MEDIA, PARTISAN IDEOLOGY, AND CORPORATE SOCIAL RESPONSIBILITY*

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Abstract

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Keywords: corporate social responsibility, partisan media, political ideology.

JEL: G34, D72, L82, M14

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I. Introduction

> "*Television is our culture's principal mode of knowing about itself. Therefore – and this is the critical point – how television stages the world becomes the model for how the world is properly to be staged.*"
>
> – Postman (1985, p.92)

Over the past few decades, the U.S. media has become much more ideologically divided. Research shows that exposure to partisan media affects the behavior of voters and politicians and is one of the main drivers of the dramatic surge in political polarization in the United States.[1] But does partisan media affect corporate policies? We address this question by studying firms' Corporate Social Responsibility (CSR) activities. Our identification strategy exploits the staggered expansion of the largest conservative media conglomerate in the U.S., Sinclair Broadcast Group (henceforth, Sinclair) in local TV markets as a potentially exogenous shock to firms' exposure to partisan media.

CSR programs have gained prominence increasingly over time. In 2018, close to 90% of S&P 500 companies published corporate social responsibility reports.[2] Ideological beliefs matter for CSR, as they involve key policy issues where liberals and conservatives disagree, including environmental protection, climate change, social welfare, gun control, and labor unions. Recent studies also suggest that CSR policies are influenced by political ideologies and motives. For example, firms with Democratic directors achieve higher CSR ratings than those with Republican directors (Di Giuli and Kostovetsky, 2014), and Democratic investment managers tend to engage in more socially responsible investing compared to their Republican peers (Hong and Kostovetsky, 2012).[3]

Sinclair is a leading local news provider in the U.S. Founded in 1986, it experienced rapid growth over the following decade. It went public in 1995 and is presently the largest owner/operator of local TV stations in the country. As of 2019, Sinclair owns or operates 193 TV stations, reaching more than 90 local TV markets, and covering 39% of the U.S. population. According to the Pew Research Center, local news is found to be the most trustworthy news source for the U.S. public.[4] Sinclair has been known as a right-leaning

[1] See Martin and Yurukoglu (2017), Gentzkow (2016), Levendusky (2013), Spenkuch and Toniatti (2018), Sunstein (2009) among others. As a result of this exposure, voters and politicians tend to increasingly behave in partisan ways and view economic and social realities through partisan lenses (e.g., DellaVigna and Kaplan, 2007; Gerber, Karlan, and Bergan, 2009; Clinton and Enamorado, 2014). Importantly, the literature shows that partisan bias affects individuals' beliefs about politics (Bullock, Gerber, Hill, Huber et al., 2015) and even impact how they view verifiable facts (Alesina, Miano, and Stantcheva, 2020).

[2] In the U.S., CSR expenditures total $28 billion for sustainability and $15 billion for corporate philanthropy in 2018.

[3] Moreover, Bertrand, Bombardini, Fisman, and Trebbi (2020) find that CSR expenditures serve as a tool of political influence in American politics, involving sums that are economically significant compared to other channels of influence-seeking.

[4] See "Why Sinclair matters: Local news is Americans' No. 1 news source" at https://www.cnn.com/2018/04/02/politics/sinclair-trust-in-local-news/index.html.

news source since its founding. Martin and McCrain (2019) study broadcast transcripts and find that news broadcast by Sinclair stations tends to be more politically charged and right-leaning on the ideology spectrum, and the magnitude of the right-ward ideological shift is estimated to be nearly one standard deviation of the ideology distribution. Overwhelming anecdotal evidence corroborates these findings, suggesting that Sinclair tilts against reporting on climate change, gun safety, and labor union activities.[5] More importantly, most of Sinclair's audience are unaware of its existence, hence unable to self-select into receiving or avoiding its messaging. This is the result of its unique expansion method of acquiring local stations without re-branding them.

Sinclair can impact CSR ratings of firms headquartered in exposed regions by influencing the ideological beliefs in the local communities. Corporate decisions, including CSR policies, have been shown to be affected by the social context where firms operate in. In particular, firms have given increasingly more consideration to the preference of stakeholders besides investors, such as customers, suppliers, and other local community members (Bénabou and Tirole, 2010, Hart and Zingales, 2017, Broccardo, Hart, and Zingales, 2020). Partisan media can affect the preferences of local stakeholders by influencing the perceived importance and urgency of CSR issues and the role of corporations in addressing them. Such influence can be direct with individuals receiving the contents themselves or indirect through daily interactions with colleagues, friends, and families. Granovetter (1973) and Murphy and Shleifer (2004) show that individuals tend to change behavior and be persuaded by those with whom they interact. Furthermore, CSR is related to media visibility as firms often use CSR policies to manage their social image, especially in the local community (see Dyck, Volchkova, and Zingales, 2008, Nikolaeva and Bicho, 2011, Amer Maistriau and Bonardi, 2014, and Baloria and Heese, 2018 among others). When the audience cares less about CSR, firms lose part of the incentives to improve their CSR ratings. We hypothesize that with the conservative influence by Sinclair, CSR ratings for local firms will drop.

One concern is that the expansion of Sinclair to a new TV market may be correlated with local firms' CSR policies due to the underlying political and economic characteristics of the target region. For example, Sinclair could choose to enter a TV market because it observes, or successfully anticipates, a shift in its residents' political ideology toward conservatism. Martin and McCrain (2019) present evidence that this is unlikely. Consistent with a supply-side effect, they observe short-term viewership declines in treated TV markets after Sinclair's entry compared to the control group. This suggests that targeted TV markets were not predisposed to welcome conservative messaging, and Sinclair's entry is not driven by projecting a higher viewership.[6] Nevertheless, we formally investigate the relation between Sinclair entry

[5]See the articles "She tried to report on climate change. Sinclair told Suri Crowe to be more 'Balanced'." at https://www.buzzfeednews.com/article/stevenperlberg/sinclair-climate-change, "At least one Sinclair station has been trying to cast doubt on climate science" at https://grist.org/briefly/at-least-one-sinclair-station-has-been-trying-to-cast-doubt-on-climate-science/.

[6]Sinclair's 10-K reports also show that the expansion is mostly driven by profitability concerns with a focus on mid-sized markets. More anecdotal evidence corroborates that Sinclair expansion is mostly driven by

and local characteristics. First, we model Sinclair entry as a decision made by Sinclair in each year, by running a cross-sectional regression every year and estimate the coefficients on regional economic or ideology-related characteristics using the Fama-Macbeth method (Fama and MacBeth, 1973). Second, we model Sinclair exposure by running panel data regressions using Logit or OLS. We find consistent results with both models suggesting that none of the economic or ideology-related factors matter for Sinclair entry, and the only variable that matters is the population size of the market. Our results echo DellaVigna and Kaplan (2007)'s finding that the entry of Fox News to a region is largely idiosyncratic conditional on town characteristics.[7]

We then test the effect of Sinclair exposure on CSR ratings of firms whose headquarter is located in a TV market with Sinclair presence. One feature of the data is that Sinclair's presence is determined by the local TV market, which does not coincide with its state. A local TV market is defined by the "Designated Market Area" (henceforth, DMA). There are often multiple DMAs in one state, and one DMA can span across multiple states. For example, the DMA of "Philadelphia" covers counties in Delaware, New Jersey, and Pennsylvania.[8] This allows us to control for time-varying state effects related to unobserved political and economic factors, besides the firm fixed effect. We first conduct a temporal dynamic test of CSR around Sinclair entry to further address the reverse causality concern. The results show no difference in pre-event trends between the treated and control samples. The dynamic test also demonstrates that the significant negative effect of conservative messaging on CSR ratings starts after three years of exposure.

In the baseline, we study the change of CSR ratings from before to after Sinclair entry in a difference-in-differences setting. We find that after three years of exposure, firms' post-Sinclair CSR rating is significantly lower than their pre-Sinclair CSR by 0.322 points, which equals 14% of the sample standard deviation of CSR ($\sigma = 2.242$).[9] We also calculate CSR ratings in three sub-categories: social, environmental, and governance. All three subcategories are affected. The environmental rating decreases by 16.9% of the sample

economic benefits, as one of its main goals is to expand to as many TV markets as possible. As a prominent example, Sinclair announced its intent to acquire Tribune Media in May 2017. This deal, which later was rejected by the Federal Communication Commission (FCC) over antitrust concerns, would have increased the number of Sinclair's TV channels to 233 and granted it an unprecedented 72% household penetration in the U.S. See "The Sudden Demise of Sinclair's Merger With Tribune" at https://www.wired.com/story/the-sinclairtribune-merger-is-dead/.

[7]We show in Section II.B that for the purpose of the present study, using the expansion of Sinclair in local TV markets provides advantages in identification over the expansion of Fox News in local cable network providers.

[8]More specifically, this DMA includes 18 counties. Some examples of these counties are Kent and New Castle counties in Delaware; Montgomery, Lehigh, and Bucks counties in Pennsylvania; Northampton, Salem, and Camden counties in New Jersey.

[9]Lagging Sinclair exposure by three years also helps to mitigate endogeneity concerns. This is similar to numerous other studies that choose to lag the main independent variables (treatment effects) by multiple years to either address endogeneity problems or to better fit the underlying economic channel. See Chang, Dasgupta, and Hilary (2006), Houston, Lin, Lin, and Ma (2010), and Carvalho (2018) among others.

standard deviation, the social rating decreases by 4% of the sample standard deviation, and the governance rating decreases by 19.5% of the sample standard deviation. Then, we assess whether decline in CSR ratings is driven by reduced strengths or heightened concerns about the firms' activities. Because the CSR ratings are calculated by having strength ratings less concern ratings, we can disentangle the overall rating to assess the effect of Sinclair on strengths and concerns separately. We find that the effect goes both ways. Upon Sinclair entry, the treated firms' CSR strength ratings decrease while their concern ratings increase.

The baseline survives a battery of robustness tests. First, we rule out the possible effects of random chance on our results by conducting a placebo test. We assign sample Sinclair entry years to randomly selected TV markets and re-estimate the baseline 1,000 times. The coefficient estimate on Sinclair exposure is highly significant compared to the distribution of coefficient estimates from the pseudo regressions. Second, we conduct bootstrapping tests by randomly dropping 5% or 10% of DMAs from the sample and repeating the analysis 1,000 times to rule out the possibility that a few geographic regions drive our results. The results remain large and robust, suggesting a general effect. Our results are also robust to recent critiques to staggered difference-in-differences models (see Goodman-Bacon, 2021; Wooldridge, 2021).

We conduct other robustness tests using alternative specifications or samples. For alternative specifications, we use alternative Sinclair exposure variables including the number of Sinclair stations in the local TV market, the average number of Sinclair stations throughout the exposure history, and the number of years since Sinclair entry. The results also remain highly statistically significant with various ways of clustering the standard errors. Furthermore, we include industry-year fixed effects to incorporate unobserved time varying industry effects; augment the baseline model using additional controls for county-level political, economic, and demographic factors; and control for CEO characteristics such as age, gender, and annual compensation. The results remain in all the above settings.

In alternative subsamples, we split the sample period into two periods, 1996-2006 and 2007-2016, and find that the results are not concentrated around the 2000s when Fox News cable TV expanded across the country. We also show that the results are not driven by firms with very high or low CSR ratings, as the results remain after excluding observations with CSR values at the top or bottom of the distribution. Finally, counties at either extreme of the political spectrum do not drive the results, as they remain if we drop counties that rank in the top 5% or 10% in vote shares to the Democratic or Republican party candidates in the latest presidential election.

We provide direct evidence that change in local ideology is a main driver of Sinclair's effect on local firms' CSR ratings. First, we use the data from the Cooperative Congressional Election Study (CCES), which is an online survey conducted each November since 2006 and representative of all national adults. The survey contains questions related to public opinions and preferences on various social, economic, environmental, and political issues. We merge the CCES data with the Sinclair distribution data and analyze the effect of Sinclair on public

opinions. In particular, we focus on variables most relevant to CSR: the environment scale variable (related to CSR environmental component) and the affirmative action scale (related to the social component) variable. Consistent with a conservative shift, we find that after Sinclair exposure the local community becomes less concerned with environmental issues and more opposing affirmative action policies. Second, if Sinclair changes CSR via influencing people's ideological beliefs, its effect should also manifest in local political events. We study the impact of Sinclair on two variables related to local political events: local legislative elections and local firms' political contributions. We find that Sinclair exposure reduces the fraction of elected candidates associated with the Democratic party in county-level legislative bodies and the dollar amount of political contributions by local firms to the Democratic party candidates relative to the Republican candidates.

We then study which firms are affected more by Sinclair in their CSR policies. First, we select firms in the alcohol, tobacco, and gambling industries. CSR activities of these firms could be driven by the need to manage their social image. Hence, with a social environment that assigns less value to CSR, the incentive of these firms to keep up with good CSR ratings declines more than others. Second, we expect firms that belong to the EPA's most polluting industries to also experience a larger reduction in CSR ratings post Sinclair, especially in their environmental component, by the same argument. Empirically, we find supporting evidence that CSR ratings drop more for these two types of firms. Lastly, institutional investors are likely to limit the negative impact of Sinclair on CSR policies.[10] These investors are increasingly concerned about the social and environmental performance of firms and are growing more vocal about it. We find that compared to others, firms with lower institutional ownership show larger drops in their CSR rating post Sinclair.

In the last section of the paper, we investigate whether Sinclair exposure impacts firm performance. We study firms' future accounting performance measured by ROA, and stock market performance measured by Tobin's Q and annual stock returns, both in raw returns and risk-adjusted returns. The evidence suggests that Sinclair exposure does not affect accounting performance in the near future, but it does have a negative association with local firms' stock returns, thereby plausibly jeopardizing long-term shareholder value.

Our paper contributes to the literature in several ways. First, given the growing prominence of CSR in both practice and academic research, we identify an important determinant of CSR decisions previously neglected in this burgeoning literature: partisan bias in media messaging. Second, our study is part of the broader topic on how partisan media environment affects firms and society (Baloria and Heese, 2018; Knill, Liu, and McConnell, 2020), by illustrating that media slant can have large effects on corporate behavior. By documenting

[10]Several papers show that the institutional investors play a key role in aligning corporate interests with social responsibilities. See Chen, Dong, and Lin (2020) and Li, Patel, and Ramani (2020) among others. Anecdotally, BlackRock announced that it would take a tougher stance against corporations that are not providing a full accounting of environmental risks, as reported by Wall Street Journal, on Jan 14th, 2020. Details at https://www.wsj.com/articles/blackrock-shakes-up-sustainable-investing-business-following-criticism-11579000873.

the change in CSR due to Sinclair exposure, our results highlight how firms and their environments interact along the dimension of political ideology. Lastly, our paper is the first to use the expansion of Sinclair across the country as an exogenous shift towards conservatism in the local media environment to study corporate behavior. By revealing the key role of local media markets in corporate policies, our findings offer a new avenue for research in the political economy of finance literature.

