

Getting Cross with the Media and Cross-Media Ownership

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Once again, the Federal government is considering removing cross-media ownership restrictions. This may allow newspaper owners to own television and radio networks or vice versa. But let's face it, this issue has little to do with economics (from that perspective there is no reason for such restrictions) and lots to do with politics and the working of a democracy. That is, it is all about the reporting of the news and opinion.



The basic political concern is simple: the media can be biased and so generate or reinforce the biases of citizens. The worry is that control of the media gives media-owners power to control those biases in directions that suit their interests and opinions. To prevent this, we need to ensure that media-ownership is diverse so that citizens have the opportunity to find the truth. Only in that way will we not be cross about media bias.

As is often the case, things are more complex than just this basic concern. For starters, a biased media has to actually be consumed (read or viewed) by citizens. Rational citizens will recognise bias and know that this clouds the information they are receiving. Thus, media bias can cause lost profits for owners, while at the same time undermining their opportunity to mould the views of rational citizens. This is a lose-lose scenario for the media owner, meaning that, theoretically, even a tightly controlled media outlet has an incentive to report the truth.

That is all very well but, as Sendhil Mullainathan and Andrei Shleifer have recently pointed out, citizens may not be rational and may have their own biases. If they are all biased in the same way – say about whether Australia should win The Ashes or not – a media outlet can generate more profits by slanting its reporting in the direction of that bias. Slant the other way and profits fall. Moreover, slanting can reinforce bias and vice versa. Thus, we end up with a biased media.

Can diversity help here? If all consumers are biased in the same direction, then regardless of whether there is one media outlet or many, each outlet will find it most profitable to slant its bias in that direction. You can't build market share by taking a contrary line. So even when assuming that not all citizens are rational and enlightened and know bias when they see it, we still have no benefit from diverse ownership.

But what if citizens are biased in different ways – e.g., the Left or the Right; environmentalist or not. In

this case, a single media outlet will face a dilemma: target the middle or target an extreme? They will target the middle only when views are not too polarised. If they are very diverse, then targeting the middle disenfranchises both extremes and reduces the outlet's profits.

Here, however, when there are more media outlets, each may differentiate, taking one bias or the other, and we can end up with a polarised media. Interestingly, this diversity is not all good: we are sure to get bias, even where the starting point of the argument did not display a large difference in public biases. Moreover, the biases in the media can be far more extreme than the position a monopoly media outlet might take.

So here we have a situation where bias is of major concern, but competition amongst media outlets is reinforcing, rather than reducing, it.

One ray of hope arises when there are some conscientious citizens. These read all the available news and try to distill the truth. If there is competition between media outlets *and if citizens differ in their biases*, then there is an opportunity for the conscientious reader to discover the truth.

However, think for a moment of the costs of providing this opportunity for the conscientious reader, even if that opportunity exists. By moving from a single to a diverse set of media outlets, the conscientious reader can distill the truth, but the rest of the population is pushed to extremes. Is this a trade off that we really want to make in a democracy? Is a truth-armed minority better than a less biased general populace?

I do not have an answer to this question (well, not yet anyway), but the solution may lie in allowing free entry of media ownership in Australia and from outside (especially through internet –based media such as blogs). It may also reside in a publicly-owned outlet (such as the ABC) that is free of profit considerations but is also free of other incentives towards bias.

But the answer lies not in cross-media ownership laws. Nothing I have said here has anything to do with whether television and newspapers are commonly owned. Rather, it is about the diversity of ownership along any one channel and across all media outlets. We may want many newspapers, many television channels (possibly from outside the country too) and many radio networks. Diverse ownership, not cross-ownership, will determine whether we get cross about media bias.

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