

When the local newspaper leaves town: The effects of local newspaper closures on corporate misconduct
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Introduction

research gap

- First, there is **no systematic evidence** investigating the efficacy of the **local press** as a monitor of firms' misconduct.
- Second, a few studies examine the efficacy of the press **in general** (as opposed to the local press) but find **mixed evidence**.
- Third, over the last two decades, the circulation of **local newspapers** in the United States has **decreased by nearly 50%** (Pew Research Center, 2019).

contribution

- First, we provide the first systematic evidence showing that the **local press** is an effective monitor of **corporate misconduct**. 强调自己的视角
- Second, while a few studies suggest that **the press** is useful for exposing **corporate fraud** (e.g., Miller, 2006), empirical evidence on the monitoring role of the press is limited and mixed.--强调自己上层概念研究也很少 主要是强调地方媒体
- Finally, our findings improve our understanding of the consequences of reduced local newspaper coverage an important topic in light of the **decline in local newspapers** in the United States (Pew Research Center, 2019).--由现实引出

- securities law violations
- environmental violations
- consumer-protection violations
- workplace safety violations

逻辑 小概念—大概念——现实

literature hypotheses

MIX

Miller (2006), for example, finds that the press helps expose accounting fraud by rebroadcasting information from other information intermediaries (analyzts, auditors, and lawsuits) and by undertaking original investigations.

Building on that study, a set of papers examine whether the press can identify and report on governance problems and whether firms, in turn, alter their behavior in response

Extant research examines this question using specific settings such as insider trading (e.g., Dai et al. 2015), corporate governance violations in Russia (e.g., Dyck et al. 2008), environmental violations (Dyck and Zingales, 2002), and excessive executive compensation (e.g., Core et al., 2008 and Kuhnen and Niessen, 2012)

- 内部交易
- 公司治理
- 环境违规
- 超额薪酬

Dyck et al. (2008) examine governance changes in Russian firms as a response to press coverage

同一时期

Core et al. (2008), who study whether the press monitors executive compensation, find that firms do not alter compensation in response to press coverage, which suggests that the media is not playing an effective monitoring role.

Hypotheses

effective

- the local press could investigate firms to detect fraud.
- their proximity to local sources such as employees and local suppliers
- widely disseminating information about misbehavior

ineffective

- local press is susceptible to conflicts of interest from advertising 盈利
- cater to their consumers as a factor undermining local newspapers' monitoring ability. 迎合消费者, 当地职工
- local newspapers are typically limited in their reach, potentially reducing their reporting impact and rendering its monitoring ineffective 能力有限

研究设计

Facilities include regional offices, manufacturing plants, stores (e.g., convenience, department, and retail), distribution centers, refineries, mines, and shipyards, among others.

地点限定

Violations in our sample relate to workplace safety and health, environmental violations, labor violations, government fraud, worker discrimination, and securities fraud, among many others

违规内容

样本

2000-2017

	Number of Violations (1)	Number of Firms (2)	Number of Facilities (3)
All violations	310,000		
Less: Not tracked by Violation Tracker*	(243,000)		
Violation Tracker sample	67,000	2875	
Less: Private companies	(23,027)	(1,302)	
Less: Financial industry	(5231)	(130)	
Less: Treated firms, unrecruited periods	(2194)	(0)	
Less: Missing control variables and incomplete data	(564)	(0)	
Final sample	26,456	1,383	10,647

不同层面

	Mean	Std.	Min.	5th	10th	25th	Median	75th	90th	95th	Max.
Number of Violations	1.889	0	0	0	0	0	0	0	0	0	1
Penalties (in \$)	11,043,240	0	0	0	0	0	0	0	10,000	200,000,000	

	Mean	Std.	Min.	5th	10th	25th	Median	75th	90th	95th	Max.
Number of Violations	18,414	0	0	0	0	0	0	1	2	3	741
Penalties (in \$)	191,248	34,181,340	0	0	0	0	0	10,001	91,812	498,277	201,400,000

