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A Market-Based Model of News Production

This article proposes the first model to show how markets—not just for consumers, but also for advertisers, investors and sources—shape commercial news production. By applying to news what we know of how markets work with other commodities, the model clarifies the logic of news selection in an era of increasing economic rationalism in print and broadcast journalism. Most importantly, the article also explores how news fails to meet the minimum conditions economists have established as necessary for markets to benefit society.

Since the mid-1980s evidence has been accumulating that journalism in the United States is undergoing a fundamental change—a move away from reliance on craft norms defining what is newsworthy and how to report, toward a journalism based on serving the marketplace (Alter, 1986a, 1986b; Auletta, 1991; Bagdikian, 1990, 1992; Kaniss, 1991; Kurtz, 1991, 1993; Lambeth, 1991; Lee & Solomon, 1991; McManus, 1994; Squiers, 1993; Stepp, 1991, 1993; Underwood, 1988, 1993).

The shift is producing considerable uproar. Journalism's purists suggest that a "golden age" of journalism that began with the purge of "yellow journalism" after the turn of the century is now ending (Bernstein, 1992; Hume, 1991). Watergate investigative reporter Bernstein (1992) wrote: "For more than 15 years we have been moving away from real journalism toward the creation of a sleazoid info-tainment culture. . . . In this new culture of journalistic titillation, we teach our readers and viewers that the trivial is significant, that the lurid and loopy are more important than real news" (p. 1C). Said Cramer (1994), in a PBS *Frontline* broadcast: "The carnival side shows have become the main event."

On the other side, pragmatists claim that journalism is being reinvigorated. Using such tools of social science as surveys and focus groups, news media are beginning to give readers and viewers more of what they want (Stepp, 1991). In what has become the manifesto of market-driven journalism, *Seattle Times* executive Fancher (1987) starkly challenged the purists: "Change or be changed" (p. 69). "The surest way to editorial failure is to impose upon readers our sense of what they ought to know" (p. 74).

What's remarkable about the debate is its polarization; journalism is either dying or being reborn. About the only area of agreement is that the stakes for society are high.

To understand who's right—or where each side may be right—we need theory. But the idea that media firms' news departments respond to *markets*—not just for readers or viewers, but just as importantly for advertisers, sources and investors—has yet to be explored.[1] This article describes a first attempt at a market-based model of news production and sketches several of its implications for news selection and, ultimately, societal well-being.

Prior News Production Models

In 1949 Schramm, the godfather of the academic field of communication, published an article called "The Nature of News." Schramm defined news commonsensically as "an attempt to reconstruct the essential framework of the event" (p. 288). Almost immediately this journalistically pure model was challenged by White (1950, 1964). Generalizing from his famous "gatekeeper" study, White said a definition of news must include the individual biases of journalists. So in the early 1950s, news production was conceptualized as an effort to describe events and issues that was filtered through the biases of individual journalists.

To that beginning Gieber (1956), and later Hirsch (1977), Tuchman (1978) and Fishman (1980), added a second level of analysis—the routines of newsrooms. These commonly accepted practices of news making were even more important than individual bias in shaping the news, they argued. Breed (1955) demonstrated a third level—the self-interest of the organization producing the news. Developing this idea, Epstein (1973) applied an organizational analysis to network news production that demolished the simple notion that news "mirrored" reality. Epstein's analysis showed how organizational self-interest selected and distorted social reality.[2]

In 1979, Gans defined news as a tug-of-war between competing constituencies outside the newsroom. Sources sought to influence reporters to see the world their way while ratings-conscious news executives championed a picture of events responsive to the audience. Gans demonstrated that influences outside the news department shaped content, adding a fourth level of analysis. Bagdikian (1990, 1992) expanded the importance of forces outside the newsroom with an analysis showing that as fewer and larger media corporations buy or merge with more and more of America's news outlets, the profit interest of megacorporations has become a powerful influence on news production.

A fifth and final level of analysis has been contributed by theorists such as Altschull (1984) and Herman and Chomsky (1988). They explained news production in terms of a societywide phenomenon: ideological domination of the masses by elites. In this view, news media become agents of the most powerful segments of society, selecting and shaping news so that it supports and legitimizes the powerful while inducing the rest of society to accept domination as beneficial, natural, or inevitable.

Current Models of News Production

Over the past few years three attempts at comprehensive models of news production have been published. Shoemaker and Reese (1991) created a "hierarchy of influences model," which incorporates the five levels of historical development just described; Turow (1984, 1992) conceptualized a general model of media content production consisting of 13 "power roles"; and Entman (1989) formulated an "interdependence model" with three parts: news sources, news organizations, and audiences.

The Shoemaker and Reese model elegantly recapitulates the history of news theorizing and sets out the various levels of analysis that a complete picture of news production should have. But it is not very specific about how the levels act on each other. The graphic representation of the model, as seen in Figure 1, shows no lines of influence, only a targetlike set of concentric circles.

The lack of specification clouds interpretation. For example, the model's title implies that the influence over news production grows hierarchically as one moves outward from the individual journalist to the ideological level. Yet Shoemaker and Reese (1991) said the most influential force in news production is not ideology, but the owners of news organizations. In the model, owners do not rate their own ring. And the ring to which they presumably belong, the organizational level, is only halfway up the hierarchy.

Turow's "power roles" model is a useful heuristic for analyzing the players in any media industry. It specifies 13 roles from "producer" of mass media products through "investor" and "client" to "public." Each

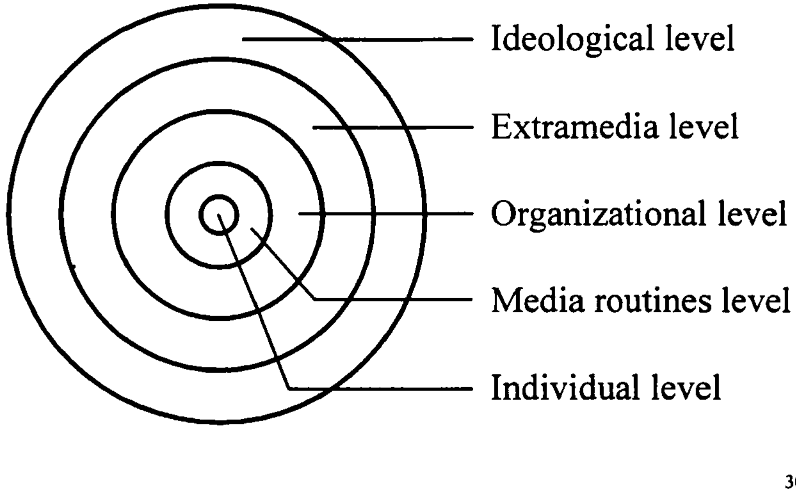

Figure 1. Shoemaker and Reese's Hierarchical Model.

role's typical activities are described as well as its leverage among the other 12 players. Turow attempted no graphic representation nor lines of influence among the roles. The model is more taxonomy than theory. It does, however, make a wonderful launching pad for theory.

Entman's (1989) "interdependence model" is less comprehensive, focusing exclusively on communication of political news. In this model, politicians and other sources of political information rely on news media to disseminate their messages to the public. In return, the public relies on news media for political information. The news media play the broker's role between leaders and the led. But Entman argued that these two outside forces on the media make incompatible demands. Audiences, he wrote, seek entertainment over information while politicians seek a conduit for serious information. Competition drives news organizations to maximize profits, he argued, so the media play more to the audience than to the source. Consequently, sources of political information are pressured to abbreviate their messages into slogans and add entertaining elements to attract audience. The result is a breakdown of the serious public discourse that democracy requires to function well.

While provocative, Entman's model leaves out a number of important players, such as advertisers, investors-owners, and environmental factors such as laws and regulations, culture and technology. The model also assumes that media have no choice but to make as much money as possible, regardless of public welfare. The ideals, or norms, of journalism are absent. Further, Entman's model lumps all readers and viewers into a monolithic and apathetic public that cannot be served—only manipulated—by politicians and the media alike.

What is needed is a model that takes Turow's cast of players and predicts how they will act in concert, as Entman has done with three of the actors, at all of the levels of analysis specified by Shoemaker and Reese. A first attempt follows.

A Market-Based Model of Commercial News Production

One caution before beginning: Every social science model of reality is a simplification. This model uses economic reasoning as an integrating concept: that each independent person and organization in the model places a value on things and attempts, with a level of logic that may vary from fuzzy to pellucid, to increase its supply of what it sees as valuable by voluntarily trading—usually in a competitive market—with others. This is not to argue that such reasoning is the *only* explanation of news production. *It's not.* In each relationship described, other important factors enter. But what is common and central to all the relationships in the model is a way of reasoning that is essentially economic. In other words, there is a "bottom line" to each of these relationships, even if the participants choose to operate at a higher level.

Note that economic logic is not restricted to transactions where money changes hands. Money is only a *symbol* of value. The exchange of anything upon which people place value is the subject of economics (Becker, 1976).

The present model differs most from others in holding that at the heart of commercial news production lie four markets: In the first and most familiar, readers and viewers trade their attention, and perhaps a subscription or per copy fee, to media firms in exchange for information. In the second, sources trade their information—the raw material of news—to reporters for the attention inclusion in the news may bring them, their ideas, or both. In the third, advertisers pay money in return for the attention of potential customers. Finally, owners-investors contribute capital and expect to share in profits and growth in the value of stock.

