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# A Market Like Any Other

## *Against the Double Standard in Judging the Media*

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KAREN HORN

On October 7, 2006, Anna Politkovskaya was shot to death at her Moscow apartment building in an apparent contract killing. This Russian journalist, a sharp critic of Russian president Vladimir Putin, protested openly against the violation of human rights during Russia's war in Chechnya. In the Kremlin's view, she was a troublemaker, and, according to public opinion, the Russian government had something to do with her murder. During a visit to Germany, Putin asserted that the crime would not go unpunished, "whoever committed it, and whatever motive they were pursuing." At the same time, however, he questioned the relevance of Politkovskaya's work, saying that although she was well known in human rights circles and in the West generally, "the level of her influence on political life in Russia was utterly minor" (qtd. in Associated Press 2006). On this occasion, German chancellor Angela Merkel stressed the necessity of a free press in democratic societies: "I think this is very important and a necessary signal to make clear that the freedom of those who report and write is a very important attribute of countries in which democracy develops" (qtd. in Associated Press 2006). This episode raises several interesting issues, including the importance of a free press in democracy, the influence of the media on political life, and the sensitivity of public opinion.

Politkovskaya's death sparked a public outcry about restrictions on press freedom. Given the common public distrust of and discontent with the media, this outcry

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**Karen Horn** has been economics editor for *Frankfurter Allgemeine Zeitung* (until May 2007) and will be head of the Berlin office of Institut der deutschen Wirtschaft (beginning October 2007).

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is remarkable. According to a recent representative opinion poll carried out for the BBC, Reuters, and the Media Center by the international polling firm Globescan (2006), only 43 percent of the population in Germany trust the media, compared to 47 percent in the United Kingdom and a remarkable 59 percent in the United States. At the same time, however, 48 percent of the population in Germany trust the government, compared to 51 percent in the United Kingdom and an even more remarkable 67 percent in the United States. Moreover, the lack of trust in the media does indeed lead to less value being placed on the freedom of the press. An opinion poll in the United States has shown that the least popular First Amendment right is freedom of the press, with 42 percent of the respondents in the poll agreeing that the press in the United States has too much freedom (Paulson 2002).

Notwithstanding this widespread relative unease with the media, politicians, journalists, and other intellectuals around the world now point to the importance of a free press for the functioning of democracy.<sup>1</sup> In this discourse, the notion of “democracy” is extended beyond its original scope to encompass most of the essential features of public life in Western civilization—rule of law, protection of individual rights, and collective decision making by elected representatives. The analysis of the importance of the press is intimately linked to the question of the media’s power. In most Western societies, the media are considered a powerful “fourth estate” insofar as they provide citizens with the facts that inform their political choices. In doing so, the media also shape public opinion.

This influence triggers a host of questions. What are the practical consequences of the crucial importance of a free press in democratic societies? Does the media’s effect on public opinion imply that the media market cannot be considered a market like any other? When may we say that it functions properly? Does something in particular make it different or special? Do the media bear a “social responsibility” beyond their crude daily business? How great is the media’s actual power? How direct is the link between published opinion, which the media provides, and public opinion? And how will the rise of electronic media affect this linkage?

In this article, I argue that even though the free press’s importance for the proper functioning of democracy cannot be denied, this relationship should not be lifted up to a mythical realm. The free press, as a realization of the individual right of free speech, is not simply a tool, but has an essential intrinsic value. It would be improper to reduce the media to the mere role of an input by way of utilitarian reasoning. Public discontent with the media in general results largely from exaggerated claims based on erroneous reasoning along these lines, as does much of classical liberals’ widespread unease with an alleged left-wing bias in the media.

Once the provision of facts, background, and interpretation is acknowledged as an end in itself, derived from the right of free speech, it becomes obvious that the

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1. See the International Freedom of Expression Exchange Web site at <http://www.ifex.org/en/content/view/full/78168>.

popular dichotomy according to which the media market is not like any other market is misleading. The arena for ideas, of which the media market forms an essential part, is as much a market as the one for goods. Like any other market, the media market functions properly when consumers' preferences are satisfied. If people are not interested in vast, unbiased, objective information that enables them to vote responsibly, then such information will not be provided in a free media market. This outcome may be efficient. The rise of the new electronic media will go even further toward improving the coordination of suppliers and demanders in this market.

To burden the media with responsibility for the proper functioning of democracy is inappropriate. To claim that the media have a responsibility beyond the ethical requirements imposed by the business itself implies, in welfare-economic terms, a "market failure." This failure might consist of the underprovision of a public good—namely, a general level of adequate "informedness" and knowledge about current events that enables citizens to participate in open, decentralized discourse and to act intelligently as voters. In the context of the media, however, this concept crumbles faster than anywhere else because it is logically impossible to define *ex ante* the public good of a general level of adequate information in society. To find that level, we need the discovery procedure that takes place through the encounter of supply and demand—that is, the market process.

The media's power and their impact on public opinion are not clear-cut. The power of the media as a group, if any exists, is no more than a reflection of their consumers' power. It is a derived power, properly legitimized in economic terms as a revealed preference—that is, a preference expressed by the individual act of buying. Moreover, published opinion and public opinion do not always coincide. Public discourse has a spontaneous character that, although formed in part by the print media and by broadcasting, also takes shape around dinner tables and at bars.

