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Is Fox in the Henhouse?
Evidence on Media Conglomerates, Conflicts of Interest, and Bias in Movie Reviews

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. I. Introduction

Increasing attention is being paid to the effect of media consolidation. The Federal Communications Commission recent recommendation to loosen media ownership rules to permit more concentrated ownership was met with wide criticism. Many fear that such consolidation would reduce viewpoint diversity in the news media.

Media conglomeration raises similar concerns. For example, it is worried that news outlets that are owned by large corporate conglomerates have conflicts of interests that may affect their ability to cover news stories that could affect the businesses of their corporate parents. NBC is owned by General Electric, CNN is owned by AOL Time Warner, and ABC is owned by Disney.

Concern about the effects of media conglomeration on news coverage is justified. In a recent survey by the Pew Research Center for the People and the Press in association with the Columbia Journalism Review, thirty-five percent of reporters and news executives from local news outlets and national news organizations surveyed believed that journalists at least sometimes avoid a newsworthy story because “the story would be embarrassing or damaging to the financial interests of a news organization’s owners or parent company.”[1]

Determining whether and the extent to which news outlets succumb to such conflicts of interest is difficult. This paper approaches this problem by examining an area where the effect of conflict of interest in media conglomerates is measurable: movie reviews. This paper empirically studies whether media outlets movie reviews are biased in favor of movies distributed by studios owned by the outlets’ corporate parents.

[1] “Self Censorship: How Often and Why,” Pew Research Center for the People & the Press, April 30, 2000, Question 12f. Available at http://people-press.org/reports/print.php3?ReportID=39.

A number of conglomerates own both movie studios and media outlets that review movies. For example, the world's largest media company, Time Warner owns movie studios such as Warner Brothers and media outlets that review movies, including Entertainment Weekly, Time, and People magazine. Rupert Murdoch's News Corporation owns movie studios including Twentieth Century Fox and media outlets, such as the New York Post, that regularly review movies. In addition, Disney Corporation owns Disney and other studios and Buena Vista Television, the maker of the popular *Ebert & Roeper* television program, which reviews movies weekly.

Intrabusiness conflicts of interest also exist in other industries. A parallel situation that has garnered much publicity recently is a conflict of interest existing within many financial institutions. These financial institutions have both an investment banking department and a research department. Consumers pay for the research department's recommendations regarding the investment potential, or forecasts regarding the financial performance, of specific companies. In addition, companies pay for underwriting and other services provided by the investment banking department. A conflict of interest exists because recommendations by the research department to investors to purchase the stock can help the investment banking department sell the stock it is underwriting and can increase the stock's price.

Unfortunately, many financial institutions succumbed to this conflict. Research analysts gave positive forecasts and recommendations regarding certain corporations' stocks to secure investment banking business from those companies. Many studies have found that research analysts affiliated with underwriters issue biased recommendations and forecasts of companies' financial performance.[2] As a result, consumers of the research department's work were unknowingly obtaining biased forecasts and recommendations.

Similar to users of stock recommendations, consumers use critics' movie reviews to decide which movies to see.[3] Thus the potential for bias in movie reviews is strong. For example, the reviewers and editors of Entertainment Weekly may believe that Time Warner -- Entertainment Weekly's parent company – financially benefits from a favorable review by Entertainment Weekly of a Warner Brothers film because more people will see the movie. This paper examines whether such conflicts of interest affect movie review decisions made by media outlets affiliated with movie studios.

Even if such bias exists, there would be less reason for concern if consumers are aware of these conflicts of interest. Then, consumers could be skeptical of reviews from critics affiliated with the movie's distributor. However, consumers are unlikely to know that a conflict of interest exists. To be aware of such a conflict, consumers would have to know (1) which studio distributes the movie, (2) what is the parent company of that studio, and (3) what is the parent company of the media outlet that produced the movie review. Although no such study of consumers' knowledge could be found, the author's personal experience suggests that, with the exception of some animated Disney movies, consumers are unaware even of which studios are involved with particular movies.

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[2] Roni Michaely and Kent L. Womack, *Conflict of Interest and the Credibility of Underwriting Analyst Recommendations,* 12 THE REVIEW OF FINANCIAL STUDIES 653-86 (2000) (finding that stocks recommended by underwriter research analysts perform worse than stocks recommended by unaffiliated research analysts). Patricia M. Dechow, Amy P. Hutton, Richard G. Sloan, *The Relation between Analysts' Forecasts of Long-Term Earnings Growth and Stock Price Performance Following Equity Offerings*, 17 CONTEMPORARY ACCOUNTING RESEARCH 1-32 (2000) (finding that analysts employed by the lead managers of equity offerings make more overly optimistic long-term growth forecasts of the offering company than do other analysts).

[3] Consumers also read movie reviews for help in understanding the movie, to reinforce the moviegoer's opinion of the film, and to be able to discuss the movie with other people more intelligently. Bruce Austin, *A Longitudinal Test of the Taste Culture and Elitist Hypotheses,* 11 JOURNAL OF POPULAR FILM AND TELEVISION 157 (1983).