	Mean	Std.	Min.	5th	10th	25th	Median	75th	90th	95th	Max.
Number of Violations	2,262	0	0	0	0	0	0	0	0	0	275
Penalties (in \$)	104,257	26,081,260	0	0	0	0	0	31,094	125,134	200,000,000	

处罚金额

Panel C: Sample composition by year

Year	Number of Violations	% of Total	Penalties (\$)	% of Total	Median Penalty (\$)
2000	706	2.7%	1,078	2.0%	10,000
2001	796	3.0%	1,171	2.2%	10,000
2002	768	2.9%	1,121	2.1%	10,000
2003	702	2.7%	1,045	2.0%	10,000
2004	802	3.0%	1,196	2.2%	10,000
2005	812	3.0%	1,199	2.2%	10,000
2006	812	3.0%	1,199	2.2%	10,000
2007	1028	3.9%	1,511	2.8%	10,000
2008	1011	3.8%	1,486	2.8%	10,000
2009	1194	4.5%	1,765	3.3%	10,000
2010	1481	5.6%	2,192	4.1%	10,000
2011	1287	4.9%	1,912	3.6%	10,000
2012	1373	5.2%	2,076	3.9%	10,000
2013	1514	5.7%	2,240	4.2%	10,000
2014	1406	5.3%	2,076	3.9%	10,000
2015	1481	5.6%	2,192	4.1%	10,000
2016	1492	5.6%	2,212	4.1%	10,000
2017	1548	5.8%	2,293	4.3%	10,000
Total	18,414	68%	26,456	100%	10,000

类型分类

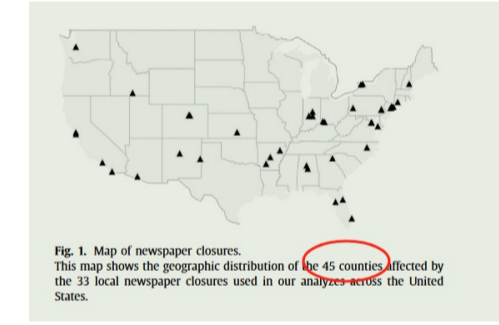
Panel D: Sample composition by offense type

Offense Type	Number of Violations	% of Total	Penalties (\$)	% of Total
Workplace safety or health violation	15,096	56.7%	2,383.5	9.0%
Environmental violation	2,024	7.3%	6,412.9	24.2%
Financial safety violation	2,144	7.9%	2.1	0.0%
Labor relations violation	1,407	5.3%	291.8	1.1%
Insurance safety violation	1,064	3.9%	1,110.0	4.2%
Employment discrimination	537	2.0%	652.2	2.5%
Wage and hour violation	483	1.8%	207.0	0.8%
Motor vehicle safety violation	327	1.2%	0.5	0.0%
Fair Labor Act	135	0.5%	739.4	2.8%
Benefit plan administrator violation	87	0.3%	784.1	2.9%

样本展示

2000-2017

We define years when a U.S. daily local newspaper closed as treatment years. We do not consider mergers, changes in frequency from daily to weekly, or changes to online only as treatment events because these events do not necessarily reduce local-news availability.



Local newspaper closures

As we only include treated and control facilities if they are present in both the pre- and post-treatment periods, newspaper closures before 2003 and after 2015 are excluded from our analyzes.

Year	Number of Newspaper Closures	% of Total
2000	0	0.0%
2001	0	0.0%
2002	0	0.0%
2003	1	3.0%
2004	0	0.0%
2005	2	6.1%
2006	0	0.0%
2007	3	9.1%
2008	5	15.2%
2009	6	18.2%
2010	0	0.0%
2011	1	3.0%
2012	1	3.0%
2013	2	6.1%
2014	7	21.2%
2015	5	15.2%
2016	0	0.0%
2017	0	0.0%
Total	33	100%

回归模型

$$Y_{ijt} = \alpha_0 + \alpha_1 Treatment_{it} + Controls + \alpha_j + \alpha_{st} + \epsilon_{ijt}, \quad (1)$$

where the dependent variable Y_{ijt} is either the total dollar amount in penalties or the total number of violations that firm i incurred related to violations in its facility j , located in county l , during year t . The main explanatory variable $Treatment_{it}$ takes the value of 1 for the three years following a newspaper closure in county l , and a value of 0 in the three years prior to a newspaper closure.²⁰

