

The Impact of Market Competition on Journalistic Performance

Eva-Maria Jacobsson
School of Computer Science and Communication
Royal Institute of Technology
Stockholm, Sweden

Lee B. Becker
Grady College of Journalism and Mass Communication
University of Georgia
Athens, GA USA

Tudor Vlad
Grady College of Journalism and Mass Communication
University of Georgia
Athens, GA USA

C. Ann Hollifield
Grady College of Journalism and Mass Communication
University of Georgia
Athens, GA USA

Adam Jacobsson
Department of Economics
University of Stockholm
Stockholm, Sweden

The order of authorship of this article is based on the roll of a die. Correspondence should be addressed to Lee B. Becker, Grady College of Journalism and Mass Communication, University of Georgia, Athens, GA USA. E-mail: lbbecker@uga.edu.

Presented to the Journalism Research and Education Section of the International Association for Media and Communication Research, Stockholm, July 20-15, 2008.

ACKNOWLEDGMENT

Support for this project was provided by grants from the Bank of Sweden Tercentenary Foundation and from the Swedish Foundation for International Cooperation in Research in Higher Education (STINT).

The Impact of Market Competition on Journalistic Performance

Recent theorizing, supported by some empirical evidence, suggests that increased levels of media competition leads to lower levels of journalistic performance, contrary to the basic argument in economics that market competition always leads to positive outcomes.

This challenge to the basic arguments of economics results from the experiences of emerging media markets. Quite often, in those markets, too many media outlets are competing for too few financial resources because media outlets are created because of the social and political value of media ownership. Media assistance programs from donors in established markets often contribute to this high level of competition by encouraging the proliferation of media outlets through direct financial subsidies or indirect subsidies provided by training programs.

In all markets, media organizations must compete for limited financial resources. If the resources are inadequate to support the media, the competition can result in an environment where journalists can be easily bribed, sensationalism will dominate, and media coverage will be imbalanced. In sum, the high levels of competition, called by some “hypercompetition,” will result not in improved journalism but in the opposite.

Empirical tests of this expectation that high levels of competition are associated with low levels of journalistic performance have been limited because of the inadequacy of data. This paper draws on a more robust data set than has been available in the past to extend earlier work that has provided support for the expectation of the negative consequences of hypercompetition.

Overview of Theoretical Rationale

Traditional economic theory argues that high levels of market competition produce more innovation, a greater range of choices among products, and lower prices, thereby maximizing consumer welfare. Consistent with this theory, media critics have observed that industry consolidation has reduced the number of independent news organizations competing in local markets and argued that this decrease in competition has had a negative effect on news quality and the public welfare.

Empirical research generally has supported the argument that competition is good for the media. That research, which has focused almost exclusively on media markets characterized by low-to-moderate competition, has found competition has a positive effect on various measures of news media performance (Lacy, Atwater, & Qin, 1989; Lacy & Blanchard, 2003; Lacy & Riffe, 1994; Litman & Bridges, 1986). Some media critics, however, have argued that competition and the rating mindset in television markets has led to homogenization of content, to lower quality, rather than to diversity and better quality (Bourdieu, 1998).

While ownership of media industries has consolidated in developed countries, the opposite phenomenon has been occurring elsewhere. In many nations, the number of media companies has mushroomed as the result of changing economic, political, and regulatory conditions (Gross, 2002). The rapid increase in media competition in transitional countries has been encouraged by Western governments and non-governmental organizations (NGOs) as part of media assistance initiatives in the belief that media competition will produce journalism that supports the development of democracy and civil society (Carrington & Nelson, 2002; Global Forum for Media Development, 2007, Kumar, 2006).

The result in many countries, however, has been the emergence of hypercompetitive media markets. Hypercompetition is defined as a market in which supply substantially exceeds demand so that a large percentage of the producers in the market operate at a loss and are dependent upon subsidies from external sources to stay in business. In the case of media, a hypercompetitive market is one where combined revenues from advertising and subscriptions are insufficient to cover operating costs for many of the media companies in the market. By some estimates, up to one-third of total media-industry operating costs in some developing countries come from external subsidies rather than operating revenues (T. Vlad, personal communication, COST A30 Action Conference, Sarajevo, June 6-7, 2008). Moreover, many media markets in Central European countries have been heavily subsidized for nearly 20 years, demonstrating that hypercompetition in media markets is not necessarily a short-term market irregularity.

The definition of hypercompetition in this study differs from D'Aveni's earlier definition, which was "an environment characterized by intense and rapid competitive moves, in which

competitors must move quickly to build advantage and erode the advantages of their rivals...the process of continuously generating new competitive advantage" (1994, pp. 217-218). Under D'Aveni's definition, hypercompetition results from the strategic behavior of companies operating in a dynamic market. Under the definition used in this study, hypercompetition reflects problems in market structure.

A series of in-depth interviews with media executives in transitional countries around the world revealed that most respondents' commercial media companies were losing money, particularly in the newspaper sector (Hollifield, Becker & Vlad, 2004, 2006). Many of the executives reported that their organizations remained dependent for survival on external subsidies from venture capitalists, NGOs, the owners' non-media businesses, or other sources.

Emerging Media Markets

Research by international media associations show that in numerous countries the number of publications and broadcast channels continues to expand, even as total circulation and audiences decline or stagnate (South East Europe Media Organization (SEEMO), 2005). After studying media conditions in southeast Europe, SEEMO concluded that nearly 20 years after press liberalization in that region, levels of competition in many countries continue to exceed "any market economy reasoning" (p. 5). A study by the European Federation of Journalists reached a similar conclusion, finding that in some Eastern and Central European countries, increased competition and foreign ownership have lowered the quality of journalism (European Federation of Journalists, 2004).

Hypercompetition among media suppliers continues in defiance of the Laws of Supply and Demand because the social, political, and economic value of media ownership make it worthwhile for owners to subsidize unprofitable media organizations. As SEEMO (2005) noted, "some print media outlets are run as propaganda outlets for the special interests of their owners and do not even pretend to practice professional journalism (p. 61).

In fact, transitional countries are not alone in facing media hypercompetition. Although the ownership of media corporations continues to consolidate in developed countries, the supply of media content competing for audience attention and advertising has increased exponentially

since the 1980s. New technologies have expanded the number of media channels available and transformed individuals into media producers with global distribution networks through blogs, social networking sites, and Web sites such as YouTube.

Although many scholars argue that the increased media competition is positive because it increases the diversity of ideas in the marketplace, research has raised questions about whether media competition always produces greater consumer welfare (Hollifield, Becker & Vlad, 2004, 2006, Wildman & Siwek, 1988). Economic modeling suggests increased competition may reduce individual firm expenditures on media content where market share is determined by relative expenditures on content (Waterman, 1989/90; Wildman & Siwek, 1988). Producers stop investing in quality when one unit of investment produces only one unit of additional profit. Those models also assume that producers will be economically rational and exit the market when production becomes unprofitable.

Empirical research on the issue also has found news organizations in highly competitive markets may cut their financial commitment to news production, opting for low-cost, low-quality news content instead (Hollifield, Becker & Vlad 2004, 2006). In contrast with the theoretical models, however, the more recent studies show that producers are remaining in the market in the absence of profits.

Jacobsson, Jacobsson, Hollifield, Vlad and Becker (2006) conducted a secondary analysis of data gathered in 2004 by the International Research and Exchanges Board (IREX), a nonprofit organization based in Washington, D.C. The data were for 20 countries in Europe and Eurasia. The analysis showed evidence of a curvilinear relationship between competition and the quality of the journalistic product, with moderate competition leading to higher-quality journalism products and higher levels of competition leading to journalistic products that do not serve society well.

