



You are cordially invited to

UCLouvain Economics Seminar

On Thursday February 8, 2018, from 12:45 to 14:00
Doyen 22, Place des Doyens, 1

Heiko Karle

(University of Frankfurt)

Will give a presentation on

Competition and Information Quality in the Market for News

Abstract

We develop a model of a two-sided media market, in which profit-maximizing media outlets first commit to the degree of horizontal and vertical differentiation of their news reports and then compete in prices and fees for users and advertisers. We find that media outlets maximally differentiate only in one dimension in case they are financed by advertising revenues and direct charges to consumers (Pay-tv broadcasting). In case media outlets' revenues consist solely of advertising revenues (Free-to-air broadcasting), differentiation will still be only in one dimension but less than maximum. Interpreting horizontal differentiation of news reports as ideological bias (Mullainathan and Shleifer, 2005) and vertical differentiation as facts bias (Gentzkow and Shapiro, 2011), we predict that the transition from Pay-tv to Free-to-air broadcasting reduces the magnitude of both sorts of media bias. We further find that facts bias is more likely to arise exactly when fact knowledge is more relevant to users or when users strongly dislike advertisements (Joint paper with J. Dittrich and H. Schumacher)

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