The rest of the paper is organized as follows. Section II describes the history of the expansion of Sinclair in the local TV markets and investigates the relationship between county characteristics and Sinclair entry. Section III presents empirical results of Sinclair exposure on CSR ratings of firms in the region and Section IV examines the robustness of the results. Section V provides direct evidence on the influence of Sinclair on local ideology. Section VI investigates the effect of Sinclair on firm performance. Section VII concludes.

II. The Expansion of Sinclair in Local TV Markets

II.A. Local TV Markets and the History of Sinclair TV

One important feature of local TV stations is that they are public goods that tend to serve public interests for the local community, and charge no fees from their viewers. Additionally, it is more difficult to distinguish between liberal and conservative sources on local TV news than cable news or radio talk shows. As a result, local TV news reaches an ideologically diverse audience. According to the Pew Research Center, Democrats and Republicans are about equally likely to watch local TV news. Local TV news has outpaced national news outlets in both trust scores and viewership rates.[11] Currently, more people receive their news from local television stations than from any other sources. According to a Pew Research Center study in 2017, 37% of Americans get their news from local television news. This is higher than cable news (28%) or network television news (26%). Local TV news is also ranked as the most trusted news source in U.S.[12]

A local TV market, also referred to as a media market, is defined by a DMA. DMAs are determined by the Nielsen Company and impact the cost of advertising in a specific area.[13] There are 210 DMAs covering the whole country and are usually defined based on metropolitan areas, with suburbs often being combined within. Viewers in the same DMA receive the same or similar media coverage. Typically, there are multiple DMAs in one state. As there are around 3,000 counties in the U.S., one DMA always includes multiple

[11] See https://www.pewresearch.org/fact-tank/2018/01/05/fewer-americans-rely-on-tv-news-what-type-they-watch-varies-by-who-they-are/.

[12] Around 80% of Americans trust local news outlets, higher than the 60% for national news and 14% for social networks, according to the Pew Research Center. See the details at https://www.journalism.org/2017/05/10/americans-attitudes-about-the-news-media-deeply-divided-along-partisan-lines/.

[13] The Nielson Company is a market research and measurement company. When there are more viewers in a DMA, TV stations can charge higher advertisement costs.

counties and in some cases a DMA can even span multiple states. The local TV market is regulated by the Federal Communications Commission (FCC). Local TV stations need to obtain licenses issued by the FCC to operate in a particular DMA. On its website, the FCC states that "whenever we review an application —whether to build a new station, modify or renew the license of an existing station or sell a station —we must determine if granting the application would serve the public interest. We expect station licensees to be aware of the important problems and issues facing their local communities." Hence, to obtain a license to operate a station, the local TV station must meet the needs and interests of the community it serves. Meanwhile the FCC emphasizes that it is not responsible for selecting the material stations air, as the First Amendment and the Communications Act expressly prohibit censoring broadcast matter.

Sinclair originated in 1971 when Julian Sinclair Smith bought a UHF station WBFF-TV in Baltimore, Maryland. His four sons founded the Sinclair Broadcast Group, Inc. in 1986, after acquiring several existing UHF stations in Baltimore, Pittsburgh, and Columbus. The company's station portfolio expanded to 59 stations in 1995 and it went public in the same year. Although Sinclair's rapid growth is partly fueled by the outright purchase of stations, it is also driven by the creative use of local marketing agreements (LMAs). LMAs are a type of contract in which one company agrees to operate a radio or television station owned by another party. In essence, it is a lease or time-buy for the operating license. This allows Sinclair to bypass many regulations imposed by the FCC regarding the ownership of operating licenses, which are established to facilitate competition and foster diversity in media.

Currently, Sinclair is the largest owner/operator of local TV stations in the U.S. It is also the biggest producer of local news. Each week, the company reportedly produces 2,400 hours of local news.[14] It airs original programming from its 193 TV channels in more than 90 DMAs across the country. Extending from coast to coast, Sinclair now covers more than 39% of all American households. While it owns/operates the largest number of TV stations in America, most of Sinclair's target viewers are unaware of its existence.[15] This is also why Sinclair's CEO is not as famous as Rupert Murdoch, the founder of the News Corp. Sinclair has achieved this anonymity thanks to its unique expansion method: acquiring and operating local news stations without re-branding them as parts of the Sinclair network. For example, Sinclair runs a station under the ABC brand-name in Dayton, Ohio, and a station under the Fox brand-name in Oklahoma City, Oklahoma. Therefore, local TV stations with a wide range of political and social ideologies (Fox, CBS and NBC) are owned or operated by Sinclair.

[14]See the report by CBS news at: https://www.cbsnews.com/news/sinclair-broadcast-group-what-you-need-to-know/.

[15]Sinclair is often referred to as an under-the-radar company, by the U.S. prime time news outlets. For example, see https://www.theguardian.com/media/2017/aug/17/sinclair-news-media-fox-trump-white-house-circa-breitbart-news.

Owned by eminent Republican donors, Sinclair's programs are widely considered to have a conservative bias.[16] Sinclair regularly produces right-leaning, centralized news segments or commentary and sends them to stations across the country for broadcast. For example, one of such news commentary is the so-called "must runs", where local TV program hosts from different stations across the country are expected to read and broadcast from the same transcript. Sinclair's political orientation has attracted much attention from other media outlets in recent years. For example, the New York Times describes Sinclair as a "conservative giant" and alleges that Sinclair uses its TV stations "to advance a mostly right-leaning agenda".[17]

II.B. Sinclair TV versus Fox News

Several studies on media bias use the introduction of Fox News as a measure for exposure to conservative messaging (DellaVigna and Kaplan, 2007; Martin and Yurukoglu, 2017; Baloria and Heese, 2018; Knill et al., 2020, among others). We argue that, for the purpose of the present study, there are several advantages to using Sinclair over Fox News.

First, Fox News is well known to viewers for its conservative leaning news bias. Thus, there is a self-selection issue as liberal audiences can opt out of watching Fox News, limiting the channel's influence. In contrast, when Sinclair acquires a local TV station, it does not change their names. For example, many liberal-leaning (e.g. NBC and ABC affiliated) stations across the country are now owned and operated by Sinclair, carrying their original channel names. As a result, many viewers are not aware that they are watching Sinclair-affiliated channels. This unique feature of Sinclair TV stations makes it difficult for viewers to filter out messages based on the ideology bias of the channel. Second, Sinclair channels reach a higher share of the U.S. population than Fox News. Based on estimates in 2018, Sinclair programs reach as high as 39% of the American population, while Fox News reaches 27%. Moreover, as described in the previous section, local TV stations appear to be trusted more than cable news by the average viewer in the U.S., according to recent surveys conducted by Pew Research. Lastly, local TV stations tend to cover local firms' activities especially on CSR topics, as residents care about union affairs, air and water pollution, and community outreach activities within their communities. Given the mostly local nature of CSR activities as our main variable of interest (Dyck, Lins, Roth, and Wagner, 2019 and Bertrand et al., 2020), studying the effect of Sinclair is more appropriate than the effect of a national TV such as Fox News.

[16] According to federal filings, Sinclair's current Chairman David Smith has contributed $206,650 to Republicans and $132,350 to Democrats in congressional and presidential campaigns since 1995. He also gave $36,000 to two political action committees (PACs) that have consistently contributed more to Republicans than to Democrats.

[17] Other examples include the Washington Post, describing Sinclair as having " a long history of favoring conservative causes and candidates on its newscasts". It published articles such as "Under New Ownership, WJLA-TV Takes a Slight Turn to the Right" in 2014, and "Here's What Happened the Last Time Sinclair Bought a Big-City Station" in 2017.

II.C. Sinclair Expansion and Regional Characteristics

We compile data on the expansion of Sinclair in local TV markets from 1996 to 2016 from various sources, including Sinclair's 10-K filings, the company's website, the FCC database, and the Capital IQ Key Development database. We complement our data by manually adding multiple features of each Sinclair-affiliated TV station that may have been absent from the aforementioned sources. The data indicates that there could be zero to four Sinclair TV stations in one DMA at any given point of time. Figure I shows the distribution maps in 1996, 2001, 2006, 2011, and 2016, providing snapshots of the exposed counties every five years in the sample period. The snapshots demonstrate that counties with access to Sinclair are not concentrated in a small number of geographic regions, but almost evenly spread across the country over time.

One concern with using the expansion of Sinclair as a quasi-natural experiment to study the impact of conservative media on local firms' CSR ratings is that unobserved changes in local economic or political ideology could drive both Sinclair entry and CSR. In this section, we address this concern by directly investigating the relationship between the presence of Sinclair and a host of characteristics of local TV markets. As explained earlier in Section II.A, Sinclair exposure is the same across a DMA, and one DMA typically spans multiple counties. On average, one DMA includes 14 counties. As a preliminary investigation, we compare sample means of relevant characteristics between county-year observations with at least one Sinclair station and county-year observations without. Using county-level data gives us finer information regarding a region's population characteristics compared to using DMA-level data.

County-level demographic data from 1995 to 2016 is mostly collected from the U.S. Census Bureau. We collect data on total population, the percentage of the population that is above 65 years old, the percentage that have college or higher education, the percentage of female, the percentage of the Hispanic population, and the percentage of the African American population.[18] The unemployment data is from the Bureau of Labor Statistics. To measure political ideology in a county, we obtain the county-level presidential election voting data from Harvard Dataverse,[19] and calculate the percentage of votes for a Republican presidential candidate in the most recent election cycle. By construction, it is updated every four years.

Table I reports summary statistics of the above demographic variables across counties with and without Sinclair presence. The table shows that there are 13,210 observations with Sinclair exposure, and 28,720 ones without it. For the economic and ideology variables, the mean values in the two samples are almost identical across the two samples: 6.6% vs. 6.5% for the unemployment rate, 58.9% vs. 59.9% for the percentage of Republican votes. It suggests that the entry of Sinclair and its decision to stay in a region are unlikely driven by

[18] We also thank Antonela Andonia Miho for generously sharing the data used in her paper, Miho (2018).

[19] The dataset is compiled by MIT Election Data and Science Lab and can be accessed at https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi:10.7910/DVN/VOQCHQ.

local economic or political factors. Among other demographic variables, these two samples are also very similar in the percentage of the population with college or higher education and the percentage of female. The exposed sample has a slightly larger population (the log of the population is 10.38 vs. 10.20), a slightly higher percentage of seniors (16.6% vs. 16.2%), a smaller Hispanic population by percentage (6.4% vs. 9.1%), and a smaller African American population by percentage (8.1% vs. 8.7%).

Next, we model the entry decision by Sinclair using Fama-Macbeth regressions (Fama and MacBeth, 1973). Fama-Macbeth regressions take panel data and run one cross-sectional regression each year and draw statistical inference using the empirical distribution of regression coefficients. Applying the Fama-Macbeth method, we assume that Sinclair decides which TV markets to enter among all possible choices, and it repeats this decision process every year. This model resembles the actual economics of the decision process by Sinclair, more than alternative models such as panel regressions. Since media presence in a region is sticky due to high fixed costs of entry, it is extremely rare for Sinclair to exit TV markets. Therefore, the future presence of Sinclair in a region with a current presence is likely to be a passive rather than active decision. Hence, we take the set of TV markets without a current Sinclair presence as candidate regions from which Sinclair can choose to expand. In each year t, we create a dummy variable, $Sinclair\ Entry_{dt}$, which takes the value of one if Sinclair enters a DMA, d, and zero otherwise, among all candidate regions. $Sinclair\ Entry_{dt}$ is used as the dependent variable, and we regress it on lagged economic and ideology variables: unemployment rate and the percentage of Republican votes, while including other controls from the U.S. Census. In each year t, we run the following cross-sectional regressions:

$$\begin{aligned} Sinclair\ Entry_{dt} =& \alpha + \beta_1 Unemployment_{dt-1} + \beta_2 Republican\ Votes_{dt-1} \\ &+ \gamma\prime Other\ U.S.\ Census\ Controls_{dt-1} + \epsilon_{dt}. \end{aligned} \tag{1}$$

Since the data ranges from 1996 to 2016, the Fama-Macbeth regression contains twenty yearly regressions. We then draw inferences using the sample distribution of coefficient estimates of the twenty regressions. t-statistics are calculated using the mean and standard deviations of the twenty coefficients for each variable. The result is presented in Panel A of Table II. The U.S. Census control variables are DMA level data, aggregated or averaged using the country level data. We do not find any evidence that the unemployment rates or the percentage of Republican votes predict which TV markets Sinclair chooses to enter. The only variable that is positively related to Sinclair entry is population size, which confirms that Sinclair chooses markets using a cost-benefit framework and mostly targets mid-sized markets for profit reasons.

Next, we run panel regressions of Sinclair presence in TV markets. For a TV market d in state s and year t, $Sinclair\ Exposure_{dst}$ takes the value of one if there is at least one

Sinclair station in the region and zero otherwise. We estimate the following model,

$$\begin{aligned} Sinclair\ Exposure_{dst} =& \alpha_s + \alpha_t + \beta_1 Unemployment_{dst-1} + \beta_2 Republican\ Votes_{dst-1} \\ &+ \gamma\prime Other\ U.S.\ Census\ Controls_{dst-1} + \epsilon_{dst}. \end{aligned} \tag{2}$$

where d and s indicate DMA and state respectively. We include both state and year fixed effects. Standard errors are clustered at the DMA level. The results are presented in Panel B of Table II. Columns (1) and (2) use Logit, while Column (3) and (4) use OLS estimations. We find the same results that Sinclair exposure is unrelated to economic, ideological, or demographic factors of a region, except its population size. Panel C repeats the analysis using county-level data, and presents the same finding. In summary, both the univariate results in Table I and the multivariate analysis in Table II suggest that Sinclair entry is not driven by local economic or ideology factors. We conclude that reverse causality is not likely to be a concern for the purpose of our study. This finding is similar to DellaVigna and Kaplan (2007) who argue that the entry of Fox News is largely idiosyncratic based on town level characteristics.

