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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 0.31 of a front page per month, or 25% of a standard deviation in our measure of coverage. The results are robust to the inclusion of newspaper, month, newspaper*president and individual-corruption scandal fixed effects as well as newspaper*president specific time trends.

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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 , Reuter and Zeitzewitz, 2006). 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. The size seems large: a one standard deviation increase in government advertisement is associated with a reduction in coverage of corruption scandals by 0.31 of a cover per month, or 25% of a standard deviation in our measure of front page coverage. Our results are robust to the inclusion of newspaper and month fixed effects and of government-newspaper interactions, suggesting that within a particular newspaper, and during a particular government, adverse coverage is negatively correlated with government advertising. This solves the central identification problem in the literature, whereby media (newspapers) that are close to the advertiser (government) give favorable coverage and friendly advertisers (governments) give more funds to media (newspapers) that are

[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.

ideologically close and none of it is motivated by material concerns. Similar results obtain when using alternative measures of coverage that allow us to control for news event dummies (i.e., scandal fixed effects). Given that we have data on individual news events, we are able to study coverage of scandals using alternative measures, such as the number of scandals the newspaper has not yet reported but that others already have (*Hide*), front page coverage of corruption scandals that were reported by just one newspaper (which we call *Front Pages Incidents*) and coverage regarding scandals that were widely reported (by at least two newspapers, which we call *Front Pages Affaires*). We also find that the correlation between government transfers and the reporting of corruption disappears when we focus on the advertising that is not channeled through a government centralized agency or when we study the coverage of scandals by non-political actors.

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. Two papers that are particularly close to our study given their focus on the effect of advertising on coverage, are Reuter and Zitzewitz (2006) and Gambaro and Puglisi (2009). Both papers study the extent to which the media biases its content to benefit private sector advertisers, a common claim in the

[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).

popular press for which there was no systematic evidence (see, for example, Baker, 1994 and Hamilton, 2004). 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. Gambaro and Puglisi (2009) match newspaper coverage of a sample of companies in Italy with the amount of advertising each company has acquired. They find that the number of articles mentioning that company is positively associated with the amount of advertising, especially when interacted with data on the press releases issued by the companies. Finally, Puglisi and Snyder (2008) use automatic keyword-based searches to study the relative frequency with which close to 200 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]

Some 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. 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.[5] We note that with 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).

[4] Gentzkow, Glaeser and Goldin (2006) study how the coverage of scandals changed over time in the US.
[5] This is plausible and there is evidence that legal decisions in the US take precisely this view 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]). But the alternative assumption of readers consuming only one publication is also attractive in some settings (see for example the discussion in Mullainathan and Shleifer, 2005).

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).

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.

I. 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

[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.

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 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

[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)

large business interests). Examples of this strategy are observed in Argentina during our sample period. For example, an article in the *The Economist* (2006) 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 licenses. Perhaps not surprisingly, *Clarín*, Argentina's biggest-selling daily has tended to back the government."

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, 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

[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).

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 lower 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 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*, but we note that radio and TV shows reproduce (in some form) the content of these newspapers, so the true influence of these newspapers is not proportional to their circulation.[10] For each day in our sample period, and for each newspaper, a research assistant measured (using a computer) the area covered by any front page 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 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. 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 2A) reveals that over 150 of them were reported in only one newspaper. It is possible to construct a simple measure of the speed with which newspapers break negative news for the government. *Hide* is 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.

[10] In several early morning and late night TV shows it is common that the main headlines (front page) of these newspapers are read, with equal time given to each. In some of them these are discussed in some detail.

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,* the total spending per month on advertising in each newspaper by the government, in millions of pesos of the year 2000. 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). Table B includes information regarding the 20 most expensive advertising campaigns over the 2000-2007 period. We observe that government advertisement covers a wide range of activities which include requests for bids on government contracts, public announcements, the promotion of government accomplishments and even political statements. In addition, Figure 2B reveals that it is extremely rare for the government to publish a specific advertisement in all four newspapers. In fact, this happened for less than 500 out of the 5,313 advertising campaigns in the 2000-2007 period.

Most contracting by the government in the advertising area is handled by *Télam*, the national government's news agency, which reports directly to the president's office. Government agencies make a request to *Télam*, which then decides where to place the ads. The legal framework for the placement of ads by *Télam* (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). The few agencies that handle their advertising autonomously are the *National Tourism Office*, the *National Lottery*, the *Federal Administration for Public Income* and the *National Bank*.[11] In Table C we explore the advertising allocation for both types of national agencies. The discrepancies are significant for *Ámbito* and *La Nación* during the *Duhalde* presidency and for *Clarín*, *La Nación* and *Página 12* during the Kirchner presidency.[12] We will study this issue in more detail further in the paper.

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

[11] The exempted national agencies are able to contract their own advertising (including production and space), independently of Télam, and to define their own advertising processes. (ADC/Justice Initiative, 2005)
[12] We do not have information at the advertising campaign level for the Menem presidency.

process. This NGO is quite influential in Argentina, and its involvement makes it more likely that the data is high quality.[13] 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.

Figure 3 presents the raw data on total corruption coverage per month (*Front Pages*) and total spending on advertising by the government per month (*Government Advertising*). 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. 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). It is also apparent that government advertising goes up over time. The most likely explanation is the stronger fiscal position of the government following the 2001 crisis. These changes in government advertising where also broadly in proportion to the ideological proximity of the government and the newspaper (calculated using data on the ideology of the government voters and the newspaper's readers). *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 $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)

Figure 4 plots for each newspaper the residuals of *Government Advertising* and *Frontpage* after regressing both variables on newspaper and month dummies. Focusing on the residuals allows for an easier comparison of the data. The large month and newspaper fixed effects would otherwise overshadow the within variation in *Frontpage* and *Government Advertising*. It is noticeable from the data that government

[13] 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.

advertising *within* a newspaper changes even *within* a presidential period. For example, we observe that government spending on *Clarín* plummets during the middle of the Kirchner administration. Note that in developed countries it is natural to consider a presidential period as only one regime, thus a control for newspaper-president interactions would not leave variation of *Government Advertising*. In contrast, in our sample, 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). Newspapers also change their relative reporting over time *within* a presidency (for example, *Ámbito* tends to report less corruption scandals in its front page than other newspapers during the middle of De la Rua government).

