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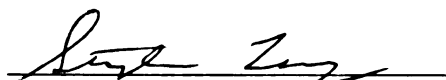
THE IMPACT OF NEWSPAPER COMPETITION AND OWNERSHIP
ON RESOURCE ALLOCATION: A STUDY IN JAPAN

presented by

HIROMI CHO

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**THE IMPACT OF NEWSPAPER COMPETITION AND OWNERSHIP
ON RESOURCE ALLOCATION: A STUDY IN JAPAN**

By

Hiromi Cho

A DISSERTATION

**Submitted to
Michigan State University
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ABSTRACT

THE IMPACT OF NEWSPAPER COMPETITION AND OWNERSHIP ON RESOURCE ALLOCATION: A STUDY IN JAPAN

By

Hiromi Cho

Because of the increased business orientation of newspapers in many countries, serious doubt has been cast on the ability of the press to fulfill its social responsibility and safeguard its content from its various business interests. The attitudes and behaviors of readers are influenced by newspaper content that, in turn, is greatly affected by the market structure, in which newspapers operate. The purpose of this study is to examine the impact of market structure as it relates to direct competition and umbrella competition, and ownership on daily newspaper resource allocation in Japan. This study addressed seventeen hypotheses and four research questions that stem from the assumption that daily newspaper content is determined by several allocation processes including budgetary allocation, news space allocation, and editorial opinion space allocation. During a week constructed from January 1999 to June 1999, the news and editorial content of all 70 local Japanese newspapers was analyzed by multiple regression.

This study found that direct competition resulted in increased commitment to human and financial resources as well as increased international coverage of stories about local mayors and prefectural governors visiting foreign countries.

Data related to umbrella competition indicated that when umbrella competition was high 1) financial resources were committed primarily to the number of reporters and

the amount of newshole in the newspaper rather than reporters' workload, 2) pages that provide public information received less space, and 3) the decline in the percentage of newshole given to local coverage was offset by increased national and international coverage.

Competition was also related to variations in content in markets with intense competition. Some of these variations were consistent with research in Western countries and some were inconsistent. These findings reflect not only the differences between Japanese newspaper readers and U.S. newspaper readers, but also the fact that this study occurred during a serious economic recession.

Ownership type also had an impact on resource allocation processes. Group newspapers reduced their human and financial resources and pursued profits to a greater degree than did non-group newspapers. In addition to reducing their commitment to human and financial resources, group newspapers also cut advertising space, which could result in damage to long-term profits.

In addition to the findings of the seventeen hypotheses and four research questions, this study found that the perceptions of managers regarding economic conditions in markets had a serious impact on their decision whether or not to respond to the threat of competition. By way of illustration, during 1999, the year of this study, Japan was in the midst of an economic recession, and during this time some markets showed little impact of competition on the budget allocation process.

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To the peace and future of my family

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CHAPTER 1 INTRODUCTION

Historically, the press has been inseparably linked to American democracy. It is, in fact, the only institution that is guaranteed freedom of speech by the First Amendment of the U.S. Constitution. It is protected by law because “[it deals] in the particularly sensitive commodities of ideas, information, thought and opinion.”¹ It provides a diversity of ideas and information, alerts us to issues and problems, and also reflects our own voice, thereby protecting personal liberties. In responding to the needs of public, the press mirrors the freedom it seeks to protect. Ideally, the press is free of outside pressure, including government interference and pressure from special interest groups.

However, in reality, people’s interests are not always incorporated into newspapers. That is because newspapers serve not only the public but also the government and its owners. Lacy explains this relationship using a relevant metaphor such as the following: “the journalist rides a troika pulled by the needs of the reader, by the desires of government sources, and by the demands of his organization.”² The press is under pressure from these three different agents. The interests of the reader do not always take precedence over the other two agents.

The strength of the pressure the press faces from each of these agents is different and changeable, depending on political and economic conditions. In the early years,

¹ Benjamin Compaine, Christopher Sterling, Thomas Guback, and Kendrick Noble, Jr., *Who Owns the Media? Concentration of Ownership in the Mass Communications Industry*, 2nd ed. (White Plains, NY: Knowledge Industry Publications, Inc., 1982), 1.

government interference in the press was the major obstacle to freedom of expression. The First Amendment was enacted to settle conflicts the press faced from government, and it protected the public's right to speak. However, in modern society, protection from government under the First Amendment is not enough to guarantee freedom of speech. Now, the internal economic interests of the major news organizations have become increasingly dominant and can be major obstacles for the journalists trying to serve the public. It is possible that the press today does not mirror the public interest.

The concerns for business interest of the press organization grew during the twentieth century with the development of technology and dramatic changes in economic conditions. Two trends were important in this growth. One is that mass media have become increasingly significant in the sharing of global information. Rapid technological advancements have provided the media with a variety of ways to disseminate information around the world, simultaneously and with lightning speed. Furthermore, the easing of economic regulations among various countries has lowered the barriers to trade and cultural exchange, which has resulted in expanded global interest and investment. With increasing globalization, more and more information about other parts of the world is becoming available to the public, however, a public with limited experience in regard to international issues and events will be very dependent on the information and interpretation provided by the mass media. In fact, the smaller the world becomes, the more critical is the role of the mass media. The influence of the mass media is substantial and pervasive in shaping our views of ourselves and the world around us.

² Stephen Lacy, "The Effects of Ownership and Competition on Daily Newspaper Content" (Ph.D. diss, University of Texas at Austin, 1986), 1.

The second trend is the serious reduction in the number of companies which presently own media properties. Only four companies, Gannet Co. Inc., Knight Ridder, the New York Times Co., and the Tribune accounted for nearly half of \$26 billion revenue of publicly held newspapers in 1998.³ Currently, a small number of large chains dominate the media markets. Many factors lead the trend toward concentration of newspaper ownership.⁴ But the fundamental reason behind the concentration is that newspaper groups have stronger financial advantages than privately owned newspapers. Financial advantages are important because the newspapers are for-profit organizations. They must generate sufficient revenue to remain in business. Without sufficient profit, a newspaper company cannot survive in the market, and its goal of disseminating information cannot be attained. Profit is especially crucial to the ability of the newspaper business to maintain its independence, as well as to its ability to fulfill its socially responsible role in a democratic society.⁵ It is profits that enable newspapers to protect their editorial independence against any pressures from advertisers, special interest groups, politicians and governmental controls. Profits enable newspapers to provide a high quality service for communities.

Concentration of ownership can have two types of negative impact on the marketplace of ideas on which our political and social systems are based.⁶ One is a tendency of group newspapers to be more profit oriented than privately owned newspapers. They might cut news and editorial budget for the benefit of own firms. This

³ Lucia Moses, "Heard on the Street: Newspapers Still a Good Place to Be," *Editor & Publisher* 133(1): 15-16 (January 3, 2000).

⁴ Compaine et al., *Who owns the Media?*, 1; Stephen Lacy and Todd Simon, *The Economics and Regulation of United States Newspapers* (Norwood, NJ: Ablex Publishing Corporation, 1993), 132-136.

⁵ Jon G. Udell, *The Economics of the American Newspaper* (New York, NY: Hastings House Publishers, 1978), 80-87.

⁶ Lacy and Simon, *Economics and Regulation of United States Newspapers*, 142-157.

may reduce the quality of newspapers. The other is a tendency for group journalists to have less local commitment than journalists who work for privately owned newspapers. A privately owned newspaper, which usually has its roots deep in its local area, has greater possibility of providing extensive local coverage than a group owned newspaper whose main office is outside of the area. This may reduce the access local voices to the marketplace of ideas. This may reduce people's choices and alternatives. Although not all group newspapers are more profit-oriented than privately owned newspapers, many group newspapers show those tendencies.⁷

More than fifty years ago, the business nature of the press was already a matter of concern. The Hutchins Commission said the press had a *social responsibility* to society. It suggested that the socially responsible actions of the press itself might be one key to protecting the freedom of the press. The press must be responsible and an informed citizenry must hold the press accountable to ensure that it fulfills its social responsibility.⁸ The Hutchins Commission stated the responsibility of the press in the modern industrial society as follows:

Freedom of the press means freedom from and freedom for. The press must be free from the menace of external compulsions from whatever source. To demand that it be free from pressures, which might warp its utterance, would be to demand that society should be empty of contending forces and beliefs. But persisting and distorting pressures--financial, popular, clerical, institutional--must be known and counterbalanced. The press must, if it is to be wholly free, know and overcome any biases incident to its own economic position, its concentration, and its pyramidal organization. (p.18)⁹

⁷ Ibid., 157.

⁸ Herbert Altschull, *Agents of Power: The Role of the News Media in Human Affairs* (White Plains, NY: Annenberg/Longman Communication Books, 1984), 180.

⁹ The Commission on Freedom of the Press, *A Free and Responsible Press: A General Report on Mass Communication: Newspapers, Radio, Motion Pictures, Magazines, and Books* (Chicago, IL: The University of Chicago Press, 1947), 18.

The press needs to be free and independent in our society. Social responsibility warns the press of the consequences of forsaking its original duty of protecting public liberties. The press must carry out its moral duty and, in the process, be held accountable for all that it does and does not do in its fulfillment of its social obligation.

An underlying assumption of the Hutchins Commission and the concerns about the negative influence of business nature of the press is that economic decisions made by newspaper managers have a great impact on newspaper content. If the content of newspapers, which affects people's lives, is controlled or influenced by its business interests, it is significant to considerations of the press conduct and performance on its social responsible role.

Previous literature in the United States had mixed results, but some supported that economic factors affect newspaper contents. Because the attitudes and behaviors of readers are influenced by newspaper content which, in turn, is greatly affected by economic factors, the purpose of this study is to examine the impact of market structure and ownership on daily newspaper resource allocation processes in Japan, and then to ascertain whether or not economic factors have negative impact on the freedom of the Japanese press. The study is based on the assumption that daily newspaper content is determined by several allocation processes, including budgetary allocation, news space allocation, and editorial opinion space allocation.¹⁰ Budget allocation is the allocation of resources by management through the budget process. This allocation affects the workload of reporters, the percentage of non-advertising space, the percentage of non-advertising space devoted to news pages, and the percentage of non-advertising space given to editorial pages.

For the purpose of this study, news space allocation is considered the daily allocation of news space, which involves selection of the most newsworthy stories from the wire services, syndicates and staff. The five variables used to measure space allocation were wire copy, staff copy, local coverage, international coverage, and conflict coverage.

Editorial/opinion space allocation is the process that deals with the day-to-day allocation of space on the editorial and opinion pages. This includes the percentage of non-advertising space in editorial pages given to local editorial opinion and the percentage of non-advertising space in editorial pages devoted to letters and guest columns. Editorial opinion space allocation was analyzed because this section of a newspaper serves as a *watchdog* which oversees and interprets the actions of government.¹¹

Most studies that have examined the impact of competition and ownership on allocation processes have focused on American or other Western newspapers. Much less is known about the impact of economic factors that affect resource allocation processes in other countries. Unlike many other non-Western countries, Japan shares a number of similarities with the United States, including a highly developed economic system, an information-based society, and First Amendment-type freedom of expression.

Needless to say, the newspaper industry is quite different from one country to another because the political, social, economic, and legal environments of the society in

¹⁰ Lacy, "Effects of Ownership and Competition on Daily Newspaper Content," 31-88.

