ABSTRACT
We examine whether the media can act as a friction that hampers efficient investment for corporate decisions that attract significant media attention (i.e., labor). We develop a new measure of media exposure that takes into account the circulation and geographic proximity of approximately 2,000 media outlets. We find that media exposure leads to greater abnormal net hiring, measured as the absolute deviation from optimal net hiring predicted by economic fundamentals. Our findings illustrate that the media can serve as a friction in, rather than a facilitator or monitor of, managers’ capital allocation decisions.

(Copies of the paper are available in the AOIS Department offices)