

News That Sells: Media Competition and News Content

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Abstract

This paper explores the economic factors that influence news coverage and discusses the difficulties of determining the impact of news content on political outcomes. Evidence from the United States clearly shows how supply and demand concepts can be used to predict content in newspapers, television, and the Internet. To demonstrate how the concept of market-driven news extends beyond the US, I trace out hypotheses about how media content in many countries should vary depending on three factors in news markets: the motivations of media outlet owners, the technologies of information dissemination available, and the property rights that govern how information is created and conveyed. I offer three different types of analyses – the measurement of product differentiation, information search patterns, and consumption patterns – to show how these ideas about competition influencing content could be tested across countries. The paper briefly discusses the degree to which market competition affects content in three Asian countries (China, Thailand, and Japan) and concludes with a section on the difficulties of designing policies to improve the operation of media markets.

Introduction

In the United States, news organizations produce profits, provide information, and generate an impact on society. Journalists often enter the field motivated by the latter two goals. Reporting offers a rare chance both to express yourself and to change the world. Yet the reality of the news business is that it is a business. The market-driven nature of news leaves some stories uncovered, many people uninformed, and most journalists a bit frustrated and unsatisfied.

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In this essay, I explore the economic factors that influence news coverage and discuss the difficulties of determining the impact of news content on political outcomes.¹ After outlining economic theories of news coverage, I provide evidence from the US that shows how supply and demand concepts can be used to predict content in newspapers, television, and the Internet. Though economics predicts content well, to date social science has been less successful in mapping out how content affects policymaking. To demonstrate how the concept of market-driven news extends beyond the US, I trace out hypotheses that should apply to media markets in many countries. I focus on how content should change with changes in three factors in news markets: the motivations of media outlet owners, the technologies of information dissemination available, and the property rights that govern how information is created and conveyed. I offer three different types of analyses – the measurement of product differentiation, information search patterns, and consumption patterns – to show how these ideas about competition influencing content could be tested across countries. I briefly discuss the degree to which market competition affects content in three Asian countries: China, Thailand, and Japan. I conclude with a section on the difficulties of designing policies to improve the operation of media markets.

News economics, in theory

In the United States, news is a product of market forces. While reporters may pursue the traditional ‘5Ws’ in crafting their stories, a different set of questions determines what information actually emerges in the marketplace as news:

- 1 Who cares about a particular piece of information?
- 2 What are they willing to pay to find it, or what are others willing to pay to reach them?
- 3 Where can media outlets or advertisers reach these people?
- 4 When is it profitable to provide the information?
- 5 Why is this profitable?

A reporter will not attempt to answer these questions explicitly as s/he writes a story. Indeed, a journalist would probably prefer to think about stories in terms of their impact on society rather than their impact on profits. But the answers to these economic questions ultimately do determine the ideas favored by editors, the images selected by producers, the audiences and advertisers attracted by content, and the nature of the news outlets that survive in the market.

The types of demands readers and viewers express for information reveal how economics can shape news decisions. Anthony Downs points out that people desire information to help them in their roles as workers, purchasers, audience members, and voters.² Markets for the first three types of demand may work fairly well. Producers want

¹ Sections of this paper draw upon my book *All the News That's Fit to Sell: How the Market Transforms Information into News* (Princeton University Press, 2004).

² See Downs (1957).

data that help them make decisions at work. Consumers want information about prices and qualities of goods. Individuals desire some news just for its entertainment value, the pure pleasure associated with knowledge. In these cases, if an individual misses out on consuming the information he misses out on its benefits – a deal may be missed, a sale price overlooked, a magazine article ignored. A person will purchase or seek out these types of information until the added benefits are equal to the additional costs of getting the news. A different calculus drives decisions about public affairs information. A voter in search of news about candidates will factor in the value of the information in making an improved decision and the value attached to choosing one candidate over another. Yet the probability that an individual's actions will be decisive in an election is so small that the expected benefits of learning about politics are tiny. Learning more about automobile models can get you a better car, but learning more about global warming or even about the Democratic or Republican presidential primary candidates does not get you as an individual better policies or a better nominee. Your influence in politics is so small that once the costs of becoming informed are taken into account, individuals often choose to remain rationally ignorant.

The logic of rational ignorance accounts for the often-noted divergence between providing individuals with the information they want versus the information they need as citizens. Individuals express low demands for political information in part because they can sit back and free ride off the efforts of others to think about policies and learn about candidates. Some people do search out some forms of political news. Politics as entertainment means that reporters will cover the horse race or competitive aspects of campaigns. Politics as drama focuses coverage on the personalities, private lives, and scandals associated with politicians. Readers who feel a duty to become informed may search out information even though their votes have little probability of influencing outcomes. Yet overall the demand for public affairs coverage does not operate as if readers and viewers are investors searching out which policies and candidates will yield the best returns. While political news may as a byproduct generate better informed voters and citizens, the focus may be on presenting the news in ways that attract and entertain rather than inform.

A small set of economic concepts explains the particular characteristics of news products: public goods, experience goods, product differentiation, high fixed costs/low variable costs, and positive spillovers or externalities. The public goods nature of information means that one reader's consumption does not preclude another's, and that once the information is circulating one can consume the knowledge without paying for it. This may give rise to underproduction of some information about politics and government, since there may not be sufficient incentives for news organizations to invest heavily in the production of the information. Once a paper or program discovers and documents something, the news can be easily transmitted and consumed by readers and viewers of other outlets. To know a news product's content fully one must consume (e.g., experience) it. News firms develop ways to signal to consumers what the potential content of their goods are, so that the consumers can anticipate content without having

to examine it before purchase. The development of product brand names is one way to generate consumer expectations about quality and content. The transformation of anchors and other journalists into celebrities is another way to create consumer expectations about content. If the reporter becomes part of the product consumed, a reader or viewer may know that even if events change across days the style and perspective of the familiar journalist remains relatively fixed.

News goods typically have high fixed costs/low variable costs. The resources devoted to researching a story, composing its presentation, and making the first copy for delivery can be tremendous. They may involve fixed costs of maintaining a set of reporters and a configuration of costly production and transmission technology. The second or subsequent copies of a news good may involve relatively small costs, such as print or paper for daily newspapers or server space for Internet sites. The high size of fixed costs limits the number of providers who can survive in a particular news market. Product differentiation allows providers to distinguish the version of the news they offer and tailor it to particular consumer interests. The types of data people desire in their role as purchasers, producers, entertainment consumers, and voters affect what information news organizations will choose to offer. Downs's theory of rational ignorance predicts that news about politics may be under provided. Some individuals may find public affairs news entertaining or feel an obligation to stay informed to cast an informed ballot. Since an individual's vote has little chance of affecting the outcome of an election, however, people typically remain ignorant about the details of politics and do not consider the potential benefits to society if they stayed abreast of current affairs.

Product differentiation and brand location models can also show how economic incentives can be used to predict the mix of hard (e.g., business, politics, government) and soft news (e.g., entertainment, human interest) offered in a market.³ In a model where news judgments are driven by profit, one would expect more soft news programs if their consumers (who are often younger or female) were more highly valued by advertisers. If programmers pay less for soft news content they will be more likely to offer it. As the number of channels increases, the number of soft news programs will

³ Researchers vary in how they use the terms hard and soft news. Scott and Gobetz (1992) define soft news stories on network evening news programs as those that involve human interest topics, features, or nonpolicy issues and find that this news was a small but slightly increasing part of network evening news over time. Patterson (2000: 3) defines hard news as 'coverage of breaking events involving top leaders, major issues, or significant disruptions in the routines of daily life, such as earthquake or airline disaster'. He finds that soft news accounts for an increasing proportion of stories in the media and that the emphasis on soft news coverage contributes to declining interest in the news. The Committee of Concerned Journalists (1998: 2) finds that:

The news media are dividing into market-based niches, with a result that a citizen's perception of society can vary greatly depending on the source of news. Prime time network news magazines . . . have all but abandoned covering traditional topics such as government, social welfare, education and economics in favor of lifestyle and news-you-can-use. News magazines which once concentrated heavily on coverage of ideas have moved heavily toward celebrity. Newspapers continue to cover government, foreign policy and domestic policy as a staple. The network news has become a hybrid of all the others.

also rise. If the number of viewers attracted to the genre increases, more programs will be added. The average rating for a soft news program should go down as the number of programs offered in the genre increases. If broadcasters internalized the benefits of hard news to society, they would be more likely to offer hard news fare. The inability of media outlets to capture the broader returns to society from their reporting means they may end up focusing on topics that yield higher private returns (as measured by subscription and advertiser revenues).

