JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

doi:10.1017/S0022109025101749

When Spotlights Fade: Local Newspaper Closures and Financial Advisor Misconduct

Zhi Li
Chapman University Argyros College of Business and Economics
zli@chapman.edu (corresponding author)

Qiyuan Peng
University of Dayton School of Business Administration
qpeng1@udayton.edu

Rui-Zhong Zhang
Kent State University Ambassador Crawford College of Business and Entrepreneurship
rzhang28@kent.edu

Abstract

Using individual records of about 950,000 financial advisors, we find that the probability and intensity of financial advisor misconduct significantly increase after local newspaper closures. The impact is more pronounced in counties with a higher proportion of seniors, minorities, and individuals with lower education levels. Male advisors are more likely to commit misconduct following newspaper closures than female advisors. The sensitivity of advisors' job turnover to misconduct decreases after closures, suggesting a lower cost of committing misconduct. Our evidence indicates that local newspapers play a distinct role in mitigating financial advisor misconduct, as media exposure raises the costs of misbehavior.

I. Introduction

As American consumers increasingly rely on professional financial advisors to plan their financial futures, the advisors have come to play a vital role in the U.S. economy. In 2021, SEC-registered investment advisors helped more than 64 million clients manage over $128.4 trillion in financial assets (Investment Adviser Association (2022)).[1] However, recent studies suggest that financial advisor

We thank an anonymous referee, Ran Duchin (the editor), Barry Hettler, Robert Larson, Natalia Mintchik, Stella Park, Jeremy Schwartz, Drew Sellers, Michael Tang, Yogesh Uppal, Peter Woodlock, Ian Zhang, and Ronghuo Zheng and conference and workshop participants at the 2023 All Ohio Accounting Academic Conference, the 2023 AAA Diversity Section Meeting, the 2024 University of Hawai'i Accounting Research Conference, the 2024 AAA FARS Midyear Meeting, the 2024 AAA MAS Midyear Meeting, Kent State University, Youngstown State University, and the University of Dayton for helpful comments and suggestions. The authors assume responsibility for any remaining errors. Zhang acknowledges the financial support of the Ambassador Crawford College of Business and Entrepreneurship.

[1]See https://investmentadviser.org/wp-content/uploads/2022/06/Snapshot2022.pdf.

misconduct is widespread. In the U.S., for example, about 1 in 13 registered financial advisors has been reprimanded for professional misconduct during her or his career (Egan, Matvos, and Seru (2019)).[2] Acts of misconduct can inflict substantial monetary damages on the advisors' clients, affecting the financial health and well-being of millions of households. Further, as financial advisors influence household investment allocation decisions, advisor misconduct may result in inefficient capital allocation in society (Honigsberg, Hu, and Jackson (2022)).

Despite evidence of widespread misconduct, individual investors often are unaware of their financial advisors' professional history, including customer complaints, arbitrations, legal proceedings, and other disciplinary events (Zweig (2022)). To address the investors' lack of awareness of advisor misbehavior, the Financial Industry Regulatory Authority (FINRA) in 2015 launched a national ad campaign for BrokerCheck, a free online tool that enables investors to check financial advisors' professional backgrounds (see https://www.finra.org/media-center/news-releases/2015/finra-launches-national-ad-campaign-promoting-brokercheck). Nonetheless, many financial advisors with a history of misconduct continue to work with clients, and approximately 25% of these advisors become repeat offenders (Egan et al. (2019)). That many investors remain uninformed about financial advisor misconduct is concerning, given its frequency and severity.

This article investigates the role of *local* media in mitigating financial advisor misconduct. We hypothesize that local media can raise financial advisors' expected costs of misbehavior for several reasons. First, relative to national media outlets, local newspapers focus on issues that are important to their communities. Individual financial advisors' misconduct and legal actions are unlikely to attract national media attention but may receive in-depth coverage from the media in the advisors' communities.[3] Such coverage should significantly reduce the likelihood of the implicated financial advisors continuing to work locally and may inflict personal costs on advisors by exposing their misbehavior to their social circles. Consequently, financial advisors operating in areas with intensive local media coverage are likely to expect higher personal and professional costs of misconduct. Second, local media can efficiently process crucial information about financial market players and disseminate it to local residents (Miller and Skinner (2015)). And residents will most likely believe this information, given that, in recent polls, local news outlets command a significantly higher level of trust than their national counterparts (see https://news.gallup.com/poll/268160/local-news-media-considered-

[2]The term "financial advisor" refers to both investment advisors and broker dealers. Investment advisors provide advice about securities to clients and may manage investment portfolios and offer financial planning services. They are regulated by the SEC or state securities regulators and are held to a fiduciary standard of care to act in the interest of clients. Brokers are regulated by the Financial Industry Regulatory Authority (FINRA) and are held to a suitability standard, which requires that a financial product is suitable for the client. Many professionals operate as both broker and advisor. Following Egan et al. (2019), we use the broader term "financial advisor" to refer to individuals registered with FINRA as brokers, who can be brokers solely or dual-registered as investment advisors.

[3]For example, *Berks Weekly*, a local newspaper based in Berks County, Pennsylvania, reported in 2021 that a local financial advisor had been charged and convicted of stealing money from his clients through various schemes (https://www.wfmz.com/news/area/berks/former-berks-financial-advisor-convicted-of-fraud-after-stealing-from-clients/article_4777c250-dd03-11ec-86e1-4bb63a2b4968.html).

https://doi.org/10.1017/S0022109025101749

less-biased-national-news.aspx). Local media coverage of misconduct could thus raise investors' awareness of suspicious behavior by financial advisors. Third, local newspapers can boost readers' financial literacy by featuring educational pieces, such as articles detailing how to perform due diligence on financial advisors.[4] Overall, we posit that local media will raise the advisors' perceived probability of detection and perceived consequences of misconduct, thereby increasing their expected costs of misbehavior.

To examine whether local media deter financial advisor misconduct, we leverage a series of local newspaper closures that led to quasi-exogenous reductions in media coverage. During the period from 2011 to 2017, we identified 247 local newspaper closures in 205 U.S. counties from the University of North Carolina at Chapel Hill (UNC) Center of Innovation and Sustainability in Local Media's database. These closures significantly reduce the number of local media outlets. We first examine their effect on local financial advisor misconduct at the *individual advisor* level. From BrokerCheck Reports, we gather comprehensive records for all FINRA-registered financial advisors, including their professional credentials, employment histories, and disclosures of misconduct events. We define an advisor as having committed misconduct if they have settled customer disputes, been terminated by a brokerage due to allegations of improper behavior, faced criminal or regulatory sanctions, or been held civilly liable in investment-related litigation (Egan et al. (2019), Egan, Matvos, and Seru (2022)). Our final sample includes 946,717 unique financial advisors with 46,556 misconduct cases from 2009 to 2019. The granularity of our analyses allows us to control for shocks at the brokerage level and in financial advisors' work locations.

We apply a difference-in-differences (DiD) framework that exploits the staggered closures of local newspapers to identify the effect of local newspaper coverage on advisor misconduct. Specifically, we test whether the within-advisor, post-closure change in FINRA-reported misconduct differs between financial advisors located in counties with local newspaper closures and advisors in unaffected counties. In light of recent developments in the DiD method (Baker, Larcker, and Wang (2022)), we also conduct a dynamic staggered DiD estimation, as in Sun and Abraham (2021), and a stacked DiD regression, as in Baker et al. (2022).

We find strong evidence that local newspaper closures lead to a significant increase in both the likelihood of financial advisors committing misconduct and the number of misconduct cases, with effects that are both statistically and economically significant. Financial advisors in counties experiencing a local newspaper closure are 19.28% more likely to commit misconduct afterward (relative to the sample's unconditional probability of misconduct), compared to their peers in counties without closures. The results remain robust when we compare advisors in treated counties to advisors in matched control counties that are geographically close and economically similar. The media closure effect is stronger in areas with a larger proportion of senior citizens, minorities, and residents with lower education levels, suggesting that vulnerable investors are more adversely affected by the loss of local media. Using different types of financial advisor misconduct and counties

[4]For example, "Don't let financial advisers rip you off; check their backgrounds," *Arizona Republic* (Mar. 30, 2016).

with differing probabilities of fraud detection, we further show that the post-closure increase in misconduct reflects a genuine rise in misbehavior and not just enhanced misconduct detection.

Next, we document that the sensitivity of financial advisors' job turnover to misconduct significantly declines following local newspaper closures. This finding is consistent with the notion that a loss of local media coverage reduces financial advisors' career concerns about engaging in misconduct. Relatedly, the rise in misconduct is concentrated among male advisors, who tend to face less career-related punishment than their female counterparts (Egan et al. (2022)).

Our primary research design leverages the staggered closures of local newspapers to enable causal identification of the relationship between local newspaper coverage and financial advisor behavior within the DiD framework. To provide systematic evidence of the effect of local media coverage on advisor misconduct, we further expand our analysis based on a measure of local media intensity across counties. We find corroborative evidence that financial advisors working in counties with high local media intensity exhibit a significantly lower probability of misconduct and have significantly fewer reported misconduct incidents. These findings reaffirm the positive role of local media in mitigating misbehavior by financial advisors.

Our article contributes to the literature on financial advisor misconduct. In response to prevalent misconduct in the financial advisory industry, a growing body of literature has emerged on how advisors' behavior and motivations and other underlying factors drive misconduct (e.g., Egan et al. (2019), (2022), Kowaleski, Sutherland, and Vetter (2020), Law and Zuo (2021), and Dimmock, Gerken, and Van Alfen (2021)). Prior studies mainly suggest that professional misconduct can be influenced by social norms and economic factors (e.g., Parsons, Sulaeman, and Titman (2018), Dimmock, Gerken, and Graham (2018), Dimmock et al. (2021), and Clifford, Ellis, and Gerken (2025)). Although local media are lauded as natural gatekeepers for their communities, large-sample evidence on their effectiveness in mitigating financial advisor misbehavior is lacking. Our study fills this gap and adds to the literature on the determinants of individual advisor misconduct in general (Soltes (2016)).

Our study also contributes to the broader literature examining the monitoring and disciplinary mechanisms within financial markets. Karpoff, Lee, and Martin (2008) show that job loss and diminished future employment opportunities are likely to be powerful disciplinary mechanisms for corporate managers, as 93.4% of the managers that regulators identify as having mispresented their firms' financials lose their jobs. In contrast, only half of the financial advisors who commit misconduct lose their jobs (Egan et al. (2019)). Our results suggest that local media coverage can enhance brokerage firm-level discipline by increasing turnover rates following financial advisor misconduct. Our study also connects to the literature studying alternative monitors such as independent directors, venture capitalists, and financial intermediaries (Nguyen and Nielsen (2010), Diamond (1984), and Tian, Udell, and Yu (2016)). The findings of this literature suggest that monitors' effectiveness is influenced by differences in incentives and information collection costs. Our findings indicate that local media can be effective monitors of capital market participants within their communities.

The study also contributes to our understanding of the media's role in the financial markets. The seminal work of Hayek (1945) argues that the decentralized collection and distribution of information is essential for the effective functioning of an economy. But while the press can play an important role in exposing fraud, it can also serve its own interests by selectively covering issues (Jensen (1979)). Recent works examining the influence of the press on local government and firms yield mixed empirical evidence (Core, Guay, and Larcker (2008), Gurun and Butler (2012), and Gao, Lee, and Murphy (2020)). Our finding that local media coverage can raise the costs of misbehavior in the financial markets complements the work of Miller (2006), Dyck, Volchkova, and Zingales (2008), and Heese, Perez, and Peter (2022). It also aligns with earlier studies highlighting the importance of nontraditional actors—who may not have direct financial interests in these cases—in exposing and disciplining fraudulent individuals in financial markets (Dyck and Zingales (2002), Dyck, Morse, and Zingales (2010)).

