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GOVERNMENT ADVERTISING AND MEDIA COVERAGE OF CORRUPTION SCANDALS

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ABSTRACT

We construct measures of the extent to which the 4 main newspapers in Argentina report government corruption in their front page during the period 1998-2007 and correlate them with the extent to which each newspaper is a recipient of government advertising. The correlation is negative. The size is considerable: a one standard deviation increase in monthly government advertising (0.26 million pesos of 2000) is associated with a reduction in the coverage of the government's corruption scandals by almost half of a front page per month, or 37% of a standard deviation in our measure of coverage. The results control for newspaper, month and individual corruption scandal fixed effects.

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I. Introduction

The media plays an important role in modern democracies. For example, it provides a large proportion of the information with which policymakers and voters make decisions, as well as analysis and editorial content that may influence the conclusions reached by potential voters (see, for example, Lippmann, 1922).[1] Understandably, the possibility that there is bias in the media has worried economists, as well as many social and political commentators on both sides of the political spectrum (see, for example, Goldberg, 2001, Alterman, 2003). A recent literature has developed different measures of media bias and analyzed how they might behave in equilibrium. Beyond the possibility of ideological influences on the media, some have worried that financial motivations of media companies might lead them to bias their content in exchange for advertisement or other type of transfers (see, for example, Hamilton, 2003). Given that in many settings the government is the largest advertiser in the media, this is particularly troublesome as there is evidence that the introduction of investigative reporters and mass media, at least in some cases, was associated with increased government accountability and lower corruption.[2]

In this paper we focus on a particular aspect of the media, namely the relationship between front page coverage and monetary transfers. Specifically, we study daily newspaper coverage of corruption scandals involving the government across the 4 main newspapers in Argentina during the period 1998-2007. We also obtain the amount spent by the government on advertisement in each newspaper, each month. We find that there is a negative correlation between the amount of front page space devoted to coverage of corruption scandals and the amount of advertisement money paid to the newspaper each month. Our results are robust to the inclusion of newspaper and month fixed effects. It is also robust to the inclusion of government-newspaper interactions (or a control for the government-newspaper ideological proximity), suggesting that within a particular newspaper, and during a particular government, adverse coverage is negatively correlated with government advertising. A similar correlation is detected when using alternative measures of coverage that allow us to control for news event dummies (i.e., scandal fixed effects). Furthermore, the number of times a newspaper is first to report on a corruption scandal (*Scoop*) falls and the number of scandals the newspaper has not yet reported but that others already have (*Hide*) increases as government advertisement in the newspaper

[1] Work on the effects of news contents includes Besley and Burgess (2002), Stromberg (2004), Gentzkow and Shapiro (2004), Gentzkow (2006), della Vigna and Kaplan (2007), Dyck, Volchkova and Zingales (2008), Gerber, Karlan and Bergan (2008), *inter alia.*

[2] For example, Gentzkow, Glaeser and Goldin (2006) show how the American newspaper industry became more informative thanks to an increase in scale at a time corruption declined and argue that the rise of the informative press was one of the reasons why the corruption of the Gilded Age was sharply reduced during the subsequent Progressive Era.

increases. The size seems large: a one standard deviation increase in government advertisement is associated with a reduction in coverage of corruption scandals by almost half of a cover per month, or 37% of a standard deviation in our measure of front page coverage.

Our definition of bias is related to the measures derived in the recent literature on the topic. Two of the most influential are Groseclose and Milyo (2005), who focus on the possibility that some media outlets quote as source the same think tanks as partisan politicians and find that the vast majority of outlets is biased to the left; and Gentzkow and Shapiro (2006) who focus on the possibility that some media outlets use the same expressions and language as partisan politicians and find that newspaper slant is influenced by its reader's ideological inclination.[3] Whereas these measures are (broadly) absolute, it is possible to calculate a rough measure of bias by examining the relative intensity with which they cover a specific issue. In our case, we calculate an average reporting of corruption (that may be calculated for a certain newspaper; or for a certain moment; or for a certain newspaper during a particular period of time), and observe if newspaper reporting is different than this average when government advertising is relatively high. Thus, if all papers are biased, we do not detect it with our tests.

Previous work has focused on the correlates of related measures of media bias. For example, Larcinese, Puglisi and Snyder (2007) study how newspapers who tend to endorse Democratic candidates systematically give more coverage to high unemployment when the incumbent president is a Republican than when the president is Democratic, compared to newspapers with a pro-Republican endorsement pattern. In other words, identification comes from comparing reporting on a common event across different newspapers, a similar empirical strategy to the one we follow. Another paper that is close to our study, particularly given its focus on the effect of advertising, is Reuter and Zitzewitz (2006). They study the extent to which the media biases its content to benefit private sector advertisers, a common claim in the popular press (see, for example, Baker, 1994 and Hamilton, 2004). Specifically, Reuter and Zitzewitz (2006) find that mutual fund recommendations are correlated with past advertising in three personal finance publications but not in two national newspapers, even after controlling for several fund characteristics, total advertising expenditures, and past mentions. They note that future returns are similar for mutual funds that are predicted to have been mentioned in the absence of bias, and conclude that in this case the cost of advertising bias to readers is small. Finally, Puglisi and Snyder (2008) use automatic keyword-based searches to study the relative frequency with which close to 200

[3] See Ansolabehere, Lessem and Snyder (2006) for work on bias using explicit endorsements of newspapers in the US and Baum and Gussin (2007) for work on the subjective component of bias. For theoretical work on media bias see Mullainathan and Shleifer (2005), Baron (2006) and Besley and Prat (2006).

newspapers cover a set of 35 scandals in the US. They find that newspapers endorsing Democratic (Republican) candidates tend to give relatively more coverage to scandals involving Republican (Democratic) politicians.[4]

Several authors have stressed the possibility of reduced government accountability when the governments influence the media. Djankov, *et al* (2003) document widespread government ownership of the media around the world, and a positive correlation between public ownership of the media and several measures of poor government performance (see also, Brunetti and Weder, 2003). An important paper for us is Besley and Prat (2006) as they present a model where the government can pay a media outlet to suppress a story. In equilibrium, capture is less prevalent when there are a large number of media firms and high transaction costs. Note that in their model they assume that only verifiable information gets to be printed and that once one firm prints it, there is no point in preventing others from following suit, so there are no equilibria in which the government bribes some outlets but not others. This is plausible and there is evidence that legal decisions in the US take precisely this view.[5] We note that with negative and non-verifiable pieces of news this is not always the case, both because rational consumers of the media become more certain about the truth of an event widely reported and because some "impressionable" consumers may think a piece of news is more likely to be true when it is repeated (i.e., even when it is clear that it is the same report; on message repetition see, for example, Petty and Cacciopo, 1981).

Several authors have studied the role of the media during periods of political change. For example, Gehlbach and Sonin (2008) discuss the media in postcommunist Russia and its response to the needs of the Kremlin and the growth in the size of the advertising market. Such country studies reveal that governments use a variety of ways to influence the media, from the passing of favorable laws to media firms (or affiliated companies), to threats of legal action against journalists, to business favors, amongst others. McMillan and Zoido (2004), for example, document the use of several of these instruments in the case of Peru when Vladimiro Montesinos was the head of intelligence agency. Note that politicians' with long standing business connections with the media have lower transaction costs in their interactions with the media. The case of Berlusconi in Italy is a case in point (see, for example, Durante and Knight, 2009). Finally, we do not review work in communications, although there have been several authors who have also emphasized the possibility of bias arising from a desire to keep access to sources of information even in developed countries (see, for an example, Bennet 1990).

[4] Gentzkow, Glaeser and Goldin (2006) study how the coverage of scandals changed over time in the US.
[5] See, for example, the evidence discussed in Gentzkow and Shapiro (2005) about the futility of government injunctions against publication of items already revealed by one newspaper during the deliberations prior to the Supreme Court's decision on *New York Times Co. v. United States* (403 U.S. 713 [1971]).

In Section II we provide some background information on government interference in the media in Argentina and anecdotal evidence on the role of government transfers in the form of advertising. We also discuss our data and how it was constructed, as well as our empirical strategy. Section III presents our main results while section IV offers a brief discussion. Section V concludes.

II. Background, Data and Empirical Strategy

II.a. Background and Institutional Setting

Governments in Latin America have used several different strategies to influence media content, and previous work has emphasized how these influences might generate biased coverage (see, for example, Alisky, 1981, Boas, 2005, Canizalez, 2009, *inter alia*). Previous work by NGO's on the subject in Latin America and, in particular, Argentina documents many direct violations of media freedom, including legal harassment and personal attacks against journalists (see, for example, Browne and Fitzpatrick, 2004 and ADC/Justice Initiative, 2008).[6] The ADC/Justice Initiative report also documents indirect forms of interference such as access to privileged information and, in particular, financial pressure through withdrawal of public advertisement by the government. The case of Argentina is no exception. The report summarizes the situation in Argentina in 2003-08, as follows:

> "The national government regularly abuses its advertising powers, including through excessive allocations to political favorites and denial of advertising in retaliation for critical coverage. Such abuses are even more marked at the local level, where media are, as a rule, more dependent on provincial and municipal advertising."

An earlier report focused exclusively on Argentina, investigated the conditions at the national level and in four Argentine provinces between April 2003 and August 2004 (ADC/Justice Initiative, 2005). It concludes:

> "We found an entrenched culture of pervasive abuse by provincial government officials who manipulate distribution of advertising for political and personal purposes … The effects of such abuses are especially insidious when public sector advertising is critical to the financial survival of media outlets, as is

[6] In a recent case an unprecedented number of tax inspectors (over 200) were sent to investigate tax and accounting violations at *Clarín* the day after *Clarín* reported on a corruption scandal at the tax authority. See *Clarín*, September 11, 2009, as well as all the 3 other newspapers in our sample.

> common in many Argentine provinces such as Tierra del Fuego, where on average, print and other media outlets receive approximately 75 percent of their advertising income from government agencies. Provincial governments, in particular, routinely use their control of advertising resources as financial sticks or carrots, whether it is to bankrupt an annoying publication or to inappropriately influence content."