### The Media Are More Than an Input

With regard to politics, the media (1) provide citizens with information about politicians, parties, and policies; (2) scrutinize the behavior of politicians, thereby performing a watchdog function; and (3) function as multipliers and agenda setters. As a by-product, they also (4) establish a network of individuals who share more or less the same information, which provides society with a bond that otherwise would be difficult to create. The professional provision of information and transparency becomes necessary in societies that are no longer face-to-face communities in which mutual behavior is readily observable, but rather abstract modern communities that take the form of an *extended order* (a term coined by F. A. Hayek [1966] 1967, 168). As expressed by principal-agent models, in modern times "there is a natural asymmetry of information between those who govern and those whom they are supposed to serve" (Stiglitz 2002, 27). By providing information, the press can help to focus government more on the citizens' interest than on their own. "Public opinion can

force government . . . to take some actions and circumscribe them from taking other actions” if there is a critical mass, writes Joseph Stiglitz (2002, 28).<sup>2</sup>

Many classical authors pointed to the crucial importance of a free press for the proper functioning of democracy. “The citizen’s only protection against arbitrary government is provided by publicity. The easiest and most concrete form of publicity is brought about by the newspapers,” wrote Benjamin Constant in *De la liberté des brochures, des pamphlets et des journaux* ([1814] 1957, 1240, my translation).

Similarly, Alexis de Tocqueville considers in *Democracy in America* that “the sovereignty of the people and freedom of the press are . . . two entirely correlative things” (2000, 1:174). Tocqueville explains that the press “makes political life circulate in all sections of this vast territory. Its eye, always open, constantly lays bare the secret springs of politics and forces public men to appear before the court of opinion. It rallies interests around certain doctrines and formulates the creeds of the parties; through it they speak to each other without seeing each other and understand each other without being put in contact” (1:178).

Interestingly, Karl Marx stressed this function of a free press, even though he characteristically used more romantic terms that betray a frighteningly organic view of society:

The free press is the ubiquitous vigilant eye of a people’s soul, the embodiment of a people’s faith in itself, the eloquent link that connects the individual with the state and the world, the embodied culture that transforms material struggles into intellectual struggles and idealises their crude material form. It’s a people’s frank confession to itself, and the redeeming power of confession is well known. It is the spiritual mirror in which a people can see itself, and self-examination is the first condition of wisdom. It is the spirit of the state, which can be delivered into every cottage, cheaper than coal gas. It is all-sided, ubiquitous, omniscient. It is the ideal world which always wells up out of the real world and flows back into it with ever greater spiritual riches and renews its soul. (1842, item no. 5, 1–2)

I maintain that the importance of a free press for the proper functioning of democracy is only secondary, however, somewhat a sideshow, even though admittedly

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2. In some cases, the critical mass is missing, as, for example, in Russia. Anna Politkovskaya reported in an interview: “I get a lot of letters, 40 percent of them are against the war, in the rest of them people condemn my antiwar views. In the Russian media there’s a lack of information regarding this subject, not like during the first war from 1994 to 1996. In this information emptiness, actions of authorities are supported by a huge propaganda machine. This machine has been able to create a picture of the enemy. This enemy living down south, they called them ‘blacks.’ Thanks to that, for many people it’s easier to put up with reality of life or break down with nostalgia for the past: to live with the enemy is much more comfortable—it’s possible to devolve the responsibility for defeats, failures, on it. There’s no absence of verbal abuse and swear words in letters addressed to me. But people read my articles because there’s no information in the media. If we’re going to have more of this kind of articles, maybe the Russian public opinion will change its views on what’s going on in Chechnya” (2002).

an important one. As noted earlier, assigning the media the merely instrumental role of an input by means of basically utilitarian reasoning would be improper. It is therefore unfortunate that even Tocqueville avows that he does not prioritize the value of free expression with respect to the press: “I do not hold that complete and instantaneous love for the freedom of the press that one accords to things whose nature is unqualifiedly good. I love it out of consideration for the evils it prevents much more than for the good it does” (2000, 1:173). He favors the free press only because a middle ground between free and unfree is logically unconceivable: “In the matter of the press there is therefore really no middle between servitude and license. To get the inestimable good that freedom of the press assures one must know how to submit to the inevitable evil it gives rise to” (1:175). Again, he presumes that the press has only an underlying instrumental value.

If, however, the free press is regarded as a practical realization of the individual right of free speech, which itself is but one specific feature of the more encompassing concept of individual freedom, the *raison d'être* of the free press can no longer be that of mere tool. It has essential, intrinsic value, and no government can properly strip it away from citizens. For John Milton, it was the prime liberty. In his famous *Areopagitica*, he urges: “Give me the liberty to know, to utter, and to argue freely according to conscience, above all liberties” ([1644] 1847, 188). In the classical-liberal tradition, the individual is an end in himself, free to do as he wishes and to use his reason, ultimately striving for self-perfection. The individual is, however, limited in his actions by the rights of others. As John Locke framed the law of nature, it “teaches all mankind, who will but consult it, that being all equal and independent, no one ought to harm another in his life, health, liberty, or possessions” ([1689] 1842, 341). Taking into account this important caveat, the image of man informed by classical liberalism and natural rights, with the freedom to think, speak, write, and submit ideas to others, remains an indispensable precondition for human nature to unfold itself. The right to free speech goes hand in hand with the right of dissent and opposition, beautifully claimed by George Orwell in the unpublished preface to his well-known novel *Animal Farm* (1946): “If liberty means anything at all it means the right to tell people what they do not want to hear.”<sup>3</sup> The value of free speech does not depend primarily on the use to which this right is put, and its only just limitation is the rights of others. Every citizen, within the scope of his own intellectual capacities and general commercial viabilities, has a right to write and spread the news he considers important, as well as the background information and interpretation he deems relevant—so long, of course, as no direct harm is done to anyone else. General civil law and libel laws serve to prevent abuse.