Previous Research on Media Competition

Research on the effects of competition on media performance dates back to at least the 1940s (Litman & Bridges, 1986). The question has been examined by economists and mass communication scholars from both the demand side and supply side, using a variety of theoretical

frameworks and economic models. Among the issues that have been studied are the effects of competition on media product differentiation, news quality, financial performance, and media independence.

The Demand Side View of Media Competition

In classical economic theory, competition is seen as a positive response to consumer demand and a mechanism for maximizing consumer welfare, where consumer welfare is defined as having the widest range of product choices at the lowest prices. Competition is said to occur when a substitute product is available that provides consumers with similar utilities at similar prices.

In media markets, however, standard economic assumptions can be problematic because of the unique economic characteristics of information (Priest, 1994). For example, defining substitutability among media products is difficult because research has shown audiences seek a wide range of practical and psychological utilities from media content, and different audience members may derive very different utilities from the same content (Lacy, 1993, 2000, 2004). There also can be significant demand elasticities for specific utilities such as variety or quality of content, with consumers opting for one over the other (Waterman, 1989/90).

Additionally, independent high-quality journalism products have significant socioeconomic externality value in the form of encouraging democracy, fostering development of a civil society, supporting economic development, promoting governmental transparency and discouraging corruption (Brunetti, Kisunko, & Weder, 1998; Brunetti & Weder, 2003; Islam, 2002; Knack & Keefer, 1995; Mauro, 1995; Priest, 1994). This leads some to suggest that the true value of media includes the provision of quality information that serves society's needs (Islam, 2002; Stiglitz, 2002) and that the definitions of consumer welfare and utility in media markets should reflect that. However, externality value can't be directly captured by either producers or consumers, leading to the underproduction of the type of high-quality content that generates social benefits (Priest, 1994).

Finally, in many media sectors, advertising support distorts the relationship between content producers and audience consumers and makes price competition between producers

almost irrelevant to audiences' consumption decisions (Lacy & Vermeer, 1995; Priest, 1994, Spence & Owen, 1977; Wildman & Owen, 1985). Consequently, media companies facing competition find product differentiation to be their primary strategic weapon in attracting audiences, with the outcome of media competition depending on the distribution of content preferences across audiences and the willingness of audiences to consume their second or third choices in content (Owen & Wildman, 1992).

The Theory of Monopolistic Competition posits that in competitive markets, firms will try to reduce direct competition with other suppliers by creating products with unique characteristics that help them capture consumer loyalties (Chamberlin, 1962). In news media markets, product differentiation can be difficult to achieve because breaking news and hard news are commodities. Most news organizations in a given market will cover the same breaking and hard news stories on any given day. Product differentiation among news organizations, then, occurs in one of two ways.

Horizontal differentiation focuses on creating slightly different versions of a product, in order to reduce substitutability among consumers. News outlets, for example, may focus more than their competitors on medical, political, or business news after breaking news and hard news have been covered (Bae, 2000). They also may differentiate themselves by focusing more on sports, celebrity, or scandal coverage rather than hard or specialized news.

Another potential approach to horizontal differentiation among news organizations is to report news from a particular political, religious, cultural, or ideological viewpoint. The news market is fundamentally the marketplace in which social, economic and political ideas compete for the attention of citizens. This, combined with psychological research that shows people tend to seek out information that confirms their preexisting beliefs (Festinger, 1957), suggests differentiating news along ideological lines could be a successful strategy.

Some economists have argued that while ideologically slanted news may occur, it is not a response to competition. Based on economic modeling, Gentzkow and Shapiro (2006) argued that competition should decrease the likelihood of bias since media firms want to build a

reputation for providing accurate information and since competitors have an incentive to expose mistakes and misreporting.

Similarly, Mullainathan and Schleifer (2005) argued that newspapers respond to what readers want, rather than allowing organizational agendas to affect what is written. The media will slant news to serve readers who are themselves biased and will report news in a balanced and fair way if readers are rational (not biased). Thus, according to their model, the heterogeneity of the audience's viewpoints is the key to media balance. Mullainathan and Schleifer noted, however, that in competitive markets, individual media organizations might deliberately slant the news to appeal to specific sectors of a heterogeneous audience. Balance, however, will occur across the market as different media organizations offer different slants to appeal to different audience segments. The model assumes readers will be conscientious enough to use multiple media sources and seek out information that challenges their own viewpoints so as to fully understand issues.

A second approach to differentiation is to produce variation on the basis of product quality. Known as vertical product differentiation, this requires that consumers basically agree on the definitions of "high" and "low" quality goods. Among journalism professionals and scholars, "quality" in news generally has been defined as including such things as balance and fairness, lack of sensationalism, strong local news coverage, enterprise and investigative reporting, accuracy, relevance, favorable coverage of different groups in society, and coverage that helps readers develop a sense of common values and community (Becker, Beam & Russial, 1978; Bogart, 1989; Gladney, 1990, 1996; Just, 1999; Rosenstiel, Gottlieb, & Brady, 1999).

Previous research on the effects of competition on the news media has found that increased competition results in increased vertical product differentiation, usually in the form of higher-quality journalism. That research has been dominated by the "financial commitment" approach, which uses the level of investment news organizations make in their news product as a surrogate measure of media quality (Lacy, 1989, 1992; Litman & Bridges, 1986). The financial commitment model argues that, as competition increases, news organizations will increase their financial commitment to news production, resulting in increased news quality as measured by

such things as the amount of investigative, enterprise, and local stories produced, the advertising-editorial ratio, the size of the news staff, reporter workloads, and investments in news-gathering technologies (Lacy, 1987; Lacy, Atwater, & Qin, 1989; Lacy & Blanchard, 2003; Lacy & Riffe, 1994; Litman & Bridges, 1986).

The model further predicts that the increased financial commitment makes the product more useful to audiences. Ultimately, the investment is expected to pay off for the news organization in the form of increased circulation and ratings, advertising revenues, and profits. Tests of the model generally have supported its predictions (Chen, Thorson, & Lacy, 2005; Cho, Thorson, & Lacy, 2004; Just, 1999; Lacy, Atwater, & Qin, 1989; Lacy & Fico, 1991; Lacy & Riffe, 1994; Litman & Bridges, 1986; Rosenstiel, Gottlieb, & Brady, 1999; Shaver & Lacy, 1999; St. Cyr, Lacy, & Guzman-Ortega, 2005). Hence, the general industry level of financial commitment is expected to increase with the degree of competition, analogous to a rent-seeking contest (Tullock, 1980).

Most research to date on the effects of competition on news media performance has been conducted in markets with low-to-moderate competition, however. That work also makes it clear that the relationship between media competition and media performance is not simple. Lacy and Riffe (1994) argued that the ability of media organizations to respond to competition with increased financial commitment is dependent on the level of profit the organization is achieving. As competition rises, profits fall and the ability to invest in greater news quality decreases. That hypothesis also was supported in subsequent research in both news and non-news media (Lacy & Blanchard, 2003; Lacy & Martin, 1998; Lacy, Shaver, & St. Cyr, 1996; van der Wurff & van Cuilenberg, 2001). A study of news and non-news television programming in the Netherlands found moderate competition produced increased programming diversity, while high-levels of competition produced an excessive sameness of low-cost, low-quality programming (Van der Wurff & van Cuilenberg, 2001). A similar study of the effects of hypercompetition on television programming across Europe concluded that content was being “dumbed down,” with investigative journalism and programming appealing to minority tastes becoming scarce (Open Society Institute, 2005).