The report documents several instances of full interruption of provincial government advertisement in critical newspapers (and, in one case, the simultaneous tripling of advertisement spending in a competitive newspaper). The federal government, unlike provincial governments, is legally required to use competitive bidding at some stage of the process, although this is rarely enforced.[7] Legal actions have been pursued and in September 2007, Argentina's Supreme Court ruled that the provincial government of the Neuquén province violated the free speech rights of the *Río Negro* newspaper by withdrawing advertising in retaliation for critical coverage, while the province of Tierra del Fuego issued a decree reducing the discretion in the allocation of advertising contracts.

While we focus on government advertising, financial pressure can be exerted through several different channels. A newspaper's financial position can be affected by government rules and regulations and their enforcement, for example concerning their distribution. The position of the owners can also be affected, either directly (particularly when they are indebted) or indirectly (particularly when they have other large business interests). Examples of this strategy are observed in Argentina during our sample period. For example, an article in the *The Economist* contrasts national and provincial media and reports:

> The national media are less dependent on public advertising, but have received other favours. The government has been particularly kind to the *Clarín* Group, Argentina's largest media conglomerate. After the devaluation of the peso in 2002, the group -like many other Argentine companies- defaulted on its dollar debts. When its creditors threatened to take it over, Congress passed a law capping any foreigners' stake in "cultural goods" at 30%. The government has also extended for ten years the group's cable-television licences. Perhaps not surprisingly, *Clarín*, Argentina's biggest-selling daily has tended to back the government. (*The Economist*, 2006)

Finally, it is unclear how independent from the public sector is private advertising in Argentina. A large part of what is typically included under private sector advertising is undertaken by firms with close ties to the government. In many cases this is direct,

[7] "The actual contracting of advertising for most agencies is done by the government's news agency, Télam, which uses no competitive process whatsoever". ADC/Justice Initiative (2005)

as is the case with state owned firms. Although in principle this could be measured, such an approach is complicated by the fact that the government has minority positions in several large companies (such as the company owning the main airport concession). In other cases, companies are privately owned (fully), yet their business is heavily affected by government decisions on tariffs (such as public utilities), or on regulations (such as banks, pension administrators and other financial institutions). In Argentina in 2005, the Secretary of Media (one Enrique Albistur) explained that a magazine that was particularly critical of the Kirchner government (*Noticias*) was to receive no government advertising as a result of a "political decision" (see ADC/Justice Initiative, 2008). After they sued the government for discrimination, the editor noted that private ads fell to half of their original volume, while the circulation of its publication grew steadily. Indeed, one of the characteristics of small developing countries is the relatively large influence of the government on business.[8]

II.b. Data

We develop several measures of the intensity of coverage of government corruption scandals by newspapers. The simplest measure is *Front Pages*, the total space in the front page of a newspaper devoted to reporting on corruption scandals involving the federal government.[9] Specifically, we focused on the four main newspapers in Argentina (*Clarín, La Nación, Página 12* and *Ámbito Financiero*), which represent 74% of the total circulation of national newspapers in Argentina and are the core of the non-yellow press sector. Two of them have low circulation and are clearly at opposite ends of the political spectrum: *Página 12* on the left, with relatively large coverage of themes related to human rights violations, particularly under the military dictatorship, and *Ámbito Financiero* on the right end of the spectrum, with ample coverage of financial news. The other two newspapers have much wider circulation (approximately 10 times more on average on a given day), and are at the political center, with *Clarín,* somewhat to the left of *La Nación.*

A research assistant measured (using a computer) the area covered by any article that dealt with any corruption scandal that involved members of the current administration (e.g., the president or the ministers) and then divided it by the total area of the front page. This daily measure, which oscillates between 0 and 1, can then be aggregated up to a monthly measure to create *Front Pages* (which oscillates between 0 and 30). Figure 1 shows the front page of one day and illustrates how *Front Pages* is constructed. Table A describes the top 20 scandals in our sample in

[8] See Gentzkow, Glaeser and Goldin (2006) and Petrova (2008) for the role of private advertising in the development of an independent media in the US.
[9] This approach is both simple and has been used previously (at least broadly; see, for example, Chomsky and Herman, 1988 and Yu, 2008).

terms of front pages occupied in the four newspapers on the day the story broke, the month it broke and in the full sample. The number one scandal in our sample is the accusation that government officials bribed a group of senators in exchange for their legislative support in the year 2000. On the day it broke, it occupied 2.9 front pages out of a possible 4. On the month it broke, it occupied the equivalent of 17 front pages, with the equivalent of 43.9 front pages during the corresponding presidency (De la Rua's). Note that these numbers comfortably exceed those of other scandals. Figure 2 presents the raw data on total corruption coverage per month (*Front Pages*) and the percentage of the total accounted by each newspaper. It can be observed that newspapers report relatively more corruption scandals in the early and later part of the sample period, with the lowest amount of scandals reported during the middle of the sample (the Duhalde presidency). Vertical red lines separate the four presidencies: Carlos Menem until December 1999, followed by Fernando De La Rua until early January 2002, followed by Eduardo Duhalde until May 25th, 2003, followed by Nestor Kirchner until December 2007. Newspapers also change their relative reporting over time (for example, *Página 12* tends to report more corruption scandals in its front page than other newspapers during the early part of the sample, whereas the opposite is true for the later period). While this empirical measure is not automated, it is still reasonably reliable in that it involves front pages and measuring of space with a computer rather than content analysis (see Puglisi and Snyder, 2008, for a discussion).

We also developed measures of corruption coverage that exploited information on individual scandals. There are 254 different scandals in our data base that appear in 994 front pages. The raw data on individual scandals (presented in Figure 3) reveals that over 150 of them where only reported in only one newspaper. The data also reveals that a large number of scandals (just under 150) were mentioned only one day. It is possible to construct two simple measures of the speed with which newspapers break negative news for the government. The first is *Scoop*, the total number of corruption scandals of the current administration first reported by each newspaper per month. Given that a large proportion of scandals are first reported by one newspaper, with only later the others following, *Scoop* is then a measure of how dynamic is the newspaper. A second measure is *Hide*, the total number of corruption scandals of the current administration already reported by at least one newspaper that have not yet been reported by each newspaper per month.

We can also exploit the data on individual scandals using a measure similar to *Front Pages*, but considering only the space of the front page devoted to an individual corruption scandal (Figure 1 also illustrates how *Front Pages Scandal* is constructed). Thus, *Front Pages Scandal* is the total amount of space in the front pages of the month devoted to covering a particular corruption scandal of the current administration.

Several corruption scandals are covered each month and the intensity with which each of these is covered varies across newspapers.

Our measure of influence by the government is *Government Advertising,* total spending per month on advertising in each newspaper by the government, in millions of pesos of the year 2000. Government advertisement covers a wide range of activities which go from requests for bids on government contracts to the promotion of government accomplishments. All contracting by the government in this area is handled by Télam, the national government's news agency (with few exceptions). The legal framework for the placement of these ads (basically a collection of government decrees) is "complex and ambiguous", allowing complete discretion by government officials who are able to regularly avoid the use of competitive bidding, often using explicitly the argument of urgency (ADC/Justice Initiative, 2005). Government spending on the four main newspapers (which are the ones covered in this paper) for 2003-4 was of a similar magnitude to spending on television stations (and approximately 10 times more than on radio) (see page 116 in ADC/Justice Initiative, 2005).

The data we use on government spending on advertising was obtained from *Fundación Poder Ciudadano*, an Argentine NGO who, in turn, obtained it from the government's *Secretaría de Medios de Comunicación de la Nación* after a formal application process. This NGO is quite influential in Argentina, and its involvement makes it more likely that the data is high quality.[10] The series starts in January 2000, but given that we have data on coverage from April 1998, we constructed a measure of government advertising ourselves in order to extend our data on government advertising back two years (until April 1998). We did this in two steps. First, we randomly took two days each month and manually measured (with a digital camera) for each of the four newspapers, the total space taken up by government advertising (in the full edition). We constructed the measure for three overlapping months (January, February and March 2000) so as to be able to convert space (in centimeters) to a peso measure of government advertising. The raw data are presented in figure 4. It is apparent that government advertising goes up over time. The most likely explanation is the stronger fiscal position of the government following the 2001 crisis. *The Economist* magazine summarizes the general view:

> "One of the government's tools is money. The robust recovery in Argentina's economy since its collapse of 2001-02 has boosted tax revenues. That has brought an eightfold increase in the real value of the federal publicity budget (to

[10] For example, the data can withstand a formal auditing process. Founded in 1989, this NGO has focused on government transparency and became the Latin American Chapter for *Transparency International* when the latter was launched in the mid 1990's. It has organized presidential debates on the topic (for example in 1999), has promoted legal actions against the government and has organized national campaigns to bring about change in specific areas.

> $46m in 2006) since Mr Kirchner took office in 2003. Argentine governments have a long tradition of funneling official advertising to sympathetic media and withholding it from others." (*The Economist*, 2006)

It is also noticeable from the data presented in Figure 4 that the newspaper favored by the Kirchner administration (which is to the left of the political spectrum) is *Página 12*, which is the newspaper that is most to the left of the political spectrum (for example, it is the one that gives most emphasis to news related to abuses of human rights). In fact these two variables (fiscal position of the government and ideological proximity between the government and the newspaper) can account for 47 percent of the variation in the series on government spending on advertising in each newspaper. Moreover, the interaction between fiscal position and ideological proximity increases the explained variation to 54 percent.[11] See section *III.c.* and Table 9 for further discussion.

II.c. Empirical Strategy

We start by estimating an OLS regression of the form

$$Front\ Pages_{mj} = \alpha\ Government\ Advertising_{mj} + \theta_j + \mu_{mj}$$

where *Front Pages* is the total amount of front page space devoted to covering corruption scandals of the current administration in month *m*, in newspaper *j;* *Government Advertising* is the amount of money spent by the government on advertising in month *m* and in newspaper *j*; while θ is a newspaper dummy and μ is an error term (i.i.d.). We study other specifications, including one which adds to the above equation month fixed effects, as well as other which also add a control for the ideological newspaper-president proximity.[12]

The second approach exploits information on the individual scandals. The first two are similar to the specification above, but instead use *Scoop* and *Hide* as the dependent variable. The third is an OLS regression of the form

$$Front\ Pages\ Scandal_{smj} = \alpha\ Government\ Advertising_{mj} + \theta_j + \omega_{smj}$$

[11] The number of months the government has been in office affects government advertising through its interaction with ideological proximity, although the amount of explained variation remains almost unaffected. These results are available upon request.