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3. In authoritarian regimes such as Russia, much courage may be required to express oneself freely. Politkovskaya had been arrested and threatened with death. In an interview, she said: “I’m afraid a lot. During every trip. But if I wanted to live without fear and risk, I would become a teacher or a housewife. There’s a risk written in the profession of journalist, so this talk about my fear doesn’t have any sense” (2002).

The danger of putting too much weight on the “input” role of the press instead of emphasizing its core quality as an essential liberty also shows up in an interesting, sarcastic, and somewhat puzzling paper by Ronald Coase, given at the annual meeting of the American Economic Association in December 1973. At the time, this paper created quite a stir. His point is compelling, even though neither his diagnosis nor his explanations seem fully acceptable—which, of course, was exactly as he intended. To be sure, Coase actually argues against public regulation of the press, with a unique blend of logical rigor and reduction to absurdity. With sarcasm, Coase describes the popular view that distinguishes between the media market and other markets for goods and services as being such that

in the market for goods, the government is commonly regarded as competent to regulate and properly motivated. Consumers lack the ability to make the appropriate choices. Producers often exercise monopolistic power and, in any case, without some form of government intervention, would not act in a way which promotes the public interest. In the market for ideas, the position is very different. The government, if it attempted to regulate, would be inefficient and its motives would, in general be bad, so that, even if it were successful in achieving what it wanted to accomplish, the results would be undesirable. Consumers, on the other hand, if left free, exercise a fine discrimination in choosing between the alternative views placed before them, while producers, whether economically powerful or weak, who are found to be so unscrupulous in their behaviour in other markets, can be trusted to act in the public interest, whether they publish or work for the *New York Times*, the *Chicago Tribune* or the Columbia Broadcasting System. ([1974] 1994, 65)

This description, however, is not entirely correct, and matters are somewhat more complicated—which Coase himself recognizes, of course. The situation is particularly awkward in the United States, where the First Amendment provides that Congress shall make no law abridging the freedom of speech or the freedom of the press, which leaves the printed press free of regulation but the electronic media—radio and television—subject to extensive regulation by the Federal Communications Commission.<sup>4</sup> In parts of the media market, such as radio and television broadcasting, the market is therefore generally mistrusted, and government intervention is seen to be in the public interest, although Coase’s description remains valid for other parts of the media market—namely, the printed media.

Even there, however, Coase overestimates public support for a free market of

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4. As David Kelley and Roger Donway point out, the Supreme Court has ruled several times to justify the government’s power to engage in such regulation. “Indeed, the Court has held that the constitutional ban on abridging freedom of speech . . . may actually require regulation for electronic media” (1990, 66).

ideas, of which the media market forms an essential part. As the Politkovskaya affair has shown, unconditional public support for a free press is certainly present in extreme cases. This extreme is as far as Coase may be followed and for which his argument is interesting. Beyond that, however, matters are not so straightforward. In free, democratic countries, governments usually enjoy the aura of benevolence. To the sorrow of classical liberals, people are not highly suspicious of state intervention. At any rate, as mentioned earlier, people in Germany, the United Kingdom, and the United States trust the government more than they do the media (Globescan 2006).

That basic support for the free press persists at all may have something to do with deep-rooted Western values, as Aaron Director has pointed out: “The free market as a desirable method of organizing the intellectual life of the community was urged long before it was advocated as a desirable method of organizing its economic life. The advantage of free exchange of ideas was recognized before that of the voluntary exchange of goods and services in competitive markets” (1964, 5). This argument stands halfway between the recognition of the intrinsic value of a free press and the utilitarian approach that sees it as an important input for the political process.

Coase, however, goes further, completely dismantling the utilitarian argument. Even though his description seems somewhat flawed—general support for a free and unregulated press is certainly not as strong as he thinks—he perhaps unknowingly makes an important point when he stresses that the growing recognition of this “input” function of the media for democracy is a trend that may easily lead us astray, and he detects a perverse influence in elevating the press role to a mystical height: “This view of the peculiar status of the market for ideas has been nourished by a commitment to democracy as exemplified in the political institutions of the United States, for whose efficient working a market of ideas not subject to government regulation is considered essential. . . . Because of the view that a free market in ideas is necessary to the maintenance of democratic institutions and, I believe, for other reasons also, intellectuals have shown a tendency to exalt the market for ideas and to depreciate the market for goods” ([1974] 1994, 66). In his view, this phenomenon can ultimately be explained only by intellectual pride and group interest, the “self-interest and self-esteem” of the press. Whether this explanation is right or wrong does not matter much. It may be correct. However, such accusations can sting only when the accepted view is that the active participants in the media market should serve not their own interests, but rather the common good. If the most important purpose of a free press is, however, the mere exercise of one’s right of free speech, the situation immediately appears much less alarming.

## A Market Like Any Other

Once the production of news, background, and interpretation is acknowledged as an end and a proper occupation in itself, solidly grounded in the individual right of free speech, one sees that the popular dichotomy according to which the media market is

not like any other market is utterly misleading. The market for ideas qualifies as a market as much as does the market for any other good or service—a market that economists can readily analyze in terms of supply and demand. In both cases, neo-classical welfare economists typically look for alleged “market failures,” such as decreasing average cost (leading to natural monopolies), externalities, and public goods (subgroup of externalities).