¹¹ Dennis Hale, "Editorial Diversity and Concentration," in *Press Concentration and Monopoly: New Perspectives on Newspaper Ownership and Operation*, eds. Robert Picard, James Winter, Maxwell McCombs, and Stephen Lacy (Norwood, NJ: Ablex Publishing Corporation, 1988), 161-176.

which newspaper companies are engaged affect their business activities.¹² However, among different newspaper industries worldwide, Japan has significant economic and social similarities with the United States. Because of the dearth of newspaper studies outside of the West, a study of Japanese newspapers is a worthwhile effort and a valuable first step in developing newspaper research in this part of the world.

This study focuses on the areas of market structure and ownership, and their relationships to local daily newspaper resource allocation processes in Japan. The study is divided into eight chapters, beginning with this introduction. Chapter 2 provides a theoretical explanation of this study according to microeconomic theory. Edward Chamberlin's monopolistic competition theory and the product differentiation theory are applied. Chapter 3 reviews previous studies in the area of competition and ownership. In addition, the unique characteristics and history of Japanese newspapers are introduced. Chapter 4 presents 17 hypotheses and four research questions based on findings in the previous chapter. Chapters 5 and 6 are devoted to method and results. Chapter 7 explores additional statistical and logical analysis of data. Chapter 8 discusses the results of the data found in Chapters 6 and 7, and explores the uniqueness and dissimilarities of local Japanese newspapers. Also, Chapter 8 briefly summarizes this study, connects the findings to economic theory, and then provides a key for future study.

¹² Alison Alexander, James Owers, and Rod Carveth, *Media Economics: Theory and Practice* (Hillsdale, NJ: Lawrence Erlbaum Associates Publishers, 1993), 4.

CHAPTER 2 THEORY

Competition

This economic analysis of the newspaper industry will use microeconomic theory, which has four standard theoretical models of market organization: perfect competition, monopoly, monopolistic competition and oligopoly. A firm's market power is lowest with perfect competition and highest with pure monopoly. The type of theory that best explains the behavior of a firm depends on a variety of factors, including the geographical definition of a market, the number of firms in the market, and the nature of the goods sold in the market.

Perfect competition exists when a large number of firms in the same geographic market produce goods or services that are perfect substitutes for one another. Firms in this type of market do not have the power to set prices. If a firm raises its price, it will be unable to sell any of its products because consumers with perfect knowledge of the goods and services available to them will buy identical products at another firm at a lower price.¹

A monopoly market has a single firm with great control over the economic function of the market.² Such a firm has no close substitute for its product.

Monopolistic competition exists when a large number of firms produce goods or services that are differentiated. The products and services are not perfect substitutes with

¹ Paul Samuelson and William Nordhaus, *Economics*, 15th ed. (New York, NY: McGraw-Hill, Inc., 1995), 31.

² *Ibid.*, 150.

each other. Samuelson points out that monopolistic competition resembles perfect competition in three ways: there are many buyers and sellers, entry and exit are easy, and firms take other firms' prices as given. The distinction is that products are identical under perfect competition, while products are differentiated under monopolistic competition.³

An oligopoly has only a few sellers in a market and some competition exists for their products. Their products are either homogeneous or heterogeneous.⁴ If a firm in an oligopoly market takes the other firms' reactions into consideration, its performance will be similar to that in monopoly markets. If a firm ignores the other firms' reactions, its performance is likely to be similar to that of a monopolistic competition market. The ultimate outcome for the firm will depend upon the decisions it makes.

The theory which best describes the behavior of newspapers in the market is monopolistic competition. There are three main plausible reasons. First, in terms of the number of firms in a market, oligopoly theory may explain the newspaper industry, however, the theory of oligopoly assumes homogeneity among the components of both the demand and supply sides of the market. Obviously, newspapers are not homogeneous products. The contents of newspapers vary from firm to firm as well as from day to day. Therefore, the assumptions underlying the oligopoly theory do not explain the newspaper industry. Secondly, newspaper markets are not categorized into the monopoly market. Although the competition among newspapers in a market has been steadily decreasing, there is still competition among the newspapers as well as among all news media. Thirdly, the theory of perfect competition does not explain the newspaper industry

³ Ibid., 168.

⁴ Stephen Lacy and Todd Simon, *The Economics and Regulation of United States Newspapers* (Norwood, NJ: Ablex Publishing Corporation, 1993), 92.

because the newspaper industry does not operate in a perfectly competitive market.

Under the perfect competition model, there must be a large number of buyers and sellers, but this does not appear to be the reality. In almost all of the newspaper markets, the number of firms is small. Only a few firms compete with each other in a market. For these reasons, monopolistic competition is applicable to the behavior of newspapers although the assumption of many sellers cannot be applied to newspapers.

Theory of Monopolistic Competition: Differentiation of Products

Product differentiation theory is defined as any behavior that a firm tries to produce to meet customers' desires more accurately than the competition, and as a result, extends demands for their products.⁵ Product differentiation is used to capture more of the market that has already been penetrated. Smith states that product differentiation results from the desire to establish a kind of equilibrium in the market by bringing about adjustment of market demand to supply conditions favorable to the sellers.⁶ Product differentiation can eliminate potential competitors from the industry and increase the market power of firms. Samuelson points out the effect of product differentiation:

In many industries, it is common for a small number of manufacturers to produce a vast array of different brands, models, and products. In part, the variety appeals to the widest range of consumers. But the enormous number of differentiated products also serves to discourage potential competitors. The demands for each of the individual differentiated products will be so small that they will not be able to support a large number of firms operating at the bottom of their U-shaped cost curves. The result is that perfect competition's demand curve contracts so far to the left that it becomes like those of monopoly and oligopoly. Hence, differentiation, like tariffs, produces greater concentration and more imperfect competition. (p. 155)⁷

⁵ Edward Chamberlin, *The Theory of Monopolistic Competition* (Cambridge, MA: Harvard University Press, 1962), 71-116.

⁶ Wendell Smith, "Product Differentiation and Market Segmentation as Alternative Marketing Strategies," *Journal of Marketing* 21(4): 3-8 (July 1956).

⁷ Samuelson and Nordhaus, *Economics*, 155.

Product differentiation is an important strategy as competition intensifies to maintain or capture customer attention.

Chamberlin also recognizes another reason why sellers differentiate their products to serve variations in buyers' tastes and preferences, which are as much a part of the order of things within any broad class of product as they are between one class of product and another.⁸ Heterogeneity of products is the result of needs or demands by different buyers.

Products are considered bundles of characteristics.⁹ Customers are interested in products not for their own sake but for the product's characteristics. Product differentiation can be seen as resulting from a combination of physical and nonphysical characteristics of the product. Physical differentiation is based on multiple attributes of the product itself, such as exclusive patented features, trademarks, trade names, peculiarities of the package or container, and singularity in quality, design, color, or style.¹⁰ It also exists with respect to nonphysical product characteristics, which include the convenience of the seller's location, way of doing business, reputation for fair service, courtesy, efficiency, and all the personal links which attach his/her customers either to himself/herself or to those employed by him/her.¹¹

In the newspaper industry, firms differentiate their products from their competitors to increase their share of the market. It is product differentiation that determines how successful newspapers will be in competitive situations. Product differentiation occurs because of the nature of newspapers. Rosse and Dertouzos explain

⁸ Chamberlin, *Theory of Monopolistic Competition*, 213-215.

⁹ Michael Porter, *Interbrand Choice, Strategy, and Bilateral Market Power* (Cambridge, MA: Harvard University Press, 1976), 9-45.

¹⁰ Chamberlin, *Theory of Monopolistic Competition*, 56.

¹¹ *Ibid.*, 56.

that two newspapers seeking to serve the same audience segment and producing similarly oriented products in the same market cannot survive in the long haul.¹² Through product differentiation, newspaper firms can create a market niche or brand preference, which will make its demand curve more inelastic.

In addition to product differentiation, newspaper firms also deal with audience differentiation.¹³ Product differentiation and audience differentiation are closely connected with each other under the framework of monopolistic competition, as firms cannot do one successfully without doing the other successfully.¹⁴ The former strategy deals with the will of the supply-side market. It is an attempt to establish equilibrium in the market by bringing about adjustment of market demand to supply conditions favorable to the sellers.¹⁵ Product differentiation includes distribution or publication times, production techniques, editorial orientation, and quality, such as depth of coverage, reporting styles, number of special features and percentage of advertising. Newspaper firms may establish a morning edition with an emphasis on national and international coverage, providing major news with a limited use of graphics and photos. Another firm may publish an evening edition with strong emphasis on local news, using multiple colors, photos, and graphics. These strategy choices are what distinguishes one newspaper product from another.

Audience differentiation, on the other hand, deals with the demand side of the market. It views a market as heterogeneous and consisting of a number of smaller

¹² James Rosse and James Dertouzos, "The Evolution of One Newspaper Cities," in *Proceedings of the Symposium on Media Concentration*, Vol. 2, edited by Federal Trade Commission. (Washington, DC: Government Printing Office, 1979), 444.

¹³ Robert Picard and Jeffrey Brody, *The Newspaper Publishing Industry* (Needham Heights, MA: Allyn & Bacon, 1997), 43-46.

¹⁴ James Rosse, "The Decline of Direct Newspaper Competition," *Journal of Communication* 30(1): 65-71 (winter 1980).

¹⁵ Smith, "Product Differentiation and Market Segmentation," 3-8.

homogeneous markets. Audience differentiation attributes reflect the desires of consumers for more precise satisfaction of their varying wants.¹⁶ Through audience analysis, firms can differentiate products by targeting a specific type of consumer based on demographic criteria. Audience type, place of use and sales methods are chosen to differentiate products. One paper may attempt to reach business people by providing business news while another paper may choose the mass audience. This audience differentiation also can create product differentiation of newspapers. Rosse and Dertouzos explain the purpose of audience differentiation:

In advertising markets, the comparative advantage of newspapers vis-a-vis other media lies in high-density localized distribution. Relative to other media, a newspaper is most cost effective when it is able to deliver a large percentage of the potential audience in its localized market. As a result, segmentation of audience by the American press is almost exclusively on the basis of location, of local community interest. This is the most profitable kind of audience it can sell to advertisers in competition with other media. (p. 444)¹⁷

By effective audience segmentation, a newspaper will find an audience for which it can successfully differentiate its product and for which advertisers are willing to pay to reach.

Impact of Decline of Competition

The main concern underlying the decline of competition within markets is its potentially negative effect on society. The concentration of power distorts resource allocation. Because a monopoly can influence market prices, it is able to reduce output to attain higher profits than are available at competitive prices. Monopolists can make their output scarce, and thereby drive up prices and increase profits.¹⁸

¹⁶ Ibid., 3-8.

¹⁷ Rosse and Dertouzos, "Evolution of One Newspaper Cities," 444.

¹⁸ Samuelson and Nordhaus, *Economics*, 175.

In a perfectly competitive market, firms cannot charge different prices for different consumers.¹⁹ If they did, they would face the loss of their entire product and supply because consumers with perfect knowledge of the goods and services will buy identical products at another firm at a lower price. This implies that a firm does not get the additional profit that charging different prices to different consumers, and consumers receive more than they pay for a good.

The gap between the total utility of a good and its total market value is called consumer surplus. Equilibrium would be reached at the point where $MC = P$. The consumer surplus is defined by the area between the demand curve and price line, P_2BEP_1 (Figure 2.1).

In a monopoly market, the firm maximizes profits at the point where marginal cost is equal to marginal revenue. Firms in a monopolistic market will set higher prices than in competitive markets, thereby eroding consumer surplus. In other words, some of the consumer surplus is transferred to the firm as monopoly profit, P_2BAP_1 . The remainder of consumer surplus, which is not transferred to anyone, is known as deadweight loss, BEA . Deadweight loss represents the principal measure of the allocational harm of the monopoly.