[12] On the need to include time effects as newspaper content has changed during the digital age, see, for example, Boczkowski and de Santos (2007). On matching in commercial advertising, see Anand and Shachar (2004).

where *Front Pages Scandal* is the total amount of front page space devoted to covering corruption scandal *s* of the current administration in month *m*, in newspaper *j;* and ω is an error term (i.i.d.). We also include other specifications. For example, one which adds to the above equation different dummies for each different newspaper under each president, as well as other which adds scandal fixed effects.

Note that our measure of government influence is restricted to financial influence and leaves an enormous array of other strategies that range from physical intimidation to access to information, which are discussed in section *IIa.*[13] Note further, that within financial influence, we focus on one narrow activity –namely government advertising- while section *II.a.* mentions several other forms of financial influence for which we have anecdotal evidence (at least), including ownership laws, which have in fact been used in Argentina involving the newspapers in our sample. We do not have a lot of information about the co-movements in these other measures of influence and government advertising. Given that these alternative measures are unlikely to be perfectly positively correlated, the standard errors in the estimation of α will tend to be too large. Note also that it is possible that there is some substitution between these alternatives forms of influence, which would bias down our point estimate of α in the two equations above.

Three theoretical predictions can be made with respect to α, the main parameter of interest. The benchmark is $\alpha=0$, which occurs when the media is independent and unaffected by government advertising. One alternative is that $\alpha<0$, which takes place when the media is "motivated" by money and tilts reporting to favor the government in exchange for government advertising. Within this regime there are some variations, as in some cases the media may take the lead and exaggerate corruption scandals until transfers are made (a form of "extortion"), whereas in others the government may take the lead, make the transfer and reduced newspaper coverage would follow.[14] An alternative is $\alpha>0$, which is strange from the point of

[13] The strategies (and their effectiveness) differ by country. For example, differential access to information is frequently observed, in part because laws granting access have stalled during our sample period. For example, a freedom of information bill supported by press groups died in Congress in 2005. Changes introduced by the Senate required those requesting information to explain their reasons, to file an application similar to an affidavit, and, in some cases, to pay a fee. See Committee to Protect Journalists (2006).

[14] In Reuter and Zitzewitz (2006) the results for one publication that does not have advertisements (*Consumer Reports*) can be used as a possible benchmark (although interestingly the sample of funds recommended by *Consumer Reports* also comes from families that spend relatively more on advertising).

view economic incentives: higher transfers go to the newspapers that give wider coverage to corruption scandals.[15]

III. Results

III.a. Basic Estimates

In Table 1 we present our basic set of estimates, which are based on *Front Pages*, the total coverage of (any) corruption scandal, per month per newspaper. We present the simplest possible specification, including only our measure of government transfers as there aren't many measurable and plausible confounding sources of variation. In subsequent specifications we add dummies that capture the level of ideological proximity between the president and each newspaper, as well as other specifications that study the robustness of the basic correlation.

In column (1) we find that the coefficient on *Government Advertising* is negative and significant at the 5% level, indicating that coverage of corruption scandals within newspapers is lower when government spending on advertising is high. Column (2) estimates the same regression a set of month dummies (one for each month in our sample, there is 117 months in our sample). The coefficient is negative and significant at the 1% level (and somewhat larger than that in column 1). Finally, column (3) adds newspaper-president ideological proximity dummies. *Ideological Proximity* was constructed by deriving a measure of newspaper ideology (the four newspapers were ranked from left to right according to the average space devoted in the front pages to human rights abuses during the military dictatorship) and of government ideology (by averaging out the ideology of their voters using voting and left-right self-placement data from the *Latinobarometro Survey*).[16] Accordingly, we included a dummy for each possible value for *Ideological Proximity* (fixed for each newspaper-president interaction). The coefficient on *Government Advertising* in column (3) is negative and significant at the 1%, suggesting that even within a certain level of newspaper and president ideological affinity, reporting of government corruption occupies less front page space when government advertising is relatively generous.

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[15] Perhaps to avoid criticism of attempting to influence the media (although $\alpha=0$ should be enough). In Borges' short story *The Bribe*, an academic obtains the favor of a senior colleague by being openly critical of his work by anticipating the latter's desire to appear unbiased.

[16] The results are consistent with our expectations: *Página 12*=53.91, *Clarín*=13.5, *La Nación*=7.51 and *Ámbito Financiero*=2.61. Human rights abuses were defined as involving the disappearance of persons under the military dictatorship. The results on government ideology were also reasonable, with Kirchner, De La Rua, Menem and Duhalde in order from left to right. In order to make *Ideological Proximity* less sensitive to the particular approach we use to estimating ideological standing, we use rank orders. That is, for each presidential period, newspapers are ranked according to proximity so that their value of proximity is either 0, 1, 2 or 3 (for a presidents in one extreme of the ideological spectrum).

In order to get some sense of the size of the effect, we note that a one standard deviation increase in government advertising (0.26 million pesos of 2000) is predicted to reduce coverage of corruption scandals in the month by almost a half of a cover (0.47=1.79*0.26), or 37% of a standard deviation in *Front Pages* (0.37=0.47/1.25).

Further tests suggest that these findings are relatively robust. While the next subsection explores this in more depth, here we anticipate some simple results. In column (4) we replace the ideological proximity dummies by a set of newspaper times president interaction dummies (i.e., includes a set of 16 dummies, one for each newspaper-president pair). The coefficient of interest in column (4) is again negative and significant at the 1% level. Note that in developed countries it is natural to consider a presidential period as only one regime, thus a control for ideological proximity (or for newspaper-president interactions) would not leave variation of *Government Advertising*. In contrast, in our sample, government advertising changes *within* a newspaper and over time *within* a presidential period. For example, a one standard deviation in *Government Advertising* within the 16 presidential-newspaper units is 0.17, similar to the between standard deviation (the overall standard deviation is 0.26). In column (5) we clustered the standard errors at the level of newspaper-president interactions. The results were somewhat weaker. For example, the coefficient of interest (which obviously has the same sign and size) has a t-statistic of 1.98 (significant at the 7% level).

In Table 2 we repeated the regression included in column (3) in Table 1 excluding either one newspaper or one president at a time. The eight new regressions yielded a negative coefficient over *Government Advertising*. The coefficient is, however, statistically insignificant in the specifications where *Ámbito Financiero* and the Kirchner presidency are excluded. Note that in this last specification the number of observations is almost halved.[17] When we test formally for differences, we find that the main coefficient is largest in absolute terms when we exclude *Clarín*, the newspaper with largest circulation, followed by *La Nación* (the second largest circulation), then *Página 12* (the third newspaper in terms of circulation in our sample; but see the discussion on sources for circulation numbers in Section IV) and then *Ámbito* (all differences are statistically significant). In other words, coverage of scandals in the newspapers with the largest circulation seems to be the least sensitive to government advertising. There are fewer differences in the main coefficient of interest when we exclude one president at a time. The coefficient is smallest in

[17] Note that within the Kirchner administration there is an initial period of almost two years with a close connection to the previous administration (for example, with the same economics minister as Duhalde). When we consider the Kirchner administration as two presidencies, we note that when we take out the first part of the Kirchner administration the coefficient on *Government Advertising* is -2.626 (standard error= 0.543), while when we take out of the sample the last part of the Kirchner administration, the coefficient on *Government Advertising* is -1.018 (standard error= 0.545).

absolute terms when we exclude Duhalde, and is largest when we exclude De La Rua or Menem. The difference between Duhalde vs Menem (or De La Rua) is statistically significant.

III.b. Robustness: Measures of Coverage using Data on Individual Scandals

We next explore the robustness of our findings exploiting the fact that we have information on individual scandals, which allows us to develop several different measures of coverage of corruption. Table 3 separates front page coverage of corruption scandals that were reported by just one newspaper (which we call *Front Pages Incidents*) from coverage regarding scandals that were widely reported (by at least two newspapers, which we call *Front Pages Affaires*). It seems government advertising is associated with a larger reduction in front page coverage of widely reported scandals, up to 4 times bigger (using the coefficients in columns 3 and 6 in Table 3).

Table 4 looks at measures of the speed of reporting, namely *Scoop* and *Hide*. The first three columns in Table 3 report our results using *Scoop*, the number of times in a month a newspaper was first reporting on each of the scandals that were reported that month.[18] We find a negative and significant association between our measure of coverage (*Scoop*) and *Government Advertising* in three model specifications. In order to gauge the size of the effect we note that the coefficient in column (3) implies that a one standard deviation increase in *Government Advertising* is associated with close to 0.13 fewer scoops in the month. This is equivalent to 13% of a standard deviation in *Scoop*. A similar picture emerges when we use *Hide*, a measure of the extent to which newspapers do not report news items that are negative to the government. Specifically, *Hide* counts the number of corruption scandals already reported by some other newspaper but not yet reported by this newspaper. Using the coefficient from column (6) in Table 4, we note that a one standard deviation increase in *Government Advertising* is associated with 2.83 more "hidden" corruption scandals by the newspaper in the month.

Table 5 reports results using *Front Page Scandal*, the number of front pages per month accounted by the space granted to coverage of a specific scandal by a newspaper. Columns (1-6) include newspaper fixed effects and as well as a set of other president-newspaper-scandal fixed effects combinations. In all of the regressions the association with *Government Advertising* is negative and significant. Regressions (3-6) include a president*newspaper interaction, a less parametric approach to controlling for ideological proximity (the results in Table 5 are extremely similar if we use

[18] We also experimented with other definitions of *Scoop* and *Hide* and reached similar conclusions. For example, similar results obtain if we define both variables only for scandals that were reported by at least two papers.

ideological proximity fixed effects instead of these president*newspaper interactions). To see the size of the effect, note that the coefficient on regression (6), which also controls for newspaper times scandal times president interactions, is -0.018. This suggests that an increase in *Government Advertising* of one standard deviation is associated with a decrease in coverage of a particular scandal of 2.9% of a standard deviation in the *Front Pages Scandal* variable (0.029=0.26*0.018/0.16).