What do the media really do, practically, if we put aside their “service to democracy”? They transform information into more easily communicable content, typically by mixing it with entertainment. They thus typically lower the individual cost of searching for information, so that citizens are more informed than they would be otherwise, and ideally they serve as filters that sort relevant from irrelevant and reliable from unreliable information to ensure a certain degree of credibility. As the media are performing these tasks, they produce private goods for sale. These private goods, in standard economic terminology, come at least with the feature of excludability. They would otherwise not attain a price in the market.

The individual goods thus provided come with a variety of characteristics. For example, they usually convey a combination of information and entertainment. These and other characteristics are essentially private goods sought by readers who reveal their preferences by buying a newspaper or magazine. Thus, media products have to pass the market test. The combination of information and entertainment the individual newspaper chooses is a form of product differentiation. As James Hamilton explains, the news goods offered in the market are actually shaped by the individual answers to five questions: “Who cares about a particular piece of information? What are they willing to pay to find it, or what are others willing to pay to reach them? Where can media outlets or advertisers reach these people? When is it profitable to provide the information? Why is this profitable?” (2004, 14).<sup>5</sup>

The rise of the new electronic media further improves the coordination of suppliers and demanders in the media market. The new technologies allow media companies to cater better to the specific needs of their individual clients and permit the clients to express a more immediate sanction. According to some experts, by the middle of the next decade it will be possible not only to download and pay online for individual newspaper articles or custom-size packages, instead of buying the bulk of the paper, but also to obtain television and radio content on individual demand. Thus, every item sold in the media market will undergo close consumer scrutiny, and the efficiency test will be stricter than ever. Producers will have more difficulty in cross-subsidizing content, but greater ease in fine-tuning their product differentiation and price discrimination. Articles or broadcasts that find an insufficient audience will disappear more rapidly than ever. Economically speaking, these changes signify progress, as suppliers and demanders become more articulately coordinated.

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5. In another work, Hamilton (1998) develops a spatial model of the profit-maximizing decisions made by entertainment programming strategists to offer shows with varying amounts of violent content.

From a sociological point of view, however, this increase in economic efficiency may be accompanied by the cultural fragmentation of society, given that the structure of the Internet and its usage tend to reflect the different needs of various milieus, groups, and individuals, and these communities will assert and stick to themselves instead of opening up to others. This social disintegration may lead to a growing radicalization of views.<sup>6</sup> Because this process has not yet progressed far, no empirical analyses are available. We may argue theoretically, however, that the Internet will introduce “new forms of participation, equality and social bonding” and a more pluralistic media environment, leading to “a new form of public opinion which is no longer controlled by a few agents” (Becker and Wehner 1998, 1). According to a moderate point of view, civil society, with the Internet’s help, will generate partial forms of publicity that are relatively open as well as close to their constituencies’ needs.

Moreover, countervailing strategies of media providers will limit the extent of the societal fragmentation and the underlying stringency of the market test. Publishers find it difficult to undergo the market test for every item they sell. In the electronic books and journals market, we see already a “rebundling” tendency. Publishers sell large, encompassing packages in exchange for a lump-sum payment that is still advantageous for clients, but at the same time allows some internal cross-subsidization. Even though technologically feasible, the itemized market test clearly comes at a cost for media outlets. Given that the test also imposes nonnegligible transaction costs on the individual users, the future will probably bring an assortment of package deals that will not differ much from the bundling we are used to, for example, in a printed newspaper.

Such a crude businesslike manner of viewing the media, as an ordinary market without the nobility of providing an important input for democracy, may seem shocking at first. As Denis McQuail once put it, “communication is too important to be left to the professionals” (1983, 97). Market discipline is seen as a threat, not as a means of fostering higher quality. Media policy experts Jo Bardoel and Leen d’Haenens state that “this new media reality, characterized by increasing competitiveness, contains ever more commercially run media corporations in both the profit and non-for-profit sectors, which has resulted in a greater mixing of genres as far as media content is concerned. . . . With this development, broadcasting is in fact following in the footsteps of the print media, which have always been exposed to market discipline, and where in recent decades the old traditions of the trade—which contained the neces-

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6. Cass Sunstein calls this development a process of “group polarization” through “enclave deliberation.” He argues that “members of a deliberating group predictably move toward a more extreme point in the direction indicated by the members’ predeliberation tendencies” (2001, 15). Because people prefer to deliberate with like-minded others, because people with more radical views are more likely to be active in political deliberations, and because the latter people influence less radical like-minded others with additional arguments that are less tractable and more confidently held, “enclave deliberation” leads to more radical views created within communicative communities.

sary room for editorial freedom and cultural considerations—have given way to modern entrepreneurship and ‘shareholder value.’” The consequence of this development, in their view, is that “the position of the citizen in relation to the media has become weaker in recent decades.” Therefore, they argue, “accountability and answerability of media vis-à-vis citizens” must be strengthened (2004, 166).<sup>7</sup>

However, the market approach, far from being shocking, is actually sober and helps to clarify one’s ideas. At this point, Coase’s already quoted attack is helpful. Coase makes a brilliant argument in showing that the media market does not differ fundamentally from other markets for goods and services and that “in deciding on public policy with regard to them, we need to take into account the same considerations. In all markets, producers have some reasons for being honest and some for being dishonest; consumers have some information but are not fully informed or even able to digest the information they have; regulators commonly wish to do a good job but are often incompetent and subject to the influence of special interests, because, like all of us, they are human beings whose strongest motive are not the highest” ([1974] 1994, 72). According to Coase, a strong believer in private internalization of costs, only the specific characteristics of each market differ—the amount of spillovers produced, the slope of the cost curves, and so forth. Where externalities need to be internalized, adequate mechanisms are required, whether in a market for goods and services or in the media market. “We have to decide whether the government is as incompetent as is generally assumed in the market for ideas, in which case we would want to decrease government intervention in the market for goods, or whether it is as efficient as it is generally assumed to be in the market for goods, in which case we would want to increase government regulation in the market for ideas” (74). This call for methodological consistency is entirely well taken.

