

# Journalists' Home Preference: A Discussion of You, Liu, Qin, and Xia

**ZUO Luo** 左罗

Provost's Chair Professor of Accounting and Finance

May 2025



**NUS**  
National University  
of Singapore

National University of Singapore

# Journalists' Home Preference

---

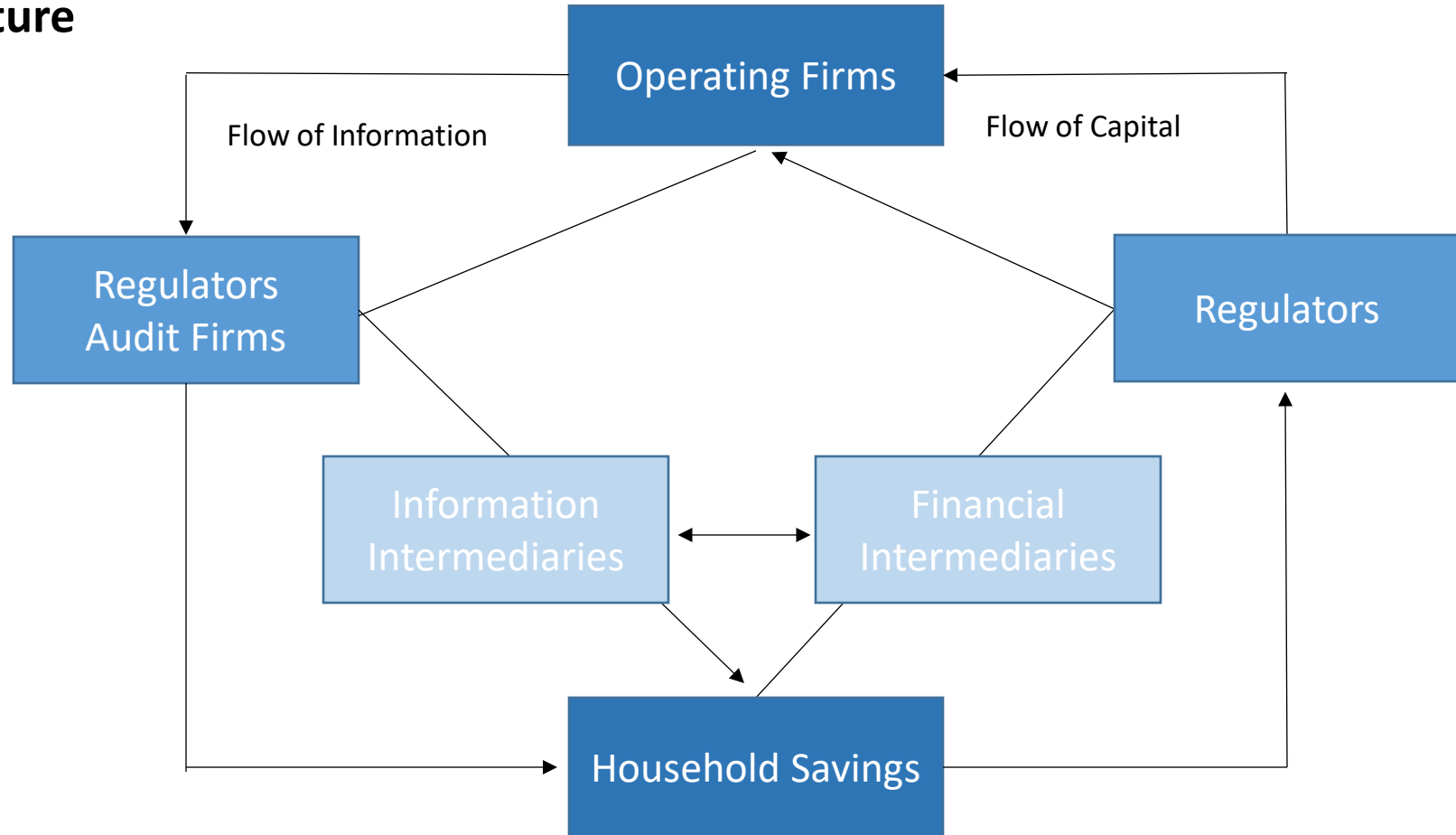
- ▶ Journalists are less likely to report on an implicated hometown firm
- ▶ Conditional on the coverage decision, hometown journalists become more positive in their reporting on aspects of the firm unrelated to the misconduct
- ▶ Cross-sectional analyses and additional analyses...

