When Can a News Organization Lead Public Opinion? Ideology versus Market Forces in Decisions to Make News

GL Bovitz, JN Druckman and A Lupia.

Public Choice 113: 127-155. 2002.

What We Find

- **Public interest *or* reporter ideology?**
  - **We show when each force determines what is news.**
- **If a news organization wants to lead, people within it must clear many hurdles:**
  - **market forces (sales, ratings, advertisers)**
  - **credibility**
  - **conflicts within the organization**
- **We clarify who can clear these hurdles and who cannot.**
  - **Manipulation is not inevitable.**

Basic Premises

1 All news organizations share a common structure.

Reporter $\Rightarrow$ Editor $\Rightarrow$ Owner

2 Organizational structure affects reporter, editor, and owner incentives.

3 Audiences need not be passive recipients of news reports.

The Extensive Form

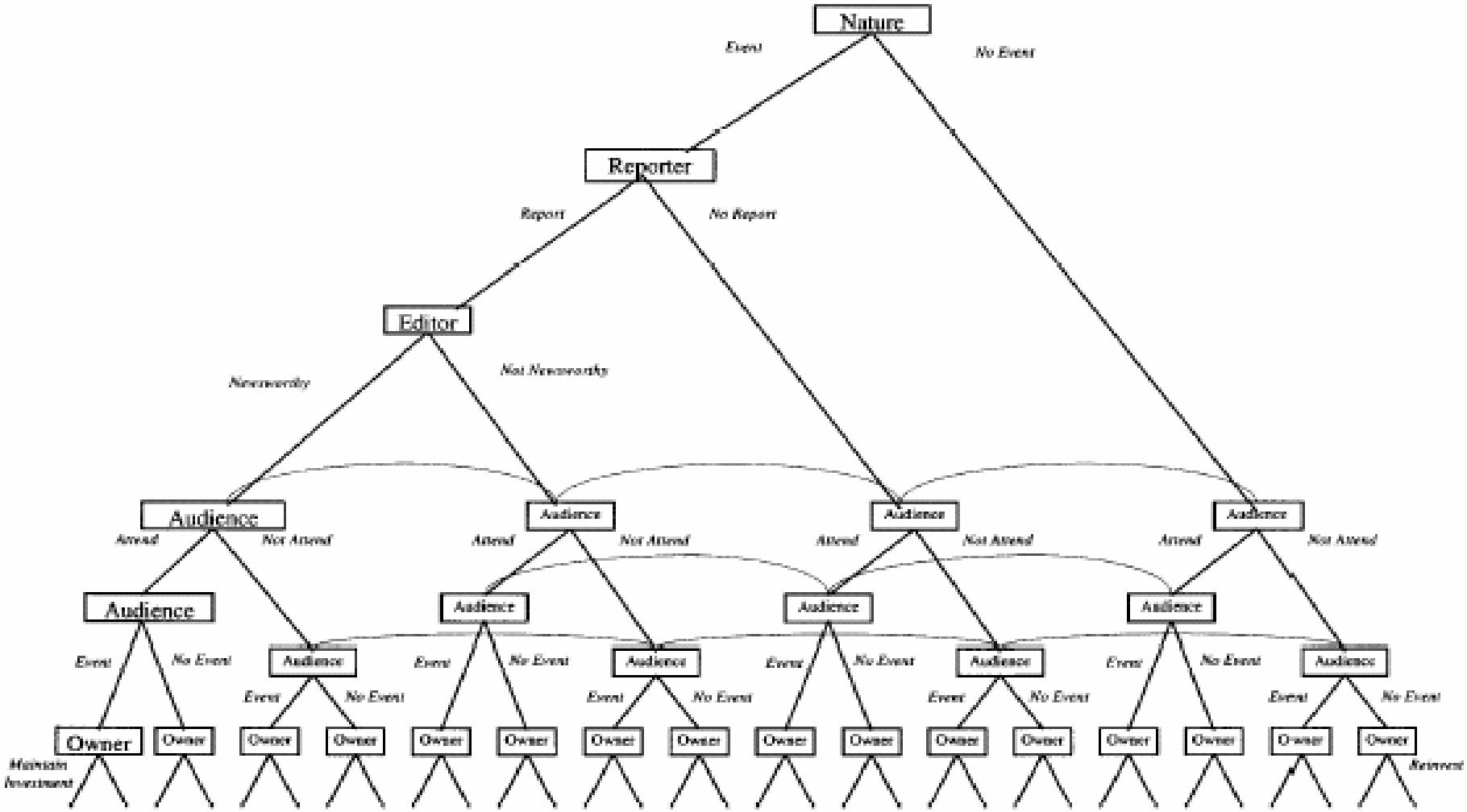


Figure 1. The model's extensive form.

