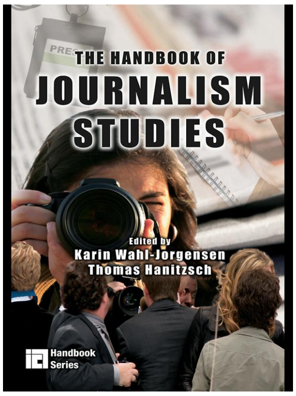

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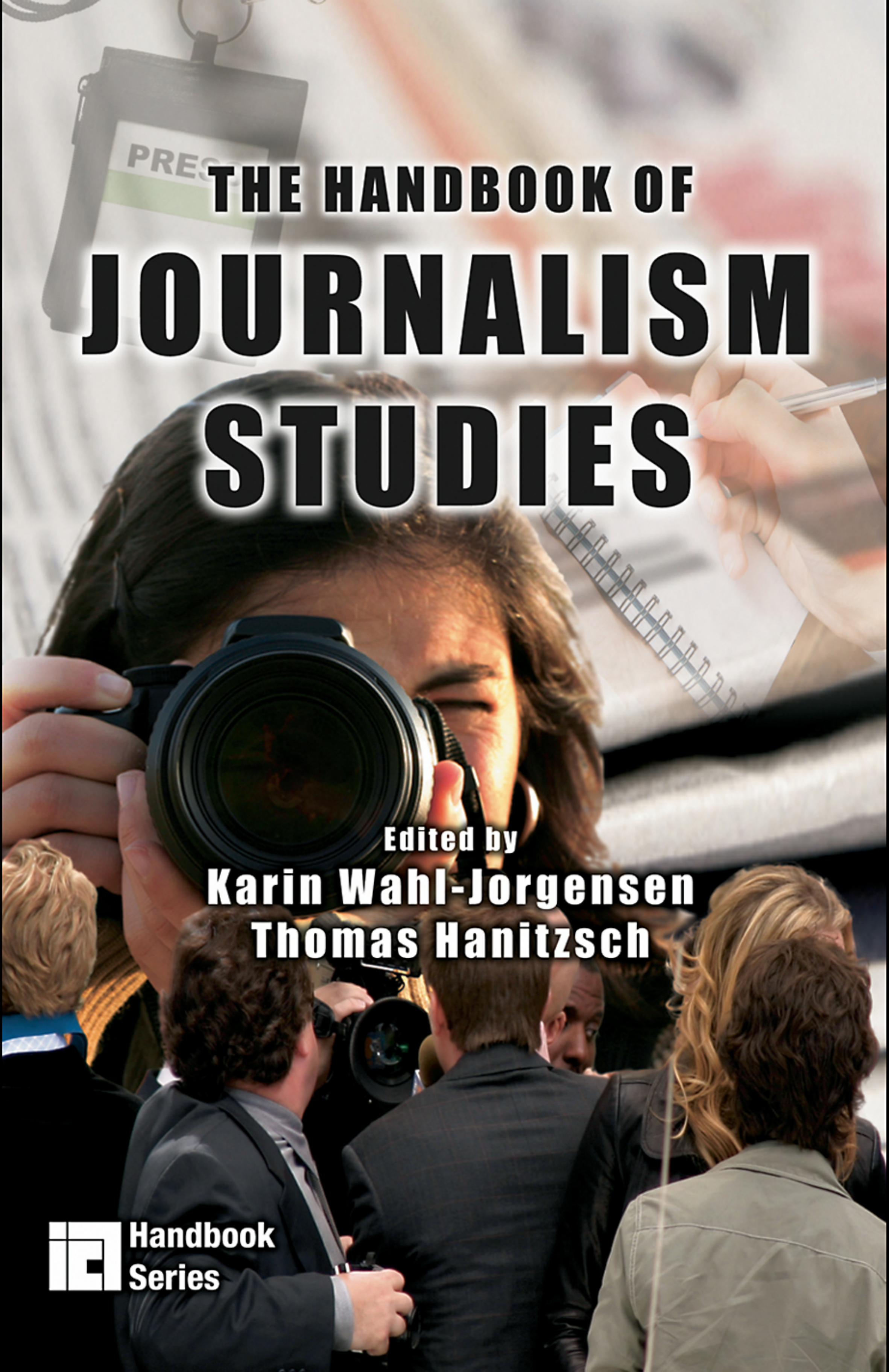
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The Commercialization of News

John H. McManus

INTRODUCTION

One day in early March 2005, Anna Ayala's husband brought home the tip of a co-worker's finger that had been severed in a work accident. Anna soon put the decaying digit to use, dropping it in her steaming bowl of chili at a Wendy's restaurant in San Jose, California. Feigning revulsion, Anna threatened to sue Wendy's claiming that the fast food chain was cutting corners with the *con carne* in its chili. She protested that she hadn't ordered finger food.