With apologies to Rube Goldberg, the model in Figure 2 describes the forces influencing production of local broadcast and print news in Western-style societies where private businesses are the primary news providers.[3]

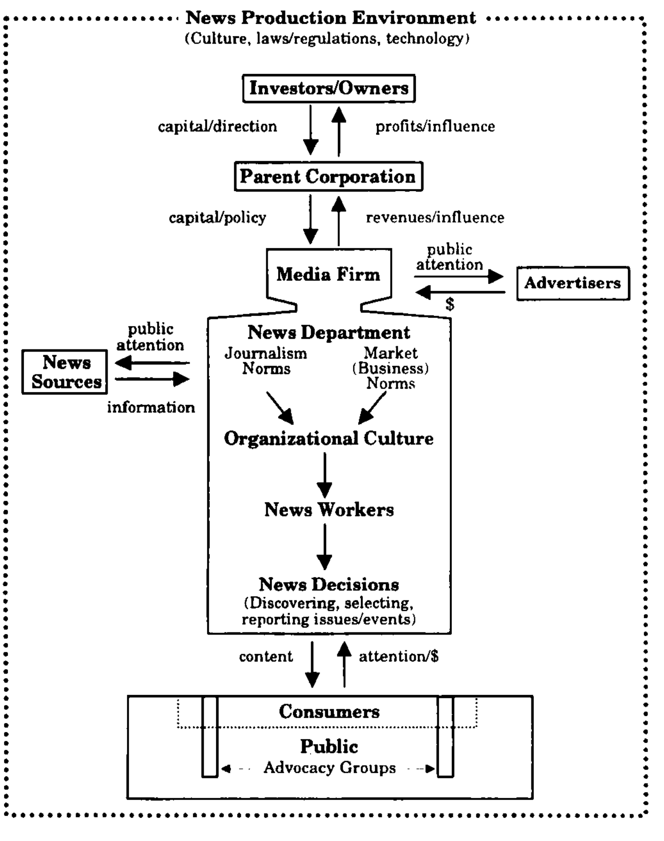

Figure 2. A model of commercial news production.

Introducing the Players

The news production environment. Interactions among the 10 parties in the model are powerfully shaped by the enduring values of the culture in which they take place, by laws such as those on libel and privacy, by regulations such as those covering a station's license renewal, and by the available technology.

Cultural values, which are often so taken for granted that they may be next to invisible within the culture, may be national or local. For example, the American value of individualism—that the individual is responsible for what happens to her or him almost regardless of social forces—may combine with a local value such as antiunion sentiment, to influence journalists to write about blue collar poverty in a way that someone from a European socialist nation might see as biased—blaming the victims of corporate profiteering. Such values shape market forces within the model. For example, after television journalist Sherman (1994) spent two years at Japan's largest network, NHK, he found himself in a cultural milieu that thwarted many of his most basic Western journalistic instincts. "Most Japanese journalists," he concluded, "live in what I have come to call a culture of censorship, where constant concern about their role in society leads them to hide shocking or unpleasant news, particularly about powerful institutions and corporations. Japanese journalists I know believe American reporters live in what one calls a culture of abandonment, by which they mean we refuse to consider the effect our reporting has on our society . . . particularly the American media's preoccupation with, if not glorification of, violence" (p. 36).

Laws, such as those concerning libel in the United States, may cause news departments to shy away from investigative stories because of the cost of defending themselves in court (Massing, 1985, 1986). In countries such as Britain and Israel, the law may permit outright government censorship in certain sensitive areas. And in countries such as China, government control over newspapers and national television, as the incident at Tiananmen Square demonstrated, is nearly absolute.

Technology may influence the selection of news, how it is gathered; and the length of stories. The random access nature of print, for example, permits readers to skip a long complex story that does not interest them and move on to other content within the paper. Viewers wishing to bypass a lengthy television story, however, must penalize the station by switching channels. Other examples: Newspapers may be zoned by neighborhood, but not the electromagnetic signal of a television station. Across the signal area, the content is uniform. And there is typically more advertising space in a metro newspaper than advertising time on a television station, usually providing the former both a larger news budget and greater news volume.

The relationship between the environment of news production and the players inside that environment is reciprocal. Not only does the environment affect news, but the choice of what does and does not become news and how it is reported over time helps to shape the norms of culture, laws and regulations, and even the direction of technology. For parsimony, these interrelationships will not be explored further here.

Owners-investors. These are the owners of the media firm or its parent corporation. Since most U.S. news media belong to "chains" or to larger conglomerate corporations, and most of those are publicly traded on Wall Street, most investors are stockholders (Bagdikian, 1990). Stockholders, both individual and institutional (those investing for a group such as a pension or mutual fund), exercise their will through the election of, or participation on, the corporation's board of directors. The election differs from the democratic model of one person–one vote. Since a stockholder's vote is weighted by the number of shares held, the greater the proportion of a company owned by a stockholder, the more influence that person has over the board of directors. Holders of large blocks of stock also gain informational power unavailable to those with few shares. The former have access to the firm's executives, while the latter must make do with quarterly reports showing little more than bottom lines (Picard, 1994). Those with the greatest wealth of stock exercise power disproportionate to their numbers.

The parent corporation. This corporation owns and oversees several media firms and perhaps nonmedia business as well. The Gannett Company, for example, owns *USA Today*, nearly 90 local daily newspapers, 18 radio stations, 8 television stations, and the nation's second largest billboard company (Christians, Ferré, & Fackler, 1993). Through a stock market, the parent corporation sells shares in the company to investors. One or more top executives of the parent corporation is usually a nonelected member of the board of directors, by virtue of his or her position. The parent corporation's top managers serve at the pleasure of the board but often nominate board candidates who are voted on by shareholders. Parent corporation executives may also become substantial stockholders through options and performance bonuses. These executives direct the operation of subsidiary companies by formulating policy and selecting their top managers.

The media firm. This is the local branch of the parent corporation, a single station, or a newspaper. It is directed by a general manager in television and a publisher in newspapers. These chief local executives are responsible to parent corporation managers and serve at their pleasure. Local executives' autonomy varies with the parent corporation's management philosophy and often is greatest when the subsidiary is most profitable. The media firm comprises a variety of departments: production, syndication, advertising sales, news, distribution, public relations, and so forth.

News department. This division produces the news within a given media firm and depends on it for resources. I use the word *department* rather than the more common terms *news organization* or *news firm*, because it is more accurate. In most contemporary commercial journalism, the news is produced by a *subunit* of a media firm, not an independent company that generates its own income and reports back to the parent corporation or investors. The news director in a TV station works at the pleasure of the station's general manager. The managing editor of a newspaper works for the publisher.

In addition to being a subordinate unit of the media firm, the news department is not large enough in proportion of employees nor in content production to represent the whole station or newspaper. About 90% of the broadcast day for a local station is entertainment programming. Calling the station a *news* organization because of the remaining 10% is misleading. Unlike television, which began primarily as an entertainment medium, the raison d'être of newspapers has historically been to provide the news.[4] But while newspaper people may consider their product to be news centered, most of its content also is not news. About 70% of the average newspaper is advertising and some of its news sections are explicitly designed to entertain. At most newspapers the proportion of the budget that goes into reporting is well below 20% (Squiers, 1993). Calling television stations and newspapers *news* organizations may exaggerate the importance of that function and distract analysis from the media firm's other functions.

Within the news department an organizational culture exists, a common set of understandings about how things are done (Christians, Ferré, & Fackler, 1993). Although this culture differs with the department, in most newsrooms it draws from two sets of "oughts": those of journalism, representing the interests of citizens, and those of business, representing the interests of investors. These govern the exchanges with parties outside the news department (Epstein, 1973).

The principal *norm of journalism*, whether broadcast or print, is to inform the public: the most learning about consequential current issues and events for the largest number of persons (Wolfson, 1985). The Code of Broadcast News Ethics of the Radio-Television News Directors Association states: "The responsibility of radio and television journalists is to gather and report information of importance and interest to the public accurately, honestly and impartially." Broadcast journalists "will evaluate information solely on its merits as news, rejecting sensationalism or misleading emphasis in any form." This norm is repeated in the code of ethics of the Society of Professional Journalists, which uses language similar to the American Society of Newspaper Editors: "The primary purpose of gathering and distributing news and opinion is to serve the general welfare by informing the people and enabling them to make judgments on the issues of the time" (Day, 1991, p. 349–353).

The principal *norm of business* is to maximize profits over an indefinite period (Main & Baird, 1981). Pushed by investors who seek maximum short-term returns and by pressures from mergers and buyouts, U.S. corporations, including those in the news business, appear to be shortening the "indefinite period" over which profits are to be maximized, in some cases from one quarter to the next (Auletta, 1991; Bagdikian, 1990, 1992; Barlett & Steele, 1992; Lambeth, 1991; Shoemaker & Reese, 1991; Squiers, 1993).

Newsworkers. These include all employees with a direct hand in creating news content, for example, news directors, managing editors, reporters, videographers, writers, copy editors, producers, directors, etc.

News decisions. These are rarely made by consciously thinking through the components of business and journalism standards, but rather by reference to the organizational culture. That culture integrates the two standards into practices that are rewarded, tolerated, or punished within a particular newsroom (Bantz, 1985). Key decisions occur at each of three stages of production.[5] The first stage of production, discovery, requires a series of decisions about how a news department shall deploy its resources to learn what is going on in the community that might be newsworthy. The second stage, selection, requires choices of which events and issues discovered in the first phase ought to be reported. The third stage, reporting, requires decisions about how to cover the events and issues selected in the previous step, for example, where to point the camera, whom to interview, and which quotes and background to use to create a narrative account.