III.c. Robustness: Other Specifications

Other specifications can be used to provide more evidence on the relationship between coverage and government transfers. The first three columns in Table 6 explore the timing by including lagged measures of *Government Advertising*. Both current and lagged *Government Advertising* enter with negative coefficients, while current levels seem to have a stronger connection to corruption coverage. Although the large standard errors do not allow for more precise conclusions, the data do not suggest that our use of specifications in current levels in Table 1 (and the previous tables) is obviously wrong.

Columns (4), (5) and (6) in Table 6 include a measure of lagged coverage. They reveal that the autoregressive component is not particularly large (in column 6, for example, it is slightly greater than a half). The main coefficient on *Government Advertising* is negative in all three columns and is significant at the 1% level in column (5) and at the 11% in column (6), suggesting that after controlling for previous coverage, current coverage is negatively correlated with current *Government Advertising*.

Following Bertrand, *et al* (2004), we implement another strategy to deal with serial correlation. In table 7, we collapse *Front Page Scandal* by taking the average since the scandal was first reported by any newspaper until the end of the presidential period (the dependent variable in Table 7 is *Front Pages Scandal Mean*). We do the same with *Government Advertising*. The coefficient of interest always remains negative and significant. Moreover, the standard errors are similar to the ones obtained in Table 5, when the observations were not collapsed.

Table 8 investigates the correlation between government transfers and coverage of scandals by non-political actors. Our database contains coverage of scandals in which trade unions, the police, the church or a group of low income, often unemployed individuals were involved.[19] There are 321 scandals involving these groups, which are covered in the front page 941 times. The correlations reported in Table 8 are

[19] This group known as "piqueteros" has become a mildly important social actor in Argentina (it is like a trade union of the unemployed).

statistically insignificant, suggesting that not all coverage of scandals is negatively correlated with government transfers.

Table 9 investigates the causal mechanism behind the correlation studied. For several reasons, this does not occupy an important part of our paper. First, our aim is primarily to describe the correlations in the data. Second, we have focused on corruption, which is arguably a non-ideological dimension of government.[20] Third, theories whereby coverage causes transfers (for example, when extortion is important; see section *II.c.*) merely refer to a different timing of the variables used.[21] In particular, these theories still imply "motivated" reporting, by which we mean reporting that is not independent. Thus, even in that case, the negative correlation we are uncovering would mean that the discretional regime for making government transfers to newspapers introduces distortions in reporting. Other theories (whereby the connection between transfers and coverage is not causal) are less plausible in at least some of the specifications we report.

As an illustration, however, we explore the use of the combination of ideological proximity and fiscal position as instruments.[22] Table 9 presents the results. The lower part of Table 9 presents the first stage results using the level of ideological proximity between the government and the newspaper interacted with the government's fiscal position, a variable that varies within governments. As expected the results show that governments tend to give more money to newspapers with similar ideology.[23] We also observe that the instruments account for a small but reasonable amount of variation in *Government Advertising*.[24] The second stage results are negative and significant, but somewhat larger in absolute size than the OLS estimates.

[20] There are few legitimate reasons why a left-leaning newspaper would give less coverage of corruption scandals of left-leaning governments (as in a model of vertical differentiation). In contrast, with other dimensions (like unemployment and inflation) a left leaning newspaper might emphasize unemployment over inflation (see the horizontal differentiation model of Mullainathan and Shleifer, 2005).
[21] Although we note that the raw data on aggregate government advertising in Figure 4 reveal a large increase during 2003, when coverage was in fact relatively pro government. Thus, it is unlikely that in the aggregate, negative coverage is being used to induce increases in government transfers in the form of advertising.
[22] Similar results obtain if we use electoral proximity. See Browne and Fitzpatrick (2004) for a discussion of coverage during electoral periods in Argentina.
[23] The coefficient over the variable [*(Ideological proximity = X) x Revenue*] increases with the level of ideological proximity between the newspaper and the government. The differences between the coefficients are always significant.
[24] For example, in Column (2) in Table 9, the adjusted R squared of the first stage increases from 0.67 (to 0.77) when the instruments are added.

IV. Discussion

A possible interpretation of the results is that government advertising induces changes in coverage. A simple benchmark is provided by the model in Table 1, column (3). Here an increase in *Ideological Proximity* of 1 is associated with reduced coverage of 0.10, while a one standard deviation increase in *Government Advertising* is associated with a reduction in coverage of 0.47 (0.47=0.26*1.79). Put differently, a one standard deviation increase in *Ideological Proximity* from 0 to 1 is associated with a similar reduction in adverse coverage as a 0.21 of a standard deviation increase in *Government Advertising*.[25]

An interesting and important question concerns the reputational costs for newspapers arising from biased coverage (see, for example, the discussion in Gentzkow and Shapiro, 2006). On the one hand, it is possible to retain models where bias is visible to readers who compare the contents of daily publications if one relaxes the assumption of full verifiability (see, for example, Besley and Prat, 2006). Alternatively, the costs of biasing coverage are low if different readers consume different newspapers (see, for example, Mullainathan and Shleifer, 2005). Unfortunately, we do not have sufficient data for a full investigation of this issue. We do, however, have some data on circulation for the two main newspapers (*Clarín* and *La Nación*). These two have a much wider circulation than the other two newspapers in our sample so, financially, the issue is particularly relevant for these two publications.[26] The top half of Table 10 presents the correlation between circulation and *Front Pages*. The results suggest that there is a positive and statistically significant relationship between circulation and corruption coverage. A similar overall picture emerges from the analysis of *Scoops* in the bottom half of Table 10. Using the coefficients in column (3) in Table 10, we note that one extra front page in the month is associated with 1.48 million extra papers sold in the month (1.48=1.63-0.15). Note that this amount is relatively large since average monthly circulation for *Clarín* in our sample is 13.54 millions, and for *La Nación* is 5.06 millions. A back of the envelope calculation suggests that even with this large circulation costs, newspapers might still engage in the kind of transfer-for-coverage mechanism that we have outlined. Indeed, note that a transfer of 0.56 million pesos as *Government Advertising* is associated with one fewer *Front Pages* per month. And that one fewer *Front Pages* translates, given an average price of a daily edition in our sample of 1.15 pesos, into 1.7 million pesos fewer in circulation revenue in the month. While this figure is clearly above the 0.56 million pesos received in *Government Advertising,* the

[25] In Argentina this phenomenon is often summarized as "wallet kills heartthrob" (*billetera mata galan*).
[26] The average circulation in the first half of 2007 of *Clarín* and *La Nación* is 284,000 copies per day versus approximately 20,000 for *Página 12*; estimates from ADC/Justice Initiative (2008). Our source for *Clarín* and *La Nación* is the *Instituto Verificador de Circulaciones*. Self reported data on daily circulation by *Página 12* is 97,000, whereas for *Ámbito* is 85,000.

difference would be offset with hypothetical printing costs equivalent to 0.75 pesos per paper (0.75=(1.7-0.58)/1.48). Of course several other pieces of information are needed to know if this evidence is in fact consistent with the "motivated" reporting mechanism described in section *II.c.* In particular, we would at least need the impact of circulation on private advertising, and the value of the other favors dispensed by governments (which are presumably positively correlated with *Government Advertising*).

Of course, the media should be extremely unhappy about a regime with the characteristics we describe, as it involves biasing coverage for financial gain. Indeed, we collected evidence of several instances of journalist complaints concerning the regime with discretional government transfers (dressed as advertising). As just one example, consider an editorial in *Clarín* entitled "Abuses with Public Advertising". It complains that the practice of public advertising has been transformed into a means of providing carrots and sticks in exchange for favorable coverage, and that there are *"no objective parameters governing the distribution of public advertising nor adequate controls over the way money budgeted for this use is actually spent"*.[27]

We do not offer any further interpretation of our findings, except to note that 1) several authors have argued that profit motives of media companies' compromise coverage; that 2) we have presented evidence consistent with such "motivated coverage" in the presence of government transfers; and that 3) this has implications for work considering how media firms affect the formation of beliefs. For example, Bennet (1990) emphasizes the need by reporters to have access to government sources and Chomsky and Herman (1988) make the argument that for-profit media must cater to advertisers to stay in business. This is consistent with the results of Reuter and Zitzewitz (2006) concerning biased investment recommendations.[28] The evidence presented in this paper concerns size and timing of coverage, which is a-priori less serious from the point of view of an individual's financial standing, but which may affect the reader's political positions, at the very least because it may influence the salience of particular pieces of news, the extent of priming on these negative (from the government perspective) pieces of news. In the Argentine context, Di Tella, Galiani and Schargrodsky (2008) study how priming, of the type that appear in the newspaper coverage studied in this paper, influence political

[27] See, "Abusos con la Publicidad Oficial", Editorial, Clarín, 22 de Julio, 2009. See also, "La Publicidad Oficial como Censura", *La Nación*, 14 de Abril, 2007. Of course such rhetorical evidence should be interpreted with caution. While several policy proposals have been made to reform the system, we note that the problems outlined in the paper can be avoided and the stated objectives of the program ("to provide information of the acts of government") can still be achieved by removing discretion in the allocation of funds. For example, by fixing the amount going to each media outlet, or by allowing funding to depend on some predetermined formula (for example, based on previous circulation).

[28] Given their focus on financial returns they can derive a cost to readers from following the biased recommendations of the publications under study. They note that future returns are similar for mentioned and not mentioned funds, and conclude that the cost of bias to readers is small. In our case there is a financial cost of bias to the newspaper in terms of circulation, and to the reader in terms of information.

beliefs.[29] Specifically, they note that groups treated with a news report (i.e., that are read a newspaper report with negative comments on the water privatization that are made by the president which are demonstrably untrue) change their beliefs about the privatization of the water services in the direction reported by the newspaper. Of course, such hard measure of coverage (such as size and timing) might also be correlated with other dimensions of coverage, such as framing, which might have a more sizeable influence on beliefs (see, for example, Entman, 1989). Indeed, if framing and editorial content also prove to be sensitive to public funding, media bias might help explain broader movements in beliefs. For example, economists who are puzzled by the popular backlash against market reforms might note that these took place during a period when the government both, moved to the left, and increased considerably spending on advertisement in the media. Finally, note also that we can detect reduced coverage but not if coverage is eliminated.