Although it appeared to be a scam rather than a public health threat from the start, the *San Jose Mercury News*—once ranked among the ten best newspapers in the United States in a poll of editors—ran developments in the finger-in-the-chili-bowl story 11 times on its front page during the 33-day career of the story. During that month, from when the hoax was first reported until Ms. Ayala's arrest, the paper ran exactly one story about the US war in Iraq on 1A.[1]

Some would argue that a brutal war killing hundreds of thousands of Iraqis and displacing millions more, not to mention costing thousands of American lives and more than a billion dollars a week at the time merited the front page more than the saga of a small-bore grifter. But they would be thinking of journalism as a public trust rather than a profit-maximizing business.

This chapter briefly examines the commercialization of news: its historical context, how scholars have described it, what they have learned about its causes, processes and effects, the strengths and weaknesses of their analyses, and some ideas for future research.

DEFINING COMMERCIALIZATION

Claims of commercialization are almost as old as the practice of making money by selling news. Most have occurred in the United States, where news has been produced by business enterprises for more than a century and a half, and where almost all news is produced to earn a profit. In Eastern Europe, where the state once controlled media, commercialization is a new concern. In China, it is perhaps a future concern. In Western Europe where Karl Marx's thinking was incorporated into media scholarship by Antonio Gramsci, the "Frankfurt School" scholars, and later the Cultural Studies movement, commercialization was seen as contributing to a larger evil—class domination or hegemony. More recently, post-modernism and active audience theories have weakened the neo-Marxist assumption that all media are tools of class domination.[2] As European governments have begun to permit commercial broadcasting over the past two decades, commercialization has become a top concern of scholars.

To commercialize denotes making something into a business. But the word connotes corruption, meaning “to emphasize the profitable aspects of, especially by sacrificing quality or debasing inherent nature” (Random House, 1999). To be concerned with commercialization implies that absent such taint, profit-seeking news media can act in the public interest. So a definition of commercialization carries with it the controversial assumption that business-based journalism can, in fact, serve the public under certain conditions.

Making that assumption, I will define the commercialization of news as *any action intended to boost profit that interferes with a journalist's or news organization's best effort to maximize public understanding of those issues and events that shape the community they claim to serve*.[3] The *Mercury News'* priorities for its most read page during March 2005 seem much more oriented toward maximizing profit than public sense-making. The war in Iraq was both an issue and a series of events with far greater impact on the South San Francisco Bay region than one woman's failed scam, no matter how bizarre or entertaining.

To put this definition to practical use, it is helpful to have some understanding of the logic of commercial enterprises, market economics. In fact, I would argue that you cannot make sense of the evolution of journalism in the final quarter of the 20th century and at the beginning of the 21st without taking economics into account, particularly as it interacts with technological developments, such as the Internet, and government policy. Economics is important both to the diagnosis of contemporary journalism's shortcomings and to their solutions.

HISTORICAL CONTEXT

As Marion Marzolf's (1991) lively history of American press criticism describes, the conflict between the public service goals most news media proclaimed as their mission, and the demand of their owners for the greatest return on their investment has existed since the early days of the Penny Press in the middle of the 19th century. That was when business took over sponsorship of news from political parties and small printers. Commercialism ebbed over much of the 20th century as codes of ethics were adopted and the education levels and professional aspirations of journalists rose. But during the last two decades, and particularly during the last several years, as competition for readers and advertisers on the Internet has intensified, commercial interference appears to be rising, at least in American news media.

Since the mid-1980s the corporations that produce news in the United States have begun to treat it less as a public trust and more as a commodity, simply a product for sale (Auletta, 1991; Bagdikian, 1992; Downie & Kaiser, 2002; Hamilton, 2004; Kaniss, 1991; Lee & Solomon, 1991; McManus, 1994; Merritt, 2005, Patterson, 2000; Squiers, 1993; Stepp, 1991; Underwood, 1993). This *economic rationalization* of journalism has been exacerbated by the splintering of mass audiences as consumers took advantage of emerging news and entertainment choices offered first by cable and satellite television, and later by the Internet. Paradoxically, at the same time as these new technologies open a cornucopia of content from comedy to Congressional hearings, and democratize expression by offering almost everyman (and woman) a chance to express themselves to almost everyone, they undermine the financial foundation of the news providers democracy requires, especially in the United States.

As a consequence, we are in the greatest period of change—turmoil really—in journalism since the dawn of the Penny Press more than a century and a half ago. As we begin the 21st century with declining numbers of paid journalists (Project for Excellence in Journalism, 2007), an economic analysis of news predicts a temporary decline of journalism's expensive but vital watchdog function, less diverse coverage of a professional caliber as fewer owners exercise greater economies of scale over more newsrooms, and an erosion of ethical standards as public relations copy and advertising are "repurposed" as news. But if we understand how market forces shape news, we can propose remedies to ensure a steady supply of the kind of journalism participatory government requires.

HIGHLIGHTS OF THE LITERATURE OF COMMERCIAL NEWS BIAS

The Social Critics

The first to decry commercial contamination of news were social critics. Many were themselves journalists. Edward Ross in 1910, Will Irwin in 1911, and Upton Sinclair in 1920 decried the fakery, sensation and bias of the Yellow Press. The founder of German newspaper research, Karl Bücher (1926), described the influence of advertising in US newspapers. Later George Seldes (1938), at mid-century A. J. Leibling (1961) , and more recently Robert Cirino (1971) and Edward Jay Epstein (1973) documented structural business interference in the practice of journalism.