关闭前三年取0，关闭后三年取1

where the dependent variable Y_{ijt} is either the total dollar amount in penalties or the total number of violations that firm i incurred related to violations in its facility j , located in county l , during year t . The main explanatory variable

Facility	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Facility located in Denver County	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Facility of the news firm and located in Denver County	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Facility of other firms and located in Denver's North County	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

A. Number of news... The annual frequency of our data is...
 B. Number of news... The annual frequency of our data is...
 C. Number of news... The annual frequency of our data is...
 D. Number of news... The annual frequency of our data is...
 E. Number of news... The annual frequency of our data is...
 F. Number of news... The annual frequency of our data is...
 G. Number of news... The annual frequency of our data is...
 H. Number of news... The annual frequency of our data is...
 I. Number of news... The annual frequency of our data is...
 J. Number of news... The annual frequency of our data is...
 K. Number of news... The annual frequency of our data is...
 L. Number of news... The annual frequency of our data is...
 M. Number of news... The annual frequency of our data is...
 N. Number of news... The annual frequency of our data is...
 O. Number of news... The annual frequency of our data is...
 P. Number of news... The annual frequency of our data is...
 Q. Number of news... The annual frequency of our data is...
 R. Number of news... The annual frequency of our data is...
 S. Number of news... The annual frequency of our data is...
 T. Number of news... The annual frequency of our data is...
 U. Number of news... The annual frequency of our data is...
 V. Number of news... The annual frequency of our data is...
 W. Number of news... The annual frequency of our data is...
 X. Number of news... The annual frequency of our data is...
 Y. Number of news... The annual frequency of our data is...
 Z. Number of news... The annual frequency of our data is...

变量

实证

描述性统计

Facility Year Sample (N = 364,282)					
Variable	Mean	Std.	Min.	Median	Max.
Treatment	0.026	0.158	0	0	1
Employees_Facility	554	2498	1	150	100,595
Sales_Facility (in thousands)	3189	14,923	0.11	60.8	274,465
Size (in millions)	26,738	57,842	128	7041	492,672
Leverage	0.348	0.449	0	0.263	3.269
ROA	0.045	0.067	-0.246	0.048	0.314
Labor_Force	411,066	701,227	2121	108,789	5,654,538
Unemployment_Rate (st)	6.22	2.50	1.10	5.60	28.90

主回归

Dependent Variable	Penalties		Number_Violations	
	(1)	(2)	(3)	(4)
Treatment	0.0007	0.0007	0.0007	0.0007
Employees_Facility	0.0000	0.0000	0.0000	0.0000
Sales_Facility	0.0000	0.0000	0.0000	0.0000
Size	0.0000	0.0000	0.0000	0.0000
Leverage	0.0000	0.0000	0.0000	0.0000
ROA	0.0000	0.0000	0.0000	0.0000
Labor_Force	0.0000	0.0000	0.0000	0.0000
Unemployment_Rate	0.0000	0.0000	0.0000	0.0000
Control	Yes	Yes	Yes	Yes
Year F & State FE	Yes	Yes	Yes	Yes
Adj. R-squared	0.011	0.015	0.016	0.017
Observations	364,128	364,128	364,128	364,128

稳健性检验

both the closure of local newspapers and the increases in facility level violations are driven by changes in the underlying local economic conditions or local fraud environment

Cross-sectional tests

As the facilities of more visible and less visible firms typically operate in the same county, these tests exploit the differential treatment effect of newspaper closures on facilities located within the same county. 知名或者不知名公司看看是否有差异

f declining economic conditions or changes in the local fraud environment drove both newspaper closures and changes in misconduct, we should not observe differential increases in misconduct across facilities of more or less visible firms.-- 经济环境造成的关闭不应当看到2类公司显著变化

newspapers' reporting incentives and (ii) the availability of other local newspaper

Reporting incentives of newspapers.

