The media industry is different: large externality on politics

Fear that media organizations can manipulate the democratic process

“Through clever and constant application of propaganda, people can be made to see paradise as hell.” (Hitler, 1923)

Some evidence of strong influence:

- Della Vigna and Kaplan (2007): effect of Fox News sequential entry into different media markets (nationally 0.5% more to Reps)
- Enikolopov, Petrova and Zhuravskaya (2011): Effect of entry of NTV into selected Russian regions = -8.9% for government parties
- Martin-Yurukoglu (2014): additional hour/week of Fox News (MSNBC) increases R’s (D’s) vote likelihood by more than 10 pct points.

What should society do?
Introduction

Media Regulation?

- Unregulated or poorly regulated media is vulnerable to large-scale capture
- Regulation of content increasingly difficult (and undesirable)
- Regulation of ownership and concentration
- High levels of concentration in most countries (Djankov et al 2003). High concentration linked to low political turnover and high levels of corruption.
Existing Regulation

1. Platform-specific media rules
   - Increasingly arbitrary and irrelevant in a world with media convergence

2. Standard competition policy: ability to affect prices/quantities within appropriately defined market
   - Misses key point: political risk (Polo 2005, Ofcom 2012)
   - US media industry has low concentration by all standard IO measures (Noam 2009)
   - Difficulty assessing media mergers
Research Question

- Some way of measuring the potential influence of a media organization on politics
- Linked to citizen welfare
- Implementable with existing data
Challenge #1: Multiple Platforms

- Citizens receive their information from multiple sources operating on multiple platforms: tv, press, radio, internet, etc.
- Platforms are separate markets (eg zero cross-elasticity between tv and newspapers)
- Content on platform may not be news (eg tv entertainment)
- How do we aggregate power across platforms?
- Existing measures are platform-centric:
  - They first aggregate within markets/platforms, then across markets/platforms (eg FCC’s failed Media Diversity Index)
Challenge #1: This Paper’s Approach

- Minds, not markets.
- This paper reverses the aggregation order:
  1. For each individual, determine what media sources (of all platforms) influence his/her voting behavior
  2. Aggregate power: what share of the electorate can a media organization swing?
Challenge #2: Measure Potential Influence

- How much can a media source affect the political views of citizens?
  - Depends on whether citizens:
    - are sophisticated in understanding the intentions of media owners
    - are able to process/remember a large number of news items
    - are able to cross-check different sources
    - will switch to different media if they detect bias
    - ...

- Depends on whether media owners:
  - are partisan
  - care about journalistic independence/reputation
  - care about profits
  - ...

Andrea Prat (Columbia University)
Challenge #2: Measure Potential Influence

- Empirical media economics (Prat-Stromberg 2013)
- Naivete: Chiang-Knight 2006
Challenge #2: Measure Potential Influence

- No simple model of voter/owner behavior appears to be consistent with all available evidence.
- Yet, any form of regulation depends on what we assume re voter behavior.
- Sophisticated voters $\rightarrow$ lower influence
- Naive voters $\rightarrow$ higher influence
- Picking one model is risky
- **What if we look at a large set of models and identify the lower and upper bounds?**
Challenge #2: Upper Bound Approach

1. Compute and estimate theoretical bounds to media power
2. Calibrate theoretical bounds on the basis of existing estimates
Challenge #2: Two Possible Approaches

1. **Compute and estimate theoretical bounds to media power**
   - **Theory**: Set of possible assumptions about voter behavior
   - **Bounds to media power**: simple to compute media power index
   - Estimates for US media based on Pew Data

2. **Calibrate theoretical bounds on the basis of existing estimates**
   - Use model above
   - Assume Della Vigna-Kaplan and/or Chiang-Knight/Gentzkow et al estimates are valid for all US media
   - Estimates for US media based on Pew Data
1. Methodology: A way to map your assumptions about media/voters into a media power index