Perhaps the clearest assessment of an inherent conflict of interest between the economic and public service aspects of news media came from the Hutchins Commission (1947), assembled and funded by *Time Magazine* publisher Henry Luce after World War II: "The press […] is caught between its desire to please and extend its audience and its desire to give a picture of events and people as they really are" (p. 57).

Although the Hutchins Commission warned of the concentration of newspaper ownership, the news media were to become much larger in the second half of the 20th century, incorporating broadcasting, book publishing and non-media enterprises in vast international conglomerates like Disney, News Corporation, and Time-Warner. During this period, they would also begin to seek cash for expansion from Wall Street investors. Former *Washington Post* ombudsman Ben Bagdikian chronicled the rise and risk of these corporations in *The Media Monopoly*, which has gone through seven editions since its first publication in 1983. In almost every iteration, the number of global firms controlling most informational media drops. Ownership is critical, Bagdikian (1992, p. xxxi) argues:

> Many of the corporations claim to permit great freedom to the journalists, producers and writers they employ. Some do grant great freedom. But when their most sensitive economic interests are at stake, the parent corporations seldom refrain from using their power over public information.

Another former journalist, Doug Underwood, warned of the economic rationalization of newspapers in the 1980s. He described the changes in newsroom management and news content as "green eyeshade" journalists were displaced by managers with business degrees in *When MBAs Rule the Newsroom* (1993). In interviews with hundreds of journalists, Underwood documented numerous cases of pandering to readers rather than informing them, of new advertiser-friendly policies and greater reliance on public relations to discover and report the news.

The Media Economists

While each of these social critics examined economic pressures on news, none used economics as a tool or developed theories of commercial bias. For those we have to look on campus. During the second half of the 20th century, as communication departments proliferated on university campuses, their faculty began to study news using techniques of social sciences, including economics.

Most of their economic research was designed not to critique media performance, however, but to assist and train managers for the industry (Underwood, 1993). In fact, until very recently economics was generally not seen as a useful tool for analyzing journalistic responsibility. Former Stanford media economist James N. Rosse put it bluntly in 1975:

> Although I have been a serious student of the economics of mass media for more than a decade, I have assiduously avoided the issue of media responsibility until now. The issue raises questions that do not lend themselves well to economic analysis. (p. 1)

In 1989, Robert Picard wrote a helpful primer called *Media Economics* that applied basic economic principles to media, particularly newspapers. It also focused on managerial questions rather than how markets and monopolies affect the quality of journalism. More recently Picard (2004, p. 61) has turned to commercialism of news as more newspaper companies have raised capital in the stock market and tried to satisfy investors' demands for rising profits:

> The primary content of newspapers today is commercialized news and features designed to appeal to broad audiences, to entertain, to be cost effective and to maintain readers whose attention can be sold to advertisers. The result is that stories that may offend are ignored in favor of those more acceptable and entertaining to larger numbers of readers, that stories that are costly to cover are downplayed or ignored and that stories creating financial risks are ignored.

Perhaps the most prolific media economist, at least in the United States, is Stephen Lacy. His research focuses on newspapers and is rigorously statistical. During the last decade and a half, Lacy has measured newspaper quality and its relationship to circulation and advertising revenues, as well as whether greater newsroom investment builds the bottom line.

Particularly relevant is his recent research with René Chen and Esther Thorson (2005). They examined data between 1998 and 2002 from hundreds of small and mid-size newspapers. (Larger papers did not report sufficient data to be included.) The research team found that those newspapers that invested more in their newsrooms outperformed other papers in revenues per copy from circulation and advertising as well as pre-tax profit. Combined with an earlier study (Lacy & Martin, 1998) of the failed Thomson newspaper chain, whose CEO bragged about cutting newsroom costs, Lacy and his colleagues argue that "the failure to invest in the newsroom could be a form of slow-motion suicide, where a company's disinvestment gradually alienates core readers and reduces the attractiveness of newspapers as advertising outlets" (Chen, Thorson, & Lacy, 2005, p. 527).

Lacy isolates three trends that have boosted commercialism during the past half century:

1. The decline of newspaper competition;
2. The growth of alternative information and advertising sources in the form of cable television and the Internet;
3. The growth of public [stock] ownership of news media.

Trend one has affected local markets. Trends two and three have affected both local and national markets. At the local level, starting in the late 1980s and early 1990s, trend three has put pressure to maintain high consistent profits. In some markets, competition (direct, umbrella and intercity) helped to counteract that pressure, but as competition disappeared in most larger cities and clustering ended the competition within counties—at first between dailies and later between dailies and weeklies—the counterbalance affected fewer and fewer markets.[4]

The Political Economists

During the 1970s, a new way of examining news commercialism was emerging. It focused on the intersection of politics and media and came to be known as the political economy of the media. According to Graham Murdock and Peter Golding (1997), who developed the approach in England along with Nicholas Garnham (1990) and James Curran (2004), this type of analysis was pioneered by Canadian economist Dallas Smythe (cf. *Dependency Road*, 1981) and his American student Herbert Schiller (cf. *Culture Inc.*, 1989).