III. The Effect of Sinclair Exposure on CSR

We empirically examine the conjecture that Sinclair exposure reduces firm CSR activities. We select all Compustat firms with available CSR data covered by the Kinder, Lydenberg, and Domini database (usually known as the KLD database, now the MSCI ESG KLD STATS database) from 1996 to 2016, and then merge the CSR and Compustat data with the geographical distribution of Sinclair TV stations by the county of a firm's headquarter. The analysis in this section is summarized as follows. First, we describe how we construct variables of firm characteristics and CSR ratings. Then, we conduct a temporal dynamic test to investigate the timing of the Sinclair effect on CSR. This test also examines pre-event trends which helps to mitigate reverse causality concerns. Next, we estimate a baseline regression model to quantify the magnitude of the Sinclair effect on CSR. In the following two sections, we conduct various robustness checks of the baseline. We then examine how Sinclair affects local ideology and explore cross-sectional variations in the effect of Sinclair on CSR.

III.A. CSR and Firm Characteristics: Variable Construction

CSR ratings are obtained from the KLD database, which is widely used in the literature to investigate the determinants and consequences of CSR policies (e.g. Cahan, Chen, Chen, and Nguyen, 2015). The KLD database provides the most comprehensive data on firm-level CSR performance including three main categories: environmental, social, and governance

aspects. We denote ratings in these three categories by ENV, SOC, and GOV.[20] Each category further includes many small groups of points. For example, the environmental category includes indicators of waste management, carbon emissions, natural resource use, supply chain management, water stress, and others. The social category includes indicators of community, human rights, employee relations, diversity, and products. The governance category includes indicators such as governance system, controversial investments (alcohol, firearms, gambling, military, nuclear power, and tobacco), corruption, political instability, bribery and fraud. For each CSR dimension, the dataset examines the presence or absence of a list of "strengths" and "concerns" for each firm. A one-point increase in the CSR rating indicates that a firm has made a positive change in one CSR indicator. Such a change can happen through a shift from concern to neutral, or neutral to strength. Following the literature, we calculate CSR as aggregated strength points minus aggregated concern points. The CSR rating has a mean of -0.114 and median of 0 in our sample.

We obtain data from Compustat on firms financials to construct control variables. Previous literature has shown that the CSR rating is related to firm size, leverage, profitability, Tobin's Q, cash holding, sales growth, advertising costs, and R&D expenses.[21] Accordingly, we construct the variables of $Size$, $Leverage$, ROA, $Tobin's\ Q$, $Cash\ Holding$, $Sales\ Growth$, $Advertising\ Cost$ and $R\&D$. $Cash\ Holding$, $Advertising\ Cost$ and $R\&D$ are scaled by total assets. Details of variable construction are provided in the Appendix. The final sample consists of 25,656 firm-year observations of 2,434 firms in the period of $1996-2016$. As Sinclair rarely leaves a TV market once it enters, only around 1.7% of the firm-year observations correspond to the case of no Sinclair influence due to Sinclair exit.[22]

The summary statistics of firm characteristics and CSR variables are presented in Table III. The mean firm assets are \$13.7 billion with a median of \$1.66 billion. The average leverage is 21.4%. The firms are profitable with an average ROA (operating income divided by total assets) of 13%, and cash holding (cash and cash equivalents divided by total assets) of 19.4%. The average Tobin's Q is 1.96 and the average sales growth is 11.9%. There is a large variations of CSR ratings: the standard deviation is 2.242 compared to the mean of -0.114. The average environmental rating, ENV, is 0.066 with a standard deviation of 0.703. The average social rating, SOC, is -0.019 with a standard deviation of 1.807 and the average governance rating, GOV, is -0.199 with a standard deviation of 0.667.

III.B. The Temporal Dynamic Test

In this section, we conduct a temporal dynamic test on the relation between Sinclair exposure and CSR. This test investigates both pre-exposure and post-exposure time trends

[20] Grouping CSR categories into environmental, social, and governance is the default setting in the KLD data.

[21] Recent papers such as Cahan et al. (2015) and Cao, Liang, and Zhan (2019) summarize the control variables used in previous studies.

[22] All results remain the same if we drop counties with Sinclair exit.

of the exposure effects, and can help alleviate the reverse causality concern. Conducting this study first is also advantageous because we expect that it takes time for Sinclair to affect local ideology.[23] By running the temporal dynamic test, we start with an agnostic view regarding how long it takes for Sinclair to affect local CSR ratings. Specifically, we run the following regression,

$$\begin{aligned} CSR_{ist} = \alpha_i + \alpha_{st} + \beta_1 Before^{\leq -2} + \beta_2 Before^{=-1} + \beta_3 After^{=+1} + \beta_4 After^{=+2} \\ + \beta_5 After^{\geq +3} + \gamma\prime X_{it-1} + \epsilon_{ist}, \end{aligned} \tag{3}$$

where i, s, t index firm, state, and year, respectively. α_i and α_{st} represent firm fixed effects and state-year fixed effects. $Before^{\leq -2}$ is a dummy variable that takes the value of one if the firm is exposed to Sinclair two or more years later, and zero otherwise. Similarly, $Before^{=-1}$ indicates exposure to Sinclair TV for a firm one year later and $After^{=+1}$ ($After^{=+2}$) indicates exposure to Sinclair for a firm one year (two years) before. $After^{\geq +3}$ becomes one for firms for which exposure to Sinclair took place three or more years ago. For firms whose headquarters are located in DMAs without any Sinclair TV stations in all years, these time dummy variables take a value of zero. X_{it-1} is a vector of control variables, including size, leverage, ROA, Tobin's Q, cash holding, sales growth, advertising costs, and R&D expenses. We cluster standard errors at the DMA level, as firms are exposed to the same local media environment in the same DMA. We also run the same regression for environmental, social, and governance ratings.

The results are presented in Table IV. The dependent variables are the CSR rating, environmental, social, and governance ratings in Columns (1) to (4), respectively. Since CSR is related to the local ideological beliefs, any correlation between a DMA's average CSR and future Sinclair entry suggests that local ideology trends drive Sinclair entry. Hence the coefficients of all $Before$ dummy variables stand for the effects of reverse causality. Across the four columns, none of the $Before$ coefficients are statistically different from zero. The coefficients of the $After$ dummy variables show the effect of past Sinclair exposure on CSR over time. Consistent with our expectations, we find that the effect of Sinclair takes time, and a significant reduction in CSR manifests in the third year after Sinclair exposure. When we investigate environmental, social, and governance ratings separately, we find that while it takes a few years for Sinclair to affect CSR components, the environmental ratings are reduced almost immediately, just one year after Sinclair entry. This is consistent with climate change as one of the most polarizing issues for the American public.[24]

[23] Research shows that it takes time for individuals to change behavior following exposure to media messaging, and the effect is usually persistent (Adena, Enikolopov, Petrova, Santarosa, and Zhuravskaya, 2015; Durante, Pinotti, and Tesei, 2019).

[24] Public attitudes towards climate, energy, and environmental issues are strongly correlated with party ideology, whereas other kinds of science issues are not. For example, see "Of Democrats with high levels of science knowledge, just about nine out of ten people trust environmental scientists. Of Republicans with high levels of science knowledge, less than half trust environmental scientists." in https://grist.org/article/climate-change-is-the-one-area-of-science-republicans-tend-to-doubt/. Also, see Pew Research's report on the politics

Next, we plot the regression result of Equation 3 in Figure II. The four panels show the results when the dependent variable is the CSR rating and its three subcategories: environmental, social, and governance ratings. We make a slight change by adding year dummy variables going back to $Before^{\leq -5}$ and forward to $After^{\geq +5}$ so we have ten time dummy variables. With finer partitions, the trend can be seen more clearly in the figure. The y-axis shows the coefficient estimates of the ten event year dummy variables. The x-axis shows the time relative to Sinclair exposure. The dashed lines depict the 90% confidence intervals of the coefficient estimates. This figure shows that the parallel trends assumption is satisfied between the treated firms and the control firms before the exposure period. CSR only decreases after three years of exposure to Sinclair, not vice versa.

III.C. The Baseline

The baseline regression quantifies the effect of Sinclair on CSR by estimating the change of CSR post Sinclair in a difference-in-differences setting. The regression equation is specified as follows,

$$CSR_{ist} = \alpha_i + \alpha_{st} + \beta Sinclair\ TV_{it-3} + \gamma\prime X_{it-1} + \epsilon_{ist} \tag{4}$$

where i, s, and t index firm, state, and year, respectively. $Sinclair\ TV_{it-3}$ is a dummy variable that equals one if the headquarter of firm i is located in a DMA with at least one Sinclair TV station in year $t-3$, and zero otherwise. X_{it-1} is a vector of firm controls including size, leverage, ROA, Tobin's Q, cash holding, sales growth, advertising costs, and R&D expenses. α_i and α_{st} represent firm fixed effects and the state-year interaction fixed effects. We cluster the standard errors at the DMA level, as the local media environment is the same for firms located in the same DMA.[25]

The results are presented in Columns (1) and (2) of Table V. Column (1) does not include control variables while Column (2) does. In both specifications, the coefficient on $Sinclair\ TV$ is statistically significant and negative. The economic magnitude is also large. Take Column (2) as an example. It shows that $\beta = -0.322$, which suggests that the post-Sinclair CSR rating is lower than the pre-Sinclair CSR rating by 0.322 for treated firms. This is equivalent to 14.36% of the sample standard deviation (σ= 2.242) of the sample CSR.

Next, we use the CSR ratings in the three subcategories: environmental (ENV), governance (GOV), and social (SOC) as the dependent variable, and run the same baseline regression in Equation 4. We are interested in how Sinclair exposure might affect these component ratings differently. The results are shown in Column (3) to (5) of Table V. Exposure to Sinclair decreases CSR ratings in all three categories. In terms of economic magnitude, Column (3) indicates that the post-Sinclair environmental rating (ENV) is lower than the pre-Sinclair rating by 0.119, which is 16.9% of the variable's sample standard

of climate change at https://www.pewresearch.org/science/2016/10/04/the-politics-of-climate/.

[25]The results remain highly statistically significant after we re-estimate the model using alternative ways to cluster standard errors, as shown in Table VI.

deviation (0.119/0.703=16.9%); Column (4) shows that the post-Sinclair social rating is lower than the pre-Sinclair rating by 0.073, which is 4% of the variable's sample standard deviation (0.073/1.807=4%); and Column (5) shows that the post-Sinclair governance rating is lower than the pre-Sinclair rating by 0.13, which is 19.5% of the variable's sample standard deviation (0.13/0.667=19.5%).

Lastly, we extend the above studies to assess whether the reduction in CSR ratings is driven by a decline in CSR strengths, or by heightened concerns about such policies. In the KLD database, CSR ratings are calculated by having strength ratings minus concern ratings. Hence, to examine this question, we estimate the baseline specification separately for these two components of the overall CSR rating. The results are shown in Column (6) and (7) of Table V. Column (6) shows the coefficient on *Sinclair TV* is −0.142 on CSR strength, and Column (7) shows the coefficient on *Sinclair TV* is 0.180 on CSR concern.[26] Based on the magnitude of the coefficients, we conclude that Sinclair exposure decreases CSR strengths and increases CSR concerns about equally.

IV. Robustness of the Baseline

In this section, we further address the econometric concerns of endogeneity and conduct various robustness exercises.

IV.A. The Placebo Test

One might be concerned that there may exist shocks or variables, omitted from the baseline specification, that coincide with Sinclair entry to the target DMAs. The staggered nature of the Sinclair entry across time and space can mitigate this concern to some degree. There is a low probability that series of unobserved shocks take place with the same timing as that of Sinclair entry and in the same affected DMAs. Regardless, we re-examine the validity of the main results by conducting a placebo analysis.

We first obtain the empirical distribution of Sinclair entry years to different DMAs. Using this distribution, we re-assign these years randomly to the sample DMAs and re-estimate our baseline specification. Through 1,000 rounds of random assignments, we obtain 1,000 samples with pseudo Sinclair entry years to different DMAs. If our main results were driven by Sinclair entry and not a data fluke, then the random reassignment of the entry dates should generate no patterns between pseudo Sinclair exposure and CSR. In contrast, if the baseline results were driven by chance, instead of exposure to Sinclair media, then the placebo samples should yield results not significantly different from our main result, as the main driver of the outcome variable (CSR) still resides in the testing framework. After the 1,000 rounds of estimation, we plot the histogram of the distribution for the t-statistics of the coefficient

[26] CSR rating is computed as the strengths rating less the weakness rating, i.e., $-0.142 - 0.180 = -0.322$, which is the coefficient of the Sinclair dummy in the baseline regression, shown in Column (2) of Table V.

on *Sinclair TV* in Figure III. The y-axis shows the frequency of the t-statistics, and the red, dashed line on the left shows the t-statistic of the true baseline regression (-4.169, in Column (2) of Table V). This t-statistic lies in a range that is clearly lower than the 1% tail of the placebo distribution. We obtain similar results (untabulated) when we run additional placebo tests on the three subcategory ratings on CSR.

IV.B. Randomly Dropping DMAs

In this section, we conduct bootstrapping tests to rule out the possibility that the effect of Sinclair on CSR is driven by only a few DMAs. Suppose that Sinclair observes some strong trends in certain areas and these trends are unknown to researchers, while CSR reduction and Sinclair entry are both driven by these local trends. In this case dropping observations in these regions would fail to generate the significant results established in the baseline. Hence we bootstrap the original sample 1,000 times, randomly dropping 5% or 10% of the sample DMAs, and running the same baseline regression with the sub-sample. The results are presented in Figure IV. Figure IV (a) shows the distribution of t-statistics of the coefficient on *Sinclair TV* when 5% of the DMAs are dropped randomly, and Figure IV (b) presents the results when 10% of the DMAs are dropped. In both figures, more than 95% of t-statistics are below 2.57. This analysis shows that our findings are not driven by certain DMAs, which could potentially have unobserved economic or ideological characteristics.