To obtain a more detailed analysis of the interactions between each newspaper-president pair we regress *Front Pages* and *Government Advertising* on month, newspaper and newspaper-president interactions dummies. Here the newspaper-De la Rua interactions are the excluded categories. Figures 5 and 6 show the 95% confidence intervals for the newspaper-president interactions fixed effects. Regarding the assignment of government advertising the *Página 12*-Kirchner and *Clarín*-Kirchner interactions stand out in comparison to *La Nación*-Kirchner and specially *Ámbito*-Kirchner fixed effects (Figure 5). In relation to the reporting of corruption we observe significant changes in the behavior of the two smallest and most ideological newspapers (Figure 6). Since the contents of newspapers (large or small) affect the television and radio agenda, the government might be interested in silencing even the smallest and most ideologically distant newspaper. In comparison to the De la Rua period the *Página 12*-president interaction is larger (more reporting) during the Menem administration and smaller during the Duhalde and Kirchner governments. With respect to *Ámbito* we observe a larger interaction effect in the Duhalde and Kirchner presidencies.

II.c. Empirical Strategy

We start by estimating an OLS regression of the form

$$Front\ Pages_{mj} = \alpha\ \mathrm{Ln}(Government\ Advertising_{mj}+1) + \theta_j + \phi_m + \mu_{mj}$$

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; ϕ is a

month dummy and μ is an error term. We study other specifications, including one which adds newspaper-president interactions dummies.[14][15]

The second approach exploits information on the individual scandals. The first is similar to the specification above, but instead use *Hide*, *Front Pages Incidents* or *Front Pages Affaires* as the dependent variable. The second is an OLS regression of the form

$$Front\ Pages\ Scandal_{smj} = \alpha\ \mathrm{Ln}(Government\ Advertising_{smj}+1) + \theta_j + \phi_m + \lambda_s + \omega_{smj}$$

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;* λ is a scandal fixed effect and ω is an error term. We also include other specifications, including one which adds to the above equation different dummies for each different newspaper under each president.

Note that our measure of government influence is restricted to financial influence and leaves out an enormous array of other strategies that range from physical intimidation to access to information (which are discussed in section *IIa).*[16] 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. These alternative measures are unlikely to be perfectly correlated and/or there may be some substitution between alternative forms of influence (the standard errors may be too large and there may be a downward bias in the 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 α=0, which occurs when the media is independent and unaffected by government advertising.

One alternative is that α <0, with some variations within this regime. On the one hand, a negative correlation could be revealing a situation where the media is "motivated" by money and tilts reporting to favor the government in exchange for

[14] 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).

[15] Similar results are obtained if we do not use a logarithm specification over *Government Advertising.*

[16] 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 in Argentina, 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).

government advertising. On the other hand, there is the possibility that α is identifying a different relationship as outlined by previous work in this literature: firms (or governments in our case) of a particular type may direct advertising towards particular media to reach particular readers without expecting a *quid pro quo* from the latter; and the media of particular type may appreciate, and hence give particular coverage to these firms (or governments) (see, for example, Reuter and Zitzewitz, 2006 and, in particular, Anand and Shachar, 2004). Fortunately, our data set is sufficiently rich as to allow us to include government-newspaper interaction fixed effects that filters out the main source of potential bias: and ideological proximity fixed effect. One further possibility exists: the bias outlined above may operate at the level of particular news events. In that case, we have the possibility of including government-newspaper-scandal fixed effects.

An alternative is $\alpha>0$, which is strange from the point of view economic incentives: higher transfers go to the newspapers that give wider coverage to corruption scandals.[17]

II. Results

III.a. Main 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 all the regressions included in the paper we use Newey-West standard errors to allow for autocorrelation and heteroskedasticity.[18]

In column (1) we find that the coefficient on *Government Advertising* is negative and significant at the 1% level, indicating that coverage of corruption scandals within newspapers is lower when government spending on advertising is high (we also include a set of month dummies). Column (2) adds a set of newspaper times president interaction dummies (i.e., includes a set of 16 dummies, one for each newspaper-president pair). The coefficient on *Government Advertising* in column (2) is negative and significant at the 1%, suggesting that even within a certain newspaper and president regime, reporting of government corruption occupies less front page

[17] Perhaps to avoid criticism of attempting to influence the media (although in such a scenario $\alpha=0$ 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 (anticipating the latter's desire to appear unbiased).
[18] Similar results are obtained if we use Prais-Winsten standard errors.

space when government advertising is relatively generous. It is worth noting that the coefficient drops to half of its value after including the interaction dummies. This result suggests that the ideological proximity between government and newspaper is also a factor in explaining both the distribution of advertising and the reporting of corruption scandals.

In order to get some sense of the size of the correlation, we note that a one standard deviation increase in government advertising (0.26 million pesos of 2000) is associated with a reduction in coverage of corruption scandals in the month by 0.31 of a cover, or 25% of a standard deviation in *Front Pages*.[19]

Further tests suggest that these findings are robust. While the next subsection explores this in more depth, here we anticipate some simple results. In column (3) we add a time trend for each newspaper-president pair. The time trend consist of a linear function over the number of months the government has been in office, which is then interacted with the 16 newspaper-president dummies (similar results are obtained with a quadratic time trend). The coefficient of interest in column (3) is again negative and significant at the 10% level.

For the 2000-2007 period it is possible to separate *Government Advertising* into advertising executed or not through the centralized agency, *Télam*. It is reasonable to assume that the agencies that manage their advertising autonomously will put more weight on their own marketing priorities and less weight on the national government political agenda.[20] In Table 2 we repeat the regressions performed in Table 1 replacing *Government Advertising* by either the advertising channeled through *Télam* or by the resources placed by the exempted national agencies. The results suggest that only the government transfers managed by the centralized agency are correlated with the reporting of corruption.

In Table 3 we repeated the regression included in column (2) 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 specification where the Kirchner presidency is excluded. Note that in this specification the number of observations is almost halved. 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*. In other words, coverage of scandals in the

[19] We evaluate the increase in *Government Advertising* at its mean value (0.23).
[20] This assumption is supported by the fact that, as its conflict with the media intensified, the national government decided in 2009 to eliminate these exceptions and force all federal organisms to channel the advertising through a centralized agency.

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 absolute terms when we exclude Kirchner.