From Gramsci (1971) through "Frankfurt School" theorists Theodor Adorno and Max Horkheimer (1972) to the "cultural studies" approach of Stuart Hall and Raymond Williams, European scholars puzzled over why poor and working class people would support leaders whose policies kept them down. Political economists pointed to the media as a prime suspect.

In an influential 1974 essay, Murdock and Golding wrote, "The part played by the media in cementing the consensus in capitalist society is only occasionally characterized by overt suppression or deliberate distortion" (p. 228). Rather, the routines of news work lead to systematic distortions that label anything threatening to the status quo as illegitimate or ephemeral. Journalistic objectivity, they argued, narrowed the margins of most debates to just two alternatives, neither of which threatened existing class relationships. "Most generally," they wrote, "news must be entertainment; it is, like all media output, a commodity, and to have survived in the market-place must be vociferously inoffensive in the desperate search for large audiences attractive to advertisers" (p. 230).

In the UK, Garnham (1990) reinterpreted the transformational thinking of the German social philosopher Jurgen Habermas. Habermas argued (1989) that in the 18th century bourgeois society in Western Europe had created a "public sphere" in newspapers and other publications, in coffee houses and at social gatherings that influenced government policy, leading to parliamentary rule. This public sphere was characterized by rationality, diverse viewpoints and a goal of the public good. However, in Habermas' view, modern corporate and state-controlled media undermined the public sphere. Garnham helped popularize Habermas by taking the ideal of the public sphere and proposing it as a model for democratic media that might be achieved by state-sponsored media such as the BBC and even by corporate newspapers and broadcasters under the right conditions (Curran, 2004).

At the same time in the United States, Edward Herman and the linguist Noam Chomsky (1988) postulated an influential theory that commercial news media operate both to maximize profit and to "manufacture consent" for policies that support the status quo. Reports of each day's "raw events" must pass through five filters before they can be published. Their "propaganda model" looks like this:

World of raw events	Will it sell as news? Yes → No ☹	Will advertisers support it? Yes → No ☹	Was it provided by inexpensive, establishment sources? Yes → No ☹	Will it cost money to defend? Yes ☹ No →	Does it promote Communism or attack private wealth? Yes ☹ No →	*The public*

THE STATE OF THE ART

A number of scholars worldwide constitute the state of the art in understanding commercial pressures on news. Rather than giving a few paragraphs to each, it may be more coherent to concentrate on key contributions of four researchers who have made a career examining the commercialization of news. I chose Robert McChesney, Leo Bogart, and Edwin Baker. Brazenly, I added theoretical aspects of my own work partly because I know it best.

McChesney uses political economy as a frame for critiquing the global media sphere. Bogart eschews any formal methodology. As a newspaper advertising executive, he provides a business view of news commercialization. Baker is a lawyer, yet creatively uses microeconomics to explain the failures of news media. My research combines my background as a journalist with my education as a social scientist. It poses a dynamic tension between the norms of socially responsible journalism and those of basic market economics to explain the daily workings of reporters and editors.

The Political Economy Critique

If anyone has donned the mantle of Ben Bagdikian as he has moved into retirement, it is Robert McChesney. He combines Bagdikian's flair for writing with a historian's passion for detail and documentation. McChesney has also become an activist, co-founding the progressive government watchdog Web site *FreePress.org*.

In *Rich Media, Poor Democracy* (1999), McChesney describes two contradictory trends: the increasing size and public acceptance of media conglomerates like Disney, General Electric and Bertelsmann on the one hand, and the decline of political participation on the other. Globally, he argues, "the wealthier and more powerful the corporate media giants have become, the poorer [are] the prospects for participatory democracy" (p. 2).

A major culprit, he writes, is the global rise of "neoliberalism"—a "market knows best" philosophy that leaves as much as possible to markets and corporations and minimizes the role of non-market institutions like government.

> The media, McChesney holds, are both a product of this way of thinking and promoters of it. As a consequence, we think we live in a world of informational plenty—the market provides hundreds of television channels, thousands of magazines and books and millions of Web sites. But of all these seemingly independent outlets, most of those attracting the largest audiences are owned by a few transnational companies and serve a commercial purpose, selling audience eyeballs to advertisers. Not surprisingly, content that empowers citizens and reports critically on government—and particularly corporate—power is rare. What media cover least, he says, is their own concentrated ownership and hypercommercialism.

McChesney doubts that the Internet will break the media oligopoly. As a historian, he sees a parallel with how radio, the radical new technology of the early 20th century, came to be dominated by a few large commercial interests despite its many channels, democratic potential and early use by citizen-broadcasters. As with radio, public debate over the new technology's most productive uses is being stifled. The successors of the corporate powers that dominated radio and later TV have so much influence in the US Congress, he writes, that they have already engineered a consensus that corporations, not universities, other non-profit organizations or government, should operate the Internet. Thus, making money is to be the primary concern.

The remedy, he argues, must come from the political left, particularly organized labor, and media reform must be central to its agenda. McChesney's prescription includes teaching news literacy to the public, taxing broadcasters for currently free use of public airwaves in order to fund public broadcasting, and labor creating its own news outlets.