In this model, newsworkers operate within constraints set by others (Breed, 1955; Ehrlich, 1991, 1993; Gans, 1985; Reese, 1990; Soloski, 1989; Weaver & Wilhoit, 1986, 1994). Newsworkers are *employees* with few of the characteristics of semi-independent professionals such as doctors, engineers, lawyers, or tenured professors. Newsworkers are neither self-employed nor employed in professional partnerships. They are neither certified nor disciplined by organizations of professional peers nor do they elect top editors nor make policy by consensus.

Nevertheless, newsworkers do influence story production. Print journalists usually have more latitude than broadcast journalists because in most newspapers reporters originate ideas for stories. At most stations, reporters are assigned stories by the assignment editor. Journalists often choose story angle and sources (Weaver & Wilhoit, 1986, 1994). They also influence news production unconsciously because, like all humans, the "lenses" of their personal histories and self-interest shape news. But both conscious and unwitting orientations must generally conform to the selection biases of the news department. There is little evidence that journalists who spurn the news selection orientation of their employers are tolerated (Ehrlich, 1991, 1993; Reese, 1990; Sigalman, 1973).

Note that reporters and editors may *feel* free to report the news as they see fit. But their freedom may seem larger than it is. News executives are usually reluctant to publicly concede any business-oriented constraint on journalistic freedom for fear of poisoning morale and thus productivity (Meyer, 1987; Underwood, 1993). In few newsrooms will it be written that a reporter may not initiate critical coverage of major advertisers such as car dealers, realtors, or grocery chains. Organizational culture normally steers reporters away from sensitive topics before a confrontation point by defining response to certain public information needs as beyond the resources the firm is willing to commit to news or outside the proper purview of news (Reese, 1990; Soloski, 1989). Reporters may enjoy substantial autonomy but only within the boundaries set by media firm executives.

News sources. These are the providers of the raw material of news. They include anyone reporters turn to for information—government and business officials, bureaucrats, witnesses of events, parties to issues, persons on the street.

Advertisers. These are the providers of the income that fuels the enterprise. Local and national advertisers supply nearly 100% of broadcast income[6] and 70–90% of newspaper revenues (Udell, 1978).

News consumers. These are individual viewers and, for newspapers, the readers.

The public. In this model, the public refers to all those individuals in a society who do not consume the news from the media firm under study.

Advocacy groups. These are aggregations of consumers and other members of the public who have joined to influence news content (Turow, 1992). Advocacy groups may be formal and have other tasks, such as lobbying government, or informal and organized around a specific cause.

Note that organizing into groups conveys a natural advantage in a market. It produces buying power, and not just for members of the public. Investors may vote their stock in a block to change corporate policy. Advertisers may boycott a newspaper to gain favorable coverage. Sources may agree to speak with one voice and appoint a single spokesperson.

Primary Relationships

The present model proposes eight relationships. Several of these are well supported in the literature, others less so. Relationships exist between: (a) owners-investors and the parent corporation, (b) the parent corporation and the media firm, (c) the media firm and the news department, (d) sources and the news department, (e) advertisers and the media firm, (f) news consumers and the news department, (g) news consumers and the public, and (h) advocacy groups and the news department.

Owners-Investors and the Parent Corporation

Turow (1992) defined this relationship as one where owners or investors contribute capital to establish or upgrade the corporation and set general operating conditions. In return, they expect profits. Because news creates the images of reality upon which people act, owners-investors may also expect influence or prestige (Murdock, 1982). Such influence could be broad—for example, improving society by producing useful goods or services—or narrow—for example, gaining political or business advantage.

This relationship is mediated by a market. If you wish to buy a newspaper or television station outright, the price is very likely to be based on what other sellers are getting for similar properties nationally (Bagdikian, 1992; Squiers, 1993). If you wish to buy a share of a media firm, your investment is usually mediated by a well-defined market, such as the New York Stock Exchange. The parent corporation sells its stock to investors for whatever the market will bear (Main & Baird, 1981).

The exchange between investors and the parent firm gives explicit influence within the corporation.[7] The other three trading partners—news sources, advertisers, and consumers—exercise their influence from outside the corporate structure; they are not bosses. As Murdock (1982) noted, "Control is concentrated in the hands of the corporation's legal owners—the shareholders—and it is their interests (notably their desire to get a good return on their investment by maximizing profits) that determine the overall goals and direction of corporate activity" (p. 122). In the investor–parent corporation relationship, ownership subordinates the purposes of management of the parent company to those of investors. In fact, in the United States, management has a legal responsibility to serve the economic interest of owners. Owners, acting through the board of directors, are the single most powerful influence on the shape of news (Auletta, 1991; Bagdikian, 1992; Shoemaker & Reese, 1991; Squiers, 1993; Turow, 1992).[8]

Murdock (1982) distinguished two types of ownership, legal and economic. Legal owners are all those holding one or more shares. Economic ownership, however, applies only to those with enough voting shares to influence election of the board of directors. Economic owners usually control 5% or more of the voting shares. Economic owners set the conditions for all other transactions in the model.

The Parent Corporation and the Media Firm

Parent corporation management allocates capital and sets company policy under the broader dictates of the board of directors, and it chooses media firm executives. In return for direction and capital, the parent corporation collects revenues from the firm for disbursement either in profits to shareholders or to allocate to other business properties. As corporate executives act as subordinates to investors, local managers of firms are responsible to corporate headquarters and serve at its pleasure. The parent corporation can serve as a leveling agent for its corporate "children." One firm's profits can be siphoned off to aid a struggling sibling station or newspaper or company in a nonmedia business, or to pay off debts from mergers or expansions (Auletta, 1991; Squiers, 1993).

The Media Firm and the News Department

Besides hiring and firing the chief newsroom manager, the media firm's executive—in television the general manager and in newspapers the publisher—sets the news department's budget and audience goals. General news policy is also established (Mencher, 1994).

Sources and the News Department

Turow argued that in a mass society politicians and others who wish to influence society depend on news media to reach the public. Conversely, news departments rely on sources for the raw material of news. The concept of exchange—access to the public in return for noteworthy information—is also implicit in descriptions of source–news department relationships described by a wide variety of news researchers.[9] In some countries, such as the United States, one major exception exists: With public meeting laws, elected officials are required to open many of their discussions and most of their decisions to the public.

From the exchange perspective, sources should cooperate with reporters to the extent that sources believe they, their ideas, or both will gain favorable public access. Sources can judge such access in three ways: (a) character and quantity of audience, (b) character and quantity of content, and (c) prestige of editorial environment. With regard to audience, sources want to reach as many people as possible, but certain qualities of those persons are important as well. The most valuable audiences are those in a position to help sources achieve their goals—people such as the source's political constituents, potential supporters, customers, investors and so forth (Jamieson, 1992). Where content is concerned, positively framed coverage beats neutral or critical reporting. A frame is the tone, "spin," or slant the story adopts—whether the sources quoted and the material supplied by the reporter without attribution is more supportive or critical. Quantity may also count. Extended coverage likely has more influence than a single quote or "sound bite." Coverage in a prestige news product, such as *The New York Times*, may influence consumer attitudes toward a source more authoritatively than reportage in a less respected one. Coverage by prestige news departments also conveys a secondary audience when that department sets the agenda of other news departments. The tone adopted in the prestige coverage is also likely to be duplicated (Reese, 1991).

Note that incentives for sources to enter a transaction with a news department include limiting the harm of bad publicity as well as gaining favorable attention. It can be just as valuable for a source to respond to negative allegations, putting his or her interpretation of an event before the public, as to gain favorable notice.

More sophisticated sources are likely to be realistic about what kind of exposure they will receive in return for their information. But all but the most naive sources are unlikely to respond if they think participation will result in more personal harm than good. For official sources, particularly those who must win elections, and for corporate sources, who may depend on the public to buy their company's products, the "payment" of favorable access to the public eye and ear is a valuable return for information provided. In fact, politicians now refer to such news coverage in explicitly economic terms "free" time (Jamieson, 1992) (in contrast to "paid" time in political advertisements). For private individuals, fame is usually an adequate return. Even notoriety may serve some as a motivation.

Some sources, however, prefer cash. The rise of "checkbook journalism" in which news departments buy material from sources, manifests the exchange between sources and journalists. For example, George Holliday, the Los Angeles plumber who turned the police beating of African American motorist Rodney King into a public event, knew his videotape was hot property. He sold it to a local television station and later sought to bill every other local station that aired his video ("Plumber," 1991). Buying exclusive rights to information from famous or notorious sources is becoming commonplace not just in "tabloid" television shows, such as *A Current Affair*, but at the news departments of ABC, CBS, and NBC as well (Meeske & Fedler, 1993).

News departments, for their part, may be expected to seek information that will interest and inform consumers at the least cost. While many news departments may refuse to pay cash for stories, they must spend something—most often reporter salaries—for the *time* that gathering information consumes. The greater the volume and quality of information a source controls at a given cost, the greater will be the motivation of reporters to use that source (Gans, 1979).