This suggests that while some competition among news media enhances consumer welfare as defined by higher-quality news, hypercompetition may have the opposite effect. While research on this question is limited, preliminary studies of news media in developing countries where media markets often are characterized by hypercompetition suggest that excessive competition may result in low-cost, low-quality news strategies such as focusing on scandal and sensationalism (Jacobsson & Jacobsson, 2003; Hollifield, 2006). The research also suggests that high levels of competition lead some news organizations to slant news to appeal to audiences' psychological utilities in the form of political, religious, ethnic, or ideological biases (Hollifield, Becker & Vlad, 2004, 2006; Islam, 2002).

The dichotomy between vertical and horizontal differentiation can become blurred in the news media market. For example, if a news media firm were to increase the level of financial commitment (increased quality), holding constant the competitors' levels, it would be expected to lead to greater market share. However, what is high-quality news reporting in one viewer's eyes might be regarded as slanted, low-quality reporting by another. Hence, a vertical differentiation strategy, for example an investment in more rigorous and objective reporting, might be interpreted as a horizontal strategy along some political or religious dimension depending on the viewer's preferences.

The Supply Side View of Competition

In the media economics literature, another definition of competition has emerged from ecological theory that takes a more supply-side approach, describing competition as the struggle between media organizations for resources (Dimmick 2003, 2005). Those resources include: 1) consumer gratification utilities and consumer gratification opportunities (i.e., both the use that consumers make of media content and their ability to access that content where and when they need it), 2) content itself, 3) consumers' time, 4) consumers' money, 5) advertisers' money, and, 6) a talented professional labor force (Hollifield, 2006, Dimmick 2005). In contrast to the demand-side approach, the supply-side view of competition argues that media performance is affected by the competition between firms for all of these resources, not just by the need to respond to the audience's demand for specific types of content.

Related to the supply-side approach is the question of how the competition for resources may affect another measure of media performance: media independence. Besley and Prat (2001) developed an economic model that predicted media firms located in highly concentrated media markets would be more susceptible to government influence. Using the assumption that governments seeking to silence media would have to pay a fixed sum to all media companies in order to buy them off, they argued that competition makes the cost of media bribery too high to be practical.

In contrast, a model developed by (Jacobsson & Jacobsson, 2003) indicated it would be more expensive to buy off financially strong media companies than financially weak ones. Therefore, if competition reduces media profits, media organizations might become more susceptible to influence peddling as they seek more revenue resources.

A synthesis of these two models suggests there should be an optimal level of competition relative to the resources available in the market that would produce a sufficient number of financially strong media companies to make the industry largely impervious to outside influence.

In addition to sheer numbers and financial strength, another potential safeguard of media independence and news quality is the professional culture of journalism. Although journalistic standards vary nation to nation, examination of professional codes of ethics across the world suggests journalists in many nations share a foundation of basic values.

Research on organizational and professional culture shows professional standards, ethics, and values are imparted primarily through the process of professional education (Bloor & Dawson, 1994).

In media markets suffering from hypercompetition, however, the sharp increase in the number of media organizations sometimes outstrips the ability of the educational infrastructure to produce enough professionally trained journalists. Additionally, inadequate audience and advertiser resources relative to the number of media outlets in the market keep wages for journalists low despite the limited labor supply, making it difficult to attract qualified professionals to available jobs (Hollifield, Becker & Vlad, 2004; 2006). The consequence is that many working journalists and other independent content producers have little professional education or training.

That lack of education and training, combined with low wages, may make them susceptible to bribery or other forms of outside influence and less likely to oppose their employers when the media organization succumbs to influence peddling.

Hypotheses

When the theoretical and empirical research on the effects of competition on news media performance is synthesized, it suggests that, contrary to classical economic theory, more competition may not always improve consumer welfare in media markets where measures of consumer welfare include the socioeconomic effects of news products (Priest, 1994; Stiglitz, 2002). The combination of demand-side vertical and horizontal product differentiation strategies and supply-side competition for resources may result in excessive sameness of low-cost, low-quality content that either focuses on celebrity and sensationalism or slants news to appeal to the audiences' ethnic, political, or religious biases. It also may produce media organizations and media workers susceptible to influence peddling, and journalists who are not well-prepared for the challenges of their profession. In short, it may well be that under conditions of hypercompetition, media that survive in the market may do so at the expense of their journalistic product and their larger contributions to society.

Elsewhere we have proposed a detailed model in which the relationship between media competition and news media performance is curvilinear (Hollifield, 2006). Under this model, monopoly markets produce the highest level of market performance in the form of profit for media organizations, but not the highest quality of news for consumers. The underlying assumption is that with virtually no direct competition, media will have the resources to produce quality information products but will have little incentive to do so.

Low-to-moderate levels of competition are expected to stimulate media organizations to invest in improving the quality of their news products in an attempt at vertical product differentiation. The increased investment produces an optimal combination of outcomes in the form of more balanced, enterprising, diverse coverage of important issues, and solid market performance in terms of audience size, advertising revenues, and organizational profits.

Finally, as competition among news providers becomes extreme, the organization's financial commitment to quality news is expected to decline, as will the market performance of the organization. The quality and diversity of news content should fall, as will journalists' wages, the size and quality of the editorial staff, and the numbers of bureaus and subscriptions to wire services and other external sources of content. Journalists and the media organizations that employ them are expected to become more subject to capture by outside actors, and the organization is expected to pursue low-cost product differentiation strategies.

This study provides an empirical test of that extended model of the effects of competition.

Methods

In this paper, the earlier analysis by (Jacobsson, et al., 2006) is expanded to include data from 21 countries in Europe and Eurasia, 18 countries in the Middle East and North Africa, and 37 countries sub-Saharan African. The paper, as with the earlier analysis, focuses on the IREX measure of professional performance as the outcome variable.

IREX is a non-profit organization based in Washington, D.C., that focuses on higher education, independent media, Internet development, and civil society in the United States and internationally. In 2001, in cooperation with USAID, IREX developed a Media Sustainability Index (MSI) to evaluate the global development of independent media (IREX, 2001). That initial report focused on 20 countries in Europe and Eurasia.

In 2005, IREX expanded the data gathering to include 18 countries in the Middle East and North Africa (IREX 2006 MENA). In 2006 and 2007, the procedure was expanded to include 37 countries in Sub-Sahara Africa (IREX, 2008 AFRICA). In 2007, data also were gathered for the original 20 countries in Europe and Eurasia (IREX, 2008 EUROPE). Since Serbia and Montenegro had split into separate countries, the study covered 21 European and Eurasian countries that year. The data for the countries in Europe and Eurasia were gathered in late 2007 and early 2008 (Morse, 2008). The data for Sub-Sahara Africa were gathered in 2007 (Morse, 2008). The data for the Middle East and North Africa were gathered between December of 2005 and April of 2006. The 76 countries for which data are available are shown in Table 1 in the Appendix.

IREX assesses media sustainability using five criteria or objectives: 1) legal and social norms that protect and promote free speech and access to public information; 2) journalism that meets professional standards; 3) multiple news sources that provide citizens with reliable and objective news; 4) independent media that are well-managed businesses, allowing editorial independence; and 5) supporting institutions that function in the professional interests of independent media. The second criterion, journalism that meets professional standards, is a measure of professional performance.

Countries are assessed on from seven to nine indicators for each of the five objectives. The range of scores is from 0 to 4 for each indicator. The scores for all the indicators for each objective are averaged to obtain a single score for the objective. The scores on the five objectives are averaged to arrive at a final score for each country.

To score a country, IREX assembles in each country a panel of experts made up of local media representatives, members of NGOs and professional associations, international donors, and media development workers. Each panel is provided with the objectives, indicators and an explanation of the scoring system. Panelists review the information individually, then assemble and come to a consensus on scores. The panel moderator, in most cases a representative from one of the country's media or an NGO, prepares a written analysis of the discussion, which is edited by IREX representatives. IREX staff, in-country and in Washington, D.C., also review indicators and objectives, scoring countries independently. The final score for a country is an average of the panel score and the IREX staff score.