The first column in Table 4 explores the timing by including a lagged measure 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. It is also possible that the advertising-coverage connection takes place at a lower frequency. To provide a partial evaluation of this possibility in columns (2) through (6) we run the basic specification using longer lags. 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 is obviously wrong.[21]

Column (7) in Table 4 includes a measure of lagged coverage. It reveals that the autoregressive component is not particularly large (it is slightly smaller than a quarter). The main coefficient on *Government Advertising* is negative and significant at the 5%, suggesting that after controlling for previous coverage, current coverage is negatively correlated with current *Government Advertising*.

Within the theories of "motivated" reporting (by which we mean reporting that is not independent of monetary transfers; see section *II.c.*), both corruption (whereby the government offers money to newspapers to reduce adverse coverage) and extortion (whereby a newspaper exaggerates unfavorable coverage until the government pays up) are possible. Note that, in both cases, the negative correlation we are uncovering means that the discretional regime for making government transfers to newspapers introduces distortions in reporting.[22] Nevertheless, the Granger analysis performed in Table 5 suggests that it is the government the one that leads and not the other way around.

Finally, Table 6 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.[23] There are 321 scandals involving

[21] It would be possible to disaggregate the advertising data at the daily level (the data from *Poder Ciudadano* is tabulated per advertisement, but it includes the month and not the date in which the advertisement was published). This would allow us to perform the regressions in Table 1 at the daily level.
[22] Note that in models with full information the estimated effect would be identical under either form of motivated reporting. 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 firms that spend relatively more on advertising).
[23] This group known as "piqueteros" has become a mildly important social actor in Argentina (it is like a trade union of the unemployed).

these groups, which are covered in the front page 941 times. The correlations reported in Table 6 are statistically insignificant, suggesting that not all coverage of scandals is negatively correlated with government transfers.

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 different measures of coverage of corruption.

Table 7 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*). The coefficient on *Incidents* is negative and significant at the 1% level in column 1 and at the 18% level in column 2. Meanwhile the coefficients on *Affaires* are both negative and significant at the 1% level. We know that by construction the coefficients on both *Affaires* and *Incidents* add up to the corresponding coefficient when *Front Pages* is used as the dependent variable. Using the coefficients in column 2 in Table 1 and in columns 2 and 4 in Table 7, we observe that *Affaires* accounts for 81% of the estimated correlation (0.81=1.33/1.64) and *Incidents* accounts for only 19% (0.19=0.31/1.64). Therefore, we detect that most of the computed correlation is originated from the reporting of scandals extensively reported in the media.

Table 8 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 (1-5) include newspaper and month fixed effects 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 (2-5) include a president-newspaper interaction. In columns 3 through 5 we add a time trend for each newspaper-president pair. Scandals fixed effects are included in columns 4 and 5. To see the size of the effect, note that the coefficient on regression (5), which also controls for newspaper-scandal interactions, is -0.017. This suggests that an increase in *Government Advertising* of one standard deviation is associated with a decrease in coverage of a particular scandal of 2.7% of a standard deviation in the *Front Pages Scandal* variable.

Table 9 looks at a measure of the speed of reporting. *Hide* is 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.[24] We do not find a robust and significant association between our measure of coverage (*Hide*) and *Government Advertising*. This result suggests that the correlation between government advertising and the reporting of corruption is not driven by the decision concerning when to first report a scandal but by the amount of space devoted to its treatment over time. In the next section we study the relation between reporting of corruption and newspaper readership as a possible explanation for this result.

III. Discussion

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.[25] Table 10 presents the correlation between circulation and *Front Pages* or *Hide*. The results suggest that there is a positive and statistically significant relationship between circulation and corruption coverage. Using the coefficient in column (1) in Table 10, we note that one standard deviation increase in *Front Pages* is associated with 1.35 million extra papers sold in the month. Meanwhile, one standard deviation decrease in *Hide* is associated with a 2.57 million increase in circulation per month.[26] The higher cost in terms of readership associated with not ever having reported scandals could explain the distinct relation between *Government Advertising* and *Front Pages* versus *Government Advertising* and *Hide* documented in Table 1 and 9 respectively. Newspapers may be prone to decrease the number of front pages and space devoted to a corruption scandal by the government, but due to a higher

[24] We also experimented with other definitions of *Hide* and reached similar conclusions. For example, similar results obtain if we define the variable only for scandals that were reported by at least two papers.
[25] 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.
[26] Note that these amounts are relatively large since average monthly circulation for *Clarín* in our sample is 13.54 millions, and for *La Nación* is 5.06 millions.

readership loss they may be hesitant to delay the reporting of a scandal that has already appeared in others newspapers.

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;[28] 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.[29] 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

[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 historical data on circulation).

[28] While we have not produced a full-fledged theory of what is driving changes in government advertising, we point out that the inclusion of government-newspaper interactions solves the main problem of identification in the literature whereby government ideology drives favorable coverage and newspaper ideology drives funds and there is no quid-pro-quo (even implicitly). To test this hypothesis we construct a variable that interacts the government's revenue level and a government-newspaper ideological proximity variable. The ideological proximity variable is created by using the space in each newspaper devoted to human rights abuses and the left-right self-placement by the government voters in the *Latinobarometro Survey*. As expected the interaction variable has a positive and significant correlation with the advertising managed by *Télam*. Moreover, the correlation disappears once we focus, instead, on the advertising not channeled through the centralized agency. Finally, using the government's fiscal position times ideological proximity as an instrument for *Government Advertising* suggests that a casual interpretation of the main results of the paper is appropriate. For example, the coefficient in column 1 in table 1 is -6.081 (standard error=1.271).

[29] 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.

which may affect the reader's political positions, at the very least because it influences the salience of particular pieces of news and 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 beliefs.[30] 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, hard measures 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 changes 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.

IV. 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, namely that concerned with monetary transfers to newspapers and their coverage of negative news events.

We focus on coverage of government corruption scandals in the front page of the main four newspapers in the country. Advantages of focusing on corruption include that news events can be clearly classified as favorable or unfavorable to the government (independently of its political color), and that it is a topic that appears with relative frequency in the front page, with substantial variation in the amount of space devoted to it, both over time and across newspapers. Thus, the proportion of the front page occupied by the report on the current government's corruption gives

[30] 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*).

one measure of the intensity of negative 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 month fixed effects, as well as a set of other specifications. For example, the negative correlation survives the inclusion of a president-newspaper interaction dummies, suggesting that even within a certain newspaper and within a certain presidential period, front page coverage of news events that are unfavorable to the government is smaller when transfers are relatively high. The fact that the main coefficient is halved when we include the interactions fixed effects suggests that the ideological proximity between government and newspaper is also important to both the distribution of advertising and the reporting of corruption scandals. Nevertheless, the size continues to be 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 0.31 of a cover, or 25% of a standard deviation in our measure of front page coverage.