2. Empirics: Under all specifications, common patterns in the distribution of media power.
Model: Candidates and Voters

- Candidates: A and B
- $\sigma \sim U [0, 1]$: relative quality of candidate B
- Mass of voters with utility $\frac{1}{2}$ if they elect A and $\sigma$ if they elect B
- If informed, voters would vote for B if $\sigma \geq \frac{1}{2}$
Model: Media

- Set $M$ of media outlets
- Voters differ in the subset of media they consume
- Let $q_M$ be the share of voters that consume $M \subset M$
- The \textit{attention share} of an outlet is

$$a_m = \sum_{M \text{ s.t. } m \in M} \frac{q_m}{|M|}.$$
### Example

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Model: Unbiased Reporting

- Given candidate quality $\sigma$, media outlet $m$ observes a vector of $N$ binary news items
  $$x_m = (x_{m1}, \ldots, x_{mN})$$
  with $\text{Pr}(x_{mi} = 1|\sigma) = \sigma$.
- Each item is favorable to either $A$ or $B$.
- Conditional on $\sigma$, $x$ is iid across news items and outlets
- For now, **focus on unbiased media**
- Assume that unbiased outlets report all the news items they receive
Model: Information Absorption by Voters

- Voters in segment $M$ have bandwidth $K_M$.
- A voter in $M$ is exposed to $N \times |M|$ news items, but he observes/recalls $K_M$ of them.
- The $K_M$-subset is independently drawn from the $N \times |M|$ news items voters are exposed to.
- Voters do not observe the number of items reported (important for later)
Voting under Unbiased Media

- Voter $i$ who observes $K$ binary news items computes average $s_i$.
- Best unbiased estimator of $\sigma$, given $i$’s information.
- Voter $i$ prefers $B$ if $E[\sigma] \geq \frac{1}{2}$.
- $s_m$: average of the $N$ signals received by outlet $m$.
- As $N \to \infty$, $B$ is elected if and only if $\sigma \geq \frac{1}{2}$.
- From now on focus on very large number of potentially reportable items: $N \to \infty$. 
Voting in a Segment with Unbiased Media Only

A’s vote share in segment as a function of quality $\sigma$

Andrea Prat (Columbia University)

Media Power

Chicago, November 6, 2015

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Voting in a Segment with Unbiased Media Only

A’s vote share in segment as a function of quality $\sigma$
Voting in a Segment with Unbiased Media Only

A’s vote share in segment as a function of quality $\sigma$
Suppose that a set $G$ of media is controlled by a potentially biased owner.
Each outlet can report selectively.
Given that $N$ is unbounded, this is equivalent to choosing the proportion of news items that are favorable to $A$:

$$s_m(\sigma) \in [0, 1]$$
Biased Media: Worst-Case Owner

- Owner of media subset $G$ wants $A$ to be elected.
- No media-related motive: journalistic reputation, commercial profit, etc.
- Voters assign belief $\beta > 0$ to the event that the owner is evil and take it into account when processing news.
- Belief may be different from objective probability.
- Evil owner chooses reporting strategy $s_m(\cdot)$ to maximize election chance of $A$.
- All other sources are unbiased.
Biased Media: Worst-Case Voter

- Does not switch to different media
- How does he respond to potential bias?
  - Naivete?
  - Attention patterns?
Worst-Case Scenario under Uniform Attention Patterns

Information Updating

Voter in segment $M$ receives a $K_M$-sized vector $y_i$ of news items.

\[ N_0(G) \] number of items favorable to $A$ from potentially biased media
\[ N_1(G) \] number of items favorable to $B$ from potentially biased media
\[ N_0(M/G) \] number of items favorable to $A$ from unbiased media
\[ N_1(M/G) \] number of items favorable to $B$ from unbiased media

Probability of realization $y_i$

\[
\Pr \left( y_i = Y | \sigma, s(\cdot) \right) \\
= (1 - \beta) \sigma^{N_1(M/G)+N_1(G)} (1 - \sigma)^{N_0(M/G)+N_0(G)} \\
+ \beta \sigma^{N_1(M/G)} (1 - \sigma)^{N_0(M/G)} s(\sigma)^{N_1(G)} (1 - s(\sigma))^{N_0(G)}
\]
Information Updating