We set High_Local_Media_Coverage to 1 if the facility belongs to a firm above the median level of local newspaper coverage (measured by the number of articles written by local newspapers), and 0 otherwise. 报道强度

we set Large_Firm to 1 if the facility belongs to a firm above the median firm asset size, and 0 otherwise. 公司资产

Google_Searches as an additional control variable 社交媒体

Panel A: Local media coverage				
Dependent Variable		Penalties	Number_Violations	
Variables	(1)	(2)	(3)	(4)
Treatment & High_Local_Media_Coverage	0.0007	0.0007	0.0007	0.0007
High_Local_Media_Coverage	0.0007	0.0007	0.0007	0.0007
Control	Yes	Yes	Yes	Yes
Year F & State FE	Yes	Yes	Yes	Yes
Adj. R-squared	0.011	0.015	0.016	0.017
Observations	364,128	364,128	364,128	364,128

报纸报道强度大的公司关闭会引起公司违规

Availability of local information

We interact Treatment with Low_Number_Newspapers, which equals 1 if the number of local newspapers is one, and 0 otherwise.

Panel B: Local media coverage				
Dependent Variable		Penalties	Number_Violations	
Variables	(1)	(2)	(3)	(4)
Treatment & High_Local_Media_Coverage	0.0007	0.0007	0.0007	0.0007
High_Local_Media_Coverage	0.0007	0.0007	0.0007	0.0007
Low_Number_Newspapers	0.0007	0.0007	0.0007	0.0007
Control	Yes	Yes	Yes	Yes
Year F & State FE	Yes	Yes	Yes	Yes
Adj. R-squared	0.011	0.015	0.016	0.017
Observations	364,128	364,128	364,128	364,128

本地报纸数量本身少的话关闭的话公司违规就更强

IV

Craigslist is an online database of classified advertisements, and prior research has shown that advertising revenues for local newspapers were negatively affected by its expansion 扩张导致报纸广告收益减少 满足相关性 但又与公司违规无太大关联

Dependent Variable	Newspaper Closure (1st Stage)	Penalties, Diff (2nd Stage)	Number_Violations, Diff (2nd Stage)
Variables	(1)	(2)	(3)
Predicted_Closure	0.0007	0.0007	0.0007
Craigslist_Entry	0.0007	0.0007	0.0007
Control	Yes	Yes	Yes
Year F & State FE	Yes	Yes	Yes
Adj. R-squared	0.015	0.016	0.017
Observations	67,827	67,827	67,827

Falsification test

we use a uniform distribution to generate 10 00 random placebo

Dependent variable	Actual data	Random data	H ₀ : β ₁ > β ₁ [p-value]
(1) Penalties	0.1519 (0.0657)	-0.1083 (0.0850)	[<-0.001]
(2) Violations	0.0106 (0.0048)	-0.0098 (0.0072)	[<-0.001]

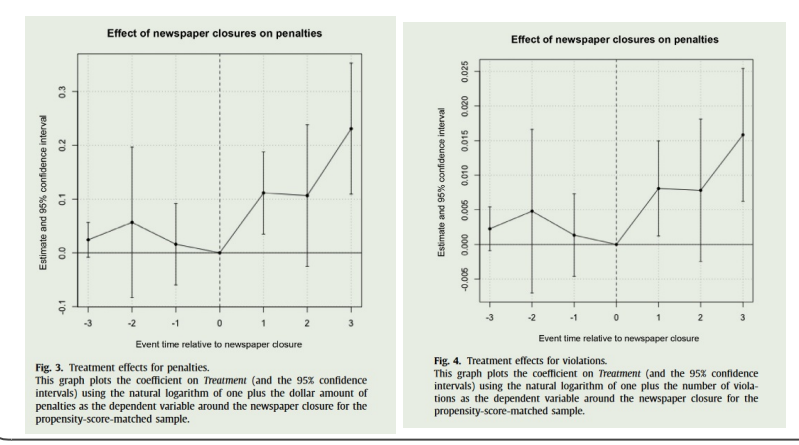
without a local newspaper closure from the same state and two-digit-SIC-code industry and of similar characteristics along our facility and firm control variables.