The measure of professional performance contains the following seven criteria: 1) Reporting is fair, objective, and well sourced; 2) Journalists follow recognized and accepted ethical standards; 3) Journalists and editors do not practice self-censorship; 4) Pay levels for journalists and other media professionals are sufficiently high to discourage corruption; 5) Entertainment programming does not eclipse news and information programming; 6) Technical facilities and equipment for gathering, producing, and distributing news are modern and efficient, and 7) Quality niche reporting and programming exists (investigative, economics/business, local, political).

Earlier analysis (Becker, Vlad & Nusser, 2007) shows that this measure of journalistic performance is correlated with the other four components of the sustainability index. At the same time, it does not appear to be identical to them.

IREX's reports (IREX 2006 MENA, 2007 EUROPE, 2008 AFRICA) contained additional data on the media in the countries studied, including the number of media outlets. IREX attempted to gather information on the advertising market in the countries as well but, in most cases, was unsuccessful.

An alternative source of data on advertising markets is World Press Trends, produced by the World Association of Newspapers (WAN, 2004). Advertising data on the countries rated by IREX, however, also were incomplete in the WAN report. An analysis of the WAN data for 47 countries where the data were available, however, showed that there was a Pearson Product Moment correlation coefficient of .87 between total advertising revenue and the country's Gross Domestic Product, taken from the CIA World Factbook (2003). Gross Domestic Product, then, can be treated as a rough surrogate for advertising resources.

For this study, Gross Domestic Product (Purchasing Power Parity) was obtained from the IMF World Economic Outlook database April 2008 except for Iraq, Somalia, the Palestinian Authority and Kosovo, where data were obtained from the CIA World Factbook (2008) and used as a surrogate for the size of the advertising market. The total number of media outlets was divided by the GDP to provide a measure of market competition. In a highly competitive market, this ratio should be high compared to a market with a low level of competition. Data for all countries were for 2007 except for the Palestinian Authority, where the most recent data was from 2006.

The measures of media performance and media market competition are for these 76 countries, rather than any divisions within them. IREX does not produce within-country measures of performance. The available measures of GDP and of number of media outlets also are national. An analysis of the advertising market for Romania, which has strong regional centers and for which some advertising data were available, indicates that the media market is dominated by the media that have their headquarters in the capital city of Bucharest (ALFA CONT, 2008).

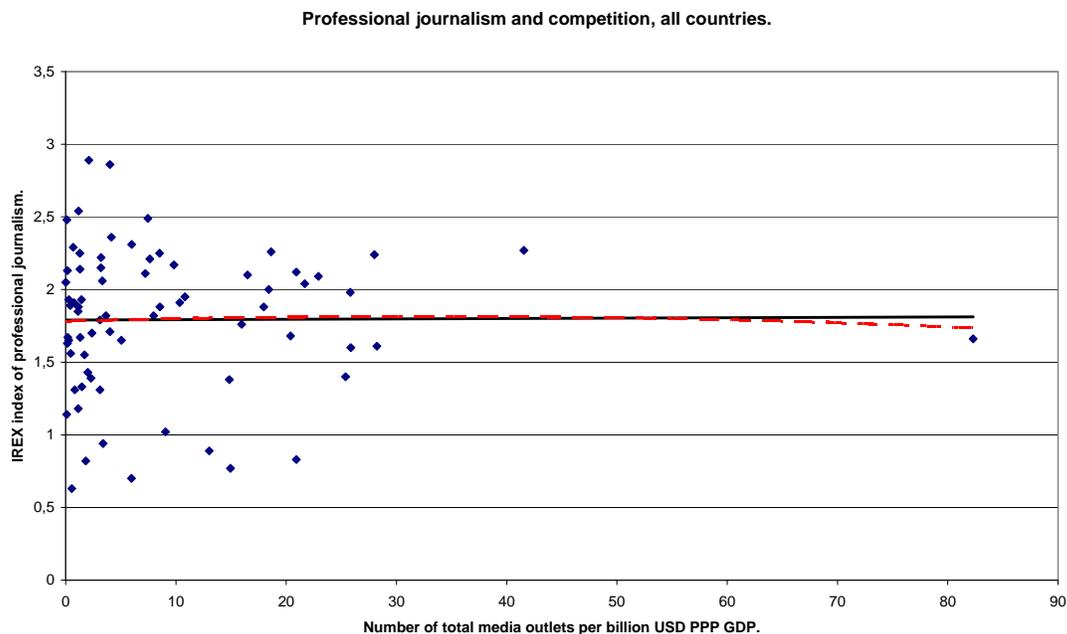
The national print media accounted for 80% of print advertising spending in 2007, for example, while all television advertising is considered to be national because the most important channels have national distribution and account for almost all advertising.

Findings

The range of the total number of media outlets is broad, with Djibouti having four compared to Ukraine's 26,345. As there were no data on the total number of media outlets for Eritrea, the Ivory Coast, Senegal and Russia, these countries were dropped from the analysis. For Romania, data on number of radio and television stations were obtained from the National Council of the Audiovisual (2008). GDP PPP ranges between Djibouti's 1.74 billion USD to 752.97 billion USD for Iran. The competition measure (number of media outlets divided by GDP PPP) has a minimum value of 0.02 media outlets per billion dollars for Saudi Arabia, a maximum value of 82.30 for Ukraine and a mean of 9.2. The IREX measure of professional performance ranges between 0.63 for Libya and 2.89 for South Africa with a mean of 1.79.

The relationship between the IREX measure of professional journalism and our measure of competition in the full population is illustrated in Figure 1.

Figure 1.



The Pearson correlation is nearly zero, at 0.01. Figure 1 has two fitted lines; one linear (solid, black) and one quadratic (dotted). As can be seen in the figure, there is weak evidence for our hypothesis of a curvilinear relationship and the quadratic line in fact is concave as expected. (The R Square for the linear relationship is 0.00004 and the R Square for the quadratic is 0.0007.) However, one would be hard pressed to find support for the conventional wisdom that more competition is always better.

IREX divided the 76 countries for which it produced its Sustainability Index into three regions. These regions differ in terms of culture, history and political and economic systems, and IREX keeps the countries separate in its reports. To control for these differences, the relationship between competition and journalistic performance next was examined separately in each of the three regional clusters.

Figure 2 shows the relationship in the Eurasian sub-group and the Pearson correlation is now 0.09 (the fitted lines are constructed as in Figure 1) and the relationship is similar to the full population. (The R Square for the linear relationship is 0.008 and the R Square for the quadratic is 0.045.)

Figure 2.