- Posterior on candidate quality computed by voter $i$:

$$ E [\sigma | y^i = Y, \hat{s}(\cdot)] = \frac{\int_0^1 \Pr (y^i = Y | \sigma, \hat{s}(\sigma)) \sigma d\sigma}{\int_0^1 \Pr (y^i = Y | \sigma, \hat{s}(\sigma)) d\sigma} $$

where $\hat{s}(\cdot)$ is the strategy that the voter believes the evil voter would use.

- Difficult to characterize because it must be solved together with evil owner's maximization problem.

- But we are looking for the worst-case...
Worst-Case Scenario under Uniform Attention Patterns

Bound on Posterior for a Given Voter

- Find lower bound on posterior
- Minimize over \( \hat{s}(\cdot), N_1(G), N_0(G) \) and obtain:

**Lemma**

The voter posterior \( E[\sigma|Y, \hat{s}] \) is bounded below by

\[
\frac{\int_0^1 \sigma^{N_1(M/G)} (1 - \sigma)^{N_0(M/G) + K_G} \sigma \, d\sigma}{\int_0^1 \sigma^{N_1(M/G)} (1 - \sigma)^{N_0(M/G) + K_G} \, d\sigma}.
\]

- Voter prefers A if posterior below 1/2
Aggregate over Voters in Segment

- Mass of voters in segment $M$
- Items from unbiased media are distributed according to binomial with parameter $\sigma$
- Voter posterior $E[\sigma|Y, \hat{s}]$ is a random variable
- The share of votes for $A$ in the segment is bounded above by:

$$\Pr \left[ E[\sigma|Y, \hat{s}] < \frac{1}{2} \right]$$
Proposition

Given $g_M$, $K_M$, $\sigma$, $A$’s vote share in segment $M$ is bounded above by:

$$p_A(g_M, K_M, \sigma) = \sum_{k=0}^{[K_M/2]} \binom{K_M}{k} ((1 - g_M) \sigma)^k (1 - (1 - g_M) \sigma)^{K_M-k}$$

- Is the bound actually achieved?
- Yes. The worst case correspond to a vanishing voters’ belief on bias: $\beta \to 0$. 
A’s vote share in segment as a function of quality $\sigma$
Segment Where Evil Owner Controls One of Three Outlets

A’s vote share in segment as a function of quality $\sigma$
Worst-Case Scenario under Uniform Attention Patterns

Segment Where Evil Owner Controls One of Three Outlets

A’s vote share in segment as a function of quality $\sigma$
Power Index

- Power of an evil owner = capacity to persuade voters to elect a candidate they would not like if they had full information
- Power index = worst $A$-candidate that gets elected
- Find highest $\bar{\sigma}$ such that $A$’s overall vote share is at least $1/2$.
- Define power as lost welfare:

$$\Pi = \bar{\sigma} - (1 - \bar{\sigma}) = 2\bar{\sigma} - 1$$
Proposition

For a given vector $K = (K_M)_{M \subseteq \mathcal{M}}$, the power of group $G$ is
\[ \Pi(K) = 2\bar{\sigma}(K) - 1, \]
where $\bar{\sigma}(K)$ is the largest $\sigma$ smaller than 1 such that:
\[
\sum_{M \subseteq \mathcal{M}} q_M \sum_{k=0}^{\left\lfloor K_M/2 \right\rfloor - 1} \binom{K_M}{k} ((1 - g_M)\sigma)^k (1 - (1 - g_M)\sigma)^{K_M-k} = \frac{1}{2}
\]
Suppose $K_M = 1$ in all segments

A’s overall vote share:

$$1 - (1 - a_G) \sigma$$

where $a_G = \sum_{M \subseteq \mathcal{M}} q_M g_M$ is the attention share of media group $G$.