Monopolies restrict output and raise price above marginal cost, thereby producing less than would be produced in a perfect competitive market. Monopolies do not lead to optimal allocation of resources. Thus, consumers do not receive the volume of output they desire relative to the good's marginal cost and marginal value.²⁰

¹⁹ Ibid., 174-175.

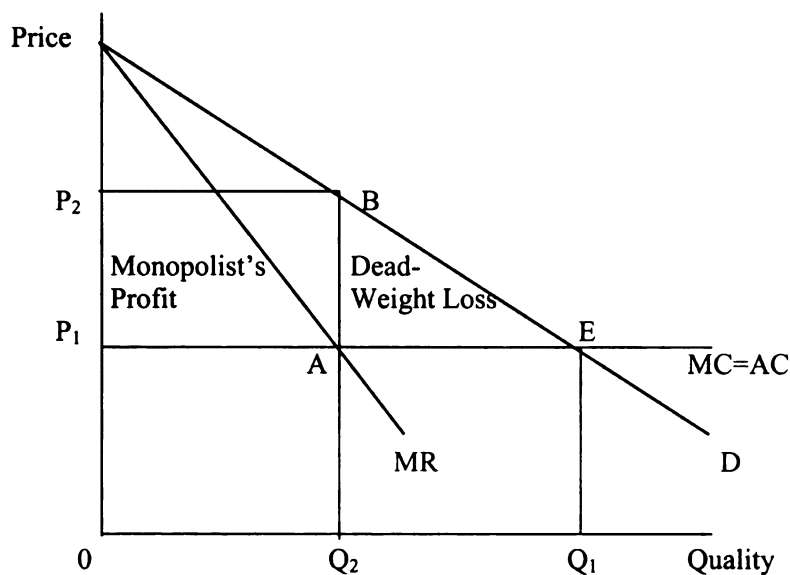


Figure 2.1 Effect of Monopoly on Allocation and Distribution.

Overall, monopolistic competition according to Chamberlin is applicable to the behavior of competitive newspapers, although the assumption of the existence of many sellers cannot be applied to newspapers. Because newspapers are heterogeneous products and monopolistic competition theory emphasizes product differentiation rather than price differentiation, the model of monopolistic competition may be suitably applied to the newspaper industry.

Characteristics of Newspaper Industry and Circulation Spiral

Although every industry is unique and differs from every other industry, the newspaper business is particularly distinct in terms of the markets in which it operates, due to the fact that newspapers are joint commodities.²¹ Newspapers create one product, but participate in two separate goods and service markets. They need to sell information to readers in an information market and space to advertisers in an advertising market.

²⁰ Ibid., 175.

²¹ Lacy and Simon, *Economics and Regulation of United States Newspapers*, 5.

These two markets interact with each other, and performance in each market affects performance in the other.

Defining a specific market in which newspapers operate is necessary for an economic discussion. Markets have several components, not the least of which is geography. Analyzing newspaper competition geographically as well as by newspaper type helps to explain a general pattern of performance, as to how newspapers differentiate themselves as well as how they maintain their identity in a competitive market. However, determining local geographic markets varies among newspapers, and depends not only on the inherent differences in the newspapers, but also on the ways in which the readers of various newspapers are analyzed.²² According to Picard, the relevant geographic market is the specific national, regional, or local market.²³ In some cases, the retail trade zone can be the relevant geographic market, and in other cases, the metropolitan area may be the appropriate geographic market.

Next, an important characteristic of the newspaper industry is that the demand curve is explained by the relationship between content quality and circulation, as well as a relationship between price and circulation. Unlike many other products, quality plays a more significant role than price for newspaper content. The reasons are several.²⁴ First, since readers pay for newspapers on a weekly, monthly, or yearly basis, they are not particularly sensitive to price changes in the same way they may be to price changes of other products, such as cars or computers. Second, many readers believe that newspapers are necessary to stay current with events and to know the world around them.

²² Robert Picard, *Media Economics: Concepts and Issues* (Newbury Park, CA: Sage Publications, Inc., 1989), 19-21.

²³ Robert Picard, "Measures of Concentration in the Daily Newspaper Industry," *Journal of Media Economics* 1(1): 23-38 (spring 1988).

²⁴ Lacy and Simon, *Economics and Regulation of United States Newspapers*, 23-24.

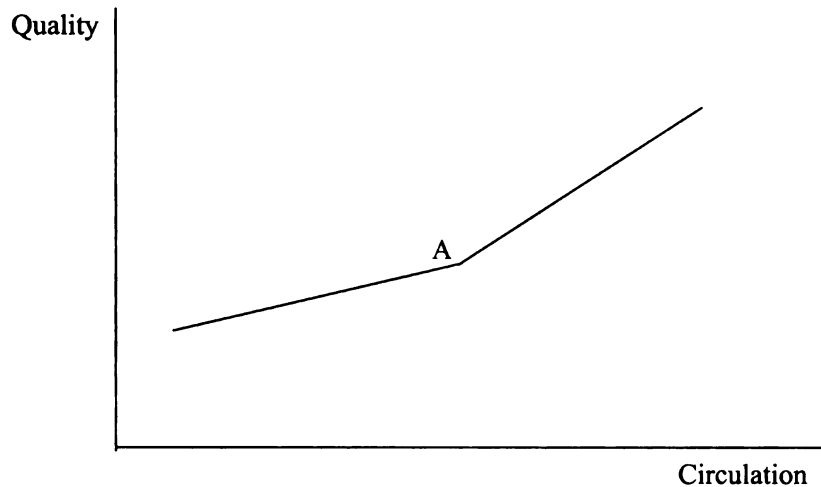


Figure 2.2 Demand Curve with Respect to Newspaper Quality.

Price can affect demand, but content quality plays a greater role. Lacy explains this relationship using a kinked demand curve (Figure 2.2).²⁵ According to Lacy, the demand curve is kinked for the newspaper industry because readers, in general, have a minimal level of acceptable quality for newspapers based on specific attributes. A reader will be more likely to substitute one media news product for another if a newspaper does not meet minimal standards. Grotta points out that there is a psychological barrier that would result in greater elasticity beyond some point.²⁶ Thus, the demand curve of a newspaper with respect to quality is kinked. The point at which the curve is kinked represents the point where the quality of the newspaper just reaches the minimal acceptable level of value for a large number of readers. To the left of the point, demand falls faster with respect to quality than to the right because more users are likely to substitute another media news product that either costs less at the same level of quality,

²⁵ Stephen Lacy, "A Model of Demand for News: Impact of Competition on Newspaper Content," *Journalism Quarterly* 66(1): 40-48, 128 (spring 1989).

²⁶ Gerald Grotta, "Daily Newspaper Circulation Price Inelastic for 1970-1975," *Journalism Quarterly* 54(2): 379-382 (summer 1977).

or which has a higher level of quality at an equivalent price. This is based on the assumption that newspapers may reach a level of quality below which point readers find the newspaper so inferior that they will either turn to other media or stop buying the newspaper. The slope above the point is less elastic because most readers' impressions of the newspaper indicate it is of a higher quality than their minimal acceptable level of quality. There is little incentive to substitute under these conditions.

Thus, maintaining a certain level of quality in news coverage is necessary for newspapers to attract readers from competitors. Even monopoly newspapers with enormous power in a market must still maintain a certain level of quality in news coverage, otherwise readers will stop reading the paper and will turn to other media.²⁷ Therefore, newspapers attract readers by being substitutes for the competitors while differentiating themselves with more news coverage or other distinguishable features.

These are important characteristics of the newspaper industry, and for the reasons mentioned above, this study examines the relationship between competition and content quality, rather than price.

Direct Competition

Direct competition is competition among newspapers that are headquartered in the same city. Intense direct competition results in a greater financial commitment to newsrooms, and our understanding of this effect on news content is based on the assumptions of product differentiation from monopolistic competition theory.

As it is in any industry, a monopoly is problematic in the newspaper industry. Lacy's kinked model of demand illustrates the harm a monopoly can have on the

²⁷ Stephen Lacy and Hugh J. Martin, "Profits Up, Circulation Down for Thomson Papers in 80s," *Newspaper Research Journal* 19(3): 63-76.

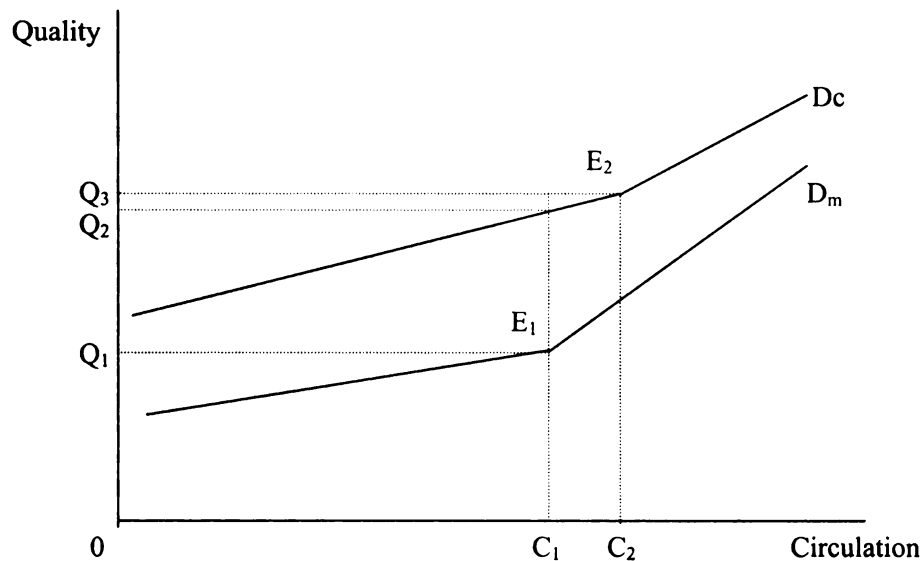


Figure 2.3 Relationship Between Circulation and Newspaper Quality.

newspaper industry. The quality of the competitive paper is greater than that of the monopoly newspapers. Figure 2.3 represents the impact of intense competition. Lacy developed a general model of demand for news commodities.²⁸ The model also is used to adapt the concept of consumer surplus for analyzing monopoly and competitive newspaper markets. Monopolization of a competitive market would cause circulation to be reduced from C_2 to C_1 . The quality of newspapers would also be reduced from Q_3 to Q_1 . The difference between Q_1 and Q_3 is the level of financial commitment to news expenditure due to competition. The difference between Q_2 and Q_3 is the level of readers' expectations.

As this model demonstrates, monopoly has the potential to limit the quality of newspapers. Lack of newspaper competition can have a negative impact on the marketplace of ideas. Nelson uses the analogy of a store selling denim shirts in only one

²⁸ Lacy, "A Model of Demand for News: Impact of Competition on Newspaper Content," 40-48, 128.

size.²⁹ He describes the decline in the voices heard in a community in the one-size-fits-all denim shirts dilemma, where they cover the subjects, but look exactly the same.

Owen also remarked that:

Such a monopoly has two vices: the first is that the quantity, quality, and variety of goods produced may be inefficient in the economic sense; the second is that the Miltonian process may not work properly, and ideas that are not the truth may come to dominate the intellectual market as a result of the systematic exclusion of messages that do not suit the economic or political interests of those who control access to the media of transmission.
(p. 5)³⁰

Although a monopoly alone is not likely to be a major cause of content homogeneity, the fact is that monopoly newspapers do not need to attract readers by producing high quality content. The economic aspect of newspaper production may push companies toward short-run cost savings. As a result, a monopoly diminishes access to news and opinion, and reduces the flow of ideas. Picard affirms the importance of competition³¹ and explains that when concentration exists in a newspaper market, significant monopoly power arises that can disadvantage consumers not only in economic terms, but also in terms of availability of diverse viewpoints and access to media channels.