IV.C. Addressing Recent Critiques to Staggered DID Models

Difference-in-differences models with unit and time fixed effects (two-way fixed effects, or TWFE hereafter) are under recent scrutiny. The issue is that when treatment effects are dynamic and there exists variation in treatment timing, the DID coefficient represents a weighted average of these dynamic effects where some of these weights can be negative. This being the case, it is possible that the DID estimate to diverge from the actual effect, i.e., the estimated coefficient may be negative even when the effect of receiving the treatment is always positive. Specifically, in staggered treatment settings, the issue is the use of earlier treatment groups as controls in comparisons with late treatment groups (see Goodman-Bacon, 2021 and Callaway and SantAnna, 2020, among others).

However, Wooldridge (2021) shows that even under heterogeneous treatment effects, using TWFE is still appropriate in settings with staggered interventions – a point that can also be concluded from Sun and Abraham (2020). In fact, Wooldridge (2021) argues that because TWFE is consistent for unbalanced panels, even when selection to treatment is correlated with additive, unobserved heterogeneity, it has advantages over other event study estimators that simply include time effects additively (e.g., Callaway and SantAnna, 2020). Hence, recent competing approaches such as De Chaisemartin and d'Haultfoeuille (2020) and Callaway and SantAnna (2020) provide little practical improvements over the simple TWFE as the latter provide flexibility, including allowing for covariates.

Nevertheless, to ensure that our results are not affected by the above issue, we run the decomposition diagnostic of Goodman-Bacon (2021), as an additional robustness test. We aim to ensure that the baseline results do not have a wrong sign and that variation in treatment timing does not affect our findings. We decompose the two-way fixed effects DID estimator into a weighted average of simple 2x2 DID estimators: (1) earlier treatment groups (states with earlier Sinclair entry) vs. later treatment groups (states with later Sinclair entry), (2) later treatment groups vs. earlier treatment groups, (3) treatment vs. never treated, (4) and treatment vs. already treatment effects.[27] According to Goodman-Bacon (2021), the problem arises when the sign of the coefficient for the later vs. earlier treatment group is different from the other three coefficients. This is clearly not the case here. We find that all effects are negative and are around -0.30. Importantly, almost 90% of the estimated weight is from the treatment vs. never treated group, which is the most appropriate way to measure DID coefficients (average estimate for this group equals -0.529). Overall, these findings ensure that our results are robust to recent criticisms regarding the use of TWFE models.

IV.D. Other Robustness Checks

We conduct several additional robustness tests to the baseline specification as follows. All original control variables are included, and for the sake of brevity, their regression estimates are not presented. The following tests are categorized into two groups: alternative specifications and alternative samples.

IV.D.1. Alternative Specifications

We repeat the baseline with alternative specifications and the results are presented in Table VI. First, we use three different proxies for Sinclair exposure to replace the *Sinclair TV* dummy variable in the baseline. *Sinclair TV #* is the number of local Sinclair TV stations in the current year in the DMA where the firm's headquarter is located. There could be multiple local TV stations associated with Sinclair. In the sample, we observe that the number of Sinclair TV stations, *Sinclair TV #*, in a DMA ranges from 0 to 4. *Sinclair Average Exposure* is the average number of local Sinclair TV stations in the DMA per year from the beginning of the sample period to year t. *Sinclair Years Present* is the number of years since Sinclair enters the DMA up to the current year. To maintain consistency with the baseline results, we also lag these variables by three years. We use these alternative measures for exposure and report the results in Panel A of Table VI. The results remain across all specifications.

Second, we use alternative clustering choices. In the baseline, the standard errors are clustered at the DMA level. Column (1) of Panel B shows the baseline, and Column (2) to (5) show the results when standard errors are clustered by year, DMA-year, county, and

[27] We use Stata's *ddtiming* package by Thomas Goldring at https://tgoldring.com/projects/ddtiming

double clustered by DMA and year. The results remain highly statistically significant in all clustering specifications. Third, we address the possibility that unobserved industry trends may have contributed to the decline in the observed CSR ratings of treated firms over time. Thus, we add industry-year fixed effects to the baseline specification. Industries are defined by two-digit SIC codes. The results remain and are presented in Panel C.[28] Fourth, although our results so far suggest that Sinclair entry is not driven by socioeconomic or political trends in treated counties, we account for these possible effects by adding county-level demographic variables to the baseline. The results are reported in Panel D. With or without firm controls, the coefficient on *Sinclair TV* remains statistically significant with the additional county-level controls, and the magnitude is similar to that in the baseline.

Lastly, the literature suggests that CEO characteristics may affect the firm's CSR policies (Di Giuli and Kostovetsky, 2014). while including firm fixed effects in the model captures the time-invariant characteristics of the firm to some extent, CEOs may change over our sample period. Hence, we control for CEO characteristics, including age, gender, and total compensation on top of the baseline. The results are reported in Panel E of Table VI. With or without firm controls, we find results similar to those of the baseline.

IV.D.2. Alternative Samples

Next, we conduct robustness tests using alternative subsamples, and the results are presented in Table VII. First, we investigate if the effect of Sinclair on CSR is only concentrated in earlier or later periods of the sample. We split the sample period into the two 10-year periods of 1996−2006, and 2007−2016, and run the baseline separately for these two time periods. The results are presented in Panel A. The effect is strong in both periods, with the coefficient on *Sinclair TV* $\beta = -0.342$ in the first half of the sample period, and $\beta = -0.265$ in the second half. Since the first half of the sample coincides with the period when Fox News expanded across the U.S., this result indicates that the findings are not due to Fox news expansion.

Second, we investigate whether the results are driven by firm-year observations with very large or very small values of CSR. It is possible that firms with the highest CSR ratings are more prone to downward adjustments. Similarly, firms with the lowest CSR ratings may be less committed to social and environmental policies, hence more amenable to foregoing them. If so, our findings might not depict a widespread, general effect. We address this concern by dropping observations with CSR values at the top 10%, top 20%, bottom 10%, and bottom 20%, of the CSR distribution, hence estimating the model using these four different samples. We also create an alternative sample by excluding observations with CSR ratings in both the top and bottom 10% of the distribution, and re-estimate the baseline. The results are

[28]The regressions presented in tables in the remainder of the paper could have a lower number of observations than that of the baseline (25,631) due to two possible reasons: (i) when fixed effects specifications are changed from the baseline, new singletons in fixed effect groups are automatically dropped; (ii) including additional control variables excludes more observations when they contain missing values for these variables.

presented in Panel B of Table VII. The results remain, indicating that our findings are not driven by extreme values.

Third, we investigate if the results are driven by firms located in counties with strong ideological standings on the liberal or conservative side. The impact might only exist in highly conservative counties due to the common beliefs of the audience and media programming. The reverse may also be true, as Sinclair's effect may be driven by very liberal counties, because in these counties the shock to ideology brought on by Sinclair is larger. We address this concern by finding the top 5% and 10% of counties with the highest fraction of presidential votes for the Democratic or the Republican candidate in the most recent presidential election. We then exclude these top 5% Democratic counties, top 5% Republican counties, top 10% Democratic counties, and top 10% Republican counties, respectively, and re-estimate the baseline regression. The results are shown in Panel C of Table VII. The findings are robust to excluding these counties with strong ideological and political leaning, highlighting the existence of a general effect.

V. Sinclair Exposure and Local Ideology

Stakeholders' demand is a major driver of CSR (Hart and Zingales, 2017; Broccardo et al., 2020), and the influence of media messaging on stakeholders can be a major determinant of their demand for pro-social and environmental policies. Media can educate the audience on the importance of environmental, social, and governance issues and on whether companies bear any responsibility of addressing these issues beyond maximizing shareholder profit. Sinclair entry to local TV markets can shift ideology beliefs of the local population, which includes local investors and stakeholders such as employees, customers, and suppliers. This in turn can adversely affect CSR priorities of firms located therein. Moreover, some firms engage in CSR to manage their social image. Bénabou and Tirole (2010) show that social recognition is a major driver of charitable giving. According to Glazer and Konrad (1996), anonymous donations form only around 1% of the total number of donations.[29] When the stakeholders assign less value to CSR, these firms also lose incentives to maintain good CSR ratings.

In this section, we aim to provide direct evidence of how Sinclair changes local ideology beliefs and opinions on the liberal-conservative spectrum. If Sinclair is indeed powerful in shaping local populations' ideology, the evidence should also manifest in their preferences and the outcomes of political events. We then study which types of firms would experience larger impact in their CSR policies along the dimension of ideology change.

[29]Other experiments also depict that need for recognition in charitable activities is widespread. For example, studies on blood donations in Italy (Lacetera and Macis, 2008); voters' behavior in Switzerland (Funk, 2010); and the case of Shakespeare Theater Company in Washington, where "pretty much everything, including staircases and the coat room, has been named after somebody" (Isherwood, 2007).

V.A. Sinclair and Local Public Opinions

Our first set of direct evidence of local community being affected by Sinclair is based on the Cooperative Congressional Election Study (CCES)[30] administered by YouGov[31]. YouGov is an international research data and analytics group. The CCES is a 50,000+ person national stratified survey conducted around November of each year, and designed to be representative of all national adults in U.S. It asks a wide range of questions on political and social issues, which broadly fall into eight categories: abortion, environment, guns, illegal immigrants, military, affirmative action, gay marriage, and government spending.

In this analysis, we focus on the questions in two categories that are most relevant to CSR policies: environment (related to the environmental component of CSR) and affirmative action (related to the social component).[32] Within each category, the results of the questions are summarized by a scale variable: the environment scale and the affirmative action scale. Specifically, the environment scale is an opposition scale to climate change with five values from one to five: one means "climate change is a serious problem", and five means "climate change is not occurring". The affirmative action scale is an opposition scale to affirmative action policies with values ranging from one to seven: one means "strongly support affirmative action", and seven means "strongly oppose affirmative action". If the respondents in a region turn more conservative, we should hence expect the environment and the affirmative action variables to increase. The CCES data starts in 2006, so we merge it with the geographic distribution data of Sinclair by DMA from 2006 to 2016. We take an average of the scale variables by each respondent within the same county-year and constructs two county-level scale variables. We then estimate the following difference-in-differences model of the two scale variables,

$$Scale\ Variable_{cst} = \alpha_c + \alpha_{st} + \beta Sinclair\ TV_{ct-1} + \gamma' Z_{ct} + \epsilon_{cst}, \tag{5}$$

where c, s, and t index county, state and year, respectively. $Sinclair\ TV_{ct-1}$ is a dummy variable indicating whether county c is located in a DMA with at least one Sinclair TV station in year $t-1$. Z_{ct} is a vector of concurrent county-level control variables, including unemployment rate, the percentage of the population with college or higher education, the percentage of the population that is female, the log of total population, and the percentages of the senior, Hispanic, and African American populations. α_c and α_{st} represent county fixed effects and state-year fixed effects. We also use the alternative specification of including DMA fixed effects and year fixed effects. Standard errors are clustered at the DMA level.

The results are presented in Table VIII. Consistent with the above conjecture, we find that opposition to climate change and affirmative action grows following Sinclair exposure.

[30] See https://cces.gov.harvard.edu/.

[31] See https://today.yougov.com/.

[32] None of the CCES survey questions could be properly linked to the governance component. See the complete list of questionnaire items at: https://dataverse.harvard.edu/file.xhtml?fileId=4462966version=1.0.

This effect is economically and statistically significant for the environment scale variable, regardless of whether we measure variations within county in Column (1) or within DMA in Column (3). The coefficient estimate in Column (1) indicates that the increase in environment scale is 0.104, which is equivalent to 9.12% of the sample standard deviation of the variable.[33] The coefficient estimate for the affirmative action scale in Column (4) with DMA fixed effects is statistically significant and it remains positive in Column (2) with county fixed effects, however it marginally loses its statistical significance. Combining these evidence, we conclude that Sinclair indeed changes local community opinions on topics related to CSR.

V.B. Sinclair and Local Political Ideology

If Sinclair exposure reduces CSR by influencing the audience's stance towards CSR-related issues, then we should observe an association between Sinclair exposure and actions of the local population in a way that would signal an ideological change in political outcomes. This is consistent with the literature that illustrates media is powerful in shaping people's beliefs and changing voters' behavior (e.g., DellaVigna and Kaplan, 2007; Gentzkow, Shapiro, and Sinkinson, 2014; Adena et al., 2015; Durante et al., 2019). Hence, we investigate the effect of Sinclair on two variables related to local political ideology. The first variable is the election results of county officials, and the second one is political contributions made by local firms to candidates affiliated with Democratic or Republican parties.

County governments are a crucial component of the fabric of American democracy. Most counties in the U.S. have small legislatures, usually called commissions or councils that set their budgets and other policies. Following De Benedictis-Kessner and Warshaw (2020), the first study that explores the data on local councils,[34] we construct the variable *Dem Share*, which is the percentage of members on a county's legislation committee/council associated with the Democratic party. Unlike the county-level presidential voting data, which is updated every four years, this data is updated annually. Hence the advantage is that we can measure the change in local political environment in a more timely fashion, although the data does not cover all counties.[35] We then regress this variable on the lagged Sinclair TV dummy variable and county-level economic and demographic variables. The regression equation is,

$$Dem\ Share_{cst} = \alpha_c + \alpha_{st} + \beta Sinclair\ TV_{ct-1} + \gamma\prime Z_{ct} + \epsilon_{ct}, \tag{6}$$

where c, s, and t index county, state, and year, respectively. $Sinclair\ TV_{ct-1}$ is a dummy variable indicating whether county c is located in a DMA with at least one Sinclair TV station in year $t-1$. Z_{ct} is a vector of concurrent county-level control variables, which are

[33]The environment scale can take the values of 1, 2, 3, 4, and 5, with the mean of 2.24 and the standard deviation of 1.14 in the sample.

[34]The data on the partisan composition of these councils are available on Harvard Dataverse database.

[35]It is noteworthy that when we use *Dem Share* in the Section II.C (see Table II) in place of % *Republican Votes* (the county-level percentage of Republican votes in the last presidential election), we find consistent evidence that past *Dem Share* cannot predict future Sinclair entry.

the same ones as in Equation 5. α_c and α_{st} represent county fixed effects and state-year fixed effects, and standard errors are clustered at the DMA level.

The results are shown in Table IX. We find that with Sinclair exposure, the percentage of council members associated with the Democratic party is reduced by 3.5%. This evidence indicates that the local media can influence people's ideology, manifested in variations in local voting results. The control variables also provide notable results. *Dem Share* is higher when there is a higher percentage of residents with college or higher education, when there is a higher percentage of African American residents, but lower Hispanic residents. Unemployment rate, population size, and the percentage of the female and the senior residents do not appear to matter.