score radius (or "caliper") of 0.05 without replacement

Panel C: Five stage regression and nearest neighbor				
Variables	Newspaper Closure (1)	Mean Treated Firm (2)	Mean Matched Firm (3)	Mean Difference (2) - (3) (4)
Employees_Facility	0.0084	1.8775	1.5826	-0.2949
Sales_Facility	0.0027	0.0314	0.0604	-0.0290
Size	0.0000	0.1986	0.1984	-0.0002
ROA	0.0013	0.0444	0.0440	-0.0004
Leverage	0.0000	0.2725	0.2865	-0.0140
Control	Yes	Yes	Yes	Yes
Year F & State FE	Yes	Yes	Yes	Yes
Adj. R-squared	0.017	0.017	0.017	0.017
Observations	1498	2002	2002	

Dependent Variables	Penalties	Number_Violations
Variables	(1)	(2)
Mean Treated Firm	0.7050	0.0513
Mean Matched Firm	0.6055	0.0450
Mean Difference	0.0995***	0.0063**
Observations	2002	2002

y的均值差异



Different fixed effects structures

Additional tests

Large sample of facilities with and without violations

Panel D: Dynamic effects				
Dependent Variable		Penalties	Number_Violations	
Variables	(1)	(2)	(3)	(4)
Treatment	0.0017	0.0017	0.0017	0.0017
Treatment_1	0.0017	0.0017	0.0017	0.0017
Treatment_2	0.0017	0.0017	0.0017	0.0017
Treatment_3	0.0017	0.0017	0.0017	0.0017
Treatment_4	0.0017	0.0017	0.0017	0.0017
Treatment_5	0.0017	0.0017	0.0017	0.0017
Control	Yes	Yes	Yes	Yes
Year F & State FE	Yes	Yes	Yes	Yes
Adj. R-squared	0.018	0.018	0.018	0.018
Observations	364,128	364,128	364,128	364,128

以报社关闭前一年作为基准期 报社关闭对当期 还具有一定持续性

- Alternative dependent variables
- Alternative treatments
- Alternative clustering
- Alternative dependent variable
- Toxic releases

稳健性检验

both the closure of local newspapers and the increases in facilitylevel violations are driven by changes in the underlying local economic conditions or local fraud environment

Cross-sectional tests

As the facilities of **more visible and less visible firms** typically operate **in the same county**, these tests exploit the **differential treatment** effect of newspaper closures on facilities located within the same county. 知名或者不知名公司看看是否有差异

f declining economic conditions or changes in the local fraud environment drove both newspaper closures and changes in misconduct, we **should not observe differential increases** in misconduct across facilities of more or less visible firms.-- 经济环境造成的关闭不当看到2类公司显著变化

为什么要做

newspapers' reporting **incentives** and (ii) the **availability** of other local newspaper

Reporting **incentives** of newspapers.

We set **High_Local_Media_Coverage** to 1 if the facility belongs to a firm above the median level of local newspaper coverage (measured by the number of articles written by local newspapers), and 0 otherwise. 报道强度

we set **Large Firm** to 1 if the facility belongs to a firm above the median firm asset size, and 0 otherwise. 公司资产

Google Searches as an additional control variable 社交媒体

Panel A: Local media coverage			
Dependent Variables		Penalties	Number_Violations
Variables		(1)	(2)
Treatment x High_Local_Media_Coverage	α_1	0.1658* (0.0855)	0.0125** (0.0068)
Treatment	α_2	-0.0979 (0.0979)	-0.0009** (0.0009)
High_Local_Media_Coverage		-0.1093*** (0.0177)	-0.0008*** (0.0005)
F-Test: $\alpha_1 + \alpha_2 = 0$		0.1813*** (0.048)	0.0139** (0.012)
Google_Searches		-0.0063 (0.0053)	-0.0005 (0.0004)
Controls	Yes	Yes	Yes
Facility FE	Yes	Yes	Yes
Year x State FE	Yes	Yes	Yes
Adj. R-square		0.076	0.107
Observations		164,128	164,128

