A Spatial Theory of News Consumption and Electoral Competition

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Special Features

- Voters choose to consume news from like-minded sources (cf. Mullainathan and Shleifer 2005; Gentzkow and Shapiro 2006; Suen 2004)
- The media compete through the choice of “editorial positions” (Steiner 1952; Milyo and Groseclose 2005)
- News readers process the information they receive rationally (Baron 2006; Anderson and McLaren 2005))
- News affects voter beliefs and their voting behavior (Della-Vigna and Kaplan 2006; Chan and Suen 2006)
- The effect of news on voting behavior in turn affects the policy choices of political parties (Stromberg 2004a,b)

The Model

- There are two parties $L$ and $R$. Each party can choose either of two policies $l$ or $r$. 

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Voter $j$’s utility is $v(y_L, \theta, b_j)$ if party $L$ wins or $v_j(y_R, \theta, b_j) + 2\delta$ if party $R$ wins, where

$$v = \begin{cases} 
\theta - b_j & \text{if } y = l \\
2b_j - \theta & \text{if } y = r 
\end{cases}$$

- (a) Higher state $\theta$ favors policy $l$. (b) $\theta$ is observed by political parties (and by the media) but not by voters. Voters’ prior belief about $\theta$ is uniform on $[0, 1]$. (c) Voters with high preference $b_j$ tend to prefer policy $r$. The distribution of $b_j$ is $F$. Let $b_m$ be the preference of the median voter. (d) Electoral outcomes are probabilistic because of the random party appeal factor $\delta$. The distribution of $\delta$ is $\pi$.

- Party $i$’s payoff is $v(y_i, \theta, \beta_i) + 2d$ if $i$ wins and is $v(y_j, \theta, \beta_i)$ if the other party $j$ wins. Think of $2d$ as the rent from holding office. Let $\beta_L < b_m < \beta_R$.

**Benchmark Cases**

- We focus on monotone strategies.

- If $\theta$ is known by voters (or if the media reveal the value of the state $\theta$ perfectly), party $i$’s equilibrium strategy is to
choose policy $l$ if and only if $\theta > \theta_i^{FI}$, where

$$\beta_L < \theta_i^{FI} < b_m < \theta_i^{FI} < \beta_R$$

This policy cut-point is determined by the condition that party $i$ is indifferent between $l$ and $r$ in state $\theta_i^{FI}$.

- If voters have no information from the media, the policy cut-points become $\theta_i^{NI} < \theta_i^{FI}$ and $\theta_i^{NI} > \theta_i^{FI}$. When the two parties propose different policies, voters can only infer that the state is between the two policy cut-points. This allows the parties greater room to pursue their own policy agenda.

**The Media**

- News reports are condensed summary of the state $\theta$. We assume it takes the form of binary messages. The “editorial position” of newspaper $k$ is denoted by $\theta_k$ such that this paper reports one message if $\theta < \theta_k$ and reports a different message if $\theta > \theta_k$.

- Each voter chooses the newspaper that maximizes the expected value of the binary message, assuming himself is the pivotal voter.
• Any voter with \( b_j + \delta \in T_k \) reads newspaper \( k \), where

\[
T_k = [0.5(\theta_{k-1} + \theta_k), 0.5(\theta_k + \theta_{k+1})]
\]

• The equilibrium probability of winning for party \( L \) is a step function in \( \theta \).

• Any newspaper with \( \theta_k < \theta_L^{NI} \) or \( \theta_k > \theta_R^{NI} \) is ineffective.

• (a) Call a newspaper “moderate” if \( \theta_1 > \theta_L^{FI} \). Then the equilibrium party cut-point for party \( L \) is determined by

\[
2\pi(0.5(\theta_L + \theta_1) - b_m)(d + \theta_L - \beta_L) = d
\]

(b) Call a newspaper “leftist” if \( \theta_1 < \theta_L^{FI} \). Then the equilib-
rium party cut-point for party $L$ is $\theta_L = \theta_1$.

- Equilibrium policy cut-points always lie between full-info and no-info benchmarks.
- Party policies can react negatively to newspaper editorial position (an “alienation” effect).
- The optimal editorial positions are: (1) moderate; (2) diverse; (3) conditionally biased; and (4) monotone in party preferences.

**Competition in Commercial Media**

- If $f^*$ (density of $b + \delta$) is single-peaked, the monopoly editorial position shifts to the left whenever one of the two parties shifts to the right.
- If $f^*$ is single-peaked, the duopoly position shifts to the right whenever one of the two parties shifts to the right.
- When a monopoly media firm operates two newspapers, one newspaper is leftist and the other is rightist. The result can be extreme policy divergence (the no-info benchmark).
- In an entry-deterring equilibrium, a reduction in fixed costs
of entry can lead to greater diversity of editorial positions and less extreme equilibrium policy cut-points.