We also construct several measures of coverage that exploit information at the scandal level, something that allows us to present a broader picture of how the government's discretional advertising regime biases coverage. These measures include *Incidents* (coverage of scandals that were reported by just one newspaper), *Affaires* (coverage of scandals that were reported by at least two newspapers) and *Hide* (which counts the number of scandals already reported by some other newspaper but not yet reported by this newspaper). We provide a measure of the extent to which biased coverage is costly to newspapers in terms of reduced circulation for about half our sample. Finally, we find that only the government transfers that are channeled through a centralized agency are associated with a reduction in the reporting of corruption and also that the coverage of scandals by non-political actors is not correlated with government advertising.

Overall, our findings are consistent with a model where newspapers bias reporting in favor of the government in exchange for transfers without prohibitively large financial costs arising from reduced circulation.

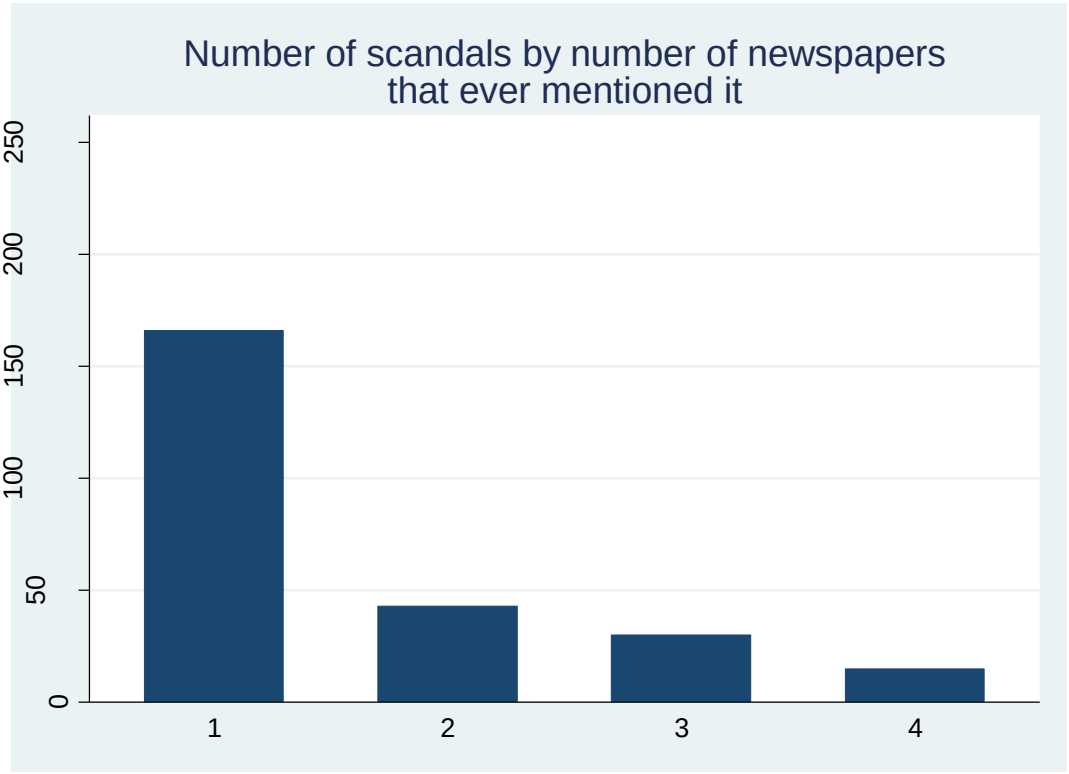
Scandal A

(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.



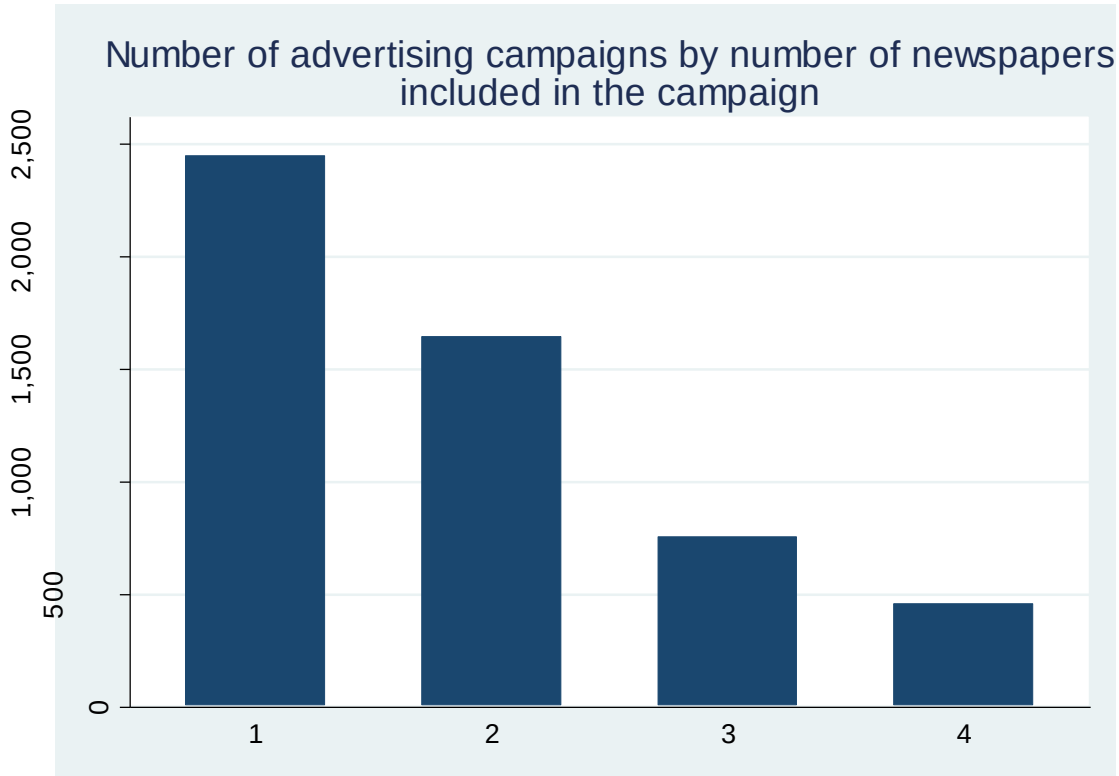


Figure 2: Properties of coverage of corruption scandals and advertising by the government