We further contribute to the discussion on the drastic decline in local newspapers in the U.S. over the past decade. During the 2011–2020 period, the estimated weekday newspaper circulation fell by 45.3% (from 55.8 million to 28.6 million households), and the number of newsroom employees declined by 57%.[5,6] One concern about the decline in local media is that the resulting "shortage of local, professional, accountability reporting" gives rise to more local crimes and corruption (Waldman (2011)). Several academic studies validate this concern by documenting an increase in local firm violations, higher financing costs for both local governments and firms, and a deterioration in firms' information environments following a reduction in local news coverage (Gao et al. (2020), Allee, Cating, and Rawson (2025), Heese et al. (2022), and Ma, Stice, Stice, and Zhang (2024)). Our paper provides evidence that a decline in local news coverage can adversely impact financial advisors' individual behaviors.[7]

Our paper is organized as follows: Section II reviews the literature and develops hypotheses. Section III covers the sample construction and empirical design. Section IV examines the effect of media closures on advisor misconduct. Section V explores local newspaper closure and the subsequent cost of misconduct. We present local news intensity results in Section VI and conclude in Section VII.

II. Hypotheses Development

The current system of exposing financial advisor misconduct by reporting the advisors' disputes and disciplinary events on FINRA's centralized platform

[5]https://www.pewresearch.org/journalism/fact-sheet/newspapers/.

[6]https://www.cjr.org/local_news/local_reporters_decline_coverage_density.php.

[7]A concurrent and complementary working paper by Han, Pan, and Zhang (2025) also investigates financial advisor misconduct after the closure of local newspapers. Using 19 newspaper closures between 2007 and 2015, Han et al. (2025) provide consistent evidence that advisor misconduct increases after closure. In contrast, we examine 247 closure events between 2011 and 2017. Our more comprehensive sample allows us to conduct cross-sectional tests to uncover the differential effect of local media closures on financial advisors in local communities with demographic differences. We further provide tests that differentiate between actual misconduct and the detection of misconduct. Going beyond local newspaper closure events, we also provide systematic evidence on the negative relation between the local news intensity level and local financial advisor misconduct.

(BrokerCheck) has been shown to be ineffective in discouraging advisors from engaging in misbehavior (Egan et al. (2019)). Even after FINRA reports their misconduct, many financial advisors remain in the industry, abetted by investors' general lack of awareness of the advisors' past behavior. Given BrokerCheck's lack of effectiveness, other entities, such as the media, assume a vital role in disseminating information about financial advisors to investors. As Hayek (1945) argued, the decentralized gathering and distribution of information by a broad range of participants enhances the overall efficiency of the financial system.

Prior research suggests that media coverage, by exposing accounting fraud, improving corporate governance, reducing local firm violations, and altering local trading activities, can influence the behavior of financial market participants and have significant economic impacts (e.g., Miller (2006), Dyck et al. (2008), Engelberg and Parsons (2011), Gao et al. (2020), and Heese et al. (2022)). Individual financial advisors rarely attract the same level of national media attention as large corporations, but local media can expose their misconduct. Trusted by local residents, local media can impose substantial professional and personal costs on advisors who are implicated in wrongdoing. Thus, when local news outlets close, financial advisors in the region are more likely to engage in misconduct, as the expected costs of their actions decrease.

However, some researchers have raised concerns about the effectiveness of local media coverage. Jensen (1979) argues that media outlets often prioritize entertainment over information due to profit incentives. Farizo, Gerken, and Wu (2025) show that financial advisory firms' advertising in the local press can influence investor behavior. And local newspapers may have incentives to avoid criticizing current or potential patrons if they rely on local businesses for advertising income (Shapira and Zingales (2025)). Thus, financial advisors may "capture" local newspapers and use them to their advantage. In addition, the presence of other news outlets, such as online social media, may weaken the role of local newspapers. Ultimately, whether local newspapers are effective in deterring financial advisor misconduct in their communities is an empirical question. This leads to our Hypothesis 1, as stated below in its alternative form:

Hypothesis 1. If local newspapers effectively deter financial advisor misconduct, their closure will lead to an increase in instances of misconduct by local advisors.

Like all studies on financial advisor misconduct, our measure of misconduct relies on the cases compiled by FINRA and is therefore limited to incidents that have been detected and reported (Egan et al. (2019), (2022), Law and Zuo (2021), among others). Thus, testing Hypothesis 1 empirically becomes a joint hypothesis on advisors' likelihood of committing misconduct and the detection of committed misconduct. An alternative explanation for the observed rise in misconduct is that the detection rate of advisor misconduct improves after local newspaper closures; such improvements might occur if financial advisors had captured the newspapers and used them to divert readers' attention from uncovering misconduct. In additional analyses in Section IV.C, we use the differences in misconduct detection

intensity across counties and misconduct types to show that changes in misconduct detection do not drive our findings.

We further hypothesize that local news coverage reduces misconduct by increasing the perceived costs of such behavior. The loss of employment—a major consequence of job-related misconduct—serves as a powerful disciplinary mechanism in the financial system (Karpoff et al. (2008)). Egan et al. (2019) report that financial advisors with reported misconduct, on average, have a substantially higher turnover rate than advisors without misconduct. However, only half of the advisors lose their jobs after committing misconduct, and one-third of the implicated advisors become repeat offenders. Local newspapers can expose advisors' misconduct within their communities and encourage readers to conduct professional background checks. In doing so, they help reduce the likelihood of implicated advisors retaining their jobs and thus raise the cost of misconduct. Conversely, a decline in local newspaper coverage lowers the cost of committing misconduct in the affected communities. We state the following in Hypothesis 2:

Hypothesis 2. Post local newspaper closures, local financial advisors are less likely to face job turnover after committing professional misconduct.

III. Data Collection, Sample Selection, and Empirical Design

A. Financial Advisor Misconduct

We obtain financial advisor data from FINRA's BrokerCheck. The BrokerCheck database provides detailed employment histories and misconduct disclosure events for every financial advisor who is currently employed or has been employed within the last 10 years in the U.S. securities industry and is registered with FINRA as a broker/dealer. We accessed the BrokerCheck platform for data collection at the end of 2019, so our sample covers U.S. financial advisors who were actively registered with FINRA at any point from 2009 to 2019.[8] We collect data on individual advisor qualifications, including the advisors' current and previous employment details, licensing exams passed, state licenses issued, and disclosures of any dispute, disciplinary action, or other financial matter concerning the advisor. Following Egan et al. (2019), we classify, as misconduct, any disclosure events that are indicative of severe professional wrongdoing.[9] Specifically, we use six of the 23 FINRA-reported disclosure event categories to determine the misconduct measure: Customer Dispute – Settled, Customer Dispute – Award/Judgment, Regulatory

[8]Our data collection method follows that of Egan et al. (2019). In December 2019, we used Python to scrape all publicly available records from the BrokerCheck website (https://brokercheck.finra.org/) for financial advisors who were registered with FINRA at any point between 2009 and 2019. We collected about 1.2 million raw JSON files for financial advisors and about 21,000 raw JSON files for broker-dealer firms. We manually cross-checked the web-scraped information against multiple financial advisors' profiles on the BrokerCheck website to ensure that the JSON files were scraped and parsed correctly.

[9]A disclosure event is defined as an occurrence that is required to be reported as part of the FINRA licensing and registration process for brokers and brokerage firms.

https://doi.org/10.1017/S0022109025101749

TABLE 1

Sample Construction

Table 1, Panel A presents the selection process for the sample of financial advisors used in our baseline DiD regression analysis from 2009 to 2019. Panel B presents the annual distribution of the number of local newspaper closure events and the number of counties that experienced closures during the period 2011–2017.

Panel A. Sample Selection

	Number of Observations		
	Financial Advisor	Advisor-by-Year	County
All financial advisors from FINRA	1,156,230	7,844,428	
Less: missing 5-digit ZIP code employment location and not linked to the county data	–14,953	–98,899	2,772
Less: treated counties, untreated periods due to research design	–128,075	–1,886,674	–181
Less: missing control variables and incomplete data	–66,485	–511,357	–193
Final sample	946,717	5,347,498	2,398

Panel B. Distribution of Local Newspaper Closure Events

Year	Total Number of Counties	Total Number of Treated Counties Affected by Local Newspaper Closures	Total Number of Local Newspaper Closures
2011	1,797	20	21
2012	1,964	24	38
2013	2,034	25	31
2014	2,061	34	34
2015	2,080	48	64
2016	2,232	29	33
2017	2,193	25	26

– Final, Employment Separation After Allegations, Criminal – Final Disposition, and Civil – Final. Appendix A defines all six types of misconduct. Additionally, the detailed employment history allows us to track advisors' job turnover following misconduct disclosures.

Table 1, Panel A presents our sample composition. Our analysis begins with 1,156,230 financial advisors registered with FINRA at any point between 2009 and 2019. This figure is consistent with those in the existing literature. For example, Egan et al. (2019, 2022) report around 1.2 million FINRA-registered financial advisors between 2005 and 2015. We then match financial advisors to counties based on the advisors' employment locations, using the 2010 U.S. Census county definitions. After excluding 14,953 advisors (98,899 advisor-year observations) that could not be matched to any county due to missing employment location data at the 5-digit ZIP code level, we identify 1,141,277 advisors (7,745,529 advisor-year observations) across 2,772 counties. We further exclude 1,886,674 advisor-year observations due to test design restrictions and 511,357 observations due to missing control variables. Our final sample comprises 946,717 financial advisors (5,347,498 advisor-years) across 2,398 counties from 2009 to 2019.

Panel A of Table 2 provides the financial advisors' summary characteristics. The average advisor in our sample has 12.9 years of industry experience, defined as the number of years since she passed her first qualification exam.[10] We report the proportion of advisors who have passed any of the 6 most popular qualification exams in a year, including the Uniform Investment Adviser Law Exam (Series

[10]The financial advisory industry is highly regulated. To provide certain financial services or hold specific roles within a firm, financial advisors are legally required to obtain regulator licenses, which are earned by passing designated qualification exams as series exams.

TABLE 2

Descriptive Statistics

Table 2 provides the summary statistics of the variables used in the baseline analysis. Panel A presents the summary statistics of individual financial advisor characteristics at the advisor-by-year level for the period 2009–2019. Panel B presents the distributions of the financial advisor misconduct incidents and misconduct cases based on six major misconduct types. Panel C presents the summary statistics of county characteristics at the county-by-year level for the period 2009–2019. All variables are defined in Appendix B. All continuous variables are winsorized at the 1st and 99th percentiles.