Although it is rarely conceptualized this way, the relationship between sources and news departments is often mediated by a market. Exchanges between a news department and sources may take place between a single reporter and an individual source, but the trade of information for public attention is often profoundly influenced by the nature of competing sources of similar information and competing news departments (Ehrlich, 1991, 1993). Reporters are normally able to choose among alternate sources. Thus, whether sources know it or not, they may be competing for the news medium's scarce attention. In the other direction, sources are often providing similar information to more than one reporter. So whether the reporter knows it or not, she is competing with others for newsworthy information. The most noticeable examples of market influences are the occasional media "feeding frenzies" (Sabato, 1991), the bidding for sensational information documented by programs like *Frontline*'s "Tabloid Truth" (see Cramer, 1994), and news coverage of the Persian Gulf War, in which one source, the Pentagon, established a virtual monopoly over combat coverage (Small, 1992).

Advertisers and the Media Firm

Media economist Picard (1989) described this relationship as an explicit exchange. Advertisers pay for the public attention the media firm delivers based on independently gathered statistical estimates of the size, wealth, and stage in life of the consuming group. In general, the larger the audience, the greater its wealth, the greater the proportion of audience members in the highest consuming age bracket (18–45 years old), the more valuable the advertising space is to retailers and the higher the fees stations or newspapers may charge.

Here again, there may be an environmental dimension. Advertisers may value news environments that create what Bagdikian (1992) calls "a buying mood"—a curiosity about, and desire to have, advertised goods and services that is generated by supposed news content, for example, stories, or whole sections of newspapers, uncritically extolling fast cars, computers, or the joys of home ownership, gardening, fashion, travel, night life, etc. As a corollary, a supportive environment would also downplay news that denigrated advertised products, services, or companies, or the consumption ethic. Advertisers also may value a second aspect of the news environment: advertisements surrounded by news content that consumers find believable may gain credibility for their claims by association (Meyer, 1987).

The relationship between media firms and advertisers is also market mediated. If you wish to buy space in a newspaper or time in a newscast, you are competing with others for that scarce resource. Likewise, so long as there are other vehicles designed to place advertising before the eyes of potential consumers, news providers are competing with others for scarce advertising dollars (Owen & Wildman, 1992; Picard, 1989).

News Consumers and the News Department

This relationship is also based on an exchange. The consumer's attention is traded for information. Consider the advice a prominent news executive gave fellow local broadcasters:

> A marketing approach demands that we treat a newscast as a consumer durable good, a commodity that a viewer "purchases" by spending time watching it. We must understand that when a viewer watches a specific television program, the viewer really is spending a precious resource: time. And time for many people is spent as carefully as money. (Sabreen, 1985, p. 24)

Researchers have argued that viewers not only "invest" their time in news, but that many apply a rudimentary cost-benefit analysis. Rivers, Schramm, and Christians (1980) postulated that the likelihood of a consumer choosing a particular news product is proportional to the amount and intensity of some expected reward—being informed, entertained, or both—relative to the effort or cost consumers believe to be required to gain the reward. For its part, the news department seeks the attention of various audiences both for journalistic purposes and to sell to advertisers (Picard, 1989). Newspapers differ from broadcast media in this exchange. In addition to their attention, subscribers must pay a direct charge for the newspaper, but it is almost always less than the actual cost because of the advertisers' subsidy.

Here again the relationship is powerfully influenced by a market. Although few U.S. cities still enjoy competing newspapers, the proliferation of local television newscasts and weekly newspapers provides most Americans with a choice among local, or at least regional, news providers (Gale Research, 1990; Stone, 1993). Because the cost of news production is partly or wholly underwritten by advertisers in most commercial media, the principal cost to consumers is their time. In an important way, news providers are competing not just against each other, but against any alternate use of a consumer's time—watching *Wheel of Fortune* or walking the dog, for example. News media compete in a public attention market (McManus, 1992b).

News Consumers and the Public

Differences can arise between the consumers of one news department's products and those who consume another's or who do not keep up with news. If the informational differences are significant, cultural and economic divisions can follow. The dotted line in Figure 2, separating consumers from the rest of the public, indicates that while the two groups differ in access to information, interpersonal news-telling may create a permeable boundary.

Advocacy Groups and the News Department

Advocacy groups often seek certain types of coverage, or perhaps suppression of reporting they consider objectionable, in return for their patronage. For example, a certain ethnic or gender group might pressure the news department to eliminate stereotypes of their group or offensive words and phrases. If not satisfied, they may cease consuming the product and encourage others to join them.

Before completing this discussion of relationships among the 10 categories of players, it is worthwhile to note that competition often occurs within these classes. One media firm may vie with others owned by the same corporate parent, for example.

Taken together, this model argues that primary news decisions—about how to learn what is going on in the community, about selecting from among those events and issues a subset to cover, about what to report in each story—are quite complex. Such decisions take place in a specific cultural, legal-regulatory, and technological environment. The owner, or board of directors, speaking for investors, starts the ball rolling. The owner's instructions, which take into account the profit demand from the market for investors,[10] are channeled through corporate headquarters, where they become more specific, and then are passed on to media firm management. Guided by an organizational culture combining some mixture of business and journalistic standards, the media firm competes with similar firms to enter transactions with sources, advertisers, and consumers. Thus news, rather than Schramm's "attempt to reconstruct the essential framework of the event" (1949, p. 288), becomes a commodity shaped by a collection of markets, an elaborate compromise.

Note that this model offers few predictions about the quality of news one can expect from a media firm until as many of its component parts as possible are specified. While the most important is instructions given by the owner or the investors' board of directors, the cultural, technological, and regulatory environment must be known and the markets in which the media firm competes must also be understood. A monopoly newspaper, for example, will enjoy somewhat different markets for advertisers, sources, and consumers than a paper that must compete with another newspaper, or a television station competing with other stations.

Implications of Market-Based Model

What is newest, and therefore most uncertain about this model, is theorizing about how markets mediate the exchanges between the corporation, producing news and its investors, advertisers, sources and consumers described above and how that mediation might affect news content. If news is, indeed, influenced by markets, then we would have some powerful tools for understanding and predicting editorial decision-making derived from what economists have learned about how other markets work. Specifically, we know that the better any market meets several basic conditions—for example, competition, knowledge of product quality—the more it is likely to serve the public welfare. Further, we know what to expect from different kinds of markets—buyers' and sellers' markets; oligopolistic, competitive, and monopoly markets; niche markets; and so forth. We should also be able to borrow for news such concepts as "market power," domination one firm can exercise over a market. Conclusions reached with such tools may shed light on whether to applaud or abhor the current trend toward news that serves the marketplace.

Because markets are one of the most familiar and perhaps the most trusted of institutions (at least in the United States) for serving public needs and wants, to say that news is shaped by four markets may be reassuring. This market-based system has much to recommend it, according to Meyer (1987), a journalist turned academic, because it: (a) keeps government out of news production, reducing the potential for official propagandizing and censorship; (b) enlists advertisers to subsidize the cost of news, making it inexpensive or free for consumers; and (c) must respond to consumer demand or perish.

In fact, the idea of voluntary market transactions as engines of personal and social well-being is a powerful one that appears to have served society well across a variety of goods and services. When two parties freely agree to trade, the seller must prefer money to the product or he would not make the deal. Likewise, the buyer must prefer the product to the money to make the trade. When such exchanges occur in open, competitive marketplaces, each party is free to get the best deal. The resulting competition to sell the most goods or services, and therefore make the most profit, should force quality up and prices down.

However, there is another side to voluntary market exchanges. They are adversarial as well as competitive. Both sides are trying to get the greatest return for the least investment. The first commandment of the marketplace is not "do unto others as you would have them do to you" but rather "caveat emptor"—let the buyer beware!

Because the market depends not on altruism but on self-interest, Smith (1909) and his followers specified three conditions that must be met if the "invisible hand" of capitalism was to spin the lead of self-interest into the gold of mutual benefit: (a) rational, self-interested behavior on the part of buyers and sellers; (b) real choice among competing products; and (c) buyer knowledge of product quality. An analysis of how well these three conditions for beneficial exchange are met in each of the four markets influencing news production would consume a great deal of space and has been conducted elsewhere (see McManus, 1992a, 1992b, 1994), so here I will merely summarize.

Three of the markets between a media firm or its corporate parent meet all three of Smith's criteria reasonably well. The fourth market only meets one. I'll examine each criterion separately.

Rational, Self-Interested Behavior

Investors, advertisers, and most sources are likely to behave in a manner that is as rational and self-interested as media firms act. Investors are often represented by professional brokers and stock analysts. Furthermore, an entire branch of the federal government, the Securities and Exchange Commission (SEC), oversees this market and penalizes misrepresentation and fraud. Advertising firms usually hire agencies to represent them or allocate their own personnel or a department to make wise media buys. More and more sources are represented by public relations counsels. Consumers, however, act alone in their transaction with media firms. They have no advocate or buyer paid to define and rationally pursue their interests. Along with sources who have no press agents, consumers are in an asymmetrical relationship with media firms (Entman & Wildman, 1991): untrained individuals acting on their own time against an organization, which may have an entire department—marketing—allocated to rationally pursuing its self-interest.

Choice in the Marketplace

There is likely to be at least some choice in most areas of the United States in all four markets. However, choice is unevenly distributed.

The market between media firms and *investors* is the least constrained. Investors not only have their choice of any publicly traded news medium but also may put their money in a virtually unlimited set of other enterprises. *Advertisers* have far more choices than only a decade before as communication technology and postal pricing expand the number of inexpensive ways to send messages into homes.[11] Advertising no longer must be tied to news as bait for consumers' eyes as was the predominant case before the diffusion of television during the 1950s.