Next, we study how local firms' political contributions change with Sinclair exposure. We construct *Rep minus Dem*$_{it}$, which is the political contribution of firm i to the Republican party minus its contribution to the Democratic party in federal elections in dollar amount in year t. The source for campaign contributions data is the Federal Election Commission (FEC) compiled by the Center for Responsive Politics.[36] Note that the political contribution is measured once in every election cycle, so the data points are generated every other year. We run the following regressions,

$$Rep\ minus\ Dem_{ist} = \alpha_i + \alpha_{st} + \beta Sinclair\ TV_{it-1} + \gamma\prime Z_{it-1} + \epsilon_{ist}, \tag{7}$$

where i, s and t index firm, state, and year, respectively. *Sinclair* TV_{it-1} is a dummy variable indicating whether the firm i is located in a DMA with at least one Sinclair TV station in year $t-1$, and zero otherwise. Z_{it-1} is a vector of firm controls including size, leverage, ROA, Tobin's Q, cash holding, sales growth, advertising costs, and R&D expenses. α_c and α_{st} represent county fixed effects and state-year fixed effects. If Sinclair can shape the local ideology and impact local firms' political contributions, we expect to see $\beta > 0$. The results are shown in Table X. In both specifications, we find that upon Sinclair exposure, the dollar amount contributed to the Republican party by local firms increases compared to their contribution to the Democratic party. The effect is also economically large. As the standard deviation of the difference between the sample firms' contributions to Republican and Democratic candidates is \$59,934, the estimated effects with all controls in Column (4) (β =7,043) suggest an 11.75% shift in contributions relative to the sample standard deviation. Overall, the results in this section provide evidence of an ideological shift in a region that is associated with Sinclair entry.

[36]The data is available at http://www.opensecrets.org. Contributions are measured as the total sum of contributions in a two-year period for each firm per election cycle, which causes the number of observations in this analysis to be less than that of the baseline regression. Not all firms contribute to political campaigns hence for some sample firms this variable is missing.

V.C. Cross-Sectional Studies

Guided by the evidence that Sinclair changes a region's local ideology and the public opinion about CSR activities, in this section we study which firms are affected more by Sinclair in their CSR policies. In particular, we consider firms in the alcohol, tobacco, and gambling industries; firms in the most polluting industries; and those with low institutional ownership. We elaborate the reasons and findings below.

First, we focus on firms in alcohol, tobacco, and gambling industries also known as "sin industries" in the literature (see Hong and Kacperczyk, 2009; Choi, Gao, and Jiang, 2020). Firms in sin industries can utilize CSR activities as a tool for managing their reputation. Hence, when local communities assign less value to CSR, these firms could lose their motivation in maintaining good CSR ratings compared to firms in other industries. We construct a dummy variable *Sin Industries* indicating whether the firm's line of business involves alcohol, tobacco, or gambling. The result is in Columns (1) to (4) of Table XI. The coefficient on *Sin Industries* $\times$ *Sinclair TV* is significant and negative in all four columns, suggesting for firms in sin industries, the overall CSR ratings as well as the components of environmental, social, and governance ratings deteriorate more compared to other firms upon Sinclair influence.

Second, similar to firms in sin industries, firms in polluting industries can use CSR to manage their social image. We rely on Environmental Protection Agency (EPA)'s reports on Production-Related Waste Managed by Industry to identify the most polluting industries.[37] These reports assess how different industry sectors produce and handle Toxic Release Inventory (TRI) chemical waste. We focus on industry sectors with above 5% contribution to the EPA's total annual TRI chemical release. According to the 2018 reports, the most polluting industries in America include chemical manufacturing, metal mining, primary metals, petroleum product manufacturing and electric utilities. These industries overall are responsible for more than 88% of TRI in America. We identify sample firms that belong to these industries using their two-digit SIC codes. We assign a dummy variable *Polluting Industries* for firms in these industries. We interact *Polluting Industries* with the *Sinclair TV* dummy variable in Columns (5) to (8) of Table XI. Column (5) suggests that the overall CSR ratings of these firms do not drop more than others, while Column (6) shows that their ratings on the environmental aspect decrease much more significantly than others. This especially large reduction in the environmental rating may be due to a sizeable increase in using pollutants in the production process or a reduction of costly pollution-reducing facilities.

Lastly, if treated firms intend to reduce CSR spending post Sinclair due to the local ideology shift, such reduction must be constrained by their institutional investors as they need to consider investor preferences. Chen et al. (2020) document that an increasing number of institutional investors have committed to integrating CSR goals into their capital allocation

[37] See https://www.epa.gov/trinationalanalysis/comparing-industry-sectors

process to meet clients' demand for sustainable investments. Institutional shareholders can also influence CSR directly through CSR-related shareholder proposals. We conjecture that the negative impact of Sinclair on CSR is larger for firms with lower institutional ownership. We construct a dummy variable *Low IOR* for firms with low institutional ownership in year $t-1$, and add an interaction term of *Low IOR* $\times$ *Sinclair TV* in the baseline regression. Low institutional ownership is defined as having institutional ownership below the sample median. Consistent with our conjecture, we find a negative and significant coefficient on the interaction term in Column (9) of Table XI. The results on the regression results from the components in Columns (10) to (11) suggest that such reduction is most pronounced on the governance aspect, consistent with the fact that institutional investors are a key aspect for efficient governance of firms.

VI. The Effect of Sinclair on Firm Performance

Previous analysis has demonstrated a large effect of Sinclair exposure on the firms' CSR. A related question is whether Sinclair exposure can also affect firm performance. There are mixed views and evidence in the literature regarding whether CSR benefits shareholders.

One view is that by creating a positive image for the company, socially responsible activities can create value, hence benefiting shareholders.[38] Several other papers hold the view that CSR is just another manifestation of agency issues. Corporate resources are used for executives' reputation gain, sacrificing shareholder interests.[39] The main challenge in this body of research is that both CSR and firm performance are endogenously determined. In the context of this paper, because the shock to the conservative media environment is exogenous, we provide some evidence of the relationship between ideology environment and firm performance.

We study both accounting performance measured by ROA and stock market performance including Tobin's Q and annual stock returns, on the three-year lagged *Sinclair TV* dummy variable, controlling for lagged firm characteristics such as size, leverage, cash holding, sales growth, advertising costs, and R&D expenses. Because it is intended to be a difference-in-differences setting, firm fixed effects and the state-year interaction fixed effects are included.

[38] Edmans (2020) argue that CSR activities improve shareholder value by growing the pie shared by all stakeholders. Ferrell, Liang, and Renneboog (2016) show that there is a positive relation between CSR and firm value, and that CSR attenuates the negative relation between managerial entrenchment and value. Deng, Kang, and Low (2013) document that high CSR firms experience higher acquirer announcement returns and long-term performance when they make acquisitions. Edmans (2011) documents a positive relation between employee satisfaction and long-run stock returns.

[39] Di Giuli and Kostovetsky (2014) find that increases in firm CSR ratings are associated with negative future stock returns and declines in firm ROA, and conclude that any benefits to stakeholders from social responsibility come at the direct expense of firm value. Krüger (2015) studies stock price reactions to events related to CSR, and finds that investors react negatively to both negative and positive events on CSR, just more so for negative events. Masulis and Reza (2014) find that as corporate giving increases, shareholders reduce their valuation of firm cash holdings.

For annual stock return, we use both the raw stock return and risk-adjusted stock returns. For the latter, we construct characteristics-adjusted annual returns to measure the stock performance as in Daniel, Grinblatt, Titman, and Wermers (1997). Specifically, each stock is matched to one of 125 equally weighted benchmark portfolios constructed by sorting stocks into market capitalization, book-to-market ratios, and past return quintiles each year. A stocks adjusted annual return is defined as the difference between its raw return and the return of its benchmark portfolio. We run the following regression,

$$\text{Firm Performance}_{ist} = \alpha_i + \alpha_{st} + \beta \text{Sinclair TV}_{it-3} + \gamma\prime X_{it-1} + \epsilon_{ist}, \tag{8}$$

where i, s, and t index firm, state, and year, respectively. X_{it-1} is the same vector of controls including size, leverage, cash holding, sales growth, advertising costs, and R&D expenses. α_i and α_{st} represent firm fixed effects and state-year fixed effects. Standard errors are clustered at the DMA level.

The results are presented in Table XII, which shows no significant effects of Sinclair on ROA in the immediate future. Column (1) shows a negative but insignificant coefficient. However, there is a negative relationship between Sinclair exposure and the stock market perception of the firm. When measured by Tobin's Q, firm valuation decreases upon Sinclair exposure but the decrease is not highly significant. The effect on stock return is stronger both economically and statistically. On average, the raw stock return is 7.2% lower annually with Sinclair exposure, 3.9% lower when adjusted by risk, as shown in Column (3) and (4). These are large shareholder losses if considered in dollar terms. The evidence suggests that a more conservative environment does not appear to impact accounting performance in the near future. However, since the stock market is forward-looking, the negative relation between Sinclair exposure and firm performance implies that it is detrimental to long-term shareholder wealth. This is consistent with the school of thought that CSR contributes to shareholder value in the long run.

VII. Conclusions

In this paper, we use a quasi-natural experiment in the local media environment, the expansion of Sinclair Broadcasting Group, to study the impact of conservative local media on firm CSR. We hypothesize that because the conservative media could influence people's ideological beliefs in the local community, CSR ratings might deteriorate for local firms as they take into account local stakeholders' opinions. We empirically document that after three years exposure to Sinclair, firms reduce CSR activities in all categories across environmental, social, and governance aspects. The results are not driven by reverse causality or omitted variables. The finding is also robust to various alternative specifications, sub-samples, and sample periods.

We then provide direct evidence on the shift to more conservatism in local ideologies

using the CCES survey data on public opinions, the local election results of county level legislative bodies, and the distribution of political contributions by local firms to candidates from Democratic and Republican parties. In the cross-section, we find larger effects in sin industries, in polluting industries, and the ones with lower institutional ownership. Lastly, we investigate the Sinclair impact on firm performance. There is an insignificant relation between Sinclair exposure and ROA as well as Tobin's Q, and negative relation between Sinclair and stock returns.

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Appendix

Variable Description

CSR Variables

- CSR: The Corporate Social Responsibility rating is calculated using data from the Kinder, Lydenberg, and Domini database. This database measures firms' CSR performance in three main categories: environmental, social, and governance domains.
- ENV: The CSR rating on the environment aspect.
- SOC: The CSR rating on the social aspect.
- GOV: The CSR rating on the government aspect.
- Strengths: The positive points in CSR ratings. The CSR ratings are calculated by having strength ratings minus concern ratings.
- Concerns: The negative points in CSR ratings. The CSR ratings are calculated by having strength ratings minus concern ratings.

Sinclair Exposure Variables

- Sinclair TV: A dummy variable that equals one if a firm is headquartered in a DMA with at least one Sinclair TV station in the current year, and zero otherwise.
- Sinclair Ave. Exposure: The average number of local Sinclair TV stations in a DMA per year since 1996 to the current year.
- Sinclair TV #: The number of local Sinclair TV stations in a DMA in the current year.
- Sinclair Years Present: The number of years that Sinclair TV is present in a DMA since its entry.

Firm Characteristics Variables

- Assets: Total assets, in $ billions, from Compustat.
- Size: Natural logarithm of total assets, , from Compustat.
- Leverage: Long term debt plus debt in current liabilities, divided by total assets, from Compustat.
- ROA: Net income scaled by total assets, from Compustat.
- Tobin's Q: Market value of equity plus total assets minus book value of equity, then scaled by total assets, from Compustat.
- Cash Holding: cash and cash equivalents scaled by total assets, from Compustat.
- Sales Growth: The annual growth rate of sales, from Compustat.
- Advertising Costs: Annual advertising expenses scaled by total assets, from Compustat.
- R&D: Annual R&D expenses scaled by total assets, from Compustat.
- Low IOR: A dummy variable that equals one if institutional ownership is below the sample median, and equals zero otherwise. Institutional ownership data is from 13F filings in the Thomson-Reuters Ownership Data.
- Sin Industries: Defined as in Hong and Kacperczyk (2009) and Cahan et al. (2015), as a dummy variable that equals one for (1) firms with SIC codes 2100, 2199 which are beer and liquor producers, (2) firms with SIC codes 2080, 2085 which are tobacco firms, and (3) firms with NAICS codes 7132, 71312, 713210, 71329, 713290, 72112, and 721120 which are gambling firms, and equals zero otherwise.

- Polluting Industries: A dummy variable that equals one if firms belong to industries of chemical manufacturing, metal mining, primary metals, petroleum product manufacturing and electric utilities defined by two-digit SIC codes: 10, 28, 33, 49, 51.
- Rep minus Dem: A firm's political contribution to the Republican party minus its contribution to the Democratic party in federal elections in dollar amount in each election cycle, measured every two years, from Center for Responsible Politics.
- Raw Return: Annual stock return of the firm, from CRSP.
- Risk-adjusted Return: The difference between its raw return and the return of its benchmark portfolio following Daniel et al. (1997). The benchmark portfolio is constructed by sorting stocks into market capitalization, book-to-market ratios, and past return quintiles each year.

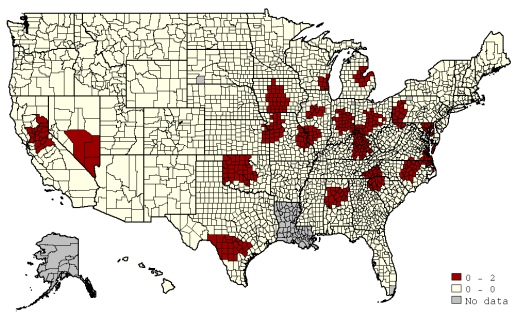
County Level Variables

- Unemployment rate: Collected from the Bureau of Labor Statistics for each county and year.
- % Republican Votes: The percentage of votes for a Republican presidential candidate in the most recent election cycle, from Harvard Dataverse.
- % College or Higher Education: The percentage of population with college or higher education in each county and year, from U.S. Census Bureau.
- % Female: The percentage of population that are female in each county and year, from U.S. Census Bureau.
- Log of Total Population: The log of the total number of population in each county and year, from U.S. Census Bureau.
- % Population above 65 Years Old: The percentage of population that are above 65 years old in each county and year, from U.S. Census Bureau.
- % Hispanic Population: The percentage of population that are Hispanic in each county and year, from U.S. Census Bureau.
- % African American: The percentage of population that are African American in each county and year, from U.S. Census Bureau.
- Environment Scale: An opposition scale of public opinions towards climate change. The variable can take five values from one to five: one means "climate change is a serious problem", and five means "climate change is not occurring". The data is from the Cooperative Congressional Election Study (CCES) administered by YouGov. The county-year value is calculated by averaging all participating adults opinion values in the same county and year.
- Affirmative Action Scale: An opposition scale of public opinions towards affirmative action policies. The variable can take seven values from one to seven: one means "strongly support affirmative action", and seven means "strongly oppose affirmative action", from CCES.
- Dem Share: The percentage of members on a county's legislation committee/council associated with the Democratic party in each county and year, from Harvard Dataverse.

