

Reinvigorating the News

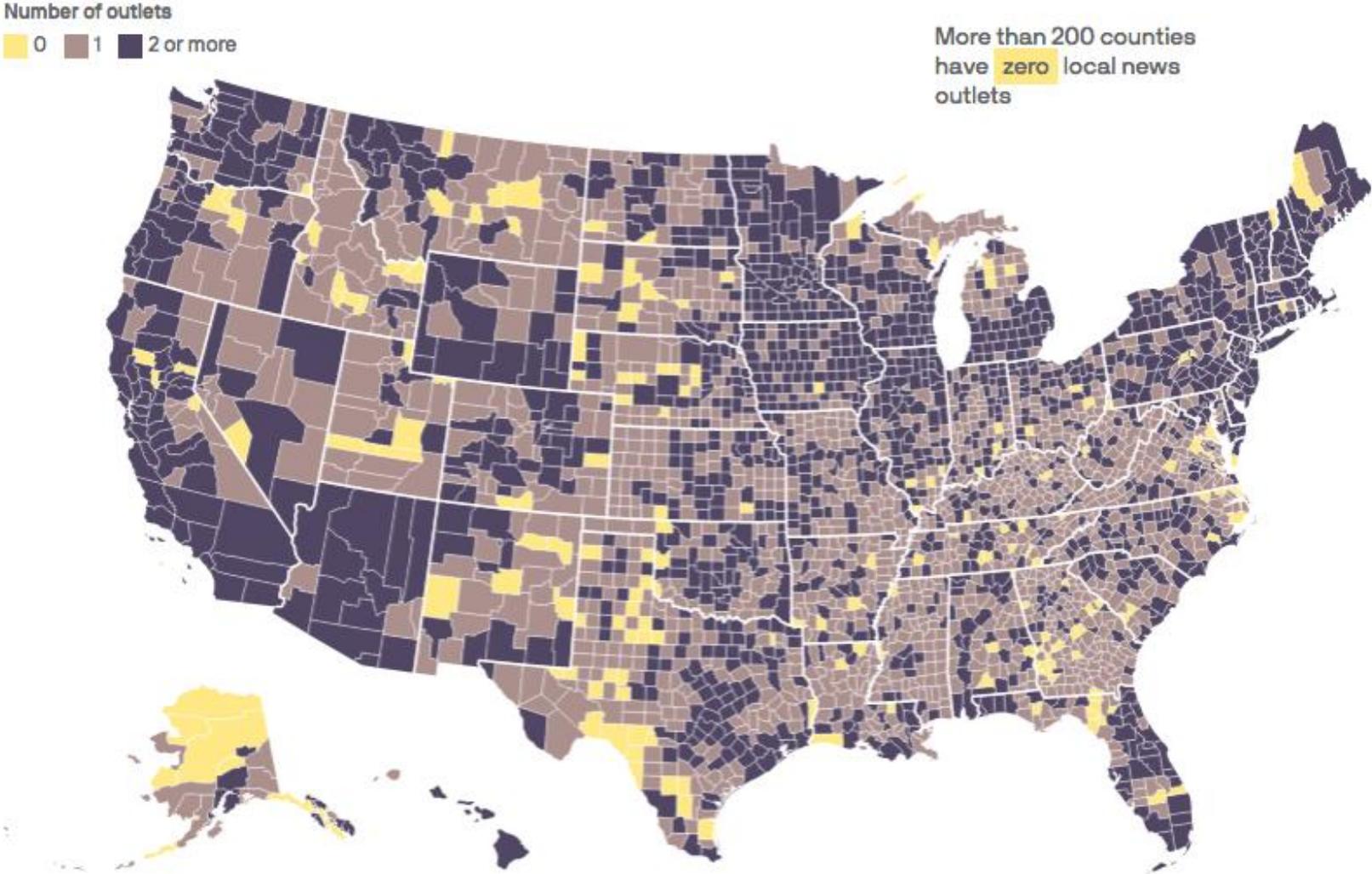
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