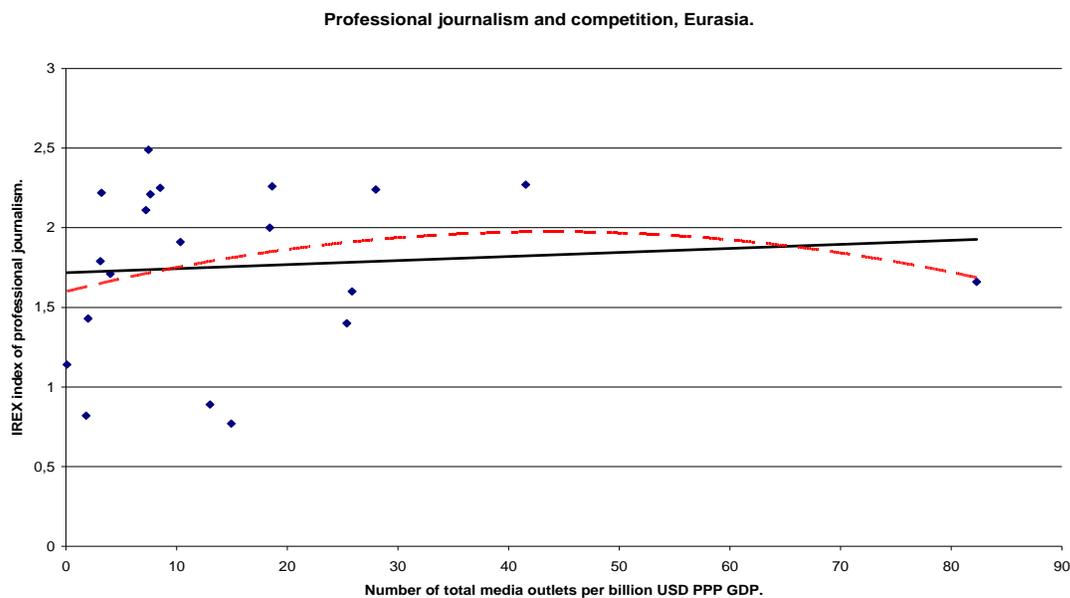
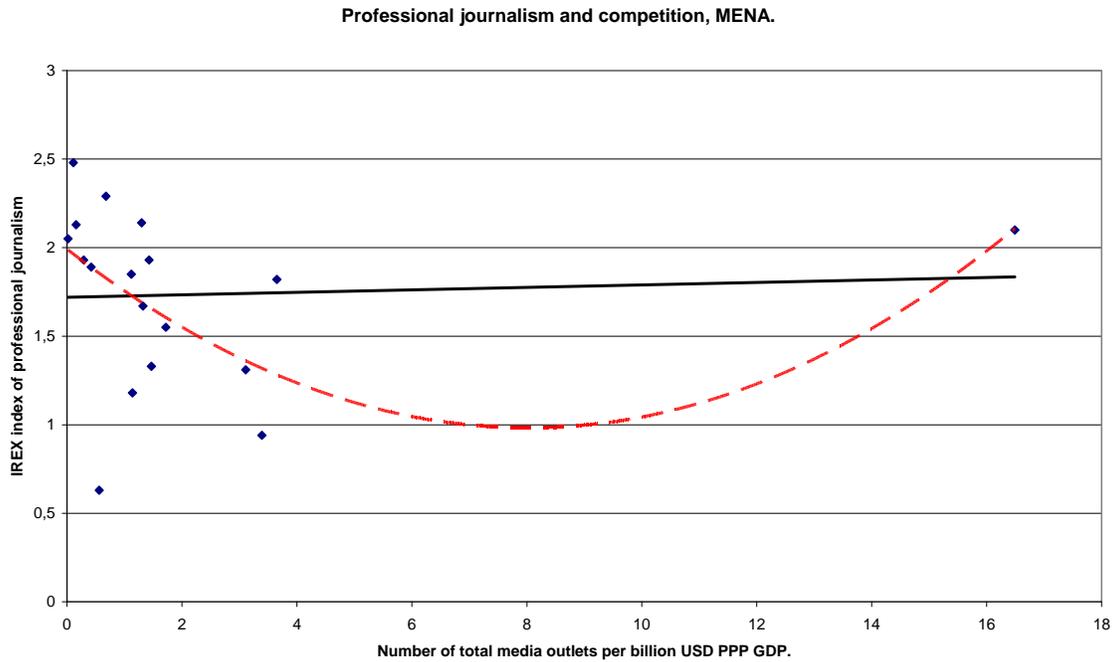


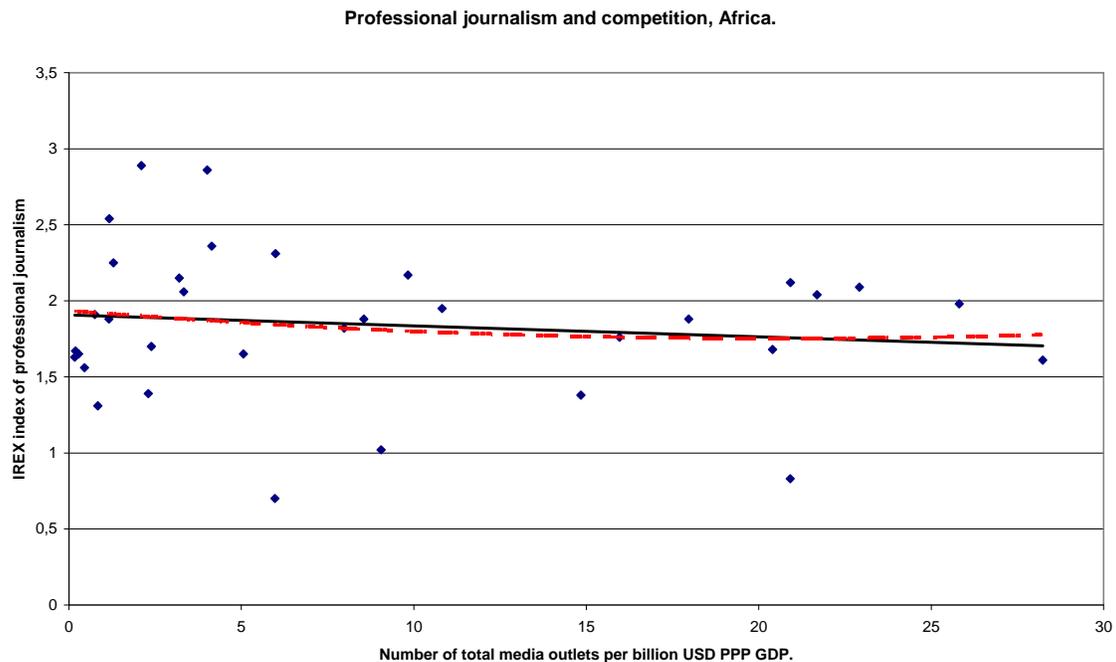
Figure 3 (again with the same type of fitted lines) has a Pearson correlation of 0.05 and displays a convex quadratic line. However, this shape is largely driven by the rightmost data point (the Palestinian Authority). (The R Square for the linear relationship is 0.003 and the R Square for the quadratic is 0.23.)

Figure 3.



The situation in Africa is illustrated in Figure 4 (again with the same type of fitted lines) with a Pearson correlation of -0.13 indicating that more competition is in fact worse for professional journalism, contrary to the standard argument. (The R Square for the linear relationship is 0.02 and the R Square for the quadratic is 0.02.)

Figure 4.



The figures show that the picture is fairly similar across regions with the exception that more competition in Africa has a negative effect on professional journalism. What is relatively clear is that more competition is not always better.

Another way to eliminate differences among the countries is to control for a structural variable, such as the level of press freedom. To accomplish this, the Freedom House (Freedom House, 2008) measure of press freedom from 2007 was used. The Freedom House measure, rather than the IREX Independent Media Criterion, was used in order to obtain a measure independent of the IREX measurement procedures for the Sustainability Index.

The Freedom House measure of press freedom was highly correlated with the IREX measure of journalistic performance. The zero order correlation was 0.63 (Pearson Product Moment Correlation Coefficient). When controlling for the Freedom House measure in a regression analysis, competition was slightly negatively related to professional journalism. The standardized beta coefficient was -0.12. In the Europe and Eurasia subset, the standardized beta for competition controlling for press freedom was -0.08. In the Middle East and North Africa, the standardized beta was 0.25, and in the African subset, the standardized beta for the relationship

between competition and journalistic performance was -0.17. Overall and in Europe and Eurasia and Africa, there is a slight negative relationship between competition and professional journalistic performance controlling for the press structure as measured by the Freedom House press freedom measure.

