value most: a free and responsible press. Glasser and Gunther point to three areas where the legacy of autonomy in journalism deserves scrutiny: "When autonomy trumps accountability; when autonomy *in* the newsroom threatens autonomy *for* the newsroom; and when autonomy, under the guise of competition, undermines the independence of judgment that good journalism demands." Alternatively, by looking at autonomy as a positive achievement rather than what "naturally" or "normally" exists in the absence of conditions that prevent it, Glasser and Gunther invite journalists to imagine for themselves and for the press a broader conception of press freedom than traditional readings of the First Amendment usually permit. In this broader view of press freedom, the press embraces "an overtly political and an expressly democratic justification for constitutionally protected expression," one that understands freedom of communication as protection for the content of expression rather than individual expression; in this broader view of press freedom, paradoxically, limiting individual autonomy can at times enrich and even expand freedom of communication in and for the larger community.

Democracy and Exclusion

In "The Press and the Politics of Representation," Mitchell Stephens and David Mindich focus on the "distortions and exclusions" that litter the history of American journalism. They use the African American press to illustrate "the inherent blind spots and prejudices" of the mainstream press.

African Americans were more or less excluded from most newsrooms, and thus subject to coverage over which they retained no control, until the years following the 1968 Report of the National Advisory Commission on Civil Disorder, popularly known as the Kerner Commission, which warned that the "press too long basked in a white world, looking out, if at all, with white men's eyes and a white perspective." The commission called on the press to begin "the painful process of readjustment" that will "make a reality of integration . . . in both their product and personnel." Of course, African Americans did not wait for the Kerner Commission to create for themselves a press that took their community seriously. *Freedom's Journal*, the first African American newspaper, began publication in 1827 with the observation that "too long have others spoken for us"; now, the paper explained, "we wish to plead our own cause." Still, Stephens and Mindich point out, if "it is fair to say that behind most successful African American publications is a failure by the mainstream press," it is also fair to say that "African Americans would have created their own newspapers even if the mainstream press had been more responsive to them." That is to say, coverage *by and for* a community will probably always distinguish itself from coverage *of* a community.

20

MONEY, MEDIA, AND THE PUBLIC INTEREST

Robert G. Picard

MEDIA COMPANIES SERVE THE PUBLIC INTEREST BY supplying information, opinion, and diversion, and by facilitating the social interactions that are vital to the functioning of society and democratic institutions. Simultaneously, media companies in the United States are economic actors that create, produce, market, and distribute their products in a commercial marketplace. These different roles create tensions within media companies and among media policy-makers that require careful balancing if society is to gain the benefits of a free and independent media system.

The performance of media firms in maintaining a balance between the public interest and their own financial self-interests has been increasingly criticized by observers across social and political spectrums and from within media companies themselves. Strengthening this performance by changing media policy or behavior is difficult, however, because many of the factors that have produced the current situation are the result of fundamental changes in technology, economics, policy, and society.

Commercial versus Democratic Goals

Media firms in the United States operate primarily as commercial firms and have since the eighteenth century. In colonial times privately owned newspapers struggled to gain the right to publish and to carry information and opinion independent of the government. After the American Revolution, the importance of a free press was recognized and the rights of individuals to operate print media were protected by the Bill of Rights. When broadcasting developed in the early twentieth century, policy choices extended the notion of private, commercial operation to radio and then to television stations.

Although many nations decided that broadcasting should be provided by the government or public-service organizations and operated via not-for-profit firms, American policy-makers decided that broadcasting should be commercial. This occurred partly because broadcasting had been developed by commercial firms, partly because of the strength of arguments for media to be independent of government, and partly because the federal government was small and did not have the financial resources to operate a nationwide broadcasting system when radio first appeared.

Today, media in the United States and other liberal democracies are expected to serve a variety of social goals regardless of their ownership and commercial status. Media are normatively expected to provide diverse and pluralistic content that includes a wide range of information, opinions, and perspectives on developments that affect the lives of citizens. Media are expected to mobilize the public to participate in and carry out their responsibilities in society. Media are expected to help citizens identify with and participate in the lives of their community, their state, and the nation. Media are expected to serve the needs and represent the interests of widely differing social groups and to ensure that information and ideas are not narrowed by governmental, economic, or social constraints. Simultaneously, they are expected to serve their economic self-interests to produce profits, to grow, and to contribute to national economies.