Of course, the media outlets that carry reviews could notify consumers of a conflict of interest. For example, research analysts recommending stocks now routinely disclose whether the analyst's employer has underwriting business with the company being recommended.[4] However, no such disclosure policy exists for movie reviewers. While collecting data for this paper, no movie review was found that contained a disclosure of the reviewer's affiliation with the movie's distributor.[5]

Concern over bias in movie reviews is not new. Studios routinely hold press junkets in which reporters and movie critics are invited to attend the screening of an upcoming movie and to interview the movie's stars, and sometimes also its directors and producers. Studios often pay for the airfare and for expensive hotel rooms and meals for critics who attend. Many observers have expressed concern that such payments may bias critics.[6] Indeed, a consumer group filed a lawsuit against the studios that provide such junkets, claiming that the junkets were in essence payoffs to have the critics write positive reviews of the movie.[7] Other observers have even called on the Federal Trade Commission to investigate the propriety of these junkets.[8] As a

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5 In its *news stories* about Warner Brothers movies, CNN.com -- the website of Cable News Network, which is also owned by AOL Time Warner -- warns of similar conflicts of interest. See, for example*Christian Bale to be new Batman* **[date]** (The last sentence of article regarding Warner Brothers' new Batman movie warns that "Warner Bros. is a division of AOL Time Warner, as is CNN"). Strangely, however, in its *reviews* of Warner Brothers movies, CNN.com makes no such disclosures.

6 *Where a Nose for News May be Out of Joint*, New York Times, May 13, 2001 (Section 2A, page 13); *Scathing Reviews of Junkets*, Los Angeles Times at A1 (July 20, 2001); John Horn, Newsweek Web Exclusive (June 2, 2001) (referring to the junket circuit as a "scandal" and as an "all-expenses-paid gravy train where the studios give journalists free rooms and meals at posh hotels and the reporters return the favor with puffy celebrity profiles and enthusiastic review blurbs"); Tom Alesia, *Film's Press Event Sends Him Reeling*, Wisconsin State Journal at D1 (July 12, 2002) (wondering, upon seeing rave reviews by junket attendees, whether "the post-screening party, featuring boomerang-sized shrimp and filet mignon, influence[d] critics tastes?").

7 The group, Citizens for Truth in Movie Advertising, filed a complaint alleging that **______.**

8 Steve Persall, *This Column is Wickedly Smart! A Must-Read!*, St. Petersburg Times at 1D (February 14, 2003) (Claiming that "[f]rankly, some movie reviewers' opinions seen in ads are purchased. . . . [Junket attendees who attend at the studio's expense] know if they keep saying nice things and doing puff pieces, they'll be invited back," and calling for the Federal Trade Commission to investigate this phenomenon).

result of such concerns, critics from major publications generally refuse such payments, even if their even employers permit them to attend the junkets at all.[9]

In addition, studios have misused movie reviews in advertising. In 2001, two Sony advertising executives were suspended for thirty days when it was discovered that Sony had created quotes from a fictitious movie critic to use in advertisements for four movies.[10] Many in the movie industry feared that this transgression would result in governmental regulation.[11] However, the Federal Trade Commission did not take any action against Sony, citing higher priorities for the agency and the disciplining effect of the bad publicity that Sony received from the incident.[12]

However, Sony did not completely escape direct punishment for its transgression. It paid a $326,000 fine to the state of Connecticut for claiming that the fictional critics worked for a local Connecticut newspaper.[13] In addition, it paid $25,000 to the consumer protection and education fund of the Oregon Department of Justice to settle deceptive advertising charges.[14] In addition, a

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[9] *Where a Nose for News May be Out of Joint*, New York Times, May 13, 2001 (Section 2A, page 13).

[10] *Sony Woes Stir Studio Concerns: Executives Fear an Invitation for Regulation Looms,* Advertising Age at 4 (June 25, 2001). *Movie Untruths and Consequences,* Los Angeles Times, June 24, 2001 (page 5). Studios have also misrepresented testimonials from other sources. Four major studios have admitted using in advertising actors or studio employees to provide testimonials allegedly from actual moviegoers. A studio has also constructed a phony fan web site for a movie. *Movie Untruths and Consequences,* Los Angeles Times, June 24, 2001 (page 5).

[11] *Sony Woes Stir Studio Concerns: Executives Fear an Invitation for Regulation Looms,* Advertising Age at 4 (June 25, 2001)

[12] *The U.S. Plans to See if There is Misleading Marketing of Movies,* New York Times at C12 (January 14, 2003) (quoting the F.T.C.'s Associate Director for Advertising Practices as explaining that "[w]e get many, many complaints about many issues, including serious health and safety issues, or significant monetary loss to consumers.")

[13] *Sony Penalised for Faking Film 'Blurbs',* The Independent (London) at 3 (March 13, 2003).

[14] http://www.doj.state.or.us/releases/rel081301.htm These charges also involved Sony's use of employees posing as ordinary moviegoers to provide testimonials in advertisements for certain movies.

class action suit against Sony was filed in California on behalf of persons who allegedly were persuaded by the phony reviews to attend the movies.[15]

Movie reviews recently have again caught the attention of the Federal Trade Commission. Studios often use positive excerpts from reviews in their advertising of movies. Concern has long existed over the misuse of these excerpts. For example, the advertisements for one movie stated that well-known Newsweek movie critic David Ansen had called the movie "good fun", when actually he had written that "though [the movie] was all intended as good fun, it's about as much fun as getting hit by a bus."[16] In January 2003, the FTC began reviewing its guidelines regarding how studios can use movie reviews to promote their movies.[17] These rules prevent using part of a review out of context to suggest that the critic gave a more positive review than was actually given.[18]

The FTC's recent review addresses whether movie studios' advertising excerpts from movie reviews accurately. However the FTC's review does not reach the question of whether the excerpted reviews themselves are sincere. As noted above, studios' use of press junkets casts doubt upon the sincerity of some reviews. This paper examines whether another source of reviews should also treated skeptically – reviews from media outlets affiliated with the studio that distributed the movie.

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[15] The suit is still pending; Sony rejected a $4.5 million settlement offer by the plaintiffs.

[16] New York Times at C12 (January 14, 2003).