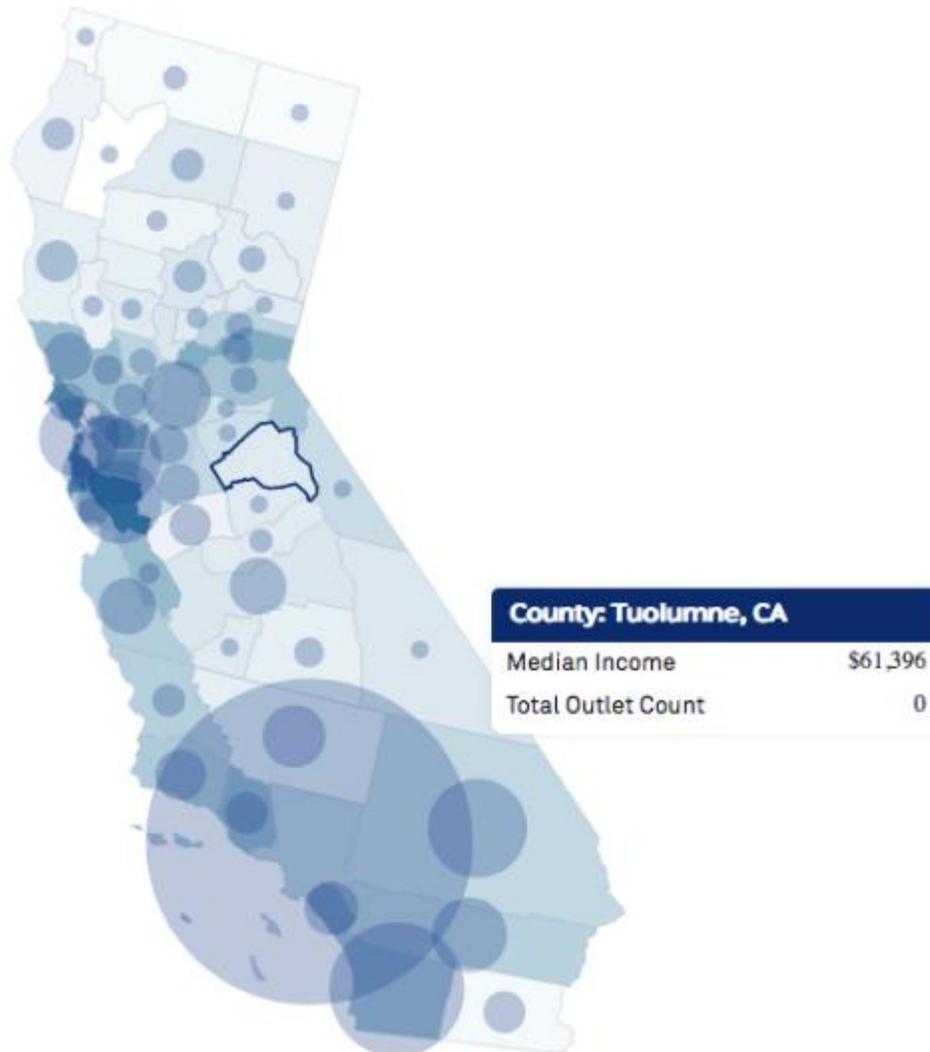
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Local News Outlets, By County, USA