# Contribution

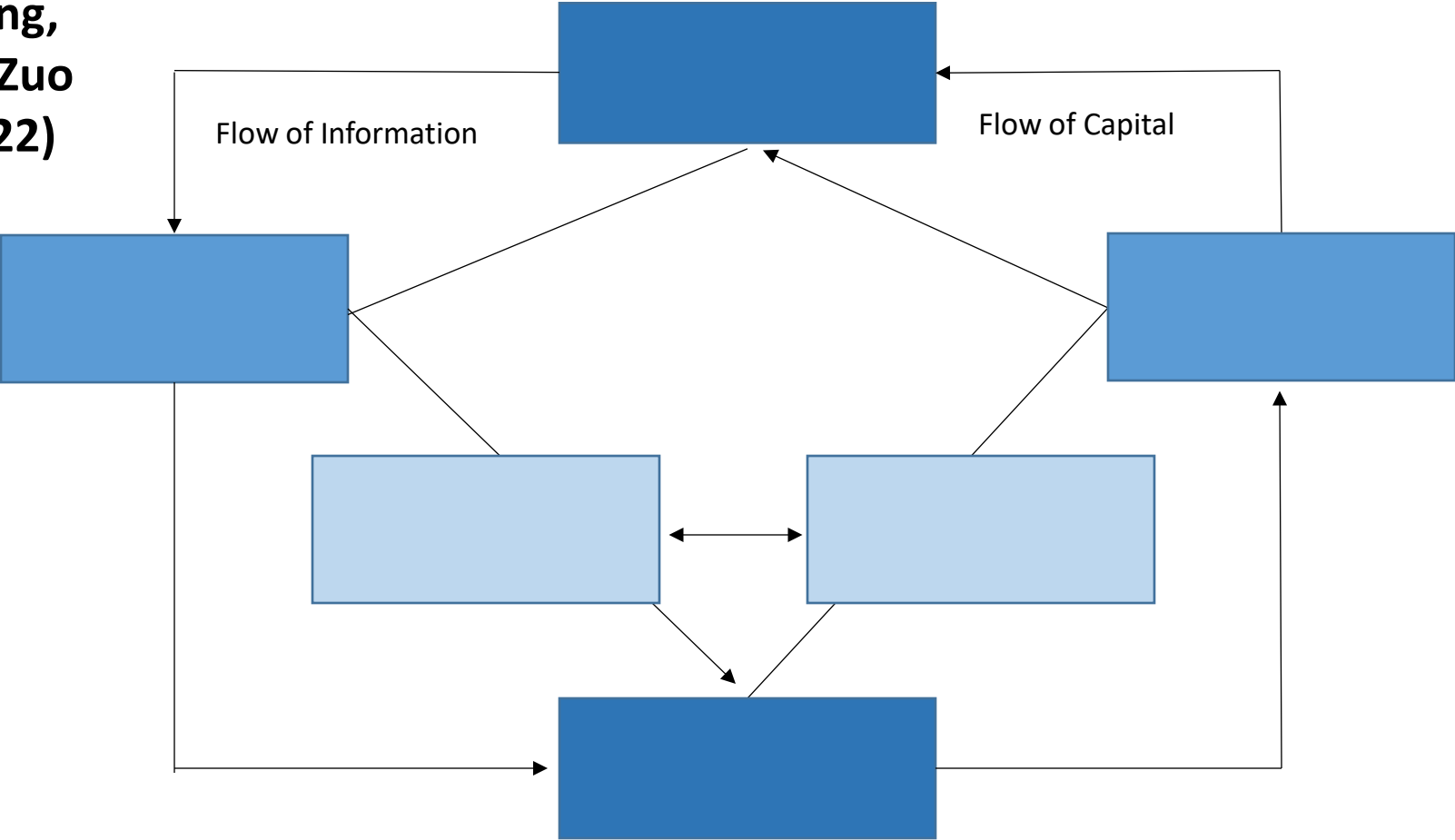
---

- ▶ Positive Accounting Theory
  - “An accounting theory that seeks to explain and predict accounting cannot divorce accounting research from the study of people.” (Watts and Zimmerman 1990, 147)
- ▶ Behavioral Economics of Accounting
  - Individual behavior depends not only on **economic incentives and accessible information** but also on **individual preferences**, abilities, experiences, and other characteristics