[17] New York Times at C12 (January 14, 2003); Daily Variety, January 10, 2003 at 8.

[18] An FTC Advertising Guide warns that "any alteration in or quotation from the text of the review which does not fairly reflect its substance would be a violation of the standards."

II. Data

This paper studies whether there is bias in the movie review decisions of media outlets affiliated with movie studios. To do this, it examines three media conglomerates that own movie studios and media outlets that carry movie reviews.

Time Warner is the world's largest media and entertainment company. Among its operations is the production and distribution of films through businesses including Warner Brothers Pictures, New Line Cinema, and Fine Line Features. It also owns numerous print and broadcast news outlets that carry movie reviews, including CNN, Time magazine, People magazine and Entertainment Weekly.

Data limitations limit this study to analyzing Entertainment Weekly's movie reviews. Time magazine contains only a very small number of movie reviews. Also, although CNN's web site contains more reviews, archives of the website are unavailable. In addition, in its reviews Entertainment Weekly gives each movie a specific grade, ranging from A+ to F, while CNN, Time, and People do not give a grade, thus requiring a researcher's subjective judgment to code them.

Entertainment Weekly is a weekly national magazine focusing on the entertainment industry with a circulation of over 1.6 million.[19] In addition to reporting movie reviews made by certain unaffiliated reviewers, it also carries the reviews of its own staff of reviewers. During the time period encompassed by this study, five critics reviewed movies for Entertainment Weekly, however, two of them – Owen Gleiberman and Lisa Schwarzbaum -- accounted for more than ninety percent of the reviews.

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[19] Media Distribution Services, *Top Circulation Publications in the United States (2002).* http://www.prplace.com/topcirculation.htm

News Corporation is an international media conglomerate headed by Rupert Murdoch with approximately $17 billion in annual revenue. Among it businesses is the distribution of movies through its 20th Century Fox and Fox Searchlight Pictures subsidiaries. In addition, it owns numerous print and broadcast news outlets, including the New York Post.

The New York Post, a daily newspaper with a circulation of approximately 620,000,[20] regularly prints movie reviews by critics. During the time period encompassed by this study, five critics reviewed movies for the New York Post, however, two of them – Jonathan Foreman and Lou Lumenick – accounted for more than ninety-five percent of the reviews.

News Corporation also owns many local television stations in the United States, some of which broadcast movie reviews occasionally as part of their news broadcasts. However, access to these reviews is unavailable so they are not included in this study.

Disney Corporation is an international media and entertainment conglomerate. Among its operations is the production and distribution of films through businesses including Walt Disney Studios, Miramax Studios, and Dimension Films. It also owns Buena Vista Television, which owns the popular "Ebert & Roeper" television show, which each week features movie critics Roger Ebert and Richard Roeper reviewing movies. It appears on more than 200 television stations and is the "top-rated first-run weekly syndicated half-hour on television."[21]

To test whether bias exists in media conglomerates' movie reviews, this paper examine whether Entertainment Weekly's reviews are biased in favor of Time Warner movies, whether New York Post reviews are biased in favor of News Corporation movies and whether Ebert & Roeper reviews are biased in favor of Disney movies.

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[20] *Inside the NYC Tabloid Wars: 'Post' Gains Circulation; 'Daily News' Plans Major Changes*. http://www.adage.com/news.coms?newsID-38934 (October 13, 2003)

[21] http://tvplex.go.com/buenavista/ebertandroeper/bios/ebert.html

This paper uses the 1,082 movies that appeared in Variety magazine's "Crix Picks" and opened in the United States from January 1, 2000, through March 31, 2003. Each week, Crix Picks tabulates movie reviews for approximately six movies opening that week[22] from many of the best-known movie critics in the United States.[23] These movies include at least the two largest released "blockbusters" and at least one smaller "niche" movie released that week.[24] Although there are over 100 critics from the pool from which Variety collects reviews, the number of reviews compiled for any particular movie is much less. For the movies used in this paper, the average number of reviews was __, with a maximum of fifty-two and a minimum of one. The number of reviews varies because the number of critics who review a movie differ; significant films from major studios are generally reviewed by more critics than are smaller "niche" films. Crix Picks includes all reviews that its pool of critics send to Variety, and, in addition, Variety will sometimes solicit reviews from critics who have not sent their reviews to Variety in some time.

The reviews collected by Crix Picks are categorized as giving the movie a favorable review ("Pro"), an unfavorable review ("Con"), or a mixed review ("Mixed"). The vast majority of the reviewers designate for Crix Picks which category their review is in. For the few critics who do not choose a category, Variety's editorial staff reads the reviews and makes the designation.

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[22] On rare occasions, Crix Picks is not published in a particular week, however, typically the next Crix Picks' is expanded to also cover movies released during that missing week.

[23] It also compiles reviews from many British critics, however those reviews are not used in this study.

[24] This fact, and all other information about *Variety's* Crix Picks, is from my interview of the Jill Filewell, who compiles Crix Picks for *Vartety*.

III. Empirical Methodology

Bias toward an affiliated studio's movies could take two forms. First, bias might exist in selecting which movies to review. Second, bias could exist in the grades a reviewer gives to particular movies. This paper tests for both forms of bias.

A. Bias in the Selection of Movies to Review

A media outlet owned by a movie studio's parent company may be more likely to review that studio's films to increase publicity for those films. On the other hand, the outlet might be more likely to review good films from that studio, but less likely to review bad films from that studio to avoid adding to negative publicity regarding the movie.

To investigate both possible forms of bias in the selection of movies reviewed, a number of quantifiable, explanatory variables are examined that may affect the probability that a particular movie is reviewed.