These conflicts create a paradox, because it is recognized that commercially funded media require financial resources and strength to sustain and nurture their activities, but they cannot fully pursue their economic self-interests without harming optimal public service. Optimal service can thus be achieved only if firms temper their self-interests or if legal and regulatory actions require them to do so.

Because commercial media are guided by economic principles that obligate them to pursue profit and maximize company value, privately owned commercial media entities can only be expected to voluntarily temper their self-interests if there are incentives to do so. These may be intangible incentives such as the accumulation of trustworthiness, prestige, and influence, or economic incentives such as profitability and increases in company value. If legal and regulatory requirements are used to ensure that media serve public interests, media independence must also be guaranteed. Many regulations cannot be placed on media in the United States because of the broad protections granted by the First Amendment and because the ability of government to regulate television, cable, and satellite is also limited by a long series of policy considerations and legal rulings.

The challenge of inducing media entities to provide content that serves social functions is compounded in the commercialized environment because most of the activities that support public interests and democratic processes—news, political discussions, public-affairs information, social commentary, and so on—do not attract large audiences, are often costly, and are typically less profitable than producing other content. Conversely, entertaining content that violates social norms or is deemed by many observers to be vulgar, insipid, and

harmful sometimes generates large audiences and advertising revenue for commercial media and thus supports their economic interests.

Complaints about the effects of economic choices and the pursuit of monetary interests by commercial media have grown as media firms have grown in size. Historically, media firms tended to be small- and medium-size enterprises that produced steady incomes for their owners and provided regular returns beyond the costs of their operation. During the second half of the twentieth century, the progressive growth of advertising expenditures in the United States increased those returns significantly, turning media companies into investment vehicles and increasing the economic and commercial pressures on media firms.

Changes in technologies produced additional types of media and many media firms began developing strategies of growth and expansion. The availability of capital through equity markets helped finance expansion, and large media conglomerates developed in the 1980s and 1990s. In the early years of the twenty-first century, dozens of media companies were among the leading companies in America. Many critics believe that the financial pressures on and economic self-interests of media firms are conflicting with the social roles and functions of media in modern democracies and that there is a growing disparity between the behavior desired from media firms and that which is observed.

Competition, Financial Strength, and Independence

The question on the minds of most media observers is how to ensure that democratic functions are served by commercial enterprises. An underlying difficulty in answering the question results from the reality that financially successful media companies have the resources to serve social needs and be more independent of outside pressures over time than less financially secure firms.

A number of economic and financial factors have been identified as requirements if media are to be able to facilitate and conduct activities that support public interests and democratic processes. These include a competitive marketplace, effective business models, and financial strength. Competing sources of news, opinion, and entertainment increase the possibilities for variety and diversity in content. Steady income produced by effective business models and financial strength achieved through profitability are seen as providing resources that allow commercial media to provide breadth of service, invest in quality, and withstand pressures that might otherwise harm their ability to serve social goals.

Competition among media outlets has long been considered a requirement for an effective system of expression and debate. It is seen as providing sufficient opportunities for multiple information, idea, and mobilization functions to be carried out simultaneously; as promoting increases in information quality, quantity, and service; as protecting against private constraints on information, ideas, and voices conveyed; as serving the varying information and expression needs of differing social groups; and as providing service at multiple market levels so that information and debate needs in different geographic levels and locations are served.

Effective business models are necessary to sustain media operations and ensure sufficient revenue streams, to avoid dependencies that can limit diffusion of information and ideas and constrain debate, and to provide reasonable stability in incomes so that fluctuations do not unduly constrain activities.

In order to be effective as conveyers of information, media entities require financial strength so that they can support information gathering and dissemination activities and produce quality entertainment. Without a strong financial base, media do not have the resources necessary to adequately explore issues and developments in communities, states, the nation, or the world. Financial strength is also important if media are to subsidize content and programming that serves public needs. Financial strength allows media to maintain their independence and engage in activities designed to hold government and other institutions in society accountable, even if the actions cause financial sources to withdraw their support. Such strength creates conditions in which companies can act with integrity, provide quality content, and behave in ways that go beyond basic economic self-interests.