Panel A. Test Sample (Advisor-by-Year Level) Summary Statistics

	N	Mean	Median	STD	P25	P75
Experience (years)	5,347,498	12.853	11.000	10.291	4.000	19.000
Misconduct (%)	5,347,498	0.721	0.000	8.458	0.000	0.000
Misconduct Cases (×100)	5,347,498	0.871	0.000	12.836	0.000	0.000
Exams and Qualifications (Series)						
Exam_65/66 (Investor adviser exam)	5,347,498	0.446	0.000	0.497	0.000	1.000
Exam_63 (Securities agent state law)	5,347,498	0.727	1.000	0.446	0.000	1.000
Exam_7 (General securities representative)	5,347,498	0.676	1.000	0.468	0.000	1.000
Exam_6 (Investment company product representative)	5,347,498	0.394	0.000	0.489	0.000	1.000
Exam_24 (General securities principal)	5,347,498	0.141	0.000	0.348	0.000	0.000
Other Qualifications (Number of other exams)	5,347,498	0.622	0.000	0.890	0.000	1.000

Panel B. Financial Advisor Misconduct Distribution by Category

	Misconduct		Misconduct Cases	
	Frequency	Percentage	Frequency	Percentage
Customer Dispute – settled (%)	0.313	40.23%	0.384	44.16%
Employment Separation after Allegations (%)	0.300	38.51%	0.310	35.64%
Regulatory – Final (%)	0.116	14.89%	0.124	14.24%
Customer Dispute – Award/Judgment (%)	0.020	2.57%	0.021	2.45%
Criminal – Final Disposition (%)	0.026	3.36%	0.027	3.11%
Civil – Final (%)	0.003	0.44%	0.003	0.40%
Total	0.779	100.00%	0.871	100.00%

Panel C. County-by-Year Level Summary Statistics

	N	Mean	Median	STD	P25	P75
Closure	22,039	0.028	0.000	0.165	0.000	0.000
Per Capita *Income* ($)	22,039	40,356.978	38,055.000	10,592.642	33,200.000	44,447.000
Unemployment (%)	22,039	6.389	5.900	2.697	4.200	8.200
Population Growth (%)	22,039	0.275	0.110	0.960	−0.433	0.779
Labor Force Growth (%)	22,039	−0.077	−0.042	2.156	−1.306	1.185
Home Value Index	22,039	11.835	11.774	0.525	11.455	12.132

65/66), the General Securities Representative Exam (Series 7), the Uniform Securities State Law Examination (Series 63), the Investment Company and Variable Contracts Products Representative Qualification Examination (Series 6), and the General Securities Principal Exam (Series 24). The distributions of advisors passing these qualification exams are largely consistent with those reported in Egan et al. (2019). We find that financial advisors, on average, also pass 1 qualification exam that is not among the 6 most popular. For example, some take the Securities Trader Representative Exam (Series 57).[11]

Our variable of interest is individual financial advisor misconduct. We measure misconduct in two ways. The first is *Misconduct*, an indicator variable that

[11]A complete list of FINRA specified financial advisory qualification exams can be found at https://www.finra.org/registration-exams-ce/qualification-exams?bc=1.

equals 1 if a financial advisor has at least one of the six types of FINRA-reported professional misconduct in a given year, and 0 otherwise. To measure the intensity of advisor misconduct, we construct *Misconduct_case*, which is the natural log of 1 plus the total number of misconduct cases committed by a financial advisor in a given year. The number of misconduct cases is a count-based outcome variable. Since the majority of advisors do not engage in misconduct, the variable is equal to 0 in most observations. Following common practice, we use a log transformation of the variable to reduce the skewness of the dependent variable in baseline regressions. The average of *Misconduct* in a year is 0.72%, suggesting that the unconditional probability that an advisor engages in misconduct during a given year is 0.72%. To examine whether financial advisor misconduct is clustered in any of the six specified types, we present the distributions of misconduct probability (*Misconduct*) and misconduct intensity (*Misconduct_case*) by category in Panel B of Table 2. The two categories, Customer Dispute – Settled (40.23%) and Employment Separation after Allegations (38.51%), together account for approximately 80% of all misconduct cases. The third-largest category, Regulatory—Final, accounts for 14.89% of total misconduct incidents.[12]

B. Local Newspaper Closures

We obtain a list of U.S. newspapers that were discontinued during the period from 2004 to 2019 from the database of the UNC Center for Innovation and Sustainability in Local Media.[13] This database provides the name, city, and state of newspapers that have either closed or merged with other newspapers. Since the data do not include the specific dates of closures or mergers, we manually identify the year of the disclosed merger or closure event for each newspaper on the list. We exclude events such as mergers, name changes, shifts from daily to weekly publication frequency, and transitions to an online-only format, as these do not necessarily reduce the availability of local news (Heese et al. (2022)). For example, the *Gentry Courier-Journal*, a local newspaper in Gentry, Arkansas, merged with the *Decatur Herald* and the *Gravette News Herald* in August 2010, forming a new entity, the *Westside Eagle Observer*, that continues to operate in that region.

Using the 2010 U.S. Census county definitions, we match the locations of closed newspapers to counties based on the cities where the newspapers were located. We assign newspapers located on the border of 2 counties to both counties (Gao et al. (2020)). Figure 1 shows the geographic distribution of counties affected by local newspaper closures in our sample. The closures are not geographically clustered. To test the impact of local newspaper closures on financial advisor misconduct, we define the year of a newspaper's closure as the treatment year and require a 5-year window centered on each event. This restriction excludes closures occurring before 2011 or after 2017 from the sample. Table 1 Panel B presents the annual distribution of local newspaper closures in our sample. The final

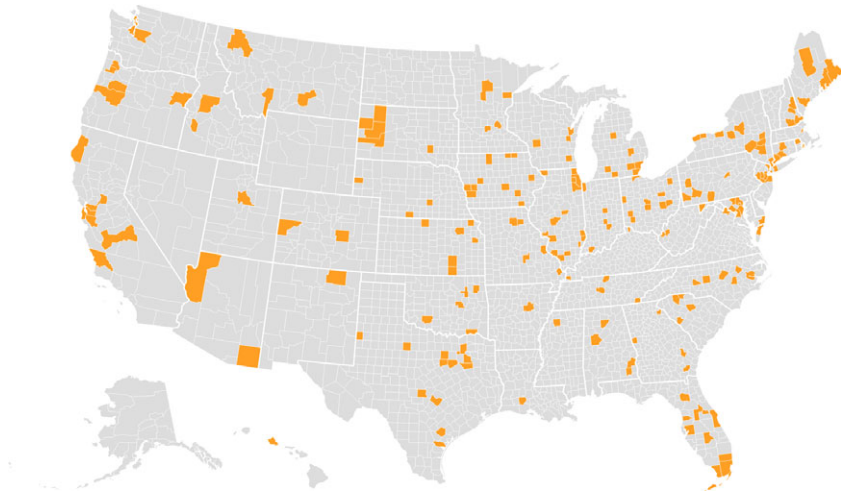
[12]A financial advisor may commit multiple misconduct cases in a year, so the cumulative frequency of *Misconduct* in Table 1, Panel B is higher than the average of *Misconduct* in Table 1, Panel A.

[13]We thank the News Desert project (https://www.usnewsdeserts.com/) from the UNC School of Media and Journalism's Center for Innovation and Sustainability in Local Media for providing the full list of newspaper closures.

FIGURE 1

Geographic Distribution of Local Newspaper Closures

Figure 1 exhibits the geographic distribution of the counties that experienced local newspaper closures in our sample. Annual distributions of treated counties and local newspaper closure events are provided in Table 1.



sample includes 247 newspaper closures affecting 322,041 financial advisors in 205 counties. Although the newspaper closures are not concentrated in any specific year, 2015 experienced the highest number of them. The staggered timing of the closure events helps mitigate the concern that concurrent events potentially influence our research design.

C. County-Level Characteristics

We include various county-level characteristics in our analysis to control for local economic conditions. Panel C of Table 2 presents summary statistics for the county-level variables used in the baseline regressions. Our final sample includes 2,398 counties listed in the 2010 U.S. Census Intercensal Estimates of the Resident Population. The 205 counties that experienced at least 1 local newspaper closure during the sample period are classified as treated counties, while the remaining counties are classified as "non-closure" control counties. The counties have an average (median) annual per capita income of $40,357 ($38,055), an average (median) unemployment rate of 6.4% (5.9%), an average (median) population growth rate of 0.28% (0.11%), and an average (median) labor force growth rate of −0.08% (−0.04%). The negative labor force growth rate aligns with the national trend of declining labor force participation from 2009 to 2019 (https://fred.stlouisfed.org/series/CIVPART).

D. Empirical Design

Given the staggered timing of local newspaper closures, we follow Heese et al. (2022) and use a staggered 2-way fixed effects (TWFE) DiD regression to estimate

https://doi.org/10.1017/S0022109025101749

https://doi.org/10.1017/S0022109025101749

the impact of local media closures on financial advisor misconduct. Our treatment group consists of financial advisors working in counties that experienced at least one newspaper closure in year *t*, while our control group consists of financial advisors working in counties without a media closure within a 5-year window around year *t.* A county may experience multiple local newspaper closures over time. To mitigate potential confounding effects from earlier closures, we require that any two closure events in the same county be separated by at least 5 years. We further exclude treated counties from the control group (i.e., our control group consists of "clean controls" without any previously or later treated counties) to mitigate potential estimation biases, as discussed in Baker et al. (2022).

In light of recent developments in DiD methodology, we implement 2 alternative DiD designs proposed by Baker et al. (2022) as robustness checks. First, following Sun and Abraham (2021), we adopt a DiD dynamic event study design by comparing the misconduct cases of advisors in counties that experienced local newspaper closures between 2011 and 2017 (treated counties) and advisors in counties with no such closures during that period (control counties). In this design, we focus on a county's first local newspaper closure event so that the estimated treatment effect will not be contaminated by the effects of prior closures. Second, we employ a stacked DiD regression design, following Baker et al. (2022). For each cohort of treated counties, we select a control group consisting solely of counties without any local newspaper closures and use a 5-year window surrounding each of the cohort's treatment events. We then stack the cohort-specific data sets together and estimate the "canonical" version of DiD with two periods (pre and post) and two groups (treatment and control), applying separate fixed effects for each cohort of treated advisors and their controls.

IV. Local Newspaper Closures and Financial Advisor Misconduct

A. Baseline DiD Regression and Main Results

We test Hypothesis 1, the effect of local newspaper closures on financial advisor misconduct, by estimating the following regression model:

$$\begin{aligned} Financial\ Advisor\ Misconduct_{iljt} &= \beta_0 + \beta_1 \times Closure_{jt} + \beta_2 \times Advisor\ Controls_{it} \\ &\quad + \beta_3 \times County\ Controls_{jt} + X_i + \Psi_{lt} + \varepsilon_{iljt} \end{aligned} \tag{1}$$

where the dependent variable is either $Misconduct_{iljt}$, the indicator variable; or $Misconduct\_case_{iljt}$, the continuous measure that captures the misconduct intensity for individual *i* working for firm *l* in county *j* at year *t.* The key independent variable is $Closure_{jt}$, a binary variable that takes the value of 1 for county *j* affected by a local newspaper closure in the closure year and for 2 years thereafter, and 0 otherwise. For the control group, the *Closure* variable is assigned to 0. We use a 5-year event window encompassing the 2 years before and the 2 years after the closure year *t.*

In this generalized DiD framework, the first difference is the change in misconduct by financial advisors from treated counties before and after the local newspaper closure (within-advisor variation). The second difference is the change in misconduct by financial advisors from counties without local newspaper closures around the same year *t*. The main variable of interest, *Closure*, captures the estimated difference between those 2 changes in misconduct.