V. Conclusions

The media is potentially important in exercising control over abusive government, particularly in countries with high levels of corruption and weak legal systems. Accordingly, governments often try to influence the media through actions that range from outright censorship and intimidation, to favors and transfers. In this paper we provide a description of one aspect of the connection between the media and the government in Argentina 1998-2007.

We focus on coverage of government corruption scandals in the front page of the main four newspapers in the country. Since newspapers typically report other news, the size of the report on the current government's corruption relative to coverage on those other news items gives one measure of the intensity of coverage (per day per newspaper). This can be aggregated at the monthly level to give a measure of how intensely a particular newspaper has provided negative data on the government. We also have monthly data on government transfers in payment for public advertising to each newspaper, so we can estimate the correlation between transfers of money and front page space devoted to coverage of corruption scandals. The main estimate is negative and significant, even after controlling for newspaper and moth fixed effects, as well as a set of other specifications. For example, the negative correlation survives the inclusion of a president-newspaper interaction dummies (or ideological proximity dummies), suggesting that even within a certain newspaper and within a certain

[29] The news report used in that study was originally published in *Clarín* in 2005, which is covered in our sample. The importance of beliefs in the determination of economic systems has been emphasized by several authors (see, for example, Piketty, 1995, Benabou and Tirole, 2006, Alesina and Angeletos, 2005, *inter alia*). There is also growing evidence on the variability of beliefs across groups and over time (see, for example, Alesina, Glaeser and Sacerdote, 2001, Di Tella, Galiani and Schargrodsky, 2007, Giuliano and Spilimbergo, 2009, *inter alia*).

presidential period, front page coverage of news events that are unfavorable to the government is smaller when transfers are relatively high. The size is considerable: a one standard deviation increase in monthly government advertising (0.26 million pesos of 2000) is correlated with a reduction in the coverage given to government corruption scandals in the month by almost a half of a cover, or 37% of a standard deviation in our measure of front page coverage.

We can also construct measures of coverage exploiting the fact that a large part of coverage pertains to just a few scandals; and that some of these scandals tend to be covered with more intensity by some newspapers (perhaps because they reported on them first, or because they pertain to an issue that is of particular interest to their readers). We find that the average monthly coverage in the front page of a particular scandal is negatively correlated with the amount of government transfers that the newspaper receives, controlling for newspaper, month and scandal fixed effects. We also note that biased coverage is costly to newspapers in terms of reduced circulation. Overall, our findings are consistent with a model where newspapers bias reporting in favor of the government in exchange for transfers without large financial costs arising from reduced circulation.

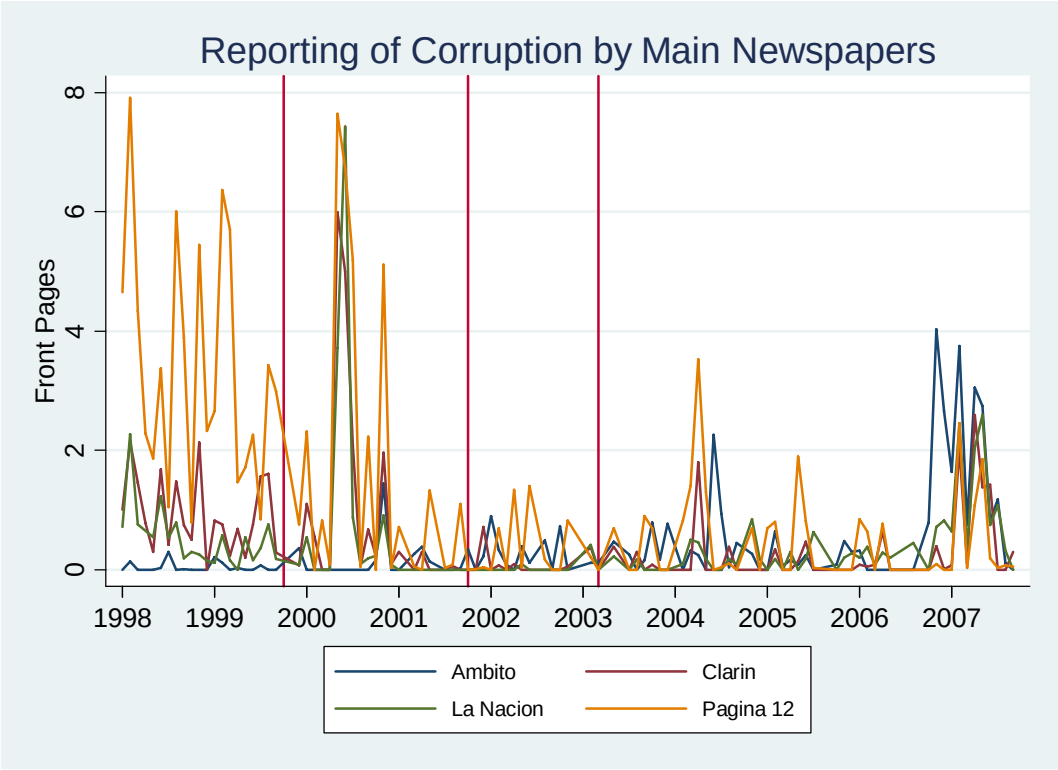
Scandal A

(Arms Trafficking to Croatia)

Scandal B

(Bribery IBM-Banco Nación)

Figure 1: Front Page Clarín 8th October, 1998. The construction of *Front Pages* involves adding for a particular newspaper and for a particular month the fraction of each front page in the month devoted to covering corruption scandals of the current administration. Here, we considered Area(A+B)/Total Area as the contribution of october 8th to the measurement of *Front Pages* for *Clarín* in October 1998. Similarly, the Area(B)/Total Area is the October 8th contribution to the measurement of *Front Pages Scandal* for *Clarín*, October and the bribery scandal of IBM-Banco Nación; similarly the Area(A)/Total Area is the October 8th contribution to the measurement of *Front Pages Scandal* for Clarín, October and the bribery scandal of Armas.



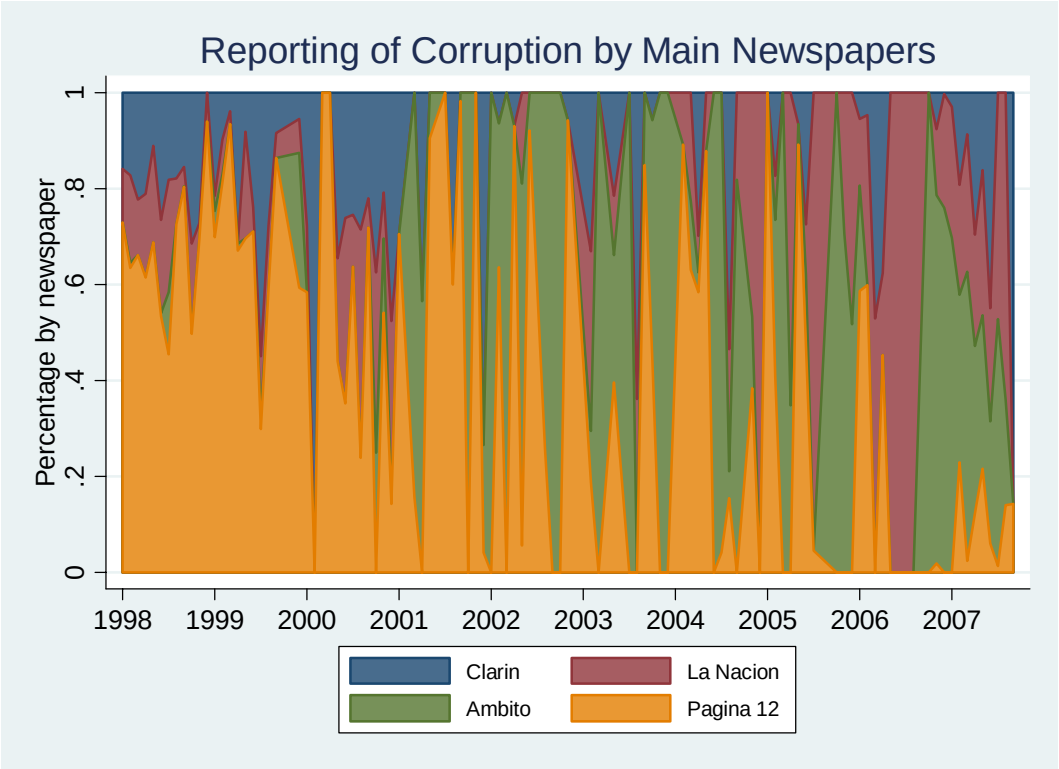
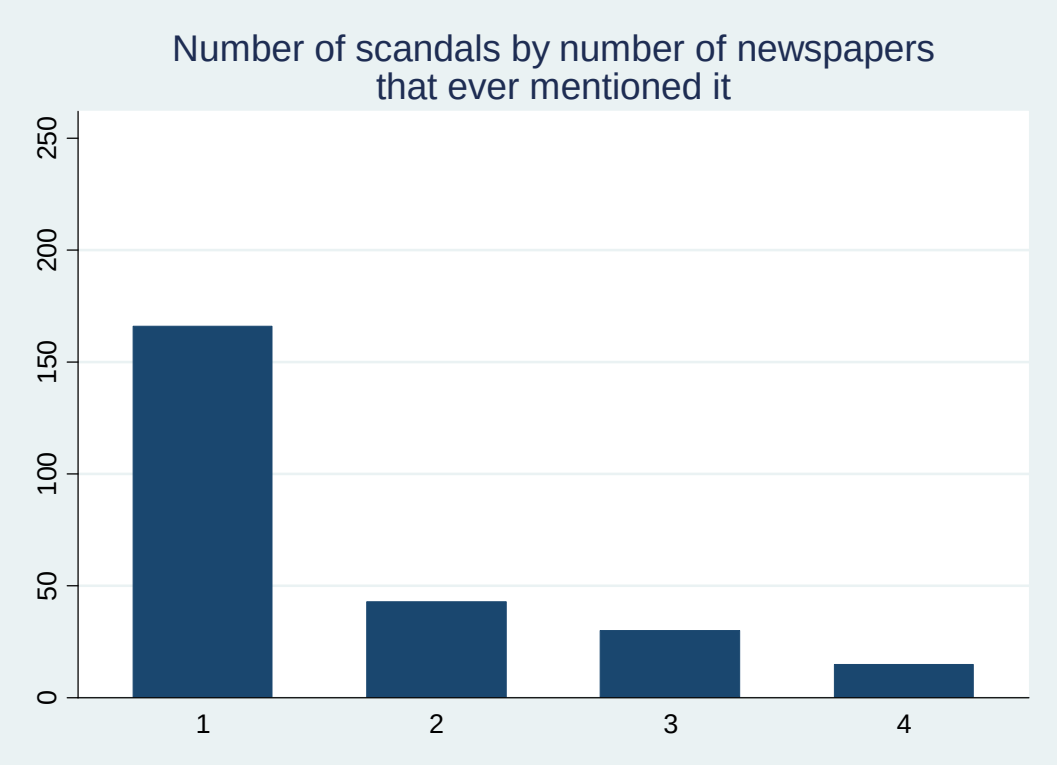


Figure 2: Coverage of corruption in the front page (*Front Pages*).