These factors, however, do not in themselves guarantee better performance regarding social needs, because there are tensions between these economic and financial elements and social goals for media. Firms with highly effective business models and financial strength tend to have greater success in the media marketplace. They are able to offer better content, which garners larger or more attractive audiences and a higher proportion of advertising expenditures. A reality of market economies is that when there is success there is also failure. As a result, media firms that are not as successful lose the resources to produce quality content and lose financial strength. Some will wither or fail and some will be acquired by successful competitors. The end result is a reduction in the competition that is seen as beneficial in terms of diversity, plurality, and democratic debate.

Newspapers, for example, rely upon large advertisers for the bulk of their income, and this has created a systemic economic problem that makes it nearly impossible for competing general-circulation papers to survive in the same locality. When more than one paper exists in a market, the secondary paper is disadvantaged because a disproportionate amount of advertising is given to the leading paper, regardless of how closely the second paper approximates its circulation.[1] The paper with the largest circulation in a market gains financial and economic advantages that enable it to improve content and increase advertising and circulation income by attracting customers from the smaller paper. As the leading paper attracts more circulation, it attracts more advertising, which in turn attracts more circulation, trapping the secondary paper in a circulation spiral that ultimately leads to its demise.[2]

Financial success and stability is also a two-edged sword. Because financial stability can lead to improved content and strengthen the independence of media, it is seen as important for commercial firms to return profit that can be reinvested in the enterprise to further improve content, provide better service, and adequately compensate owners. However, high levels of profit can lead to funds being funneled away to provide high returns for owners or to expansion through acquisition of other media properties. It can lead to media behaving just like any other commercial company and moving away from costly activities that may serve the community but adversely affect profits.

"Appropriate" profit levels for media companies have been debated since media profitability began rising significantly during the last quarter of the twentieth century. In recent decades media companies have typically returned double-digit profits, often five to ten times higher than profits for department stores, banks, pharmaceutical companies, and automobile manufacturers. This profitability has changed perceptions of the media, turned media firms into highly successful vehicles for investments, and produced demands for even higher profits.

The debate inside and outside media over what profit is reasonable is difficult because it is impossible to put a single number on what "reasonable profit" is. At a basic level, a reasonable profit for any firm must allow appropriate resources for continuing operations, create funds for adequate reinvestment, and provide a good return on invested capital. In principle, it needs to be above income that would be received from capital preservation investments because of the higher economic risks of operating the media enterprise. Reasonable profit differs among media and media units because investment risk varies depending upon the market and the unique situation of each media operation.

The desire for media to have effective business models with steady revenue streams also creates difficulties in the ability of contemporary media to meet democratic objectives. Advertisers provide the primary revenue stream for most media operations, and they exhibit little interest in ensuring that social and democratic goals for media are fulfilled.

Newspapers, for example, receive income from advertisers and readers, but they became increasingly dependent on advertising throughout the twentieth century. U.S. newspaper publishers received 2.6 times as much total advertising income in real terms in 2000 than they received in 1950, one of the factors that has made them so profitable and desirable as investments. The growth of that revenue, however, has made newspapers highly dependent upon advertisers. In 2000, 82 percent of newspaper revenue came from advertisers.[3]

It has long been recognized that dependence on limited sources of critical resources weakens the position of a firm or industry, because any shifts in availability of the resource can rapidly harm the firm or industry. In the case of newspapers, the high dependence on advertising revenue makes the industry highly vulnerable to downturns in the economy. Research has shown that newspaper advertising income is now dramatically affected by recessions and that economic downturns lead to large layoffs and significant reductions in news coverage.[4] A major cause of this is that newspapers are so dependent upon retail advertising and some categories of classified advertising that are highly affected by downturns in the economy. Newspapers are affected more than other media and lose about four times as much advertising income as television during recessions.[5]

The high dependence on advertising also creates vulnerability to pressure from advertisers. Most newspapers, for example, receive about three-fourths of their advertising income from two-dozen advertisers; in many cases, five or six advertisers provide about half the advertising income received by the paper. Should the paper's content somehow offend one of these advertisers and they decide to withdraw or reduce their advertisements, significant financial damage and weakening of the paper can occur. Because the level of dependence is so high, close contacts and coordination with major advertisers is increasingly evident. Boards of directors of most large media companies, for example, now include directors from major retail advertisers to help stabilize relations and permit easier exchange of information for mutual benefit.[6]

The Changing Ownership of Media

The increasingly profitable and commercial nature of media in the second half of the twentieth century led to dramatic changes in types and extent of media ownership. Media, especially newspapers and local broadcasting stations, were traditionally family-owned companies or privately held corporations. After the middle of the twentieth century, as advertising revenues grew and media companies became more valuable, it became difficult to maintain family ownership because of inheritance-tax issues and insufficient capital in family companies, which made acquisitions and expansion difficult.[7] As a result, media ownership in 2005 is markedly different from what it was at the end of World War II. At that time, few newspaper chains existed and more than 80 percent of all newspapers in the United States were independently owned; large media groups and media conglomerates did not exist. In the last decades of the century, however, social, economic, technical, and regulatory changes promoted new types of ownership and created new operational goals for media firms.