News economics, in practice

Popular explanations for problems with the media focus not on economic choices but on more human, and more entertaining, dilemmas. According to current accounts, the media are biased because of the left-wing or right-wing designs of journalists. Hard news loses out because of the dumbing down of reader and viewer interests. Broadcast journalists are more frequently celebrities than reporters and more likely to offer product spinoffs (such as their books or speeches) than true political insights. These stories of media bias, soft news, and celebrity culture often point to misplaced values as the culprit in media markets. In my book *All the News That's Fit To Sell: How the Market Transforms Information into News*, I show how these phenomena are better explained as arising from economic choices rather than from human foibles or failings. In this section I summarize part of the analysis from the book to show how economics predicts news content in the United States.⁴

⁴ A growing empirical literature has established a number of results about how economics influences actions in media markets. As the number of newspaper owners declines in a local market, product differentiation increases and the total number of beat types covered in a market increases. This result suggests that increased concentration can in some markets lead to more diversity, since sellers in a concentrated market may offer products aimed at attracting additional customers to the market rather than aimed at stealing customers from already offered varieties. Newspapers do appear to target content based on reader preferences, and customers in turn are likely to subscribe if the content matches their interests. Across cities, blacks are more likely to purchase a newspaper in cities with more blacks (and hence more material targeted to blacks) and less likely to purchase a paper as the number of whites increases. As penetration of the *New York Times* increases in a city, readership of the local paper among college-educated people declines and the voting rate in local elections among this demographic declines. Among radio stations, informational programming expanded significantly once the FCC's Fairness Doctrine was dropped, suggesting that the requirement had had a chilling effect among stations afraid to provide controversial political programming if they might be called upon to offer opposing viewpoints. In cable markets, analysis of the structure of cable subscription prices allows one to analyze the average willingness to pay by consumers for individual cable networks such as CSPAN or CNN. Contingent valuation surveys can also be used to estimate the willingness of consumers to pay for public broadcasting.

Examples of empirical assessments of news markets include Schwer and Daneshvary, 1995 (contingent valuation), Crawford, 1997 (cable prices), Hazlett and Sosa, 1997 (Fairness Doctrine), George and Waldfoegel, 2003 (product positioning in newspaper markets), 2001 (impact of *New York Times* on local paper markets), George, 2001 (concentration of newspaper ownership), and Napoli, 2001 (public affairs programming). Recent theoretical models focusing on the economics of reporting include the examination by Cox and Goldman (1994) of how economic incentives affect the accuracy of reporting and the modeling by Bovitz, Druckman, and Lupia (2002) of how the internal organization of a media firm can affect the ability of ideological reporters, editors, or owners to have an impact on

Consider first the case of media bias. In *All the News*, I show that nonpartisan reporting emerged as a commercial product in American newspaper markets in the 1870s. Before that time, many papers openly proclaimed association with a particular political party. Two economic changes, however, led to the rapid decline of the partisan press. The development of expensive high-speed presses made it possible for a newspaper to serve many more readers within a given city. To reach more readers, and therefore spread the high fixed costs across many consumers, newspapers stopped talking about politics in an explicitly partisan manner. Independent papers could draw readers from across the political spectrum. At the same time, advertising became an important way for nationally and locally distributed brands to raise awareness of their products. Papers with larger audiences attracted more attention from advertisers, another incentive to increase readership. As a result, papers began to drop overt political bias and proclaim their independence in covering news of government and politics.

Though nonpartisan newspaper coverage emerged from technological change, elements of partisanship reemerged in television because of changes in channel competition. In the 1990s, the three major network evening news programs faced increasing competition for viewers from cable programs. In analyzing the content of network news programs, I show that producers attempting to halt the slide in ratings focused in particular on the marginal viewers, those who sometimes tuned into the network evening news and sometimes chose other fare. The programs focused on retaining young female viewers, who carry a greater premium in the advertising market because they often make family purchase decisions. Covering political issues of interest to younger females meant more coverage of gun control and dealing with the problems of families with children. Since younger females were more likely to be Democrats, talking about political issues that interested them meant that on the margin the network news programs devoted more time and stories to liberal issues. The motives of network producers were not ideological. The commercial pressure to retain the interest of younger viewers translated into coverage that focused on topics traditionally associated with the Democratic Party.

The Fox News Channel offers a similar example of conscious product positioning, but this time with a more conservative agenda. As the number of channels received in

public opinion (for an assessment of legal issues involved in accuracy and reporting, see Levi, 2000). Analyzing the impact of media ownership in a sample of 97 countries, Djankov, McLiesh, Nenova, and Shleifer (2003) find that government ownership of the media has a negative impact on education and health outcomes. Analyses by the World Bank (2002a,b) stress the broad social and political benefits of independent media organizations. Besley and Prat (2001), Besley and Burgess (2001), and Besley, Burgess, and Prat (2002) examine the impact of the media on political accountability. Lott (1999) explores the incentives politicians have for government media ownership. Stromberg (2004: 1) explores how 'the increasing-returns-to-scale technology and advertising financing of media firms induce them to provide more news to large groups, such as tax payers and dispersed consumer interests, and groups that are valuable to advertisers'. For quantitative assessments dealing with media bias, see Gentzkow, Glaeser, and Goldin (2004), Groseclose and Milyo (2004), Puglisi (2004), and DellaVigna and Kaplan (2005).

cable households grew, the expected audience size a new channel could garner declined. In the late 1960s, US television households received an average of only seven channels. In that broadcast environment, each major network had the incentive to offer unbiased news coverage to attract audiences in the tens of millions. By 2000, households received an average of 63 channels. In that universe, a cable programmer would be happy to capture the attention of a million viewers. A conservative cable channel program might not attract ten million viewers, but it might draw two million viewers. This logic of niche programming gave rise to the Fox News Channel, which my analysis shows has the most conservative audience among major media outlets.

Laments that the rise of soft news reflects a general decline in tastes also miss the economic factors driving news content. Consumers today can choose from a wide spectrum of news products that vary in their emphasis on news about government and politics (hard news) or human interest and entertainment figures (soft news). A number of factors may lead editors and producers to favor soft news. In broadcast markets, viewers aged 18–34 command higher advertising rates. News outlets may cater to the preferences of these younger viewers, who are much less likely to express interest in traditional hard news stories. Hard news topics such as international stories will lose out if they involve greater expense, such as the travel costs involved in original international coverage. Media companies once covered public affairs in part because this brought prestige to the firms' owners and regulatory protection from Congress and the Federal Communications Commission in the case of licensed broadcasters. Now that newspapers and television channels are part of large publicly traded firms, the focus on profits demanded by shareholders means less attention to public affairs reporting. Hard news may have positive spillovers for society in terms of increased scrutiny of government or corporate officials. But if media outlets cannot earn a return from this scrutiny, they will be less likely to exercise it and more likely to seek returns in serving advertisers or entertaining consumers.

In chapters in *All the News* on local newspapers and television stations and on 30 years of network news programming, I show how these economic conditions have affected the amount of hard news provided across different cities and across time. To explore the workings of local television news markets, I analyzed stories carried by local news programs in the top 50 television markets in November 1999. The results largely bear out the predictions of the spatial product location model for news. Programs targeted at specific demographics do vary their news contents. Local television news shows with a higher percentage of female viewers were less likely to show hard news stories dealing with national and international affairs and less likely to do stories about state and local political officials. Programs in markets with higher viewer interest in hard news carried a higher number of national hard news stories and local political stories. In areas where viewers demonstrated a greater taste for entertainment news, news directors added more soft news stories to local news broadcasts. Stations owned by group owners carried fewer hard news stories and fewer stories about a state's US Senators. Network affiliation also influenced which celebrities and television programs

were discussed on local television news broadcasts. Fox stations were more likely to carry stories about the Fox program *Greed*. ABC stations were more likely to talk about Monica Lewinsky during the time when the network's star Barbara Walters became the first person to interview the former intern in-depth about her relationship with President Clinton. ABC affiliates were also more likely to air segments in their newscasts about the highly successful quiz program *Who Wants to be a Millionaire?*

My analysis of local newspaper markets focused on the content of daily newspapers in the top 50 cities in samples covering 1998 through 2000. Using the same soft news stories from November 1999 examined in the television analysis, I find that the overall interests of readers had no statistically significant impact on the number of soft news stories carried in the daily newspapers.⁵ For particular hard news topics in 1998 and 1999, I am able to measure the local incidence of the problems. For stories such as poverty, Medicaid, and campaign finance reform, I find that local interest in hard news translates into more stories on these topics in the local daily newspapers. In terms of local incidence of problems, areas with greater levels of food stamps or family assistance spending actually have fewer articles written about these topics. For topics likely to be of interest to a paper's target readers, such as computers or soft money contributions in politics, the greater the real-world incidence of these topics in the community the larger the number of stories about the topic in the paper. In contrast, local crime rates have almost no statistically significant impact in explaining the amount of coverage devoted to particular types of crime in a city. Crime coverage (which may be relatively inexpensive to generate) appears to be more related to reader interest than real-world incidence.⁶

To measure trends in coverage of hard and soft news stories by the network evening news programs, I needed ways to track these different news types. Each year *People* magazine develops its list of the 25 Most Intriguing People. The *Harvard Law Review* publishes its compilation of the term's major Supreme Court cases. *Congressional Quarterly* summarizes the key votes that occurred in the House and Senate. The Americans for Democratic Action select a set of votes to measure the liberalism of candidates, while the American Conservative Union tallies the key conservative votes

⁵ In my analysis of newspaper markets, I used the percentage of households in the market subscribing to *People* magazine to reflect interest in soft news and the percentage subscribing to *Time* to reflect interest in hard news. Since a newspaper is a portfolio of stories that a reader can select from, while a television program generally shows stories one at a time for consumption, one may expect television programs to be more responsive to average tastes. Newspapers can afford to offer stories with limited appeal, since uninterested consumers can simply skip them. Stories on television that generate little interest can drive viewers away.

