

# **Media Bias and Central Bank Response**

## **Evidence from the Nominal Exchange Rate Behaviour in Colombia**

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The views are not necessarily those of the Banque de France or the Eurosystem

# Contributions of the paper (1)

- Proves three facts :
  - An influential media group report more on reevaluation (appreciation) than on devaluation (depreciation) during the period from 1992 to 2010? .
  - News reports associated with appreciation more often associated with negative economic outcome, which may have forced the CB to counteract the trend of the appreciating currency.
  - The CB intervened more on the forex market during appreciation months than during depreciation months
- Taken as evidence that exporters benefits from both media support and CB support.

# Contributions of the paper (2)

- Enjoy reading the paper
- Well written, very clear
- neat empirical measurement in media economics
- Important contribution to the understanding of Colombian situation
- But why do media reports this way is unclear
  - What is the economics of media favoring exporters?
  - What explains this media stance in favor of exporters?
- This leads to a puzzle

# Thinking in terms of international trade

- Exporters were successful enough to influence the CB policy and hence the exchange rate. This creates winners and losers.
- For any exporter losing during appreciation and lobbying for CB intervention, there must have been happier consumers
- And vice-versa : depreciation must have make consumer worse off because of the increase in prices of imported goods

# Zero sum game?

- Appreciation makes imported goods cheaper
    - Why did media choose to bias negatively appreciation?
    - Why do newspapers not report equally on depreciation, targeting dissatisfied consumers?
    - Isn't that more likely that # of consumers in Colombia is higher than the # of exporters?
- ⇒ Results is striking if media maximizes readership
- ⇒ Either media does not maximize readership or some readers/consumers have a lower ability/willingness to pay the consumption of the news media

# Explaining the biases: the owner

- Media objective function is not discussed
- Very few information on the owner of the media and its interest in biasing information
  - Could it be that it is owned by an export company?
    - How general is then the results of the paper?
  - Or owner had interest in export sector and balances btw readership & export revenues?
  - Or that, knowing its impact on CB action, it uses its influence to make profit on CB intervention?
    - Notice that it does not cost a lot to a CB to intervene during appreciation since printing banknotes does not cost anything

# Explaining the bias: consumers vs. exporters

- Relative willingness to pay to bias the media?
- Exporters pay more ads in Colombian medias
  - obviously not something natural
  - But with the implicit counterpart that this implied good coverage during appreciation
- If consumers make a coalition to pay the media during the devaluation, this yields
  - Lower coverage during depreciation than appreciation
  - Coverage against appreciation during
- C.f. cleverness of French media before WWI (cf. Bignon & Miscio, 2010)

# Imperfect competition and the composition of readership

- There must be some market imperfection
  - not on the news markets but on other markets (goods, labour?)
- And this could make newspapers optimally choose to bias in favour of reevaluation.
  - Exporters hurt by depreciation (decreases revenues) while during appreciation they are able to keep the proceeds, i.e. the price of inputs do not adjust and nobody enters export market?
  - They uses the proceed to read newspapers while inputs (labour) are not part of the readership?
- Consumers do not benefit from revaluation?
  - If yes, striking that they do not lobby
  - Or was that importers have market power?



# But...

- Thanks for this convincing paper, I enjoy reading it