Today, ownership is dominated by large firms, many of which have specific strategies for growth and expansion through acquisitions of smaller media companies. Newspapers that were built and owned by individual proprietors, families, and partnerships were first purchased by other firms, creating newspaper chains that owned large numbers of newspapers. As a result, more than 80 percent of daily newspapers are now owned by groups. The number of stations that broadcasting companies are allowed to own increased over time and the companies began purchasing cable systems, networks, newspapers, and other media,

thus creating large media groups. Conglomerates that operated outside the media field also began to purchase media companies and groups.

Major media firms are billion-dollar enterprises that are among the leading American companies today. Included in this list are firms such as Viacom, Clear Channel Communications, the Walt Disney Company, Comcast, Time Warner, the Tribune Company, and Gannett. Major firms from other industries, such as General Electric and Sony, also own large media entities. Large foreign companies such as Bertelsmann AG (the world's largest book publisher), Hachette Filipacchi (the world's largest magazine company), Reed Elsevier and Wolters Kluwer (the world's leading professional and scientific publishers), and Pearson (the world's leading textbook publisher) also have enormous U.S. holdings.

The growth of these media and communication firms has required large amounts of financing and made them dependent upon stock markets as capital sources. Today the primary holders of stock in media companies are banks, investment houses, and pension funds,[8] and these investors are primarily interested in the financial performance of the firms, rather than content quality and the meeting of social and democratic goals.[9]

The growth of these companies has led to industry consolidation; large numbers of media outlets are now held by single firms. Clear Channel Communications, for example, owns more than twelve hundred of the nation's radio stations, Gannett owns one hundred of the country's newspapers, and Viacom owns not only the CBS television network but seven cable networks. Growth has also led to highly diversified media conglomerates. Time Warner, for example, owns cable and television networks, magazines, movie and television studios, record companies, and online firms. The Tribune Company owns a range of media holdings including newspapers, television stations, television production companies, and cable operations.

The change to public ownership has increased pressures on large media companies and focused managerial concern on short-term financial goals and the pursuit of higher returns than in smaller media companies with other forms of ownership.[10] The increasing commercialization has led to financial pressures playing the dominant role in decisions about what type of news and entertainment is presented to the public in print and broadcasts.[11]

Many of the complaints about media operations result not from there being fewer owners of few media, but from the fact that there are more and more commercial firms operating for profit that are willing to overtly act in their own self-interest. Among media that produce the largest audiences, commercial pressures dominate content decisions. This has occurred concurrently with media being subject to fewer and fewer regulatory requirements and less oversight. Consequently, media firms are generally free to behave in ways designed to generate large audiences, with little regard to social or cultural effects.

The Changing Media Environment

Despite the fact that media companies are larger than in the past and generate significant revenue, most media companies today are in substantially weaker competitive and financial positions than they were in the mid- to late twentieth century. Media companies today are struggling to adjust to wide-ranging changes that are increasing competition and eroding their audience and advertiser bases. These changes are affecting the economics and financing of media, altering the structures of media industries, and changing the types of content that are provided.

Fundamental changes are occurring because of the integration of information and communication technologies and changes in the potential and perception of the role of media. The most important change is the convergence of the three underlying communications industries: content creation and packaging, computers and software, and telephony. This development is changing how communication takes place, what is communicated, who can communicate, and the speed of communication. It is creating flexibility in the use of content, making it possible for a wide range of players to produce and use content.

The development of new communication capabilities in postindustrial society has been supported by changes in governmental approaches that emerged first in telecommunications policy and then in media policy. Changes in public policies have radically altered the regulatory environment, creating a largely deregulated realm for media and information-related industries. These changes have brought large amounts of capital into telecommunications and media, leading to the creation of new firms and media industries and affecting the structure of traditional media industries. These new competitors and disruptive technologies are eroding the customer and financial bases of existing media.