Our tests include numerous control variables. At the financial advisor level, we control for the advisor's work experience in the financial advisory industry, measured as the number of years since she passed her first registration exam, and for exam qualifications, measured based on whether a financial advisor obtains certain qualifications by passing series exams (Egan et al. (2019)). We also control for local economic conditions since they may drive both financial advisor misconduct and local newspaper closures. At the county level, we control for the per capita income level, the unemployment rate, the percentage change in the local population, and the percentage change in the size of the labor force. We include ZIP code-level home values, as Dimmock et al. (2021) show that real estate wealth shocks affect professional misconduct by financial advisors.[14] In addition, we include individual financial advisor fixed effects, X_i, to control for any unobservable time-invariant heterogeneity at the individual level (e.g., personal traits). We further include firm-by-year fixed effects, Ψ_{lt}, to hold constant any time-variant firm-level factors, such as brokerage culture and firm monitoring.[15] All continuous control variables are winsorized at the 1st and 99th percentiles. Two-tailed statistical significance is estimated based on robust standard errors clustered by county.

Panel A of Table 3 presents the baseline results from the staggered DiD analysis. The estimated coefficient on the main variable of interest, *Closure*, is positive and statistically significant in column 1, suggesting that following a local media closure, financial advisors in the affected counties are more likely to commit misconduct than their counterparts in other counties. Given the sample mean of the unconditional probability of advisor misconduct of 0.721%, the coefficient estimate (0.139%) indicates that, on average, the probability of misconduct by advisors in treated counties increases by 19.28% (0.139%/0.721%) following a local newspaper closure, relative to the probability for advisors in control counties. In column 2, the estimated coefficient on the intensity of misconduct (*Misconduct_case*) exhibits a similar post-closure pattern: the number of misconduct cases by advisors in treated counties significantly increases, compared with the number by advisors in control counties.

Misconduct_case is measured as the log transformation of the number of misconduct cases for a financial advisor in a given year. In untabulated analyses, we address the concern that this construction may result in biased coefficient estimates in count data models (Cohn, Liu, and Wardlaw (2022)). Using the number

[14]The home value variable is constructed from the Zillow Home Value Index (ZHVI) (https://www.zillow.com/research/data/). We match the advisor's work location's ZIP code to the ZIP code-level ZHVI value, which captures both the level and appreciation of home values across a given region and housing type. The index is updated every month, so we take the average of the monthly seasonally adjusted index for each year.

[15]Following the literature, we construct the brokerage firm-by-year fixed effects based on the firm's Central Registration Depository (CRD) number in BrokerCheck.

https://doi.org/10.1017/S0022109025101749

TABLE 3

Local Newspaper Closures and Financial Advisor Misconduct: Staggered DiD Regression

Table 3 presents the effect of local newspaper closures on financial advisor misconduct. *Misconduct* is a binary variable that is set to 1 if a financial advisor has at least one professional misconduct reported by FINRA in a given year, and 0 otherwise. *Misconduct_case* is the natural log of 1 plus the total number of misconduct cases committed by a financial advisor in a given year. Panel A presents the results from the baseline staggered fixed effects DiD regressions. The treatment group consists of financial advisors working in counties that experienced at least one newspaper closure in year *t*. The control group consists of advisors working in counties without a newspaper closure within a 5-year window around year *t*. *Closure* is a binary variable that is set to 1 for counties that experience a local newspaper closure in the closure year and for 2 years afterward, and 0 otherwise. Panel B presents the results from a DiD dynamic event study model as specified in Sun and Abraham (2021). The treated group consists of advisors working in counties with local newspaper closures between 2011 and 2017, and the control group consists of advisors in counties without local newspaper closures during the same period. $Closure^{-2}$, $Closure^{0}$, $Closure^{+1}$, and $Closure^{+2}$ are binary variables that are set to 1 for counties that experience a local newspaper closure during 2 years prior to the newspaper closure, the year of the closure, the first year after the closure, or the second year after the closure, respectively, and 0 otherwise. All variables are defined in Appendix B. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively, for regression coefficients based on 2-tailed *t*-statistics calculated using standard errors clustered by county. *t*-statistics are reported in parentheses.

	Dependent Variable	
	Misconduct 1	Misconduct_case 2
Panel A. Baseline DiD Regression Results		
Closure	**0.139***** **(4.236)**	**0.112***** **(4.536)**
Exam_65/66	0.066** (2.138)	0.050** (2.041)
Exam_63	−0.077** (−2.149)	−0.080*** (−2.887)
Exam_24	−0.272*** (−5.312)	−0.211*** (−5.183)
Exam_6	−0.287*** (−4.082)	−0.203*** (−3.913)
Exam_7	0.058 (1.456)	0.043 (1.423)
Other Qualifications	1.053*** (14.018)	0.866*** (13.660)
Experience	0.034** (2.042)	0.032** (2.470)
Per Capita Income	0.005 (0.076)	0.018 (0.328)
Unemployment	0.068 (0.079)	0.168 (0.250)
Population Growth	1.036 (0.696)	0.817 (0.681)
Labor Force Growth	−0.763* (−1.669)	−0.678* (−1.853)
Home Value Index	0.009 (0.284)	0.001 (0.023)
Intercept	Yes	Yes
Individual Advisor Fixed Effects	Yes	Yes
Firm-by-Year Fixed Effects	Yes	Yes
Observations	5,347,498	5,347,498
Adjusted R^2	0.293	0.309
Panel B. Dynamic Staggered DiD Estimates (Sun and Abraham (2021))		
$Closure^{-2}$	0.045 (1.025)	0.021 (0.661)
$Closure^{0}$	0.172*** (4.288)	0.134*** (4.251)
$Closure^{+1}$	0.168*** (3.312)	0.124*** (2.878)
$Closure^{+2}$	0.235*** (5.411)	0.180*** (5.291)
Controls	Yes	Yes
Intercept	Yes	Yes
Individual Advisor Fixed Effects	Yes	Yes
Firm-by-Year Fixed Effects	Yes	Yes
Observations	5,248,024	5,248,024
Adjusted R^2	0.124	0.143

of misconduct cases for each financial advisor as a dependent variable, we re-estimate the model using Poisson pseudo-maximum likelihood regressions with multi-way fixed effects. Our results remain robust.

B. Robustness Tests: Alternative DiD Models

As outlined in Section III.D, we incorporate 2 recent advancements in DiD designs to ensure the robustness of our results. The first is the DiD dynamic event study approach with interaction-weighted estimators (Sun and Abraham (2021)). To estimate the dynamic effects 2 years before and 2 years after the treatment events, we replace the *Closure* variable with the indicator variables $Closure^{-2}$, $Closure^{0}$, $Closure^{+1}$, and $Closure^{+2}$, which are set to 1 if the observation occurs in the 2 years prior to the newspaper closure, during the year of closure, during the first year after the closure, and during the second year after the closure, respectively, and 0 otherwise.[16]

Table 3, Panel B reports the average treatment effect for the event window 2 years before and 2 years after the closure. Columns 1 and 2 report the results on the misconduct probability and the number of misconducts, respectively. The coefficient estimates for $Closure^{-2}$ are insignificant, indicating that there are no differences in misconduct between advisors in treatment counties and advisors in control counties prior to the local newspaper closures. In contrast, the coefficient estimates for $Closure^{0}$, $Closure^{+1}$, and $Closure^{+2}$ are all positive and statistically significant, with $Closure^{+2}$ showing the largest effect. These findings suggest that the financial advisors in the affected counties have an increased propensity to commit misconduct following newspaper closures, with the trend worsening over the subsequent 2 years. Overall, the evidence from the DiD dynamic model aligns with the earlier findings from the staggered DiD regressions.

We then follow Baker et al. (2022) and estimate a stacked DiD regression using a 5-year window surrounding closure events. The results are presented in Panel A of Table 4. *Treatment* is a binary variable that takes a value of 1 for counties that experience local newspaper closures. *Post* is a binary variable that equals 1 for the event-time window [0, +2], and 0 otherwise, for both treatment and control counties. The DiD coefficient estimates on *Treatment* × *Post* are positive and statistically significant. This finding confirms that after local newspaper closures, the probability and incidence of financial advisor misconduct increase significantly in the affected counties, relative to unaffected control counties.

Next, to ensure that regional social and economic conditions do not confound our findings, we refine the stacked DiD test by limiting the control sample to geographically proximate non-closure counties with similar economic characteristics. Specifically, for each treatment county experiencing a local newspaper closure, we select a matched sample of neighboring non-closure counties within a 50-mile

[16]Following the approach of Sun and Abraham (2021), we use the "*eventstudyinteract*" Stata package to estimate the dynamic event study model with interaction-weighted estimators. This approach treats the panel data set underlying the staggered DiD specification as a series of 2-by-2 matrices (treated/control counties by omitted/event period) and assigns weights to each estimated separate treatment effect. The model incorporates event-specific advisor fixed effects and event-specific firm-by-year fixed effects.

https://doi.org/10.1017/S0022109025101749

TABLE 4

Local Newspaper Closures and Financial Advisor Misconduct: Stacked DiD Regression

Table 4 presents the effect of local newspaper closures on financial advisor misconduct using a stacked DiD regression approach (Baker et al. (2022)). *Misconduct* is a binary variable that is set to 1 if a financial advisor has at least one professional misconduct reported by FINRA in a given year, and 0 otherwise. *Misconduct_case* is the natural log of 1 plus the total number of misconduct cases of a financial advisor in a given year. *Treatment* is a binary variable that takes a value of 1 for counties that experience local newspaper closures, and 0 otherwise. *Post* is a binary variable that is set to 1 in the year of local newspaper closure and in the 2 years afterward for all counties, and 0 otherwise. In Panel A, each county with a local newspaper closure is matched with a control group of counties without any local newspaper closure during a 5-year event window around the closure. In Panel B, we further require that the matched control counties be within a 50-mile (or 75-mile) radius and share comparable economic characteristics with the treatment county, including local GDP, labor force size, and population size. Other control variables are defined in Appendix B. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively, for regression coefficients based on 2-tailed *t*-statistics calculated using standard errors clustered by country. *t*-statistics are reported in parentheses.