Conclusions

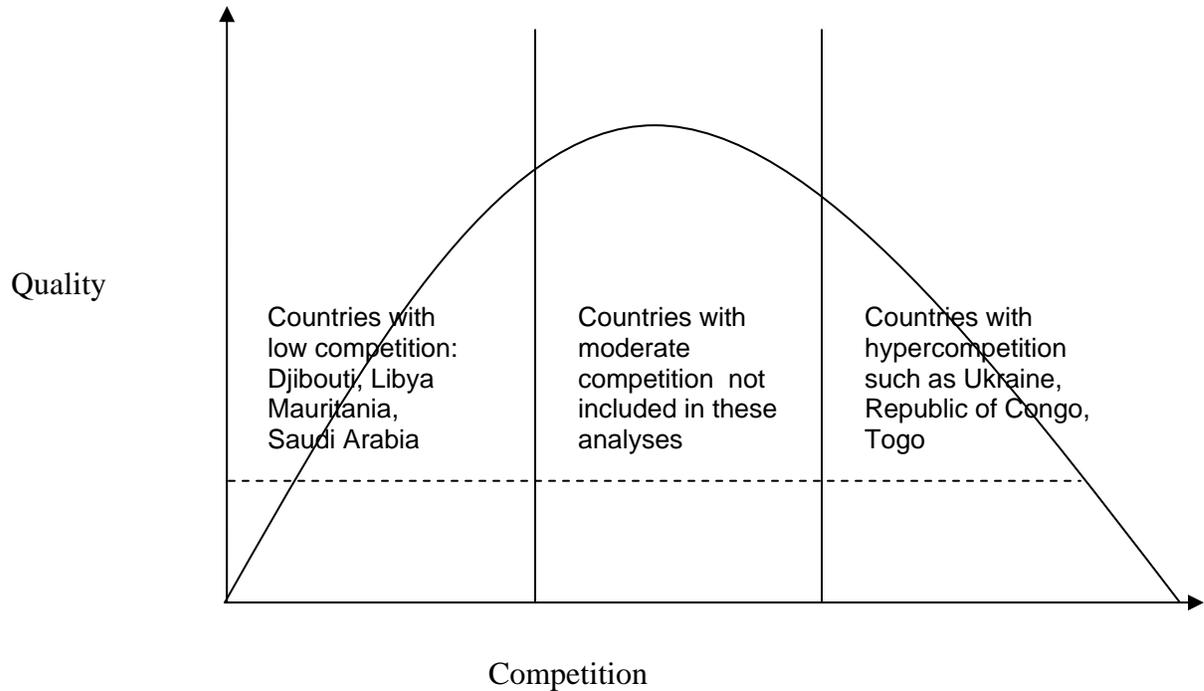
This study confirms the findings in our previous study (Jacobsson, et al., 2006) that more media competition does not always lead to increases in the level of media quality, captured by the IREX measure of professional journalism, thus challenging the dominant argument in the literature. The data suggest that high levels of media competition can at best produce a very limited increase in professional journalism while, at worst, as in Africa, the opposite relationship prevails.

Looking at the full population, there is some, but weak evidence of a curvilinear relationship indicating that more media competition can be a good thing up to a point.

Our results are tentative for a number of reasons. We used GDP PPP as a surrogate for media advertising revenues as this data is simply unavailable for a majority of the countries in our population. Also, the number of media outlets is problematic as this number can change quickly in the type of emerging markets that we are studying. Another limitation of our study is the fact that other factors than our measure of competition are likely to affect the level of professional journalism such as for example governmental institutional quality or cultural factors.

Finally, measures of professional journalism currently are available only for countries whose media systems are considered to be undergoing transitions. Consequently, large numbers of countries with relatively mature media systems, such as those in Western Europe, North America and some Asian countries, are not included in these analyses. If the media systems in such countries have stabilized at a moderate, sustainable level of competition, then the middle group of cases would be missing from Figure 5 for lack of data. As a consequence, the data in this study would represent the two extremes of low competition, and hypercompetition, i.e. the low ends of the curve--which graphically would result in a line as was found in Figure 1.

Figure 5.



Clearly, a more complete data set representing countries at all stages of media development is needed to extend this work. Although our findings are tentative, they are important as there is not much in the literature about media competition outside North America and Europe, two markets with a much higher degree of maturity and consolidation compared to the population studied in this paper. The results of the current study suggest that policy makers dealing with media development should pay careful attention to the specific market conditions of concern to them when designing, for example, media assistance. Currently, media assistance is usually designed to increase the number of media outlets (Kumar, 2006), which is something that may well not be optimal.

REFERENCES

ALFA CONT (2008) "The Media Advertising Market in Romania in 2007", Data provided at the request of the authors of this study.

BAE, HYUHN-SUCHCK (2000) "Product Differentiation in National TV Newscasts: A comparison of the cable all news networks and the broadcast networks", *Journal of Broadcasting & Electronic Media*, 44 (1), pp. 62-77.

BBC (2005) "Country Profile: Georgia", http://news.bbc.co.uk/go/em/fr/-/1/hi/world/europe/country_profiles/1102477.stm, accessed 26 October 2005.

BECKER, LEE B., BEAM, RANDAL and RUSSIAL, JOHN (1978) "Correlates of Daily Newspaper Performance in New England", *Journalism Quarterly*, 1978, 55, pp. 100-8.

BECKER, LEE B., VLAD, TUDOR and NUSSER, NANCY (2007) "An Evaluation of Press Freedom Indicators", *Gazette*, 61 (1), pp. 5-28.

BESLEY, TIMOTHY and PRAT, ANDREA (2001) "Handcuffs for the Grabbing Hand?: media capture and political accountability", Typescript available at London School of Economics and Political Science.

BLOOR, GEOFFREY and DAWSON, PATRICK (1994) "Understanding Professional Culture in Organizational Context", *Organization Studies*, 15 (2), PP. 275-295.

BOGART, LEO (1989) *Press and Public* (2nd ed.), Hillsdale, N.J.: Lawrence Earlbaum.

BOURDIEU, PIERRE (1998) *On Television*, New York: The New Press.

BRUNETTI, AYO, KISUNKO, GREGORY and WEDER, BEATRICE (1998) "Credibility of Rules and Economic Growth: evidence from a worldwide survey of the private sector", *World Bank Economic Review*, 12, pp. 353-384.

CARRINGTON, TIM and NELSON, MARK (2002) "Media in Transition: the hegemony of economics", in: *The Right to Tell: The Role of Mass Media in Economic Development*, Washington, DC: World Bank Institute, pp. 225-45.

CHAMBERLIN, EDWARD H. (1962) *The Theory of Monopolistic Competition*, (8th ed.), Cambridge, MA: Harvard University Press.

CHEN, RENE, THORSON, ESTHER and LACY, STEPHEN. (2005) "The Impact of Newsroom Investment on Newspaper Revenues and Profits: small and medium newspapers 1998-2002", *Journalism & Mass Communication Quarterly*, 82, pp. 516-532.

CHO, SOOYOUNG., THORSON, ESTHER and LACY, STEPHEN (2004) "Increased circulation follows investments in newsroom", *Newspaper Research Journal*, 25 (4), pp. 26-39.

CIA WORLD FACTBOOK (2003) *CIA World Factbook*. Washington, D.C.: Central Intelligence Agency.

CIA WORLD FACTBOOK (2004) *CIA World Factbook*. Washington, D.C.: Central Intelligence Agency.

CIA WORLD FACTBOOK (2008) *CIA World Factbook*. Washington, D.C.: Central Intelligence Agency.

CONSILIUL NATIONAL AL AUDIOVIZUALULUI (2008) *Raport 2007*, http://www.cnn.ro/IMG/pdf/RAPORT_CNA_2007.pdf, accessed 25 May 2008.

