



DRAFT

Media, Business, Government and Capitalism

Professor: Guy Rolnik, Guy.Rolnik@gmail.com

Teaching Assistant: Shahar Cohen

This course explores the relationship between business, regulators and the media. Businesses face multiple stakeholders: shareholders, customers, employees, activists, NGOs, politicians and regulators. Their interaction with the stakeholders is done mainly through the media. Media has a major role in shaping corporate reputation vis-a-vis their stakeholders, regulators and potential business partners. The course will begin by exploring the relationship between business and regulation. Next, we will explore the business model of the media and its relationship to corporations, and the media's influence on politicians, regulators, business, voters and consumers. The course will conclude by exploring the role of corporate reputation, crisis management techniques and a particular focus on Hi-Tech companies and startups.

Students taking this course will learn about the huge influence regulation and reputation have on businesses and market structures, and gain a profound understanding of the business models and forces that drive the media world and the role of these powerful actors in market economies

Course Outline

Session 1	Session 2	Session 3	Session 4
<p>Bird’s-eye view and the theory of markets and regulation</p> <p>The new normal: The nexus of business, media and regulation.</p> <p>Why is regulation necessary? Why is it important to businesses? Who shapes regulation?</p>	<p>The business of media, its role in a democracy and how it really works</p> <p>Business models of Media companies and the dual role of Media in Democracy and Markets.</p> <p>The forces that shape Media’s reporting vis-a-vis businesses and government</p>	<p>The power of the media, and how business affect both media and regulation</p> <p>How media influences voters, politicians, regulators, corporations and investors</p> <p>How corporations employ non-market strategies to influence the media and the regulators</p>	<p>Corporate Reputation and Crisis Management</p> <p>Hi Tech, Networks, Disruptions and non-market strategies</p> <p>Crisis Management and factors affecting corporate reputation</p> <p>How cutting edge companies affect and are affected by regulators and the media</p>

Case Study: The Guardian

The Sessions

Session 1: Bird's-eye view and the theory of markets and regulation

Session 1 will serve as an introduction to the class and begin exploring the nexus between business, media and regulation. We will discuss the increasing dependence of modern big business on favorable regulatory policies, and the role of media in reporting on and reinforcing the link between government and big business.

We will then discuss the development of economic thoughts on market failures, regulation and capture. We will begin by discussing the importance of competitive markets to the efficient allocation of resources and general welfare. We will then explore the common reasons for failure of competitive markets and the need for government regulation. The class will conclude by discussing how special interest groups can capture government regulation and tilt it in their favor.

Session 2: The business of media, its role in a democracy and how it really works

In session 2 we will explore the importance of media in a democracy, the business models of news media companies and how they have evolved over the last few decades. We will also discuss the economic aspects of the news media, with a particular focus on the economic and reputational incentives that influence the media.

The session will conclude by exploring an agency-principal model of how news media works. We will discuss various internal forces in media organizations that may potentially bias reporting, as well as external factors such as advertisers' influence and dependence on sources.

Case Studies: The Guardian (HBS)

Interested students may consult the following sources for further information:

- a. Reuter, Jonathon and Zizevitz, Eric (2006) 'Do Ads Influence Editors? Advertising and Bias in the Financial Media',
121 Q. J. Econ. 197

- b. Gentzkow, Matthew, Glaeser, Edward, Goldin, Claudia (2004) “The Rise of the Fourth Estate: How Newspapers Became Informative and Why it Mattered”, NBER WP.
- c. Djankov, Simeon et al (2003) ‘Who Owns the Media’, *Journal of Law and Economics*, XLVI, 341.
- d. Hamilton, James T (2003) *All the News that’s Fit to Sell*, Princeton University Press, Princeton NJ, Introduction and Chap. 1.
- e. Gentzkow, Matthew and Shapiro, Jesse M (2010) ‘What Drives Media Slant? Evidence From U.S. Daily Newspapers’, *Econometrica*, Vol. 78, No. 1, 35–71, also available at <http://faculty.chicagobooth.edu/matthew.gentzkow/research/biasmeas.pdf>
- f. Besley, T and Pratt, A (2006) ‘Handcuffs for the Grabbing Hand? Media Capture and Government Accountability’, *American Economic Review*, 96(3) pp.720– 750.
- g. Reuter, Jonathon and Zizevitz, Eric (2006) ‘Do Ads Influence Editors? Advertising and Bias in the Financial Media’, 121 Q. J. Econ. 197.
- h. Ahern, Kenneth R and Sosyura, Denis (2011) “Who Writes the News? Corporate Press Releases During Merger Negotiations,” Ross School of Business Research Paper.
- i. Fengler, Susanne and Russ-Mohl, Stephan (2008) ‘Journalists and the information-attention markets: Towards and economic theory of journalism’, *Journalism*, 9, 667

- j. Curtin, P.A. (1999) 'Reevaluating public relations information subsidies: Market driven journalism and agenda-building theory and practice', *Journal of Public Relations Research*, 11(1), pp.53–90

Session 3: The power of the media, and how business affect both media and regulation

In session 3 we will explore the Public Good role of media and its impact on business, investors, regulators and voters. We will then discuss the non-market strategies businesses employ to influence the media and regulators. We will focus on public-relations efforts and lobbying in particular.