⁶ An area where coverage appears divorced from local (editorial) preferences is news coverage of the presidential campaign. Analysis of the coverage of the convention speeches by Al Gore and George Bush in 2000 shows that there were almost no differences based on the editorial politics of a paper. Newspapers covered the Gore speech in a similar way regardless of which candidate the editorial page endorsed. The same pattern held for coverage of the Bush speech. This is consistent with the economics of objectivity, since covering the news of politics in a nonpartisan way allows a newspaper to attract readers of all parties.

in Congress. In my analysis of news content, I used *People's* people to represent soft news topics and the law review cases, CQ key votes, and interest group ratings to define hard news topics. I used the Vanderbilt Television News Archive to determine whether the network evening news programs covered particular celebrities, court cases, and congressional votes over the 30-year period 1969–1998. Overall, the results indicate growing coverage on the networks of soft news personalities (e.g., entertainers, sports figures). The percentage of important Supreme Court cases covered on the network evening news programs remained relatively constant over time. The percentage of CQ votes in the Senate and House that generated stories on these broadcasts declined over time. A large decrease in the coverage of votes deemed important by liberal and conservative lobbying groups is also evident. The analysis indicates that network news decisions about covering hard and soft news topics were influenced both by the partial deregulation of television and the increasing competition from cable channels.

In addition to decrying the emphasis on entertainers in news content, some critics also object to the transformation of journalists into celebrities. But they miss how fame can help consumers overcome a particular type of ignorance, namely, uncertainty about the content of a news product. Though the events of the world change daily, if reporters become part of the news product, a consumer can develop some expectation about the content of a given news program. The development of brand reputations is even more important as the number of news outlets expands because reputations based on past consumption allow a paper or program to stand out among competitors. In a chapter on how some journalists can become part of the product they deliver, I show that even as the average audience for a network evening news program has declined, the salaries for network anchors have increased. Anchors are increasingly valuable in the struggle to attract audiences to sell to advertisers. Political pundits are another example of journalists who become part of the news product. I find that pundits strategically adopt their language to satisfy audience demands. For a set of journalists who appear both in print and on television, I demonstrate that they are much more likely to focus on entertainment values and much less likely to use abstract terms or analyze group actions when they are on television. Predictable product positioning is also evident in the use of ideological language. Pundits with liberal reputations are more likely to use positive words and focus on group concepts, while conservative pundits use terms that stress individualism and language that conveys ambivalence or negative tones about policy issues, politics, or government.

Many popular commentators view the Internet as a cure-all for media problems, since they believe it will allow voters to find the information needed to judge politicians and policies. In *All the News That's Fit to Sell*, I show instead that rational ignorance still holds sway on the Internet. While hard news terms appear on more websites than soft news topics, this in part arises from the posting of information by government and nonprofit organizations, who are less concerned with profit. Yet in terms of the demand expressed for information, individuals are much more likely to search on the Internet for soft news or information about product purchases than for details about government

policies. Advertisers are willing to pay much more for association with search results about products or entertainment topics than about public affairs information. A person interested in product information is a valuable target for advertisers. The attention of a voter searching for information about global warming or tax policy is worth less on the Internet, however, since his or her influence on these topics is so small. I do find that the Internet expands the overall audience for high-quality news. In hard copy sales, the top five among America's largest 100 newspapers account for 21.5% of the total circulation. In terms of linking activity, the top five websites of these newspapers garner 41.4% of the total traffic. The Internet provides a way for consumers around the country (and world) to gain access to papers such as the *New York Times* and *Washington Post*.

Translating content into consequences

Economic theories of information suggest a list of problems that may arise in news markets: underconsumption of news about public affairs; inadequate investment in developing or reporting hard news; a bias in broadcasting against high cost news programs or those that deliver information valued by a minority of viewers; the tilt toward satisfying the information demands of viewers or readers most valued by advertisers; the need to develop journalists into celebrities to build product brand names; the temptation of conduit owners to favor content they own over the offerings of other producers; the possibility that journalist herding will cause reporters to go with common wisdom rather than developing their own takes on stories; or the potential for conglomerate owners to view news provision solely through the lens of profit maximization. In some cases, economic reasoning alone cannot indicate whether the market for content is working well. For copyright law cases, for example, it is hard to predict the proper balance between strong laws that encourage production and less stringent protections that favor dissemination and consumption. In other cases, the direction of the market failure may be clearer, such as the underprovision of hard news because of rational ignorance among viewers/voters. Quantifying the degree of problems with news markets involves many challenges. Part of the difficulty lies in estimating the impact of a lack of information. Since information is in part an instrumental good valued because it influences many types of decisions, analyzing news markets also requires an examination of how political markets work.

To see the relationship between media content and political consequences, consider the finding that the network evening news programs are more likely to cover political issues of interest to a valuable set of marginal viewers, women 18–34. These viewers are relatively more interested in liberal concerns such as education, gun control, and the environment. Does this bias in story selection, which is generated by profit concerns, have an impact on politics? This depends on your assessment of a number of questions. What is the impact of network news consumption on viewers? Which viewers are voters? What baseline knowledge do these voters bring to an issue? Does the focus by the networks on particular issues focus candidates on these topics? What is the relationship between candidates' talk during campaigns and their performance in

office? When do voters gather the data that influence their decisions (e.g., before September? in October?)? Do the voters use short-cuts such as party identification to make their decisions, or do they look for details about policies? If the networks cover liberal issues will these be used to hold officials accountable? Can viewers and voters see a causal chain that links real-world outcomes with policy decisions? What voting rules do individuals use? Do they vote on results or on promises? Do they hold the party accountable or the person?

Current research in political science and economics offers some evidence on the consequences of media market operation.⁷ Bartels and Rahn (2000) have found that the declining audience size for the network evening news translated into lower interest in political campaigns and less faith in the electoral process. The rise of cable television has allowed viewers to flee political coverage in favor of entertainment, lowering the audiences for presidential news conferences (Baum and Kernell, 1999) and lowering the likelihood that politically moderate individuals will vote (Prior, 2001a, 2001b). The focus of soft news outlets on dramatic or emotional war stories affects viewers' attitudes toward US policy and raises the risks for policymakers of foreign interventions (Baum, 2003a). As the *New York Times* captures more college educated readers with a national edition across the country, these target readers are less likely to vote in local elections (George and Waldfoegel, 2001). If voters were fully informed, electoral patterns would be significantly different. Bartels (1996) finds that at the presidential level, incumbents garnered about five more percentage points and Democratic candidates earned two more percentage points than they would have if voters were fully informed.⁸

Prominent media effects analyzed in political science include agenda setting, framing, and priming. Agenda setting theories focus on how media coverage can define the set of issues considered to be important by citizens and government officials. Framing refers to the impact that the way a choice or event is described in coverage

⁷ The spread of a new media technology often brings changes in political interactions. Stromberg (2004) indicates that, controlling for other factors, more New Deal relief funds were distributed to counties with more radio listeners. Prior (2002) finds that the incumbency advantage in the House of Representatives increased with the rise of television, and traces this to local news coverage of incumbents. Kalb (1998, 2001) describes how the Internet affected the reporting of the Monica Lewinsky scandal.

