

Overview

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Economics of Newspaper Markets

- „ High fixed cost of producing content
- „ High variable cost of distribution
- „ Vertically integrated content production
- „ Advertiser finance & two sided markets
- „ Information externalities

Fixed Costs of Content Production

- „ High “first copy costs” limits the number of papers that can survive in any market
 - „ Large cities have larger papers with higher readership
 - „ Groups with minority tastes may be poorly served
- „ Technology & transformation
 - „ Lowers cost of producing content (data, facts, opinions)
 - „ Opens the market for supply of content
 - Journalists compete with academics, non-profits, citizens
 - Newspapers compete with TV, radio, blogs
- „ Technology & welfare
 - „ Reduces the advantage to large markets
 - „ More content satisfying minority tastes

Distribution Costs & Market Integration

- „ Distribution cost limits geographic range of newspapers
 - „ Geographic rather than viewpoint differentiation
 - „ International comparisons
- „ Technology & transformation
 - „ Zero distribution cost enlarges markets
 - „ Less geographic more viewpoint differentiation
 - „ “Superstar” market for journalism
- „ Technology & welfare
 - „ More people reading better stuff
 - „ Fewer writers making more money

Vertical Integration & the Freelance Model

- „ Few direct links between writers and readers meant writers worked for newspapers
 - „ Low pay, lots of journalists, low risk of failure
- „ Technology & transformation
 - „ Enables direct connections between writers & readers
 - „ Market for “superstars” with higher risk, higher reward
 - „ Readers not papers make the superstars (Bruni/Pogue)
 - „ Content type determines vertical integration
- „ Technology & welfare
 - „ Higher returns to content producers

Two Sided Markets

- „ Advertisers value access to targeted consumers
 - „ Newspapers long earned monopoly rents from ads.
 - „ Incentives to produce content preferred by elites.
- „ Technology & transformation
 - „ Advertiser value for targeted consumers and consumer value for “bundled” content is higher than ever.
 - „ New entrants (Huffington, Drudge) are good at bundling & targeting, drive down price.
 - „ Bundling vs. content price and the future of subscriptions
- „ Technology & welfare
 - „ Targeting with news is costly—cheaper ways to sell a watch
 - „ Democratization of advertiser finance

Information Externalities

- „ What you read affects what you do
 - „ Consumers, producers, voters
 - „ Potential for exposure disciplines politicians
- „ Technology & transformation
 - „ Shift from local to national media = shift from local to national externalities (Localism vs. Globalism)
 - „ Shift to integrated markets reduces probability but raises consequences of corruption (NJ Rabbis)
- „ Technology & welfare
 - „ Costs and benefits of attention shifts

Summary of Trends & Predictions

- „ Fewer papers, more viewpoint differentiation
 - „ Fox Newspaper?
 - „ Declining readership for local content, even when free.
- „ Expanding freelance market for journalism
 - „ Especially for analysis, commentary, & expertise.
 - „ Market for superstars.
- „ More advertiser funding for valuable “bundling”
 - „ Smaller market for subscriptions (high price)
- „ More reader funding for content (micropayments)
 - „ Larger market for articles (low price)

Conclusions

- „ Welfare evaluations must consider both what is lost with what is gained
- „ All of the potential downsides of technology have an opposing positive effect
- „ Data and analysis needed to fully evaluate tradeoffs
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