As explained earlier, newspapers have two sources of demand in a dual product market--information demand by subscribers and space demand by advertisers. Newspaper companies must produce newspapers that satisfy the two requirements. These two requirements are interrelated; advertisers prefer to reach the largest audience at the lowest cost, and subscribers are interested in reading advertising as well as information content.

²⁹ Dean Nelson, "Back to L.A.: Los Angeles Times' Retreat from San Diego Shows One-Size-Doesn't-Fit-All," *Quill* 81(1): 20-21 (January/February, 1993).

³⁰ Bruce M. Owen, *Economics and Freedom of Expression: Media Structure and the First Amendment* (Cambridge, MA: Ballinger Publishing Company, 1975), 5.

It is the joint product nature of newspapers that has helped to cause the decline of direct competition. According to Scandinavian scholars, a newspaper with the largest circulation and highest market penetration tends to attract advertisers and receives a disproportionately large amount of advertising revenue, even when the circulation differences are small.³² Once trailing newspapers are at a significant disadvantage due to their weakened attractiveness to readers and advertisers, the effect multiplies, and at some point, the newspapers will be forced to exit the market. This phenomenon is called the circulation spiral. In order to attract readers, which will result in increased circulation and demand for space by advertisers, newspaper content must remain similar enough to the content produced by competing newspapers to be a substitute for the competitor's products. At the same time, the newspapers must compete with competitors by differentiating themselves.³³ Thus, the newspaper with the largest circulation in a given marketing area has advantages which enable it to gain ground in both circulation and advertising.

When the circulation spiral combines with the scale economies, the result is a market with one daily newspaper. The high cost of producing the first copy of a newspaper is amortized over the production of subsequent identical copies, and marginal cost declines as well as average cost. Thus, over time, the smaller newspapers cannot overcome the cost disadvantage and the leading daily newspaper grows larger until competition comes to an end. After the competing newspaper has closed, the advantages of scale economies, the relationship between the information and advertising markets,

³¹ Picard, "Measures of Concentration in the Daily Newspaper Industry," 23-38.

³² Karl Gustafsson, "The Circulation Spiral and the Theory of Household Coverage," *Scandinavian Economic History Review* 26(1): 1-14 (1978); Lars Furhoff, "Some Reflections on Newspaper Concentration," *Scandinavian Economic History Review* 21(1): 1-27 (1973).

³³ Lacy and Simon, *Economics and Regulation of United States Newspapers*, 94.

and the high cost of starting a newspaper result in high barriers to entry for other newspapers into the market.³⁴

Also, the leading paper has a competitive advantage.³⁵ It sets the standards of advertising, editorials, production and distribution quality expected by advertisers and readers. Thus, it continuously pressures competing papers to live up to these standards. Given this pressure, trailing papers will experience increasing economic difficulty, and will consequently face circulation spiral.

According to Picard, a general circulation share level at which the smaller of two competing newspapers goes out of business exists, although it is not the standard.³⁶ When a disparity between the circulation and advertising shares of the two competing papers is greater than a 60% to 40% split, the smaller of the two competing daily newspapers can hardly survive. Picard reviewed twenty competing daily newspapers that discontinued publication between 1976 and 1985 and found that operation of the two papers became unprofitable when the 60% to 40% circulation split was reached. He presented an indicator that a 55% to 45% circulation split is a serious disparity, and a 60% to 40% circulation share split is the critical point in circulation levels. When a paper exceeds the 50% circulation level, its share of advertising is disproportionately high because of circulation spiral.

Overall, maintaining a certain level of quality in news coverage is necessary for newspapers to attract readers away from competitors, even if monopoly newspapers have enormous power in a market. Therefore, newspapers are attracting readers by being

³⁴ Stephen Lacy and Robert Picard, "Interactive Monopoly Power in the Daily Newspaper Industry," *Journal of Media Economics* 3(2): 27-38 (fall 1990).

³⁵ Robert Picard, "Rate Setting and Competition in Newspaper Advertising," *Newspaper Research Journal* 3(3): 3-13 (April 1982).

substitutes for competitors while differentiating themselves with more news coverage or more distinguishable features.

Ownership

Ownership type is closely related to the goals of an organization. According to traditional microeconomic theory, the primary goal of the firm is the maximization of profits.³⁷ Most microeconomic models of supply assume that the firm will pursue the goal of achieving the largest economic profit possible, which means the firm will seek to make the difference between its total revenues and its total economic costs as large as possible. According to these models, firms typically make decisions in a marginal manner in order to maximize profits, that is, they choose the output for which marginal revenue is equal to marginal cost. Extra output will be produced until the marginal profit reaches zero, at which point it would not be profitable for firms to go farther. The model of profit maximization has been useful both in terms of its ability to yield interesting theoretical results and to explain a firm's actual decisions.³⁸

The profit maximization model can be divided into two parts--short-run profit maximization and long-run profit maximization--because production requires not only labor, but also time. Short-run profit maximization is the maximized profit that can be achieved by changing variable factors such as materials and labor during a short period of time. Long-run profit maximization is achieved by fully modifying or adjusting fixed factors such as plants and equipment. Long-run is defined as a period that is sufficiently

³⁶ Robert Picard, "Evidence of a 'Failing Newspaper' Under the Newspaper Preservation Act," *Newspaper Research Journal* 9(1): 73-82 (fall 1987).

³⁷ Douglas Greer, *Industrial Organization and Public Policy* (New York, NY: Macmillan, 1980).

³⁸ Walter Nicholson, *Microeconomic Theory: Basic Principles and Extensions*, 7th ed. (Hinsdale, IL: The Dryden Press, 1998), 363-396.

long to allow for the adjustment of all factors, including fixed factors that tend not to change in the short-run due to physical conditions or legal contracts.

Although the profit maximization model provides a reasonable first approximation of organizational goals, it has limitations. First of all, those in management positions frequently do not have adequate knowledge to maximize profits.³⁹ What they do have is a rough idea of their demand and marginal revenue curves. To estimate the maximum profit point, managers must have to have a great deal of information and must be able to make elaborate calculations. Additionally, this model assumes that profits are the only relevant goal of a firm.⁴⁰ Firms might have goals other than profit maximization, such as maximizing sales of the firm or maximizing growth of the firm over time.

In addition to profit maximization, economists have offered several alternative goals. Baumol said some firms maximize sales revenue or maximize the growth of the firm.⁴¹ This model supplements that of the profit maximization model and compensates for some of its weaker points. The most important point of Baumol's model is that firms could maximize profit if they had perfect information. Although firms are uncertain about the demand and marginal curves, they must still make decisions which they believe will maximize sales, because if they do not maximize sales, they could find themselves removed from the industry.

According to Nicholson, firms can benefit from this model in a variety of ways. Being large, they may receive substantial bank credit and favorable prices on raw

³⁹ Lloyd Reynolds, *Microeconomics: Analysis and Policy*, 3rd ed. (Homewood, IL: Richard D. Irwin, Inc., 1979), 180-203.

⁴⁰ Ibid., 180-203.

⁴¹ William Baumol, *Business Behavior, Value and Growth*, rev. ed. (New York, NY: Harcourt, Brace & World, 1967), 45-52.

materials, which impacts revenues rather than profits. Also, the government may treat large organizations more favorably than small organizations because they are major employers in the economy.⁴²

Another alternative is that managers in a firm may try to maximize employee's benefits such as large salaries, bonuses and generous retirement pensions. This model is based on the assumption that there is a conflict of interest between owners and managers, and this conflict reduces profit. This divergence of interest is called the principal-agent problem.⁴³ The principal-agent problem is described as the situation which arises when managers pursue their own goal of maximizing their utility, disregarding the owners' objective of maximizing profit, even to the extent that their behaviors negatively impact profits. How a manager maximizes personal utility while balancing the firm's profits against personal benefit is determined by the individual manager's preferences. If a manager is also the sole owner of a firm, he/she may decide that it is preferable to sacrifice profits for benefits. Receiving an extra dollar of benefits, he/she would have to reduce his/her profits by one dollar. The cost of these benefits will come from his/her own resources.

If a manager owns one-third of the firm and the remainder is owned by other investors not in charge of decision-making, the manager's profits will decline by one-third for each one-dollar spent on benefits. On the flip side, only one-third of the cost of these benefits will come from his/her personal resources.

If a manager is not an owner of the firm, the principal-agent problem will increase in severity. The manager has an incentive to increase his/her benefits substantially since he/she bears no responsibility for the cost of the benefits.

⁴² Nicholson, *Microeconomic Theory: Basic Principles and Extensions*, 375-378.

In reality, however, the principal-agent problem does not always accurately describe the real picture. Some economists point out a weakness in this model, believing that the manager's personal benefit cannot deviate too far from profit maximization. There are two main reasons why this is so. First, owners are not likely to overlook employees' self-maximizing behavior if it is serious. Mansfield explains that it is common to establish a contract that gives the managers an incentive to reduce benefits and to pursue objectives that are reasonably close to profit maximization.⁴⁴ One example is a stock purchase plan that provides a dividend to owner-workers of the firm when the firm is profitable and motivates employees to act in accordance with the interests of the firm's owners. Samuelson details the mechanism of this plan: profits represent the amount a firm can pay in dividends to the owners, reinvest in new plants and equipment, or employ to make financial investments, which increases the value of the firm to its owners.⁴⁵ Another reason for challenging the principal-agent explanation is that the industry will remove the firm if the firm does not make a profit. Samuelson also mentions that if a firm is reckless in making its cost, revenue, and profit decisions, then market forces will eventually eliminate that firm, or its managers, from the scene.⁴⁶

Simon suggests a fifth alternative, the *satisficing* goal.⁴⁷ According to him, firms do not maximize any goals--profits, sales revenues nor growth rates of sales. Rather than maximizing a single profit objective, a firm desires to realize the satisfactory performance of a combination of goals, including the achievement of a certain level of

⁴³ Ibid., 387-391.

⁴⁴ Edwin Mansfield, *Microeconomics: Theory/Applications*, 7th ed. (New York, NY: W.W. Norton & Company, Inc., 1991), 137-141.

⁴⁵ Samuelson and Nordhaus, *Economics*, 129.

⁴⁶ Ibid., 172.

⁴⁷ Herbert Simon, "Theories of Decision-Making in Economics," *American Economic Review* 49(3): 253-283 (June 1959).

profit, market share, and growth rate of sales. Managers in a firm work hard to achieve their goals but once achieved, they do not concern themselves with the consequences.

Despite the criticisms of each theory, all five theories are useful in explaining behavior because each is simplified to explain real world phenomena, and each theory establishes the validity of the model by basing it upon reasonable assumptions.

Nicholson emphasizes the importance of establishing the validity of the model's assumptions rather than criticizing shortcomings in the model. He used the example of a road map that does not provide every detail in the real world as a way of defending the inevitable weaknesses we will encounter in any economic model.⁴⁸ He said:

Since it would be impossible to describe features of an economy in complete detail, economists have chosen to abstract from the vast complexities of the real world and to develop rather simple models that capture the essentials. Just as a road map proves to be helpful, even though it does not record every house or every blade of grass, economic models....are also very useful even though they do not record every minute feature of the economy. Even though they make heroic abstractions from the true complexities of the real world, they nonetheless capture certain essentials that are common to all economic activities. Shortcomings in the model are not necessarily serious. No model can describe reality exactly. The real question is whether a simple model has any claim to being a good one. (pp. 3-4)⁴⁹

Given Nicholson's explanation, these five goals are clearly consistent in their behavior and can be divided into three broad categories: maximizing short-run profit, maximizing profits that are not short-run, and satisficing. The first goal assumes that as a firm tries to maintain high levels of financial performance that result in the maintenance their stock prices. The second goal assumes that any goal that is not short-run will be maximized, although the goal varies with the theory. The last goal assumes that firms do

⁴⁸ Nicholson, *Microeconomic Theory: Basic Principles and Extensions*, 3-6.