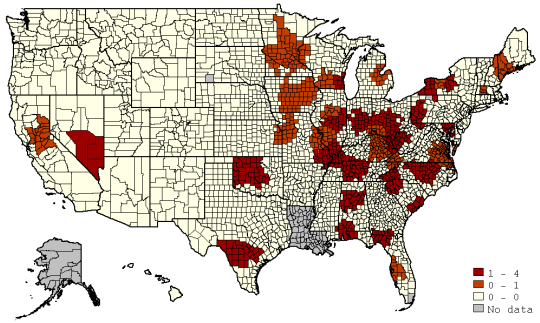
CEO Characteristics Variables

- Age: The age of the CEO, from ExecuComp.
- Gender: The gender of the CEO, from ExecuComp.
- Total compensation: The annual total compensation of the CEO, from ExecuComp.

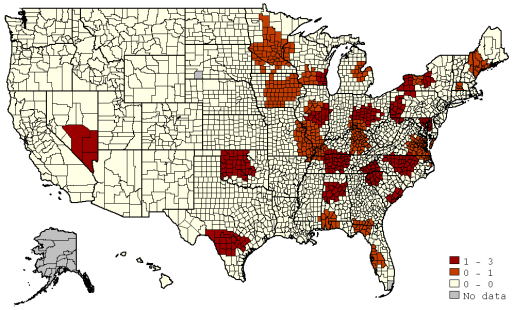
Figure I
The Distribution of Sinclair TV Stations by County



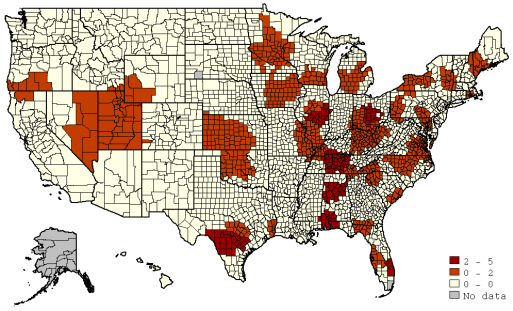
(A) 1996



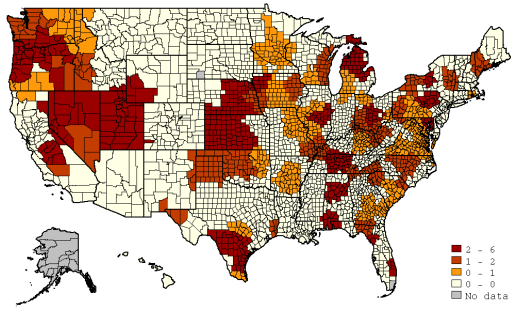
(B) 2001



(C) 2006



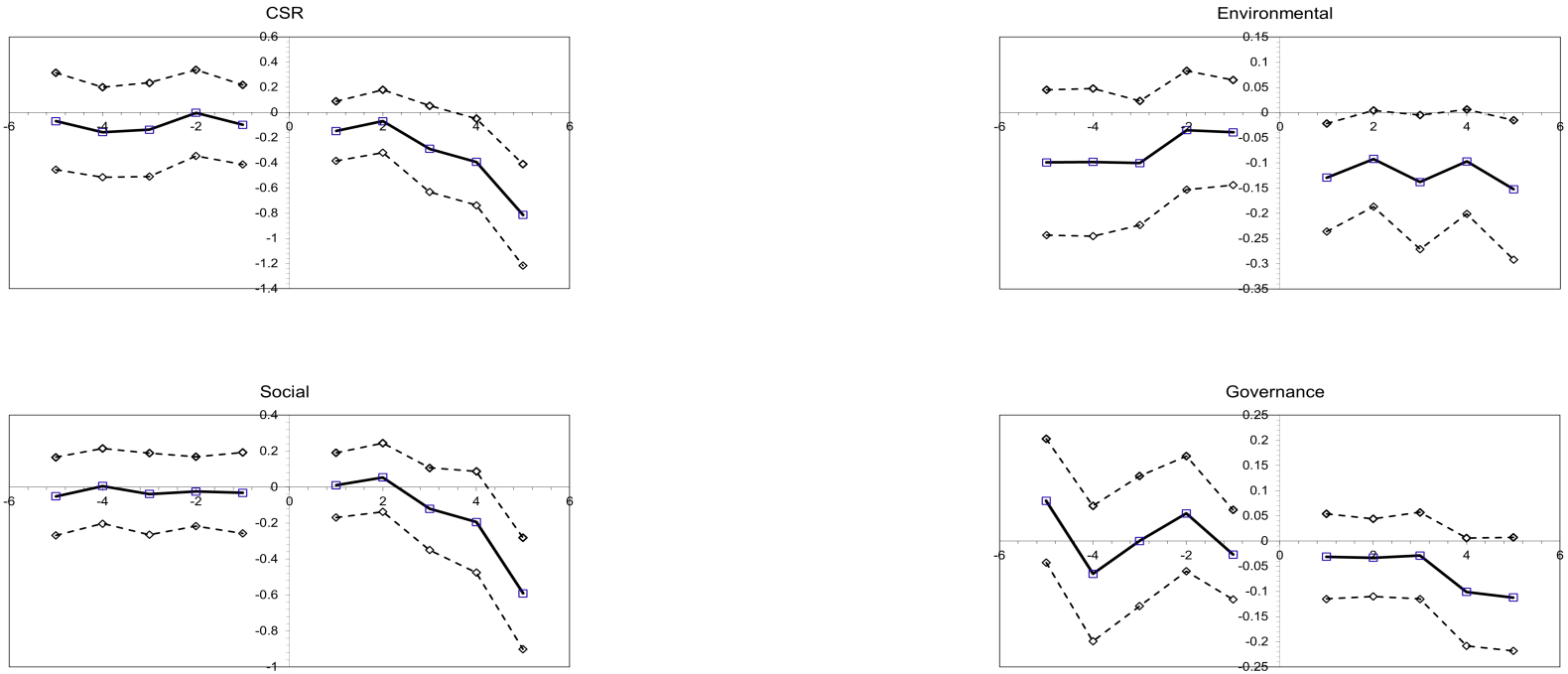
(D) 2011



(E) 2016

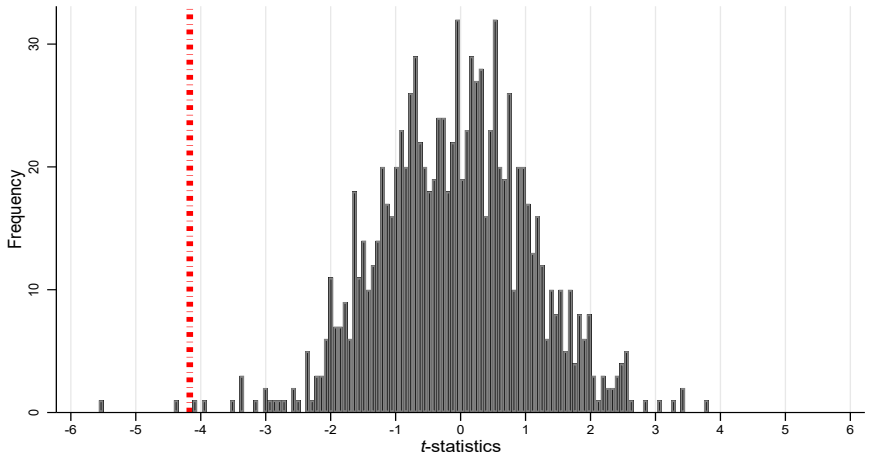
This figure illustrates the distribution of Sinclair TV stations in each county in the U.S. over time from 1996 to 2016, providing five snapshots every five years. The figure is color-coded by the number of Sinclair TV stations in each county.

Figure II
Dynamic Effects Around Sinclair Entry



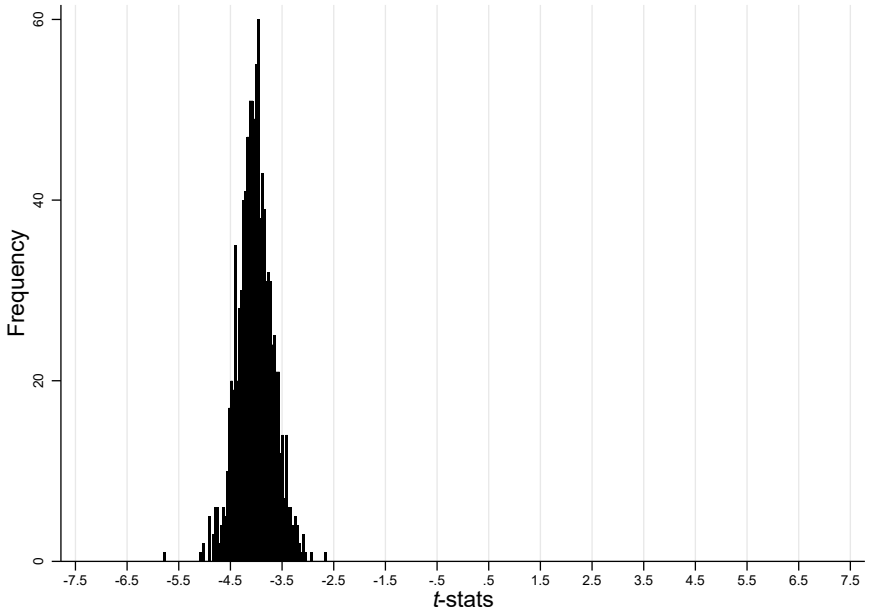
This figure shows the temporal dynamic effects of Sinclair exposure on CSR ratings of local firms. The four panels show the coefficients when the dependent variable is the CSR rating and its three subcategories: environmental (ENV), social (SOC), and governance (GOV) ratings, respectively. Specifically, we estimate the following model: $CSR_{ist} = \alpha_i + \alpha_{st} + \phi_1 Before^{\leq -5} + \sum_{m=0}^{4} \beta_i Before^{=-m} + \sum_{n=0}^{4} \gamma_j After^{=+n} + \phi_2 After^{\geq +5} + \gamma \prime X_{it-1} + \epsilon_{ist}$, where i, s, and t indicate firm, state, and year. $Before^{=-m}$ is a dummy variable that equals one if the DMA where the firm is located has at least one Sinclair station in year $t+m$, and $After^{=+n}$ is a dummy variable that equals one if the DMA where the firm is located has at least one Sinclair station in year $t-n$. On the y-axis, the graph plots the coefficient estimates of the ten event-year dummy variables indicating the relative timing of Sinclair exposure and CSR. The x-axis shows the year relative to Sinclair exposure. The dashed lines are the 90% confidence intervals of the coefficient estimates. Confidence intervals are calculated from standard errors clustered by DMA.

Figure III
The Placebo Test

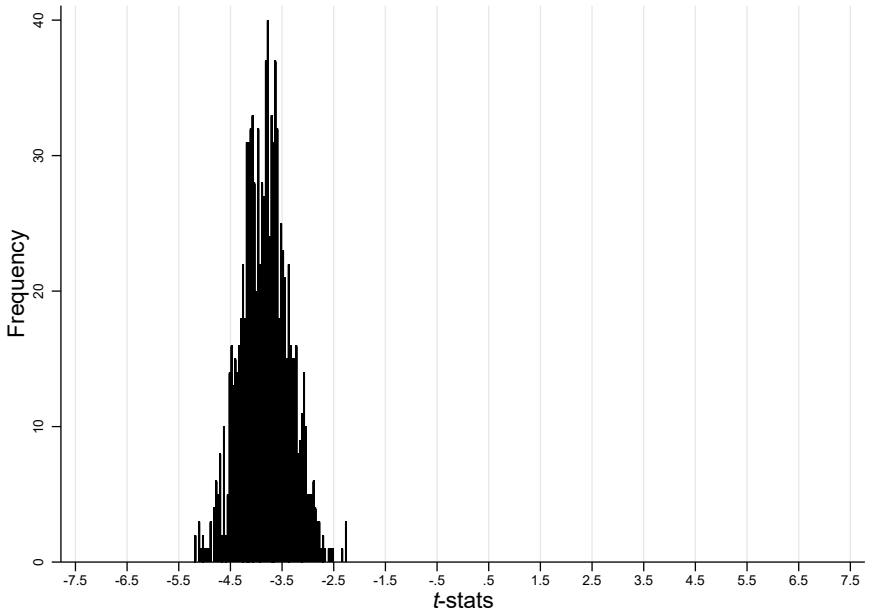


This figure reports placebo test results by randomizing the treatment effect among sample firms. We use the original distribution of the Sinclair entry years, and randomly reassign them as placebo entry years across different DMAs. Then we re-estimate its effect on CSR ratings using the baseline specification in Equation 4 in 1,000 rounds. We plot the distribution of the t-statistics for the coefficient estimate of the dummy variable *Sinclair TV* in a histogram. The vertical dashed line indicates the t-statistic of the true baseline regression in Column (2) of Table V with t-statistics $= -4.169$. All specifications include firm fixed effects and the state-year interaction fixed effects. Standard errors are clustered at the DMA level.

Figure IV
Distribution of t-statistics When Dropping Some DMAs Randomly



(a) Randomly dropping 5% of DMAs



(b) Randomly dropping 10% of DMAs

This figure reports bootstrapping results by randomly dropping 5% or 10% of the DMAs from the original sample in 1,000 rounds. In each round, we run the baseline regression specified in Equation 4. The graph shows the frequency distribution of the t-statistics for the coefficient on the dummy variable *Sinclair TV*. All specifications include firm fixed effects and the state-year interaction fixed effects. Standard errors are clustered at the DMA level.