Increases in the types of media and communications systems and concurrent increases in the number of units of media have increased the levels of competition experienced in media markets. The number of direct and indirect competitors has risen, spreading audience and advertiser expenditures across a greater number of firms and reducing the financial strength of previously dominant firms.

New types of media and communications systems based on the Internet and mobile communications are challenging print, audio, and audiovisual media. The availability of motion pictures, television programming, and other content in the form of videotapes and DVDs, and through cable and satellite channels and video-on-demand systems is increasing competition. The effects of these developments are more competition for consumer spending, declining profits per title, channel, or product, and declining profits for many firms in most established media industries.

The increasing number of communication channels has concurrently broadened choices available to audiences. However, media use competes with

a variety of activities, including commutes to and from work or school, family and home-life requirements, and a host of alternative leisure activities. Technological changes in the media environment are permitting individuals greater choice to determine what communication and information they will receive and use, to decide when they will receive it, and to filter communication in ways unimaginable in the past. These factors are creating individual use patterns for media, and thus audiences are fragmenting significantly, and the individual media outlets to which large groups of the public attend are simultaneously diminishing.

The increase in media and communication types and the rising number of individual units of media has led advertisers to alter their expenditures and placement of advertising in different media. As audiences have accepted new types of media, advertisers have shifted some of their expenditures to those media. Because audiences have fragmented and declined for established media and channels, advertisers are unwilling to pay the same prices previously paid.

The changes in the market are placing additional pressure on media companies, reducing the availability of critical advertising resources and the stability and profitability of their business activities. These changes, as well as the general commercialization of the industry, are fundamental forces that have led many media managers to pursue economic self-interest at the expense of public interests.

Content Effects

Changes in the media environment have altered the resources available for content and changed the content that is provided. In television, for example, financial pressures force most broadcasters to find ways to reduce programming costs. Typical methods of cost reduction include broadcasting more syndicated programs, using fewer expensive personalities in in-house productions, making inexpensive reality programs, game shows, and talk shows, and increasing the number of times a program is rebroadcast. In a desperate search for audiences, television programs are crafted to attract viewers with content that is salacious and titillating, voyeuristic, shocking, violent, or insipid. Content that explores the human condition, provides more wholesome diversion, or serves broader purposes tends to be minimized.

Likewise, the majority of content in newspapers today is not anything that can be considered "news." About two-thirds of most newspapers is advertising, and of the remaining editorial matter only about 15 percent is news; the remainder is lifestyle material devoted to topics such as fashion, automobiles, entertainment, homes, sports, and so on.

Content choices being made in media obviously have consequences on the overall diversity and quality of material offered and, thus, their desirability to audiences. They also have significant social and cultural implications because they tend to work counter to achievement of the social and democratic goals that are ascribed to media.

One of the major alterations in media content as contemporary changes have occurred has been the loss of localism. Radio and television stations, for example, had traditionally operated as local media with large amounts of locally produced entertainment, news, and public affairs programming. Today, little programming is locally produced and the majority of what is offered is obtained from national networks or programming syndicates. In radio today, it is not uncommon for the program choices and on-air personalities to be thousands of miles away from the station that carries them.

In newspapers, the growth of newspaper groups has led to more shared content—and cost savings for the owners. This means that more content is produced outside the community, that fewer local employees are needed, that the local community is covered less, that local issues appear less often in editorial and opinion columns, and that the hopes, dreams, and issues of local citizens have diminished opportunity to be publicly acknowledged.

Because the larger cities in the United States are also where the primary entertainment and information content providers are located and where the heaviest media competition occurs, content that is designed to appeal in those environments is created and distributed nationwide.

The end result of such factors is that media pay less attention and give lower credence to the interests, tastes, and values of local communities nationwide. Instead, the interests, tastes, and values of residents in locations such as New York, Los Angeles, Chicago, and Washington, D.C., dominate media content. Entertainment, information, and lifestyles that reflect the largest communities and those with less-traditional lifestyles become the norms reflected in media.