Definition of an Event

- **An event is any person, place, or thing about which a news organization can file a report.**

- **Examples:**
  - **a change in the crime rate,**
  - **a particular explanation for the change in the crime rate,**
  - **an opinion about the change in the crime rate,**
  - **a prediction about the implications of the change in the crime rate,**
  - **an individual's or groups' reaction to, or prediction of, any or all of the events just listed.**

Audience Goals

- **The audience benefits from an accurate understanding of events.**

- $e \in [0, 1]$

  Their prior belief about probability that the event occurred.

- $k \in [-\infty, \infty]$

  Their cost of attending to news.

  - **The material and opportunity costs of attending to news drive k higher**

  - **The non-instrumental benefits of news drive k lower.**

Elite Goals

- **Each has career and ideological goals.**
  - $q_i \in [0, 1]$ **relative importance of career goals to player** *I*
  - $c_i = 0$ **denotes common interests with the audience and** $c_i = 1$ **denotes conflicting interests.**

- **Career**
  - **reporter: having a story published**
  - **editor: getting a promotion or a raise from owner**
  - **owner: having the audience attend to news, earning the market rate of return on her investment**

- **Ideology**
  - **having the audience make a choice that is consistent with his or her own interests.**

Utility functions

- Reporter: $U_r = q_r N - (1 - q_r)(|c_r - |P-E||)$
- Editor: $U_{ed} = q_{ed} J - (1 - q_{ed})(|c_{ed} - |P-E||)$
- Owner: $U_o = q_o A - (1-q_o)(|c_o - |P-E||)$
- Audience: $U_a = - kA - |P - E|$

Definitions

A news organization *influences* the audience if and only if its report causes the audience to change its choice.

A news organization *leads* the audience if and only if the last news producer who can prevent the production of an influential report is concerned primarily with ideological goals.

- **Influence $\neq$ Leading**

Leading Examples

- If a story is not influential $\Rightarrow$ no leading.
- If the reporter, editor, and owner care more about career goals than ideological goals $\Rightarrow$ no leading.
- If a story is influential, if the owner cannot affect the editor's decisions about news content, and the editor cares more about ideological goals than career goals $\Rightarrow$ leading.
- If a story is influential, the owner can affect the editor's decisions about news content, and the owner cares more about ideological goals than career goals $\Rightarrow$ leading.

The Influence Theorem

Influence ⇔ all of the following are true:

- **Audience:**
  - **Is so uncertain about the event that it pays for news.**
  - **The report contradicts its prior beliefs.**

- **Reporter:**
  - **Shares common interests with the audience or cares primarily about career goals.**

- **Editor & Owner:**
  - **An independent editor cares about ideological goals and shares common interests with the audience <u>OR</u> both either share common int's with the TA or care primarily about career.**

The Leading Theorem

Leading ⇔ all are true:

- **Audience:**
  - **Is so uncertain about the event that it pays for news.**
  - **The report contradicts its prior beliefs.**
- **Reporter:**
  - **Shares common interests with the audience or cares more about career.**
- **Editor & Owner:**
  - **An independent editor cares primarily about ideology and shares common interests with the target audience**
  - **<u>OR</u> the owner is primarily ideological, shares common int's with the TA, while the editor shares common int's with the TA or cares more about career goals.**

Logic-Owner

- **We prove the equilibrium by using backwards induction to derive each player's optimal strategy at every information set.**

- **Owner: The owner uses a trigger point strategy.**
  - **If $q_o A - (1-q_o)(|c_o - |P-E||) > t$, then J=1**
  - **If $q_o A - (1-q_o)(|c_o - |P-E||) \leq t$, then J=0.**

- **Her choice depends on her information set.**
  - **At $A=P=1$, $J=1$ iff $q_o - (1-q_o)(|c_o + E - 1|) > t$.**
  - **At $A=1$, $P=0$, $J=1$ iff $q_o - (1-q_o)(|c_o - E|) > t$.**
  - **At $A=0$, $P=1$, $J=1$ iff $- (1-q_o)(|c_o + E - 1|) > t$.**
  - **At $A=P=0$, $J=1$ iff $- (1-q_o)(|c_o - E|) > t$.**