- D'AVENI, RICHARD A. (1994) *Hypercompetition: Managing the Dynamics of Strategic Maneuvering*, New York, N.Y.: The Free Press.
- DIMMICK, JOHN W. (2003) *Media Competition and Coexistence: the theory of the niche*. Mahwah, N.J.: Lawrence Earlbaum.
- DIMMICK, JOHN W. (2005) "Media competition and levels of analysis", in: Alan B. Albarran, Sylvia M. Chan-Olmsted and Michael O. Wirth (Eds.), *Handbook of media management and economics*, Mahwah, N. J.: Lawrence Earlbaum, pp. 345-362.
- EUROPEAN FEDERATION OF JOURNALISTS (2004) "Eastern Empires: foreign ownership in Central and Eastern European media: Ownership, policy issues and strategies", <http://www.ifj-europe.org/pdfs/easternempires.pdf>, accessed 5 July 2007.
- FESTINGER, LEON (1957) *A Theory of Cognitive Dissonance*, Evanston, IL: Row, Peterson and Co.
- FREEDOM HOUSE (2008) *Freedom of the Press*, <http://freedomhouse.org/template.cfm?page=251&year=2007>
- GLADNEY, GEORGE A. (1990) "Newspaper Excellence: how editors of small and large papers judge quality", *Newspaper Research Journal*, 11 (2), pp. 58-72.
- GLADNEY, GEORGE A. (1996) "How editors and readers rank and rate the importance of eighteen traditional standards of newspaper excellence", *Journalism & Mass Communication Quarterly*, 73 (2), pp. 319-331.
- GENTZKOW, MATTHEW and SHAPIRO, JESSE (2006) "Media Bias and Reputation", *Journal of Political Economy*, 114(2), pp. 280-316.
- GLOBAL FORUM FOR MEDIA DEVELOPMENT (2007), *Media Matters: perspectives on advancing governance & development*, Paris: Internews Europe.
- GROSS, PETER (2002) *Entangled Evolutions: media and democratization in Eastern Europe*, Baltimore, M.D: Johns Hopkins University Press.
- HOTELLING, HAROLD (1929) "Stability in competition", *The Economic Journal*, 34, pp. 41-57.
- HOLLIFIELD, C. ANN (2006) "News Media Performance in Hypercompetitive Markets: an extended model of effects", *International Journal on Media Management*, 8, pp. 60-70.
- HOLLIFIELD, C. ANN, BECKER, LEE B. and VLAD, TUDOR (2004) "Market and Organizational Factors Affecting the Success of Media Organizations in Emerging Economies," in: Robert. G. Picard (Ed.), *Strategic Responses to Media Market Changes*, Jönköping, Sweden: Jönköping International Business School, pp. 133-153.
- HOLLIFIELD, C. ANN, BECKER, LEE B. and VLAD, TUDOR (2006) "The Effects of Political, Economic and Organizational Factors on the Performance of Broadcast Media in Developing Countries", paper presented to the Political Communication Division of the International Association for Media and Communication Conference, Cairo, Egypt.
- INTERNATIONAL MONETARY FUND (2008) "World Economic Outlook Database, April 2008", <http://www.imf.org/external/pubs/ft/weo/2008/01/weodata/WEOApr2008all.xls>, accessed 4 July 2008.

INTERNATIONAL RESEARCH & EXCHANGE BOARD (2001) "Media Sustainability Index 2001", <http://www.irex.org/msi/2001.asp>, accessed 24 May 2004.

INTERNATIONAL RESEARCH & EXCHANGE BOARD (2003) "Media Sustainability Index 2002", <http://www.irex.org/msi/2002.asp>, accessed 24 May 2004.

INTERNATIONAL RESEARCH & EXCHANGE BOARD (2004) "Media Sustainability Index 2003", <http://www.irex.org/msi/2001.asp>, accessed 7 July 2004.

INTERNATIONAL RESEARCH & EXCHANGE BOARD (2005) "Media Sustainability Index 2004: Europe and Eurasia", http://www.irex.org/programs/MSI_EUR/2005.asp, accessed August 24 2005.

INTERNATIONAL RESEARCH & EXCHANGE BOARD (2006) "Media Sustainability Index 2005: Europe and Eurasia", http://www.irex.org/programs/MSI_EUR/2005.asp, accessed 12 September 2007.

INTERNATIONAL RESEARCH & EXCHANGE BOARD (2006) "Media Sustainability Index 2005: Middle East and North Africa", http://www.irex.org/programs/MSI_MENA/index.asp, accessed 12 September 2007.

INTERNATIONAL RESEARCH & EXCHANGE BOARD (2008) "Media Sustainability Index 2006-2007: Middle East and North Africa", http://www.irex.org/programs/MSI_MENA/2006/yemen.asp, accessed 4 May 2008.

INTERNATIONAL RESEARCH & EXCHANGE BOARD (2007) "Media Sustainability Index 2006-2007: Africa", http://www.irex.org/programs/MSI_Africa/index.asp, accessed 4 May 2008.

INTERNATIONAL RESEARCH & EXCHANGE BOARD (2007) "Media Sustainability Index 2006-2007: Europe and Eurasia", http://www.irex.org/programs/MSI_EUR/2006/index.asp, accessed 4 May 2008.

ISLAM, ROUMEEN (2002) "Into the Looking Glass: what the media tell and why", in *The right to tell. The role of mass media in economic development*, Washington, D.C.: World Bank Institute, pp. 1-23.

JACOBSSON, ADAM and JACOBSSON, EVA-MARIA (2003) "Freedom of the Press, Economic Development and Market", Stockholm University: Dissertations in economics 2003:6.

JACOBSSON, ADAM, JACOBSSON, EVA-MARIA, HOLLIFIELD C. ANN, VLAD, TUDOR and BECKER, LEE B. (2006) "Examining the Suspected Adverse Effects of Competition on Media Performance", paper presented to the Journalism Studies Interest Group, International Communication Association, Dresden, Germany, June.

JUST, MARION, LEVINE, ROSALIND and BELT, TODD (1999) "The budget game: Numbers show staff, not stuff, wins viewers", *Columbia Journalism Review*, 38 (4), pp. 93-94.

KNACK, STEVEN and KEEFER, PHILIP (1995) "Institutions and Economic Performance: cross country tests using alternative institutional measures", *Economics and Politics*, 7, pp. 207-227.

KUMAR, KRISHNA (2006) *Promoting Independent Media: Strategies for Democracy Assistance*, Boulder: Lynne Rienner.

LACY, STEPHEN (1987) "The Effects of Intracity Competition on Daily Newspaper Content", *Journalism Quarterly*, 64, pp. 281-290.