Power index:

$$\bar{\sigma}(1) = \min \left( 1, \frac{1}{2(1 - a_G)} \right)$$
Worst Case

- Study worst-case scenario under any attention pattern vector
- Pick the vector $K = (K_M)_{M \subseteq \mathcal{M}}$ that maximizes the threshold $\bar{\sigma}(K)$.
- Key observation: for a particular segment $M$ and a particular valence $\sigma$, maximal power obtains either with minimal bandwidth $K_M = 0$ or maximal bandwidth $K_M \to \infty$
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| Attention | 25% | 14.1% | 15% | 8.3% | 9.1% | 15% | 16.6% |
| Π(1) | 0.333 | 0.164 | 0.176 | 0.090 | 0.101 | 0.176 | 0.152 |
| Π(∞) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Π̅ | 0.429 | 0.481 | 0.250 | 0.333 | 0.333 | 0.500 | 0.154 |
Ideology?

- Allow voters to receive ideological signal before they observe media signals
Empirics: Media Power in the US

- Data Description
- Worst-case media power indices
- Calibration on DellaVigna-Kaplan (2007)
- General patterns
## Data Requirement: Media Consumption Matrix

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Media Power in the US

Pew Survey

- In 2012: 3003 US residents interviewed; 103 questions.
- Focus on news consumption, not entertainment
  - specific questions, eg “ABC World News with Diane Sawyer”
  - “regularly, sometimes, hardly ever, or never”
Pew Survey

- 2000: Limited set of radio and tv news sources
- 2002: Big Three added
- 2004: Daily newspapers added (as one source)
- 2006: Daily Show and Rush Limbaugh
- 2008: Websites (open question – three top sites)
- **2010**: Specific dailies: NY Times, WSJ, Washington Post, USA Today
- **2012**: Minor modifications
1 Daily version

- Sources that are updated continuously or daily
- Assign 1 to respondents who follow them regularly and 0 to all others

2 Daily and Weekly version

- Sources that are updated continuous, daily, or weekly
- Assign 1 to respondents who follow
  - continuous/daily sources regularly or sometimes
  - weekly sources sometimes

- Assign 1 to respondents who follow them regularly and 0 to all others

- A news source can be followed in its native platform or through its website, e.g., Fox TV or www.foxnews.com.
The owner of a news source is the entity that owns the source name used in the survey: Rush Limbaugh Show (owned by Mr Limbaugh) vs Colbert Report (owned by Comedy Central).

A media organization is defined on the basis of ultimate ownership. Three conglomerates:

- News Corp (Fox News and Wall Street Journal)
- Comcast (NBC and MSNBC)
- Time Warner (CNN, Comedy Central, Time Magazine).
Questions

- Relative power of different media organizations.
- Differences between worst-case power index and minimal-bandwidth power index (easy to compute)?
- Differences over time?
- Adding ideology
- State-level power
- Calibration exercise
Figure 7: Worst-Case Power and Minimal-Bandwidth Power
Figure 6: Minimal Bandwidth Power Index: Daily Sources, 2012
Figure 12: Evolution of the Power of Daily Newspapers (2004-2012)
Four Extensions

- Media power at a regional level
- Ideological voters
- Abstention
- Age stratification
1. Regional Media Power

- As we defined media power in electoral terms, the index depends on what elected office we consider:
  - Federal (note that I disregarded the role of the Electoral College)
  - State
  - City
  - etc

- In each case, just restrict attention to relevant electorate
Figure 13: New York State: Minimal Bandwidth, Daily Sources, 2012

- News Corporation (Fox, Wall Street Journal)
- Comcast (NBC, MSNBC)
- Time Warner (CNN, Comedy Central)
- ABC
- NPR
- Yahoo
- CBS
- MSN
- New York Times
- PBS
- Google
- Rush Limbaugh
- USA Today
- AOL