Interested students may consult the following sources for further information:

- a. Strömberg D., "Media and Politics", *Annu. Rev. Econ.* 2015. 7:173–205 (2015)
- b. Einwiller, S, Carroll, C and Korn, K (2010) 'Under What Conditions Do the News Media Influence Corporate Reputation? The Roles of Media Dependency and Need for Orientation', *Corporate Reputation Review*, Vol. 12, No. 4, pp. 299–315
- c. Maor, Moshe and Sulitzeanu-Kenan, Raanan (2013) 'The Effect of Salient Reputational Threats on the Pace of FDA Enforcement', *Governance*, 26, 31.

- d. Gentzkow, Matthew and Shapiro, Jesse M (2005) *Media Bias and Reputation*, NBER Working Paper Series, Working Paper 11664, available at <http://core.ac.uk/download/pdf/6894218.pdf>
- e. Dyck, Alexander et al (2013) 'Media Versus Special Interests', *Journal of Law and Economics*, 56, 521
- f. Gilens, Martin and Page, Benjamin I., (2014), 'Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens', *Perspectives on Politics* Vol. 12/No. 3, Sep. 2014.
- g. Danielian, Lucig H. and Page, Benjamin I., (1994), 'The heavenly chorus: interest group voices on TV news', *American Journal of Political Science* 38 (4), 1056-1078.
- h. Amy J. Hillman, Gerald D. Keim, and Douglas Schuler 'Corporate Political Activity: A Review and Research Agenda', *Journal of Management*, December 2004 30: 837-857
- i. Tullock, G. 1967. 'The welfare cost of tariffs, monopolies, and theft'. *Western Economic Journal (now Economic Inquiry)* 5, 224–32.
- j. Buchanan, J., Tollison, R. and Tullock, G., eds. 1980. '*Toward a Theory of the Rent-Seeking Society*'. College Station, Texas: Texas A and M University Press.
- k. Rankin Bohme, Susanna, Zorabedian, John and Egilman, David S (2005) 'Maximizing Profit and Endangering Health: Corporate Strategies to Avoid Litigation and Regulation', *International Journal of Occupational and Environmental Health*, Vol 11, Issue 4, pp. 338-348.

- I. Hansen, Wendy L., and Neil J. Mitchell. 2000. "Disaggregating and Explaining Corporate Political Activity: Domestic and Foreign Corporations in National Politics". *The American Political Science Review* 94 (4). American Political Science Association: 891–903.

Session 4: Corporate Reputation and Crisis Management; Silicon Valley and non-market strategies

In session 4 we will look at the importance of a company's reputation, and at some of the factors affecting it. We will also look at how companies to manage their reputations and how they can do this at a time of crisis.

We will conclude by exploring how cutting edge companies affect and are affected by regulators and the media.

Interested students may consult the following sources for further information:

- a. Dellorocas, Chrysanthos (2010) 'Online Reputation Systems: How to Design one that does what you need', *MIT Sloan Management Review*, Spring 2010, Vol 51, No 3.
- b. Hong, Harrison G. and Liskovich, Inessa (2015) 'Crime, Punishment and the Halo Effect of Corporate Social Responsibility'. Available at SSRN: <http://ssrn.com/abstract=2492202>

- c. Gaines-Ross, Leslie (2010), 'Reputation Warfare', Harvard Business Review, Dec. 2010
- d. Gonzalez-Herrero and Smith (2008) 'Crisis Communications Management on the Web: How Internet-Based Technologies are Changing the Way Public Relations Professionals Handle Business Crises', *Journal of Contingencies and Crisis Management*, 16 (3) (2008) pp.143-153.
- e. Barton, Laurence (2008) *Crisis Leadership Now: A Real-World Guide to Preparing for Threats, Disaster, Sabotage, and Scandal*, New York: McGraw-Hill.
- f. Lashinsky, Adam (2012) *Inside Apple: The Secrets Behind the Past and Future Success of Steve Jobs's Iconic Brand*, John Murray.
- g. Lee, Robert and Jones, Oswald (2008) 'Networks, Communication and Learning during Business Start-up: The Creation of Cognitive Social Capital', *International Small Business Journal*, vol. 26, no. 5 pp.559-594.

Deliverables

Class Participation: 50%

All students are expected to fully participate in all classes and share their insights from the lectures and their own readings. The grade for class participation will be based on participation at class as well as the presentations.

Final Project: 50%