- LACY, STEPHEN (1989) "A Model of Demand for News: impact of competition on newspaper content", *Journalism Quarterly*, 66, pp. 40-48.
- LACY, STEPHEN (1992) "The Financial Commitment Approach to News Media Competition", *Journal of Media Economics*, 2, pp. 5-21.
- LACY, STEPHEN (1993) "Understanding and Serving Readers: the problem of fuzzy market structure", *Newspaper Research Journal*, 14 (2), pp. 55-67.
- LACY, STEPHEN (2000) "Commitment of Financial Resources as a Measure of Quality," in Robert G. Picard (Ed.), *Measuring Media Content, Quality, and Diversity: approaches and issues in content research*, Turku, Finland: Turku School of Economics and Business Administration, pp. 25-50.
- LACY, STEPHEN (2004) "Fuzzy Market Structure and Differentiation: one size does not fit all", in Robert G. Picard (Ed.), *Strategic Responses to Media Market Changes*, Jonkoping, Sweden: Media Management and Transformation Centre, pp. 83-95.
- LACY, STEPHEN, ATWATER, TONY, and QIN, XINMIN (1989) Competition and the allocation of resources for local television news. *Journal of Media Economics*, 2 (1), pp. 3-14.
- LACY, STEPHEN and BLANCHARD, ALAN (2003) "The Impact of Public Ownership, Profits, and Competition on Number of Newsroom Employees and Starting Salaries in Mid-sized Daily Newspapers", *Journalism & Mass Communication Quarterly*, 80 (1), pp. 949-968.
- LACY, STEPHEN and FICO, FREDERICK (1991), "The Link between Newspaper Content Quality and Circulation", *Newspaper Research Journal*, 12 (2), pp. 46-57.
- LACY, STEPHEN and MARTIN, HUGH J. (1998) "Profits up, Circulation down in Thomson Papers in '80s", *Newspaper Research Journal*, 19, (3), pp. 63-76.
- LACY, STEPHEN and RIFFE, DANIEL (1994) "The Impact of Competition and Group Ownership on Radio News", *Journalism & Mass Communication Quarterly*, 71 (3), pp. 583-593.
- LACY, STEPHEN, SHAVER MARY A., & ST. CYR, CHARLES (1996), "The Effects of Public Ownership and Newspaper Competition on the Financial Performance of Newspaper Corporations: a replication and extension. *Journalism & Mass Communication Quarterly*, 73 (2), pp. 332-341.
- LACY, STEPHEN and VERMEER, JAN (1995) "Theoretical and Practical Considerations in Operationalizing Newspaper and Television News Competition", *Journal of Media Economics*, 8 (1), 48-61.
- LIPMAN, MASHA and MCFAUL, MICHAEL (2002) "Putin and the Media", in Dale R. Herspring (Ed.), *Putin's Russia*, Lanham: Rowman & Littlefield, pp. 63-84.
- LITMAN, BARRY R. and BRIDGES, JANET (1986) "An Economic Analysis of Daily Newspaper Performance", *Newspaper Research Journal*, 7 (3), pp. 9-26.
- MAURO, PAOLO (1995) "Corruption and Growth", *Quarterly Journal of Economics*, 110, 68, pp. 681-712.
- MULLAINATHAN, SENDHIL and SCHLEIFER, ANDREI (2005), "The Market for News", *American Economic Review*, 95(4), pp. 1031-1053.

- OPEN SOCIETY INSTITUTE (2005) *Television across Europe: Regulation, policy and independence: An overview*, http://www.soros.org/initiatives/media/articles_publications/publications/eurotv_20051011, accessed 29 August 2005.
- OWEN, BRUCE and WIDMAN, STEVEN (1992) *Video Economics*. Cambridge, MA: Harvard University Press.
- PRIEST, CURTIS (1994) *An Information Framework for the Planning and Design of 'Information Highways'* "An information framework for the planning and design of "Information Highways", http://www.eff.org/Groups/CITS/Reports/cits_nii_framework_ota.report, accessed 14 December 2003.
- RAYCHEVA, LILIA and PETEV, TODOR. (2000) "The Transformation Processes in the Mass Media System in Bulgaria (1989-1999)", *The Global Network*, 14, pp. 7-15.
- ROSENSTIEL, TOM, GOTTLIEB, CARL T. C. and BRADY, LEE. A. (1999, November/December) "Quality Brings Higher Ratings, but Enterprise is Disappearing", *Columbia Journalism Review*, pp. 84-89.
- SHAVER, MARY A. and LACY, STEPHEN (1999) "The Impact of Intermedia and Newspaper Competition on Advertising Lineage in Daily Newspapers", *Journalism & Mass Communication Quarterly*, 76 (4), pp. 729-744.
- SPENCE, MICHAEL and OWEN, BRUCE (1977) "Television Programming, Monopolistic Competition, and Welfare", *The Quarterly Journal of Economics*, 91 (1), pp. 103-126.
- SOUTH EAST EUROPE MEDIA ORGANIZATION (2005) *South East Europe Media Handbook 2004/2005*, Oliver Vujovic (Ed.), Vienna, Austria.
- ST. CYR, CHARLES, LACY, STEPHEN and GUZMAN-ORTEGA, S. (2005) "Circulation Increase Follows Investment in Newsrooms" *Newspaper Research Journal*, 26, pp. 50-60.
- STIGLITZ, JOSEPH. (2002) "Transparency in Government", in *The Right to Tell: the role of mass media in economic development*, Washington, D.C.: World Bank Institute, pp. 27-44.
- TULLOCK, GORDON (1980) "Efficient Rent Seeking", in James Buchanan, Robert Tollison and Gordon Tullock (Eds.), *Toward a Theory of the Rent Seeking Society*, Texas A & M University Economics Series.
- UNITED NATIONAS INTERIM ADMINISTRATION MISSION IN KOSOVO (2007) "Kosovo in 2007". http://www.unmikonline.org/docs/2007/Fact_Sheet_apr_2007.pdf, accessed 29 May 2007.
- VAN DER WURFF, RICHARDUS and VAN CUILENBURG, JAN (2001) "Impact of Moderate and Ruinous Competition on Diversity: the Dutch television market", *The Journal of Media Economics*, 14, pp. 213-229.
- WATERMAN, DAVID (1989) "Diversity and Quality of Information Products in a Monopolistically Competitive Industry", *Information Economics and Policy*, 4 (4), pp. 291-303.
- WILDMAN, STEVEN S. and OWEN, BRUCE (1985) "Program Competition, Diversity, and Multichannel Bundling in the New Video Industry", in Eli Noam (Ed.). *Video Media Competition: regulation, economics, and technology*, New York, N.Y.: Columbia University Press, pp. 244-273.

WILDMAN, STEVEN S. and SIWEK, STEPHEN S. (1988) *International Trade in Films and Television Programs*. Cambridge, MA: Ballinger Publishing Co.

WORLD ASSOCIATION OF NEWSPAPERS (2004) *World Press Trends 2004*, Paris, France: WAN/Zenith Optimedia.

WORLD ASSOCIATION OF NEWSPAPERS (2005) *World Press Trends 2005*, Paris, France: WAN/Zenith Optimedia.

WORLD BANK (2006a) *World Development Indicators 2006*, Table 4.14, http://devdat.worldbank.org/wdi2006/contents/Table4_14.htm, accessed 29 May 2007.

WORLD BANK (2006b) *World Development Indicators 2006*, Table 3.10, <http://siteresources.worldbank.org/DATASTATISTICS/Resources/table3-10.pdf>, accessed 11 May 2007.

Appendix

Table 1. List of Countries

Europe and Eurasia 07	Africa 07	Middle East and North Africa 06
Albania	Benin	Algeria
Armenia	Botswana	Bahrain
Azerbaijan	Burkina Faso	Egypt
Belarus	Burundi	Iran
Bosnia & Herzegovina	Cameroon	Iraq
Bulgaria	Central African Republic	Jordan
Croatia	Chad	Kuwait
Georgia	Congo Democratic Republic of--Zaire	Lebanon
Kazakhstan	Congo Republic of	Libya
Kosovo	Cote d' Ivoire	Morocco
Kyrgyzstan	Djibouti	Oman
Macedonia	Equatorial Guinea	Palestinian Authority
Moldova	Eritrea	Qatar
Montenegro	Ethiopia	Saudia Arabia
Romania	Gambia	Syria
Russia	Ghana	Tunisia
Serbia	Guinea	United Arab Emirates
Tajikistan	Kenya	Yemen
Turkmenistan	Madagascar	
Ukraine	Malawi	
Uzbekistan	Mali	
	Mauritania	
	Mozambique	
	Namibia	
	Niger	
	Nigeria	
	Rwanda	
	Senegal	
	Sierra Leone	
	Somalia	
	South Africa	
	Sudan	
	Tanzania	
	Togo	
	Uganda	
	Zambia	
	Zimbabwe	