⁴⁹ *Ibid.*, 3-4.

not maximize any one particular goal, but set out to satisfactorily realize a combination of goals.

Different types of newspaper ownership will reflect one of these goals. Publicly traded newspapers will likely have a goal of maximizing short-run profit.⁵⁰ It is assumed that the higher the level of public ownership, the greater the likelihood that a newspaper will seek to maximize short-run profits.⁵¹ Publicly traded newspapers are concerned with returns to shareholders. Because they are always facing a potential takeover by other companies, they must maintain high levels of financial performance that ensure stock price levels. The pressures of maintaining newspapers attractive to readers as well as advertisers compel publicly traded newspapers to pursue the goal of short-run profit maximization.

Because independent newspapers owned by private firms tend to be owned by individuals or family members, they may be categorized as having a satisficing goal, a short-run profit maximizing goal, or a long-run profit maximizing goal. Sometimes the atmosphere of the work place is like home; employees are like family members since owners of the firm are also the managers for this type of ownership. In this atmosphere, independent newspapers can pursue any type of goal, or multiple goals. It is assumed that some independent newspapers owned by private firms stress *maximization*, but others do not. An independent owner may seek outstanding journalism and take editorial stands. Thus, the goal of independent privately owned newspapers could be either the satisficing goal or the maximizing goal.

⁵⁰ David Demers and Daniel Wackman, "Effect of Chain Ownership on Newspaper Management Goals," *Newspaper Research Journal* 9(2): 59-68 (winter 1988).

⁵¹ William Blankenburg and Gary Ozanich, "The Effects of Public Ownership on the Financial Performance of Newspaper Corporations," *Journalism Quarterly* 70(1): 68-75 (spring 1993); Stephen Lacy, Mary Shaver, and Charles St. Cyr, "The Effect of Public Ownership and Newspaper Competition on

Privately held group newspapers resemble independent newspapers in that they have a choice of organizational goals because the owners do not have an obligation to shareholders. They may set goals of maximizing profits, spending money on staff or other services, or may have multiple goals. Thus, unlike publicly traded newspapers, privately held group newspapers do not necessarily have short-run profit maximization as a goal.

Overall, publicly traded newspapers are more likely to have a goal of maximizing short-run profit than the other two types of newspapers because they have to maintain stock price levels and return high earnings to shareholders. The greater the shares of a company's voting stock held by the public, the more the firm to pursue maximizing short-run profit. Compared to the goals of publicly traded newspapers, the goals of independent newspapers and privately held group newspapers can vary. Independent newspapers and privately held group newspapers have a greater range of options because they need not be concerned about returns to shareholders.

Summary

An important issue related to competition and concentration of ownership is how monopolists and groups exercise their discretionary power. Monopolies within markets and concentration of ownership across markets have created the potential for a negative effect on society. Economic theories suggest that monopolies possess market power that increases allocative inefficiency. Monopolies tend to set prices above marginal costs and reduce quality by cutting expenditures in the news and editorials. As a result, the quality

the Financial Performance of Newspaper Corporations: A Replication and Extension," *Journalism and Mass Communication Quarterly* 73(2): 332-341 (summer 1996).

of information and diversity of opinion that should be available to readers are in great danger of being reduced.

CHAPTER 3

LITERATURE REVIEW

This chapter is divided into three sections: the existing literature about competition, ownership, and the newspaper industry in Japan. The existing literature of competition section discusses direct competition and umbrella competition. In this section, literature addressing direct competition and umbrella competition will be reviewed. Then, in the second section, there will be an examination of literature concerning ownership. The last section deals with the unique characteristics of Japanese firms and the major characteristics of Japanese newspaper industry, including its history, structure, and regulations.

Competition

Direct Competition

The early empirical evidence between competition and newspaper content was inconclusive. Prior to the 1980's, most of the research on the impact of direct competition found little or no affect on newspaper coverage and editorial content, while most of the research after the mid-1980s has shown the impact of direct competition. The primary differences between the studies that found a relationship between competition and content, and those, which failed to find a relationship involve the type of sample, the measurement of competition, and the choice of content categories.

Most of early studies did not use national samples obtained from a range of circulation levels, and tended to find little impact of competition. Studies with a small sample size were limited in finding the impact of competition. Bigman analyzed whether two competing newspapers in a market were better than one by comparing the observable differences between two newspapers in Pottsville, Pennsylvania, during a period in late 1946 and early 1947.¹ He analyzed the coverage of the *Republican* and the *Journal* for six weeks, giving special attention to editorial and controversial subjects. His qualitative content analysis of the two papers indicated that space given to advertising, news, editorials, and features were strongly similar, but there were some differences in the editorials on local matters. The *Republican* ran 11 editorials on local matters out of a total of 68 editorials, while the *Journal* ran only two out of 78.

Following Bigman's study, Willoughby examined the content of two competing dailies in the town of Washington, Indiana.² His study was both quantitative and qualitative, and included personal interviews with the publishers of the two dailies. He found that the two dailies not only resembled each other in makeup, typography and size, but also were very much alike in content. He concluded that there were no essential differences between the two dailies and, during the period of his study, the two competitive daily newspapers did not appear to be necessarily better than one.

In another study, Borstel increased the number of the sample size.³ He selected twenty daily papers in cities with a population of less than 25,000 in the northern half of

¹ Stanley Bigman, "Rivals in Conformity: A Study of Two Competing Dailies," *Journalism Quarterly* 25(2): 127-131 (June 1948).

² Wesley Willoughby, "Are Two Competing Dailies Necessarily Better than One?" *Journalism Quarterly* 32(2): 197-204 (spring 1955).

³ Gerard Borstel, "Ownership, Competition and Comment in 20 Small Dailies," *Journalism Quarterly* 33(2): 220-222 (spring 1956).

the United States. He examined the volume of commentary in editorials, letters to the editor, and cartoons, and found no difference between competing and non-competing dailies. Even though the sample size was larger than in the previous studies, it was still limited.

As mentioned earlier, one of the reasons why these three early studies did not show the impact of competition was due to the sample size as well as the conclusions, which were open to interpretation.

Nixon and Jones undertook the problem of limited sample size.⁴ They analyzed a large cross section of competitive and non-competitive dailies and matched thirteen pairs of such dailies. They found a tendency for non-competitive dailies to allocate a slightly smaller proportion of total space to newshole than competitive dailies, but in other categories, they did not find a difference between the competitive and non-competitive newspapers. Despite the larger sample size, a drawback of the Nixon and Jones study was the measurement of competition. They used a dichotomous independent variable, which is, in this case, the presence or absence of competition. Such studies tend to find smaller effects of competition.

Kearl studied the impact of competition on wire service use.⁵ He categorized a total of 728 U.S. newspapers into four different newspaper types, and three different circulation sizes. The four types were monopoly newspapers, newspapers published by an owner with two different newspapers, joint operating agreement newspapers, and newspapers with full local competition. He found that monopoly dailies with circulation

⁴ Raymond Nixon and Robert Jones, "The Content of Non-Competitive vs. Competitive Newspapers," *Journalism Quarterly* 33(3): 299-314 (summer 1956).

⁵ Bryant Kearl, "Effects of Newspaper Competition on Press Service Resources," *Journalism Quarterly* 35(1): 56-64, 89 (winter 1958).

of more than 15,000 had more press services than competitive dailies with comparable circulation. Also, monopoly dailies with circulation under 15,000 tended to have fewer press services than competitive newspapers of the same size.

Weaver and Mullins looked into the effects of market position on content and format characteristics of newspapers in 23 competitive cities.⁶ News stories and photographs in the leading papers were compared with those in trailing papers across the twenty-two content categories. They found that there was little difference between leading and trailing papers. Even though their statistical results suggested null relationships between competition and content, the data showed some important implications in that the leading newspapers tended to have a larger number of news stories and photographs, and subscribe to more wire services than trailing papers, while trailing papers tended to use larger sizes of photographs.

A more extensive analysis of the quality of newspapers was conducted by Becker, Beam, and Russial,⁷ who re-analyzed survey research data gathered in New England by Ghiglione. They coded essays and critiques from journalism experts for the 109 daily newspapers in New England. Relationships between the “quality” of newspapers, community characteristics, and the organizational characteristics of newspapers were examined. They found that competition was not significantly related to the quality of newspapers. However, many interesting and significant relationships with content quality were found: the number of full-time news editorial staff, the number of women on the news-editorial staff, the number of women on the staff dealing with a non-women’s

⁶ David Weaver and L. E. Mullins, “Content and Format Characteristics of Competing Daily Newspapers,” *Journalism Quarterly* 52(2): 257-264 (summer 1975).

⁷ Lee Becker, Randy Beam, and John Russial, “Correlates of Daily Newspaper Performance in New England,” *Journalism Quarterly* 55(1): 100-108 (spring 1978).

page, the starting salary for non-experienced staff, education, the participation of staff in professional organizations, whether or not an audience survey was conducted, and average size of newshole.

Although their research did not support the relationship between competition and content, it did produce an important implication: that organizational factors, resulting from resource allocation to newsrooms, influenced the content quality of newspapers. At least two variables were related to the content quality: the number of full-time news-editorial staff members and the average size of newshole.

As reviewed, most of the earlier research about the impact of direct competition found little or no effect on newspaper coverage and editorial content due to sample type, the measurement of competition, and the choice of content categories. In the 1980s, however, several scholars improved the research method and found the impact of competition. Four extensions of the previous case studies examined individual newspapers longitudinally. Rarick and Hartman tested whether newspapers operating under competitive conditions had different types of stories and editorials compared to those in non-competitive conditions.⁸ They studied the news coverage of 54 issues of the *Tri-City Herald*, serving the cities of Kennewick, Pasco and Richland, Washington, during three different periods. The first period was between October 1, 1948 and June 30, 1949, during which the *Herald* did not have a daily competitor. The second period was from October 1, 1953 to June 30, 1954, during which the *Herald* had intensive competition from the *News*. The last period was October 1, 1962 through June 30, 1963. During this period, the *Herald* clearly dominated the *News*. The three periods

⁸ Galen Rarick and Barrie Hartman, "The Effects of Competition on One Daily Newspaper's Content," *Journalism Quarterly* 43(3): 459-463 (autumn 1966).

represented times in which the *Herald* operated that were intensively competitive, moderately competitive, and not competitive at all. Rarick and Hartman found that the percentage of newshole given to local news and features, pictures, and opinion columns during the intensively competitive period was greater than that of the other two periods. They also found that the percentage of news and feature space given to immediate reward, which were local, state, and national news and features, was higher during intense competition than it was during the other two periods. They concluded that as competitive pressures increased, the choice of local and immediate reward items also increased.

About a decade after the Rarick and Hartman study, Schweitzer and Goldman replicated the Washington study in Bloomington, Indiana.⁹ They compared the contents of the surviving daily newspaper, the *Herald-Telephone*, in 1970, 1973 and 1974. These three periods represented three different levels of competition: intense competition, moderate competition and no competition. They also surveyed readers in Bloomington. They found that the space given to pictures and the space given to editorials varied according to the intensity of competition. However, unlike Rarick and Harman, they did not find a marked difference in the space given to local news, features, and immediate reward news.

