Amann, Erwin

Article

Comment on the Contribution of Anthony J. Dukes "Economic Perspectives on Media Mergers and Consolidation"

Vierteljahrshefte zur Wirtschaftsforschung

Provided in Cooperation with:
German Institute for Economic Research (DIW Berlin)

Suggested Citation: Amann, Erwin (2005) : Comment on the Contribution of Anthony J. Dukes "Economic Perspectives on Media Mergers and Consolidation", Vierteljahrshefte zur Wirtschaftsforschung, ISSN 1861-1559, Duncker & Humblot, Berlin, Vol. 74, Iss. 3, pp. 49-50, https://doi.org/10.3790/vjh.74.3.49

Vierteljahrshefte
zur Wirtschaftsforschung
74 (2005), 3, S. 49–50

Comment on the Contribution of Anthony J. Dukes "Economic Perspectives on Media Mergers and Consolidation"

By Erwin Amann*

There is no doubt, that media markets show substantial differences compared to regular product markets considering the effects of merger and acquisition for different reasons: Media markets offer information goods, characterized by high fixed cost and low distribution cost. Media markets are substantially determined by the interaction between the market for information and the advertising market, which exhibit features of network externalities. And finally media markets are of substantial political relevance.

These aspects have to be taken into consideration when evaluating a media market merger or consolidation. It is shown by Antony Dukes, that these interrelating aspects might even reverse the common consequences of mergers on consumers and welfare. It is not shown that this reversal will necessarily arise but in judging a media market merger it is necessary to look more closely to the facts.

It is convincingly demonstrated, that it is not self-evident, that due to a media market merger *content diversity* will decrease. Indeed, due to lack of competition, the remaining firm might even serve a broader spectrum of the consumer preferences compared to competing firms.

The market for advertising is by itself too complex to derive clear cut welfare results via *product competition.* This aspect becomes even more complex when dealing with interrelated markets. It therefore depends on two independent aspects of these interrelated markets. First it has to be analyzed, whether media market consolidation will lead to more or less advertising. Second it has to be tested whether increasing/decreasing advertising will have welfare improving or diminishing consequences.

It is however not agreed that media mergers may deteriorate the opportunities of media owners with *political leanings.* It is argued in the above article that an owner injecting his political viewpoint into the editorial decision, might be better of facing a contrahent with opposing political intention. The argument goes as follows: The suspicion effect countervails the effect of a missing antagonist if people fully rational update their beliefs. But if the information is not even available to the monopolist, this works against him in the political opinion of the populace.

There are several arguments against this description. First it is not obvious that the reader indeed is fully rational or has perfect information about the probability whether informa-

* University Duisburg-Essen, email: erwin.amann@uni-essen.de.

tion is available or not. Second it is not clear that a monopolist has no possibility to manipulate information, which is excluded in the article. But even if the assumptions hold true the argument is too shortsighted: Let us indeed assume the reader to be perfectly informed about the information gathering process and acts fully rational in updating her beliefs. Then it could be the case that after merger the owner has smaller opportunities to influence the political opinion of the populace. But this only works against him if he indeed tries to influence the opinion. If on the other hand he anticipates this effect and refrains from influencing, this will work to his favor and the absence of political statements will have a much larger effect on the political opinion than before merger.

I think that it can be observed that monopolistic media owners will tend to be more manipulative but also less political, compared to a diversified media market. This will however only occur if a large part of the different media markets –TV, radio, newspaper and periodicals – is owned by the same economic entity.