## The Public-Good Fallacy

To burden the media with a responsibility for the proper functioning of democracy is inappropriate, both realistically and conceptually. As a proponent of realism, Walter Lippmann explained in his famous book *Public Opinion* that the press

is very much more frail than the democratic theory has as yet admitted. It is too frail to carry the whole burden of popular sovereignty, to supply spontaneously the truth which democrats hoped was inborn. And when we expect it to supply such a body of truth we employ a misleading standard of judgment. We misunderstand the limited nature of news, the illimitable complexity of society; we overestimate our own endurance, public spirit,

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7. In an analogy to other branches of “corporate governance,” the authors come up with a whole arsenal of measures, ranging from “standards of behavior” and specific “organizational structures and processes” to control mechanisms and external reporting.

and all-round competence. . . . If the newspapers, then, are to be charged with the duty of translating the whole public life of mankind, so that every adult can arrive at an opinion on every moot topic, they fail, they are bound to fail, in any future one can conceive they will continue to fail. It is not possible to assume that a world, carried on by division of labor and distribution of authority, can be governed by universal opinions in the whole population. Unconsciously the theory sets up the single reader as theoretically omniscient, and puts upon the press the burden of accomplishing whatever representative government, industrial organization, and diplomacy have failed to accomplish. Acting upon everybody for thirty minutes in twenty-four hours, the press is asked to create a mystical force called Public Opinion that will take up the slack in public institutions. (1922, 362)

Even more bluntly, Lippmann wrote: “The press, in other words, has come to be regarded as an organ of direct democracy, charged on a much wider scale, and from day to day, with the function often attributed to the initiative, referendum, and recall. The Court of Public Opinion, open day and night, is to lay down the law for everything all the time. It is not workable” (363).

It is not workable for the press to carry the whole burden of popular sovereignty, but we must add that it is also not appropriate in conceptual terms. When we say that the media have a responsibility along the lines of a “service to democracy,” above and beyond the media’s own ethical requirements, we imply in welfare-economic terms that a “market failure” is occurring. “Market failure” is a misleading concept whenever it is used to indict the market for something that is, most of the time, an efficient outcome of human interaction and exchange but fails to satisfy a political criterion. In many instances, an alleged market failure is also a plain misnomer—for example, when the government has failed to define property rights so that private agents can engage in efficient exchange—and what we see is actually “state failure.” Beyond the semantics, however, the idea of market failure as such is not a total aberration, even though some of the concepts that it is alleged to encompass are. For example, the methodologically individualistic approach of economics is incompatible with the concept of so-called merit wants, which boils down to the idea that somebody, typically a government official, knows better than the citizen. As descriptions of real-world economic phenomena, however, the concepts of externalities, public goods, and declining average cost leading to natural monopolies do make sense, even though the remedies proposed by mainstream economics may not be acceptable.

The common emphasis on the crucial importance of the media for the proper functioning of democracy relies on the welfare-economic notion of a public good. The idea is that although the media cater to their clients’ private needs, they simultaneously provide a public good—namely, an adequate amount of “informedness”

and knowledge about current events, which enables the citizenry to participate in open, decentralized, public discourse and to perform effectively as voters. In some sense, therefore, the general public free-rides on reporters and editorialists' information processing and thinking. When journalists as opinion leaders launch their interpretations and worldviews into the marketplace of ideas, they allow their audience to "validate their opinions in conversations with people they trust and according to the opinions of national figures whose judgments and positions they have come to know," as Samuel Popkin points out. By doing so, the media also provide a "social glue" as people share the same fund of information, a "shared ideoscape," that forestalls the fragmentation of society (1991, 7).

These characteristics of this alleged public good lead to a host of claims that typically, even now, run along the lines of norms set by the famous Hutchins Commission on Freedom of the Press in the 1940s.<sup>8</sup> As Blevins reports, the Hutchins Commission argued that freedom of the press did indeed imply a "negative freedom from . . . external compulsions but not [from] the pressures necessary for robust public discourse. However, the First Amendment also meant the press had a positive freedom for making its contribution to the maintenance and development of a free society" (1997). Therefore, the commission held that newspapers should view themselves essentially as "common carriers of public discussion" by providing "(1) a truthful, comprehensive account of the day's events in a context which gives them meaning, (2) a forum for the exchange of comment and criticism, (3) a means for projecting the opinions and attitudes of the groups in a society to one another, and (4) a way of reaching every member of society by the currents of information, thought, and feeling which the press supplies" (Blevins 1997).