In *The Problem of the Media* (2004), McChesney builds on his argument that media reform is primarily a political problem. He argues that government policies have encouraged exploitive media to flourish and that new policies are needed to create media supportive of democracy. To do so, he must dismantle the dominant neoliberal myth that profit-seeking corporations operating in "free" markets are the natural, ideal, even inevitable producers of news in a democracy.

That myth rests on two propositions, one political and one economic:

- Government should not be involved in creating or regulating news media because it might use this power for propaganda and censorship. The American Founding Fathers recognized this conflict and forbade it in the First Amendment guaranteeing freedom of the press from Congressional control. Thus "free enterprise" should operate news media with minimal or no regulation.
- Businesses compete in free markets, so they must give the public what it wants or suffer a loss of audience to others who will.

To the first proposition, McChesney responds that the authors of the First Amendment *were* concerned with government censorship of news, but were *not* attempting to restrict news to the private sector. The press of the day, he notes, was run by political parties and small printers. "The notions of entrepreneurs and free markets were almost entirely absent in the early republic," he writes, "as was the idea that the press was or should be a commercial activity set up solely to meet the needs of press owners" (p. 30). The First Amendment was meant to protect robust public discussion of important ideas and events, not to create a franchise for corporations to do whatever they wish.

McChesney responds to the proposition that markets give people what they want in five ways:

> First, he says, it is based on a flawed premise—that there is robust competition among media. Rather than engage in the competition Adam Smith envisioned, media and other businesses attempt to buy out, merge, or partner with competitors to the extent government anti-trust regulators permit. They also try to erect barriers to market entry by forming chains, as in newspapers and broadcast networks, or large conglomerates that can bring the resources of many industries down on any new competitor.
>
> Second, McChesney casts advertisers, not consumers, as the media's most important customers. "This changes the logic of media markets radically, since the interests of consumers must be filtered through the demands of advertisers" (p. 189). Third, he argues that markets encourage uniformity; every producer plays to the lowest common denominator of consumer preferences in order to maximize audience. This is problematic for news, which should seek out diverse perspectives. Fourth, consumers can only value what they are offered. "Media markets may 'give the people what they want,' but will do so strictly within the limited range of fare that can generate the greatest profits" (p. 199).
>
> Finally, McChesney argues, markets are inherently undemocratic; they always favor the wealthy over other strata of society. The more money consumers have, the greater their choices and ability to purchase quality goods. In a democracy, every citizen should have equal access to civic information.

Next, we will examine Leo Bogart's warning of an increasingly commercialized and anti-democratic media culture. It carries additional weight because it comes from an insider—the former executive vice-president of the Newspaper Advertising Bureau.

A Business Critique

In *Commercial Culture: The Media System and the Public Interest* (2000), Bogart rejects the argument that the shortcomings of the media can be blamed on the public because the market gives people what they want. Like McChesney, he urges a federal media policy that makes greater room for democratic processes than the current market arrangement.

> The individual means of mass communication—from the book to the compact disk—have been submerged into an interlocked system dominated by a disturbingly small number of powerful organizations […] Entertainment increasingly overshadows information, blurring the difference between what is real and what is not, and thus weakening the public's will and capacity to confront the world and its problems. (p. 4)

Because all of these formerly separate media—TV, radio, newspapers, books, magazines, movies, video disks and tapes—are expected to promote each other, Bogart maintains, the independence of news departments in such conglomerates has been compromised. Bogart's career gives him particular insight into advertising's distortion of culture:

> Contemporary American culture is commercial because, overwhelmingly, it is produced for sale to meet marketing requirements […] Commercial culture assigns no value or meaning to communications apart from their market value—that is, the price that someone is willing to pay for them. (p. 66)

Advertising's hyperbole and distorted world view—of well-off, handsome actors gaining happiness from consuming products—affect all social and political discourse, Bogart argues. Advertising pulls our attention away from common issues—clean air and water, affordable housing and transportation—and focuses it on personal possessions. When not selling, Bogart writes, the media do two things: They inform and they entertain. But even when trying to inform, the emphasis is on entertainment, he argues, because that generates a larger audience than information.

> With all its great resources and formidable talent, television journalism has been forced to conform to the rules of show business. It gives us a vivid first-hand view of great events, but that view is often fragmentary and distorted. (p. 175)

As Bagdikian also noted, advertising has undermined local competition among newspapers. Because newspapers are based on economies of scale, bigger ones can offer advertisers more readers at a lower cost per thousand. As the percentage of newspapers' revenue from advertising grew, competing local papers became scarce. The loss of that competition, in turn, diminished newspapers' variety and quality, ultimately diminishing readership, Bogart argues. "Competition sets higher editorial standards and makes for greater quality than can be achieved in a monopoly paper by even the highest-minded management and most dedicated staff" (p. 199).

To McChesney's rebuttal of the neoliberal myth of markets "giving people what they want," Bogart adds a further point: The banality, sensationalism and overused formulas of media content are not the result of public taste, but of manipulation by the media. Social scientists have demonstrated that people gravitate toward what's familiar. "What is easily accessible and heavily promoted becomes familiar," he writes. "Tastes are neither spontaneous nor immutable; they are provided to the public ready-made. Media's content reflects what their managements choose to offer rather than instinctive public preferences" (p. 221). "The first step" toward a solution, he concludes, "is to recognize that a problem exists, and that market forces cannot solve it" (p. 324).

