $(1-h_i)\varepsilon^-$ [unecessary?]
    - » News $h_i \gamma_i + (1-h_i)(1-\varepsilon' - \varepsilon_i)\gamma_i$
  - "Behavioral model"
    - » TV behavior not motivated by political strategy
    - » *Ad hoc* cross-elasticities of demand
- Supply side
  - Maximizes objectives of politicians and moguls, respectively
  - Strict distinction between news and entertainment
  - No prices
- Yielding information level: $s_i = [h_i + (1-h_i)\ (1- \varepsilon^- - \varepsilon_i)]\ (\sigma_i + \gamma_i)$

Result #3: Unequal Provision

- Media market equilibrium:
  - Shock both commercial news *and* entertainment
    - » *Crowd in* some new informed voters who watch network news
    - » *Crowd out* some voters who switch from state news to network entertainment
    - » Cross-sectional implications depend on strength of each force
      - Entertainment preferences [increases inequality of news]
      - Niche market effect [offsets inequality of news]
    - » Even these results depend on specific cross-elasticities
    - » Suggestion: A more standard IO treatment of the media market
- Political equilibrium:
  - Oppression of the informed by the uninformed

Effects of Commercial TV

- An increase in access to news and dis-interest in news
- Open questions:
  - Welfare analysis
    - State media monopoly provided optimal information
    - Commercial TV breaks this
  - Can we undo this with prices?
    - State "pays" viewers to watch news instead of entertainment
  - Effect of Multiple instruments: Info-tainment
    - Example: Does the "*Naked News*" fit their story?
      - Is Fox more like the Naked News than like Stromberg-Prat?
  - Alternative cross-elasticities in media market
    - Consumption of news may be a complement to entertainment
  - Industrial organization in the media market?
    - What if news and entertainment providers were a monopoly firm rather than competitors?

Conclusions

- *How does the presence of government-controlled media affect political outcomes?*
  - Provides a way for incumbents to become less risky
  - Incentives for disclosure
- *What happens when the state monopoly is broken by the introduction of commercial TV?*
  - Commercial TV distracts some, and engages others
  - Net effect on level and dispersion of information depends on cross-elasticities
  - Political equilibrium shifts
- Suggestions
  - Risk aversion may not be particularly relevant
  - More standard treatment of preferences may clarify insights
  - Closer alignment of empirical evidence with model's insights
  - Further develop insights into political implications of industrial organization of the media market