Panel B: Firm size			
Dependent Variables		Penalties	Number_Violations
Variables		(1)	(2)
Treatment x Large_Firm	α_1	0.2442** (0.1043)	0.0169* (0.0091)
Treatment	α_2	0.0156 (0.1018)	0.0008 (0.0077)
Large_Firm		-0.0065 (0.0488)	-0.0063 (0.0037)
F-Test: $\alpha_1 + \alpha_2 = 0$		0.2738*** (0.006)	0.0168** (0.012)
Google_Searches		0.0022 (0.0090)	-0.0000 (0.0008)
Controls	Yes	Yes	Yes
Facility FE	Yes	Yes	Yes
Year x State FE	Yes	Yes	Yes
Adj. R-square		0.075	0.107
Observations		164,128	164,128

报纸报道强度大的公司关闭会引起公司违规

Availability of local information

We interact Treatment with **Low_Number_Newspapers**, which equals 1 if the number of local newspapers is one, and 0 otherwise.

Panel C: Number of local newspapers			
Dependent Variables		Penalties	Number_Violations
Variables		(1)	(2)
Treatment x Low_Number_Newspapers	α_1	0.3593** (0.1565)	0.0202** (0.0110)
Treatment	α_2	-0.0061 (0.0091)	-0.0067 (0.0046)
Low_Number_Newspapers		-0.1021*** (0.0226)	-0.0081*** (0.0016)
F-Test: $\alpha_1 + \alpha_2 = 0$		0.4538*** (0.002)	0.0222*** (0.004)
Controls	Yes	Yes	Yes
Facility FE	Yes	Yes	Yes
Year x State FE	Yes	Yes	Yes
Adj. R-square		0.075	0.107
Observations		164,128	164,128

本地报纸数量本身少的话关闭的话公司违规就更强

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Craigslist is an **online database of classified advertisements**, and prior research has shown that **advertising revenues for local newspapers were negatively** affected by its expansion 扩张导致报纸广告收益减少 满足相关性 但又与公司违规无太大关联

Dependent Variable	Newspaper Closure (1st Stage)	Penalties_Diff (2nd Stage)	Number_Violations_Diff (2nd Stage)
Variables	(1)	(2)	(3)
Predicted_Closure		27.6758** (11.7687)	2.0332** (0.8331)
Craigslist_Entry	0.0046* (0.0025)		
Controls	Yes	Yes	Yes
Facility FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Adj. R-square	0.125	0.068	0.068
Observations	67,027	67,027	67,027

we use a uniform distribution to generate 10 00 random placebo

Falsification test

Dependent variable	$\hat{\beta}_1$ Actual data	β_1 Random data	$H_0: \beta_1 > \hat{\beta}_1$ [p-value]
(1) Penalties	0.1519 (0.0657)	-0.1083 (0.0850)	[<.001]
(2) Violations	0.0106 (0.0048)	-0.0098 (0.0072)	[<.001]

Propensity score matching

Different fixed effects structures

Additional tests

Large sample of facilities with and without violations

Dynamic effects

以报社关闭前一年作为基准期 报社关闭对当期 还具有一定持续性

Alternative dependent variables

Alternative treatments

Alternative clustering

Alternative dependent variable

Toxic releases

Panel A: Dynamic effects		
Dependent Variable	Penalties	Number Violations
Variables	(1)	(2)
Treatment _{t-2}	0.0217 (0.0145)	0.0041 (0.0073)
Treatment _{t-1}	0.0523 (0.1045)	0.0052 (0.0087)
Treatment _t	0.1118* (0.0559)	0.0086** (0.0033)
Treatment _{t+1}	0.1278* (0.0729)	0.0109* (0.0053)
Treatment _{t+2}	0.2133* (0.1017)	0.0174** (0.0074)
Controls	Yes	Yes
Facility FE	Yes	Yes
Year FE x State FE	Yes	Yes
Adj. R-square	0.076	0.107
Observations	164,128	164,128

结论

This paper examines the effect of local newspaper closures on facility-level misconduct.

local newspaper closures increase penalties by 15.2% and violations by 1.1% at the facility level.

These results, robust to identification concerns, provide evidence that local newspapers are an important monitor of firms' misconduct.