Logic-Audience Vote

- **The audience is at one of three information sets: *A=1, N=1*; *A=1, N=0*; or *A=0*.**
- ***A=0* is reached only if the audience chose "ignore" in the game's previous stage.**
- **In this case, the audience's prediction can be based only on its prior beliefs.**
  - $U_a(P=1|A=0) = [0*e] + [-1*(1-e)] = e-1.$
  - $U_a(P=0|A=0) = [-1*e] - [0*(1-e)]$ **or** $-e$.
- **At *A=0*, choose *P=1* only if *e* >.5.**

Logic-Audience Vote

- ***A=1, N=1*** **is reached only if** ***E=1*****.**
- **Therefore, the audience can make a correct prediction**
  - $U_a(P=1|A=1, N=1)= -k$
  - $U_a(P=0|A=1, N=1)= -1-k$
- **At** ***A=1, N=1*****, choose** ***P=1*****.**

Logic-Audience Vote

- Given *A=1, N=0* can be reached in three ways.
  - The event did not occur, *E=0*. Prior: *1-e*.
  - The reporter chose not to report the event, *E=1, S=0*.
    - $\pi_r(S=1; E=1)=\Sigma\in\{0, 1\}$ the endogenous probability of *S=1*.
    - Prior: $e(1-\Sigma)$.
  - The editor did not publish the report, *E=1, S=1, N=0*.
    - $\pi_{ed}(N=1; S=1)=\Omega\in\{0, 1\}$ the endogenous probability of *N=1*.
    - Prior: $e\Sigma(1-\Omega)$.

- $\Pr(A=1, N=0|A=1) = 1-e+[e(1-\Sigma)]+ e\Sigma(1-\Omega)$ or $1- e\Sigma\Omega$.
  - $U_a(P=1|A=1, N=0)= - k + (e-1)/(1- e\Sigma\Omega)$
  - $U_a(P=0|A=1, N=0)= - k + (e\Sigma\Omega-e)/(1- e\Sigma\Omega)$.

- At *A=1, N=0*, choose *P=1* only if $e > 1/(2-\Sigma\Omega)$.

Logic-Audience Attention

- **There is only one information set.**
- **Expected utility depends on what they expect in the next stage of the game.**
  - **If *A=0*, they have only beliefs *e*.**
  - **If *A=1*, then their prediction depends on prior beliefs *e*, anticipated reporter strategy Σ, and anticipated editor strategy Ω.**
- ***A=1* is possible only if $\Sigma\Omega=1$. Otherwise, the audience derives no benefit from attending to the news.**
- **So, *A=1* iff $k < 0$ or ($\Sigma=\Omega=1$ and either $.5 \geq e > k$ or $1-k > e > .5$).**
  - **We must determine when $\Sigma=\Omega=1$.**

Final Step

- **In a sequential game of incomplete information, not only must all strategies constitute best responses for every proper subgame, beliefs and strategies must also be consistent.**

- **To complete the proof, we must demonstrate that for each *N* that is along the path of play, π_p *(P; N)* maximizes the audience's expected utility given $\mu(E=1|N)$, where μ is computed from π_{-p} by Bayes' rule.**

Leading is impossible when ...

- The cost of attending to a report is greater than the expected benefits:
  - Audience is certain about the event.
  - The event does not affect them.
  - Competition: high opportunity costs.
  - The news organization lacks credibility.
- There are sufficient market pressures on the N.O.
  - The owner conditions his or her actions on ratings/sales/ad revenues and can affect the actions of the editor or reporter.
- There is conflict between news organization members.
  - E.g., A liberal reporter and an owner who is driven by sales or conservative.

When Does Government Limit the Impact of Voter Initiatives?
The Politics of Implementation and Enforcement

ER Gerber, A Lupia and MD McCubbins. 2004.
The *Journal of Politics* 66: 43-68.

Gerber, Lupia & McCubbins

M: What happens to initiatives after they pass?

NH: The politics of implementation do not affect the policy consequence of a winning initiative.

P: Version 1: One implementation leader, one agent. Version Version 2: N actors involved.

- Voters or their representatives are allowed to sanction non-compliant actors – their information and resources is a variable.

C: Under normal conditions, the preferences of governmental actors displace initiative content, at least partially, as a determinant of an initiative's policy impact.