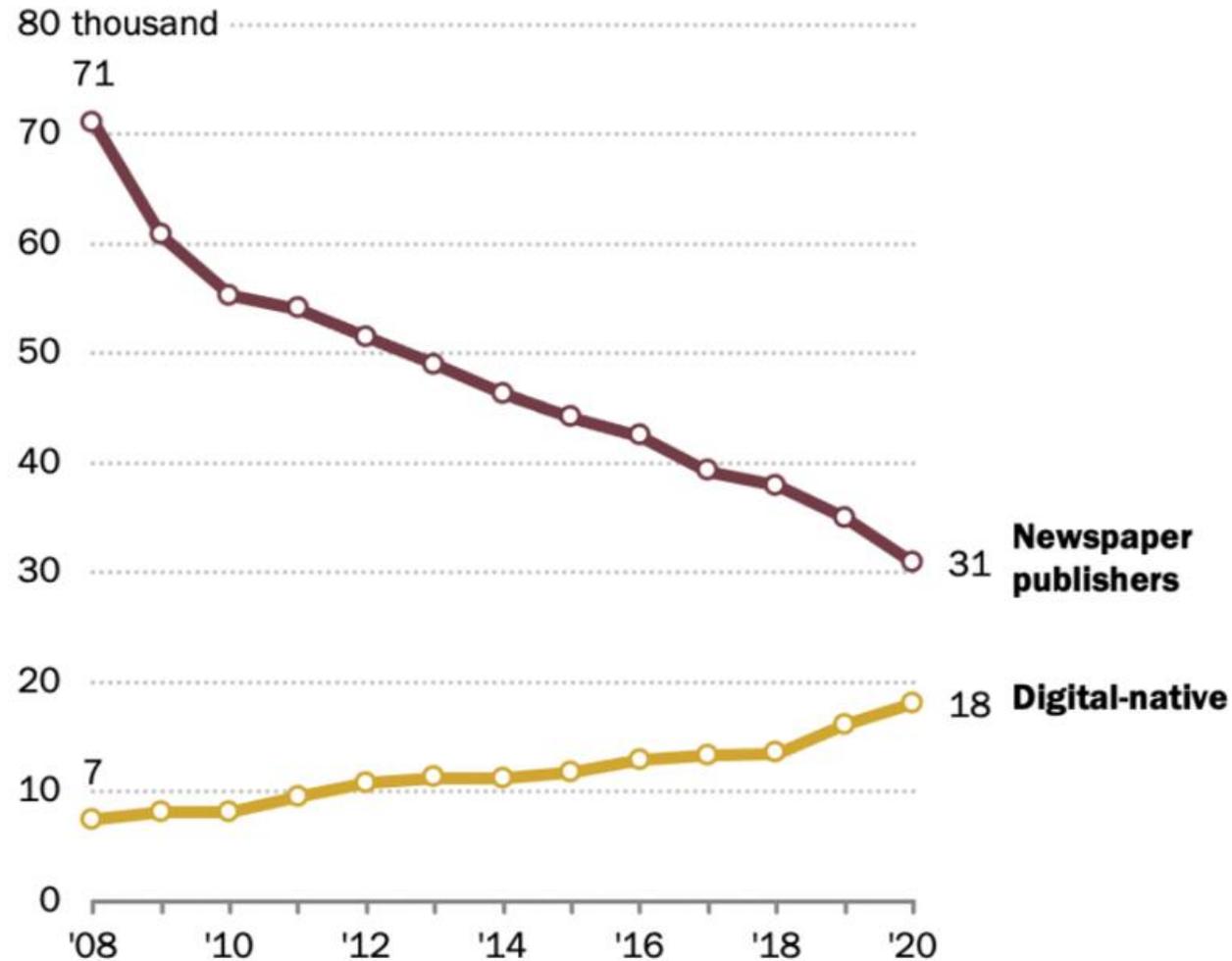
Data: Adapted from [Medill Local News Initiative](#); Note: Includes newspapers, public broadcasting outlets, ethnic media outlets and digital sites that cover local news; Map: Simran Parwani/Axios