Unless they are willing to pay for their own production and distribution systems, *sources* face a more restricted market for vehicles to carry their messages before the public. They can only choose among news media. The more local the level, the fewer the news providers available. In most nonrural areas, however, sources may choose among competing television stations, a regional daily newspaper, and perhaps a weekly community newspaper (Olien, Tichenor, & Donohue, 1991). In the other direction, news media infrequently depend on a single source for information, particularly if they are willing to develop informants at more than the executive and public relations levels of organizations they cover. Access is also aided by public meeting and records laws.

Most *consumers* enjoy a variety of choices among news providers at the national level—four officially commercial television networks, one quasi-commercial network (the Public Broadcasting Service), several news magazines, National Public Radio, national editions of newspapers such as *The New York Times*, and national news from a local newspaper. The closer consumers get to their own communities, however, the more their choice diminishes. Not only are there fewer news providers, but the increasing similarity of newscasts (Atwater, 1984, 1986; Davie, 1992; Dozier & Hofstetter, 1985; Harmon, 1989; Kaniss, 1991; Powers, 1977; Stone, Hartung, & Jensen, 1987) and the convergence of newspaper and local television definitions of what is newsworthy (McManus, 1994) reduce the range of alternatives. Still, at the metropolitan level, most Americans do experience some choice, typically among several local newscasts, at least one daily newspaper, and perhaps a community weekly newspaper.

Knowledge of the Product

Knowledge of product quality is such an important criterion in market economics that goods are classified according to how readily one can evaluate them (Main & Baird, 1981). "Inspection" or "search" goods are ones that can be reliably assessed before purchase. An example might be a used car. Before buying, you can take it to a trusted mechanic who can check the compression in its cylinders, look for oil leaks, measure brake pad wear, analyze exhaust emission, test drive it, and so forth. There are also consumer reports that will describe that model's track record. "Experience goods" can be evaluated only after having used them for a while. The tastiness of food at a particular restaurant is an example. The final category is "credence goods." You may not be able to establish quality even after consumption; you buy on faith. Appliance repair is an example. If you bring an improperly functioning computer into the shop and get it back in working order with $200 worth of new components, how do you know that it could not have been fixed with a mere adjustment? With credence goods the consumer buys blind because the cost of establishing quality is prohibitive (Darby & Karni, 1973).

With inspection goods, rational, self-interested consumers with choices are unlikely to be cheated. With experience goods, they may only be fooled once. But with credence goods, they may be defrauded repeatedly. In the marketplace, credence goods invite opportunism on the part of sellers (Darby & Karni, 1973). That is why credence goods often are subject to some form of government or professional licensure and inspection.

For investors, advertisers, and sources what is acquired in the exchange with a media firm is either an inspection or experience good. The SEC requires corporations offering stock for public purchase to publish a prospectus giving a great deal of information about the firm's finances before any sale of stock. Firms providing false information risk severe penalties. Brokers and investment advisors also rate firms on their profit potential. Of course, the yield of a particular stock in the future is unknown, but it can readily be measured once experienced. Advertisers can also learn a good deal about how much and what kind of public attention their message is likely to receive from a given media firm. Third parties, such as Nielsen in broadcast and the Audit Bureau of Circulation in print, count and describe the demographic qualities of the audience whose attention is available for sale. Once the ad is placed, advertisers can measure any increase in sales of their products. Sources know less about how their information will be displayed before deciding to talk with a reporter, but they can learn the size and characteristics of the audience the news provider attracts. And they can easily evaluate the quality of their exposure by comparing what they said with what was quoted and in what context. In fact, clipping services have sprung up that can tell sources what has been written about them in newspapers nationwide.

For consumers, however, news is most often a credence good. By its very definition, news is what consumers do not yet know. Consumers are rarely in position to see for themselves the events news media present, and few can afford to hire their own witnesses to such events. About the best they can do is compare accounts of two or more news providers against each other. But they must undertake the burden of monitoring multiple sources. Even if the accounts agree, they still cannot be sure the event was accurately represented. Whole packs of reporters have been misled (Barnouw, 1990; Crouse, 1973; Hertsgaard, 1988; Sabato, 1991). More difficult still is knowing whether those events and issues that are reported constitute all, or even many, of the consequential goings-on of the community or region. There is no master list against which to compare the stories media do report. And many events with the greatest social impact are hidden by powerful private, corporate, or government actors (Barney, 1987).

Brand names sometimes help consumers evaluate quality after a product gains a reputation. But who establishes the reputation of a newspaper or television station? No *Consumer Reports* exists for news. And journalism prizes are typically awarded for a single instance of quality by a reporter rather than consistent performance by a news department. In fact, scholars have yet to devise a practical and reliable measure of news quality. There is no yardstick, only general statements of what news should be, such as the Hutchins Commission (1947) report a half century ago.

Some news, such as weather reports and coverage of easily verified events (election results and game scores, etc.), are experience goods. Had consumers more resources, they could expand the amount of news that is an experience good by checking the accuracy of their daily newspaper or newscast. But few have such resources. And even for those with such skills and lots of free time, much of the news, including most issue reporting, would remain a credence good. Very often it is only after important decisions have been made, sometimes only after historical analysis, that we really know whether what was reported was accurate, or the whole story, and whether most of the significant happenings were uncovered by reporters (Bagdikian, 1992; Barnouw, 1990; Herman & Chomsky, 1988).

Consumer Vulnerability

The foregoing analysis reveals a substantial imbalance among the media firm's principal trading partners. Consumers are much more vulnerable to opportunism on the part of the media firm than investors, advertisers, and sources. Consumers also are less likely to act rationally in their self-interest, less likely to enjoy choice in the marketplace, and, most important, significantly less able to evaluate the quality of the product.

Before exploring how the imbalance in these markets might affect news content, two other asymmetries in the model merit consideration. First, if we concentrate just on the four transactions with the media firm, we can see that individuals in the role of investors, advertisers, and sources can exercise much greater influence over the firm than can an individual consumer. The emphasis is on individuals, be they single persons or single corporations or single institutions (such as a government department), because this is the level where the self-interested logic of the marketplace occurs. *Each* consumer or investor or source or advertiser decides for his-, her-, or itself whether to enter the transaction with the media firm, taking into consideration *individual* benefit and cost. Economists consider costs to parties outside the transaction, such as society in general, a secondary concern, an "externality."[12] Second, putting aside societal ramifications for the moment, investors, advertisers, and sources have a greater stake in the outcome of their transactions than the individual consumer; members of the first three groups have more—perhaps much more—to lose or gain than the consumer. In other words, an individual news consumer is the least powerful and likely to be the least interested—because he is the least affected—of the transaction partners.

An individual investor, if she holds a substantial proportion of the firm's stock, has great power over the firm's behavior (Auletta, 1991; Murdock, 1982; Squiers, 1993). An individual advertiser, if it controls a substantial part of the firm's advertising revenue, may exert pressure over what becomes news, and perhaps even more over what does not

(Bagdikian, 1990; Collins, 1992; Meyer, 1987; Singer, 1991; Zachary, 1992). Likewise, a single source, if he controls access to newsworthy information, also exercises power over the firm and is sometimes able to write the rules for reporting, as the Pentagon did during the invasions of Grenada, Panama, and Iraq (Gans, 1979; Small, 1992). But a single consumer is almost insignificant, even to the small firm (Turow, 1984).

Similarly, individual investors, advertisers, and sources have the most to gain or lose in the transaction with the media firm. What is at stake for an investor is money; for an advertiser, business success; for a source, her reputation or the public reception of her idea. What is at stake for a single consumer is simply a daily dose of information. If he decides to skip the news that day, or so long as other similar members of the public pay attention to it, the individual consumer may suffer little loss.

To follow the news, consumers must spend unpaid time, perhaps more frequently than on a daily basis. Part of their effort may be inherently pleasurable, reading or watching the humorous or ironic; satisfying a curiosity; being titillated or emotionally aroused by stories of sex, murder, or scandal (or all combined, as in the O. J. Simpson double murder case). But the effort they extend toward serious news of government and their social, economic, and natural environment may tax them with complexity and length. Such stories may be read or watched more out of obligation than pleasure. Authentic journalism, as the Hutchins Commission (1947) pointed out, may collide with a consumer's biases, even offend her by puncturing favorite myths. The most tangible reward for such orientational, as opposed to gratification-based (Wenner, 1985), uses of news is the chance to influence events. For most citizens of democracies that means a vote, one say among thousands or perhaps tens of millions, in who will lead their government and under what referenda they will live. Moreover, that small fraction of power may be at least partially illusory in nations where many voting choices are foreclosed by the nominating process or where the most important "voters" are campaign contributors.

Applying market logic to news suggests a crude analogy with a poker game among four players. The investor chooses the game and deals. The dealer must make the game inviting to the contestants but controls the conditions of play. On either side are the advertiser and source; most often they are savvy, perhaps professional, players. In the fourth place sits the consumer—intelligent but generally a novice in the casino. The consumer also plays under two handicaps: There are limits on what he can wager and win, and he may look only at every other card dealt him.

Economists Darby and Karni (1973) argued that vulnerability on the part of one party to a transaction invites exploitation. In this case, rational investors should take advantage of consumers' inability to recognize quality news and the low reward for reading or viewing it to the extent that it increases their profits. But with news, there are two other parties to the exchange—advertisers and sources—and both have a larger stake and more influence than consumers. Is there enough overlap of their self-interest and the consumer's to offer protection?