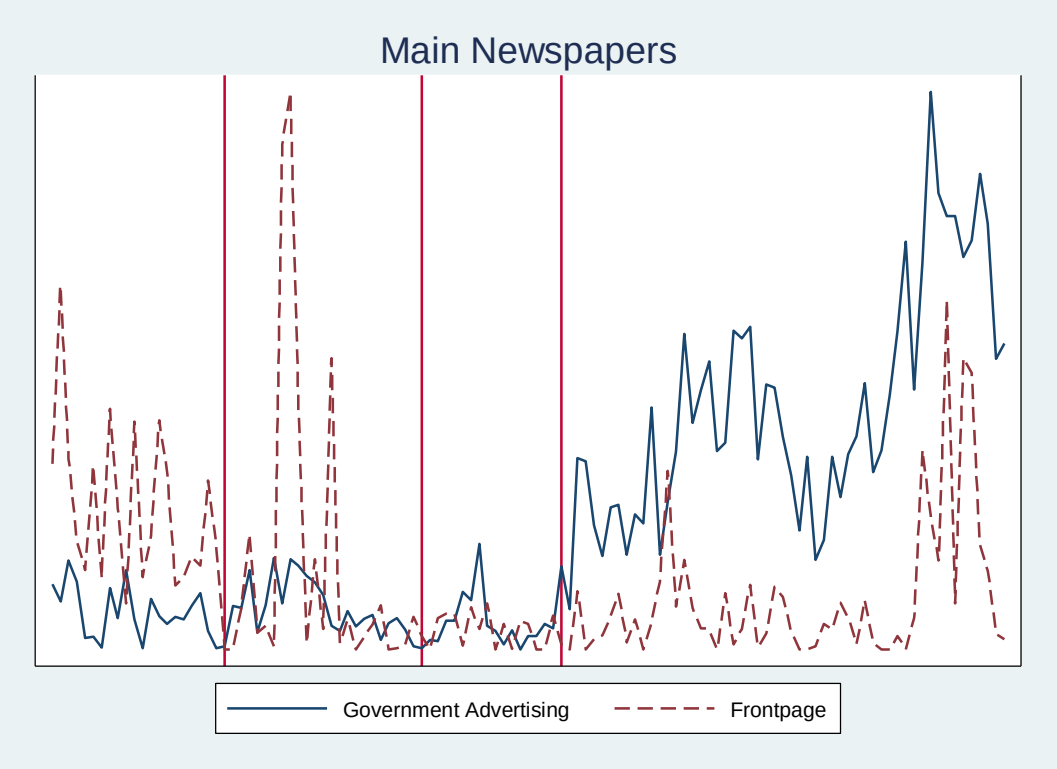


Figure 3: *Government Advertising* and *Frontpage* aggregated values for the four newspapers.

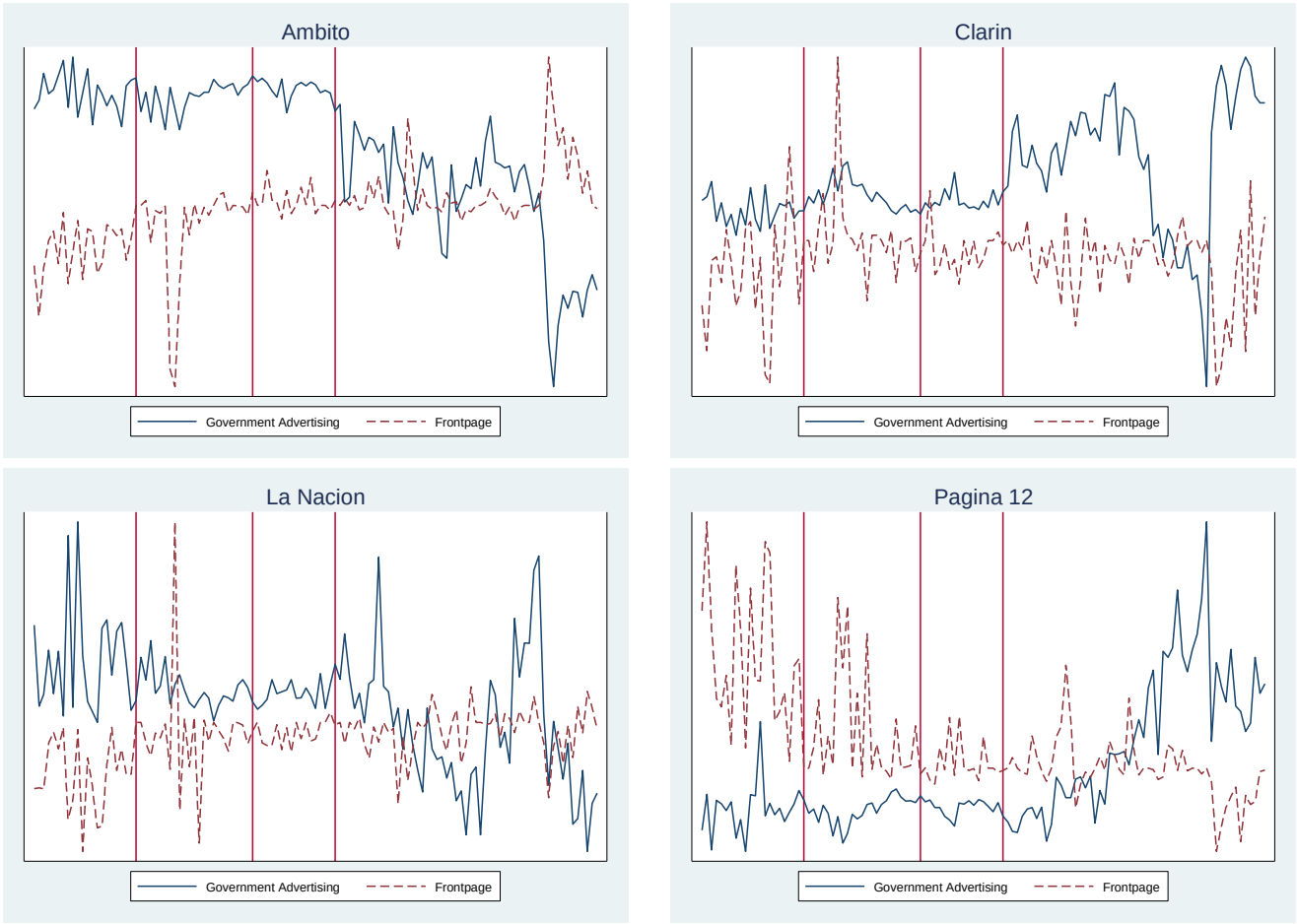


Figure 4: Residuals of *Government Advertising* and *Frontpage* after regressing both variables on newspaper and month dummies.