The results presented by Schweitzer and Goldman were not entirely consistent with those of the Washington study for several reasons. First, the two studies did not share the same definition of intense competition. The Washington study defined intense competition as a situation where the competing daily newspapers had nearly the same

⁹ John Schweitzer and Elaine Goldman, "Does Newspaper Competition Make a Difference to Readers?" *Journalism Quarterly* 52(4): 706-710 (winter 1975).

circulation, while the Bloomington study defined intense competition simply as two papers in a market, disregarding the circulation size. Second, the Bloomington study did not have valid circulation figures for the competing newspapers, as the authors themselves acknowledged.

McCombs analyzed how the situational change of the newspaper market from competitive to non-competitive influenced news content.¹⁰ He analyzed the content of the *Press* and the *Plain Dealer* in Cleveland, Ohio, in 1980 and the *Plain Dealer* in 1983 after the competition had closed. Issues of the *Press* and the *Plain Dealer* were randomly sampled from September 1980 and 1983 to form constructed weeks. He found that none of the comparisons between the competition-era *Plain Dealer* (1980) and the post-suspension *Plain Dealer* (1983) showed anything other than random variations across the days of the week. He concluded that the *Plain Dealer* was very similar in content after monopoly to what it had been when it had competition from the *Press*.

However, there is a question concerning his statistical procedure. He concluded that there was a statistically significant difference between the number of news items in the front section of a newspaper in the *Plain Dealer* and the *Press* in 1980, and that there was not a difference between that in the *Plain Dealer* alone in 1980 and in 1983. Yet, the table figures indicate that the percentage of all the news items in the newspaper, which appear in the front section, was 40.6% in the *Press*, 37.5% in the *Plain Dealer* in 1980, and 29.0% in the *Plain Dealer* in 1983. The difference between the percentage of news items in the *Press* and that in the *Plain Dealer* in 1980 was much smaller than the difference between the *Plain Dealer* alone in 1980 and that in 1983. McCombs obviously

¹⁰ Maxwell McCombs, "Effect of Monopoly in Cleveland on Diversity of Newspaper Content," *Journalism Quarterly* 64(4): 740-744, 792 (winter 1987).

did not take this point into account and therefore missed the large difference. In the same way, there was a difference between the competition-era *Plain Dealer* (1980) and the post-competition-era *Plain Dealer* (1983) in the proportion of comics and letters to the editors. Overall, McCombs study showed that the monopoly newspapers were less likely to have news items in the front section and letters to the editors, and more likely to have comics.

Wanta and Johnson examined the coverage of the St. Louise *Post-Dispatch*, Missouri, during two periods of competition and two periods of non-competition.¹¹ These four periods were the years of 1986, 1989, 1990 and 1992. The authors called the first period one of decreasing competition because the *Post-Dispatch*'s competitor folded in fall 1986. The second period was called a no competition period because the competitor had ceased to exist. The third period was one of increased competition due to the reemergence of new competitors in September of 1989. The last period was a period of no competition due to competitor's close-down. The authors compared the coverage in the *Post-Dispatch* during a period of decreasing competition, 1986, to a period of no competition, 1989. They also compared coverage in the *Post-Dispatch* during a time of no competition, 1989, to a period of increased competition, 1990. In addition, they compared coverage in the *Post-Dispatch* during a time of increased competition, 1990, to a period of no competition, 1992. A constructed week for the month of February was selected for their analysis and six major categories were examined: wire services, graphics, geographical location of stories, number and size of photos, categories of news coverage, and headline sizes.

¹¹ Wayne Wanta and Thomas Johnson, "Content Changes in the St. Louis Post-Dispatch During Different Market Situations," *Journal of Media Economics* 7(1): 12-28 (1994).

The research partially supported the impact of competition on content. They found that the *Post-Dispatch* subscribed to more wire services in 1986 than in 1989, and increased expenditures during a time of increased competition in 1990 by expanding its usage of state items. However, they also found partially inconsistent results from the effects of competition. They said, “the *Post-Dispatch* increased expenditures in one area at a time when it operated as a monopoly; it reduced expenditures in another during a time of competition. These moves are directly in conflict with the theory of financial commitment.” Overall, the authors concluded that market influence appeared to be only one of several factors that might affect news coverage patterns.

The conclusions of the authors are suspect for several reasons. First, they selected February 1990 as the increasing competition period. However, February 1990 was just two months before the *Sun* closed. It is difficult to say how a newspaper only a few months from closing can compete with the *Post-Dispatch* and provide well-established content. Thus, it was not appropriate to compare coverage of the *Post-Dispatch* in 1990 with that of 1989 and 1992, which were no competition periods. Second, the *Sun*, which ran for only eight months, was a multicolor tabloid with 55,000 subscribers, while the *Post-Dispatch* had a daily circulation of 376,888. It is unlikely that these two newspapers competed against each other for the same audience and advertisers.

If the St. Louis study had compared the coverage of the *Post-Dispatch* in 1986, a period of competition, with that of 1992, a period without competition, the study would have produced results consistent with the impact of competition. The data would show that without competition, the *Post-Dispatch* ran significantly fewer editorials, less news from the wire services, and more syndicated news. Also, without competition, it covered

significantly more state news and unknown news, but less international news and local news.

Litman and Bridges expanded the previous longitudinal studies with a large national sample of cross-sectional studies and concluded that competition influences expenditure on news.¹² They analyzed the four quality performance variables--number of full-time staff, number of news services, absolute weekday lineage, and percentage of overall weekday space--of 100 largest newspapers in 78 different communities. The competition independent variable, and the four quality performance dependent variables were used for regression analysis. They found that competitive newspapers subscribed to more wire services and ran larger newshole than non-competitive newspapers. This tendency documented as the *financial commitment model*.

The model assumption is that the structure of economic market affects the newspaper expenditures, which, in turn, affect the performance of those markets. In other words, that competition leads to greater expenditures on the newsgathering.

In 1987, Lacy conducted an ambitious study.¹³ By thoroughly reviewing previous studies, he categorized all the possible content variables which were influenced by competition into three groups based on newspaper organization allocation procedures: budget allocation, news space allocation and editorial/opinion space allocation. He selected a total of 21 content variables. Budget allocation was considered the allocation of resources by management through the budget process which usually occurs once a year. This included the number of staff members, the number of wire services, reporter's

¹² Barry Litman and Janet Bridges, "An Economic Analysis of Daily Newspaper Performance," *Newspaper Research Journal* 7(3): 9-26 (spring 1986).

¹³ Stephen Lacy, "The Effects of Intracity Competition on Daily Newspaper Content," *Journalism Quarterly* 64(2/3): 281-290 (summer/autumn 1987).

workload, the percentage of news section given to in-depth coverage, the percentage of news section given to news copy, and the percentage of newshole given to news and editorial material. News space allocation was considered the daily allocation of news space involving the editors' selection of the most newsworthy stories from all of the wire services, syndicates and staff. He listed seven factors: hard news, wire news, staff news, local city news, local county news, international news, and visual material.

Editorial/opinion space allocation referred to the space allocation process dealing with the day-to-day allocation of space on the editorial and opinion pages.

Lacy randomly sampled 114 newspapers and analyzed the impact of competition on each of the 21 content variables with regression analysis. Results showed that five out of 21 dependent variables were related to competition. Among them, four variables were budget allocation variables: the percentage of newshole given to news and editorial material, reporter's workload, the percentage of news section given to news copy, and the number of wire services. The other variable was the percentage of news section given to county coverage, which was in the news space allocation category. Thus, he found that as intensity of competition increased, newspapers would decrease the percentage of newshole given to news and editorial material, reporter's workload, the percentage of news section given to news copy, the percentage of news section given to county coverage, and would increase the number of wire services. He concluded that competing newspapers would attempt to differentiate themselves through the budget allocation process and choose to remain substitutes in the types and topics of news by not differentiating themselves through news space allocation. Lacy supported the financial commitment model.

Lacy presented a model of the financial commitment process.¹⁴ He divided the process, which is the transformation of competition into market performance, into four steps. The first step illustrates how, as the intensity of competition increases, the amount of money committed to news content also increases. Newspaper companies spend money to remain substitutes for each other in order to attract readers. To achieve these goals, each newspaper needs to spend more money on news, such as subscribing to more wire news, and hiring more staff members. At this stage, the intensity of the competition motivates sellers to differentiate their products from that of their competitors to attract readers. As a result, sellers spend a great deal of money on news which has significant potential to influence market performance. The second and third steps explain how newspaper companies translate their resources into content quality, and how, as a result, the audience's utility from the content increases. As the financial commitment to news increases, content quality also increases. The quality of newspaper content can be defined in various ways, but the financial commitment model assumes that with additional financial support, journalists will produce content that they consider to be of better quality than the content produced with fewer resources. As a result of increased content quality, the audience gains more useful information from the content. This logic is based on two assumptions. First, the audience uses media purposefully, and quality journalism as defined by audiences, to some extent, overlaps with that of journalists. Second, quality is demanded by the audience and the audiences' utility increases when the content is of higher quality. The last step demonstrates how, as audience utility increases, the performance of news organizations, as measured by circulation and ratings,

¹⁴ Stephen Lacy, "The Financial Commitment Approach to News Media Competition," *Journal of Media Economics* 5(2): 5-21 (summer 1992).

also improves. This stage is a consequence of audience evaluation of newspapers. By the final stage, how newspapers commit financially to the news is clear.

After the financial commitment model was supported empirically, Lacy attempted to make the model more robust by replicating a previous study conducted by Kearl in 1958¹⁵ in which no relationship was found between competition and the number of wire services carried by newspapers.¹⁶ He addressed the drawbacks of the Kearl study in several ways. First, instead of using the categorical measure of competition, Lacy used the competition index, which was calculated by subtracting the market share of the second place newspaper from the market share of the leading newspaper. Second, Lacy also controlled for circulation which represents a newspaper's financial resources, and according to Lacy, it was an important variable in the explanation of the number of press services.¹⁷ Third, a more sophisticated statistical method, regression analysis, was applied Lacy's study. Forth, while Kearl concentrated on only the three large wire services, Lacy included other wire services such as *The New York Times*, and *The Los Angeles Times*.

A total of 198 newspapers which represented about 11% of the 1980 total of U.S. newspapers was randomly sampled. Lacy found that both intensity of competition and circulation were significantly associated with the number of news services carried. He concluded that the differences between his findings and Kearl's might be a result of Kearl's decision not to include the extra wire services. The Lacy study suggested that

¹⁵ Bryant Kearl, "Effects of Newspaper Competition on Press Service Resources," *Journalism Quarterly* 35(1): 56-64, 89 (winter 1958).

¹⁶ Stephen Lacy, "Newspaper Competition and Number of Press Services Carried: A Replication," *Journalism Quarterly* 67(1): 79-82 (spring 1990).

¹⁷ *Ibid.*, 79-82.

competitive newspapers differentiated themselves by subscribing to press services that provide features, softer types of news stories, and analysis news.

With a study of 114 newspapers, Kenney and Lacy examined the economic reasons for the use of color and graphics in newspapers.¹⁸ They hypothesized that as the intensity of competition increases, the number of graphics, space devoted to graphics, and space devoted to color increases. They found that the intensity of competition resulted in an increase in the number of graphics, the percentage of front pages allocated to graphics, and percentage of front pages allocated to color. In this study, the financial commitment model was also supported in the area of newspaper color and graphics.