⁸ The economic incentives that influence media content can have a spillover effect on politics through that coverage. The market-driven nature of reporting leads to simple rules of thumb: cover the horse-race in politics; focus on the human impact of government policies; treat bad news more often than good news; and talk to your targeted audience. Each of these ways of holding viewer attention have a specific effect on political attitudes and actions. Mutz (1995) finds that the media coverage of a candidate's potential political support in presidential primaries affects campaign contributions raised. Iyengar (1991) discovers through lab experiments that viewers shown news stories that tell the story of particular poor people are more likely to attribute poverty to individual factors rather than social causes. Groeling and Kernell (1998) find some evidence that surveys which detect declines in presidential approval are more likely to be reported on the major television networks. Oberholzer-Gee and Waldfoegel (2001) determine that blacks are more likely to vote in areas with higher black populations and trace this effect in part to a larger presence of black-targeted media outlets. Gabszewicz, Lausell, and Sonnac (2002), Mullainathan and Shleifer (2003), and Romer (2003) develop theoretical models relating to the interaction of economics and political preferences in information markets.

can affect public reaction. Priming refers to the ability of the media to help define the events and issues used to judge politicians. Tracing out whether and how these effects combine to influence voting decisions is extremely difficult.⁹ Researchers have identified many problems with equating media consumption with media effects. How can one make sure that a person received a particular media message?¹⁰ What was the content of the media consumed? What were a person's baseline opinions before the media exposure?¹¹ If the media respond to real-world events, the actions of politicians, and popular interests and opinions, how can one separate out the particular contribution of the media from these other influences?¹² Laboratory experiments in which viewers are shown particular combinations of television stories offer one way to isolate media effects.¹³ Internet experiments with online information consumption provide another way to measure the impact of content on opinions or actions. Careful analysis of survey data, especially with data that involve the reinterview of people over time, gives researchers another way to isolate the impact of news coverage.¹⁴

Downs's economic theory of democracy suggests widespread, rational ignorance among citizens about the details of policy and governance. Survey research indicates that Americans are often hard pressed to identify how government operates, who holds particular offices, or what are the details of current events or policy proposals. In their

⁹ For evidence on agenda setting, see Watt, Mazza, and Snyder (1993), Dalton, Beck, Huckfeldt, and Koetzle (1998), and Edwards and Wood (1999). Miller and Krosnick (2000) analyze the factors that influence priming. Druckman (2001a,b) shows how lab experiments can be used to test framing theories. For other evidence on how the media affect public opinion, see Entman (1989), Mutz and Soss (1997), Graber, McQuail, and Norris (1998), Mutz (1998), Watts, Domke, Shah, and Fan (1999), Eveland and Scheufele (2000), Graber (2000), Mutz and Martin (2001), Baum (2003b), and Prior (2003). Ansolabehere, Behr, and Iyengar (1993) and Paletz (1999) provide overviews of media effects. Lippmann (1922) offered an early analysis of the impact of news on public opinion. For analysis that examines the relative power of the media by discussing the size of bribes paid for favorable coverage of the government in Peru, see McMillan and Zoido (2004).

¹⁰ Price and Zaller (1993) point out the importance of determining who 'gets the news,' e.g., who is exposed to news, pays attention, comprehends, and remembers it. They conclude that (p. 133) . . . in survey research applications that require estimates of individual differences in the reception of potentially influential political communications, a measure of general prior knowledge – not a measure of news media use – is likely to be the most effective indicator.'

¹¹ Zaller (1992) analyzes how individuals' political predispositions affect their reaction to new information.

¹² To see how researchers attempt to separate out the impact of news about the economy on public opinion from the impact of other factors such as real-world economic conditions, see Iyengar and Kinder (1987), Nadeau, Niemi, Fan, and Amato (1999), Shah, Watts, Domke, Fan, and Fibison (1999), and Duch, Palmer, and Anderson (2000).

¹³ For lab experiments involving the political content of television, see Iyengar and Kinder (1987), Iyengar (1991), and Ansolabehere and Iyengar (1995). Lupia (2001a) uses data from an online lab study to analyze use of Internet political information in the 2000 elections.

¹⁴ Bartels begins his 1993 article 'Messages Received: The Political Impact of Media Exposure' with this sobering assessment (p. 267), 'The state of research on media effects is one of the most notable embarrassments of modern social science.' He demonstrates that (p. 275) 'attention to the effects of measurement error significantly increases the apparent impact of media exposure on opinion change in a presidential campaign setting.' Zaller (1996) shows how attention to measurement effects and modeling of information flows can reveal large media effects.

analysis of public opinion data, Delli Carpini and Keeter (1996) find that knowledge about politics among Americans is relatively low, that this level of knowledge has remained generally stable over the last 50 years, and that there are some segments of the population with high levels of political information and activity. Scholars in political science continue to debate, however, the implications of low levels of factual knowledge about government. Recent work has focused on the question of what knowledge is required for citizens to act competently.¹⁵ Voters with little information may be able to vote as if they were fully informed, if they are able to rely on information short-cuts or heuristics. Symbols, brand names, ideologies, and endorsements are all low-cost ways for voters to gain information that allows them to determine who stands for what in politics. Popkin (1994) describes the practical reasoning voters use as 'low-information' rationality. Lupia and McCubbins (1998) investigate the conditions under which voters may be able to make reasoned choices about the agents they have endowed with decision-making power. In survey and laboratory settings, Lupia (1994, 2001b,c) has explored how voters can learn through information short-cuts and crutches. Determining the implications of a given type of media coverage ultimately will depend on the outcome of current research in political science on what types of information citizens need to make informed choices.

To summarize, economics does a good job of predicting how the media choose to cover public affairs. Assessing the impact of this coverage on the operation of government, however, is difficult. There are multiple theories of the role the media could play in politics: a provider of information to help citizens monitor the many decisions delegated to politicians; a source for data that helps individuals formulate their preferences and arrive at assessments of the world; a conduit for information flowing from interest groups to voters, as organized interests contend for policy advantages; or a fire alarm that alerts citizens to major failures or corruption in the public and

¹⁵ For analyses of how citizens make decisions, see Sniderman, Brody, and Tetlock (1991), Lupia, McCubbins, and Popkin (2000), and Kuklinski, Quirk, Jerit, and Rich (2001). Brown (1996), Schudson (1998), and Keyssar (2000) examine how the image of the informed citizen changed over time. Just, Neuman, and Crigler (1992) lay out an economic theory of how individuals learn about news that emphasizes how learning costs may vary across issues and across media. Graber (2001) investigates how television conveys information about politics. Krause and Granato (1998) and Althaus (1998) explore the policy implications of the variation in knowledge across citizens. Nie, Junn, and Stehlik-Barry (1996) analyze the impact of education on citizenship; Dee (2003) investigates how schooling affects voter participation. Zaller (1999) offers several cautions about informed citizens, including (p. 2):

Highly informed citizens have many good democratic virtues, but they also tend to be rigid, moralistic, and partisan. It is not obvious that democracy would work better if more voters were like the most informed voters in the current system. Poorly informed voters are not so disengaged from national politics as many believe. Indeed, at least as regards presidential elections, poorly informed voters are more systematically responsive to the content of political campaigns than their better-informed counterparts. More than others, they reward incumbents who preside over strong national economies and punish those who do not. Poorly informed voters [are] also more responsive to the ideological locations of the candidates. . . . It is not obvious that democracy would work better if fewer voters were animated by the concerns of the least informed citizens.

private sectors.¹⁶ Quantifying the exact impacts of coverage in a particular policy area is extremely difficult, since it would involve measuring content, modeling consequences, and providing criteria to judge the desirability of different policy outcomes.

Changes in markets, changes in content

Market models of news content make assumptions about the motivations of media outlet owners, the technologies of information dissemination available, and the property rights that govern how information can be created and conveyed. These variables vary widely across countries. While sections 1–4 of this essay focused on the United States, in this section I consider how changes in these three factors change the nature of competition among media outlets and ultimately influence the types of news available to consumers.

Ownership

In some countries, the transition to more competitive media markets entails a fundamental shift from media outlets owned by the state to media outlets owned in part by commercial entities. State controlled media outlets may maximize objectives other than profit. They may wish to bolster a particular party, disseminate information to support government policy, provide educational or cultural programming to strengthen national identity, convey information that benefits particular individuals, or (in the public trustee model) provide readers/viewers with information they should know as citizens. Programming with political ends may focus on different segments of the population, including the rural poor, ethnic minorities, or marginal voters in a given political struggle. Commercial outlets will view potential readers and viewers as consumers, not voters. In television markets, for example, commercial broadcasters may be more likely to offer content designed to attract viewers deemed valuable to advertisers. Relative to news content offered by public broadcasters, private broadcasters may offer news content aimed at younger audiences, such as human interest, entertainment, or sporting news. Commercial broadcasters may also be more likely to program in developing countries to urban populations, if these audiences are more valued by advertisers than rural segments of the population. The difference in the interests of the marginal voter versus the marginal consumer gives rise to different content offered by public broadcasters versus commercial channels.

Commercial newspapers may be more differentiated than government controlled outlets. In countries or cities where populations are large enough to support contending varieties of daily newspapers, spatial competition models predict that outlets will target different audiences through the mix of hard/soft news offered. Some newspapers will choose to be tabloids and cover crime, scandal, disaster, and soft news. Other

¹⁶ For a discussion of the media's role in monitoring government officials, see Arnold (2002) and Zaller (2003). A recent report by the Council for Excellence in Government (2003) charts how the media have portrayed the federal government over the period 1981–2001.

newspapers will choose to focus more on hard news/business news. Papers may also differentiate along party lines, so that outlets are identified by the slant taken on the news. Note that in markets large enough to support one daily paper but not two, the newspaper may prefer to offer 'objective news coverage' since this attracts the attention of readers from many parties (and these readers can be sold to multiple advertisers).