Local News Outlets, By County, California



- California has four counties without a news source, and 11 counties with only one
- The Bay Area is one of the 20 metro areas that have lost the most news outlets per capita
- Source: Northwestern Medill Local News Initiative

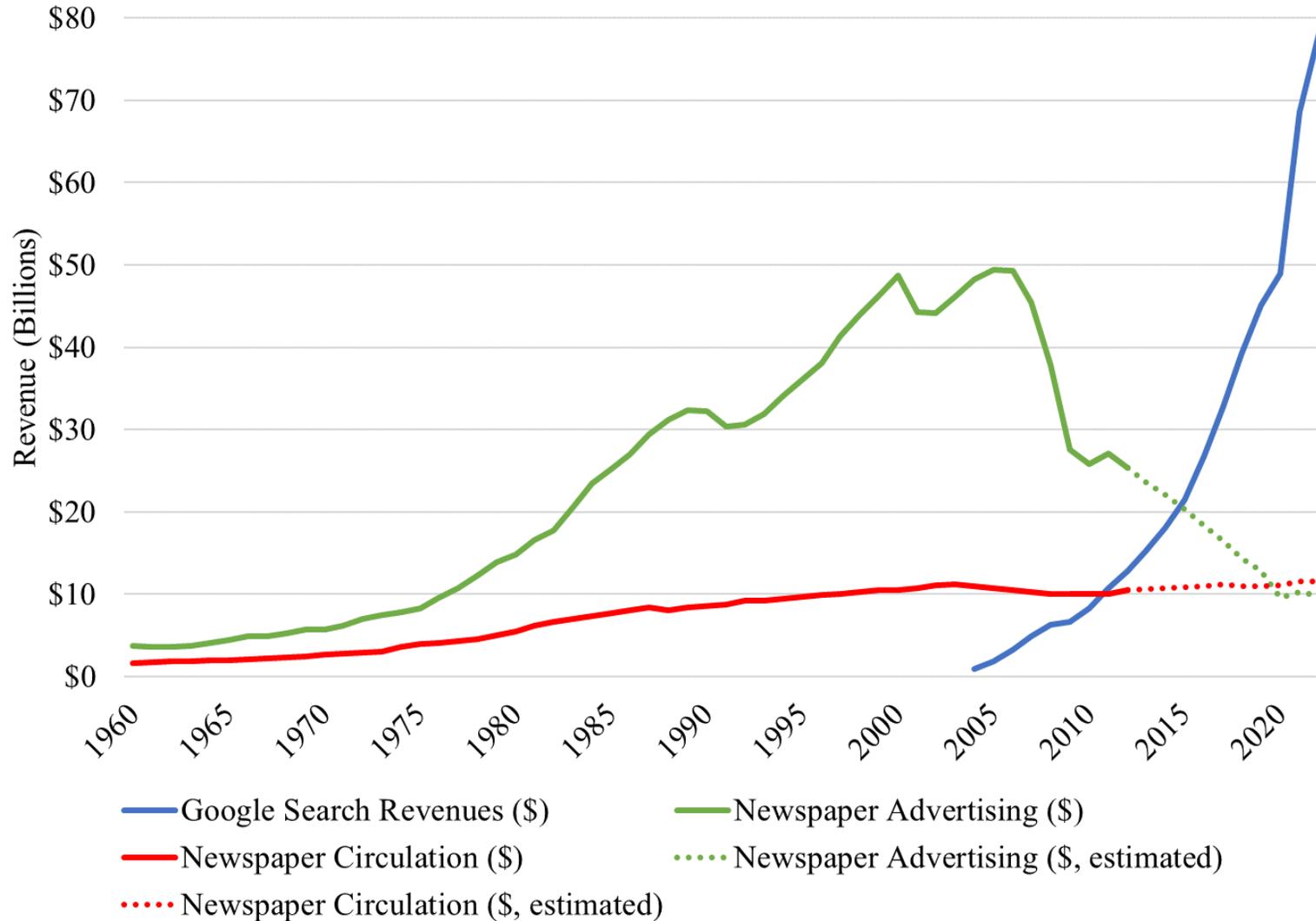
Number of U.S. Newsroom Employees by News Industry



Note: Newsroom employees include news analysts, reporters and journalists; editors; photographers; and television, video and film camera operators and editors. Digital native sector data is based on "other information services" industry code, whose largest segment is "internet publishing and broadcasting and web search portals."

Source: BLS Occupational Employment and Wage Statistics Data; Pew Research Center, "U.S. newsroom employment has fallen 26% since 2008," July 13, 2021, available at <https://www.pewresearch.org/short-reads/2021/07/13/u-s-newsroom-employment-has-fallen-26-since-2008/>.