Table I
County Characteristics by Sinclair Exposure

	Sinclair-exposed Sample			Unexposed Sample		
	Mean	Median	StdEv	Mean	Median	StdEv
Economic and ideology variables						
Unemployment Rate	0.066	0.061	0.026	0.065	0.059	0.029
% Republican Votes	0.589	0.590	0.116	0.599	0.617	0.138
U.S. Census controls						
% College or Higher Education	0.180	0.160	0.084	0.180	0.158	0.084
% Female	0.502	0.505	0.021	0.501	0.505	0.021
Log of Total Population	10.383	10.267	1.278	10.198	10.087	1.539
% Population above 65 Years Old	0.166	0.162	0.042	0.162	0.157	0.045
% Hispanic	0.064	0.027	0.116	0.091	0.034	0.138
% African American	0.081	0.025	0.126	0.087	0.019	0.145
Observations	13,210			28,720		

The table shows county characteristics for two groups of observations: the Sinclair-exposed sample including county-year observations with at least one Sinclair TV station, and the unexposed sample including the remaining county-year observations. Unemployment data is from the Bureau of Labor Statistics. County-level presidential election voting data is from the Harvard Dataverse database. Data on total population, the percentage of the population that is above 65 years old, the percentage that have college education or higher, the percentage of the population that is female, the percentage of the population that is Hispanic, and the percentage of the population that is African American, are collected from the U.S. Census Bureau. Variable construction is described in the Appendix.

Table II
Sinclair Exposure and Region Characteristics

Panel A: Fama-Macbeth Regressions with DMA-Year Observations

Dependent Variable	Sinclair Entry
	(1)
	Fama-Macbeth Coefficients and t-Statistics
Unemployment Rate	0.178
	(0.856)
% Republican Votes	−0.014
	(−0.454)
% College or Higher Education	−0.079
	(−0.797)
% Female	−0.196
	(−0.550)
Log of Total Population	0.000*
	(2.081)
% Population above 65 Years Old	0.038
	(0.717)
% Hispanic Population	0.008
	(0.349)
% African American	−0.048
	(−1.766)
Observations	2,242

This table reports coefficients and t-statistics in the parenthesis of the regression specified in Equation 1 in Panel A, and Equation 2 in Panels B and C. In Panel A, we run yearly cross-sectional OLS regressions following Fama and MacBeth (1973). The dependent variable is $Sinclair\ Entry_{dt}$, a dummy variable that takes a value of one if Sinclair enters a DMA d in year t. In Panel B and Panel C, we run panel regressions with Logit or OLS, where the dependent variable is $Sinclair\ Exposure_{dt}$ that takes the value of one if there is at least one Sinclair station in a DMA d in year t. Standard errors are clustered at the DMA level in both panels. The explanatory variables are lagged by one year. Panel A and Panel B use DMA-level data. Panel C uses county-level data. DMA-level data is constructed by aggregating (for population) or averaging (for percentages) county-level data. *, **, and *** indicate significance at the 0.1, 0.05, and 0.01 levels, respectively.

Panel B: Panel Regressions with DMA-Year Observations

Dependent Variable	Sinclair Exposure			
	(1) Logit	(2) Logit	(3) OLS	(4) OLS
Unemployment Rate	2.080	−0.160	0.328	0.069
	(0.635)	(−0.021)	(0.630)	(0.082)
% Republican Votes	−2.371	−1.110	−0.406	−0.050
	(−1.487)	(−0.387)	(−1.626)	(−0.162)
% College or Higher Education	1.414	−7.003	0.243	−0.640
	(0.517)	(−1.285)	(0.531)	(−0.932)
% Female	−0.045	12.531	0.145	1.006
	(−0.003)	(0.587)	(0.073)	(0.418)
Log of Total Population	0.004***	0.008***	0.001***	0.001***
	(3.645)	(4.675)	(3.546)	(4.843)
% Population above 65 Years Old	8.519*	−9.073	1.420*	−1.259
	(1.800)	(−1.095)	(1.739)	(−1.083)
% Hispanic Population	−1.280	−0.331	−0.140	−0.015
	(−0.993)	(−0.144)	(−0.949)	(−0.058)
% African American	0.227	−1.421	0.020	−0.183
	(0.180)	(−0.441)	(0.087)	(−0.449)
Observations	2,842	2,510	2,842	2,842
Adjusted R^2			0.069	0.238
State FE	—	X	—	X
Year FE	—	X	—	X

Panel C: Panel Regressions with County-Year Observations

Dependent Variable	Sinclair Exposure			
	(1) Logit	(2) Logit	(3) OLS	(4) OLS
Unemployment Rate	−0.194	−1.606	−0.040	−0.319
	(−0.058)	(−0.437)	(−0.056)	(−0.582)
% Republican Votes	−0.672	0.058	−0.152	0.009
	(−0.611)	(0.053)	(−0.671)	(0.058)
% College or Higher Education	−1.222	−0.084	−0.261	−0.020
	(−1.126)	(−0.089)	(−1.159)	(−0.134)
% Female	−3.423	−0.269	−0.656	−0.043
	(−1.236)	(−0.128)	(−1.187)	(−0.137)
Log of Total Population	0.190**	−0.063	0.038**	−0.009
	(2.291)	(−0.789)	(2.401)	(−0.776)
% Population above 65 Years Old	3.798*	−1.783	0.786*	−0.241
	(1.803)	(−0.718)	(1.786)	(−0.695)
% Hispanic	−2.119	0.585	−0.365	0.079
	(−1.285)	(0.439)	(−1.568)	(0.406)
% African American	−0.645	−0.143	−0.143	−0.020
	(−0.598)	(−0.100)	(−0.633)	(−0.087)
Observations	41,930	40,474	41,930	41,930
Adjusted R^2			0.022	0.253
State FE	—	X	—	X
Year FE	—	X	—	X

Table III
Summary Statistics

	Mean	SD	P25	Median	P75
Firm characteristics					
Assets ($ B)	13.656	80.279	0.540	1.660	5.417
Leverage	0.214	0.195	0.043	0.183	0.324
ROA	0.129	0.138	0.061	0.125	0.194
Tobin's Q	1.963	1.373	1.098	1.473	2.250
Cash Holding	0.194	0.256	0.033	0.095	0.256
Sales Growth	0.119	0.283	-0.007	0.075	0.185
Advertising Costs	0.012	0.032	0.000	0.000	0.006
R&D	0.037	0.081	0.000	0.000	0.033
CSR and sub-categories					
CSR	-0.114	2.242	-1.000	0.000	1.000
ENV	0.066	0.703	0.000	0.000	0.000
SOC	0.019	1.807	-1.000	0.000	1.000
GOV	-0.199	0.667	-1.000	0.000	0.000
Observations	25,656				

This table shows the summary statistics of firm characteristics constructed using data from Compustat, and CSR ratings and its components using data from Kinder, Lydenberg, and Domini (KLD) database. ENV, SOC, and GOV are CSR ratings of sub-categories in environmental, social, and governance aspects. Variable construction is described in the Appendix.

Table IV
Dynamic Effects around Sinclair Entry

Dependent Variable	CSR	ENV	SOC	GOV
	(1)	(2)	(3)	(4)
Before$^{\leq -2}$	−0.104	−0.090	−0.062	0.049
	(−0.501)	(−1.146)	(−0.549)	−0.703
Before$^{=-1}$	−0.108	−0.040	−0.042	−0.026
	(−0.570)	(−0.632)	(−0.306)	(−0.488)
After$^{=+1}$	−0.121	−0.127*	0.036	−0.030
	(−0.832)	(−1.931)	−0.323	(−0.593)
After$^{=+2}$	−0.042	−0.089	0.078	−0.032
	(−0.280)	(−1.515)	−0.682	(−0.695)
After$^{\geq +3}$	−0.525***	−0.135**	−0.332**	−0.058
	(−2.638)	(−2.038)	(−2.257)	(−0.933)
Observations	25,631	25,631	25,631	25,631
Adjusted R^2	0.506	0.436	0.543	0.399
Firm Controls	X	X	X	X
Firm FE	X	X	X	X
State-Year FE	X	X	X	X

This table reports coefficients and t-statistics in the parenthesis of the regression Equation 3 showing dynamic effects of Sinclair entry to a DMA on local firms' CSR ratings. $Before^{\leq -2}$ is a dummy variable that takes the value of one if the firm is exposed to Sinclair TV two or more years later, and zero otherwise. Similarly, $Before^{=-1}$ indicates exposure to Sinclair TV for a firm one year later, and $After^{=+1}$ indicates exposure to Sinclair TV for a firm one year ago. For firms whose headquarters are located in DMAs without any Sinclair TV stations in all years, these five dummy variables take values of zero. In Columns (2), (3), and (4), we change the dependent variable to subcategories of environmental (ENV), social (SOC), and governance ratings (GOV), respectively. The firm control variables are size, leverage, ROA, Tobin's Q, cash holding, sales growth, advertising costs, and R&D expenses. Variable construction is described in the Appendix. Firm fixed effects and the state-year interaction fixed effects are included in all specifications. Standard errors are clustered at the DMA level. *, **, and *** indicate significance at the 0.1, 0.05, and 0.01 levels, respectively.

Table V
Sinclair Exposure and CSR

Dependent Variable	CSR		ENV	SOC	GOV	Strengths	Concerns
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sinclair TV	−0.331***	−0.322***	−0.119***	−0.073	−0.130***	−0.142**	0.180***
	(−4.331)	(−4.169)	(−3.805)	(−1.186)	(−4.967)	(−2.382)	(3.629)
Size		−0.077	−0.109***	0.141***	−0.109***	0.299***	0.376***
		(−1.318)	(−4.145)	(3.990)	(−6.507)	(8.898)	(7.060)
Leverage		0.200	0.113**	0.036	0.051	−0.091	−0.291***
		(1.076)	(2.464)	(0.269)	(0.758)	(−0.647)	(−2.712)
ROA		0.355**	0.093	0.324**	−0.062	0.183	−0.172*
		(2.460)	(1.268)	(2.501)	(−1.245)	(1.400)	(−1.868)
Tobin's Q		−0.010	−0.015**	0.022	−0.017***	0.020	0.030***
		(−0.661)	(−2.500)	(1.647)	(−2.929)	(1.437)	(2.767)
Cash Holding		0.277***	0.133***	0.015	0.130***	0.036	−0.242***
		(2.708)	(5.640)	(0.151)	(6.266)	(0.372)	(−5.948)
Sales Growth		0.013	0.022	−0.061	0.052***	−0.057	−0.070**
		(0.266)	(1.612)	(−1.549)	(4.461)	(−1.373)	(−2.338)
Advertising Costs		−1.442	−0.939*	−0.588	0.085	−0.838	0.604
		(−1.167)	(−1.935)	(−0.653)	(0.201)	(−0.838)	(1.045)
R&D		−0.462	−0.231***	−0.259	0.028	0.243	0.705***
		(−1.629)	(−2.624)	(−0.823)	(0.255)	(0.743)	(4.053)
Observations	25,631	25,631	25,631	25,631	25,631	25,631	25,631
Adjusted R^2	0.506	0.507	0.504	0.506	0.504	0.637	0.655
Firm FE	X	X	X	X	X	X	X
State-Year FE	X	X	X	X	X	X	X

This table reports coefficients and t-statistics in the parenthesis of the baseline regression Equation 4. The main variable of interests is the dummy variable *Sinclair TV* that is equal to one if the headquarter of a firm is located in a DMA with at least one Sinclair station, and zero otherwise. All explanatory variables are lagged by one year, except *Sinclair TV* which is lagged by three years. In Columns (1) and (2), the dependent variable is the CSR rating from the KLD database. In Columns (3), (4), and (5), the dependent variables are the three subcategories of CSR: environmental (ENV), governance (GOV), and social ratings (SOC). In Columns (6) and (7), the dependent variables are the two components of CSR ratings: strength and concern ratings, as the CSR ratings in the KLD dataset are calculated by having strength ratings minus concern ratings. Variable construction is described in the Appendix. All specifications include firm fixed effects and the state-year interaction fixed effects. Standard errors are clustered at the DMA level. *, **, and *** indicate significance at the 0.1, 0.05, and 0.01 levels, respectively.

Table VI
Robustness Tests: Alternative Specifications

Panel A: Alternative Sinclair Exposure Measures

	(1)	(2)	(3)
Sinclair TV #	−0.129***		
	(−2.948)		
Sinclair Ave. Exposure		−0.153***	
		(−2.998)	
Sinclair Years Present			−0.023***
			(−3.356)
Observations	25,631	25,631	25,631
Adjusted R^2	0.506	0.506	0.506
Firm Controls	X	X	X
Firm FE	X	X	X
State-Year FE	X	X	X

Panel B: Alternative Clustering Choices

	(1)	(2)	(3)	(4)	(5)
Sinclair TV	−0.322***	−0.322***	−0.322***	−0.322***	−0.322***
	(−4.169)	(−3.779)	(−5.903)	(−3.990)	(−3.233)
Observations	25,631	25,631	25,631	25,631	25,631
Adjusted R^2	0.507	0.506	0.506	0.506	0.506
Firm Controls	X	X	X	X	X
Firm FE	X	X	X	X	X
State-Year FE	X	X	X	X	X
Cluster by DMA	X				
Cluster by Year		X			
Cluster by DMA-year			X		
Cluster by County				X	
Cluster by DMA and Year					X

This table shows the results of various robustness tests to the baseline regression Equation 4 with alternative specifications. The dependent variable is the CSR rating in all panels. The firm controls are size, leverage, ROA, Tobin's Q, cash holding, sales growth, advertising costs, and R&D expenses. Panel A shows the regression results when we use alternative measures for Sinclair exposure. *Sinclair TV #* is the number of local Sinclair TV stations in the DMA where the firm resides. *Sinclair Average Exposure* measures the average number of local Sinclair TV stations in the DMA per year since 1996 till now. *Sinclair Years Present* is the number of years since Sinclair first enters the DMA till now. All three exposure measures are lagged by three years. Panel B presents the results with different choices of clustering standard errors, including year, DMA-year, county, and double clusters by DMA and year. Panel C shows the regression results after including the industry-year interaction fixed effects. Industries are defined by SIC 2-digit codes. Panel D adds the controls of county-level characteristics. Panel E adds the controls of CEO characteristics: age, gender, and compensation, from the ExecuComp database. Variable construction is described in the Appendix. Fixed effects used in the regression models vary across panels and specifications, and are reported at the bottom of each column. Standard errors are clustered at the DMA level. *, **, and *** indicate significance at the 0.1, 0.05, and 0.01 levels, respectively.