Profit motivations will also affect the costs media outlets are willing to incur to cover news. Public broadcasters, funded by general revenues or taxes on televisions, may invest in relatively expensive information creation. Newspapers funded by the state can similarly invest in stories without closely calculating the impact of reader interest of the coverage. This break between costs and demand may generate positive benefits to society. Publicly funded outlets could invest in news that generates broad positive externalities by informing citizens about policy. News of high interest to a small minority of viewers or news that is particularly expensive (e.g., international news produced by correspondents abroad) may also be produced by public broadcasters. Propaganda may also flourish, if a publicly funded outlet invests in stories extolling the virtues of a party knowing that few will be strongly interested in the coverage.

Commercial broadcasters will calculate the costs of coverage in deciding whether to allocate resources to a story. When commercial channels proliferate, some types of news that are expensive to produce may decline. Over the air broadcasters do not care about the extent that viewers enjoy or value a program; these broadcasters are happy if they offer content pleasing enough to prevent channel changing. This means that if a program generates more interest than another but is much more expensive, the commercial broadcasters will opt for the cheaper news. If investigative journalism or international coverage is more expensive to produce, then (controlling for other factors) market pressures may lead to reduction in these types of news coverage when commercial broadcasters arrive in a market. This will depend in part on the degree that public broadcasters were trying to generate positive externalities (e.g., provide educational or information programming) or engage in rentseeking (e.g., prop up a corrupt administration).

Technologies of information dissemination

Media outlets make explicit decisions about the type of news products they offer. In *All the News That's Fit to Sell*, I develop a simple spatial model of product location that demonstrates how producers decide the mix of news to offer.¹⁷ Assume, for example, that there are three types of television news viewers: those who prefer soft news programs, those who like a mix of hard and soft news topics, and those who want programs with high levels of public affairs content. The returns for capturing these viewers will depend on how much advertisers are willing to pay, which is based on the demographics of those watching. A programmer deciding on the level of public affairs coverage to offer in a news program will consider the number of viewers attracted to that type of

¹⁷ This section draws on Hamilton (2004a: 13–18).

information, the value advertisers place on these viewers, and the number of channels contending for viewers' attention. Profits for a given news program will also depend on the costs of assembling the information and producing the stories, which may vary by type of news product. There are a finite number of channels contending for viewer attention, a limit derived from the combination of technology and regulation involving spectrum signals and cable channel capacity. A news producer will decide on whether to offer a program with low, medium, or high levels of public affairs content depending on the profits offered in each of these genres. Channels will eventually be distributed across the news programming spectrum so that the profits of a firm are equal across the three types of programming. If profits are not equal, then a channel has an incentive to switch programming into the news genre with the higher profits. This simple model yields predictions about how news programming may change with technology.

As the number of channels increases (say through delivery of satellite service or expansion of cable offerings), the number of soft news programs will increase. New entrants distribute themselves across programming genres so that equilibrium profits remain equal across low, medium, and high public affairs content market niches. As the number of programs offered increases, the number of competitors in each niche will increase. Hard and soft news channels will grow. The first commercial entrants in a market may be more likely to locate in the moderate or soft news genre, if public broadcasters have already staked out channels that offer hard news. Since the consumers of softer news are often younger, commercial entrants may also prefer moderate or soft news locations since their audiences are more valued by advertisers. If the ingredients for soft news are cheaper (e.g., gossip, scandal, disaster, celebrity news) than the ingredients for hard news investigative reporting, then this provides another reason why new entrants may initially choose a moderate or soft news mix location.

Analysts often equate increased competition with soft news. Yet note that a large increase in channels implies larger numbers of offerings in each genre: low, medium, and high amounts of public affairs coverage. Initial increases in channels lead to softer news in part because these new entrants are responding to the locations previously chosen by public broadcasters, who often will be offering hard news. In this way, the existence of public broadcasters makes commercial channels softer because the public broadcasters may already have hard news locations occupied. If public broadcasters depend on ratings for renewal of funds, the competition from commercial channels may pull public channels closer toward entertaining news in order to draw viewers from soft news offering. Firms owning multiple media outlets may try to protect their product space by offering news versions that are similar but not perfect substitutes. Print conglomerates, for example, may offer some news publications as pre-emptive measures that make it less profitable for other companies to enter the market.

The spatial model of news location reveals how an increase in the number of competitors can set up a tradeoff between depth and breadth in coverage. Consider an increase in the number of competitors allowed in a marketplace that arises if the government were to expand the number of spectrum allocations in an area. This increase

in N could lead to an increase in the outlets offering news in each of the news categories of low, moderate, and high public affairs content. Consumers might be more likely to find a program closer to their ideal show, since there will be more programs in each of the genres of news programming. Suppose, however, that the costs of news programming with moderate amounts of public affairs programming were to drop. This might occur if firms were able to buy news from a wire or video service rather than make their own stories, or if the firms simply reduced the hard news portion of their mix of stories because they no longer felt regulatory pressure or professional scrutiny of their 'public service' function. In this case, more outlets would be attracted by the temporary profits in moderate news programming, which would increase the total number of options offered viewers in this genre. The drop in cost here can be viewed as a decrease in product quality, as it could result in less information being offered in the news product. Yet this decrease in depth is accompanied by an increase in breadth, if one views more viewing options in a given category as representing more choices for some consumers. This shows that under some circumstances, the market for news locations can yield more breadth of outlets at the same time that quality of coverage or depth is declining.

A race to the bottom in news coverage is another way to model how competitor numbers can influence news content. Suppose that there were only a small number of viewing options in a broadcast market, a situation enjoyed by the three major networks in the early decades of television. With a small number of firms, collusion about product quality or composition can be easily facilitated. One could view news directors of the broadcast networks in the US in the 1960s as making decisions about the content of nightly news programming as fairly confident that their competitors would provide a program with high public affairs content. The FCC at the time required local broadcast stations to report on their public affairs coverage, so regulatory pressures reinforced the focus on hard news. The networks were owned by or identified with individuals willing to tradeoff some profits for the psychic rewards of being identified as good corporate citizens. The industry trade association, the National Association of Broadcasters, helped facilitate quality restrictions through broadcaster codes. As cable technology and changes in spectrum allocation generated more competitors in the television marketplace, however, it became harder to maintain informal restrictions on the type of information products offered. Collusion about quality, even if it has positive externalities for society, is harder to maintain as the number of potential stations that might defect and offer a more popular programming genre increases. This yields a version of a race to the bottom. As the number of competitors increases, it becomes more likely a station will offer soft news as a programming alternative. This will lead eventually to a model where competitors compete to locate in all three programming genres rather than only two. The diversity of viewing options has increased, which can translate into greater consumer happiness. The decline in the number of outlets offering hard news programming, however, can lead some to prefer the outcomes where competition was less likely to yield soft news programming, since this type of programming carries fewer civic benefits (i.e. positive externalities).

If increased channels cause audiences to fragment, political bias in news provision may increase for at least two reasons. First, as the average audience available to a new entrant shrinks, it becomes more likely that niche programming based on reaching a set of viewers with strongly held political beliefs increases. Second, fragmented audiences translate into less advertising support per program. Producers pressed for programming may determine that ‘talk is cheap’ and develop public affairs programs based on airing of opinions rather than expensive, investigative journalism.

These examples from the spatial model show how an increase in the number of competitors may increase diversity but may decrease quality, as measured by depth of coverage or type of news programming offered. Models also exist that show how an increase in the number of competitors can actually decrease diversity, as measured by the number of unique perspectives or story selections offered in a marketplace. If an increase in competitors increases the number of journalists covering a given story, this can ultimately lead to a herding phenomenon, which reduces the number of original takes on a story. As the number of journalists covering a story grows, an individual reporter may be more likely to simply go with the angle and events developed by previous reporters. The individual journalist faces the decision of whether to incur the costs of creating a story from scratch or taking the path pursued by other reporters. In this situation, an increase in the number of journalists who have covered a story in a particular way increases the signal to a subsequent reporter that this is the best way to pursue a story. In addition, journalists may face greater penalties within their news organizations for going against a perceived wisdom in coverage the greater the consensus among journalists covering a story. This herding reduces the likelihood that each journalist will investigate and write a particular story. In one sense this is efficient, since fewer resources overall are devoted to the fixed costs of building the details of a story. Herding can also lead to errors of fact and interpretation, however. If the early reporters investigating a story get it wrong, herding by later reporters can magnify the problem.¹⁸

Competition can also decrease diversity in situations where separate ownership of outlets leads to the duplication of news offerings. This result was first developed in a model of television programming developed by Steiner (1952), who contrasted programming outcomes when channels were owned by a monopoly versus separate competitors. To see how a monopoly might lead to more diverse news products, consider a market with the following characteristics.¹⁹ There are three types of news programming (soft news, mixed news, and hard news) and three television channels. Consumers only view their most preferred type of programming; if it is not offered, they do not view news programming. Assume there are 5,000 viewers who prefer a moderate

¹⁸ Graham (1999) examines herding by analysts offering investment advice. Kennedy (1999) examines herding in the introduction of programs by broadcast television networks.