US
NY
2. Ideology

- The model can be extended to encompass voter ideology
- Before being exposed to the media, voters in segment $M$ receive a certain number of ideological signals in favor or against candidate $A$.
- Extreme case: three types of voters:
  - Those who received an infinite number of signals in favor of $A$ (registered Dems?)
  - Those who received an infinite number of signals in favor of $B$ (registered Reps?)
  - Those who did not receive ideological signals (Indeps?)
<table>
<thead>
<tr>
<th>Company</th>
<th>Inds</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bloomberg</td>
<td>0.004</td>
<td>0.002</td>
</tr>
<tr>
<td>ABC</td>
<td>0.053</td>
<td>0.066</td>
</tr>
<tr>
<td>CNN</td>
<td>0.082</td>
<td>0.086</td>
</tr>
<tr>
<td>Fox</td>
<td>0.180</td>
<td>0.195</td>
</tr>
<tr>
<td>MSNBC</td>
<td>0.049</td>
<td>0.065</td>
</tr>
<tr>
<td>NBC</td>
<td>0.076</td>
<td>0.077</td>
</tr>
<tr>
<td>NPR</td>
<td>0.073</td>
<td>0.059</td>
</tr>
<tr>
<td>New York Times</td>
<td>0.028</td>
<td>0.031</td>
</tr>
<tr>
<td>Wall Street Journal</td>
<td>0.030</td>
<td>0.018</td>
</tr>
<tr>
<td>Yahoo</td>
<td>0.058</td>
<td>0.057</td>
</tr>
</tbody>
</table>

**Conglomerates**

<table>
<thead>
<tr>
<th>Company</th>
<th>Inds</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Warner</td>
<td>0.125</td>
<td>0.120</td>
</tr>
<tr>
<td>News Corporation</td>
<td>0.222</td>
<td>0.221</td>
</tr>
<tr>
<td>Comcast</td>
<td>0.132</td>
<td>0.153</td>
</tr>
</tbody>
</table>
3. Abstention

- A large fraction of Americans do not vote
- Turnout rates are related to socioeconomic factors that determine media consumption
- We incorporate abstention by correcting attention shares by turnout rates
- Media sources with followers who are more likely to vote become more powerful
- Respondents are asked whether they are registered voters
## Media Power in the US

<table>
<thead>
<tr>
<th>Company</th>
<th>All</th>
<th>Regs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bloomberg</td>
<td>0.002</td>
<td>0.002</td>
</tr>
<tr>
<td>ABC</td>
<td>0.066</td>
<td>0.066</td>
</tr>
<tr>
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<td>0.081</td>
</tr>
<tr>
<td>Fox</td>
<td>0.195</td>
<td>0.199</td>
</tr>
<tr>
<td>MSNBC</td>
<td>0.065</td>
<td>0.066</td>
</tr>
<tr>
<td>NBC</td>
<td>0.077</td>
<td>0.083</td>
</tr>
<tr>
<td>NPR</td>
<td>0.059</td>
<td>0.061</td>
</tr>
<tr>
<td>New York Times</td>
<td>0.031</td>
<td>0.032</td>
</tr>
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## Conglomerates

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<tr>
<th>Conglomerate</th>
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<th>Regs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Warner</td>
<td>0.120</td>
<td>0.111</td>
</tr>
<tr>
<td>News Corporation</td>
<td>0.221</td>
<td>0.225</td>
</tr>
<tr>
<td>Comcast</td>
<td>0.153</td>
<td>0.161</td>
</tr>
</tbody>
</table>
4. Age (A Peek into the Future?)