Panel A. Stacked DiD Regression: Full Sample Results

	Dependent Variable	
	Misconduct 1	Misconduct_case 2
Treatment	−0.085*** (−3.334)	−0.065*** (−3.224)
Post	−0.006** (−2.105)	−0.005** (−2.256)
Treatment × Post	**0.074***** **(3.386)**	**0.061***** **(3.511)**
Exam_65/66	−0.013 (−0.417)	−0.019 (−0.770)
Exam_63	−0.124*** (−3.361)	−0.108*** (−3.862)
Exam_24	−0.332*** (−6.730)	−0.264*** (−7.071)
Exam_6	−0.249*** (−3.784)	−0.190*** (−3.776)
Exam_7	0.078* (1.885)	0.054* (1.691)
Other Qualifications	1.389*** (19.198)	1.138*** (18.188)
Experience	0.045** (2.551)	0.038*** (2.714)
Per Capita Income	0.020 (0.650)	0.024 (0.979)
Unemployment	1.008 (1.406)	0.932 (1.571)
Population Growth	1.083 (1.117)	1.077 (1.400)
Labor Force Growth	−0.263 (−0.646)	−0.311 (−0.971)
Home Value Index	0.002 (0.050)	−0.005 (−0.205)
Intercept	Yes	Yes
Cohort Fixed Effects	Yes	Yes
Individual Advisor Fixed Effects	Yes	Yes
Firm-by-Year Fixed Effects	Yes	Yes
Observations	14,137,336	14,137,336
Adjusted R^2	0.258	0.275

Panel B. Stacked DiD Regression: Matched Sample Results

	Geographic Matching			
	Distance ≤ 50 miles		Distance ≤ 75 miles	
	Dependent Variable			
	Misconduct 1	Misconduct_case 2	Misconduct 3	Misconduct_case 4
Treatment	−0.057** (−2.257)	−0.045** (−2.308)	−0.048* (−1.880)	−0.039* (−1.928)

(continued on next page)

TABLE 4 (continued)

Local Newspaper Closures and Financial Advisor Misconduct: Stacked DiD Regression

Panel B. Stacked DiD Regression: Matched Sample Results (continued)

	Geographic Matching			
	Distance ≤ 50 miles		Distance ≤ 75 miles	
	Dependent Variable			
	Misconduct 1	Misconduct_case 2	Misconduct 3	Misconduct_case 4
Post	−0.014	−0.012	−0.022	−0.016
	(−0.567)	(−0.630)	(−1.288)	(−1.215)
Treatment × Post	**0.052***	**0.046****	**0.057****	**0.048****
	(1.826)	**(2.036)**	**(2.184)**	**(2.348)**
Exam_65/66	0.018	0.009	0.002	−0.005
	(0.336)	(0.223)	(0.036)	(−0.152)
Exam_63	−0.215***	−0.180***	−0.182***	−0.153***
	(−3.988)	(−4.444)	(−3.578)	(−3.953)
Exam_24	−0.364***	−0.269***	−0.397***	−0.300***
	(−5.168)	(−5.016)	(−5.736)	(−5.815)
Exam_6	−0.093	−0.052	−0.112	−0.071
	(−0.937)	(−0.673)	(−1.170)	(−0.967)
Exam_7	0.001	−0.006	−0.008	−0.013
	(0.013)	(−0.126)	(−0.144)	(−0.322)
Other Qualifications	1.377***	1.135***	1.463***	1.207***
	(9.554)	(9.075)	(11.859)	(10.996)
Experience	0.054*	0.046*	0.045*	0.039*
	(1.762)	(1.832)	(1.729)	(1.845)
Per Capita Income	0.016	0.015	−0.008	−0.001
	(0.235)	(0.284)	(−0.134)	(−0.015)
Unemployment	0.458	0.745	0.534	0.919
	(0.332)	(0.671)	(0.420)	(0.909)
Population Growth	0.653	1.331	1.810	1.867
	(0.265)	(0.731)	(0.936)	(1.294)
Labor Force Growth	−0.722	−0.818	−0.793	−0.869
	(−0.833)	(−1.220)	(−1.034)	(−1.473)
Home Value Index	0.054	0.032	0.044	0.028
	(0.938)	(0.754)	(0.910)	(0.757)
Intercept	Yes	Yes	Yes	Yes
Cohort Fixed Effects	Yes	Yes	Yes	Yes
Individual Advisor Fixed Effects	Yes	Yes	Yes	Yes
Firm-by-Year Fixed Effects	Yes	Yes	Yes	Yes
Observations	3,643,825	3,643,825	4,770,747	4,770,747
Adjusted R^2	0.243	0.263	0.253	0.273

(75-mile) radius that have comparable economic characteristics (local GDP, labor force size, and population size) during the event year.[17] This process results in 191 (197) counties with local newspaper closures and 644 (1,057) matched counties within the 50-mile (75-mile) radius. Table 4, Panel B presents the stacked DiD regression results from the matched sample. Consistent with earlier findings, financial advisor misconduct significantly increases in counties with newspaper closures, compared to geographically matched counties without closure.

[17]We obtain the county distance data from NBER County Distance Database. County distances are great-circle distances calculated using the Haversine formula based on internal points in the geographic area. See details at https://www.nber.org/research/data/county-distance-database. We require that the closure and non-closure counties be within the same above- or below-median group based on all three county-level characteristics.

Economically, the probability of an advisor engaging in misconduct increases by 7.74% post-closure relative to the sample mean in the treated counties, compared to matched counties within a 75-mile radius.[18] This evidence suggests that the surge in financial advisor misconduct following a newspaper closure is unlikely to be driven by regional social or economic conditions.

C. Alternative Explanation: Misconduct Incidents Versus Misconduct Detection

Consistent with customary practices in misconduct research, we limit our misconduct observations to misconduct cases that have been detected and reported in FINRA. An alternative explanation for our findings is that the observed increase in misconduct following local newspaper closures is driven by improved detection rather than more misconduct. In this scenario, the newspapers are captured by the brokerage firms and distract the local investors from uncovering advisor misconduct. After the papers close, the previously distracted investors become more efficient at detecting that misconduct. Thus, it is important to verify whether the observed upward trend in misconduct merely reflects a rise in the detection of misconduct.[19]

To assess this, we first compare the post-closure changes in misconduct between counties near a FINRA local office and counties situated farther away. Prior research indicates that due to cost efficiencies and information advantages, regulatory agencies are more likely to investigate financial actors located near their offices (Kedia and Rajgopal (2011), Nguyen and Nguyen (2017)). This implies a higher intensity of misconduct detection in counties closer to FINRA offices. In addition, FINRA investigators are less influenced by local media compared to the average investor in the community. As a result, if the closure of captured local newspapers primarily improves the detection of misconduct by local investors, then this improvement should be less pronounced in counties close to FINRA offices. Meanwhile, counties distant from FINRA offices are likely to experience a significant post-closure increase in observed misconduct. However, if, as we hypothesize, local media closures lower the perceived cost associated with misconduct and thus incentivize misbehavior, then counties both near to and far from FINRA offices should experience significant increases in misconduct post-closure.

We collect FINRA historical national and regional office locations from "FINRA Year in Review and Annual Financial Report" (https://www.finra.org/about/annual-reports#annual-reports). We then categorize the counties in our sample into two groups: those located within 100 miles of any local FINRA office, which we consider "close to" FINRA, and the remaining counties, which we consider "far from" FINRA. Within each group, we separately re-estimate the baseline DiD models as specified in Table 3, Panel A. The results are presented in Table 5, Panel A. Columns 1 and 2 report coefficients for *Closure* of 0.155 and 0.166, respectively, which are statistically significant and of similar magnitude. These findings indicate that following local newspaper closures, financial advisor misconduct increases significantly both in affected counties that are "close to" and

[18]The mean probability of misconduct in the 75-mile matched sample is 0.736%. The economic magnitude is calculated as 0.057 (coefficient estimate in column 3)/0.736 = 7.74%.

[19]We thank an anonymous reviewer for pointing out this alternative explanation for our results.

https://doi.org/10.1017/S0022109025101749

TABLE 5

Post-Closure Misconduct Versus Misconduct Detection

Table 5, Panel A presents the effect of local newspaper closures on financial advisor misconduct for counties within versus counties outside a 100-mile radius from any local FINRA office. The results are estimated using the baseline DiD model specified in equation (1). *Misconduct* is a binary variable that is set to 1 if a financial advisor has at least one professional misconduct reported by FINRA in a given year, and 0 otherwise. *Misconduct_case* is the natural log of 1 plus the total number of misconduct cases of a financial advisor in a given year. Panel B presents the effect of local newspaper closures on customer versus noncustomer-initiated misconduct. The results are estimated using the baseline DiD model as specified in equation (1). The customer-initiated misconduct category includes Customer Dispute – Settled and Customer Dispute – Award/Judgment. The noncustomer-initiated misconduct category includes Employment Separation, Regulatory – Final, Criminal – Final Disposition, and Civil – Final. *Customer- (Noncustomer-) initiated misconduct* is a binary variable that is set to 1 if a financial advisor commits at least one misconduct in the corresponding category as reported by FINRA in a given year, and 0 otherwise. *Customer- (Noncustomer-) initiated Misconduct_case* is the natural log of 1 plus the total number of misconduct cases in the corresponding category committed by a financial advisor in a given year. All variables are defined in Appendix B. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively, for regression coefficients based on 2-tailed *t*-statistics calculated using standard errors clustered by county. *t*-statistics are reported in parentheses.

Panel A. Baseline DiD Regression: Subsample Analysis Based on Proximity to FINRA Offices

	Distance to FINRA			
	≤100 miles	>100 miles	≤100 miles	>100 miles
	Dependent Variable			
	Misconduct		Misconduct_case	
	1	2	3	4
Closure	**0.155*** (3.529)**	**0.166*** (3.284)**	**0.115*** (3.393)**	**0.148*** (3.659)**
Exam_65/66	0.028 (0.611)	0.093** (2.188)	0.023 (0.615)	0.069** (2.060)
Exam_63	−0.113** (−2.362)	−0.030 (−0.641)	−0.111*** (−2.999)	−0.048 (−1.321)
Exam_24	−0.296*** (−4.302)	−0.257*** (−3.320)	−0.214*** (−3.892)	−0.213*** (−3.570)
Exam_6	−0.177** (−2.000)	−0.379*** (−3.797)	−0.124* (−1.873)	−0.273*** (−3.714)
Exam_7	0.099* (1.867)	0.016 (0.271)	0.060 (1.474)	0.019 (0.422)
Other Qualifications	1.156*** (8.491)	0.986*** (12.985)	0.955*** (8.311)	0.805*** (12.535)
Experience	0.020 (0.767)	0.043** (2.007)	0.018 (1.020)	0.039** (2.140)
Per Capita Income	0.020 (0.224)	−0.108 (−0.665)	0.014 (0.189)	−0.055 (−0.430)
Unemployment	−0.294 (−0.231)	0.382 (0.280)	−0.129 (−0.129)	0.501 (0.458)
Population Growth	0.607 (0.240)	1.967 (1.013)	0.907 (0.456)	1.603 (0.974)
Labor Force Growth	−1.036 (−1.558)	−0.523 (−0.856)	−1.065** (−2.130)	−0.380 (−0.765)
Home Value Index	0.022 (0.452)	−0.010 (−0.165)	0.020 (0.552)	−0.022 (−0.493)
Intercept	Yes	Yes	Yes	Yes
Individual Advisor Fixed Effects	Yes	Yes	Yes	Yes
Firm-by-Year Fixed Effects	Yes	Yes	Yes	Yes
Observations	2,817,771	2,529,727	2,817,771	2,529,727
Adjusted R^2	0.321	0.286	0.339	0.300

Panel B. Baseline DiD Regression: Misconduct Types

	Dependent Variable			
	Customer-Initiated Misconduct	Noncustomer-Initiated Misconduct	Customer-Initiated Misconduct_case	Noncustomer-Initiated Misconduct_case
	1	2	3	4
Closure	**0.051** (2.262)**	**0.099*** (4.303)**	**0.041** (2.439)**	**0.076*** (4.533)**

(continued on next page)

TABLE 5 (continued)
Post-Closure Misconduct Versus Misconduct Detection

Panel B. Baseline DiD Regression: Misconduct Types (continued)