¹⁹ The presentation of the Steiner model here draws upon the formulation in Owen and Wildman (1992: 65–70).

amount of public affairs coverage, 2,500 who prefer soft news, and 1,250 who prefer hard news. If the three channels are controlled by a single entity, then this monopolist will choose to broadcast each type of news. This strategy will garner 8,750 viewers that the monopolist can sell to advertisers, since each type of viewer will prefer watching their favorite type of news over nonviewing. Consider what happens, however, if each channel is owned independently so that there are three competitors in the marketplace. In this situation, two channels would show programs with moderate amounts of public affairs programming and split the market for these viewers, so that each channel got 2,500 viewers. The third channel would offer soft news programming and gain 2,500 viewers. Overall, 7,500 consumers would choose to view television and 1,250 would not view news programming. With each of the outlets owned separately, no channel has an incentive to provide hard news programming. The monopolist cares about total audiences for the three channels and thus ends up offering programming that may only appeal to a small segment of the audience. Each outlet in the competitive market cares not about the total audience viewing but about the number of viewers attracted to its show. This logic leads to program duplication, since it is more profitable for two channels to show the same genre of moderate public affairs and split the audience for this type of information than for one of the channels to offer moderate and another offer hard news. Under these assumptions, increased competition leads to decreased diversity in news offerings.²⁰

The existence of the Internet opens up competition for print and broadcast outlets in several ways. Stories that circulate via email or on websites on the Net create demand for information about these topics in print and broadcast outlets. The freedom of traditional media outlets to ignore stories is constrained by information circulating on the Web. The growth of blogs on the Internet means that increasing numbers of people are willing to devote time to posting their observations about personal, social, and political events. Blogs may be a source of political opinion, news frames, and (in some cases) new information about public affairs. Text messaging on cell phones also affects the operation of other media markets. Even if authorities are able to censor traditional media sources such as television and newspapers, the circulation of information via cell phones and text messages can create an awareness of events that ultimately affects demand for information in traditional media outlets. Newspapers and TV stations that ignore widely circulating stories run the risk of losing credibility if they ignore important stories.

²⁰ Owen and Wildman (1992) analyze the implications for social welfare of competitive versus monopoly markets in advertiser-supported and pay television. They point out (p. 100) that in advertiser-supported television, competitive duplication will be less of a problem if viewer preferences are relatively evenly split across programming types since this reduces the returns to duplicating programs. If the number of channels is relatively large, programs appealing to a small proportion of viewers may still be profitable to offer in a competitive market as long as there are enough viewers to generate revenues to pay for program production/distribution costs. The impact of competition versus monopoly on programming outcomes is left open as a matter of theory. Owen and Wildman conclude (p. 148), 'From a social welfare perspective, there is no unambiguous ranking of alternative ways to organize a television industry.'

At first glance, the Internet might seem to offer relief from distribution cost worries. Once a news site is up and running with stories, the marginal cost of another web surfer logging onto the site is effectively zero. The spatial model emphasizes that costs in a particular news segment limit the number of providers that can earn profits there. If the Internet drops these fixed costs, then one would think that many more news outlets could survive in a genre such as hard news provision. The limits on human attention and information processing, however, mean that in a world of many Internet sites there will still be advantages to size. Sites may have to engage in significant advertising, often in print or broadcast media, in order to raise awareness of their existence and brand location. This reintroduces the problem of fixed costs and gives established media outlets advantages in the operation of Internet news markets.

Speed of information transmission also affects content through supply- and demand-side pressures.²¹ Satellite and Internet technologies give news outlets the ability to provide immediate coverage of events. This raises consumers' utility to the extent that they prefer current knowledge to future knowledge, an assumption often made about consumption patterns. The speed of transmission and existence of quickly retrieved electronic data, however, may reduce the time for reasoned analysis by some journalists. In a world where reporters face demand for news now, they may be more likely to engage in herding. Rather than investigate and develop a story, a reporter may look at the efforts of others and use a similar take on a news event. The quick transmission technology also makes it more likely a consumer has heard about popular stories from friends or coworkers. This can create the expectation that a story will be covered by a favored news outlet in a particular way. The cascading of information can lead to demands for quick story coverage. Not all outlets will react in the same way to these pressures, since the spatial model predicts that it will still be profitable for some outlets to develop brand names for high public affairs content combined with extensive analysis.

Property rights to create and disseminate information

Changes in property rights to information will also affect how news markets operate. When countries with state-controlled media allow private newspapers or channels to operate, constraints on topics covered may remain. Since government officials are often most concerned about coverage of government policies, private media outlets may focus on soft news as a way to avoid censorship battles with the government. Sporting news, business information, and lifestyle coverage may attract more attention from commercial magazines. If defamation laws are passed that allow cases against reporters and outlets to be brought easily by public figures offended by coverage, commercial media outlets may shy away from controversial coverage. When governments require newspapers or channels to have licenses to operate, the shadow

²¹ Kovach and Rosenstiel (1999) use coverage of the Lewinsky scandal to examine the pressures on print and broadcast outlets to rush information into circulation. Sabato, Stencel, and Lichter (2000) assess how the media cover political scandals.

of future state action may cause commercial outlets to avoid offending government officials.

Globalization in media markets raises additional concerns for governments intent on influencing the content of commercial media. News content produced for one set of countries by a global media firm could run afoul of censors in an authoritarian regime. One policy adopted is to require global media firms to have local partners to gain access to a market. The local partners have greater incentives to pay attention to the concerns of the home country government and to produce original programming that responds to local audience interests.

Governments may try to regulate access to information on the Internet in the name of protecting society from negative externalities. Filters to block sites with sexual or violent content may be required in Internet cafes. Politicians may also insist that filters or cybercensors block access to political content deemed subversive to the interests of the state. Election laws, including campaign finance laws, may also affect media content by defining limits on advertising and placing limits on expenditures for political information.

Measuring changes in media content

Readers and viewers know that media outlets differ in how they convey the news. The brand images that consumers have for particular newspapers or channels can involve many product dimensions shaped by editors or producers. Testing theories of how competition changes media content involves quantifying the product location decisions made by news firms. Testing theories of how media content changes over time in a country involves getting samples of news from the past and the present, which can be difficult in many countries. The tests I will describe here focus on cross-sectional analysis, i.e. taking a snapshot of media outlets at a given point in time and trying to describe the differences in their approach to providing news. Three different types of analyses B focusing on product differentiation, information search patterns, and consumption/production surveys B are outlined.

Product differentiation

News products may differ on multiple dimensions: hard/soft news mix; left–right world view; language use; style of presentation; and dependence on news personalities. Each of these dimensions can be quantified.

Hard/soft news mix. Some people have a producer demand for political information because they are involved in the operation of government. Seeing the degree that producer information involving public policy makes its way into a general news outlet is one way to define the degree an outlet focuses on hard news. In the US, the key legislative votes defined in *Congressional Quarterly*, the major Supreme Court cases analyzed in *Harvard Law Review*, and the congressional votes used by interest groups to develop indices of legislator votes are all examples of data used directly in

the policymaking process. Seeing how the network evening news channels incorporate stories about these events/decisions is one way to track how channels faced with the same set of events may choose to talk about hard news. Some outlets clearly serve a demand for soft news, such as the yearly compilation of *Intriguing People* assembled by *People* magazine. Measuring the number of stories or amount of time devoted to some of these celebrities is a way to analyze the provision of soft news in network evening news programs.

Political orientation of the news outlet. In some countries, newspapers proclaim their affiliation with particular political parties. Ways to measure the political location of newspapers or television channels may involve using party platforms to define the issues or frames adopted by specific parties.²² The content of party documents can define the issues, frames, or language associated with particular political viewpoints. Analyzing which newspapers adopt these viewpoints is one way to measure where they are located on the political spectrum. Seeing which sources are cited in news stories, e.g. which think tanks are referenced in news stories, is another way to analyze political coverage across newspapers. Even the use of adjectives such as liberal/conservative or right-wing/left-wing provides a way to quantify different approaches to political coverage. For example, are papers thought to be liberal more likely to label organizations 'right-wing' than to use the term 'left-wing' in their news coverage?

Language use. The frequency that newspapers use particular words is based on decisions made about topics covered and style of presentation. DICTION, a computer software program developed by Roderick Hart, compares a text with a dictionary of ten thousand words and calculates 40 different indicators based on the frequency of particular types of words. By taking a sample of newspaper content or broadcast transcripts and running them through DICTION, one can describe the degree that news programs vary based on the types of words they employ. Roderick Hart developed DICTION to study the language of politics.²³ The program takes a 500 word sample of text and compares the words used with approximately ten thousand terms that are divided into 33 different lists. The program reports the relative frequency that words from each of the 33 different lists are used, combines these counts into five summary measures of content, and calculates two additional language measures (a complexity count based on average word-length and a variety count based on number of different words used). Each 500 hundred word sample run through DICTION thus produces 40 statistical indicators. The 33 word lists are derived from research in communications and politics and correspond to product dimensions. The self-reference indicator, for

²² See Laver, Benoit, and Garry (2003) for an example of how policy positions can be empirically measured through analysis of text data.