U.S. Newspaper Revenues Fall As Google's U.S. Search Revenues Rise



Sources: Newspaper revenues from Pew Research Center. Google's revenues from Google's 10-Ks.

The Platforms' Business Models Are Directly Related to Newspaper Losses

- News content in large part drives audience/impressions on the platforms
 - Platforms can monetize impressions data when selling advertisements.
 - Impressions are also valuable to platforms because they capture users' preferences when users look at content on the platform.
- Because of their dominance over online advertising, the platforms pay next to nothing for their use of news content in search and social media.
- Consuming news via search/social media without “clicking-through” to the source is a direct substitute for consuming news via a newspaper.
- The platforms pay for content in other countries where the power imbalance has been addressed via legislation.

Estimating the Newspapers' Pay Shares from Platforms

- A new study by Columbia University's Institute for Policy Dialogue estimates that U.S. publishers are deserving of:
 - 17.5% of Google's U.S. Search ad revenues (~\$13.6 billion of \$78.0 billion).
 - 6.6% of Facebook's U.S. ad revenue (~\$1.9 billion of \$29.4 billion).
- If we scale the national pay shares for U.S. publishers by California's share of national GDP (California is approximately ~15% of GDP):
 - 17.5% of Google's California Search Revenues is \$2.1 billion.
 - 6.6% of Facebook's California ad Revenue is \$0.3 billion.

Source: https://policydialogue.org/files/publications/papers/USE-THIS-2023.10.28_Paying-for-News_Clean-2.pdf.
Google Ad Revenue values from Google's 10ks.

Estimating the Newspapers' Pay Shares from Platforms

- Columbia University's Institute for Policy Dialogue methodology:
 - Google: Survey information from the Fehr Study (2023) shows, within information searches, the share of user demand for results coming from news media publishers.
 - Facebook: Percent of time users spend on the platform consuming or interacting with the news content based on Allcott et al, "Digital Addiction," American Economic Review (2022).
- I have performed similar valuations and found consistent pay shares:
 - Survey of U.S. consumers for Google and Facebook, asking how much time they spend consuming news on the platforms, and how much less time they would spend on the platforms if there were no news.
 - Percent of impressions on Google and Facebook attributable to newspaper content.

Payments in Other Jurisdictions

■ Australia

- \$134M USD or ~4.1% of Australian Google Search revenues*
- 4.1% for the U.S. would be \$3.2 billion.
- 4.1% for California would be \$0.5 billion.

■ Canada

- \$74M USD or ~1.7% of Canadian Google Search revenues
- 1.7% for the U.S. would be \$1.4 billion.
- 1.7% for California would be \$0.2 billion.

Note: These figures exclude deals made prior to the legislation and other payments in kind. Eligibility to receive funds in Canada—i.e., the pool of participants—is more narrowly defined than what is being considered in the United States. *It is unclear what percentage of the Australian payments are from Google vs Facebook. For ease of comparison, I assume all payments are made by Google.

Solving the Problem By Replicating the Competitive Outcome

■ The Problem

- Google and Facebook use content from publishers to generate ad revenue without compensation. Uncompensated use deprives newspapers of traffic and associated revenues.

■ Desired Outcome

- Mandatory arbitration to solve for the fair market value that would be paid in the absence of the power imbalance.

■ The Solution

- Arbitration process in which the publishers submit their estimate of the publishers' added value to the platform; the platforms submit their (lower) estimate; and the arbitrator would pick the estimate closest to fair market value.

Flaws with Other Proposed Solutions

■ Tax Credit

- We know the cause of the missing advertising revenue—the platforms' scraping and indexing content for free. This alternative does not address the market imbalance and fair market value owed by the platforms.

■ More Antitrust

- Antitrust can unwind a restraint of trade, but it cannot alter the power imbalance between publishers and dominant platforms.
- Current publisher antitrust suit against Google is aimed at reducing the take rate for click-throughs. But the underpayment here is unrelated to the take rate: It is the competitive payment for accessing newspaper content in the first instance.
- Antitrust moves slowly. Crisis in news is imminent.