The next step is to explain why market forces alone do not work. In the following section I use economic theory to explain why market-driven journalism is an oxymoron.

Commercial Logic vs. Public Service Logic

Inspired by theories of news selection beginning with Galtung and Ruge (1965), Joseph Turow (1992), Robert Entman (1989), Herman and Chomsky (1988), and Pamela Shoemaker and Stephen Reese (1991), I constructed a model of market forces shaping news content produced by commercial news corporations (1995).

This model postulates a "news production environment" constituted by national and regional culture, laws and regulations, and available technology. Within that, the news departments of media firms compete in four key markets:

- for *investors/owners* who trade capital for profit and perhaps influence over content.
- for *advertisers* who trade money for public attention to their wares.
- for *consumers* who trade subscription fees or simply "pay" attention for desirable content.
- for *sources* who supply the raw material of news—information—in return for public attention (which might yield influence) and influence over content.

I examined how each of these markets function compared to the conditions Adam Smith (1776) and his modern followers list as necessary to activate "the invisible hand" that spins the lead of self-interest into the gold of public benefit. Four conditions must be met:

1. Buyers and sellers both act rationally in their self interest; *and*
2. Buyers can distinguish between high and low quality; *and*
3. The market offers real alternatives; *and*
4. The transaction generates no negative externalities—harm to parties outside the transaction.

In *Market-Driven Journalism: Let the Citizen Beware?* (1994) I argued that the markets for investors, advertisers and sources all serve both themselves and the media firm. But the market for consumers fails to meet Smith's standards, resulting in a negative consequence for society—news that is often unequal to the demands of a participatory form of government.

First, research suggests that consumers are not as rational as economists have long assumed (Kahneman & Tversky, 1973). And even when they are, it may be rational to be ignorant (Downs, 1957) because the benefit to an individual for the daily work of keeping informed is miniscule—one vote in thousands or millions—compared to the cost in time.

Second, because news is a credence good consumed more on faith than experience or inspection (McManus, 1992), even rational consumers have trouble discerning its quality. Rarely can the audience be sure media reports are accurate or complete representations of issues and events. More importantly, consumers cannot tell whether what is presented really comprises the most important events and issues of the day. Third, the closer the event to one's own neighborhood, the less choice the consumer enjoys among professional news providers. As a consequence, consumers are vulnerable to exploitation when owners/investors seek to maximize their returns.

What kind of exploitation? In three of the markets public attention is traded, but not necessarily attention to what the Hutchins Commission would consider news. Since entertainment has historically generated a larger audience than information, and consumers are poor at evaluating news quality, there is economic pressure to generate newspapers, newscasts and Web sites that look newsy, but entertain as much or more than they inform.[5]

Two theories of news selection flow from this model. The first follows the norms of socially responsible journalism (Hutchins, 1947). The second maximizes return to shareholders/owners; it is essentially a cost-benefit analysis for various types of news stories. The probability of an event or issue becoming news in a *socially responsible* news outlet is:

- Proportional to the expected consequence of the story in terms of helping people make sense of their environment, and
- Proportional to the size of the audience for whom it is important.

Under an *economic* selection model, however, the probability is:

- Inversely proportional to harm the information might cause major advertisers or the parent corporation, and
- Inversely proportional to the cost of uncovering it, and
- Inversely proportional to the cost of reporting it, and
- Directly proportional to the expected breadth of appeal of the story to audiences advertisers will pay to reach.

These two selection logics conflict more than coincide as they shape the organizational culture of a given newsroom. Where managers can moderate profit demands of owners/investors, journalism norms do better. In others, economic demands prevail. The more the economic, or market, model of news selection is followed, the less valuable the news becomes as a resource for citizens because:

- What is most expensive to uncover and report—sometimes because those in power want it hidden—is often what is most newsworthy.
- News departments not only suffer pressure to avoid negative reporting on large advertisers—auto dealers, real estate developers, grocery chains, etc.—there is positive pressure to increase ad revenue by creating content designed to whet consumers' appetites—sections and segments about new cars, home and garden improvements, food, travel, night life, etc.
- Rich and poor, young and old, all citizens deserve coverage of issues affecting them. But rational advertisers seek the upscale and those in prime buying years. Market-driven editors will commit scarce reporting resources to please those groups at the expense of the others because advertisers contribute about 80% of paid newspaper revenues and 100% of free paper and broadcast revenues.

In the next section, Edwin Baker will use the same tool, market economics, to arrive at a similar conclusion about commercially produced journalism. But he will employ a completely different set of propositions.

The Economics of Quality Journalism

C. Edwin Baker teaches law at the University of Pennsylvania, but thinks like a media economist. Like all of the authors above, Baker takes aim at the core proposition of market-based news media—that they give the people what they want. But Baker adds four unique arguments in his 2002 book *Media, Markets and Democracy*:

Expanding on Bogart's argument about media *setting* audience preferences rather than *satisfying* them, Baker argues that people use media to discover and develop content preferences as much as to express already formed preferences. For that to occur they must first be exposed to diverse offerings—content they may not yet know they value. To the extent the market restricts choices to the content most profitable for advertisers and media owners, it does not give people what they want.