The public good to be indirectly provided by the media does indeed fulfill the criteria of its classification: a general level of information and knowledge in society—materializing for each member of society during conversations with colleagues, family, and groups of friends, for example—lends itself to nonrival and nonexcludable use. This public good, of course, may also easily turn into a public bad—namely, misinformation or disinformation. The market failure, in terms of neoclassical welfare economics, consists of underprovision of the public good "adequate information," given that in a democratic society, where voters decide on the course of political action, information and knowledge provide a social benefit, misinformation and disinformation entail a social cost, and the social benefit and social cost exceed their private counterparts. The popular solution, however, is to solve the problem not

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8. *Time* magazine founder Henry Luce asked Robert Hutchins to head a panel to explore the mounting problems facing the press, fearing that increasing media concentration, low-quality journalism, and irresponsible behavior by journalists would ultimately lead to government regulation. In the resulting Commission on Freedom of the Press, Hutchins assembled sixteen experts to deliberate and to interview witnesses over a span of two years, the idea being that a set of rules for the media's "self-commitment" would help to preserve their independence. Even though the commission's report, published March 26, 1947, received much criticism, many of its claims have passed into common understanding.

solely by the usual means, employing appropriately crafted taxes or subsidies, but also, and perhaps preferably, by employing moral suasion.

This situation parallels other cases in the market for goods and services. For example, a private garden center, by conducting its normal business, may simultaneously enhance the well-being of its neighbors. The *private* good that it sells consists of flowers and flower pots whose consumption is both rivalrous and excludable. The *public* good consists of the absence of noise and the presence of fresh air, whose consumption is, within limits, neither rivalrous nor excludable. However, in setting the scope of its business, the garden center does not take its neighbors' benefits into account, and as a result it produces a "suboptimal" amount of the beneficial side effects. In order to produce the "optimal" amount, the garden center must be able to recoup the private cost entailed by producing its output at the socially optimal level. The market "fails" insofar as it does not bring about this result.

The analogy in the media market is straightforward. A serious daily newspaper or news channel, by conducting its normal business, may simultaneously enhance societal well-being by its provision of information, which ideally turns newspaper readers into well-informed, rational voters, prepared to communicate effectively with others and equipped to function successfully in a democracy. However, in setting the scope of its business, the mix of information and entertainment, as well as perhaps the general slant of its stories, the newspaper does not take society's benefits into account, but rather looks at its own balance sheet, and as a result it produces less of the beneficial side effect than otherwise desirable. In order to produce the desirable level of social well-being, the newspaper must be able to recoup the additional private cost of operating so as to produce the socially optimal level of information. The market "fails" insofar as it does not bring about this outcome.

The media example shows more clearly than any other that the welfare-economic conceptualization of a "public good" is unsustainable. In this context, as noted earlier, the conceptualization crumbles even faster than it does in other applications because no one can define a priori what an adequate general level of information and knowledge in society is. It is logically impossible to define such a public good. The market process, the discovery procedure that takes place through the continuous encounter of suppliers and demanders, is needed to find out. The dynamic aspect of the marketplace for ideas is necessary for social "informedness" to emerge and take shape.

This situation is analogous to Hayek's description of the virtues of democracy: "Democracy is, above all, a process of forming opinion. . . . It is in its dynamic, rather than in its static, aspects that the value of democracy proves itself. . . . The ideal of democracy rests on the belief that the view which will direct government emerges from an independent and spontaneous process. It requires, therefore, the existence of a large sphere independent of majority control in which the opinions of the individuals are formed" (1960, 108–9). As Michael Wohlgemuth points out, democracy—and, we can add, the competition of political ideas carried out through the media—

can therefore be regarded as “a procedure for the generation and critical assessment of political hypotheses” (2002a, 230).<sup>9</sup> Hayek elaborates: “The central belief from which all liberal postulates may be said to spring is that more successful solutions of the problems of society are to be expected if we do not rely on the application of anyone’s given knowledge, but encourage the interpersonal process of the exchange of opinion from which better knowledge can be expected to emerge. . . . Freedom for individual opinion was demanded precisely because every individual was regarded as fallible, and the discovery of the best knowledge was expected only from that continuous testing of all beliefs which free discussion allowed” (1978, 148).

Given our structural lack of knowledge about the outcome of this process, it is an aberration, or rather a pretense of knowledge, to complain about the results of the media market, labeling it a “market failure.” It is even more pretentious to ask for regulatory intervention to counteract the effects of increasing media concentration and to guarantee a diversity of opinion in the press.<sup>10</sup> Given the information problem, no public body can determine what an optimal distribution of opinion should be. Furthermore, if opinion convergence comes about naturally, why create controversy artificially?

Therefore, Coase leads us astray—intentionally, of course, by reducing his own argument to absurdity—when he implies that a straightforward, consistent market approach will normally lead to the conclusion that “the case for government intervention in the market of ideas is much stronger than it is, in general, in the market for goods” ([1974] 1994, 72), given that it is much easier for the average consumer to find out about rotten agricultural produce than about rotten ideas. On the contrary, the case for government intervention in the market for ideas is just as weak as the case for government intervention in the market for goods in general. In both cases, government by its very nature cannot define what the public good consists of, nor can it determine the amount by which private cost and social cost differ or the amount by which private benefit and social benefit differ. The neoclassical “market failure” idea, a static, general-equilibrium concept, places the cart before the horse. Only through the continuing interaction of suppliers and demanders can the actors’ subjective

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9. Wohlgermuth also draws a parallel to Hayek’s provocative defense of the freedom to compete (“if anyone really knew all about what economic theory calls the data, competition would indeed be a very wasteful method of securing adjustment to these data” [Hayek [1967] 1978, 179]). He explains, “One could state: if anyone knew all about political opinions and opportunities which most of the economics of politics treats as data (given preferences, given issue-space . . .), democracy would be a rather wasteful method and a government by elite consent could be preferable to government by discussion. The constitutional lack of knowledge and hence the high probability of erroneous perceptions and theories would from this evolutionary-liberal position not represent the problem, but the main justification of democracy and freedom of speech, press and assembly” (2002a, 241–42).