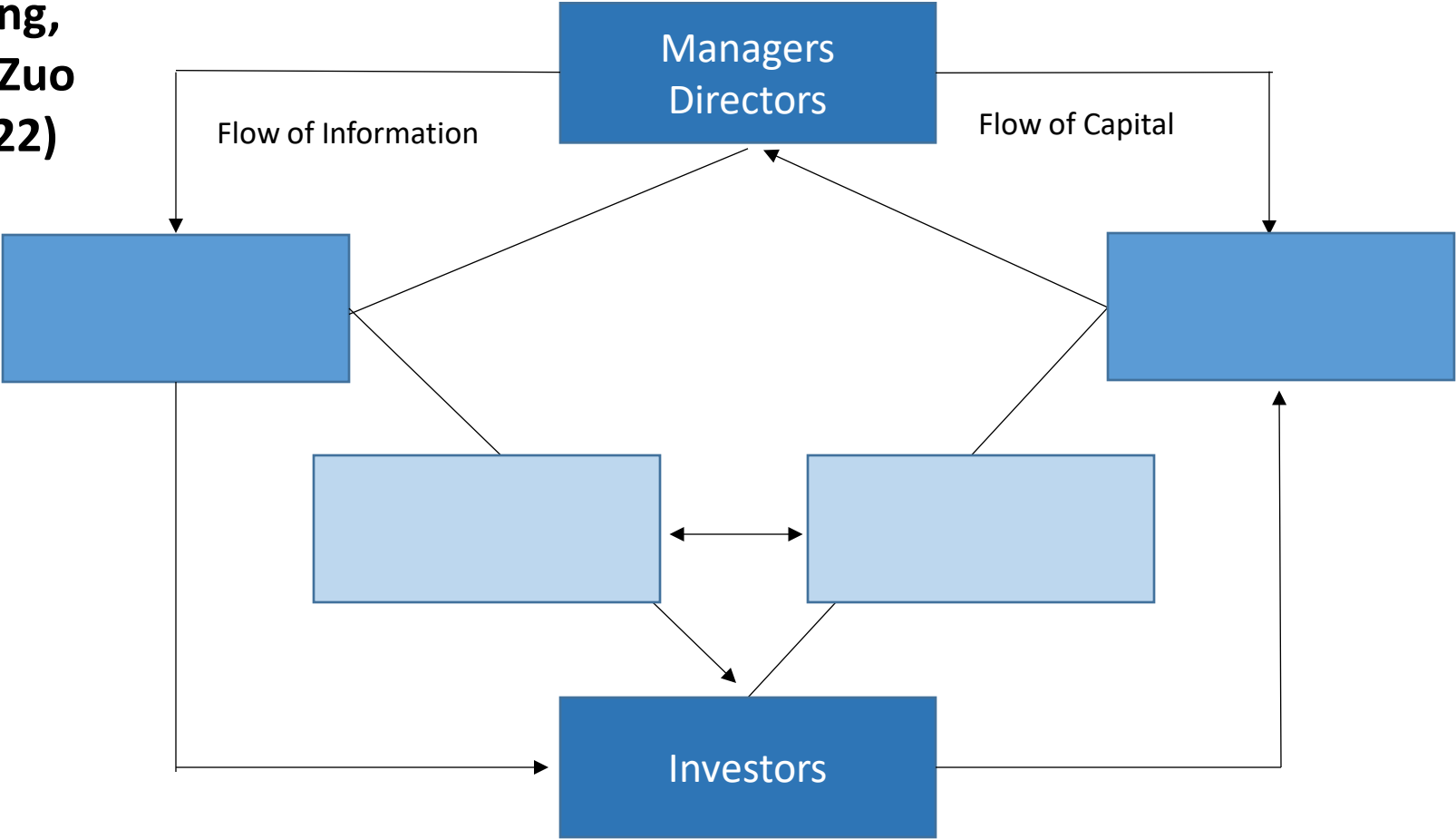
# Big Picture



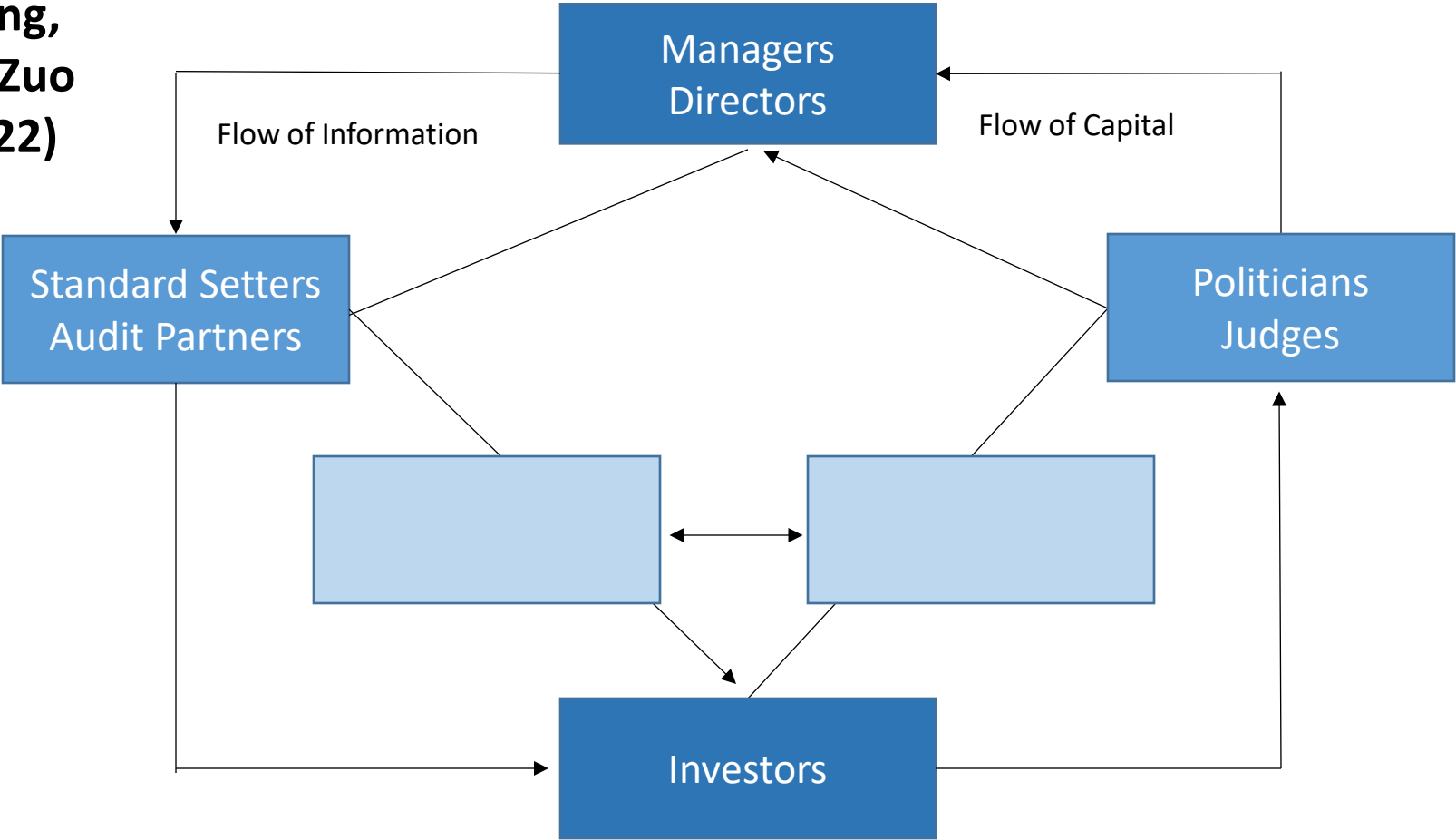
**Hanlon,  
Yeung,  
and Zuo  
(2022)**



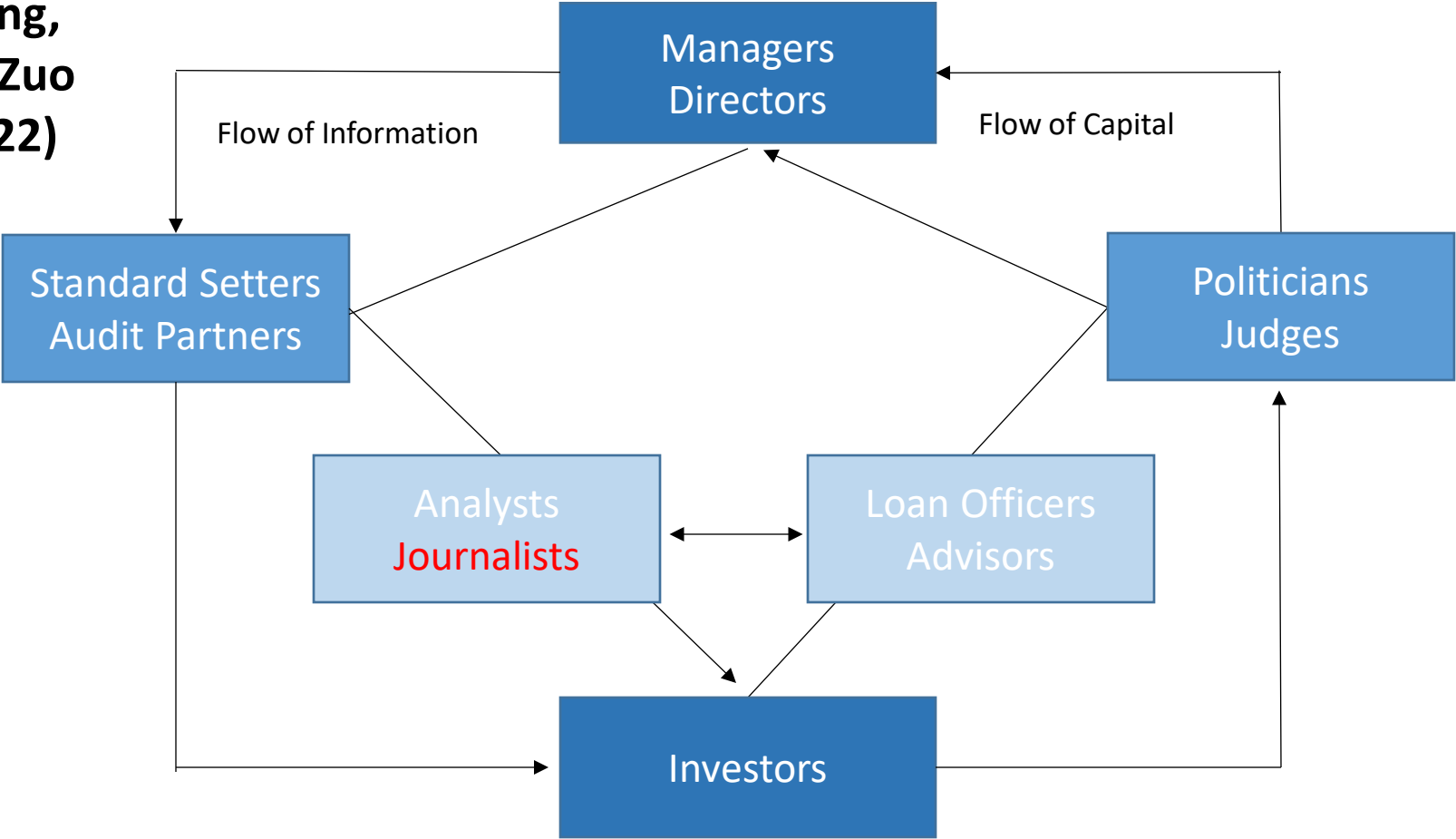
Hanlon,  
Yeung,  
and Zuo  
(2022)



**Hanlon,  
Yeung,  
and Zuo  
(2022)**



Hanlon,  
Yeung,  
and Zuo  
(2022)





## Comment #1 – Title and Question

---

- ▶ Title: “When Home Pride Meets Professional Integrity: Journalists’ Strategic Reporting about Hometown Firms under Misconduct Investigations”
- ▶ First sentence of Abstract: “This study investigates how journalists navigate conflicting social identity demands, specifically the tension between hometown loyalty and professional objectivity, when they report on firms facing financial misconduct investigations.”

## Comment #1 – Title and Question

---

- ▶ Title: “When **Home Pride** Meets **Professional Integrity**: Journalists’ Strategic Reporting about Hometown Firms under Misconduct Investigations”
- ▶ First sentence of Abstract: “This study investigates how journalists navigate **conflicting social identity demands**, specifically the tension between **hometown loyalty** and **professional objectivity**, when they report on firms facing financial misconduct investigations.”
- ▶ Unobservable!
  - A very high bar to clear, or even an impossible one

# Suggestion #1 – Title and Question

---

- ▶ Shorten the title and lower the bar
- ▶ Title: “~~When Home Pride Meets Professional Integrity~~: Journalists’ Strategic Reporting about Hometown Firms under Misconduct Investigations”
- ▶ First sentence of Abstract: “This study investigates how journalists navigate ~~conflicting social identity demands~~, specifically the tension between ~~hometown loyalty and professional objectivity~~, when they report on hometown firms facing financial misconduct investigations.”