Assumptions

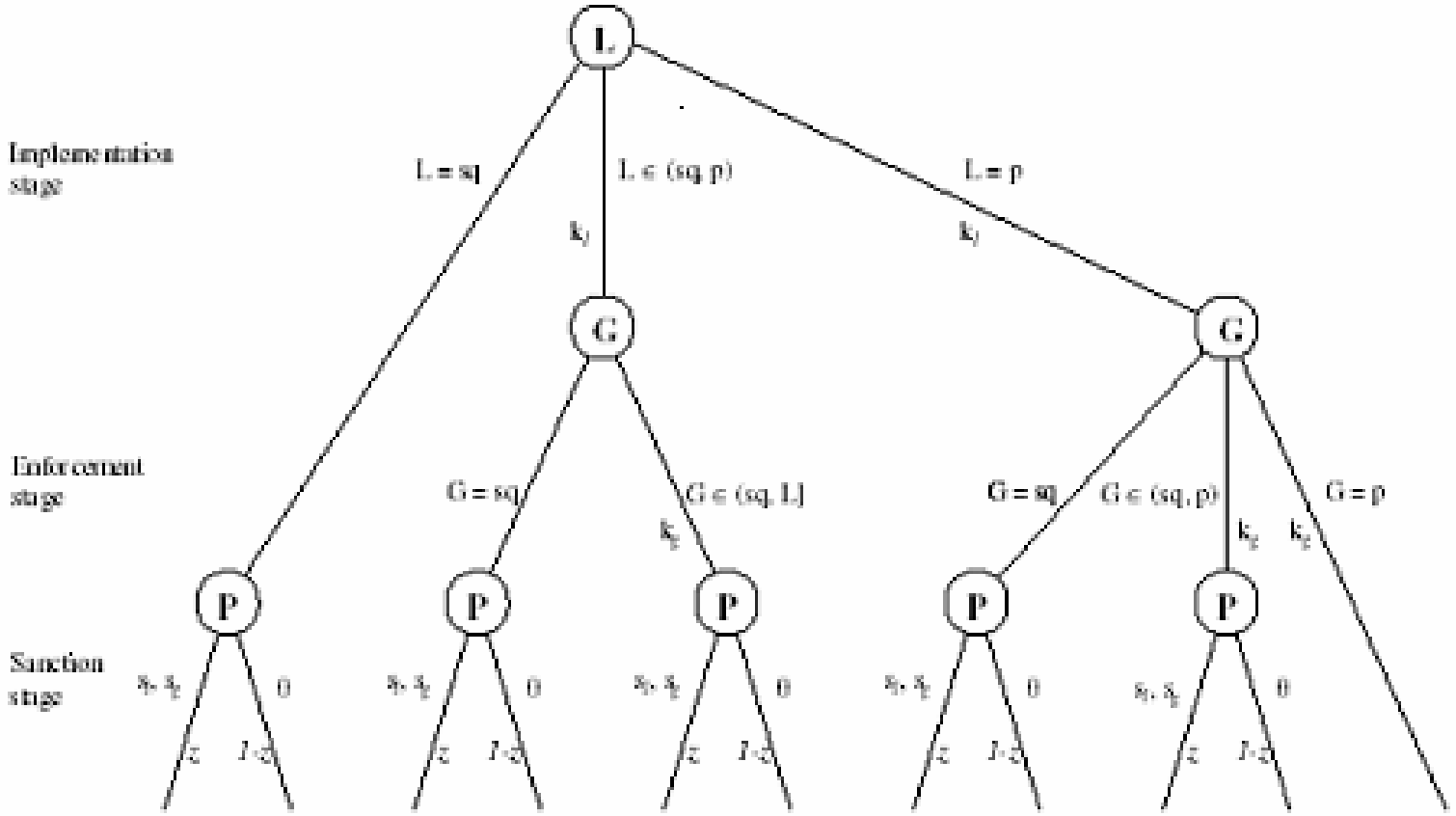
- The initiative replaces $sq \in \mathcal{R}$ with $p \in \mathcal{R}$.
- We describe the case where $p > sq$.
- $k_l \in \{0, k+\}$ is the legislature's compliance costs.
  - $k+$ > is greater than the highest benefit that the legislature can receive from full compliance.
  - We define k_g analogously. ·
- $Z \in \{0, 1\}$ denotes whether supporters observe G where $Z=1$ denotes the case where it does.
  - $Z=1$ with probability z. $Z=0$ with probability 1-z.
  - $S \in \{0, 1\}$ denotes whether or not state government is in full compliance with the initiative.
  - When S=Z=1, sanctions occur.