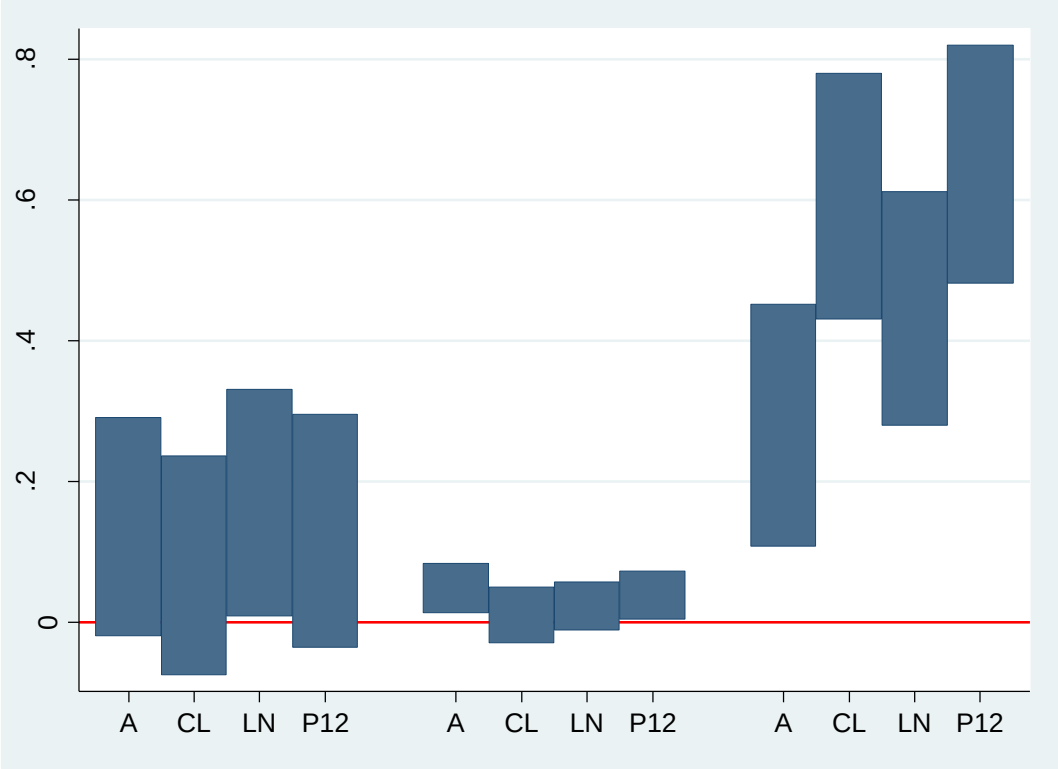


Figure 5: Newspaper-president interactions fixed effects -95% confidence intervals- obtained from an OLS regression of *Government Advertising* on newspaper, month and newspaper-president interactions dummies. The excluded categories are the interactions for the De la Rua presidency.

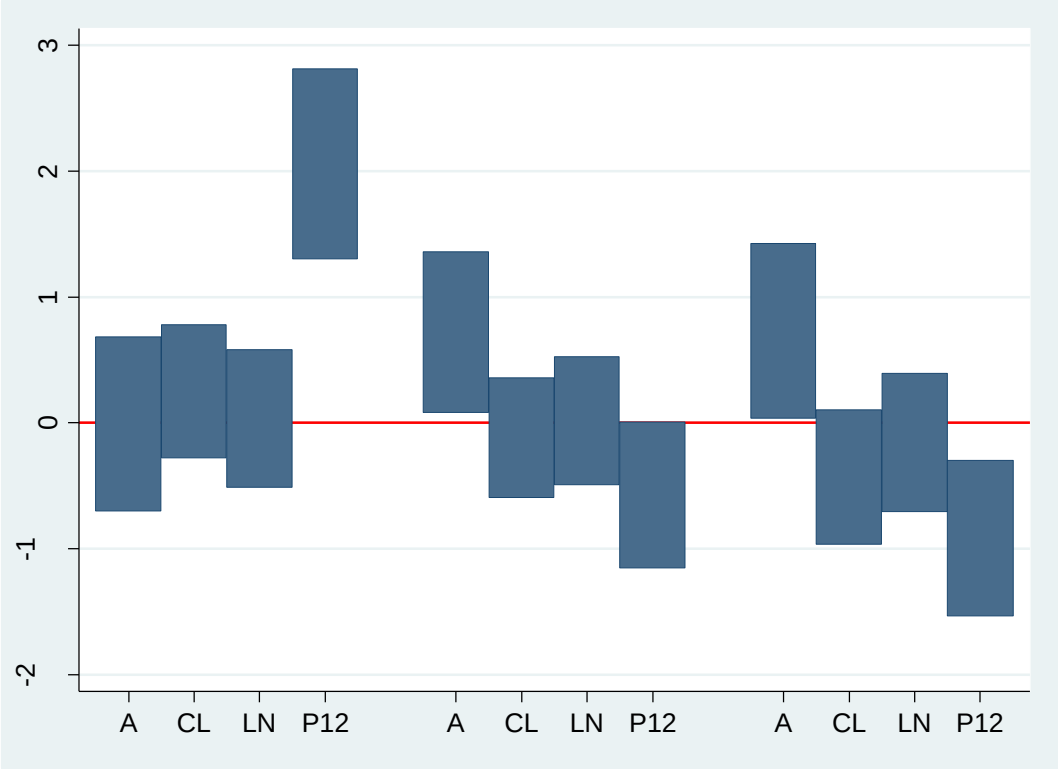


Figure 6: Newspaper-president interactions fixed effects -95% confidence intervals- obtained from an OLS regression of *Frontpage* on newspaper, month and newspaper-president interactions dummies. The excluded categories are the interactions for the De la Rua presidency.