²³ See Hart (2000, especially pp. 245–251). The description of DICTION here draws heavily on Hart (2000) and the documentation for the program, Hart (1997). Patterson (2000) uses DICTION to trace the growth over time of soft news coverage in the media. Loomis and Meyer (2000) use the program to examine executives' messages in the annual reports of media companies.

example, counts the use of first-person language such as I, me, or mine. The human-interest measure reflects the use of words relating to people, such as personal pronouns (his, them), family terms (wife, grandchild), and words such as baby or friend. The collectives indicator tracks the use of words relating to social groups (e.g., crowd, team), organizations (e.g., congress, army), and countries (e.g., county, republic). The 33 relative word counts and two measures of complexity and variety are combined into five summary indicators meant to reflect certainty, optimism, activity, realism, and commonality (e.g., values common in a group). The text of articles from newspaper websites and the existence of sites that aggregate news across countries and topics (such as Google news) provide analysts with content that can be easily imported into DICTION for analysis. Texts in language other than English can be analyzed in a similar manner through programs that count word frequency.

Style of presentation. Newspapers aiming to appeal to younger readers may adopt shorter articles, less complex sentence structure, and more visual displays (e.g., pictures, diagrams). Television programs aimed at attracting younger audiences may use a more rapid delivery style that includes short stories, use of many different shots within stories, more video clips in a given broadcast, and more information displayed on the screen (e.g., the headline information that trails across the screen on some cable news outlets). Competition for viewers/readers may lead some outlets to cover public policy issues through personal stories. Politics as human interest, scandal, or political strategy may offer more entertainment value than politics described through statistics or broader social forces. Some of these features can be analyzed quantitatively from the text of newspapers and transcripts of broadcasts. Other elements may require coding of a sample of broadcasts.

Dependence on news personalities. As the number of outlets increases in a market, the value of being well-known may increase, since brand identity can help a news outlet break through the clutter of information sources. Television channels may choose to make their anchors and reporters a larger part of stories, since this will create a differentiated product in the minds of viewers. This may mean more camera time for anchors, a smaller number of reporters so that each individual reporter can become more familiar to viewers, and higher salaries for those who are on-camera because they are more valuable as a draw. Newspapers may be more likely to promote their columnists, since these voices distinguish these outlets from others news sources.

Information search patterns (and roadblocks)

In spatial models of competition, a media outlet will choose a particular location, i.e. product position, based in part on audience interests. In Internet markets, patterns of search engine queries provide some evidence on what topics people are interested in learning about. Downs's theory of information suggests that people are more likely to be interested in news that can help with business or consumer decisions and less likely

to search out news that would help them be better voters. Search engines sometimes have incentives to provide data on the relative frequency of searches for specific terms, since advertisers' willingness to pay to be associated with a search term on the website can depend on how frequently the term is searched. Google and other sites will offer analyses of the most frequently searched terms. Newspapers may offer lists of the most frequently emailed stories. The search terms will provide a sense of the relative demands for information on the Internet and provide topics to be used in content analysis of news sites. Story rankings offer one way to measure intensity of engagement with particular stories. Newspapers collect information on which stories are viewed on the Internet and surfing patterns across stories, though researchers rarely gain access to these proprietary data.

Determining what information searches are blocked by the government is a useful gauge to censorship. In some countries, filters imposed by the government block sites, so that search engine results for controversial topics yield sites that cannot be accessed. Searching the Internet from a given country and determining what sites and topics are blocked is a helpful measure of what types of content the government is trying to control. Posting controversial comments to websites and determining which are dropped or blocked is another way to measure censorship. Comparing what is blocked/censored on the Internet to the content that is published in official versus commercial newspapers is another way to see what topics are deemed too sensitive to broach in the media, what topics are reserved for government publications only, which topics commercial outlets avoid through self-censorship, and which types of news commercial outlets feel free to pursue.

Consumption/production surveys

Models of competition driving content often assume that channels or television programs will focus on targeted demographics and that viewers will recognize the product locations of programs/channels. Audience surveys offer a way to test these theories. Nielsen data on television program consumption offer demographic data on programs, though the sample size and level of detail on audiences may vary across countries. Public opinion polls on media consumption allow researchers to develop evidence on who consumes particular programs, how channels/newspapers/programs/websites are perceived along such dimensions as political bias, and what types of information viewers of particular outlets may possess. Analyzing ads in newspapers and television programs offers additional evidence on who the targeted demographic of a media outlet may be. Instead of inferring incentives from analysis of content, ads, and audiences, researchers may also directly survey journalists in a country to ask them questions about the impact of economics and politics on content decisions. Survey responses of journalists may not fully get at the operation of media markets, because journalists fear government reprisal or may not always see the impact of market forces on their work. Yet survey data do offer one way to supplement other data such as audience information and content analyses.

Media content and competition in Asian countries

In a spatial model of media competition, outlets choose the type of news mix they will offer, based on revenues and costs. This assumes, however, that newspapers and TV stations are allowed by the government to choose what they will cover. Across countries, governments vary in the degree that they allow press freedoms. In this section, I briefly discuss how competition operates in three countries in Asia that represent three different approaches to media regulation.

In China, the Communist Party's approach to media regulation reflects the policy of allowing some competition in goods and services but not in political ideas.²⁴ In terms of Downs's model of information demand, the government allows the media relatively wide latitude in satisfying consumer, producer, and entertainment demands for information. The market for information that would allow people to function as citizens, however, is tightly controlled. The most regulated news in China relates to international and national political news. State television and the Xinhua News Agency, which is controlled by the party, are the prime sources for this information. Other news outlets cede this territory to the government. Individuals who try to write about national political events, such as Tiananmen Square, may be jailed. Internet cafes can require a license to operate, filters are in place to block access to sites that the government deems politically objectionable or threatening, and teams of censors surf the net to find and require the removal of political posts on Internet discussion boards. Major newspapers are ultimately owned by the party/state and television joint ventures with foreign companies require local partners, which means the threat of firing an editor or losing access to a market keeps outlets away from politically sensitive national coverage. Firms engaged in joint ventures will engage in self-censorship to gain or maintain access to the Chinese market. When Rupert Murdoch famously dropped the BBC World from his StarTV network in Asia, this was seen as a bid (later successful) to win access to part of the Chinese television market. *Newsweek Select*, which prints articles in Chinese from the US magazine, similarly chooses to focus on soft news relating to lifestyle or entertainment when it selects stories for inclusion.

Within many regions in China, a local press group ultimately tied to the Communist party will publish a variety of newspapers and magazines. The state now expects the media to earn profits via advertising, and has removed the forced subscriptions that once supported propaganda outlets. The local press company may offer publications that cross-subsidize the provision of political information that supports the state. For example, outlets focusing on sports, entertainment, or consumer news are popular in

²⁴ Sources used to develop the description of media markets in China include Agence France Presse (2004a), Armitage (2003), Atkins (2003), Bodeen (2004), Business Daily Update (2004), China Daily (2003), Ching (2003), Congressional-Executive Commission on China (2003), Dickie and Harney (2004), Dickie and Lau (2004), Esarey (2005, 2006), Keller (2003), Lee (2000), Liebman (2005), OpenNet Initiative (2005), Pan (2004), Reporters Sans Frontieres ND, and Yang (2003). For discussions of press freedom and Hong Kong, see Cheung (2003) and Lee, Chan, Pan, and So (2002).

China. A given press group may offer differentiated products, with those targeted at larger audiences using a tabloid formula and others targeted at the growing Chinese middle-class.²⁵ Publications focused on business operation, and business news on television, face fewer constraints since the party has an overall interest in rooting out corruption in markets. The watchdog function of the press is allowed to operate in business news, though it also appears that at some newspapers local businesses will pay off reporters to avoid exposure, or pay reporters to earn positive coverage. Newspapers do uncover information that may be helpful for politicians and bureaucrats in their role as government decisionmakers, but this information sometimes is only circulated in a format limited to officials to avoid tipping off citizens on controversial topics. The existence of the Internet and cell phones in China, however, place a constraint on the degree that media outlets can remain silent about topics. Once rumors relating to SARS began to circulate through alternative channels, official outlets began to offer limited coverage of the outbreak. When the outbreak ended, press discussion about SARs was discouraged again.

In Thailand, influence on private outlets is pervasive but less direct than in China.²⁶ A private television known for investigative reporting was taken over by relatives of the Prime Minister, who then transformed the programming into entertainment. Reporters who write pieces critical of powerful figures face the threat of libel laws. A firm associated with the family of Prime Minister Thaksin Shinawatra, for example, filed a libel case against a local newspaper and three editors, after the paper published coverage that indicated the firm was benefiting from the Prime Minister's administration. After the *Siamrath Weekly News* published reports critical of the Thaksin government, the government placed pressure on the owner to censor coverage and the editor was made to resign after trying to publish a story critical of the Prime Minister. The costs of discovering information about politics are high, since the government may refuse to release information. The Prime Minister, for example, routinely refuses to answer questions from legislators.