	Dependent Variable			
	Customer-Initiated Misconduct	Noncustomer-Initiated Misconduct	Customer-Initiated Misconduct_case	Noncustomer-Initiated Misconduct_case
	1	2	3	4
Exam_65/66	0.100***	−0.039	0.075***	−0.026
	(4.903)	(−1.601)	(4.604)	(−1.483)
Exam_63	0.067***	−0.159***	0.042***	−0.129***
	(4.605)	(−4.404)	(3.607)	(−4.836)
Exam_24	0.017	−0.325***	0.022	−0.247***
	(0.500)	(−8.463)	(0.821)	(−8.504)
Exam_6	−0.005	−0.295***	0.000	−0.207***
	(−0.160)	(−4.527)	(0.020)	(−4.380)
Exam_7	0.092***	−0.041	0.068***	−0.028
	(4.519)	(−1.334)	(4.199)	(−1.215)
Other Qualifications	0.147***	0.989***	0.135***	0.767***
	(7.911)	(13.757)	(7.499)	(13.753)
Experience	0.012	0.026***	0.013	0.021***
	(0.895)	(2.606)	(1.228)	(2.787)
Per Capita Income	−0.023	0.049	−0.021	0.044
	(−0.444)	(0.654)	(−0.581)	(0.778)
Unemployment	0.290	−0.356	0.280	−0.182
	(0.457)	(−0.551)	(0.564)	(−0.380)
Population Growth	0.484	0.703	0.273	0.579
	(0.462)	(0.624)	(0.329)	(0.690)
Labor Force Growth	−0.465	−0.435	−0.349	−0.386
	(−1.374)	(−1.363)	(−1.290)	(−1.618)
Home Value Index	−0.001	−0.005	−0.001	−0.004
	(−0.072)	(−0.216)	(−0.071)	(−0.203)
Intercept	Yes	Yes	Yes	Yes
Individual Advisor Fixed Effects	Yes	Yes	Yes	Yes
Firm-by-Year Fixed Effects	Yes	Yes	Yes	Yes
Observations	5,347,498	5,347,498	5,347,498	5,347,498
Adjusted R^2	0.239	0.317	0.267	0.318

affected counties that are "far from" FINRA offices, compared to unaffected counties. We thus conclude that the observed increase in misconduct is not solely attributable to an improved detection rate resulting from the reduction in local media coverage.

Our second approach to assessing the alternative explanation involves separately examining misconduct cases initiated by customers versus noncustomers (e.g., firms or regulators). Customers can directly file complaints with FINRA or their state regulator. Noncustomer-initiated misconduct cases are typically brought by the regulators themselves or the financial advisors' brokerage firms (Dimmock et al. (2018), (2021), Egan et al. (2019)). Because retail customers are more likely to be influenced by local media than firms or regulators are, we expect that if the post-closure increase in advisor misconduct is indeed due to an improved detection rate by investors, then the increase should consist predominantly of customer-initiated misconduct.

https://doi.org/10.1017/S0022109025101749

We redefine the two misconduct measures, *Misconduct* and *Misconduct_case*, as follows: i) the first set, which represents customer-initiated misconduct, includes only incidents classified as Customer Dispute – Settled and Customer Dispute – Award/Judgment; ii) the second set, which represents noncustomer-initiated misconduct, includes the remaining four types of misconduct. Then, we re-estimate the baseline DiD model with the new customer- or noncustomer-initiated misconduct measures. The model specification remains identical to that in equation (1), and the results are presented in Table 5, Panel B. The coefficients on the main variable of interest, *Closure*, are all positive and statistically significant. Specifically, in column 1, where the dependent variable represents the likelihood of customer-initiated misconduct, the coefficient estimate on *Closure* is 0.051, indicating a 15.32% increase in the probability of customer complaints in counties experiencing local newspaper closure, relative to the sample mean of the unconditional probability of misconduct. Similarly, the coefficient estimate in column 2 indicates a 22.20% increase in the probability of noncustomer-initiated complaints, relative to the sample mean of the unconditional probability of misconduct. This finding again does not support the alternative explanation (i.e., that the investors' detection rate of advisor misconduct increases following local newspaper closures). The evidence instead suggests that after local newspaper closures, financial advisors are more likely to commit misconduct due to the reduced cost of misbehavior, leading to similar increases in both customer- and noncustomer-initiated misconduct cases.

D. Cross-Sectional Variations in the Impact of Local Media Closures

Having established the impact of local media closures on advisor misconduct, we next examine the cross-sectional variations in this effect. Specifically, we focus on i) the financial advisors' gender and ii) the counties' demographic characteristics.

Recent studies have shown that gender discrimination exists in the retail and finance industries (e.g., Benson, Board, and Meyer-ter-Vehn (2024), Huang, Mayer, and Miller (2024)). Notably, Egan et al. (2022) find that in the financial advisory industry, female advisors face greater career punishment than male advisors following incidents of misconduct. Given their inherently higher career risks, we expect that even after local newspaper closures reduce the cost of misconduct, female financial advisors will be less likely than male financial advisors to engage in misconduct.

The BrokerCheck website does not provide information on the financial advisor's gender, so we use the name of each advisor from BrokerCheck and apply a gender classification algorithm from Python, *gender_guesser*, to predict the gender. Any name that is widely used for both females and males is classified as unisex. In our sample of advisors, 67.66% are classified as male and 25.29% are classified as female (comparable to the 25% figure in Egan et al. (2022)). The remaining advisors are classified as unisex (1.23%) or unmatched (5.82%). In Table 6, Panels A and B present the cross-sectional results using *Misconduct* and *Misconduct_case* as the dependent variable, respectively. *Female* is an indicator variable that equals 1 for identified female financial advisors and 0 for male advisors.[20] The main effect of

[20]In the reported analysis, we exclude all unmatched advisors whose names are not found by the *gender_guesser* algorithm. Unisex observations are included as male in the regressions. Our results are

TABLE 6

Local Newspaper Closures and Financial Advisor Misconduct: Cross-Sectional Variations

Table 6 presents the results of difference-in-differences tests examining cross-sectional variations in the effect of local newspaper closure on financial advisor misconduct. The dependent variable is *Misconduct* in Panel A and *Misconduct_case* in Panel B. *Misconduct* is a binary variable that is set to 1 if a financial advisor commits at least one professional misconduct as reported by FINRA in a given year, and 0 otherwise. *Misconduct_case* is the natural log of 1 plus the total number of misconduct cases committed by a financial advisor in a given year. *Closure* is a binary variable that is set to 1 for counties that experience a local newspaper closure in the closure year and for 2 years afterward, and 0 otherwise. *Female* is a binary indicator variable that is set to 1 for female financial advisors, and 0 otherwise. *Top_senior*, *Top_minority*, and *Top_education* are binary variables set to 1 if a county's share of the population of senior citizens, minorities, or individuals with a high school education or higher is in the top quintile across all counties, respectively, and 0 otherwise. All variables are defined in Appendix B. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively, for regression coefficients based on 2-tailed *t*-statistics calculated using standard errors clustered by county. *t*-statistics are reported in parentheses. All control variables are included but not reported for brevity. †The model includes *Female*, an indicator variable for female financial advisors. The main effect of *Female* is subsumed by individual advisor fixed effects in the model.

	Dependent Variable: Misconduct			
	1	2	3	4
Panel A. Cross-Sectional Tests: Misconduct Probability				
Closure	0.149***	0.135***	0.066	0.181***
	(3.752)	(4.098)	(1.621)	(4.892)
Closure × Female†	**−0.061***			
	(−1.785)			
Top_senior		0.131		
		(1.565)		
Closure × Top_senior		**0.509***		
		(1.766)		
Top_minority			−0.036	
			(−0.967)	
Closure × Top_minority			**0.122****	
			(2.154)	
Top_education				−0.009
				(−0.308)
Closure × Top_education				**−0.141*****
				(−2.688)
Controls	Yes	Yes	Yes	Yes
Intercept	Yes	Yes	Yes	Yes
Individual Advisor Fixed Effects	Yes	Yes	Yes	Yes
Firm-by-Year Fixed Effects	Yes	Yes	Yes	Yes
Observations	5,094,418	5,347,498	5,347,498	5,347,498
Adjusted R^2	0.292	0.293	0.293	0.293
	Dependent Variable: Misconduct_case			
	1	2	3	4
Panel B. Cross-Sectional Tests: Misconduct Intensity				
Closure	0.127***	0.109***	0.067***	0.142***
	(4.439)	(4.409)	(2.105)	(5.060)
Closure × Female†	**−0.072*****			
	(−3.118)			
Top_senior		0.105		
		(1.579)		
Closure × Top_senior		**0.399****		
		(2.011)		
Top_minority			−0.024	
			(−0.831)	
Closure × Top_minority			**0.075***	
			(1.728)	
Top_education				−0.001
				(−0.035)
Closure × Top_education				**−0.101*****
				(−2.556)
Controls	Yes	Yes	Yes	Yes
Intercept	Yes	Yes	Yes	Yes
Individual Advisor Fixed Effects	Yes	Yes	Yes	Yes
Firm-by-Year Fixed Effects	Yes	Yes	Yes	Yes
Observations	5,094,418	5,347,498	5,347,498	5,347,498
Adjusted R^2	0.308	0.309	0.309	0.309

Female is subsumed by individual advisor fixed effects in our model. In column 1 of Panel A, the coefficient on the interaction term *Closure* × *Female* is negative and statistically significant, confirming that female advisors are less likely to take advantage of the loss of media deterrence than their male counterparts. Column 1 in Panel B shows a similar pattern with respect to the post-closure number of misconduct cases.

We next investigate whether county demographic characteristics affect the relation between local newspaper closures and financial advisor misconduct. Egan et al. (2019) suggest that financial advisors working in market segments with less sophisticated investors are more likely to engage in misconduct. If the advisors' repercussions for misconduct decline following local media closures, less sophisticated investors may be especially vulnerable to exploitation. We thus expect the impact of local newspaper closures to be more pronounced in counties with a higher proportion of less sophisticated investors.

To proxy for customer sophistication, we measure, within each county, the percentage of senior citizens (age greater than or equal to 65), the percentage of minorities (nonwhite population), and the percentage of the population age 25 and older with a high school diploma, some college, an associate degree, or a bachelor's degree or higher.[21] The indicator variables *Top_senior*, *Top_minority*, and *Top_education* are set to 1 if a county's share of the population of senior citizens, minorities, or individuals with a high school education or higher is in the top quintile across all counties, and 0 otherwise. The results are presented in columns 2 to 4 of Table 6. The coefficients on the interaction terms *Closure* × *Top_senior* and *Closure* × *Top_minority* are positive and statistically significant, while those on *Closure* × *Top_education* are negative and statistically significant. These findings indicate that the effect of local newspaper closure is stronger in counties with a large proportion of senior and minority residents and weaker in counties with a high percentage of educated individuals. In summary, our analysis suggests that vulnerable investors are indeed more adversely affected by the loss of local media coverage. The cross-sectional findings provide supporting evidence for Hypothesis 1 and align with a recent Pew Research Center survey indicating that local news matters more to older people, minorities, and less-educated residents (see https://www.pewresearch.org/journalism/2019/08/14/older-americans-black-adults-and-americanswith-less-education-more-interested-in-local-news/).

V. Local Newspaper Closure and Cost of Misconduct

In this section, we investigate the impact of local newspaper closures on the labor market consequences for financial advisors involved in misconduct (Hypothesis 2). Specifically, we explore whether individual financial advisors' labor market penalty following reported misconduct (i.e., job turnover–misconduct sensitivity) declines after local media closures. In the absence of local media

not sensitive to whether we classify unisex observations as female or male or exclude them from the regressions.