In the heavily commercialized environment of media, content increasingly marginalizes information and discussion of community, national, and world issues in the pursuit of entertainment and diversion that may attract audiences and advertisers that can produce higher income. Instead of serious drama we get reality shows; instead of documentaries we receive talk shows; instead of family programming we are broadcast violent action shows. Admittedly, we all need some diversion in our lives, and modern mass media have always provided it. However, such mindless entertainment is now becoming the dominant function of media, and media companies are making fewer attempts to balance it with other necessary content.

Implications

The economic changes and financial pressures on media have significant implications for citizens' understanding of the world, for public discourse, and for the development and maintenance of social communities.

Although technology and the increase in media outlets create great possibilities for more information to become available, they also reduce information because financial necessities, operational choices, and consolidation are increasingly leading to large portions of news and information coming from the same sources and merely being repackaged and reused by various media outlets. This reduces the number of independent observers and voices and creates a homogenization of information available across media.

Similarly, much of the programming in television comes from networks, syndicators, and programming libraries and is broadcast nationwide and rerun endlessly. This also creates a homogenization of content available and reduces the number of sources that produce news, feature, and entertainment programming.

Even when major commercialized media produce their own information, they tend to do so with similar ideologies of news and information and the same general perspectives, so that the ideas presented and breadth of coverage offered are limited. This tends to promote one model or frame of society by focusing on visible occurrences and debates among easily accessible political figures and dominant organizations while generally ignoring concerns outside those parameters. The range of debate is thus not representative of the diversity of opinion throughout society.[12] A similar restriction takes place in production of entertainment programming.

Commercialization of the media has also been problematic because even financially strong media companies have come to fear the controversial. Entertainment, news stories, and presentations that may offend even small portions of the audiences are increasingly being dropped or ignored in favor of those that are generally acceptable. When programs and stories that create audience or financial risks are rejected, the range of perspectives on life and the continuum of ideas in society are diminished.

An increasing concern is that the loss of localism through the nationalization and globalization of content, and the fragmentation of audiences across the wider array of media outlets, is reducing opportunities for readers, viewers, and listeners to gather together and share similar experiences and develop similar values. This change has enormous social implications, because it is the sharing of experience and commonality of values that allows for development of community and a flourishing democracy.

How society responds to the performance of the media in the coming years is crucial. Private media companies, like all corporations, exist primarily to serve the economic self-interests of their owners. When that self-interest is at stake, it is difficult to expect that companies will remain guardians of social interests. If society desires that media firms serve public interests by supplying necessary information, wide-ranging opinion, and a broad range of entertainment, and that they facilitate social interactions needed for society and democracy to thrive, concerted action will be needed.

Significant consideration must be given to policy, particularly in broadcasting and telecommunications, to respond to the challenges of commercial ownership and consolidation. Until policies address the range of content provided, ensure a broader spectrum of producers and voices, and reflect the spectrum of values and communities in society, little change will occur and complaints about the contemporary media system will continue.

Media personnel themselves need to carefully reconsider their actions and the parts they play in creation and maintenance of the current environment and to respond even before policy changes intended to alter behavior are fashioned. If their credibility and integrity are lost or they are seen as behaving responsibly only through coercion, their influence and importance to society will be significantly reduced.

Finally, we as audiences and consumers of media need to look inside ourselves, at our choices, and at our patterns of media use. As in nutrition, we need to choose among various options to ensure that we have a healthy diet of content that serves our different needs for news, information, and entertainment so that we can fully participate in democratic society and enrich our lives.

The media environment in the twenty-first century is faced with significant challenges to ensure the continuation of democratic society. Everyone with an interest in media—audiences, advertisers, media personnel, owners and investors, community groups, and policy makers—has an obligation to help nurture an environment that goes beyond narrow and self-serving interests to ensure that the broader interests of society are served.

Notes

1. See Robert G. Picard, "Pricing Behavior of Newspapers," in *Press Concentration and Monopoly: New Perspectives on Newspaper Ownership and Operation,* edited by Robert. G. Picard et al., 55–69, esp. 60–61 (Norwood, N.J.: Ablex, 1988), and Jon G. Udell, *The Economics of the American Newspaper* (New York: Hastings House, 1978), 109.
2. Lars Furhoff, "Some Reflections on Newspaper Concentration," *Scandinavian Economic History Review* 21 (1973): 1–27; Karl Erik Gustafsson, "The Circulation Spiral and the Principle of Household Coverage," *Scandinavian Economic History Review* 28 (1978): 1–14; Lars Engwall, "Newspaper Competition: A Case for Theories of Oligopoly," *Scandinavian Economic History Review* 29 (1981): 145–54.
3. Robert G. Picard, "U.S. Newspaper Ad Revenue Shows Consistent Growth," *Newspaper Research Journal* 23, no. 4 (2002): 21–33.
4. Robert G. Picard and Tony Rimmer, "Weathering a Recession: Effects of Size and Diversification on Newspaper Companies," *Journal of Media Economics* 12, no. 1 (1999): 1–18.
5. Robert G. Picard, "The Effects of Recessions on Advertising Expenditures: An Exploratory Study of Economic Downturns in Nine Developed Nations," *Journal of Media Economics* 14, no. 1 (2001): 1–14.