Number of Unaffiliated Reviews

#_REV is the number of reviews reported in *Variety's* Crix Picks by reviewers with no affiliation to the parent company of the studio that distributed the movie. Specifically, it excludes reviews in Time Warner media outlets of films distributed by Time Warner studios, reviews in News Corporation media outlets of films distributed by News Corporation studios, and reviews in Disney Corporation media outlets of Disney studios' films.

Many of the same factors that lead unaffiliated critics to review a movie – pre-release publicity, etc. -- should also cause affiliated critics to review it. Thus, all else equal, the more unaffiliated reviewers in Crix Picks who reviewed a certain movie, the more likely that a particular affiliated reviewer should have reviewed it also.

Niche Studio Movie

NICHE is a dummy variable that denotes whether the film is distributed by a niche motion picture studio. NICHE has a value of 1 if the film was distributed by a niche studio or a niche division of a major studio, and a value of 0 if it was distributed instead by non-niche division of a major studio.[25] The distributor of a film is listed in Variety magazine and the Internet Movie Database.[26]

Films from major studios tend to be higher profile, have more pre-release publicity, and have wider intended audiences. Thus, mass-audience media outlets, such as those examined in this paper, may be less likely to review movies from niche studios than would media outlets appealing to niche audiences.

Affiliated Movie

AFFILIATE is a dummy variable that denotes whether the movie is distributed by a studio affiliated with the media outlet in which the review appears. AFFILIATE has a value 1 if it is an affiliated movie, and a value of 0 otherwise. For example, for Entertainment Weekly, AFFILIATE has the value 1 if the movie is distributed by a studio owned by Time Warner, and

[25] Major studios are Disney, Dreamworks, Fox, MGM, Paramount, Sony, Universal, and Warner Brothers, with the exception of their niche film divisions. The niche film divisions of these studios are Miramax Zoe (Disney), Fox Searchlight (Fox), United Artists (MGM), Paramount Classics (Paramount), Screen Gems (Sony), Sony Pictures Classics (Sony), Universal Focus (Universal), Cinemax (Warner Brothers), Fine Line Features (Warner Brothers), and HBO (Warner Brothers).

[26] The Internet Movie Database is available at http://www.imdb.com.

the value 0, otherwise. If, all else equal, publications are more likely to review films of affiliated studios, AFFILIATE should have a positive estimated coefficient.

As noted above, bias in choosing which movies to review may be exhibited in another way instead. Reviewers may be more likely to review good affiliated movies and less likely to review bad affiliated movies. This would allow a critic who wanted to give honest reviews to still be more likely to write positive reviews, and less likely to write negative reviews, about affiliated films. To test for this alterative type of bias, two other explanatory variables are also used.

Average Grade

UNAFF_GRADE is the average grade reported in Variety's Crix Picks by reviewers with no affiliation to the parent company of the studio that distributed the movie. It is calculated as the number of favorable reviews minus the number of unfavorable reviews, divided by the total number of reviews. For example, if a movie had eight favorable reviews, three unfavorable reviews, and nine mixed reviews, UNAFF_GRADE would be 0.25.[27] UNAFF_GRADE ranges from -1 for a movie with only unfavorable reviews to +1 for a movie with only favorable reviews; for a movie with an equal number of favorable and unfavorable reviews UNAFF_GRADE would be 0.

[27] (8 favorable reviews – 3 unfavorable reviews) / (8 favorable reviews + 3 unfavorable reviews + 9 mixed reviews) = 0.25. Note that this methodology is identical to calculating the average review where each positive review a value of +1, each negative review a value of -1, and each mixed review a value of 0.

Interaction Term: AFFILIATE x UNAFF_GRADE

An interaction term equal to AFFILIATE multiplied by UNAFF_GRADE is also used. It is used to test whether media outlets are more likely to review a good affiliated movie than a good unaffiliated movie, and similarly whether they are less likely to review a bad affiliated movie than a bad unaffiliated movie. This interaction variable will be greater than zero for an affiliated movie that has generally received positive reviews, less than zero for an affiliated movie that has generally received negative reviews, and zero for an unaffiliated movie. If reviewers are more likely to write reviews for good affiliated movies than for good unaffiliated movies, but less likely to write reviews for bad affiliated movies than for bad unaffiliated movies, then, all else equal, this interaction term should be positively correlated with the probability that a movie is reviewed.

To test which of these variables help explain which movies are reviewed, a dependent variable REVIEW – whether a particular movie is reviewed – is regressed against these variables and an intercept.

Specifically, to test whether critics are more likely to review affiliated movies, the equation estimated is:

$$(1)\quad REVIEW_i = \alpha_i + \beta_1 (\#\_REV_i) + \beta_2 (NICHE_i) + \beta_3 (AFFILIATE_i) + \varepsilon_i$$

and to test whether critics are more likely to review good affiliated movies and less likely to review bad affiliated movies, the equation estimated is:

(2) $REVIEW_i = \alpha_i + \beta_1 (\#\_REV_i) + \beta_2 (NICHE_i) + \beta_3 (AFFILIATE_i) +$

$$\beta_4 (UNAFF\_GRADE_i) + \beta_5 (AFFILIATE_i \times UNAFF\_GRADE_i) + \varepsilon_i$$

where $REVIEW_i$ is a dummy variable for whether the critic reviewed movie *i*,[28]

$\#\_REV_i$ is the number of reviews of movie *i* by unaffiliated critics;

$NICHE_i$ is a binary dummy variable for whether movie *i* is distributed by a niche studio or a niche division of a major studio;

$AFFILIATE_i$ is a binary dummy variable for whether movie *i* is distributed by a studio affiliated with the critic's employer; and

$UNAFF\_GRADE_i$ is the average grade given to movie *i* by unaffiliated critics.