[21]We obtain annual county-level demographic data from the *U.S. Census Bureau Population Division, Annual County Characteristics Population Estimates* (July 2020 issue). The data of the "Educational Attainment of the Population 25 Years and Over (Five-year Estimates)" in the *American Community Survey* is accessed via the Social Explorer platform.

TABLE 7

Local Newspaper Closures and Financial Advisor Turnover Following Misconduct

Table 7 presents the results from a linear probability model examining the effect of local newspaper closure on financial advisor turnover following FINRA-disclosed misconduct. *Turnover* is a binary variable that is set to 1 if a financial advisor is not employed at the same firm in year $t + 1$ as in year t. *Misconduct* is a binary variable that is set to 1 if a financial advisor commits at least one professional misconduct as reported by FINRA in a given year, and 0 otherwise. *Misconduct_case* is the natural log of 1 plus the total number of misconduct cases committed by a financial advisor in a given year. *Closure* is a binary variable that is set to 1 for counties that experience a local newspaper closure in the closure year and for 2 years afterward, and 0 otherwise. All variables are defined in Appendix B. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively, for regression coefficients based on 2-tailed t-statistics calculated using standard errors clustered by county. t-statistics are reported in parentheses. All control variables are included but not reported for brevity.

	Dependent Variable: Turnover	
	1	2
Misconduct	0.254***	
	(40.496)	
Misconduct_case		0.328***
		(38.361)
Misconduct × Closure	**−0.068*** **	
	(−3.865)	
Misconduct_case × Closure		**−0.089*** **
		(−3.959)
Closure	20.726***	20.725***
	(17.444)	(17.449)
Controls	Yes	Yes
Intercept	Yes	Yes
Individual Advisor Fixed Effects	Yes	Yes
Firm-by-Year Fixed Effects	Yes	Yes
Observations	4,948,263	4,948,263
Adjusted R^2	0.521	0.521

coverage exposing financial advisor misbehavior and educating investors on how to identify problematic advisors, we expect that advisors are less likely to lose their employment even after their misconduct is identified and reported by FINRA.

We directly test the effect of local newspaper closures on financial advisors' job turnover sensitivity to misconduct by estimating the following linear probability model:

$$\begin{aligned}(2)\quad Turnover_{iljt+1} = {} & \beta_0 + \beta_1 \times Closure_{jt} + \beta_2 \times Financial\ Advisor\ Misconduct_{iljt} \\ & + \beta_3 \times Closure_{jt} \times Financial\ Advisor\ Misconduct_{iljt} \\ & + \beta_4 \times Advisor\ Controls_{it} + \beta_5 \times County\ Controls_{jt} + X_i \\ & + \Psi_{lt} + \varepsilon_{ijt}\end{aligned}$$

where the dependent variable $Turnover_{iljt+1}$ is a dummy variable indicating that the financial advisor i is employed at firm l in county j during year t but not in year $t + 1$.[22] *Financial Advisor Misconduct*$_{iljt}$ is either *Misconduct*$_{iljt}$, the indicator variable; or *Misconduct_case*$_{iljt}$, the misconduct intensity measure of advisor i in year t. *Closure*$_{jt}$ is a binary variable that takes a value of 1 for the local newspaper closure year and the following 2 years in county j affected by the closure, and 0 otherwise. The independent variable of interest is the interaction term *Closure*$_{jt}$ × *Financial Advisor Misconduct*$_{iljt}$, which captures any incremental effect of local

[22]As our sample ends in year 2019, we are not able to determine the job turnover of a financial advisor who has a reported misconduct in 2019. Therefore, we exclude observations in 2019 from the tests on job turnover.

https://doi.org/10.1017/S0022109025101749

media closure on financial advisors' job market penalty for misconduct. We control for advisor and county characteristics as well as individual and firm-by-year fixed effects.

We present the results in Table 7. In each specification, we find a positive and statistically significant relation between misconduct in year t and the implicated financial advisor's subsequent job turnover in year $t + 1$. Column 1 shows that the estimated coefficient of *Misconduct* is 0.254, which implies that, all else equal, committing misconduct is associated with a 25.4% higher chance of leaving the current employer. The finding is consistent with the positive job turnover–misconduct relation documented in Egan et al. (2019). Most importantly, the job turnover–misconduct sensitivity significantly drops after local newspaper closures. In column 1, the estimated coefficient of *Misconduct* × *Closure* is −0.068, indicating that financial advisors' turnover rate after misconduct decreases by 26.8% (=0.068/0.254), following local media closures. Overall, our findings provide direct evidence that when local media coverage declines, financial advisors anticipate a lower labor market cost of misconduct, which could contribute to the overall increase in observed misconduct.

VI. Local News Intensity and Advisor Misconduct

To this point, our identification strategy has relied on a quasi-exogenous shock to the local media industry. Our method allows us to establish causality between local media and subsequent financial advisor behavior. However, the DiD setting restricts our tests to financial advisor behavior around local newspaper closures. As a supplement to the DiD tests, we examine the intensity of local news coverage in a broader sample that goes beyond newspaper closures, and we examine the relationship of this intensity to local financial advisor misconduct across counties.

Using data from the Bureau of Labor Statistics (BLS), we estimate local news intensity as the percentage of employees in the newspaper publishing industry in each county (Allee et al. (2025)). All else being equal, counties with greater media intensity should be more effective in educating local residents and exposing advisor misbehavior. As a result, we expect that financial advisors working in counties with higher local media intensity are less likely to engage in misconduct. We test this conjecture by running the following OLS regression on measures of financial advisor misconduct:

$$\begin{aligned}(3)\quad Financial\ Advisor\ Misconduct_{iljt} = {} & \beta_0 + \beta_1 \times Local\ News\ Intensity_{jt} \\ & + \beta_2 \times Advisor\ Controls_{it} \\ & + \beta_3 \times County\ Controls_{jt} + X_i + \Psi_{lt} + \varepsilon_{iljt}\end{aligned}$$

We measure the key independent variable, *Local News Intensity*$_{jt}$, as the percentage of employees in the newspaper publishing industry in county j where advisor i works during year t. We control for the same county-level and financial advisor-level characteristics specified in Table 3. We further control for firm-by-year fixed effects. The results, presented in Table 8, align with the deterrent effect of local newspapers. Columns 1 and 2 show that for both the *Misconduct* and *Misconduct_case* measures, the coefficient estimates on *Local News Intensity*$_{jt}$ are

TABLE 8

Local Media Intensity and Financial Advisor Misconduct

Table 8 presents the results from a panel regression model examining the association between local news intensity and financial advisor misconduct. *Misconduct* is a binary variable that is set to 1 if a financial advisor commits at least one professional misconduct as reported by FINRA in a given year, and 0 otherwise. *Misconduct_case* is the natural log of 1 plus the total number of misconduct cases committed by a financial advisor in a given year. *Local news intensity* is the percentage of all employees in a county working for a newspaper publisher. All variables are defined in Appendix B. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively, for regression coefficients based on 2-tailed *t*-statistics calculated using standard errors clustered by county. *t*-statistics are reported in parentheses.

	Dependent Variable	
	Misconduct 1	Misconduct_case 2
Local News Intensity	**−9.597****	**−8.049****
	(−2.294)	**(−2.089)**
Exam_65/66	0.086***	0.061***
	(3.769)	(3.477)
Exam_63	−0.105***	−0.100***
	(−3.121)	(−3.924)
Exam_24	−0.186***	−0.152***
	(−3.670)	(−3.803)
Exam_6	−0.228***	−0.160***
	(−3.725)	(−3.545)
Exam_7	0.030	0.022
	(1.025)	(0.985)
Other Qualifications	0.923***	0.756***
	(10.288)	(9.945)
Experience	0.036***	0.033***
	(3.074)	(3.627)
Per Capita Income	0.016	0.028
	(0.561)	(1.154)
Unemployment	0.273	0.410
	(0.481)	(0.925)
Population Growth	0.565	0.462
	(0.611)	(0.636)
Labor Force Growth	−0.026	−0.053
	(−0.083)	(−0.203)
Home Value Index	0.010	0.005
	(0.443)	(0.251)
Intercept	Yes	Yes
Individual Advisor Fixed Effects	Yes	Yes
Firm-by-Year Fixed Effects	Yes	Yes
Observations	8,286,421	8,286,421
Adjusted R^2	0.152	0.168

negative and statistically significant. Our finding that advisors are less likely to engage in misconduct when they work in a county with high local media intensity further corroborates our earlier results. Taken together, the large sample tests across counties and the DiD tests around local newspaper closures highlight the importance of local media coverage.

VII. Conclusion

Financial advisors play an important role in helping U.S. households manage trillions of dollars. However, pervasive misbehavior in the financial advisory industry causes significant monetary damage to many of these households. We examine whether *local* newspapers effectively deter financial advisor misconduct

https://doi.org/10.1017/S0022109025101749

and find that after a county experiences a local newspaper closure, the financial advisors located in that county are more likely to commit misconduct than advisors working in counties without closures. Local media may influence financial advisor behavior by increasing the potential cost of misconduct. Without local newspapers exposing their misbehavior, financial advisors who engage in misconduct are less likely to face job market consequences.

Our article has broad implications for the recent decline in local news outlets across the U.S. Our findings suggest that local media coverage provides the greatest benefits to less sophisticated investors within the community. Given that the amount of local newspaper coverage has plummeted over the past 2 decades, regulators must now devise innovative ways to communicate crucial information about financial advisors to potential investors in a timely manner.

Appendix A. Major Types of Advisor Misconduct and a FINRA Disclosure Example

Following Egan et al. (2019), we restrict our classification of FINRA disclosure events indicating misconduct to six of the 23 categories: *Customer Dispute – Settled*, *Regulatory – Final*, *Employment Separation after Allegations*, *Customer Dispute – Award/Judgment*, *Criminal – Final Disposition*, and *Civil – Final.* We present detailed definitions of the six categories below (Egan et al. (2019)). The source information is from FINRA.

Customer Dispute – Settled: This type of disclosure event involves a consumer initiated, investment-related complaint, arbitration proceeding, or civil suit containing allegations of sales practice violations against the advisor that resulted in a monetary settlement to the customer.

Regulatory – Final: This type of disclosure event involves i) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulatory agency such as the SEC, foreign financial regulatory body) for a violation of investment-related rules or regulations or ii) a revocation or suspension of an advisor's authority to act as an attorney, accountant, or federal contractor.

Employment Separation after Allegations: This type of disclosure event involves a situation in which the advisor voluntarily resigned, was discharged, or was permitted to resign after being accused of i) violating investment-related statutes, regulations, rules, or industry standards of conduct; ii) fraud or the wrongful taking of property; or iii) failure to supervise in connection with investment related statutes, regulations, rules, or industry standards of conduct.

Customer Dispute – Award/Judgment: This type of disclosure event involves a final, consumer-initiated, investment-related arbitration or civil suit containing allegations of sales practice violations against the advisor that resulted in an arbitration award or civil judgment for the customer.

Criminal – Final Disposition: This type of disclosure event involves a criminal charge against the advisor that has resulted in a conviction, acquittal, dismissal, or plea. The criminal matter may pertain to any felony or certain misdemeanor offenses, including bribery, perjury, forgery, counterfeiting, extortion, fraud, and wrongful taking of property.

Civil – Final: This type of disclosure event involves i) an injunction issued by a court in connection with investment-related activity, ii) a finding by a court of a violation of any investment-related statute or regulation, or iii) an action brought by a state or foreign financial regulatory authority that is dismissed by a court pursuant to a settlement agreement.