The relationship between competition and quality journalism was examined by White and Andsager.¹⁹ Quality was defined as the number of the Pulitzer Prize winners per newspaper. Daily newspapers were categorized according to the degree of competition: newspapers in non-competitive markets, those in sister paper markets, those in joint operating agreement markets, and those in competitive markets. The number of the Pulitzer Prize winners between 1985-89 was also counted based on the four competition categories. They found that as newspaper competition increased, the likelihood of producing quality journalism, as measured by winning Pulitzer Prizes increased.

In another study, Lacy, Fico and Simon examined the relationship among competition, average reporters' workload and content quality by conducting content

¹⁸ Keith Kenney and Stephen Lacy, "Economic Forces Behind Newspapers' Increasing Use of Color and Graphics," *Newspaper Research Journal* 8(3): 33-41 (spring 1987).

¹⁹ H. Allen White and Julie Andsager, "Winning Newspaper Pulitzer Prizes: The (Possible) Advantage of Being a Competitive Paper," *Journalism Quarterly* 67(4): 912-919 (winter 1990).

analysis.²⁰ For the purpose of their study, quality was defined as fairness and balance. The measures of fairness and balance were determined by a content analysis of twenty-one large circulation and prestigious newspapers. They found a direct competition had a direct significant impact on fairness, and an indirect impact on imbalance through fairness, but it did not significantly influence the average reporters' workload.

As they themselves recognized, a drawback of their study was the limitation of non-probability sampling. Only the prestigious newspapers with the largest circulation were non-systematically sampled, which influenced the result of their study.

An effort was made by Lasorsa to test the impact of competition on public opinion diversity.²¹ He used survey data from the American National Election Study by the University of Michigan's Institute for Social Research to compare the diversity of opinion on public issues held by individuals in newspaper monopoly markets with those in newspaper competitive markets. Results of a multiple regression analysis revealed that the competition dummy variable accounted for 4% of the variance in public opinion diversity. People who were in competitive markets tended to have more diverse opinions than those in monopoly newspaper markets. He concluded that newspaper competition remained important for encouraging a diversity of views on public issues.

The impact of competition on opinion diversity was also examined by Vermeer.²² He studied the impact of competition on electoral competition, and hypothesized that the presence of multiple newspapers in a county increased the competitiveness of election

²⁰ Stephen Lacy, Frederick Fico, and Todd Simon, "Relationships Among Economic, Newsroom, and Content Variables: A Path Model," *Journal of Media Economics* 2(2): 51-66 (fall 1989).

²¹ Dominic Lasorsa, "Effects of Newspaper Competition on Public Opinion Diversity," *Journalism Quarterly* 68(1/2): 38-47 (spring/summer 1991).

²² Jan Vermeer, "Multiple Newspapers and Electoral Competition: A County-Level Analysis," *Journalism and Mass Communication Quarterly* 72(1): 98-105 (spring 1995).

results in that county. Competitiveness was defined as the absolute value of the Democratic percentage of the vote minus 50%. This measurement showed a disparity between the Democratic vote and the others. He found that the number of dailies in a county was negatively related to competitiveness, which indicated that the greater the number of newspapers that were published in a county, the closer the election results were. He also found that the number of dailies were negatively associated with elections involving an incumbent. He concluded that the availability of additional newspapers decreased incumbents' advantage in attracting news coverage over challengers by giving challengers more outlets to publicize their campaigns. The two results reported above suggest that newspaper competition does impact diversity of public opinion.

Research conducted outside the United States also found a relationship between competition and news content. Trim, Pizante and Yaraskavitch examined the effect of newspaper competition, with the shift from competition to monopoly occurring in two widely separated markets, on the coverage of local government by Canadian newspapers.²³ They analyzed the coverage of the *Ottawa Citizen* and the *Winnipeg Free Press* before and after their competing papers' simultaneous demise on August 20, 1980. The study period before the closures of their competitors was from July 1 to December 31, 1979, while the study period after the closures was from July 1 to December 31, 1981. A total of 180 newspaper issues were sampled and 537 local government stories were analyzed.

They found that, following the elimination of competition, the quantity of city hall news decreased in each newspaper. In the *Winnipeg Free Press*, in 1979, 141 municipal

²³ Katharine Trim, Gary Pizante, and James Yaraskavitch, "The Effect of Monopoly on the News: A Before and After Study of Two Canadian One Newspaper Towns," *Canadian Journal of Communication* 9(3): 33-56 (1983).

stories were published while in 1981 there were only 47 stories. A calculation of the newshole in the Winnipeg news market revealed that the newshole of the *Free Press* dropped to 30% of its former size. In Ottawa, in 1979, the *Citizen* published 99 municipal stories and in 1981, 79 stories appeared. Computations of the newshole showed a 20% drop in municipal news in the *Citizen*. They concluded that without competition, the surviving papers reduced the coverage of local government affairs, and increased their dependence on higher profile sources for news.

Other research in Canada was conducted by McCombs.²⁴ He analyzed the content of the Montreal *Star* and *Gazette* in 1978 and the *Gazette* in 1980 after the competing paper closed down. He also analyzed the content of the Winnipeg *Tribune* and *Free Press* in 1978 and the *Free Press* in 1981 after the competitor's close down. Both in Montreal and Winnipeg, pairs of dailies were examined in a period of competition, and the surviving daily was examined before and after the competitors' close down. He tested two hypotheses: that of competition and diversity, which predicted differences during the period of competition in each city, and that of the sociology of news and journalism, which predicted no significant difference between the newspapers during the period of competition in each city due to the similarity of professional values, beliefs, and practices held by the journalists.

Although McCombs concluded that professional perspectives on journalism, not the presence or absence of competition, determine the content of the daily newspaper, his interpretation of the results is questionable. His results showed statistically significant

²⁴ Maxwell McCombs, "Concentration, Monopoly, and Content," in *Press Concentration and Monopoly: New Perspectives on Newspaper Ownership and Operation*, eds. Robert Picard, James Winter, Maxwell McCombs, and Stephen Lacy (Norwood, NJ: Ablex Publishing Corporation, 1988), 129-137.

differences between the coverage of newspapers with competitors and those without competitors even though he did not test all the categories.

A comparison of the coverage of the *Gazette* in 1977 and that in 1980 revealed that the *Gazette* increased cosmopolitan news coverage as well as international news coverage, while decreasing local news coverage after the *Star* closed down. Also, the use of locally produced staff copy declined from 38.07% to 29.86%. After the demise of the *Tribune* in Winnipeg, the *Free Press* significantly increased the number of letters to the editor that they published. The number of letters published in the *Free Press* in 1981 was more than double than of 1977. In terms of the geography of news coverage, the *Free Press* decreased its local news coverage and Ontario news coverage, and expanded its U.S. news coverage.

The results of McCombs study overall suggested that the change of markets did have an impact on news content although he reported that there was no impact of market change on content. Newspapers without competition tended to have more international coverage than local coverage, and less space devoted to coverage prepared by local staff members.

In summary, research before the mid-1980s did not show any impact of direct competition on news and editorial content. Failure to find an impact can be attributed to differences in the type of sample, the measurement of competition, and the choice of content categories. However, studies after the mid-1980s suggest that there is sufficient evidence of differences in newspaper resource allocation processes in competitive situations to conclude that competition does impact newspaper resource allocation.

Umbrella Competition

Unlike the computer industry, which can sell identical models anywhere in the country, the newspaper industry alters newspaper content according to geographical market. A newspaper market characterized by hundreds of competitors similar in content and price range does not exist. Only newspapers have relatively few direct competitors, even in major metropolitan areas such as New York, Washington, D.C., San Francisco, and Los Angeles. In these markets, newspapers are similar in many ways so they can attract large circulations. However, they differentiate themselves to gain the larger circulation.

Although the number of direct competing newspapers is very small, far more newspapers compete with different types of newspapers across city boundaries. Competition exists between newspapers in a county and intruding newspapers from adjoining counties, and between weeklies and dailies in the same market. Rosse first proposed this type of competition in 1975 and called it *umbrella competition*.²⁵ A conceptual model of umbrella competition illustrates how there are four layers of newspapers that compete with newspapers in layers above and below. The first layer consists of metropolitan dailies that cover an entire region or state. These newspapers provide a large amount of regional, national and international coverage, but the amount of local news is relatively small. The second layer consists of satellite city dailies, which have more local coverage than metropolitan dailies, but also cover news occurring outside their cities of origination. The third layer is composed of suburban dailies, which

²⁵ James Rosse, "Economic Limits of Press Responsibility," discussion paper, Studies in Industry Economics, Stanford University, no. 56, 1975; James Rosse, "An Economist's Description of the Media Industry," in *Proceedings of the Symposium on Media Concentration, December 14-15* (Washington, DC: Bureau of Competition, Federal Trade Commission, 1978), 40-192.

are very local in nature. The fourth layer is comprised of a variety of newspapers such as paid and free weekly newspapers, shoppers, and other specialized non-daily newspapers. Content in these newspapers is almost exclusively local in nature.

In addition to the four layers included in Rosse's original model, at least two more layers exist. One is a layer of national newspapers above the metropolitan daily newspapers.²⁶ With the development of *USA Today* and the national edition of *The New York Times*, researchers have begun to consider them constituents of this layer. The sixth layer consists of group-owned, non-daily newspapers. According to Lacy and Simon, the difference between papers in this layer and those in the layer of independent weeklies is their ability to attract advertising.²⁷ Weekly papers owned by chains would reach a larger audience compared to an independently owned weekly, which covers one suburb.

The basic hypothesis of the umbrella model is that there is little competition for circulation, advertising and content among newspapers within each layer because newspapers of the same level rarely share circulation zones with their competitors. Their geographic boundaries may overlap, but only slightly. Rather, it is the competition between the different layers that is significant, and this competition should intensify as one moves down the model. As a result, newspaper coverage in the lower layers becomes more local in nature and tends to have a larger newshole in order to protect these newspapers from larger newspapers originating from outside the county. According to this model, newspapers in different layers are more likely to be complements than substitutes for one another. When umbrella competition intensifies, which means the newspapers in the layer above are a better substitute for the newspapers

²⁶ Stephen Lacy and Todd Simon, *The Economics and Regulation of United States Newspapers* (Norwood, NJ: Ablex Publishing Corporation, 1993), 112-118.

²⁷ *Ibid.*, 112-118.

in the layer below. This model also states that competitive pressures are different between the various levels.

However, the degree to which Rosse's hypothesis is valid varies from one geographic area to another. Because Rosse's original research was conducted in metropolitan areas in San Francisco, his umbrella model emphasizes the metropolitan markets. Even the number of layers varies from one area to another. Detroit, for example, has a national paper, two metropolitan dailies, and two weeklies within the market,²⁸ while East Lansing, Michigan, located about 80 miles west of Detroit has a national daily, two metropolitan dailies, a satellite-city paper and a weekly within the market. The intensity of competition varies greatly within a given geographic area. Consequently, such a market difference makes newspapers to produce enormously different content within the market.

Since Rosse introduced the umbrella competition model, researchers have examined this model in a variety of ways. Research concerning umbrella competition falls into two broad categories. The first is composed of research dealing with content analysis or survey research and tries to find a relationship among umbrella competition and financial commitment and news coverage. The second one is composed of research which examines the market structure of the daily newspaper industry and attempts to explain the impact of umbrella competition on circulation or penetration. This category is also divided into two sub groups: research in metropolitan areas and research in non-metropolitan areas. Rosse's original study falls into the metropolitan-area research

²⁸ R. R. Bowker, *2000 Working Press of the Nation*, 50th ed. (New Providence, NJ: R.R. Bowker, 2000), 3.290.

group. This group tends to find that competition is stronger going downward rather than upward, while research into the non-metropolitan-area group tends to find the opposite.

