

Less is more: media regulation, news coverage quality and corporate governance

Abstract

This paper investigates how a major media regulatory reform in China—the revocation and merger of local reporter stations affiliated with central media outlets—affects news coverage quality and corporate governance. Using a unique dataset of corporate news articles and based on a difference-in-differences approach, we find that the reform significantly promotes news coverage quality, as reflected by reduced optimistic tone bias. The effects are more pronounced for firms located geographically distant, in regions with weaker media competition, for less socially responsive newspapers, as well as for firms maintaining social ties with the press. Moreover, the reform strengthens the informative and monitoring functions of newspapers for regulatory authorities, auditors, ESG agencies, and market participants. Finally, the reform mitigates local media capture by increasing both the intensity and criticality of coverage on SOEs, particularly those under local government control. However, central-level political pressures continue to shape editorial behaviors during political events.

Key words: media reform, news coverage bias, corporate governance, local media capture

JEL Classification: G14; G34; L82; O16; P37