6. Kyun-Tae Han, "Composition of Boards of Directors of Major Media Corporations," *Journal of Media Economics* 1, no. 2 (1988): 85–100.
7. James N. Dertouzos and Kenneth E. Thorpe, *Newspaper Groups: Economies of Scale, Tax Laws, and Merger Incentives* (Santa Monica, Calif.: Rand, 1982); Loran Ghiglione, ed., *The Buying and Selling of America's Newspapers* (Indianapolis: R. J. Berg, 1984); Picard et al., eds., *Press Concentration and Monopoly*: Elizabeth MacIver Neiva, "Chain Building: The Consolidation of the American Newspaper Industry, 1953–1980," *Business History Review* 70 (spring 1996): 1–42; Patricia Aufderheide et al., *Conglomerates and the Media* (New York: New Press, 1997); Ben H. Bagdikian, *The Media Monopoly,* 6th ed. (Boston: Beacon Press, 2000).
8. Robert G. Picard, "Institutional Ownership of Publicly Traded U.S. Newspaper Companies," *Journal of Media Economics* 7, no. 4 (1994): 49–64.
9. Cranberg, Bezanson, and Soloski, *Taking Stock.*
10. William B. Blankenburg and Gary W. Ozanich, "The Effects of Public Ownership on the Financial Performance of Newspaper Corporations," *Journalism Quarterly* 70 (spring 1993): 68–75; Stephen Lacy, Mary Alice Shaver, and Charles St. Cyr, "The Effects of Public Ownership and Newspaper Competition on the Financial Performance of Newspaper Corporations: A Replication and Extension," *Journalism and Mass Communication Quarterly* 73, no. 2 (1996): 332–41; Kuang Kuo Chang and Geri Alumit Zeldes, "How Ownership, Competition Affect Papers' Financial Performance," *Newspaper Research Journal* 23, no. 4 (2002): 101–7.
11. John H. McManus, *Market-Driven Journalism: Let the Citizen Beware?* (Thousand Oaks, Calif.: Sage, 1993); Bagdikian, *The Media Monopoly;* Croteau and Hoynes, *The Business of Media;* James T. Hamilton, *All the News That's Fit to Sell: How the Market Transforms Information into News* (Princeton, N.J.: Princeton University Press, 2004); Ken Auletta, *Backstory: Inside the Business of News* (New York: Penguin, 2003).
12. Doris Graber, Denis McQuail, and Pippa Norris, eds. *The Politics of News: The News of Politics* (Washington, D.C.: Congressional Quarterly Press, 1998); Robert M. Entman, *Democracy without Citizens: Media and the Decay of American Politics* (New York: Oxford University Press, 1989); W. Lance Bennett, "Toward a Theory of Press-State Relations in the United States," *Journal of Communication* 4 (spring 1990): 103–25.

Bibliography

Bagdikian, Ben H. *The New Media Monopoly.* Boston: Beacon Press, 2004.

Compaine, Benjamin M., and Douglas Gomery. *Who Owns the Media?: Competition and Concentration in the Mass Media Industry.* 3rd ed. Mahwah, N.J.: Lawrence Erlbaum, 2000.

Cranberg, Gilbert, Randall Bezanson, and John Soloski. *Taking Stock: Journalism and the Publicly Traded Newspaper Company.* Ames: Iowa State University Press, 2001.

Croteau, David, and William Hoynes. *The Business of Media: Corporate Media and the Public Interest.* Thousand Oaks, Calif.: Pine Forge, 2001.

Doyle, Gillian. *Media Ownership: The Economics and Politics of Convergence and Concentration in the UK and European Media.* London and Thousand Oaks, Calif.: Sage, 2002.