Panel C: Industry-by-Year Fixed Effects

	(1)	(2)
Sinclair TV	−0.326***	−0.273***
	(−4.152)	(−3.680)
Observations	25,650	25,631
Adjusted R^2	0.524	0.525
Firm Controls	X	X
Firm FE	X	X
State-Year FE	—	X
Industry-Year FE	X	X

Panel D: Controlling for County-Level Characteristics

	(1)	(2)
Sinclair TV	−0.356***	−0.346***
	(−3.693)	(−3.563)
Unemployment Rate	−0.623	−0.651
	(−0.163)	(−0.168)
% Republican Votes	1.003	1.039
	(1.052)	(1.115)
% College or Higher Education	−2.015	−2.112
	(−1.121)	(−1.172)
% Female	19.546	19.819
	(1.448)	(1.463)
Log of Total Population	−1.458**	−1.403**
	(−2.077)	(−2.015)
% Population above 65 Years Old	−3.350	−3.650
	(−0.618)	(−0.660)
% Hispanic	4.907	4.813
	(0.968)	(0.953)
% African American	0.752	0.394
	(0.222)	(0.117)
Observations	20,560	20,560
Adjusted R^2	0.525	0.526
Firm Controls	—	X
Firm FE	X	X
State-Year FE	X	X

Panel E: Controlling for CEO Characteristics

	(1)	(2)
Sinclair TV	−0.295***	−0.293***
	(−3.044)	(−2.981)
CEO: Age	−0.005	−0.005
	(−1.232)	(−1.264)
CEO: Male	−0.385	−0.381
	(−1.512)	(−1.523)
CEO: Total Compensation	−0.097***	−0.101***
	(−3.651)	(−3.607)
Observations	18,185	18,185
Adjusted R^2	0.516	0.447
Firm Controls	—	X
Firm FE	X	X
State-Year FE	X	X

Table VII
Robustness Tests: Alternative Samples

Panel A: Sub-Period Analysis

	(1) 1996-2006	(2) 2007-2016
Sinclair TV	−0.342***	−0.265***
	(−2.411)	(−2.137)
Observations	7,252	18,202
Adjusted R^2	0.722	0.535
Firm Controls	X	X
Firm FE	X	X
State-Year FE	X	X

Panel B: Dropping Observations with High or Low CSR Ratings

	(1) Drop Top 10%	(2) Drop Top 20%	(3) Drop Bottom 10%	(4) Drop Bottom 20%	(5) Drop Top 10% & Bottom 10%
Sinclair TV	−0.189***	−0.198***	−0.233***	−0.189***	−0.114***
	(−2.791)	(−3.064)	(−3.968)	(−3.135)	(−2.256)
Observations	23,042	21,237	22,795	19,511	20,211
Adjusted R^2	0.479	0.485	0.489	0.488	0.374
Firm Controls	X	X	X	X	X
Firm FE	X	X	X	X	X
State-Year FE	X	X	X	X	X

Panel C: Dropping Observations in the Top Democratic or Republican Counties

	(1) Drop Top 5% in Republican Counties	(2) Drop Top 5% in Democratic Counties	(3) Drop Top 10% in Republican Counties	(4) Drop Top 10% in Democratic Counties
Sinclair TV	−0.311***	−0.288***	−0.328***	−0.284***
	(−3.401)	(−3.899)	(−3.275)	(−3.807)
Observations	23,419	24,025	22,201	23,147
Adjusted R^2	0.507	0.505	0.506	0.504
Firm Controls	X	X	X	X
Firm FE	X	X	X	X
State-Year FE	X	X	X	X

This table shows the results of various robustness tests to the baseline regression Equation 4 with alternative subsamples. The dependent variable is the CSR rating in all panels. The firm controls are size, leverage, ROA, Tobin's Q, cash holding, sales growth, advertising costs, and R&D expenses. Panel A conducts sub-period analysis by splitting the sample period of 1996−2016 to two 10-year period, 1996−2006 and 2007−2016. Panel B drops observations with very large (at the top 10% and 20% of the sample distribution) and very small (at the bottom 10% and 20% of the sample distribution) values of CSR ratings in the sample. Panel C drops observations in the most Democratic or Republican counties based on the latest presidential votes. Variable construction is described in the Appendix. All specifications include firm fixed effects and the state-year interaction fixed effects. Standard errors are clustered at the DMA level. *, **, and *** indicate significance at the 0.1, 0.05, and 0.01 levels, respectively.

Table VIII
Sinclair Exposure and Local Public Opinion

Dependent Variable	Environment Scale	Affirmative Action Scale	Environment Scale	Affirmative Action Scale
	(1)	(2)	(3)	(4)
Sinclair TV	0.104**	0.136	0.119**	0.266*
	(2.084)	(1.046)	(2.460)	(1.677)
Unemployment rate	−0.279	−19.136**	−1.277*	−1.521
	(−0.266)	(−2.043)	(−1.905)	(−0.450)
% College or Higher Education	0.244	0.000	−1.116***	−2.258***
	(0.315)	(0.000)	(−6.697)	(−4.470)
% Female	−0.665	98.329***	−0.108	−2.071
	(−0.272)	(2.739)	(−0.182)	(−1.046)
Log of Total Population	0.120	1.433	0.009	0.003
	(0.361)	(0.479)	(0.730)	(0.073)
% Population above 65 Years Old	1.163	−41.505*	−0.201	−0.687
	(0.826)	(−1.728)	(−0.584)	(−0.667)
% Hispanic	−1.144	−9.665	−0.599***	−1.214*
	(−0.598)	(−0.617)	(−2.721)	(−1.896)
% African American	−1.082	8.087	−0.492***	−1.057**
	(−0.710)	(0.517)	(−5.040)	(−2.594)
Constant	1.559	−53.920	2.928***	6.553***
	(0.407)	(−1.334)	(10.112)	(6.978)
Observations	12,306	3,222	12,551	4,119
Adjusted R^2	0.201	0.337	0.075	0.046
County FE	X	X	—	—
DMA FE	—	—	X	X
State-Year FE	X	X	X	X

This table reports coefficients and t-statistics in the parenthesis of the regression in Equation 5. The dependent variables are the CCES survey results of public opinions on environment and affirmative action issues averaged in each county every year. The environment scale is an opposition scale to climate change with five values from one to five: one means "climate change is a serious problem", and five means "climate change is not occurring"; the affirmative action scale is an opposition scale to affirmative action policies with seven values from one to seven: one means "strongly support affirmative action", and seven means "strongly oppose affirmative action". *Sinclair TV* is a dummy variable indicating whether a county is located in a DMA with at least one Sinclair TV station. All explanatory variables are concurrent except *Sinclair TV* which is lagged by one year. Variable construction is described in the Appendix. Standard errors are clustered at the DMA level. *, **, and *** indicate significance at the 0.1, 0.05, and 0.01 levels, respectively.

Table IX
Sinclair Exposure and Local Council Elections

Dependent Variable	Dem Share			
	(1)	(2)	(3)	(4)
Sinclair TV	−0.038**	−0.035*	−0.034*	−0.035*
	(−2.045)	(−1.790)	(−1.884)	(−1.946)
Unemployment rate		−0.295		−0.182
		(−0.779)		(−0.388)
% College or Higher Education		0.614*		0.111
		(1.674)		(0.233)
% Female		1.651		2.509
		(0.887)		(1.011)
Log of Total Population		0.023		0.039
		(0.205)		(0.206)
% Population above 65 Years Old		−0.450		−1.069
		(−0.450)		(−1.111)
% Hispanic		−1.746***		−1.901***
		(−3.730)		(−3.299)
% African American		1.490***		2.240***
		(2.815)		(3.367)
Constant	0.488***	−0.739	0.490***	−1.249
	(77.561)	(−0.537)	(75.868)	(−0.541)
Observations	3,050	3,050	2,943	2,943
Adjusted R^2	0.785	0.791	0.784	0.790
County FE	X	X	X	X
Year FE	X	X	—	—
State-Year FE	—	—	X	X

This table reports coefficients and t-statistics in the parenthesis of the regression specified in Equation 6. The dependent variable is *Dem Share*, which is the percentage of members on a county's legislation committee/council associated with the Democratic party. *Sinclair TV* is a dummy variable indicating whether a county is located in a DMA with at least one Sinclair TV station. All explanatory variables are concurrent except *Sinclair TV* which is lagged by one year. Variable construction is described in the Appendix. Standard errors are clustered at the DMA level. *, **, and *** indicate significance at the 0.1, 0.05, and 0.01 levels, respectively.

Table X
Sinclair Exposure and Political Contributions of Local Firms

Dependent Variable	Rep minus Dem	
	(1)	(2)
Sinclair TV	7031.575**	7043.330*
	(1.988)	(1.912)
Size		−1040.551
		(−0.457)
Leverage		4451.412
		(1.057)
ROA		−2130.611
		(−1.025)
Tobin's Q		−757.380
		(−1.394)
Cash Holding		1274.757
		(0.707)
Sales Growth		1472.152
		(0.836)
Advertising Costs		−54887.679
		(−1.479)
R&D		1847.969
		(0.488)
Observations	14,949	14,949
Adjusted R^2	0.145	0.145
Firm FE	X	X
State-Year FE	X	X

This table reports coefficients and t-statistics in the parenthesis of the regression specified in Equation 7. The dependent variable is *Rep minus Dem*, which is a firm's contribution to the Republican party minus its contribution to the Democratic party in dollar amount. *Sinclair TV* is a dummy variable if a firm is located in a DMA with at least one Sinclair TV station. All explanatory variables are lagged by one year. Variable construction is described in the Appendix. Firm fixed effects and state-year fixed effects are included. Standard errors are clustered at the DMA level. *, **, and *** indicate significance at the 0.1, 0.05, and 0.01 levels, respectively.

Table XI
Cross-Sectional Tests

Interacted Variable	Sin Industries				Polluting Industries				Low Institutional Ownership			
Dependent Variable	CSR	ENV	SOC	GOV	CSR	ENV	SOC	GOV	CSR	ENV	SOC	GOV
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Sinclair TV	-0.321***	-0.119***	-0.073	-0.130***	-0.322***	-0.116***	-0.076	-0.130***	-0.323***	-0.122***	-0.061	-0.140***
	(-4.152)	(-3.798)	(-1.178)	(-4.952)	(-4.168)	(-3.757)	(-1.226)	(-4.958)	(-3.817)	(-3.843)	(-0.876)	(-4.648)
Interacted Variable × Sinclair TV	-1.649***	-0.302**	-0.923**	-0.425***	0.009	-0.215**	0.238	-0.015	-0.282**	-0.017	-0.156*	-0.109***
	(-6.382)	(-2.371)	(-2.160)	(-2.670)	(0.038)	(-2.129)	(1.040)	(-0.173)	(-2.452)	(-0.442)	(-1.759)	(-3.043)
Observations	25,631	25,631	25,631	25,631	25,631	25,631	25,631	25,631	22,619	22,619	22,619	22,619
Adjusted R^2	0.506	0.436	0.543	0.399	0.506	0.436	0.543	0.399	0.512	0.442	0.535	0.410
Firm Controls	X	X	X	X	X	X	X	X	X	X	X	X
Firm FE	X	X	X	X	X	X	X	X	X	X	X	X
State-Year FE	X	X	X	X	X	X	X	X	X	X	X	X

This table shows the results of various cross-sectional tests to the baseline regression in Equation 4, by adding interaction terms of the *Sinclair TV* dummy variable with an interacted variable. In Columns (1) to (4), the interacted variable is *Sin Industries*, which is a dummy variable indicating whether the firm belongs to tobacco, alcohol, and gambling industries. In Column (5) to (8), the interacted variable is *Polluting Industries*, which is a dummy variable indicating whether the firm belongs to industries of chemical manufacturing, metal mining, primary metals, petroleum product manufacturing, and electric utilities. In Columns (9) to (12), the interacted variable is *Low IOR*, which is a dummy variable indicating low institutional ownership when the institutional ownership is less than the sample median. Firm controls are size, leverage, ROA, Tobin's Q, cash holding, sales growth, advertising costs, and R&D expenses. All explanatory variables are lagged by one year except *Sinclair TV* which is lagged by three years. Variable construction is described in the Appendix. All specifications include firm fixed effects and the state-year interaction fixed effects. Standard errors are clustered at the DMA level. *, **, and *** indicate significance at the 0.1, 0.05, and 0.01 levels, respectively.

Table XII
Sinclair Exposure and Firm Performance

Dependent Variable	ROA	Tobin's Q	Raw Return	Risk-adjusted Return
	(1)	(2)	(3)	(4)
Sinclair TV	−0.001	−0.056	−0.072***	−0.039*
	(−0.260)	(−1.605)	(−2.869)	(−1.913)
Size	0.002	−0.446***	−0.209***	−0.147***
	(0.471)	(−15.042)	(−11.551)	(−9.248)
Leverage	−0.080***	−0.475***	0.000	−0.088**
	(−6.848)	(−6.856)	(0.003)	(−2.173)
Cash Holding	0.023	0.742***	0.484***	0.433***
	(1.318)	(6.011)	(6.967)	(10.285)
Sales Growth	0.093***	0.277***	0.167***	0.122***
	(16.997)	(6.945)	(4.665)	(4.302)
Advertising Costs	0.388***	1.605	−0.721	−0.628**
	(3.922)	(1.487)	(−1.406)	(−2.390)
R&D	−0.483***	2.347***	0.126	0.272
	(−4.775)	(6.468)	(0.403)	(0.951)
Observations	25,631	25,631	25,360	24,395
Adjusted R^2	0.684	0.738	0.189	0.058
Firm FE	X	X	X	X
State-Year FE	X	X	X	X

This table reports coefficients and t-statistics in the parenthesis of a regression in Equation 8. Firm performance is measured by *ROA* Column (1), Tobin's Q in Column (2), raw annual returns in Column (3), and risk-adjusted annual returns calculated using the method in Daniel et al. (1997) in Column (4). All explanatory variables are lagged by one year except *Sinclair TV*, which is lagged by three years. Variable construction is described in the Appendix. All specifications include firm fixed effects and state-year fixed effects. Standard errors are clustered at the DMA level. *, **, and *** indicate significance at the 0.1, 0.05, and 0.01 levels, respectively.