Baker's most striking contribution has to do not with the negative externalities of market-driven journalism, but with the failure of society to adequately compensate news media for positive externalities. Apathetic citizens consume little or no news. So they contribute almost nothing to the bottom line of media companies. Yet they reap vast benefits from quality journalism.

> Individuals are tremendously benefited or harmed if the country makes wise or stupid decisions about welfare, warfare, provision of medical care, the environment, and a myriad of other issues. These harms or benefits depend on the extent and quality of *other* people's political participation. The media significantly influence this participation. (p. 45)

One of the greatest of these positive outcomes of quality journalism for consumers and non-consumers alike is the deterrence of corruption among government officials who fear being exposed in the media. "'Deterrence' means, however, that the media has [sic] no 'exposé'—no product—to sell to its audience and hence no opportunity to internalize the benefits it produces" (p. 49).

Economic theory predicts that when a producer is not able to capture some of the value of the product, it is under-produced. Since deterrence of corruption is entirely uncompensated, and what builds deterrence—investigative reporting—is very expensive and little compensated as competitors are able to offer the revelations almost immediately, economic theory provides an explanation of why it is so rare.

A second insight into the economics of journalism follows Oscar Gandy's (1982) work conceptualizing public relations as an "information subsidy." Baker argues that journalism is skewed towards topics and viewpoints of those individuals and institutions able to afford public relations representation and away from those unable to afford to subsidize newsgathering. Public relations provides one pervasive and largely hidden content-shaping subsidy; advertising provides another. Baker argues that advertising subsidizes the cost of content of interest to its potential customers.

> An affluent person may be charged \$.40—or nothing—for a media product that costs \$1 because advertisers will pay the extra \$.60. Because poor people have less to spend on the advertisers' products, their value to advertisers is less. Thus media enterprises must charge much closer to the full cost for media products directed at the poor. (p. 75)

When media cannot charge for the product directly, as in broadcast news, they produce more of the advertiser-subsidized content and less of the unsubsidized. "This skewed subsidy is strikingly unfair," he writes, "especially if media content involves a person's role as a citizen and not merely as a consumer" (p. 76).

Baker's innovative use of economic theory undermines the neoliberal reliance on unregulated markets as the optimal mechanism for providing news. It also provides a basis for seeking government support for the kind of journalism the market does not encourage—investigative reporting and coverage of politically significant topics, especially those affecting citizens with interests unsubsidized by advertisers or public relations practitioners.

METHODOLOGICAL TRAPS IN CONCEPTUALIZING AND MEASURING COMMERCIALISM

Every research viewpoint has its blind spots. Because economics usually tries to explain consumer and producer behaviors by itself, there is a tendency to over-rely on it. This seems inappropriate when trying to explain journalism, which, although increasingly dominated by economic concerns, still retains vestiges of a professional ethos.

An example can be found in James T. Hamilton's *All the News That's Fit to Sell: How the Market Transforms Information Into News* (2004). Hamilton uses economics alone to explain media bias. He contends that American news media exhibit liberal bias in order to attract 18- to 34-year-old women, the group advertisers will pay the most to reach because they tend to make most family buying decisions.

> When individuals are asked to place themselves on a scale of liberalism and conservatism, those 18–34 are more liberal than those 50+, women are more liberal than men, and women 18–34 report the highest ratings as liberals. If a media outlet selects or covers issues to attract younger or female viewers, one can expect that content will on the margin relate to liberal concerns. Survey responses again bear out these predictions. Younger viewers and female viewers are less likely to report that they see political bias in news coverage. Women 18–34 are the least likely to report that that they see political bias, which is what one would expect if some news outlets were shaping content to attract these particular viewers. (p. 72)

It is certainly possible that media adopt a liberal perspective to reach the viewers advertisers most desire, but if indeed most news outlets are liberal it could also be explained by non-economic factors, such as liberal bias among journalists. Or it could be that news media are not liberal. Young women may notice little political bias because they pay little attention, according to Hamilton's data, to any political news.

A second methodological trap is that it can be easy to ascribe economic motives to contradictory media behaviors. If concentrated ownership of newspapers, for example, leads to sameness of editorial products in a region, we can claim the owner is optimizing profit. One reporter's story can run in a dozen nearby papers because the owner saves money by reducing "redundant" coverage and staff. Owning all the papers in the region, the owner need not worry about consumers purchasing another paper.

But economic theory would also support the notion that without competition a single owner can optimize profit by providing *different* content for each segment of the audience. One-size-suits-all stories may be cheaper to produce, but multiple stories serving various segments of the audience will generate greater sales because they will please more consumers. One strategy may be more profitable than the other, but to decide you would have to know whether additional staff costs were greater or less than additional sales that might be generated by satisfying audience segments. The lesson? Predictions of news behavior based on economic theory have to be carefully specified.

DIRECTIONS FOR FUTURE RESEARCH

If we have learned anything from recent research, it is that relying on unregulated markets will not render the quality or quantity of news that participatory government requires to flourish. Here, I suggest two major directions for research: 1) exploration of non-market, or at least non-profit, financial models for news providers; and 2) analyses leading to remedies for the infirmities of markets for news products.

