Abstract

This paper develops a general theory of the media, in a setting in which readers have a time constraint for news acquisition. News consumers perform a (possibly subconscious) optimal search, given the amount of time they possess. Their time-budget equation is a function of the number of articles they read and the costs of switching from one media outlet to another. Readers’ utility functions are general and allow for complementarities in their preferences over the amount of information they acquire on a given topic. Media outlets are aware of the readers’ preferences and time constraints, and their aim is to maximize readership. While we consider the case of unbiased readership and media outlets, we also allow for different types of supply and demand driven biases.

Using this general model, we first derive conditions for the often observed repetition of news items across media outlets, and consider the extent to which these outlets coordinate and diversify in the topics they cover. Furthermore, we analyze the influence of a biased media outlet in a market in which other outlets are unbiased, or biased in an opposite direction. We also consider the welfare implications of this market, and ask whether a media outlet with the interests of its readers in mind can survive in this economy. We then do a comparative static analysis, using the notion that the increased digitization of the media reduces searching and switching costs. In addition, we offer an interpretation under which the phenomenon of “tabloid” news reporting is endemic to media markets, including digital media.

Keywords: Media bias; digital media; ranking news items; search theory of information; tabloid news; media concentration. JEL Classification: L13; L82.