

“Delegated Information Choice”
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News, Media Focus and Coordination

Motivation:

- Most imperfect information models have either
(a) information provided exogenously; (b) ex-ante information choice
- But, in reality, we receive most of our information from media
We delegate our information choice

Question: *What if we live in a world where media select our information?
How does that affect people's choices?*

Empirical: News coverage is more homogenous after major events

Theoretical: Proposes model that can account for stylized fact
Shows how media selection makes people actions *more* correlated

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Big Picture: Media Selection *Should* Matter

Media Selection:

- People base their decisions on many different *types* of information
- We have often separated these into classes: {public vs private}
- After *Morris and Shin (2002)*, focus on how *public information creates commonality of beliefs and coordination*

But *what determines how public events become?*

⇒ the selection of events by news media

Kris and Stefan show that media selection matters for the

Publicity of events

⇒ *how common knowledge an event is*

⇒ *how people react to different events*

⇒ *the corr. between people's actions*

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Empirical Analysis

Basic Setup:

- Estimates a *Latent Dirichlet Allocation (LDA)* topic model on 17 US newspapers over two 3-month periods (08-10/01 and 08-10/08)
- Idea is to objectively detect the 10 most prevalent topics, the commonality of coverage, and how that changes with event size
- LDA is the standard approach to infer topics from text

Stylized Facts:

1. There is *heterogeneity in coverage* across newspapers
2. Heterogeneity *drops* when there are *large events*

(Media Studies: (1) is debatable; (2) is brand new)

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Comments on Empirics

Stylized Fact #1: Debatable?

- *McCombs ('81)* and *Graber ('97)*:
“A content analysis of competing dailies [...] found no statistically significant differences across [...] the 22 content categories compared”
- Across vs within media market variation?

Stylized Fact #2: Plausible

- Remember the last Olympics?
- Measure of uncertainty?

Minor Points: (1) Time-span selection? (2) Topic selection?
(3) How does it all fit with the media literature?

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Model Exercise

Two Person Beauty-Contest Model:

- Heterogeneous interests \sim person-specific *latent variable* X_i
- Each person entrusts their information choice to *one* news provider
- News provider selects *which* X to report to max that person's welfare

Mechanism:

- Suppose than an extreme realization of X_A happens, then Alice will almost certainly be told about it by her news provider
- But since Bob's optimal action depends on Alice's, Bob's news provider will likely also find it optimal to report X_A
- And if Alice knows that, her response will be more forceful (and so on)

Selection *endo.* determines the commonality of information!

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Model Comments

Model is *Abstract* and *General*:

- Special cases can be analyzed analytically \sim *Geanakoplos ('92)*.
- Multiple equilibria; what *Refinement Concept* to use?

Conceptually:

Are events that increase the homogeneity of news large realizations of type-specific shocks or shocks that we all care about (9-11 vs. Bank-run)

Alternative Model:

- Continuum of two types of people
- Each cares about one type-specific shock *and* one common
- Duopolistic news providers with *fixed-cost of news provision*

Can *also* rationalize results!

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Final Remarks

Conclusion:

- Since **Morris and Shin (2002)** focus on **public information's** ability to **coordinate** people's actions by creating more **common knowledge**
- But how **common** are events? And what **determines it**?
- **Kris and Stefan** turn our attention to the **critical role played by media** in determining which events are observed, how common the knowledge of events are, and how that matters for people choices
- and enormous upside potential

Rubenstein (1989): *Almost common knowledge \neq common knowledge*

Thank you for your time and attention!