According to Meyer (1987), rational *advertisers* should value a credible news environment for two reasons: (a) It will draw a larger audience than news content that consumers don't believe, and (b) consumers may transfer some of that credibility from news to commercial messages. But in practice, Meyer concedes: "The literature of journalism criticism over the past 20 years is replete with instances of advertiser influence over what goes into and what stays out of newspapers" (p. 39). Indeed, Meyer's own data from a 1982 survey conducted by the American Society of Newspaper Editors reveals that its members "indicated advertiser pressure is a concern at least some of the time on papers read by 79 percent of the American public. For 26 percent it is once a month or more. That is a lot of advertiser pressure" (p. 39).

Why the gap between theory and reality? The analysis above of how market conditions are met for consumers suggests that many consumers cannot evaluate news well enough to detect subtle advertiser bias.[13] Consumers have little way of knowing when an editor has told a reporter not to pursue a tip that might lead to a story embarrassing to an advertiser or, more common, when a reporter censored herself, knowing from the organizational culture stories of reporters who offended advertisers and paid a personal price. Further, if favorable coverage of an advertised product is separated in space or time from an ad for that product, consumers may make no linkage on their own. Even if the consumer's suspicion was aroused, establishing that an observed linkage is causal is difficult. It might just be that a reviewer found the latest version of a sports car or computer a hot performer not because it is being hawked a few pages later but rather because it really is.

Given the consumer's vulnerability, the rational advertiser should seek to place its messages before the largest audience of potential customers in the most favorable buying environment—credible, but supportive rather than critical—at the lowest cost per potential customer. Because the transaction is mediated by a market, advertisers should favor media firms willing to meet such conditions over others. If a single advertiser, or a group acting in concert, can exert "market power"—control over a significant share of some resource (in this case advertising revenues in a given media market)—it may be able to exert pressure even a high-minded news department would find difficult to resist.[14] The concept of market power may explain why smaller news operations seem to have been more vulnerable to advertiser pressure than large ones; in a small market, a single advertiser, say a major retail chain, may represent a larger proportion of the media firm's total ad revenues than in a large market.

With the emergence of so many competing vehicles for advertising over the past 20 years, what was once a seller's market for advertising space and time has become a buyer's market. The supply of ad time and space for sale has grown much faster than the demand (Coen, 1991). The relationship between supply and demand for advertising slots, on the one hand, and quality of news, on the other, has been demonstrated for real estate sections in two studies by Williams (1993). She studied the impact of the recession of 1990–92 in the real estate industry, which diminished demand, in five large papers, four of which have national reputations for journalistic excellence—*The New York Times, The Washington Post, The Chicago Tribune, The Los Angeles Times*, and *The San Francisco Examiner*. Williams (1993) concluded:

> Coverage of hard news in real estate sections weakened significantly in all five papers studied. More importantly, while there were 30 stories about controversial local real estate issues in the real estate section [during the nine-week sample periods] in 1990, there were only 11 in 1992. But perhaps most important is the decline in real estate coverage in the *New York Times, Washington Post*, and *San Francisco Examiner*, papers that have set the standard for excellence in real estate reporting in the past. (p. 19)

Williams' two studies, and several anecdotal ones (Collins, 1992; Lesly, 1991; Singer, 1991; Zachary, 1992), suggest, but do not prove, market influences on news quality. But their direction indicates that advertisers may not provide consumers relief from opportunism on the part of owners-investors.

Is it likely that advertisers would complain if news content becomes entertaining enough to add to the news audience those who come primarily for emotional gratification? Probably not. Such a media firm strategy would place more eyes on the commercial message. And Bagdikian (1992) has argued that serious, skeptical reporting may engender wary consumption of advertising messages, a reception that could diminish the persuasive power of some commercials. Market-savvy advertisers should, in fact, welcome entertainment in news, Bagdikian contended, because it is unlikely to drive away those who might be offended by coverage of controversial issues. Finally, if lower quality journalism costs less but delivers as much or more attention, so much the better for advertisers.

If those too poor or old to buy are underrepresented in the news audience, should rational advertisers complain? Again, probably not. The ad vehicle is more efficient in reaching potential customers. The goals of rational advertisers and dutiful journalists coincide only partially (Bogart, 1991). Rather than protect the consumers' interests, self-interested advertisers are likely to want to exploit them to their benefit.

Sources following market logic may share many characteristics with advertisers. Given the consumer's vulnerability, the rational source should seek a position, along with her information, before the largest audience of persons able to benefit her (as potential voters, customers, supporters, etc.) in the most favorable news environment—credible, but supportive rather than critical—with the least effort. Or in transactions where money changes hands, sources should sell to the highest bidder. Given a choice among news providers, sources should favor those willing to meet such conditions over others. As with advertisers, if entertainment-suffused news enlarges the audience, the source may gain influence with more people. If those unable to benefit her are excluded, nothing is lost. If it is easier to manipulate journalists with lower standards of objectivity (which includes checking validity of serious allegations and seeking other sides to stories) or with less time to discover and research stories, then less effort is required to place the source's message intact before the public. It may be only the highest minded source who is disappointed when his press release is run verbatim and without rebuttal, disguised as a news report.

Sources may be more vulnerable than advertisers when news production is driven by markets, however, particularly if the sources are celebrities or public officials. What embarrasses them may have considerable value to a media firm in attracting the largest audience. A source under attack may also be gored by unsubstantiated attacks or information a news department has paid someone for, two practices that are proscribed by journalism norms but that may have value in a market-driven newsroom.

Given the limitations facing consumers when market logic dominates behavior, news departments may select both sources and quotes or "sound bites" more for their audience-building qualities than their informative aspects (Hume, 1991; Kaniss, 1991; McManus, 1991, 1994). Such practices are likely to frustrate conscientious sources who wish to communicate complexity and nuance through the news media (Entman, 1989). On the other hand, less scrupulous sources may manufacture picturesque settings and favorable environments, while reducing their messages to catchy slogans, in order to attract and manipulate market-serving journalists. For example, President Ronald Reagan's skillful media advisor Michael Deavers explained to journalist Bill Moyers (1989) in a PBS broadcast "Illusions of News" how he turned the networks into purveyors of partisan images and themes Reagan wished to communicate, by playing on the networks' desire to maximize audience by adding entertaining elements to news.

Powerful politicians, such as U.S. presidents, have long recognized the value of controlling information sources within the upper reaches of their administrations, sometimes by means as draconian as Reagan's lie detectors and Richard Nixon's infamous "plumbers" (Hertsgaard, 1988). While restricting sources to an official spokesperson may have organizational benefit, it probably has greater benefit in terms of bargaining with the news media.

While there could certainly be a loss of efficiency if differences among administration aides were respectfully aired—much as differences among Congress members slow that body down—the result might be more open government. After all, much congressional discussion and that of state legislatures, city, and county councils is required by law to be conducted in public. But if a public official can make herself the only source of information news media seek, she may be in position to win favorable conditions for her information through market power alone. Military and paramilitary organizations, such as police, are most likely to maintain control over information through hierarchical discipline. Several studies (Gans, 1979; Hertsgaard, 1988; Moyers, 1989; Small, 1992) have shown that such control allowed powerful influence over news selection.

The concept of buyers' and sellers' markets would also seem to apply to sources. Although he didn't employ economic terms, many of the 36 events Sabato (1991) classified as feeding frenzies exhibit the characteristics of markets in which many buyers are chasing a few sellers. Cramer (1994), in the *Frontline* episode "Tabloid Truth," implicitly employed a market analysis. He showed how as bidding for information about Michael Jackson's alleged molestation of a boy intensified, first prices and then more sources arose. This is just what Adam Smith predicted: As demand outstrips supply, prices rise, causing more suppliers to enter the market, eager to cash in. And the titillation of their information about the singer also grew with the prices media firms were willing to pay for exclusive, or first, use of the information. From an economists' viewpoint, the more one pays the more "quality" one can buy. A similar market-driven process appears to have taken place in the O. J. Simpson murder case.

Conversely, for information without audience-building appeal or much importance, sources face a buyer's market among news providers. Public relations firms seem to understand this well. They have reacted not just by boosting the benefits of coverage—spreads of free food, entertainment, or travel for reporters and editors, staging pseudoevents with ersatz audience appeal (such as good background visuals for TV reporters)—but also by attempting to lower the cost of reporting—with ready-to-use press releases and photographs in print and video news releases in television (Boorstin, 1961; Linn, 1992; Moyers, 1989; Salmon, 1993). Gandy (1982) correctly recognized these practices as "information subsidies."

If news selection and quality are affected by market transactions with sources, is it likely that these sources will demand that news departments refrain from taking advantage of consumer vulnerabilities and apathy as a condition for providing information? Probably not, if they need the media more than the media need them. As Entman (1989) pointed out, most civic sources—politicians, appointed officials, community leaders—rely on news media to represent them to the public. With the demise of political parties, they lack viable alternatives.

Generally, high-minded sources may gain from influencing news departments not to exploit the vulnerability of consumers. But few sources command sufficient power to change news department practice. Even a small newspaper or television station uses scores, perhaps hundreds, of sources in the course of a week's reporting. Only a few of those sources may exercise enough market power over the supply of newsworthy (or other) information to enforce high journalistic standards. Even then, they could only do so over the information they controlled, not across the newscast or newspaper.

