PROPOSAL: DOES THE LOCATION OF INFORMATION PRODUCTION MATTER? THE IMPACT OF NEWSPAPER CLOSURES ON REGIONAL FIRMS' STOCK PRICE EFFICIENCY

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In recent years, the United States newspaper industry has experienced widespread closures and a general decline in news coverage. For example, in 2009, the Seattle Post Intelligencer stopped publishing its print edition and laid off a large number of employees, leaving only one print newspaper in Seattle. Presumably, the decline in regional news coverage brought with it a decline in coverage of businesses in the Pacific Northwest, some of which are large public companies (such as Nordstrom, Amazon and Starbucks). Similarly, the Rocky Mountain News of Denver, CO shut its doors in February 2009. Denver is also home to several publicly traded companies, such as Qwest Communications, Lockheed Martin, IBM, and Agilent.

The main goal of this research project is to examine changes in the informational efficiency of stock prices for companies headquartered in cities and towns where newspapers have either closed or drastically reduced coverage. That is, does the closure of a newspaper in Seattle change the stock price efficiency and trading patterns in the stock of firms based in and around Seattle? The basic idea is that a reporter in Seattle is able to devote more time to covering local firms than a reporter in Manhattan. The local reporter may also benefit from general local knowledge and proximity to the actual businesses. Such "soft information" may not travel well and the Manhattan reporter may miss stock-price relevant information.
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The RA will help with a literature review for this project, collect and organize data on newspaper closures, and design various measures of the intensity of business news coverage. Should time permit, we will work together on an initial statistical analysis of the impact of closures on stock price efficiency. We will meet on a regular basis to discuss both the database construction and literature on information production and stock price efficiency, and related issues. Much of the initial work for this project will involve Yale Library research (electronic and actual hard copies of books).

Given the focus of this project, the ideal candidate has interests in economics and finance. SAS or STATA programming skills are preferred, as well as some experience extracting text from the web (to capture some of the news intensity measures that we would like to study).