10. It has been shown empirically that increasing media concentration does not necessarily lead to less variety of content and less diversity of opinion. Depending on the consumers’ preferences, integrated news companies may find it worthwhile—and financially more viable than it would be for small firms—to enlarge their publishing program to cater to the differing needs of their clients. Lisa George (2001) has found that differentiation and variety actually increase with concentration. Moreover, additional variety increases readership, so that concentration benefits consumers.

valuations of a good be expressed and embodied in meaningful market prices. A product's true value cannot be assumed *ex ante*, which makes any kind of government-directed "internalization" of externalities logically impossible.

As long as shortcomings such as perceived lack of objectivity, bad quality, and bias in the news are seen as features of a private good sold in the market, we have no systematic objection to them, given that a sanction through consumer response is already at hand. Only when these features are seen as externalities or as representing a "public bad," which we may of course subjectively abhor, do they seem objectionable. Once we reject the idea of a public good in the media market, we can no longer normatively criticize the functioning of the (generally highly competitive) media market. We may not like the market's outcome, but we may not object to its principle. We may want to ascertain, for example, the incentive structure that leads to lack of objectivity, bad quality, slant, and bias, as well as the underlying psychological and sociological regularities that influence recruiting mechanisms, but on welfare-economic grounds we must abide the results.<sup>11</sup>

### Published Opinion Is Not Public Opinion

The commonly voiced argument that the media directly shape public opinion may also be questioned. Although it is easy to conceptualize *published* opinion as the sum of editorials available in the market, a forum of free and perhaps critical discussion, it is difficult to define what we understand by *public* opinion. Winston Churchill once said, devastatingly, that "there is no such thing as public opinion. There is only published opinion." He may have been right, but this view, too, is simplistic. Broadly speaking, we frame as public opinion some kind of measurable aggregate of individual attitudes or beliefs. The devil is in the detail, even in a definition as brief as this one: Do we aim at the collective will of a community or at a conglomerate of different views? How does one do the aggregation and make the measurement? Only two common sources of public opinion are usually available: opinion polls, whose conduct has become an elaborate industry, and mere gut feeling.

The English term *public opinion* dates from the eighteenth century and derives from the French term, first used by Montaigne two centuries earlier in 1588. Jeremy Bentham was the first British writer to develop theories of public opinion fully, in the context of his well-known approach, according to which public opinion had the power to ensure that rulers would rule for the greatest happiness of the greater

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11. Many studies show that lack of objectivity, bad quality, deliberate slant, and bias are lesser problems than commonly perceived and that the fear of a "race to the bottom" in the media market is not well grounded. For example, Thomas Patterson (2000) finds the solution to such problems in the market itself, arguing that persistent low quality destroys the market in the long run and that news outlets will realize and react to this development. Moreover, he says, an equilibrium may be established in which soft news enhances public knowledge about politics because it caters to audiences that normally would not consume news information at all. Daniel Sutter (2001) cannot pinpoint any systematic sources of a persistent and inefficient bias under competitive conditions.

number. The concept was rapidly lifted to something like a spiritual realm; the German sociologist Ferdinand Tönnies argued that public opinion has the same social functions in societies that religion has in communities. Whatever the validity of Tönnies's sweeping claim, his classifications are useful. He distinguishes between (1) *published opinion*, which represents an individual's publicly expressed opinion; (2) *public opinion*, which appears when published opinion becomes the opinion of many; and (3) *the opinion of the public*, which is the real, articulated opinion of a great public in a strict sense ([1922] 2002, 129–30). Karl Popper stresses that “public opinion should be distinguished from the publicity of free and critical discussion” (1994, 160), but Jürgen Habermas generally defends the idea of “a public sphere,” where “something approaching public opinion” can be formed (1974, 49).

How powerful is public opinion? Popper has both the answer and a straightforward remedy: “Public opinion, whatever it may be, is very powerful. It may change governments, even non-democratic governments. . . . The remedy in one direction is obvious: by minimizing the power of the state, the danger of the influence of public opinion, exerted through the agency of the state, will be reduced. But this does not secure the freedom of the individual's behaviour and thought from the direct pressure of public opinion. Here, the individual needs the powerful protection of the state” (1994, 154).<sup>12</sup>

That public opinion may be so intolerant that it leaves too little room for the individual to live his life freely is the concern of John Stuart Mill, who in his private life had to endure constant disapproving scrutiny because of his ongoing relationship with Harriet Taylor, a married woman. This personal experience, together with his intellectual endeavors, led him not only to advocate limitation of the power of government, so that individual liberties are safeguarded against the power of a political majority, but also to loathe the oppressive influence of society.