Appendix B. Main Variable Definitions

Dependent Variables

Misconduct: An indicator variable equal to 1 if the financial advisor has at least 1 misconduct reported by FINRA in the current year, and 0 otherwise. Following Egan et al. (2019), we define misconduct as one of the following six categories of FINRA disclosure events: Civil – Final, Criminal – Final Disposition, Customer Dispute – Award/Judgment, Customer Dispute – Settled, Employment Separation after Allegations, and Regulatory –Final.

Misconduct_case: The natural logarithm of 1 plus the total number of misconduct cases per financial advisor reported by FINRA in the current year.

Turnover: An indicator variable equal to 1 if the financial advisor who is employed at a broker-dealer firm in the current year is not employed at the same firm in the following year, and 0 otherwise.

Key Independent Variables

Closure: A binary variable that equals 1 for counties experiencing a local newspaper closure during the closure year and the 2 subsequent years, and 0 otherwise.

$Closure^{-2}$: A binary variable that equals 1 for counties experiencing a local newspaper closure during the 2 years preceding the closure year, and 0 otherwise.

$Closure^{0}$: A binary variable that equals 1 for counties experiencing a local newspaper closure during the closure year, and 0 otherwise.

$Closure^{+1}$: A binary variable that equals 1 for counties experiencing a local newspaper closure during the year following the closure year, and 0 otherwise.

$Closure^{+2}$: A binary variable that equals 1 for counties experiencing a local newspaper closure in the second year following the closure year, and 0 otherwise.

Local News Intensity: The percentage of all employees in a county working for a newspaper publisher.

Advisor Characteristics Controls

Exam_65/66: An indicator variable equal to 1 if the financial advisor has passed a qualifying exam to be registered as an investment advisor (Series 65 or 66) by the current year, and 0 otherwise.

Exam_63: An indicator variable equal to 1 if the financial advisor has passed the Uniform Securities State Law Examination (Series 63) by the current year, and 0 otherwise.

Exam_24: An indicator variable equal to 1 if the financial advisor has passed the General Securities Principal Qualification Exam (Series 24) by the current year, and 0 otherwise.

Exam_6: An indicator variable equal to 1 if the financial advisor has passed the Investment Company and Variable Contracts Products Representative Qualification Examination (Series 6) by the current year, and 0 otherwise.

Exam_7: An indicator variable equal to 1 if the financial advisor has passed the General Securities Representative Qualification Examination (Series 7) by the current year, and 0 otherwise.

Experience: The industry experience of the financial advisor, calculated as the total number of years since the date when the financial advisor passed her first qualification exam, following Egan et al. (2019).

Other Qualifications: The total number of other qualification exams passed by the financial advisor by the current year.

County Characteristics Controls

Per Capita Income: The natural logarithm of per capita annual income by county, computed as the aggregate income of a county divided by the total population in that county.

Unemployment: Annual unemployment rate by county, calculated as the total number of unemployed scaled by the size of the labor force by county.

Population Growth: The ratio of the annual increase of county population to lagged total population.

Labor Force Growth: The ratio of the annual increase of county labor force to lagged total labor force.

Home Value Index: The natural logarithm of the Zillow House Value Index at the 5-digit ZIP code-year level.

Additional Variables in Cross-Sectional Tests

Female: An indicator variable equal to 1 if the financial advisor is female and 0 if the advisor is male.

Top_seniority: An indicator variable equal to 1 if the ratio of the senior population (age greater than 65) to the total population in the county is in the top quintile among all counties in a year, and 0 otherwise.

Top_minority: An indicator variable equal to 1 if the ratio of the minority population (nonwhite) to the total population in the county is in the top quintile among all counties in a year, and 0 otherwise.

Top_education: An indicator variable equal to 1 if the ratio of the population with a high school degree or higher (including high school degree, college without a degree, associate degree, and bachelor's degree or higher) to the population (25 years and over) in the county is in the top quintile among all counties in a year, and 0 otherwise.

References

Allee, K. D.; R. Cating; and C. Rawson. "No News Is Bad News: Local News Intensity and Firms' Information Environments." *Review of Accounting Studies* 30 (2025), 1–32.

Baker, A. C.; D. F. Larcker; and C. C. Wang. "How Much Should We Trust Staggered Difference-In-Differences Estimates?" *Journal of Financial Economics*, 144 (2022), 370–395.

Benson, A.; S. Board; and M. Meyer-ter-Vehn. "Discrimination in Hiring: Evidence from Retail Sales." *Review of Economic Studies* 91 (2024), 1956–1987.

Clifford, C. P.; J. A. Ellis; and W. C. Gerken. "Childhood Exposure to Misbehavior and the Culture of Financial Misconduct." *Review of Financial Studies,* forthcoming (2025).

Cohn, J. B.; Z. Liu; and M. I. Wardlaw. "Count (And Count-Like) Data in Finance." *Journal of Financial Economics*, 146 (2022), 529–551.

Core, J. E.; W. R. Guay; and D. F. Larcker. "The Power of the Pen and Executive Compensation." *Journal of Financial Economics*, 88 (2008), 1–25.

Diamond, D. W. "Financial Intermediation and Delegated Monitoring." *Review of Economic Studies*, 51 (1984), 393–414.

Dimmock, S. G.; W. C. Gerken; and N. P. Graham. "Is Fraud Contagious? Coworker Influence on Misconduct by Financial Advisors." *Journal of Finance*, 73 (2018), 1417–1450.

Dimmock, S. G.; W. C. Gerken; and T. Van Alfen. "Real Estate Shocks and Financial Advisor Misconduct." *Journal of Finance*, 65 (2021), 3309–3346.

Dyck, A.; A. Morse; and L. Zingales. "Who Blows the Whistle on Corporate Fraud?" *Journal of Finance*, 63 (2010), 2213–2253.

Dyck, A.; N. Volchkova; and L. Zingales. "The Corporate Governance Role of the Media: Evidence from Russia." *Journal of Finance*, 63 (2008), 1093–1135.

Dyck, A., and L. Zingales. The Corporate Governance Role of the Media, in *The Right to Tell: The Role of Mass Media in Economic Development*, Chap. 7, I. Roumeen, S. Djankov, and C. McLeish, eds. Washington, DC: The World Bank (2002).

Egan, M.; G. Matvos; and A. Seru. "The Market for Financial Adviser Misconduct." *Journal of Political Economy*, 127 (2019), 233–295.

Egan, M.; G. Matvos; and A. Seru. "When Harry Fired Sally: The Double Standard in Punishing Misconduct." *Journal of Political Economy*, 130 (2022), 1184–1248.

Engelberg, J. E., and C. A. Parsons. "The Causal Impact of Media in Financial Markets." *Journal of Finance*, 66 (2011), 67–97.

Farizo, J.; W. C. Gerken; and G. Wu. "Where is the Intersection of Madison Avenue and Wall Street? Advertisement, Local Access to Investment Advice, and Stock Market Participation." Working Paper, University of Richmond (2025).

Gao, P.; C. Lee; and D. Murphy. "Financing Dies in Darkness? The Impact of Newspaper Closures on Public Finance." *Journal of Financial Economics*, 135 (2020), 445–467.

Gurun, U. G., and A. W. Butler. "Don't Believe the Hype: Local Media Slant, Local Advertising, and Firm Value." *Journal of Finance*, 67 (2012), 561–598.

Han, J.; Z. Pan; and H. Zhang. "Local Newspaper Closures and Financial Adviser Misconduct." Working Paper, Macquarie University (2025).

Hayek, F. A. "The Use of Knowledge in Society." *American Economic Review*, 35 (1945), 519–530.

Huang, R.; E. J. Mayer; and D. P. Miller. "Gender Bias in Promotions: Evidence from Financial Institutions." *Review of Financial Studies*, 37 (2024), 1685–1728.

Heese, J.; G. Pérez-Cavazos; and C. D. Peter. "When the Local Newspaper Leaves Town: The Effects of Local Newspaper Closures on Corporate Misconduct." *Journal of Financial Economics*, 145 (2022), 445–463.

Honigsberg, C.; E. Hu; and R. J. Jackson. "Regulatory Arbitrage and the Persistence of Financial Misconduct." *Stanford Law Review*, 74 (2022), 737–792.

Investment Adviser Association. "Investment Adviser Industry Snapshot" (2022). Available at: https://investmentadviser.org/industry-snapshots/.

Jensen, M. C. "Toward A Theory of the Press." In *Economics and Social Institutions: Insights from the Conferences on Analysis and Ideology*, K. Brunner, ed. Boston, MA: Martinus Nijhoff Publishing (1979).

Karpoff, J. M.; D. S. Lee; and G. S. Martin. "The Consequences to Managers for Financial Misrepresentation." *Journal of Financial Economics*, 88 (2008), 193–215.

Kedia, S., and S. Rajgopal. "Do the SEC's Enforcement Preferences Affect Corporate Misconduct?" *Journal of Accounting and Economics*, 51 (2011), 259–278.

Kowaleski, Z. T.; A. G. Sutherland; and F. W. Vetter. "Can Ethics Be Taught? Evidence from Securities Exams and Investment Adviser Misconduct." *Journal of Financial Economics*, 138 (2020), 159–175.

Law, K. K., and L. Zuo. "How Does the Economy Shape the Financial Advisory Profession?" *Management Science*, 67 (2021), 2466–2482.
Ma, Z.; D. Stice; H. Stice; and Y. Zhang. "Local Newspaper Closures and Bank Loan Contracts." Working Paper, Peking University (2024).
Miller, G. S. "The Press as a Watchdog for Accounting Fraud." *Journal of Accounting Research*, 44 (2006), 1001–1033.
Miller, G. S., and D. J. Skinner. "The Evolving Disclosure Landscape: How Changes in Technology, the Media, and Capital Markets are Affecting Disclosure." *Journal of Accounting Research*, 53 (2015), 221–239.
Nguyen, T., and Q. Nguyen. "It Is Easy to Be Brave from a Safe Distance: Proximity to the SEC and Insider Trading." Working Paper, DePaul University (2017).
Nguyen, B. D., and K. M. Nielsen. "The Value of Independent Directors: Evidence from Sudden Deaths." *Journal of Financial Economics*, 98 (2010), 550–567.
Parsons, C. A.; J. Sulaeman; and S. Titman. "The Geography of Financial Misconduct." *Journal of Finance*, 73 (2018), 2087–2137.
Shapira, R., and L. Zingales. "Is Pollution Value-Maximizing? The Dupont Case." *Harvard Environmental Law Review* (2025).
Soltes, E. F. *Why They Do It: Inside the Mind of the White-Collar Criminal*. New York, NY: PublicAffairs (2016).
Sun, L., and S. Abraham. "Estimating Dynamic Treatment Effects in Event Studies with Heterogeneous Treatment Effects." *Journal of Econometrics*, 225 (2021), 175–199.
Tian, X.; G. F. Udell; and X. Yu. "Disciplining Delegated Monitors: When Venture Capitalists Fail to Prevent Fraud by Their IPO Firms." *Journal of Accounting and Economics*, 61 (2016), 526–544.
Waldman, S. *Information Needs of Communities: The Changing Media Landscape in a Broadband Age*. Collingdale, PA: Diane Publishing (2011).
Zweig, J. (2022, November 4). "You don't know what you don't know about your financial adviser." *Wall Street Journal*. https://www.wsj.com/articles/financial-advisor-disclosure-regulations-adv-11667576312