## Comment #2 – Story

---

- ▶ “These findings provide novel evidence on the influence of **social identity conflicts** on journalistic behavior”
- ▶ Evidence: “home journalists become more positive in their reporting on aspects of the firm unrelated to the misconduct ... This positivity is more pronounced among journalists with stronger **hometown identification** ...”

## Comment #2 – Story

---

- ▶ To measure a journalist's **hometown identification**, we employ two proxies.
  - The first one is the journalist's age (**Age**), as prior research suggests that the older generation in China has stronger hometown identification
  - The second proxy is the strength of clan culture in a journalist's hometown (**ClanCulture**), measured as the proportion of households that belong to the largest three lineage groups by surname in a region
- ▶ Very noisy, indirect proxies for unobservable hometown identification

## Comment #2 – Story

---

- ▶ “We differentiate our results from the **home bias** literature, which typically attributes local favoritism to **unconscious tendencies** or **information advantage**. Our evidence indicates that the heightened positivity observed among home journalists during the investigation period is a **conscious, strategic choice** ... ”
- ▶ Home bias is not “unconscious”
  - Professional investors’ portfolio holdings

## Suggestion #2 – Story

---

- ▶ Embrace the home bias literature
- ▶ Prior research typically focuses on investors or managers
- ▶ It is unclear whether journalists would exhibit a similar preference

## Suggestion #2 – Story

---

- ▶ Why is there home preference?
  - Home preference stems from familiarity (Huberman 2001)
- ▶ Familiarity → Regret (Solnik and Zuo 2012)
  - A global equilibrium asset pricing model
- ▶ Familiarity → Relative optimism (Solnik and Zuo 2017)
  - Survey on expectations of asset management companies
- ▶ Familiarity → Social identity (a difficult empirical path)
  - A structured model or a more direct proxy



## Suggestion #2 – Story

---

- ▶ Social identity → Home preference
  - Not everyone likes their hometown
- ▶ Theory on **experience** effects
  - Imprinting (Schoar and Zuo 2017)
  - Good versus bad experiences (Laudenbach, Malmendier, and Niessen-Ruenzi 2025)

## Suggestion #2 – Story

---

- ▶ Theory on **experience** effects
  - Imprinting (Schoar and Zuo 2017)
  - Good versus bad experiences (Laudenbach, Malmendier, and Niessen-Ruenzi 2025)
    - Exposure to anti-capitalist ideology can exert a lasting influence on attitudes towards capital markets and stock-market participation
    - Decades after Germany's reunification, East Germans invest significantly less in stocks and hold more negative views on capital markets
      - Results are strongest for individuals remembering life in the German Democratic Republic **positively**, e. g., because of local Olympic champions or living in a “showcase city”
      - Results reverse for those with **negative experiences** like religious oppression, environmental pollution, or lack of Western TV entertainment

## Comment #3 – Journalist or Media Firm?

---

- ▶ A classical challenge in research on individual effects
  - Remove firm effects (Bertrand and Schoar 2003)
- ▶ “An indicator variable that is equal to 1 if the journalist’s hometown city is the same as the city of the misconduct firm’s headquarter (i.e., a “home journalist”), and 0 otherwise. If there are multiple journalists that authored the article, we regard the article to be written by home journalists if there is **at least one journalist** whose hometown city is the same as the firm’s headquarter.”
  - Is it a journalist hometown effect or media headquarter location effect?

## Suggestion #3 – Journalist or Media Firm?

---

- ▶ Media headquarter location effect
  - An indicator variable that equals 1 if the media firm is headquartered in the same city as the misconduct firm
  
- ▶ Media incentives
  - Advertising
  - Readership
  - Media owners (He, Xia, Zhao, and Zuo 2025)
    - Is it the case that the misconduct firm and the local media are more likely to share common owners (e.g., local government, local institutions, or local retail investors)?

# Summary

---

- ▶ A very interesting topic
- ▶ Shorten the title and lower the bar
- ▶ Embrace the home bias literature
  - Familiarity
  - Experience effects
- ▶ Examine media company effects