Because the dependent variable, $REVIEW_i$, has only two possible values, a LOGIT regression is used to estimate these equations.

B. Bias in the Review Itself

The second question this paper studies is whether the grades given to movies by reviewers exhibit a bias in favor of affiliated movies. To answer this question, a number of explanatory variables are examined which might affect the grade that a critic gives a movie.

Other Critics' Grades

Although critics often disagree about a movie's merit, it is likely that, in general, the grades a particular critic gives particular movies will be positively correlated with the grades that other critics give the movies. Thus, all else equal, the variable UNAFF_GRADE should be

[28] $REVIEW_i$ has a value of 1 if the media outlet in question reviews movie *i* and a value of 0 if it does not review the movie.

positively correlated with the grade that a a particular reviewer gives a movie. Recall that UNAFF_GRADE is the average grade given by reviewers with no affiliation to the studio that distributed the movie.

Genre

A film's genre may affect the grade that a particular critic gives a movie. Some critics may differ in the genres they prefer, and these preferences may be reflected in the grades they give to particular movies. Thus, a critic might give higher ratings to affiliated movies because the affiliated studio makes more movies of genres that that critic prefers rather than because that critic is biased towards affiliated movies.

To control for such a genre preferences, nineteen dummy variables are included, each denoting whether the movie is of a particular genre.[29] Each variable has a value of one if the film is of that genre and the value of zero if it is not. For example, for a film whose genre is listed as both comedy and romance, both $GENRE_{COMEDY}$ and $GENRE_{ROMANCE}$ have the value of 1, and all other genre variables have the value of 0. A film's genre(s) is listed in the Internet Movie Database.

Affiliated Movie

As discussed above, AFFILIATE is a binary dummy variable that denotes whether the film is distributed by a studio affiliated with the media outlet in which the review appears. It has a value of 1 if it is an affiliated movie, and a value of 0 otherwise. If critics are more likely to

[29] These nineteen genre variables are designated $GENRE_k$ where k equals DRAMA, COMEDY, ACTION, FAMILY, THRILLER, CRIME, ROMANCE, SCIENCE_FICTION, FANTASY, ANIMATED, DOCUMENTARY, HORROR, MUSICAL, MYSTERY, WAR, ADVENTURE, WESTERN, ADULT, and SHORT.

give favorable reviews to films of affiliated studios then, all else equal, AFFILIATE should be positively correlated with the probability that a critic gives a movie a positive review.

To test whether these variables help explain the grades critics give movies, the dependent variable GRADE – the grade a critic gives a particular movie – is regressed against these explanatory variables and an intercept term. Specifically, the equation estimated is:

$$(3)\quad GRADE_i = \alpha_i + \beta_1 (UNAFF\_GRADE_i) + \beta_2 (AFFILIATE_i) + \Sigma\, \beta_k (GENRE_{ki}) + \varepsilon_i$$

where $GRADE_i$ is a binary dummy variable for whether the critic gave a generally positive review or a generally negative review to movie *i*,[30]

$UNAFF\_GRADE_i$ is the average grade given to movie *i* by unaffiliated critics;

$AFFILIATE_i$ is a binary dummy variable for whether movie *i* is distributed by a studio affiliated with the critic's employer; and

$GENRE_{ki}$ is a binary dummy variable for whether movie *i* is of genre *k*.

Different critics use different grading systems. Critics for Entertainment Weekly give movies letter grades ranging from A to F; critics for the New York Post give grades ranging from four stars to zero stars, in half-star increments.[31] Thus, because the dependent variable GRADE is an ordered, categorical variable an ordered logit regression is used for the Entertainment Weekly and the New York Post reviewers.[32] On the Ebert & Roeper television show, reviewers

[30] $GRADE_i$ is set equal to one if the critic gave a generally positive review to movie *i*, and is set equal to zero if the critic gave a generally negative review to the movie.

[31] No movies received a grade of D-.

[32] The dependent variable is categorical because only certain values are possible (A, A-, etc. for Entertainment Weekly and 4 stars, 3.5 stars, etc. for the New York Post) and it is ordered because these categories are ordered (e.g., A is a higher grade than an A-, which is higher than a B+, etc.).

Roger Ebert and Richard Roeper give movies either a “Thumbs Up” (a positive recommendation) or a “Thumbs Down” (a negative recommendation). Thus, because the dependent variable has only two possible values – a positive or a negative review -- a simple logit regression is used for the Ebert & Roeper data.

IV. Results

The regression results related to selecting which movies to review are presented in Table 1 and 2. The results regarding which grade to give the reviewed movies are presented in Table 3.

There is little evidence of bias in either the selection of movies to review or in the grades given to reviewed movies. As displayed in Table 1, none of the media outlets examined are significantly more likely to review affiliated movies than unaffiliated movies. In addition, Table 2 shows that although the media outlets are more likely to review better movies than weaker movies, they are no more likely to review affiliated movies than unaffiliated movies of the same quality.

Finally, as shown in Table 3, critics generally do not show bias toward affiliated movies in the grades they give movies. Only three of the six critics examined gave more favorable reviews to affiliated movies, and for only one of these critics was the result statistically significant.

V. Discussion

One possible explanation for the lack of bias in the critics’ reviews is that the critics’ grades may not be very important to the box office success of the movie. If the grades don’t significantly affect the movie's success then critics may feel no pressure to give positive reviews to affiliated movies.