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: Top 20 Government Advertising Campaigns according to Total Spending (Period 2000-2007)

Organism	Type	Title	Month	Total spending	Nr of appearances
Ministry of Economy	Bid	Bond exchange	Jan-05	0.69	21
National Bank	Achievements	Institutional	Dec-04	0.50	27
Minister of Federal Planning and Public Utilities	Achievements	Public works	Sep-04	0.40	11
Ministry of Economy	Announcement	Central wholesale fruit and vegetable market	Feb-07	0.40	10
Ministry of Economy	Announcement	Central wholesale fruit and vegetable market	Mar-07	0.40	12
Ministry of Economy	Announcement	Central wholesale fruit and vegetable market	Apr-07	0.40	12
Ministry of Economy	Announcement	Fruit and vegetables	Jan-07	0.32	13
Presidency	Achievements	First year in office	May-04	0.31	13
Minister of Labor, Employment and Social Security	Achievements	Reduction in under the counter jobs	Mar-07	0.31	12
Minister of Federal Planning and Public Utilities	Achievements	Road construction	May-05	0.30	5
Minister of the Provinces	Announcement	Safety	Apr-04	0.29	8
Presidency	Achievements	First thirty days in office	Jun-03	0.28	4
Minister of Federal Planning and Public Utilities	Achievements	House construction	Sep-04	0.27	7
Minister of Education	Achievements	Law of Education	Sep-05	0.26	9
Secretary of Culture	Announcement	Congress of Spanish	Nov-04	0.26	20
Social Security Institute	Bid	Medical services	Feb-00	0.25	7
Agency for the Control of Highways Concessions	Bid	Highway	Jul-06	0.25	8
Federal Administration of Public Income	Announcement	Tax education	Mar-04	0.24	1
Presidency	Political Statement	Protests organized by farm unions	Dec-06	0.23	10
Secretary of Culture	Announcement	Credits	Apr-00	0.23	7

Note: Total spending is in millions of pesos of the year 2000.

TABLE C:

Average of the Fraction of Government Advertising assigned to each Newspaper over the different Advertising Campaigns
(Period 2000-2007)

President	Newspaper	Advertising not conducted by TELAM agency	Advertising conducted by TELAM agency	Difference
De la Rúa	*Ámbito*	0.133 (0.035)	0.115 (0.009)	0.017 (0.068)
	Clarín	0.524 (0.084)	0.496 (0.014)	0.028 (0.101)
	La Nación	0.247 (0.064)	0.297 (0.012)	-0.050 (0.087)
	Página 12	0.094 (0.062)	0.089 (0.008)	0.004 (0.059)
Duhalde	*Ámbito*	0.178 (0.043)	0.079 (0.012)	0.099** (0.041)
	Clarín	0.475 (0.055)	0.486 (0.024)	-0.010 (0.075)
	La Nación	0.220 (0.055)	0.349 (0.023)	-0.128* (0.071)
	Página 12	0.124 (0.049)	0.077 (0.012)	0.047 (0.041)
Kirchner	*Ámbito*	0.065 (0.010)	0.062 (0.002)	0.002 (0.009)
	Clarín	0.717 (0.018)	0.369 (0.005)	0.347*** (0.019)
	La Nación	0.135 (0.014)	0.257 (0.005)	-0.121*** (0.017)
	Página 12	0.081 (0.011)	0.309 (0.005)	-0.228*** (0.019)

Note: Standard errors in parenthesis * denotes significant at the 10% level, ** denotes significant at the 5% level and *** denotes significant at the 1% level.

Table D: 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
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
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)
Ln(*Government Advertising*+1)	-3.303*** (0.682)	-1.652*** (0.643)	-1.008* (0.589)
Fixed Effects			
Newspaper	YES	YES	YES
Month	YES	YES	YES
Newspaper x president	NO	YES	YES
Newspaper x president x time trend	NO	NO	YES
Adjusted R^2	0.45	0.60	0.62
N of Observations	466	466	466
Max Number of Months	117	117	117
Max Number of Newspapers	4	4	4

Note: Each column is a separate OLS regression (Newey-West standard errors in parenthesis). * denotes significant at the 10% 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.

TABLE 2:

Total Coverage of Corruption Scandals and Government Advertising

	(1) Télam	(2) Télam	(3) Télam	(4) Autonomous	(5) Autonomous	(6) Autonomous
Ln(*Government Advertising*+1)	-2.398*** (0.707)	-1.718*** (0.679)	-1.129* (0.610)	-2.283 (1.779)	0.115 (1.454)	0.007 (1.483)
Fixed Effects						
Newspaper	YES	YES	YES	YES	YES	YES
Month	YES	YES	YES	YES	YES	YES
Newspaper x president	NO	YES	YES	NO	YES	YES
Newspaper x president x time trend	NO	NO	YES	NO	NO	YES
Adjusted R^2	0.51	0.54	0.55	0.46	0.52	0.54
N of Observations	384	384	384	384	384	384
Max Number of Months	96	96	96	96	96	96
Max Number of Newspapers	4	4	4	4	4	4

Note: Each column is a separate OLS regression (Newey-West standard errors in parenthesis). * denotes significant at the 10% 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.

TABLE 3:

Total Coverage of Corruption Scandals and Government Advertising

	Newspaper excluded				President excluded			
	Ámbito	*Clarín*	*La Nación*	*Página 12*	*Menem*	*De la Rúa*	*Duhalde*	*Kirchner*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Ln(*Government Advertising*+1)	-0.592* (0.338)	-3.120*** (1.200)	-2.005*** (0.772)	-1.520** (0.778)	-1.740*** (0.679)	-1.694*** (0.652)	-1.660*** (0.648)	-0.531 (1.704)
Adjusted R^2	0.76	0.54	0.56	0.49	0.54	0.62	0.60	0.63
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 (Newey-West 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. All regressions include newspaper, month and newspaper-president interactions fixed effects.