Preferences

We denote the legislature's ideal policy as $l \in [0, 1]$ and the bureaucracy's ideal policy as $g \in [0, 1]$. Each player wants the game's final policy outcome to be as close as possible to their ideal while minimizing their compliance costs and sanctions. The legislature's utility from outcome $G \in (sq, p]$ is $U_l = -|G - l| - Zs_lS - k_l$, and the bureaucracy's utility is $U_g = -|G - g| - Zs_gS - k_g$. From outcome $G = sq$, the legislature's utility is $-|sq - l| - Zs_lS$ and the bureaucracy's utility is $U_g = -|sq - g| - Zs_gS$. Since, the value of Z is not revealed until the game's final stage, players base their decisions on expected utility calculations, where $EU_l(L|P, G, l, sq, z, s_l, s_g, k_l, k_g)$ denotes the legislature's expected utility, where $EU_g(G|P, L, g, sq, z, s_g, k_g)$ denotes the bureaucracy's expected utility, and where z replaces Z in the players' expected utility calculations.

FIGURE 1

Extensive Form for Two-Actor Model



Main Result

- **There is full compliance if and only if implementation and enforcement costs are not prohibitive and one of the following is true:**
  - **The legislature and bureaucracy each either favor full compliance to any lower level of compliance or face large sanctions.**
  - **The legislature prefers full compliance to the bureaucracy's most preferred level and the bureaucracy faces large sanctions.**

- ***Corollary*. Without large expected sanctions and all else constant, the kinds of proposals for policy change that are most likely to emerge as initiatives, rather than as bills passed by traditional means, are least likely to be implemented and enforced.**

"Normal Conditions"

- We cannot assume that all actors most want full compliance. Therefore, we assume that each actor i favors full compliance (i.e., has ideal policy $a_i \geq p$) with probability <1.

- We cannot assume that all actors face large sanctions. Therefore, we assume that each actor i faces large sanction si (i.e., such that $p\text{-}a_i \leq zs_i$,) with probability <1.

- For each actor, the determination of these two probabilities is independent.

Result 3

- **Under normal conditions, the preferences of governmental actors displace initiative content, at least partially, as a determinant of an initiative's policy impact.**
  - **Under normal conditions, as the number of actors required to implement and enforce an initiative grows, the likelihood of full compliance goes to zero.**
  - **Under normal conditions, as precision decreases, the likelihood of full compliance goes to zero.**

GLM Intuition

- **Laws passed by voters, but against the wishes of legislative majorities or governors, face powerful post-passage opposition that laws passed by these government entities do not.**
- **Laws passed by transient organizations are disadvantaged when it comes to tracking initiative compliance.**
- **The kinds of policy changes that are most likely to prevail as initiatives (as opposed to prevailing in a standing legislature) are less likely to be implemented and enforced, all else constant.**

Burden of Proof

- **We use the subgame-perfect Nash equilibrium concept (see Binmore 1992 for an explanation).**

- **A subgame perfect equilibrium in our model is the strategy set $L^* \in [sq, p]$ and $G^* \in [sq, L]$ that constitutes best responses to the strategies of other players, taking into account the sequence of actions.**

Logic-Bureaucracy

- **Case: If $k_g=0$, $max(g, sq)<L$, $L=p$, and $zs_g \geq p - max(g, sq)$.**
- **Claim: $G=L$.**

- **Suppose $g>sq$ ($g \leq sq$ follows equivalent logic).**
  - **Then, $EU_g(G \in [sq, g]) = - g - G - zs_g$.**
    $\partial EU_g(G \in [sq, g]) / \partial G=1$
  - **$EU_g(G \in [g, L)) = - G - g - zs_g$**
    $\partial EU_g(G \in [g, L]) / \partial G=-1$.

- **Note: $EU_g(G=g) \in [sq, p) = - zs_g$.**
  - **Is max EU in the stated range.**
  - **However, $zs_g \geq p - g$ in this case**
  - **$EU_g(G=L) = - |p - g| \geq - zs_g = EU_g(G=g)$.**

- **Thus, the bureaucracy maximizes EU_g at $G=L$.**
  - **In words, expected sanctions outweigh the policy benefits of partial or zero compliance.**

Logic - Legislature

- **Case 1: $g \geq L$ induces $G=L$.**
- **Here, $EU_l(L \in [sq, p)) = - |L - l| - zs_l$ and $EU_l(L=p) = - |p - l|$.**

- **If $min(g, l) \geq p$, then $L=p$.**

- **In this case, $EU_l(L \in [sq, p)) = -l-L-zs_l$.**
  - $\partial EU_l(L \in [sq, p))/\partial L=1/$
  - **EU_l is maximized in this range as L approaches p.**
  - **At $L=p$, $EU_l(L) = - |p - l|$.**
- **Since $zs_l \geq 0$, $EU_l(L) \geq max(EU_l(L \in [sq, p)))$.**

- **The legislature selects p because it is as close to its ideal policy as the initiative allows.**