Some evidence appears to suggest that critics' reviews may not be important. For example, one admittedly "non-scientific" survey of more than 3,800 moviegoers found that the factors that most affect whether they see a movie are the advertising for it and the recommendations of their friends, not critics' reviews. 73% of those surveyed said that their decision to see a movie was affected by a preview they saw for it at the theater, and 72% said that hearing about the movie from a friend was a factor. However, only 40% said that critics' recommendations were are factor.[33]

In addition, it has been noted that there is no pressure on critics attending press junkets to give positive reviews to a movie. However, there is pressure on them to produce *some* review.[34] This fact suggests that studios believe that the publicity resulting from any review – good or bad – is what is actually important to studios. However, it also suggests that critics should be more likely to review affiliated movies than unaffiliated movies, because a review will give the affiliated movie publicity. This should be especially true for the critics examined in this paper, because their reviews are in media outlets with exposure to a large number of potential moviegoers. However, this paper has found that, all else equal, critics are not more likely to review an affiliated movie than an unaffiliated movie.

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[33] Press Release from Marcus Corporation, "Survey Reveals Moviegoing Trends for Past 20 Years", May 5, 2003, http://www.presentationmaster.com/2003/05_may/news/cw_marcus_survey.htm. See also, Los Angeles Times at A1 (March 20, 1999) ("Oprah Winfrey can turn to the audience and say, 'I saw this [movie] and you will love it,' and she will matter more than film critics.") (quoting Terry Press, head of marketing for Dreamworks).

[34] For example, Keith Woods, a professor of journalistic ethics notes that "Even if the coverage is negative, it's a positive for the studio. It's publicity. That's what the money is being spent on. Scathing Reviews of Junkets, Los Angeles Times at A1 (July 20, 2001). A frequent attendee of studio junkets agrees, noting that the studios "don't care about what you write as long as you write a piece. They get mad if you go to a [junket] and don't write a piece." Id.

In addition, there is a great deal of evidence that critics' reviews affect a movie's box office success. Most empirical studies have found that favorable movie reviews result in more people seeing a movie than do unfavorable reviews.[35] Also, the behavior of studios clearly demonstrates that studios believe that reviews are important. Advertising for movies routinely contains favorable quotes from critics. Indeed, as discussed above, Sony went so far as to create quotes from a fictitious movie critic to use in advertisements.[36] Favorable statements from well-known critics, such as Roger Ebert, are featured especially prominently in advertising. In addition, studios sometimes eliminate or delay advance screenings of a movie for critics if the studios believe that the movie will receive bad reviews.[37]

It has also been argued that critics' grades are much less important for for large budget movies than for smaller budget movies. The widespread marketing of large budget movies prior to their release may drown out critics' reviews of them.[38] In other words, "[b]y the time the critic weighs in with his review on opening day, 'most people have already made up their minds whether they want to go.'" [39] Indeed, one study found that having a large budget for a movie makes the movie's box office success more resistant to bad reviews.[40] In addition, some studio insiders argue that a movie's box office success during its opening weekend, and the resulting

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[35] See Suman Basuroy, Subimal Chatterjee, S. Abraham Ravid, *How Critical are Critical Reviews? The Box Office Effects of Film Critics, Star-Power, and Budgets*, JOURNAL OF MARKETING (October 2003) (forthcoming), and the studies cited therein at 5. But see also S. Abraham Ravid, *Information, Blockbusters, and Stars: A Study of the Film Industry*, 72 JOURNAL OF BUSINESS 463 (1999) (finding that positive reviews do not significantly affect the revenue earned by a movie).

[36] In addition, in a similar transgression, several studios, including Sony, 20th Century Fox, and Universal admitted to using employees or hiring actors to play moviegoers who provide testimonials about the movie in television commercials. Daily Variety, January 10, 2003 at p.8.

[37] Wall Street Journal at B1 (April 27, 2001)

[38] Peter Biskin, *Easy Riders, Raging Bulls* (1998).

[39] Los Angeles Times at A1 (March 20, 1999) (quoting Terry Press, DreamWorks' head of marketing).

[40]

press and word of mouth publicity – not critics' reviews – determine the movie's success thereafter.[41]

Nevertheless, critics' reviews can still significantly impact the success of even the most heavily advertised films, especially if critics state that a particular such movie goes beyond typical expectations for movies of that genre. For example, movies including *Men in Black, Saving Private Ryan, Scream*, and *The Terminator*, were transformed from being "hits" to being "mega-hits" by critics informing moviegoers that these hit movies were also actually good movies.[42]

Still, it is generally believed that critics can have a greater effect on films with smaller budgets, such as foreign films and sophisticated films with adult target audiences, than on larger budget films.[43] There are several reasons this is believed to be true. First, young people are less likely than older people to read critics reviews and more likely to go to a particular movie because many other people are seeing it.[44] Movies aimed at older audiences are thus likely to be less affected by this phenomenon. Second, as noted above, larger budget films generally are accompanied by larger media campaigns, which can drown out critics' reviews. In fact, smaller movies actually may rely on positive reviews by critics to generate the publicity that larger-budgeted movies are able to purchase on their own through widespread advertising.[45] Finally, press junkets, which encourage lesser-known critics to write reviews, are used for larger budget

[41] Los Angeles Times at A1 (March 20, 1999) (quoting Brian Glazer of Imagine ("People don't even pay attention to reviews. It has the same dynamic as going to a disco. No one cares about the best disco, they care about the one that has the longest line. . . . It's the herd mentality.")

[42] Los Angeles Times at A1 (March 20, 1999).

[43] Los Angeles Times at A1 (March 20, 1999)

[44] Los Angeles Times at A1 (March 20, 1999) ("Young people are especially susceptible to the 'everyone's going' approach").