The breakdown of the business model of mainstream media, the rapid adoption of broadband Internet connections in developed nations and the development of low cost digital broadcast equipment creates an exciting opportunity for establishing new low cost news media because it:

- Eliminates the need for multi-million dollar presses, increasingly expensive paper, and fleets of delivery trucks—which together consume about two thirds of the average newspaper's revenues;
- Eliminates the requirement for a government license and a multi-million dollar transmitter to disseminate news in video and audio format;
- Reduces the cost of news-gathering and presentation.

Thus the time may be ripe for non-profit institutions such as foundations and perhaps universities to consider alliances with public broadcasters to fill the increasing gaps in commercial news production. But how should such partnerships be optimally funded and structured?

In *We the Media* (2006) Dan Gillmor lays out a hopeful vision of "citizen journalists" providing much more community-tailored and diverse news reports than mainstream media offer. The prospect raises a host of research questions: Will amateur reporting find enough of an audience to reward the person(s) producing it? How can consumers identify reliable information when such journalists may have hidden conflicts of interest? Should there be state or professional licensing? How might labor-intensive depth or investigative reporting be organized among a network of citizens with limited spare time? Which models of cooperation between citizens and paid journalists (such as South Korea's Web-based *Oh My News*) yield optimal results?

The second general research agenda would aim at ameliorating infirmities of the various markets shaping news.

My own project, *gradethenews.org*, has tried to enhance the ability of consumers to discriminate between "junk journalism" and more nutritious fare. By educating consumers, we have tried to make the former less profitable and the latter more. We have celebrated some success. But consumer education loses effectiveness as choice diminishes. In the United States, newspapers are increasingly forming geographic clusters with one owner/operator.

Even though consumers could not punish the cluster owner by choosing an alternate paper, research documenting gaps between the news provider's performance and public service standards it boasts might strengthen consumer demands for quality by shaming owners. Such evidence might include content analyses showing: 1) neglect of important issues and the perspectives of certain communities, such as ethnic minorities and labor groups; 2) preference for articles that promote interest in advertised products over stories of civic value; 3) violations of the standards of ethical journalism, such as disguising advertisements as news, inaccuracies, protection of sacred cows, etc.

The *market for news consumers* would work better if citizens become educated about the value of news and standards for judging it. As of this writing, a comprehensive book on *news* literacy has yet to be published. Web-based algorithms that assist consumers in evaluating news quality have yet to be developed. If we had "Nielsen ratings" for *news quality*, rather than just *audience quantity*, we might have a basis for rewarding or subsidizing the kind of journalism that makes a civic contribution.

Baker's research raises a similar question: Are there ways of quantifying the positive externalities of good journalism that might form the basis of government support? There is precedent: The US government has long subsidized postal rates and more recently relaxed anti-trust provisions such as joint operating agreements. The Swedish government supports ideologically competing local newspapers.

Little research has been conducted into altering the *market for investors* to make it more supportive of quality journalism. Some intriguing ideas have been introduced, such as Mathewson's (2005) arguments for adjusting tax law to permit newspapers to convert to non-profit status to reduce both excessive profit demand and federal tax liability. Employee-ownership models have been proposed by the Newspaper Guild. But a great deal of research is needed to learn how such general proposals might best be structured.

The *market for sources* might operate more in the public interest if reporting costs were minimized. Given the increasing power exercised by corporations, how might government increase corporate reporting requirements to allow journalists greater opportunities to hold the private sector to account? As Baker suggests, might federal shield laws be enacted that would increase the supply of whistle-blowers by allowing reporters to protect their identities? If public relations subsidizes reporting on issues of interest to those who can afford such representation, might such efforts be taxed to generate press subsidies for societal interests that cannot afford PR?

The *market for advertisers* might operate more in the public interest if methods were developed to weaken its influence over content. Bagdikian has suggested a tax on all media advertising, for example, which might be used to subsidize public affairs reporting. McChesney has advocated a strong journalists' union that might resist ethical violations such as running ads as news. Such ideas require elaboration.

Sad to say, there has not been as favorable a time to study the commercialization of news since the Yellow Press around the turn of the 20th century. Instances abound. On a more hopeful note, the revolution in digital communication technologies makes this the most exciting time to study the economics and regulation of news media. The business models underpinning virtually all mainstream news media are breaking down. What could be more rewarding than figuring out how to fix or replace them?

NOTES

1. Retrieved July 14, 2007, from http://www.gradethenews.org/commentaries/finger.htm
2. A recent example is Jesper Stromback's "Marketplace of ideas and marketplace of money," *Nordicom Review Jubilee Issue, 2007* (pp. 51–62), which argues that news media both make money *and* foster democracy by helping citizens cast informed votes.
3. "Boosting" profit, implies an effort to earn more than is necessary to ensure the long-term capability of the news-providing firm to produce high quality journalism (Picard, 2005).
4. Personal communication to the author, June 19, 2007.
5. They must *seem* informative to distinguish themselves from the much larger and more competitive "pure" entertainment market.

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