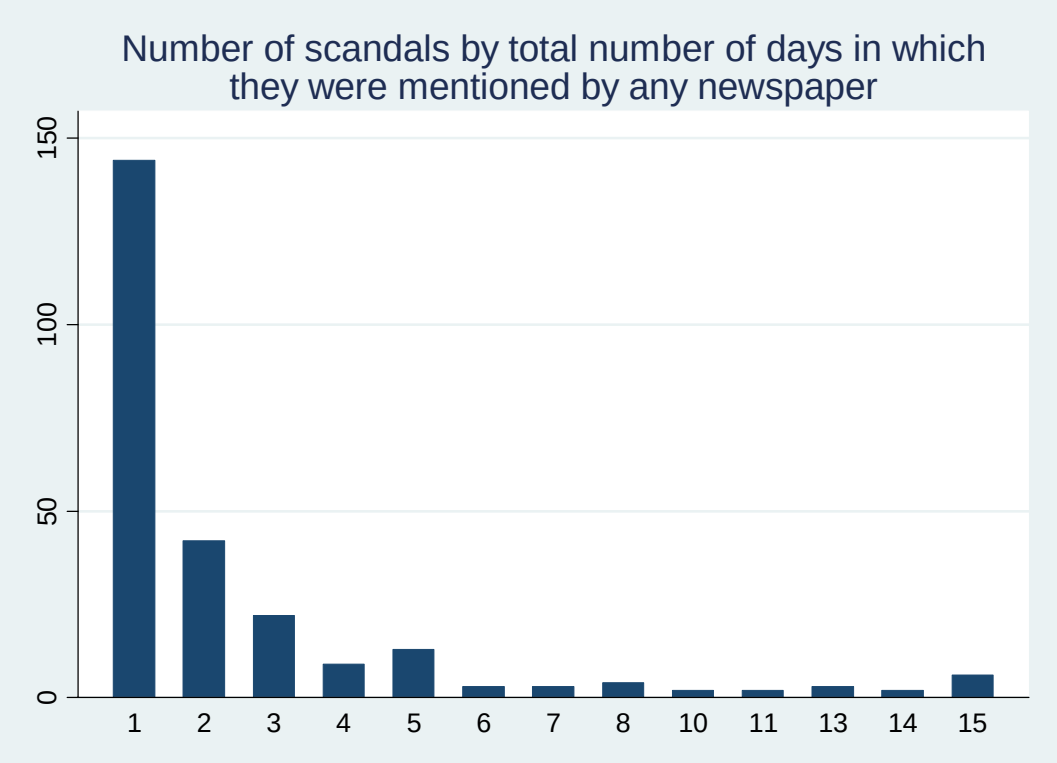
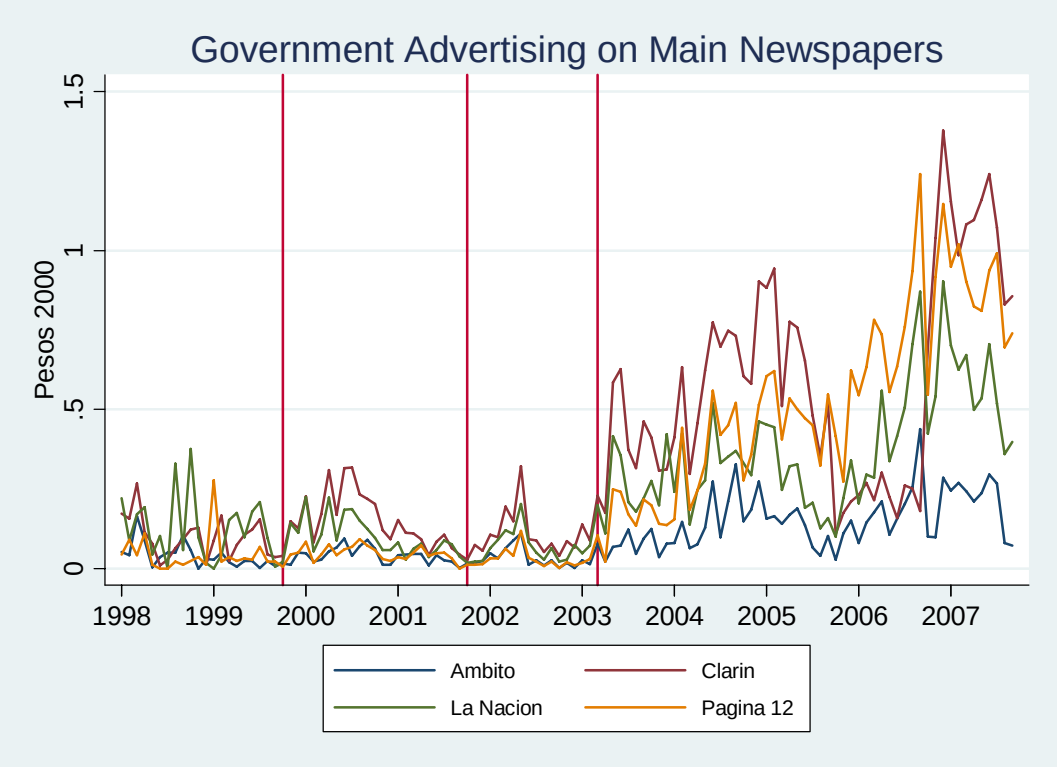


Figure 3: Properties of coverage of corruption scandals (*Front Pages Scandal*)



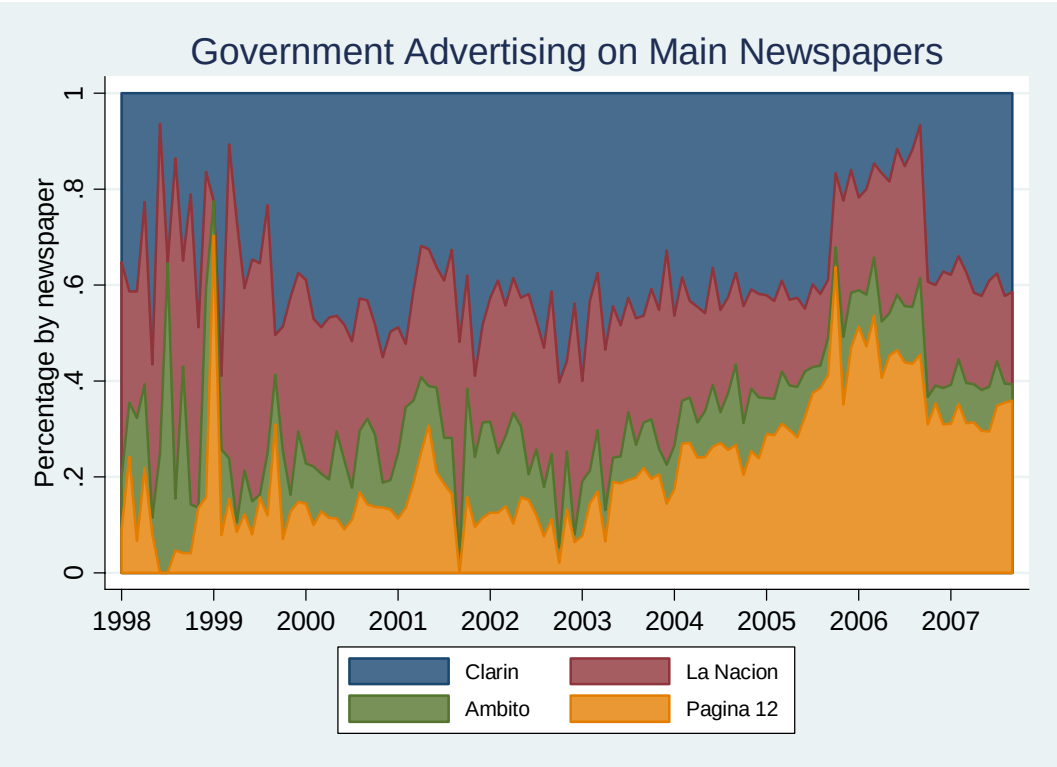


Figure 4: Government advertising (total and %)