[45]

films. The greater number of resulting reviews from junket attendees may drown out the reviews of more established and professional critics.[46]

Regardless of the reason, if critics' reviews are more important for smaller budget movies than larger budget movies, then there may be more pressure on critics to give positive reviews for smaller budget affiliated movies than for larger budget affiliated movies. To see whether this may partly explain the lack of bias found in this paper, the empirical analyses were rerun adding independent variables to control movies for movies distributed by non-major studios or niche-divisions of major studios.[47] If critics' reviews are more important to smaller budget movies than larger budget movies, than we might expect to see stronger evidence of critics' bias in films from smaller affiliated studios than from larger affiliated studios.

However, this paper's results do not support this conclusion. Even after controlling for whether a major studio distributes the movie, the estimated coefficients of the AFFILIATE variables are neither consistently positive nor statistically significant, indicating that critics do not show bias in the grades they give affiliated movies.[48] In addition, controlling for the size of the studio doesn't significantly change the other results either. All else equal, critics generally are no more likely to review movies from small affiliated studios than movies from small unaffiliated studios. Also, critics generally are no more likely to review good movies from small affiliated studios than good movies from small unaffiliated studios.

Another possible explanation for the apparent lack of bias found in this paper may be reputation concerns of high-profile critics; all of the critics examined in this paper work for large

[46] Los Angeles Times at A1 (March 20, 1999) (quoting Owen Gleiberman, a film critic for Entertaiment Weekly).

[47] As noted above, the major studios are Disney, Dreamworks, Fox, MGM, Paramount, Sony, Universal, and Warner Brothers. Their niche film divisions are Miramax Zoe (Disney), Fox Searchlight (Fox), United Artists (MGM), Paramount Classics (Paramount), Screen Gems (Sony), Sony Pictures Classics (Sony), Universal Focus (Universal), and Fine Line Features (Warner Brothers), HBO (Warner Brothers), and Cinemax (Warner Brothers).

[48] The complete regression results are available from the author.

media outlets. When Roger Ebert attended a Disney cruise, he was asked if he worried his attendance would create the appearance of a conflict of interest when he reviewed Disney movies. He replied that he was not worried because people would not believe he would risk his reputation by being biased. Other reviewers for major publications echo similar professionalism standards. For example, Owen Gleiberman, a film critic for Entertaiment Weekly – and one of the critics examined in this paper – has complained that "[t]oo many puff critics, quote whores . . . and bland, lily-livered critics are drowning out the serious critics."

In addition, some commentators argue that increasing conglomeration might actually lead to less ethical lapses in the movie industry about which "[c]ommon perception holds that when you match the words 'Hollywood' and 'ethics,' you create an oxymoron."[49] Large multinational corporations might be more concerned about protecting their reputations than would smaller independent media outlets.[50]

However, reputation concerns may not be sufficient to prevent bias. First, bias would be very difficult for consumers to detect for a number of reasons. As noted above, it is very unlikely that moviegoers generally know which studio distributes a particular movie and whether that studio and the critic's media outlet have the same parent company. In addition, because each studio distributes only a fraction of the movies released, bias would not affect a large percentage of their reviews.[51] Also, as noted above, detecting bias requires controlling for characteristics such as the movie's genre.

[49] *Movie Untruths and Consequences,* Los Angeles Times, June 24, 2001 at 5. Many long-time Hollywood insiders dispute the accuracy of this perception. *Id.*

[50] *Movie Untruths and Consequences,* Los Angeles Times, June 24, 2001 at 5.

[51] For example, Time Warner-owned studios distributed only 11.4% of the movies examined in this paper, the most of any parent company.

In addition, reputation concerns by critics would be unable to prevent unintentional bias. At many law schools, professors grade exams blind – i.e., without knowing who wrote the exam – in part to avoid unintentional bias in grading. Similarly, a critic may subconsciously look more favorably on a movie because it is distributed by an affiliated studio. Such unintentional bias is difficult to prevent because, by definition, the critic is already attempting not to have such a bias.

Finally, similar reputation concerns did not prevent similar bias in financial institutions. As discussed above, there is significant evidence that research analysts provided biased forecasts and recommendations regarding stocks of corporations doing business with their analysts' employers. This bias occurred despite the fact that analysts reputations for providing accurate forecasts are important to their success. In addition, unlike movie reviews, stock forecasts' accuracy can be objectively measured. If an analyst recommends a particular stock or estimates that company's quarterly earnings, then it will be clear in hindsight whether the analyst was correct, and his or her reputation could be affected accordingly. In contrast, a critic's judgment regarding the quality of a particular movie is ultimately subjective and although a critic might be hold a minority view regarding certain movies, one cannot conclude that the critic is inaccurate.

A comparison with financial institutions suggests another explanation for the lack of bias in movie reviews: the compensation structure for movie critics and organizational structure in which critics work likely does not encourage bias. This point can best be understood by contrasting the environment in which movie critics work to that of research analysts who recommend stocks.

The recently publicized financial scandals have shown that research analysts sometimes gave more favorable coverage of the stock of companies with which their employer hoped to gain or maintain an investment banking relationship. In addition, there was significant pressure on these analysts to provide positive reports. Indeed, companies even threatened to end lucrative investment banking relationships with the employers of research analysts who wrote unfavorable reports about the company.[52]

There were other sources of pressure to produce biased reviews. Research analysts often worked under the supervision of the investment banking department.[53] In addition, sometimes analysts' compensation was directly based in part on the investment banking business that they helped bring in.[54] In fact, investment banking departments' pitches for business from a company sometimes included a promise that a particularly well known research analyst would cover the company's stock, and sometimes the research analysts would even attend these pitches.[55]

The situation is very different for movie critics working for media conglomerates. There is no evidence that critics or their parent companies view part of critics' jobs as the promotion of affiliated movies. Also, critics' supervisors are editors of the media outlet for which they work, not executives of affiliated studios. In addition, critics' compensation is not based on how affiliated movies perform at the box office.[56] For all these reasons, critics do not face the great pressure to give positive reviews to affiliated movies that research analysts felt to give positive coverage of investment banking clients.[57]

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[52] See, e.g., *Frank Quattrone's Heavy Hand*, FORTUNE at 78, December 30, 2002 (in 2001, the Chief Executive Officer of EarthLink threatened to move Earthlink's investment banking business from Credit Suisse First Boston (CSFB) because of CSFB's research reports on Earthlink).