McChesney, Robert W. *The Problem of the Media: U.S. Communication Politics in the Twenty-first Century.* New York: Monthly Review, 2004.
Napoli, Philip M. *Audience Economics: Media Institutions and the Audience Marketplace.* New York: Columbia University Press, 2003.
Picard, Robert G. *The Economics and Financing of Media Companies.* New York: Fordham University Press, 2002.

21

THE MARKET AND THE MEDIA

James T. Hamilton

SINCE MARKET FORCES HAVE PLAYED THE MOST DECISIVE role in transforming the delivery of news, the history of the American press from the 1970s to the present is economic history. Although journalists may not explicitly consider economics as they cover the day's events, the stories, reporters, firms, and media that ultimately survive in the marketplace depend on economic factors. The decisions of producers and editors are driven by supply and demand: Who cares about a particular piece of information? What is an audience willing to pay for the news, or what are advertisers willing to pay for the attention of readers, listeners, or viewers? How many consumers share particular interests in a topic? How many competitors are vying for readers' or viewers' attention, and what are these competitors offering as news? What are the costs of generating and transmitting a story? Who owns the outlet? What are the owners' goals? What are the property rights that govern how news is produced, distributed, and sold? News is a commercial product.

News outlets that cover public affairs have always struggled with the tension between giving people what they want to know and giving them what they need to know. The low probability that any reader has of influencing the outcome of a policy debate leaves many readers "rationally ignorant" about the details of governing.[1] From an investment perspective, why learn about global warming if your actions have little chance of affecting policy? News outlets do face strong demand for entertaining news, or information that helps people in their role as consumers or workers. Some people may also express a demand for news about politics, though the set of viewers that prefers politics covered as a sport or drama may exceed that which prefers detailed analysis.

In this essay I argue that since the 1970s news coverage has shifted to an increasing emphasis on what people want to know and away from information that they may need as voters. I identify three economic factors that help account for this shift: changes in technology, product definition and differentiation, and media ownership. I will examine in detail how each has affected news content

INSTITUTIONS OF AMERICAN DEMOCRACY SERIES

A joint project of The Annenberg Foundation Trust at Sunnylands and The Annenberg Public Policy Center of the University of Pennsylvania

The Public Schools. Edited by Susan Fuhrman and Marvin Lazerson.
The Press. Edited by Geneva Overholser and Kathleen Hall Jamieson.
The Legislative Branch. Edited by Paul J. Quirk and Sarah A. Binder.
The Executive Branch. Edited by Joel D. Aberbach and Mark A. Peterson.
The Judicial Branch. Edited by Kermit Hall and Kevin T. McGuire.

THE PRESS

Geneva Overholser
Kathleen Hall Jamieson

EDITORS

THE ANNENBERG FOUNDATION TRUST AT SUNNYLANDS

OXFORD
UNIVERSITY PRESS

OXFORD
UNIVERSITY PRESS
Oxford University Press, Inc., publishes works that further
Oxford University's objective of excellence
in research, scholarship, and education.

Oxford New York
Auckland Cape Town Dar es Salaam Hong Kong Karachi
Kuala Lumpur Madrid Melbourne Mexico City Nairobi
New Delhi Shanghai Taipei Toronto
With offices in
Argentina Austria Brazil Chile Czech Republic France Greece
Guatemala Hungary Italy Japan Poland Portugal Singapore
South Korea Switzerland Thailand Turkey Ukraine Vietnam

Published by Oxford University Press, Inc.
198 Madison Avenue, New York, New York, 10016
http://www.oup.com/us

Oxford is a registered trademark of Oxford University Press

Library of Congress Cataloging-in-Publication Data
The press / Geneva Overholser, Kathleen Hall Jamieson, editors.
p. cm. — (Institutions of American democracy series)
Includes bibliographical references and index.
ISBN-13: 978-0-19-517283-6 (alk. paper)
ISBN-10: 0-19-517283-3 (alk. paper)
1. Press and politics—United States. 2. Democracy—United States.
3. Freedom of the press—United States. 4. Government and the press—United States.
I. Overholser, Geneva. II. Jamieson, Kathleen Hall. III. Series.
PN4888.P6P64 2005
071'.3—dc22 2004029861

Book design by Joan Greenfield
Copyedited by Melissa A. Dobson

Printed in the United States of America
on acid-free paper

CONTENTS