Table A: Top 20 Corruption Scandals according to Front Page Space

Alleged Offender	Alleged Offense	Date first reported	Number of front pages in the 4 Newspapers		
			Day	Month	Govt.
SIDE (De la Rua)	Bribery	23-Aug-00	2.9	17.0	43.9
President and Cabinet (Kirchner)	Falsification of documents	6-Feb-04	0.1	0.1	15.2
President and Cabinet (Kirchner)	Bribery	15-Mar-07	0.2	0.3	12.4
President and Cabinet (Menem)	Illicit enrichment	19-Nov-98	0.3	1.3	7.5
President and Cabinet (Kirchner)	Money laundering	26-Jun-07	0.1	0.1	7.3
President and Cabinet (Menem)	Violent Crime	15-May-98	0.1	6.8	7.0
President and Cabinet (De la Rua)	Concealment	12-Feb-01	0.3	5.6	6.8
President and Cabinet (Menem)	Arms Trafficking	30-May-98	0.2	1.2	6.8
President and Cabinet (De la Rua)	Bribery	19-Aug-00	0.1	0.1	6.5
President and Cabinet (Kirchner)	Poor performance	5-Jan-04	0.4	0.4	6.0
President and Cabinet (Kirchner)	Money laundering	9-Aug-07	0.9	5.2	5.3
President and Cabinet (Menem)	Misappropriation of public funds	19-Apr-98	0.1	4.4	5.1
PAMI (Menem)	Poor performance	10-May-98	0.2	0.2	3.5
SIDE (Kirchner)	Poor performance	24-Jul-04	1.3	3.4	3.4
President and Cabinet (De la Rua)	Theft	8-Mar-00	0.8	0.8	3.2
President and Cabinet (Menem)	Misappropriation of public funds	16-May-99	0.1	3.2	3.2
President and Cabinet (Menem)	Poor performance	20-Feb-99	0.8	3.1	3.2
President and Cabinet (Kirchner)	Violent Crime	18-Aug-07	0.1	2.9	3.0
President and Cabinet (Menem)	Racketeering	20-May-98	0.2	0.5	2.8
President and Cabinet (Menem)	Racketeering	3-Jun-99	0.8	2.5	2.7

Table B: Summary Statistics

Variable	Units	No. of Obs.	Mean	Std dev	Min.	Max.
Front Pages	Fraction	Total= 468	0.60	1.25	0	7.91
- between		*n*=4		0.35	0.37	1.13
- within		*t*=117		1.21	-0.53	7.65
Government Advertising	*Millions of*	Total= 466	0.23	0.26	0	1.37
- between	*Pesos of 2000*	*n*=4		0.10	0.09	0.33
- within		*t*=117		0.25	-0.09	1.27
Ideological Proximity	0, 1, 2 or 3	Total= 468	1.69	1.01	0	3
- between		*n*=4		0.48	1	2.05
- within		*t*=117		0.91	-0.3	3.69
Front Pages Scandal	Fraction	Total=18,064	0.01	0.16	0	7.6
- between		*n*=1,016		0.08	0	1.01
- within		*t*=17.77		0.15	-0.46	7.34
Scoop	Counts	Total= 468	0.63	1.04	0	6
- between		*n*=4		0.26	0.45	1.02
- within		*t*=117		1.02	-0.38	5.61
Hide	Counts	Total= 468	23.59	18.49	0	104
- between		*n*=4		3.55	18.44	26.50
- within		*t*=117		18.23	-2.90	101.09
Front Pages (1 paper)	Fraction	Total= 468	0.14	0.41	0	3.73
- between		*n*=4		0.13	0.03	0.33
- within		*t*=117		0.39	-0.18	3.54
Front Pages (2 at least)	Fraction	Total= 468	0.45	1.07	0	7.65
- between		*n*=4		0.23	0.28	0.80
- within		*t*=117		1.05	-0.34	7.48
Front Pages Other	Fraction	Total= 468	0.48	0.76	0	7.41
- between		*n*=4		0.44	0.17	1.13
- within		*t*=117		0.65	-0.64	6.76
Circulation	Millions	Total= 234	9.30	4.49	4.28	18.11
- between		*n*=2		6	5.06	13.54
- within		*t*=117		1.45	6.62	13.87

Note: All variable definitions are contained in the appendix.

TABLE 1:

Total Coverage of Corruption Scandals and Government Advertising

	(1)	(2)	(3)	(4)	(5)
Government Advertising	-0.423** (0.207)	-2.191*** (0.374)	-1.797*** (0.391)	-1.201*** (0.364)	-1.797* (0.906)
Adjusted R^2	0.06	0.45	0.47	0.61	0.47
N of Observations	466	466	466	466	466
Max Number of Months	117	117	117	117	117
Max Number of Newspapers	4	4	4	4	4

Note: Each column is a separate OLS regression (robust standard errors in parenthesis). * denotes significant at the 10% level, ** denotes significant at the 5% level and *** denotes significant at the 1% level. The dependent variable is *Front Pages*, the number of front pages devoted to corruption in each newspaper in a month. *Government Advertising* is the amount of money spent on advertising by the government in each newspaper each month, in millions of 2000 pesos. *Ideological Proximity* is a measure of the ideological proximity between the government and the newspaper. The variable takes a 0, 1, 2 or 3 value, which is constant for each newspaper throughout each presidential period. All regressions include newspaper fixed effects. Column (2), (3), (4) and (5) also include month fixed effects. Column (3) and (5) also include ideological proximity fixed effects. Column (4) also includes an interaction between a dummy covering the months under the same president times the newspapers. Column (5) also includes robust standard errors clustered by president for each newspaper.

TABLE 2:

Total Coverage of Corruption Scandals and Government Advertising

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Newspaper excluded				President excluded			
	Ámbito	*Clarín*	*La Nación*	*Página 12*	*Menem*	*De la Rua*	*Duhalde*	*Kirchner*
Government Advertising	-0.138 (0.225)	-3.918*** (0.689)	-2.048*** (0.450)	-1.343*** (0.412)	-1.640*** (0.397)	-1.478*** (0.378)	-0.933*** (0.351)	-1.353 (1.466)
Adjusted R^2	0.70	0.42	0.41	0.49	0.52	0.45	0.58	0.57
N of Observations	350	349	350	349	384	370	398	246
Max N Months	117	117	117	117	96	93	100	62
Max N Newspapers	3	3	3	3	4	4	4	4

Note: Each column is a separate OLS regression (robust standard errors in parenthesis). *** denotes significant at the 1% level. The dependent variable is *Front Pages*, the number of front pages devoted to corruption in each newspaper in a month. *Government Advertising* is the amount of money spent on advertising by the government in each newspaper each month, in millions of 2000 pesos. *Ideological Proximity* is a measure of the ideological proximity between the government and the newspaper. The variable takes a 0, 1, 2 or 3 value, which is constant for each newspaper throughout each presidential period. All regressions include newspaper, month and ideological proximity fixed effects.

TABLE 3:

Coverage of Corruption (Incidents and Affaires) and Government Advertising

	(1) *Incidents*	(2) *Incidents*	(3) *Incidents*	(4) *Affaires*	(5) *Affaires*	(6) *Affaires*
Government Advertising	-0.197*** (0.062)	-0.596*** (0.140)	-0.377*** (0.140)	-0.225 (0.182)	-1.595*** (0.293)	-1.419*** (0.314)
Adjusted R^2	0.09	0.10	0.14	0.03	0.53	0.53
N of Observations	466	466	466	466	466	466
Max N of Months	117	117	117	117	117	117
Max N of Newspapers	4	4	4	4	4	4

Note: Each column is a separate OLS regression (robust standard errors in parenthesis). * denotes significant at the 10% level and *** denotes significant at the 1% level. In columns (1), (2) and (3), the sample is restricted dependent variable is *Front Pages Incidents*, the total number of front pages devoted to any corruption scandal that was reported by only one newspaper, in each newspaper in a month. In columns (4), (5) and (6), the dependent variable is *Front Pages Affaires*, the total number of front pages devoted to any corruption scandal that was reported by at least two newspapers, in each newspaper in a month. *Government Advertising* is the amount of money spent on advertising by the government in each newspaper each month, in millions of 2000 pesos. *Ideological Proximity* is a measure of the ideological proximity between the government and the newspaper. The variable takes a 0, 1, 2 or 3 value, which is constant for each newspaper throughout each presidential period. All regressions include newspaper fixed effects. Column (2), (3), (5) and (6) also include month fixed effects. Column (3) and (6) also include ideological proximity fixed effects.

TABLE 4:

Speed of Coverage of Corruption Scandals (Scoop & Hide) and Government Advertising

	(1) *Scoop*	(2) *Scoop*	(3) *Scoop*	(4) *Hide*	(5) *Hide*	(6) *Hide*
Government Advertising	-0.740*** (0.163)	-1.259*** (0.279)	-0.510** (0.263)	30.051*** (2.174)	20.123*** (2.747)	10.918*** (2.142)
Adjusted R^2	0.07	0.29	0.35	0.19	0.80	0.83
N of Observations	466	466	466	466	466	466
Max N of Months	117	117	117	117	117	117
Max N of Newspapers	4	4	4	4	4	4

Note: Each column is a separate OLS regression (robust standard errors in parenthesis). ** denotes significant at the 5% level and *** denotes significant at the 1% level. The dependent variable in columns 1-3 is *Scoop*, the number of corruption scandals first reported by each newspaper per month. The dependent variable in columns 4-6 is *Hide*, the number of Hide (defined as a corruption scandal that is already broken is but not yet reported by the newspaper) per month. *Government Advertising* is the amount of money spent on advertising by the government in each newspaper each month, in millions of 2000 pesos. *Ideological Proximity* is a measure of the ideological proximity between the government and the newspaper. The variable takes a 0, 1, 2 or 3 value, which is constant for each newspaper throughout each presidential period. All regressions include newspaper fixed effects. Column (2), (3), (5) and (6) also include month fixed effects. Column (3) and (6) also include ideological proximity fixed effects.

TABLE 5:

Coverage of Individual Corruption Scandals and Government Advertising

	(1)	(2)	(3)	(4)	(5)	(6)
Government Advertising	-0.021*** (0.005)	-0.048*** (0.006)	-0.020*** (0.005)	-0.020*** (0.005)	-0.018** (0.007)	-0.018** (0.007)
Adjusted R^2	0.00	0.02	0.03	0.10	0.11	0.11
N of Observations	17,920	17,920	17,920	17,920	17,920	17,920
Max N of Scandals	254	254	254	254	254	254
Max N of Months	117	117	117	117	117	117
Max N of Newspapers	4	4	4	4	4	4

Note: Each column is a separate OLS regression (robust standard errors clustered by month*newspaper in parenthesis). ** denotes significant at the 5% level and *** denotes significant at the 1% level. The dependent variable is *Front Pages Scandal*, the number of front pages devoted to a particular corruption scandal in each newspaper per month. *Government Advertising* is the amount of money spent on advertising by the government in each newspaper each month, in millions of 2000 pesos. All regressions include newspaper fixed effects. Column (2) also includes month fixed effects. Column (3) also includes month fixed effects and an interaction between a dummy covering the months under the same president times the newspapers. Column (4) is similar to the previous column but also includes a dummy for each scandal. Column (5) is similar to the previous column but also includes an interaction between the newspaper times a dummy for each scandal. Column (6) is similar to the previous column but also includes an interaction between a dummy covering the months of the same president times the newspaper times a dummy for each scandal.