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[56] Of course, if critics receive own some of their parent's stock, they will have some financial stake in the success of their parent corporation.

[57] An anecdote demonstrates the great degree of decentralization that exists at some media conglomerates. Fox News Channel threatened to sue the makers of *The Simpsons* television show over a parody of Fox News that appeared on *The Simspons*. No lawsuit was filed, however, Fox News eventually realized that it has the same parent

This contrast between research analysts and movie critics illustrates the importance of the existence of a personal stake for a conflict of interest to result in actual bias. Research analysts who give negative coverage to investment banking clients risk reducing their own compensation and even losing their jobs. However, movie critics who give negative reviews to affiliated movies face no such sanctions. The result of these differing incentives appears to be that stock recommendations are often biased but movie reviews are not.

The importance of a personal stake in creating a bias is further illustrated by the criticism of the press junkets discussed. Studios give many of critics who attend these junkets free airfare, expensive hotel rooms and meals, spending money, and access to movie stars. In addition, studios have been known to at least temporarily not invite back reviewers who did not produce a review for the movie despite having attended the junket. It is junket attendees who often provide the positive quotes that appear in advertising about movies that received widespread poor reviews. In addition, as discussed above, junket attendees are accused by other critics of giving such positive reviews to ensure that they are invited to future junkets.

VI. Conclusion

The existence of media conglomerates creates conflicts of interest as media outlets sometimes must present news about, or offer opinions about, the products created by other business owned by the media outlet's parent company. For example, often film critics must review movies distributed by subsidiaries of their parent companies. This paper has tested whether such conflicts of interest create bias in movie reviews. In many ways, film critics' situation is similar to that of research analysts who work for financial institutions with

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company as *The Simpsons*, News Corporation
http://story.news.yahoo.com/fc?cid=34&tmpl=fc&in=World&cat=Media_Watch

investment banking departments. Studies have shown that, in their stock forecasts and recommendation, these analysts often exhibited bias in favor of investment banking clients.

Overall, this paper finds little evidence of bias in the selection of which movies are reviewed and in the grades critics give in their reviews. The explanation for this is likely the lack of a personal stake that movie critics have in the success of affiliated movies. Unlike research analysts who are affiliated with investment banks, movie critics' compensation and job security does not depend upon their giving positive reviews to affiliated movies.

TABLE 1

Determinants of Decision to Review
(Logit Estimates)

Reviewer	Intercept	Number of Unaffiliated Reviews	Niche Studio	Affiliated Movie	Pseudo R^2
Ebert & Roeper (612 movies reviewed)	-.2461 (.2730)	**0.1222** (<.0001)	**-1.9256** (<.0001)	-0.3729 (.2122)	
Entertainment Weekly (776 movies reviewed)	**1.2424** (.0013)	**0.1673** (<.0001)	**-2.9797** (<.0001)	0.7182 (.2279)	
New York Post (1014 movies)	0.4810 (.3796)	**0.3838** (<.0001)	-0.6891 (.1805)	22.4788 (.9998)	

TABLE 2

Determinants of Decision to Review
(Logit Estimates; Genre Variables Not Displayed)

Reviewer	Intercept	Number of Unaffiliated Reviews	Niche Studio	Affiliated Movie	Average Grade	Affilated x Grade	Pseudo R^2
Ebert & Roeper (612 movies reviewed)	-0.1176 (.6069)	**0.1242** (<.0001)	**-2.2768** (<.0001)	**-0.5676** (.0648)	**0.6526** (.0001)	0.0641 (.8987)	
Entertainment Weekly (776 movies)	**1.3897** (.0006)	**0.1709** (<.0001)	**-3.3079** (<.0001)	0.7258 (.2390)	**0.4972** (.0042)	1.0373 (.2644)	
New York Post (1014 movies)	0.4797 (.3811)	**0.3857** (<.0001)	-0.7172 (.1709)	22.2371 (.9998)	0.0654 (.7695)	-1.2477 (1.000)	

TABLE 3

Determinants of Review Grade
(Logit Estimates; Intercepts and Genre Variables not Displayed)

Reviewer	Grade From Unaffiliated Reviews	Affiliated Movie	Pseudo R^2
Ebert (612 movies)	**3.4733**	0.1170	
	(<.0001)	(.7115)	
Roeper (567 movies)	**1.7608**	**0.7697**	
	(<.0001)	(.0087)	
Gleiberman (364 movies)	**2.1705**	-0.4322	
	(<.0001)	(.1108)	
Schwarzbaum (355 movies)	**3.7383**	-0.0432	
	(<.0001)	(.8680	
Entertainment Weekly (776 movies)	**2.8806**	-0.1233	
	(<.0001)	(.4909)	
Foreman (367 movies)	**2.9441**	-0.0459	
	(<.0001)	(.9200)	
Lumenick (494 movies)	**2.8308**	0.5669	
	(<.0001)	(.1125)	
New York Post (1014 movies)	**2.6716**	0.3372	
	(<.0001)	(.2013)	