In Japan, public broadcasting is conducted in the public trustee model.²⁷ NHK covers news of government and politics in a way to serve the interests of voters engaged

²⁵ When outlets focus on profits rather than propaganda or the 'public interest', they begin to think in terms of audiences valuable to advertisers. Summarizing the experience in Southeast Asian countries with the introduction of commercial television, McDaniel notes (2002: 150):

Government stations were the big losers in the fight for viewers and listeners. When private stations entered the competition, they focused on the segments of the audience that advertisers wanted most B young city adults, mainly 18 to 35 years of age. Government programmers also wanted to reach this audience, not only for its commercial appeal, but also [to] build support for government policies. But government stations, unlike private broadcasters, could not concentrate on this segment. They had an obligation to maintain services to segments of less interest to advertisers such as the less affluent, children, and older residents. In meeting their responsibilities as national broadcasters, they lost ground to the private stations.

²⁶ The description of press freedom in Thailand draws on Agence France Presse (2004b), Barnes (2003), Deutsche Presse-Agentur (2004), and Thai Press Reports (2004).

²⁷ Evidence on journalism in Japan comes from Gatzen (2001), Krauss (1998), McNicol (2004), Nakamoto (2004), Penn (2003). Kabashima and Steel (2006) detail the role the media played in the selection of Junichiro Koizumi as Japanese prime minister.

in public affairs. The concept of rational ignorance, however, raises the question of how many are really interested in the details of government. The audience left unsatisfied by NHK's approach leads private broadcasters to choose a different mix of news. Krauss (1998) explores how TV Asahi's News Station program developed in response to the approach offered by NHK. He notes (p. 673):

To the extent that the content of News Station's coverage of politics and government differs from NHK's, it is in giving more attention to the Cabinet, and to the police and local government. The latter subjects, involving crime and affairs of the government closest to the average citizen, may be more in tune with News Station's philosophy of providing news from the perspective of the viewer.

The chief difference between NHK and News Station, however, is not so much in the subjects covered in general or in political and governmental affairs, but in *how* they are covered. Most importantly, reporters or anchors give a commentary or analysis far more often on News Station than on NHK.

Krauss details how the entertaining presentation mode used by News Station shook up the Japanese television market. Eventually stations differentiated so that, in a 1992 snapshot of stories, stations appeared to be segmented by two dimensions: hard versus soft news and factual versus opinionated style of presentation. Audiences during the daytime may also find some political news and much soft news in the talk shows referred to as the *Awide* shows.²⁷

The costs of particular types of news in Japan can alter content. Rutledge and Kawakami found that from January through August 2003, 'Japan's courts handed down 53 rulings where news organizations had to pay fines for defamation of character.'²⁸ These lawsuits generally involve complaints by politicians, business executives, or celebrities that media coverage violated their privacy. The fines and legal costs associated with the cases can make journalists less likely to cover some topics. The press club system can also restrict the range of voices offered on particular stories. Freelance journalist Yu Terasawa, for example, filed a court suit against the minister of justice because he was denied access to court hearings and to a court ruling based on the fact that he was not a member of a particular press club.

A final note on competition in news markets in Asia is the impact of the widespread use of information technology in some countries for the circulation of information. In the Philippines, text messaging on cellphones helped coordinate the rapid assembling of protesters in Manila in 2001 that led to the downfall of President Joseph Estrada.²⁹ In Korea, the prevalence of Internet technology has fostered the development of citizen journalists. OhMyNews is a website (with a weekly print edition) that mixes professional and volunteer labor to report the news, and draws millions of visitors each day.³⁰ In

²⁸ Rutledge and Kawakami (2004).

²⁹ Rheingold (2002: 157).

³⁰ This description of OhMyNews draws upon Gillmor (2004: 125–129).

2003, the outlet had a staff of nearly 50 who reported the news and screened the articles sent in by volunteer 'citizen journalists'. Of about 200 stories submitted each day, almost 70% made it on to the website. Over time this meant that more than 15,000 citizen journalists had their articles posted in OhMyNews. Individuals whose articles were posted earned nominal payments, but large satisfaction in contributing to a widely read site. The website is credited with playing a role in the election of Roh Moo Hyun as president, and he granted his first interview after the election to OhMyNews.

Conclusions

In this essay, I offer theories and evidence on how economics influences media content in the US, suggest how changes in media competition can influence reporting in many countries, and offer ways to measure the impact of markets on content in Asian countries. While I focus on how market forces affect news coverage, the broader question remains of the impact on society of market-driven news. Frustrations with the current state of news provided by markets in the US have fueled a debate over policies designed to supplement the types of information generated by the profit motive.

In a world where information is costless, one could calculate the desirability of proposed media reforms. You could determine how to spend a given budget on media interventions by looking across a set of topics, assessing how policies change with reactions to changes in media policies, and spending the funds to yield the highest expected benefits. Yet we do not live in a world where information is costless. Much of the analysis of journalism economics, for example, discusses how information costs drive decisions in media markets. In this world of incomplete and costly information, the best approach to media policy may involve assessments that acknowledge assumptions made in the analysis and accept imperfect indicators of outcomes. This means that analysts will disagree over the desirability of particular policies in part because they disagree over models of how markets work, assessments of how individuals respond to information, and beliefs about how government operates. The utility of analyzing policies in a framework of benefits and costs however, is that it sets up questions that expose whether analysts disagree because of different assessments of probabilities or preferences.

In the United States recent debates over the role of economics in news have generated discussion about whether there are policies available to improve the quality and quantity of hard news coverage, particularly the stories available about politics and government.³¹ The focus is not how to supplant the market as the primary source for news production. Market forces can generate a healthy competition to satisfy reader and viewer interests, offer a variety of takes on events, and develop new stories and insights. On some dimensions, however, the functioning of news markets can fail to serve the broader needs of citizens and voters. Debates in the US have examined whether there are media policies that can, on the margin, improve the flow of information needed in a

³¹ This section draws on Hamilton (2004b) and Hamilton and Hamilton (2004).

democracy. Types of policies discussed include encouragement of nonprofit ownership of media outlets, foundation subsidies for information, individual/family ownership, partisan information provision, and government information subsidies.

Decisions about news based on profits will focus on monetary incentives: what are consumers willing to pay for information; what are advertisers willing to pay for viewers' attention; what does it cost to generate a story. The proposals to alter media content rely on a different set of incentives to produce news. Three of the proposed policies suggest that news would be different if the preference for profits were replaced with a different set of objectives: the desires of nonprofits as owners to influence public discourse; the willingness of individual or family owners to trade off some profits for news that serves public service (or even partisan) goals; and the objective of parties and interests groups to sway votes through information provision. Two of the policies (nonprofit and government information subsidies) would lower the information costs of reporters writing about politics and government. The choices about what types of information nonprofits or the government will subsidize, however, raise questions about what their goals are in changing the mix of information provided.

Proposed policies to change media content face a common set of questions, namely whether the envisioned change is feasible, operable, desirable, and measurable. Issues raised include:

Feasible: What would be required for the policy to be implemented? What are economic and/or political obstacles to adoption?

Operable: How likely is the proposal to result in changes in hard news production? What types of changes in content would arise? Would changes in news content lead to changes in consumption?

Desirable: What might the ultimate impacts be on voter knowledge, political debates, and policy outcomes? How could implementation go wrong?

Measurable: What indicators would you use to measure the effects of the proposal? How would you know if it were working well?

What sets media markets apart from other types of exchange is the relationship between news and democracy. This link draws and keeps many people in journalism, who value the potential for news to influence the course of events. Yet on a daily basis, this link is often far from the minds of those who participate in the market for public affairs information. Owners and managers in media companies seek profits; reporters try to fashion and further careers; readers and viewers seek entertainment; and the politicians covered search for re-election. The pursuit of individual self-interest here will not add up to the best of all worlds. Readers and viewers will not calculate the broader benefits to society of becoming informed about political issues, which translates into reduced incentives for journalists and owners to cover these topics. This is a classic case of positive externalities, where many of the benefits to knowledge remain external to the decisions by voters about how much to learn about candidates and government.

Economists have fashioned many tools to deal with markets characterized by positive externalities. These tools include taxes, subsidies, direct regulation, government provision of the good, and the definition of property rights aimed at encouraging individuals to consider the externalities in their decisionmaking. Many policies have been proposed to change the incentives owners and reporters have to create hard news reports and the incentives readers and viewers have to consume news about politics and government. The state of social science research to date makes it difficult to prove the direct impacts of media policies on social and political outcomes. More research across countries on how competition influences content, however, will contribute to the knowledge needed to design policies affecting both the creation and flow of information in media markets.

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