Rational, self-interested sources may be best off, particularly in the short-term, by exploiting the weakness of consumers. As Michael Deavers told Moyers (1989), if the Reagan reelection team had presented information-rich, rather than entertainment-rich events, it would have attracted less news media attention, particularly from network television, and surrendered some control over content. As long as political competitors are using the media to their advantage with slogans and manipulated messages, he argued, politicians cannot afford to provide nuanced, complex information that runs the risk of boring or offending many potential voters. If the news marketplace permits the unscrupulous source an advantage, it disadvantages competing conscientious sources.[15]

Might *investors-owners* refrain from taking advantage of consumer vulnerability and apathy? The logic of most investment is to seek the highest level of safe return available, not to render the highest quality product.[16] It is simply assumed that the consumer marketplace will reward quality. If the foregoing analysis is correct, however, such an assumption is problematic for news. Publicly traded corporations that provide news must compete against the best alternate investment the market offers. Generally, if the profitability of the stock falls below the competition, so does its price and thus the amount of capital available to the corporation for expansion or improvement. Any fall in stock price, of course, also diminishes the wealth of current stockholders, including managers—whose remuneration may depend in substantial measure on stock options. Public trading also makes the corporation vulnerable to "hostile" buyout by investors who believe they can generate larger profits than current management. Thus, pressure on the firm to maximize profits is exerted from above not only by current investors but also by prospective ones.

But would lower quality journalism earn greater profits than higher quality? Not according to Seattle editor Fancher (1987), who insisted that journalism and business standards are complementary: "The critical question in all this is whether journalistic quality and marketplace orientation are mutually exclusive. I submit that they are not" (p. 73).

Let us briefly examine where journalism norms and market norms coincide and conflict. If market logic prevails, Figure 3 represents a theory of news selection.

Such a selection logic violates norms of journalism in nearly every term. Almost every code of journalism ethics calls for the news to expose, not hide, any misuse of power. Journalists are enjoined to investigate

The probability of an event/issue becoming news is:	Inversely proportional to harm the information might cause investors or sponsors, 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.

Figure 3. A market theory of news selection.

their environment, penetrating the facades of promoters and dissemblers, rather than seeking the least expensive means of uncovering news. Journalists are expected to cover more than the inexpensive stories. The most pressing issues about which communities need to be informed—crime, education, government, environmental quality, economic trends—are often difficult to conceptualize and measure. Furthermore, clear-minded reporting about them may offend established interests, which, in turn, may raise reporting costs by blocking access to information, or counterattacking with threats of libel suits. In addition, journalists are called upon to report not what the largest audience *wants* but rather what the community *needs*, even if doing so is unpopular. Finally, journalism is supposed to knit the community together providing a representative picture including all groups in society that every member of that society can access, regardless of their potential as customers (Hutchins Commission, 1947).

If market logic prevails, organizational culture would contain only those journalism norms that are compatible with business norms. However, some quality journalism is inoffensive to advertisers and other properties of major investors, and it is inexpensively discovered, cheap to cover, and widely appealing to the "right" kinds of consumers. If a story is compelling enough to promise a wide audience, it might make economic sense to spend a good deal on discovering and reporting it. Also, in print, the conflict between journalism and market norms may be softened by technological differences. The additional space available on paper enables greater depth of content than television affords, and the random access quality of newspapers permits readers to skip over long or boring stories without "changing channels," that is, withdrawing their attention from the product. Serving the marketplace is not always incompatible with serving the public, just frequently.

The present analysis suggests that for mass-mediated news supported by advertising, achieving the greatest return requires a subordination of most journalism norms to market norms. This is not to say that normative journalism could not also earn substantial profits; rather, a better return is predicted by serving the marketplace. High-minded owners-investors could direct that sometimes market norms give way to journalism norms. But under most market conditions, they would have to be willing to accept less return (and feel secure from a hostile takeover by other investors).

Now we come to the concept of externalities—effects of a voluntary transaction between two parties on third parties. The term *externality* is meant to imply that these ramifications have little sway over the transaction. They lie outside the immediate self-interest of the trading partners. The effects on society of news that follows market logic are not positive if this analysis is correct. In fact, the more parties to the news transactions apply market logic, looking out just for themselves and carefully tracking cost and benefit, the more grim are the likely effects on the third party of society. In such a scenario investors would reap extraordinary profits; sources, particularly those with great resources, would be able to manipulate passive news departments; advertisers would get a favorable "news" environment and low rates on the attention of large and economically appropriate audiences; and consumers would receive content that excited and interested, without taxing or offending, them.

There is suggestive, but not conclusive, evidence that this scenario is coming to be as market logic pervades U.S. newsrooms. Even in recession, most media firms have been earning profits well above the national manufacturing average (see, e.g., any National Association of Broadcasters annual financial report, reports of newspaper profitability published regularly in *Editor and Publisher*, or surveys of television news conducted by Vernon Stone for *The Communicator*; more specifically, see Bagdikian, 1992; Kurtz, 1993; Squiers, 1993; Stepp, 1993; Underwood, 1993).

Source manipulation of news content has become so open that new phrases, such as *spin* and *damage control*, have entered the common parlance (Cramer, 1994; Entman, 1989; Hertsgaard, 1988; Hume, 1991; Jamieson, 1992; Moyers, 1988; Mundy, 1992; Sibbison, 1988). Advertising influence seems to have grown as fast as special newspaper sections extolling the pleasures of various types of advertised goods—computers, cars, garden supplies, wine, food and dining, theaters and entertainment, and, lately, even churches (Bagdikian, 1992; Bogart, 1991; Collins, 1992; Meyer, 1987; Williams, 1993). In television, "news" stories boosting entertainment programs airing on the same channel later in the evening or week have made their appearance.

As for giving consumers exciting fare, studies conducted at various places across the United States show high and rising levels of entertainment displacing news, particularly in local television (Alter, 1986a, 1986b; Davie, 1992; Dozier & Hofstetter, 1985; Gaunt, 1990; Hume, 1991; Kaniss, 1991; McManus, 1994; Rather, 1993; Slattery & Hakanen, 1994; Stepp, 1991; Underwood & Stamm, 1992). Repeated national polls show that the news medium that follows market logic most fully—local television—not only has become as popular as newspapers but also is as, or more, credible than any other news medium (or other public source of information, for that matter) for all but the most highly educated Americans (Louis Harris & Associates, 1993; Roper Organization, 1991; Shaw, 1993; Times Mirror Center for the People and the Press, 1990; Whitney, 1985).

One last consequence of market behavior is useful to explore. Most news departments operate in what economists call "oligopolistic" markets—ones in which a small number of sellers divide the buyers among themselves. Such markets, though rivalrous, tend to enforce similarity on the competitors. They monitor each other closely, often following each other's price changes and product quality standards (Dominick & Pearce, 1976; Fowler & Showalter, 1974). Firms that change their product standards radically take risks in such competition, often with little reward. If unpopular with consumers, the change hazards the substantial market share the firm holds among its few competitors, and if the change succeeds, competitors usually copy the innovation quickly, providing the initiator only a brief advantage.

This tendency of firms to copy each other is reinforced in news by its reliance on mass advertising (Bagdikian, 1990; Bogart, 1991) for most or all of its funding and by the economies of scale in publishing and especially broadcasting (Picard, 1989). All journalistic costs lie in the first copy. Additional copies, or uses of a television signal, bring more profit, but only a small incremental cost in print, and no additional cost in broadcast.

At least partly as a consequence of oligopolistic competition in advertising-supported media industries, there is evidence that network news divisions and newspapers are beginning to follow local television's approach to journalism (Allen, 1992; Auletta, 1991; Bagdikian, 1992; Hallin, 1992; Stepp, 1991; Squiers, 1993; Underwood, 1993). Such competition appears to be diminishing differences among news providers. In fact, it may be creating a uniform and persuasive new definition for news, a commercial definition derived from the selection logic of Figure 3, that consumers have begun to accept not only for its mass appeal but also because they may not see much difference between available news products.

What Can Be Done?

Those with confidence in the market to right itself, such as Meyer (1987) and Fancher (1987), argue that consumption of news is enough like that of other commodities that quality will eventually prevail. Entman (1989) argues for bringing the fairness doctrine back to television news, for boosting government support of public broadcasting programs like *The MacNeil/Lehrer News Hour* and National Public Radio's "All Things Considered" and "Morning Edition." Entman would also have the government fund partisan news operations run by major political parties. All of these are efforts to diversify news viewpoints and excite more public interest in citizenship.

Rosen and Taylor (1992) argue that news media should engage in "public journalism." Journalists should actively foster community politics, not merely report it. Rosen and Taylor cite several experiments where Knight-Ridder newspapers sponsored a series of public meetings in which editors and reporters went into neighborhoods to facilitate discussion of community issues. The underlying theory is that the more people become interested in politics, the more they will use news media, and the better local democracy should work.

Bagdikian (1992) urges a number of remedies. Under antitrust law, the federal government should limit media firms to 30 or fewer monopoly newspapers and to one television station; cable would become a common carrier. He would progressively tax mass advertising in news media and lower postal rates for newspapers with few ads. Bagdikian borrowed one idea from Europe. He would have journalists, not publishers or general managers, elect the top executive in their newsroom. Such an approach would help insulate journalism from the business norms of the media firm.

