Media Bias Against Foreign Owners: Downsizing

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Nice paper documenting the fact that:
- Foreign firms receive more negative attention in media compared to domestic ones (when laying off workers).

It attempts to rule out quite a lot of alternative explanations:
- E.g. given cases are spread over 9 years, accounting for time trends is very nice: allows to rule out foreign firms downsizing when media pays more attention (e.g. during recessions).

The effect seems to be economically big:
- Average domestic firm gets 1.7 words per job shed
- And a foreign firm – 1.6 more.
Disentangling effects

- Current measure of $w_i$ implicitly contains $a_i$ in it: more articles $\rightarrow$ more words.

- Very rough calculations (all per 1000 jobs shed):
  - 5.249 more articles on a foreign firm
  - Each article has on average 389 words
  - Should mechanically get $5.249 \times 389 = 2023$ more words
  - Actual estimate is 1644, so it seems that fewer words in every article are written on a job shed.
  - To be fair: Table 6 does suggest more words per article, but it is a raw univariate comparison, not in a regression framework.

- Current measure of $a_i$ implicitly contains length of coverage (1 to 9 months).

- Suggestion: Make a regression table with words per article, articles per month, months of coverage (all per job shed).
Currently comparisons across foreign and domestic firms on the important dimensions are *univariate*:

- size of the firm (Table 3)
- total jobs shed (Table 4)
- percentage of labor force laid off
- total words per article (Tables 6, 8)
- total words per paragraph

**Suggestion**: Make all comparisons in regression framework (to partial out controls and fixed effects).

- allows to make a fair claim that "foreign and domestic firms are comparable"
- saves space
Propensity Score Matching

- PSM uses logit as first stage with 0 or 1 continuous variable and 16 regions or 40 industries or 56 reg*ind dummy variables, potentially suffering from incidental parameters problem.

- Is the balancing property satisfied?

- **Suggestion:** Aggregate firms into fewer regions and industries, to have enough in each ’cell’ and then match on several continuous variables (size, magnitude of layoff, wages, time, etc) within.
Sample selection

- A downsizing event is in the sample only if:
  - It was covered in media in general (=got to LexisNexis)
  - AND it got covered by *Die Welt*

- Interpretation of results: *conditional on reporting*, the newspaper reports with a bias.

- Which firms get media attention in general?
- Which firms does *Die Welt* choose to cover?
Which firms get media attention in general?

- Every firm lays off people to some extent once in a while, but probably they start getting media attention only after a certain threshold.

- If this layoff threshold is smaller for foreign firms than for domestic firms, this may help dig where the bias comes from.

- **Suggestion:** Compare number of people laid off across domestic and foreign (not just means, but the whole distribution, especially minimal values). Interact Absolute magnitude with Foreign. Try words per percentage of labor force laid off.
A downsizing event is in the sample only if there was at least one article published on it in *Die Welt*:
- 498 firms mentioned downsizing in LexisNexis, but only 424 were eventually covered by *Die Welt*.

Interpretation of results: *conditional on choosing to report*, the newspaper reports with a bias.

But (non-random) *non-reporting* is also a form of bias.

**Suggestion**: Investigate the ownership structure of the other 74 companies, recording zeros for dependent variables. Does the bias become smaller?
Which firms does *Die Welt* choose to cover?

- Accounting for non-reporting, the bias can become smaller if the newspaper non-reports more on foreign firms (for the same size of layoff).

- If there is a higher fixed cost of getting information on a foreign company and journalists are paid by words / by articles, then it is optimal to report only if more words can be written...

- ...And, given the results of the paper, it should be optimal for a foreign firm to hide info about downsizing, thereby increasing that fixed cost.
Overall, a nice paper documenting the fact that:
- Foreign firms are being treated differently in media than domestic ones

It is an important fact:
- Ex post reputational consequences
- Ex ante FDI consequences

The paper does a good job in ruling out many alternative explanations.