TABLE 4:

Timing: Lagged Government Advertising and Lagged Coverage of Corruption

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Front Pages (t-1)							0.236** (0.100)
Ln(*Government Advertising*+1)	-1.459* (0.873)	-2.159** (1.005)	-1.943* (1.047)	-1.822* (1.032)	-1.749* (1.016)	-1.704* (1.000)	-1.277** (0.548)
Ln(*Government Advertising*$_{(t-1)}$+1)	-0.336 (0.759)						
Ln(*Government Advertising*$_{(t-1-t-2)}$+1)		0.442 (0.611)					
Ln(*Government Advertising*$_{(t-1-t-3)}$+1)			0.201 (0.535)				
Ln(*Government Advertising*$_{(t-1-t-4)}$+1)				0.103 (0.476)			
Ln(*Government Advertising*$_{(t-1-t-5)}$+1)					0.054 (0.443)		
Ln(*Government Advertising*$_{(t-1-t-6)}$+1)						0.023 (0.420)	
Adjusted R^2	0.60	0.59	0.58	0.58	0.58	0.58	0.62
N of Observations	460	454	448	442	436	430	462
Max N of Months	116	115	114	113	112	111	117
Max N of Newspapers	4	4	4	4	4	4	4

Note: Each column is a separate OLS regression (Newey-West standard errors in parenthesis). * denotes significant at the 10% level and ** denotes significant at the 5% 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-t-i)* takes the value of *Government Advertising* in the previous *i* months. *Front Pages (t-1)* takes the value of *Front Pages* in the previous month. All regressions include newspaper, month and newspaper-president interactions fixed effects.

TABLE 5:

Granger Analysis of Coverage of Corruption and Government Advertising

	Dependent Variables					
	Front Pages			Government Advertising		
	(1)	(2)	(3)	(4)	(5)	(6)
Front Pages (t-1)	0.237** (0.101)	0.206* (0.110)	0.214* (0.115)	-0.003 (0.003)	-0.002 (0.003)	-0.001 (0.003)
Front Pages (t-2)		0.049 (0.077)	0.061 (0.076)		0.000 (0.003)	0.001 (0.003)
Front Pages (t-3)			-0.044 (0.074)			-0.000 (0.003)
F value for Front Pages lags	5.50**	3.35**	2.20*	0.96	0.26	0.08
Ln(*Government Advertising*+1) *(t-1)*	-0.916* (0.491)	-1.345 (0.885)	-1.208 (0.995)	0.689*** (0.094)	0.512*** (0.103)	0.497*** (0.118)
Ln(*Government Advertising*+1) *(t-2)*		0.631 (0.908)	1.445 (0.990)		0.268** (0.122)	0.241** (0.124)
Ln(*Government Advertising*+1) *(t-3)*			-1.307 (1.000)			0.058 (0.076)
F value for Advertising lags	3.48*	1.85	2.73**	52.72***	28.99***	19.96***
N of Observations	460	456	450	460	454	448
Max N of Months	116	115	114	116	115	114
Max N of Newspapers	4	4	4	4	4	4

Note: Each column is a separate OLS regression (Newey-West 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. All regressions include newspaper, month and newspaper-president interactions fixed effects.

TABLE 6:

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

	(1)	(2)
Ln(*Government Advertising*+1)	-0.373 (0.258)	-0.489 (0.427)
Fixed Effects		
Newspaper	YES	YES
Month	YES	YES
Newspaper x president	NO	YES
Adjusted R^2	0.46	0.48
N of Observations	466	466
Maximum N of Months	117	117
Maximum N of Newspapers	4	4

Note: Each column is a separate OLS regression (Newey-West standard errors in parenthesis). 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.

TABLE 7:

Coverage of Corruption (Incidents and Affaires) and Government Advertising

	(1) *Incidents*	(2) *Incidents*	(3) *Affaires*	(4) *Affaires*
Ln(*Government Advertising*+1)	-0.910*** (0.251)	-0.314 (0.226)	-2.393*** (0.517)	-1.338*** (0.490)
Fixed Effects				
Newspaper	YES	YES	YES	YES
Month	YES	YES	YES	YES
Newspaper x president	NO	YES	NO	YES
Adjusted R^2	0.09	0.33	0.53	0.60
N of Observations	466	466	466	466
Max N of Months	117	117	117	117
Max N of Newspapers	4	4	4	4

Note: Each column is a separate OLS regression (Newey-West standard errors in parenthesis). *** denotes significant at the 1% level. In columns (1) and (2), 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 (3) and (4), 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.

TABLE 8:

Coverage of Individual Corruption Scandals and Government Advertising

	(1)	(2)	(3)	(4)	(5)
Ln(*Government Advertising*+1)	-0.077*** (0.014)	-0.031** (0.013)	-0.020* (0.011)	-0.020* (0.011)	-0.017* (0.010)
Fixed Effects					
Newspaper	YES	YES	YES	YES	YES
Month	YES	YES	YES	YES	YES
Newspaper x president	NO	YES	YES	YES	YES
Newspaper x president x time trend	NO	NO	YES	YES	YES
Scandal	NO	NO	NO	YES	YES
Scandal x newspaper	NO	NO	NO	NO	YES
Adjusted R^2	0.02	0.02	0.03	0.10	0.12
N of Observations	17,920	17,920	17,920	17,920	17,920
Max N of Scandals	254	254	254	254	254
Max N of Months	117	117	117	117	117
Max N of Newspapers	4	4	4	4	4

Note: Each column is a separate OLS regression (Newey-West 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*, 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.

TABLE 9:

Speed of Coverage of Corruption Scandals and Government Advertising

	(1) *Hide*	(2) *Hide*
Ln(*Government Advertising*+1)	30.089*** (5.418)	-0.015 (2.266)
Fixed Effects		
Newspaper	YES	YES
Month	YES	YES
Newspaper x president	NO	YES
Adjusted R^2	0.80	0.93
N of Observations	466	466
Max N of Months	117	117
Max N of Newspapers	4	4

Note: Each column is a separate OLS regression (Newey-West standard errors in parenthesis). *** denotes significant at the 1% level. The dependent variable is *Hide*, the number of "hides" (defined as a corruption scandal that has already broken but is 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.

TABLE 10:

Newspaper Circulation and Coverage of Corruption

	(1)	(2)
Front Pages	1.087*** (0.379)	
Hide		-0.139*** (0.017)
Fixed Effects		
Newspaper	YES	YES
Month	YES	YES
Adjusted R^2	0.92	0.94
N of Observations	234	234
Maximum N of Months	117	117
Maximum N of Newspapers	2	2

Note: Each column is a separate OLS regression (Newey-West standard errors in parenthesis). *** 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. *Hide* is the number of "hides" (defined as a corruption scandal that has already broken but is not yet reported by the newspaper) per month.

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.

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.

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

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