TABLE 6:

Timing: Lagged Government Advertising and Lagged Coverage of Corruption

	(1)	(2)	(3)	(4)	(5)	(6)
Front Pages (t-1)				0.489*** (0.072)	0.452*** (0.077)	0.553*** (0.073)
Government Advertising	-0.335 (0.408)	-1.556** (0.685)	-1.367** (0.655)	-0.208 (0.187)	-1.143*** (0.336)	-0.464 (0.294)
Government Advertising (t-1)	-0.067 (0.408)	-0.722 (0.616)	-0.543 (0.596)			
Adjusted R^2	0.05	0.45	0.47	0.28	0.57	0.54
N of Observations	460	460	460	462	462	462
Max N of Months	117	117	117	117	117	117
Max N of Newspapers	4	4	4	4	4	4

Note: Each column is a separate OLS regression (robust standard errors in parenthesis). * denotes significant at the 10% level, ** denotes significant at the 5% level and *** denotes significant at the 1% level. The dependent variable is *Front Pages*, the number of front pages devoted to corruption in each newspaper in a month. *Government Advertising* is the amount of money spent on advertising by the government in each newspaper each month, in millions of 2000 pesos. *Government Advertising (t-1)* takes the value of *Government Advertising* in the previous month. *Front Pages (t-1)* takes the value of *Front Pages* in the previous month. *Ideological Proximity* is a measure of the ideological proximity between the government and the newspaper. The variable takes a 0, 1, 2 or 3 value, which is constant for each newspaper throughout each presidential period. All regressions include newspaper fixed effects. Column (2), (3), (5) and (6) also include month fixed effects. Column (3) and (6) also include ideological proximity fixed effects.

TABLE 7:

Coverage of Corruption Scandals and Government Advertising

	(1)	(2)	(3)	(4)	(5)
Government Advertising	-0.016*** (0.005)	-0.015*** (0.005)	-0.015** (0.004)	-0.015* (0.007)	-0.015*** (0.006)
Adjusted R^2	0.05	0.05	0.05	0.05	0.05
N of Observations	1,002	1,002	1,002	1,002	1,002
Maximum N of Scandals	254	254	254	254	254
Maximum N of Newspapers	4	4	4	4	4

Note: Each column is a separate OLS regression (robust standard errors in parenthesis). * denotes significant at the 10% level, ** denotes significant at the 5% level and *** denotes significant at the 1% level. The dependent variable is *Front Pages Scandal Mean*, the monthly average number of front pages devoted to a specific corruption scandal in each newspaper since the scandal was first reported by any newspaper until the end of the presidential period. *Government Advertising* is the monthly average amount of money spent on advertising by the government in each newspaper over the same period, in millions of 2000 pesos. *Ideological Proximity* is a measure of the ideological proximity between the government and the newspaper. The variable takes a 0, 1, 2 or 3 value, which is constant for each newspaper throughout each presidential period. All regressions include newspaper fixed effects. Column (2), (3), (4) and (5) also include ideological proximity fixed effects. Column (3) also includes robust standard errors clustered by president. Column (4) also includes robust standard errors clustered by president for each newspaper. Column (5) also includes robust standard errors clustered by corruption scandal.

TABLE 8:

Total Coverage of Corruption by the Police, the Church and Unions and Government Advertising

	(1)	(2)	(3)
Government Advertising	-0.066 (0.126)	-0.235 (0.154)	-0.075 (0.217)
Adjusted R^2	0.24	0.46	0.47
N of Observations	466	466	466
Maximum N of Months	117	117	117
Maximum N of Newspapers	4	4	4

Note: Each column is a separate OLS regression (robust standard errors in parenthesis). *** denotes significant at the 1% level. The dependent variable is *Front Pages Other*, the number of front pages devoted to scandals by members of the Police, Trade Unions and the Church in each newspaper in a month. *Government Advertising* is the amount of money spent on advertising by the government in each newspaper each month, in millions of 2000 pesos. *Ideological Proximity* is a measure of the ideological proximity between the government and the newspaper. The variable takes a 0, 1, 2 or 3 value, which is constant for each newspaper throughout each presidential period. All regressions include newspaper fixed effects. Column (2) and (3) also include month fixed effects. Column (3) also includes ideological proximity fixed effects.

TABLE 9:

Total Coverage of Corruption Scandals and Government Advertising, 2SLS

	(1)	(2)	(3)
Government Advertising	-0.319 (0.292)	-3.810*** (0.641)	-5.015*** (1.036)
		First Stage	
(Ideological proximity = 3) x Revenue	0.135*** (0.006)	0.128*** (0.017)	0.166*** (0.018)
(Ideological proximity = 2) x Revenue	0.124*** (0.006)	0.122*** (0.017)	0.124*** (0.017)
(Ideological proximity = 1) x Revenue	0.116*** (0.006)	0.109*** (0.017)	0.088*** (0.018)
(Ideological proximity = 0) x Revenue	0.097*** (0.006)	0.079*** (0.017)	0.040** (0.018)
Adjusted R^2	0.54	0.77	0.79
N of Observations	466	466	466
Maximum N of Months	117	117	117
Maximum N of Newspapers	4	4	4

Note: Each column is a separate 2SLS regression (robust standard errors in parenthesis). ** denotes significant at the 5% level and *** denotes significant at the 1% level. The dependent variable is *Front Pages*, the number of front pages devoted to corruption in each newspaper in a month. *Government Advertising* is the amount of money spent on advertising by the government in each newspaper each month, in millions of 2000 pesos. *Ideological Proximity* is a measure of the ideological proximity between the government and the newspaper. The variable takes a 0, 1, 2 or 3 value, which is constant for each newspaper throughout each presidential period. (*Ideological Proximity=x)* is a dummy variable that takes value equal to 1 if *Ideological Proximity* is equal to *x*. *Revenue* is the amount of revenue raise by the government each month, in billions of 2000 pesos. All regressions include newspaper fixed effects. Column (2) and (3) also include month fixed effects. Column (3) also includes ideological proximity fixed effects.

TABLE 10:

Newspaper Circulation and Coverage of Corruption

	(1a)	(2a)	(3a)
Front Pages	1.211***	2.030***	1.639***
	(0.285)	(0.370)	(0.388)
Front Pages square	-0.164***	-0.185***	-0.153***
	(0.043)	(0.042)	(0.058)
Adjusted R^2	0.90	0.93	0.94
	(1b)	(2b)	(3b)
Scoops	0.807***	1.131***	0.764**
	(0.289)	(0.356)	(0.332)
Scoops square	-0.034	-0.228*	-0.150
	(0.117)	(0.137)	(0.114)
Adjusted R^2	0.91	0.92	0.93
N of Observations	234	234	234
Maximum N of Months	117	117	117
Maximum N of Newspapers	2	2	2

Note: Each column is a separate OLS regression (robust standard errors in parenthesis). * denotes significant at the 10% level and *** denotes significant at the 1% level, ** denotes significant at the 5% level and *** denotes significant at the 1% level. The dependent variable is *Newspaper Circulation*, the number of editions sold by each newspaper in a month, in millions. *Front Pages* is the number of front pages devoted to corruption in each newspaper in a month. *Scoops* is the number of corruption scandals first reported by each newspaper per month. *Ideological Proximity* is a measure of the ideological proximity between the government and the newspaper. The variable takes a 0, 1, 2 or 3 value, which is constant for each newspaper throughout each presidential period. All regressions include newspaper fixed effects. Column (2) and (3) also include month fixed effects. Column (3) also includes ideological proximity fixed effects.

Description of the Variables

Front Pages: The total amount of space in the front pages, in a particular newspaper and in a particular month, devoted to covering corruption scandals of the current administration. The unit is the number of front pages (0 to 30). Source: Authors' calculation.

Government Advertising: Total spending per month on advertising in each newspaper by the government, in millions of pesos of the year 2000. Source: *Fundación Poder Ciudadano*.

Front Pages Other: The total amount of space in the front pages, in a particular newspaper and in a particular month, devoted to covering scandals by trade unions, the police, the church and the "piqueteros" (group of low-income and unemployed workers). The unit is the number of front pages (0 to 30). Source: Authors' calculation.

Front Pages Scandal: The total amount of space in the front pages, in a particular newspaper and in a particular month, devoted to covering a particular corruption scandal of the current administration. The unit is the number of front pages (0 to 30). Source: Authors' calculation..

Front Pages Incidents: The total amount of space in the front pages, in a particular newspaper and in a particular month, devoted to covering corruption scandals of the current administration that were reported by only one newspaper. The unit is the number of front pages (0 to 30). Source: Authors' calculation.

Front Pages Affaires: The total amount of space in the front pages, in a particular newspaper and in a particular month, devoted to covering corruption scandals of the current administration that were reported by two or more newspapers. The unit is the number of front pages (0 to 30). Source: Authors' calculation.

Scoop: The total number of corruption scandals of the current administration first reported by each newspaper per month. Source: Authors' calculation.

Hide: The total number of corruption scandals of the current administration already reported by at least one newspaper that have not yet been reported by each newspaper per month. Source: Authors' calculation.

Front Pages Scandal Mean: The monthly average amount of space in the front pages, in a particular newspaper, devoted to covering a particular corruption scandal of the current administration. The average is taken over the period that goes since the scandal was first reported by any newspaper until the end of the presidential period. The unit is the number of front pages (0 to 30). Source: Authors' calculation.

Circulation: Number of editions per month sold by newspaper, in millions. Source: *Instituto Verificador de Circulaciones.*

Ideological Proximity: ideological proximity between the government and the newspaper. The variable takes a 0, 1, 2 or 3 value, which is constant for each newspaper through the whole presidential period. Source: Authors' calculation.

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