While each of these authors' ideas have merit, all but the notion of welcoming market-driven journalism face a major obstacle of feasibility. Entman (1989) concedes that convincing Congress to spend more for news would be very difficult. The least expensive of Rosen and Taylor's (1992) ideas—inviting, perhaps even polling, the public to raise questions reporters may ask of candidates, or asking the public questions and reporting their mailed or phoned responses—have been put into practice at some newspapers. Except where foundations, such as the Poynter Institute, have provided financing, the more expensive components of "public journalism" have attracted little interest. A firm attempting to minimize costs may not wish to hire enough journalists to cover news down to the level of most meaningful political jurisdiction—that controlling schools, police, and civic management—let alone hire even more staff to organize and lead community discussions. Public journalism is an expensive way for media firms to boost audience.

Bagdikian (1992) cites the First Amendment as an obstacle to limiting the size of newspaper chains and powerful congressional opposition as an obstacle to limiting broadcast chains, due to the industry's lobbying muscle. He is also pessimistic about congressional approval of a tax on advertising or a mandate that cable systems operate, like current telephone companies, as common carriers. Bagdikian also points out that were media owners to allow journalists to elect their own newsroom managers, it would limit the rights of ownership in a way few investors might welcome.

The market-based model of news production suggests another avenue, however, that might be somewhat more feasible and less costly, without risking further government intervention. What if the weak link of consumer evaluation of news were somehow strengthened? Could the market for news become more similar to those that work as Adam Smith predicted? If consumers were to have rational intermediaries—agents analogous to public relations agents hired by sources, and ad brokers paid by advertisers, and stock brokers paid by investors—they might more readily discriminate between information and entertainment disguised as news. These independent news evaluators, perhaps local journalism professors or specialists in news ethics, could randomly sample local newspapers and broadcasts, checking for accuracy and fairness and for what received attention and what was missing. Local news providers might receive a public "report card" indicating their reliability. Were even those consumers most valuable to advertisers—those with greater potential as customers—to redistribute their attention to the highest quality news provider in a region, it would at least partially counterbalance the influence of investors, advertisers, and sources over news content.

Such consumer education would not remove the obstacle of lack of reward for consumers undertaking the effort of watching and reading serious journalism. Only political reform that preserved the power of the vote against paying lobbyists, and other citizenship-building measures could accomplish that.[17]

Such a consumer education project would be neither simple nor inexpensive, and, judging from the time it took health educators to persuade the public of the dangers of smoking cigarettes, it would take a long time. Public television stations might provide a vehicle, particularly if vivid programs dissecting news were created (*Frontline*'s "Tabloid Truth," for example, made compelling viewing; see Cramer, 1994). Funding might come from noncommercial stations, from community groups and foundations, government grants, and non-news media corporations.

If the present analysis of market-driven journalism is close to the mark, regardless of the time and trouble that would be required to accomplish any of the solutions described above, the alternative of doing nothing could be far more expensive. As Walter Lippmann warned 70 years ago:

> All that the sharpest critics of democracy have alleged is true if there is no steady supply of trustworthy and relevant news. Incompetence and aimlessness, corruption and disloyalty, panic and ultimate disaster must come to any people which is denied assured access to the facts. No one can manage anything on pap. Neither can a people (cited in Diamond, 1975, p. xiv).

Conclusion

As a first draft of theory, the market-based model of news production is speculative. Further research is needed to establish its value. For example, each of its eight relationships require further specification. How these relationships affect each other, and act in concert on news, has yet to be demonstrated empirically.

Although much remains to be done, the model appears to make some unique contributions to understanding commercial news production: It directs attention to *all* of the market forces affecting news, not just the market for consumers, and it brings into play a well-developed branch of social science—microeconomics—that heretofore has not been applied *within* the newsroom (i.e., to decisions about deployment of reporters and other resources to discover news, decisions about story selection, and about reporting news).

The model also points research in new directions. It challenges conventional industry wisdom from the right that the news content that best serves the market also serves the public best. Likewise, the model challenges conventional theories from the left that news is controlled by social elites in order to dominate the masses. While certain elites—major investors and the managers who put their wishes into practice—may exercise significant control over news content, they must appeal to a mass audience and often appear to do so by showing other parts of the establishment in a negative light. The model also challenges conventional journalism ethics' orientation toward the individual newsworker as the critical decision maker. The autonomy of journalists is sharply bounded by more powerful actors within and without the newsroom. Finally, the model contests a fundamental assumption of current journalism education: that the way to improve practice is to inculcate craft norms in journalism students. It suggests that journalism schools should devote at least as much attention educating the public to discern and choose quality news as they currently spend educating prospective journalists. The market has more power than the employee who serves it.

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Notes

1 Stephen Lacy and his colleagues have conducted several studies (e.g., Lacy & Bernstein, 1991; Lacy & Fico, 1989; Lacy, Fico & Simon, 1988) looking at the effect of competition on various news outcome variables such as "story imbalance," "story fairness" and story "assembly cost," but these studies focus only on the market for consumers. Herman and Chomsky's propaganda model (1988) uses the concept of a "guided market" that includes pressures from owners, executives, and advertisers, but no explicit mechanism is developed. Finally, McQuail (1992) sketched a "field of social forces" model that suggests, but does not develop, a market-based analysis for any media constituency other than consumers.

2 Since no observer objectively records what passes before his or her senses, this article substitutes the term *social reality* for *reality*. We cannot know reality, only what we agree intersubjectively—socially—is real (Shoemaker & Reese, 1991).

3 Commercial network television news follows similar logic but has several additional players. For parsimonious reasons, only local news production is described here.

4 However, some historians, such as Stephens (1988), would argue that the distinction

between entertainment and news has always been blurred and nearly obliterated when news has been sold.

[5] This is an expansion of Dimmick, 1974.

[6] Local TV revenues come primarily from time the station sells directly to local and national advertisers. Some national advertising revenues collected by the networks are also passed along to stations through "clearance" fees—what the network pays for a local station to "clear," or broadcast, network programs. (See Owen, Beebe & Manning, 1974; Owen & Wildman, 1992.)

[7] A few media firms, most notably The New York Times Company, have created two tiers of stock, voting and nonvoting, in an effort to maintain family control over company policy. While offering some protection from hostile takeover, stock issued without voting rights has less value than that with such rights because it deprives the shareholder from exercising influence to maximize return.

[8] Others, such as Altschull (1984), would nominate advertisers as the most powerful influence; Entman (1989) and Meyer (1987) argue for consumers; Gans (1979) declared a tie between powerful sources and consumers. While advertisers are extremely powerful, there are too many cases of news providers standing up to them to accept Altschull's argument (see, e.g., the Laurels section of *Columbia Journalism Review*). Reasons why consumers are not in charge will be developed shortly, in the analysis of how the markets affecting news production work.

[9] See, for example, Crouse, 1973; Fishman, 1980; Gans, 1979; Molotch & Lester, 1974; Tuchman, 1978; and especially Entman, 1989; Reese, 1991.

[10] Even if a firm is privately held, the earnings of publicly traded media corporations are likely to set profit benchmarks.

[11] Newspapers once represented one of very few ways advertisers could efficiently place their messages before a large audience. Now advertisers have considerable, and growing, choice. The closest substitutes are weekly community and arts and entertainment papers and direct mail ads and shoppers. But advertisers can also use magazines, AM and FM bands of radio, and broadcast and cable television programming. More recently, telephone and computer networks have begun to attract advertisements.

[12] A common externality is the effect that purchasing a foreign car has on the domestic economy. If the buyer feels the car is the best value in the market, such a transaction is likely to go forward even if the purchaser knows that the action may affect the jobs of domestic auto workers, the exchange rate, and the national economy. To buy a car of lesser value, making a personal sacrifice for the benefit of others, or to avoid a small negative effect on the whole of society (that others may not refrain from even if you do), would be altruistic, contradicting self-interested market logic.

[13] Meyer's (1987) theory should work well when advertiser bias of the news would be obvious, for example, failure to report an airliner crash to protect an airline company.

[14] For example, the highly regarded *San Jose Mercury News*, winner of two Pulitzer Prizes over the past decade, recently caved in to a consortium of local car dealers angry over an article in the paper suggesting that buyers shop for the best price among both brokers and dealers and try to determine what dealers pay for cars. A dealer boycott lasting several weeks cost the newspaper many thousands of ad dollars before the publisher apologized to dealers for where the article "fell short" (personal communication from publisher Jay T. Harris to Lon Normandin of Normandin Chrysler/Plymouth/Jeep/Eagle, June 9, 1994). At the paper's expense, the publisher also printed a full page announcement followed by its logo, headlined: "TEN REASONS WHY YOU SHOULD BUY OR LEASE YOUR NEXT NEW CAR FROM A FACTORY AUTHORIZED DEALER" (*The San Jose Mercury News*, June 30, 1994, p. 14E). The following day, the publisher told outraged reporters and editors that the paper would still report objectively and aggressively about car dealers. But his actions contradicted him.

[15] In the United States, efforts by sources to control the media through regulation or law have been thwarted in print by court interpretations of First Amendment and in broadcast by a deregulatory mood in Congress (Ferrall, 1989; Pool, 1983). Further, any attempt to expand political control over news would pose such a grave danger of government control, it would likely be opposed from every quarter of the industry and by prodemocratic forces outside the media.

[16] Although many mutual funds now offer "socially conscious" funds, they have yet to attract the bulk of invested dollars.

[17] Such measures might include a tax rebate for informed voting (based on passing one of a rotating set of voluntary quizzes administered by polling officials) or cumulative voting plans such as those suggested by law professor Lani Guinier in which voters cast multiple ballots, all for one candidate or one for each.

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