Protection against the tyranny of the magistrate is not enough, there needs protection also against the tyranny of the prevailing opinion and feeling, against the tendency of society to impose, by other means than civil penalties, its own ideas and practices as rules of conduct on those who dissent from them; to fetter the development and, if possible, prevent the formation of any individuality not in harmony with its ways, and compel all characters to fashion themselves upon the model of its own. There is a limit to the legitimate interference of collective opinion with individual independence; and to find that limit, and maintain it against encroachment, is

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12. Popper also hints at the moral sensitivity of public opinion, which makes it a relatively unreliable guide for public policy: “It is not so much the truth of an assertion or the wisdom of a proposal that is likely to win for a policy the support of public opinion, as the feeling that injustice is being done which can and must be rectified” (1994, 154). It is questionable, however, whether this sentiment is owing to the published opinion that informs public opinion or arises in spite of published opinion. Are moral sensitivity and intellectual insensitivity triggered or increased by the media, or are they simply part of human nature?

[*sic*] as indispensable to a good condition of human affairs as protection against political despotism. ([1859] 1974, 63)

In fact, even though published opinion and public opinion often coincide, it is just as evident that they do not always do so, given that the latter is formed in a much wider community.<sup>13</sup> The media's influence is not nil, but it is not overwhelming, either. Experience provides us with many instances of this discrepancy—for example, the Swiss people's rejection of joining the European economic zone in 1992, which the media had unanimously supported (Schwarz 2005, 162). The difference between published opinion and public opinion, if the latter be viewed as “the” social will, is conceptually straightforward: published opinion is an individual opinion disseminated publicly; it is not the public's creation. Most important, however, published individual opinion is only part of the ongoing opinion-formation process in society. Published opinion feeds into public opinion, but its effect remains indeterminate. It is not even empirically clear which way the causality runs, whether published opinion influences public opinion or the other way around. Published opinion signals and formulates ongoing change, but by no means does it reach the importance of a shared judgment. Hence, the power of the media, seen as individual outlets, is essentially unproblematic (assuming, of course, that it is controlled by ordinary civil law).

Although there are individual published opinions, there is no such thing as a collective body of “the media” that represents a collective aggregate of “the” published opinion. To the contrary, the media occupy a highly competitive industry. Competition limits power, as the classical-liberal tradition teaches us and as even President Putin seems to understand, given his unfriendly remark about *Politkovskaya's* unimportance in shaping public opinion in Russia. Tocqueville appreciated the importance of media competition: “The most enlightened Americans attribute the lack of power of the press to this incredible scattering of its strength: it is an axiom of political science in the United States that the sole means of neutralizing the effects of newspapers is to multiply their number” (2000, 1:176). Thanks to what the German ordoliberal legal scholar Franz Böhm later called “competition as an instrument for breaking up power” (*Entmachtungsinstrument*), the “[n]ewspapers in the United States . . . cannot establish great currents of opinion that sweep away or overflow the most powerful dikes. This dividing of the strength of the press produces still other, no less remarkable effects: the creation of a newspaper being an easy thing, everyone can take it on; on the other hand, competition makes a newspaper unable to hope for very great profits, which prevents those with great industrial capabilities from meddling in these sorts of undertakings” (Tocqueville 2000, 1:177). Yet, Tocqueville continues, “[w]hen a large number of organs of the press come to advance along the same track,

13. Even real public opinion and polled public opinion do not always coincide, not simply because of shortcomings in the polling devices, but also because of behavioral inconsistencies. An example is provided by the early parliamentary elections in France in 1997, when Jacques Chirac, against all professional anticipations, remained president but lost his government.

their influence becomes almost irresistible in the long term, and public opinion, struck always from the same side, ends by yielding under their blows. In the United States each newspaper has little power individually, but the periodical press is still, after the people, the first of powers” (1:178). In that sense, however, the power of the media is a derived, delegated power. Unlike power in the political realm, it is properly legitimized by revealed preference—that is, by individual purchases, because it still withstands the market test, day by day, paper by paper, TV show by TV show.

## Conclusion

As the debate about freedom of the press is heating up, not only with Politkovskaya’s murder, but also with the troublesome “cartoon crisis” and other recent incidents, it is important to raise awareness of the fundamental reasons underlying that freedom. Even though the importance of a free press for the proper functioning of democracy cannot be denied, this correlation should not be “sanctified.” Much more crucially, the free press, as a realization of the individual right of free speech, is not a mere tool; it has its own proper dignity.

Furthermore, it is high time that we drop the popular dichotomy that distinguishes the media market from other markets. This dichotomy, built on the media’s assumed “service to democracy”—a secondary and incidental function—leads to slippery-slope “market failure” and “public-good” arguments. This analytical framework is unsustainable generally, but also particularly in the context of the media because it is logically impossible to define *ex ante* the public good of a general level of adequate information in society. To find out that level, given our structural lack of knowledge, we need the discovery that takes place through the market process, the free interaction of suppliers and demanders. Therefore, it is inappropriate to indict the media for their commercialization or to burden them with a “higher” responsibility for the proper functioning of democracy.

The media market is extremely lively, ebullient, ever-changing, and innovative, catering to billions of people, becoming more and more efficient, and taking individual tastes ever more precisely into account. The future therefore looks bright, if only we learn to accept the spontaneous character of the underlying public discourse without venturing to “show it the way” and without succumbing to still another pretense of knowledge.

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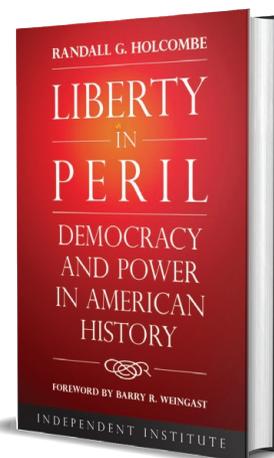
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