- Media consumption depends on age: younger people are more likely to use new media.
- Can this give us a sense of how media power will evolve in the coming decades?
- Assume that only people below age 40 are present.
Figure 14: Media Power by Age, Daily Sources, 2012

- Time Warner (CNN, Comedy Channel)
- News Corporation (Fox, Wall Street Journal)
- Comcast (NBC, MSNBC)
- Yahoo
- NPR
- MSN
- New York Times
- Google
- ABC
- USA Today
- Rush Limbaugh
- Facebook
- CBS

Legend:
- Blue: Under 40
- Red: All Ages
Calibration Exercise

- Assume a share $b$ of voters are completely sophisticated and a share $1 - b$ completely naive.
- Under minimal attention, the power index of media organization $G$ given $b$ is

$$\hat{\Pi}(b) = \frac{(1 - b) a_G}{1 - (1 - b) a_G},$$
Estimated influence of Fox News in 2000 US presidential elections

Exploited gradual introduction across US: diff-in-diff approach controlling for trends

Introduction increased Republican vote share by 0.4-0.7 percentage points. 0.7 corresponds to a power index $\hat{\Pi}(b) = 0.014$

In turn, that is rationalized by an 8.5% share of naive voters. **Assume that is the upper bound for any news source.**
### Calibration (2012, Daily)

<table>
<thead>
<tr>
<th>Media organization</th>
<th>$\Pi(1)$</th>
<th>Swing Proba</th>
</tr>
</thead>
<tbody>
<tr>
<td>News Corporation</td>
<td>0.0156</td>
<td>0.1029</td>
</tr>
<tr>
<td>Comcast</td>
<td>0.0114</td>
<td>0.0752</td>
</tr>
<tr>
<td>Time Warner</td>
<td>0.0092</td>
<td>0.0604</td>
</tr>
<tr>
<td>ABC</td>
<td>0.0053</td>
<td>0.0347</td>
</tr>
<tr>
<td>NPR</td>
<td>0.0048</td>
<td>0.0314</td>
</tr>
<tr>
<td>Yahoo</td>
<td>0.0046</td>
<td>0.0303</td>
</tr>
<tr>
<td>CBS</td>
<td>0.0038</td>
<td>0.0251</td>
</tr>
<tr>
<td>New York Times</td>
<td>0.0025</td>
<td>0.0167</td>
</tr>
<tr>
<td>PBS</td>
<td>0.0020</td>
<td>0.0135</td>
</tr>
</tbody>
</table>
Zero estimated effect of newspapers on voters, implying a 0% share of naive readers.

Assume that “viewers” conform DVK while “readers” conform to CKGSS.

All readers are perfectly sophisticated even they watch tv (hence immune from tv bias)

In both scenarios Fox News has the same power. This means pure viewers must be more naive
## Calibration (2012, Daily)

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>News Corp</td>
<td>0.0156</td>
<td>0.1029</td>
<td>0.0140</td>
<td>0.0924</td>
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<td>Comcast</td>
<td>0.0114</td>
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<td>Time Warner</td>
<td>0.0092</td>
<td>0.0604</td>
<td>0.0075</td>
<td>0.0496</td>
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<td>NPR</td>
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<td>0.0251</td>
<td>0.0028</td>
<td>0.0186</td>
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<tr>
<td>New York Times</td>
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<td>0.0167</td>
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<td>0.0020</td>
<td>0.0135</td>
<td>0.0016</td>
<td>0.0103</td>
</tr>
</tbody>
</table>
Relative power rankings consistent across specifications
Focus on minimal-attention specification, which is straightforward to compute:

\[
\frac{1}{2 \left(1 - a_G\right)}
\]
Patterns

1. **Relative power rankings consistent across specifications**
   Focus on minimal-attention specification, which is straightforward to compute:

   \[
   \frac{1}{2(1 - a_G)}
   \]

2. **Three conglomerates stand out: News Corp, Comcast, Time Warner**
   Can swing US elections under conceivable scenarios.
1. **Relative power rankings consistent across specifications**
   Focus on minimal-attention specification, which is straightforward to compute:
   \[
   \frac{1}{2 \left(1 - a_G\right)}
   \]

2. **Three conglomerates stand out: News Corp, Comcast, Time Warner**
   Can swing US elections under conceivable scenarios.

3. **TV still rules**
   Newspapers and new media less powerful
Conclusions

#1: Minds, not markets
#2: Worst-case case index + calibration
#3: Some robust patterns in media power

To-do list:

- Theory/Data: Attention measures
- Data: International comparison