Early research of umbrella competition used a survey method to test the effect of umbrella competition. Lacy conducted a survey of newspaper executives in thirteen Southwest standard metropolitan statistical areas to determine the extent of competition among layers.²⁹ His three hypotheses attempted to discern how competition from the different layers was perceived by newspaper executives. Questionnaires were originally mailed to 36 metro daily executives, 42 small daily publishers and 96 weekly publishers. The questionnaires had a 71% response rate. He found that both small daily publishers and weekly publishers felt that they could increase circulation and advertising without metropolitan daily competition, but the metro executives did not feel as confident that metropolitan dailies would produce gains without competition from smaller newspapers. He also found that 50% of the small daily publishers and 48.2% of the weekly publishers expressed the concern that competition from other layers was a threat to the survival of their newspapers, while only 14% of the metropolitan daily executives felt similarly.

The results indicate that newspaper managers perceive a relatively high degree of competition among the dailies. Executives in metropolitan dailies had the desire to expand their markets into satellite cities, whereas executives in the lower layers felt more threatened by competition from the upper layers than the reverse. As Rosse predicted, competition for circulation and advertising was more intense downward than upward.

The following year, Lacy re-analyzed the data of survey research in the 13 Southwest SMSAs to focus more on the impact of market structure in the central city on

²⁹ Stephen Lacy, "Competition Among Metropolitan Daily, Small Daily and Weekly Newspapers," *Journalism Quarterly* 61(3): 640-644, 742 (autumn 1984).

the intensity of umbrella competition.³⁰ Lacy tested the previous findings by Rosse, Owen and Grey in which they determined that metropolitan monopoly dailies were a greater threat to suburban dailies in nearby cities than competing metropolitan dailies because monopoly dailies had greater resources to move into the suburbs than competitive dailies.³¹ Lacy found that a greater number of small newspaper publishers facing monopoly metro dailies expected circulation would increase without competition from the metropolitan dailies than publishers of smaller newspapers facing competitive metro dailies. Also, he found that smaller newspapers with competitive metropolitan dailies in the central market felt more competition for advertising revenue than those with monopoly metropolitan dailies in the central market.

The study indicated that although it was not the case for advertising competition, monopoly metropolitan dailies were more a threat to smaller papers than competing metropolitan dailies were to the smaller newspapers for circulation competition. This is because the monopoly profits financially allow newspapers to move into suburban markets. This implies that different market structures of the daily newspaper industry influences the perceptions of newspaper executives differently regarding umbrella competition.

A few studies have dealt with non-daily papers and shared mail. Guenther studied a survey that researched about changes in circulation, competition, ownership and use of technology which were observed by publishers of paid weekly, free weekly newspapers

³⁰ Stephen Lacy, "Monopoly Metropolitan Dailies and Inter-City Competition," *Journalism Quarterly* 62(3): 640-644 (autumn 1985).

³¹ James Rosse, Bruce Owen, and David Grey, "Economic Issues in the Joint Ownership of Newspaper and Television Media: Comments in Response to 'Further Notice of Proposed Rule-Making' Federal Communications Commission, Docket 18110," publication of the Workshop in the Economics of the Press, Stanford University, 1970.

and shoppers in suburban and metropolitan areas in Minneapolis and St. Paul, Minnesota in order to see if the changes were consistent with those observed by publishers in other parts of the country.³² A total of 81 publishers responded to questions about circulation, competition, ownership and use of technology. She found that 50 out of 81 weeklies had an increase in circulation during the last decade. These circulation increases were attributed to the growing number of free papers due to the phenomenon of paid newspapers developing into free distribution papers, due largely to competition from shoppers and other free papers. Most of the competition came from free newspapers and shoppers that offer total market coverage, and several were forced to turn to free circulation in areas in which a rival distributes free papers. This result, the decline of the circulation of paid weeklies and the increase of free distribution papers, suggests that free distribution papers were substitutes for, rather than complements to, paid weeklies. It also suggests that the competition among weeklies is stronger upward than downward.

Smith analyzed the impact of shared mail on editorial quality in non-daily newspapers.³³ Editorial quality was defined as perception by the respondents about overall editorial quality, size of the newshole, the budget allocation to the news department, and the number of editorial employees. Personal interviews with representatives of all 41 non-daily newspapers in Utah were conducted. He asked if representatives felt shared mail affected the quality of their newspapers, size of the newshole, the budget allocation, or the number of reporters. The study split the

³² Lea Guenther, "Four Categories of Change at the Weekly Newspaper," *Journalism Quarterly* 64(4): 863-867 (winter 1987).

³³ Ken Smith, "The Impact of Shared Mail on Editorial Quality in Non-Daily Newspapers," *Newspaper Research Journal* 13(3): 36-47 (summer 1992).

newspapers into two types based upon the response to the question of whether or not they had faced shared mail competition.

Results showed that 34.3% of representatives in the competitive situation answered that the quality of news declined, while none in the non-competitive situation answered similarly. In questions about the size of newshole and budget allocation, 48.6% of the representatives in the competitive situation and none in the non-competitive situation responded that the quantity of news decreased and the budget for the news decreased. When questioned about staff size, 26.5% in the competitive situation and 16.7% in the non-competition situation said that staff size had decreased. This study suggests that shared mail causes a decline in editorial quality in the non-daily newspapers.

Smith's shared mail study contradicted the majority of studies which support the idea that competition results in an improvement in quality. One possible explanation for this contradiction is that non-dailies might be competing with shared mail for the same advertisers. Since the greatest share of advertising revenue comes from preprinted inserts for non-daily newspapers, and considering the fact that revenue from advertising is a primary source of revenue for the entire non-daily newspaper operation. Shared mail and other unsolicited-mailed advertising play an important role in non-daily newspaper profit. As intensity of competition with shared mail increases, non-daily newspapers will likely lose advertising revenue that could be used to improve editorial quality. As a result, editorial quality may decline. Thus, as the number of firms increases, the more excess profit would decline. Non-dailies might not have enough profit available to improve their editorial quality.

Umbrella competition studies have also examined the impact of competition on content. A small number of studies have been conducted with content analysis to analyze the connection between umbrella competition and the content of daily newspapers. One of the comprehensive content analyses in this field was conducted by Lacy.³⁴ He asked two major questions. First, what is the impact of competition on three types of resource allocations: budget allocation, space allocation and editorial/opinion allocation? Second, do newspapers in lower layers have more local coverage than those in higher layers? The content of a national random sample of 114 newspapers was examined.

The results of the first question demonstrate that the intensity of umbrella competition influences the percentage of space in a newspaper given to news coverage as well as coverage of news in the city in which the newspaper is located. The number of wire services, staff size and square inches of copy per reporter were not applicable to umbrella competition. The results of the comparison among newspapers in various layers suggested that the suburban dailies had a significantly larger percentage of news sections available for news, a smaller percentage of news space given to foreign news, and a larger percentage of space given to county news than did metropolitan dailies. When suburban dailies were compared to satellite dailies, suburban dailies had a significantly larger percentage of news space devoted to city news and county news than satellite dailies. Compared to metropolitan dailies, satellite dailies had more of their news section available for news, a smaller percentage of news sections given to foreign news, and a smaller percentage of news section given to county news than the metropolitan dailies.

³⁴ Stephen Lacy, "The Impact of Intercity Competition on Daily Newspaper Content," *Journalism Quarterly* 65(2): 399-406 (summer 1988).

Lacy concluded that as a larger newspaper with greater resources for covering events outside the local market invaded a suburban market, the small newspapers, in order to retain their readers, differentiated themselves by increasing local news coverage. In addition, the intensity of umbrella competition influenced the percentage of newshole and the percentage of city coverage where the paper is located. Newspapers in the lower layers tended to have more newshole and more local news coverage. Unlike direct competition, umbrella competition did not influence the number of wire services and the reporters' workload.

Lacy, Fico and Simon attempted to explain how economic environmental variables interact with organizational variables to affect content using a path analysis.³⁵ They hypothesized that the intensity of competition decreases the reporters' workload, which increases fairness and decreases story imbalance. The measure of umbrella competition was defined as the percentage of households in the SMSA counties in which the newspaper was located that received other daily newspapers. The content of 21 non-randomly-selected newspapers was analyzed. The results of multiple regression analysis showed that as competition increased, reporters' workload decreased and, consequently, imbalance decreased. Also, as competition increased, story fairness increased. This study suggests that umbrella competition leads to increased spending on the newsroom which positively influences content.

Lacy, Sohn and Stephens examined suburban coverage by metropolitan dailies and non-daily suburban papers in Denver and Detroit.³⁶ Two metropolitan dailies and

³⁵ Lacy, Fico, and Simon, 51-66.

³⁶ Stephen Lacy, Ardyth Sohn, and Lowndes Stephens, "Suburban News Coverage: A Content Analysis of Metropolitan and Suburban Papers in Denver and Detroit," *Newspaper Research Journal* 10(3): 39-50 (spring 1989).

sixteen suburban weeklies in Detroit and two metropolitan dailies and twelve suburban weeklies in Denver were sampled by convenience. A *t*-test was used for data analysis. The researchers compared the average number of square inches of suburban coverage by the two types of newspapers and found that metropolitan dailies in both Denver and Detroit had less suburban news coverage than non-daily suburban papers. These results indicate that newspapers in the lower layers tend to use local coverage to differentiate themselves and tend to complement newspapers in upper layers.

After reviewing the conclusions of the study by Lacy, Sohn and Stephens³⁷ the following year, Lacy and Sohn realized that they might have ignored the possibility of substitutability between metro dailies and suburban weeklies even though competition for readers between the two types of papers was not extensive.³⁸ They said that the amount of suburban coverage required varied from reader to reader, which did not mean that the two types of newspapers were complements for each other even if there was a difference in the amount of coverage.

Using the same data set, substitutability between the metro dailies and suburban non-dailies was tested. They hypothesized that the circulation of the metropolitan dailies and the circulation of the suburban weeklies was correlated with the same categories of suburban news, editorials and advertising. They believed that similar correlations between circulation and content categories for metro dailies and suburban weeklies could be expected. The results of Pearson correlation coefficients showed that in the area of local societal news, the metro dailies and the suburban weeklies were the most similar in the Detroit market. In the Denver market, similar correlation coefficients between dailies

³⁷ Ibid., 39-50.

³⁸ Stephen Lacy and Ardyth Sohn, "Correlations of Newspaper Content with Circulation in the Suburbs: A Case Study," *Journalism Quarterly* 67(4): 785-793 (winter 1990).

and non-dailies were found for local display advertising, insert advertising and local sports coverage.

They concluded that the cross-elasticity of demand between metropolitan dailies and suburban weeklies was slight. According to the results in the Detroit market, it appeared that these two types of newspapers served as complements to a degree. On the other hand, results in the Denver market indicated that metropolitan dailies were substitutes for non-dailies in some geographic areas of news coverage. The inconsistency within the study could be due to the nature of the newspapers and issues which were sampled, as the researchers stated, but this study suggests that the cross-elasticity of demand for content varies from market to market and reader to reader. This was especially the case in suburban areas where people might live in one town, work in another, and shop in still another. Because of this tendency, managers had difficulty understanding what their readers considered local.³⁹

Outside the United States, Cho examined the impact of umbrella competition on international news coverage in Japan, where he analyzed the international news coverage of 48 newspapers.⁴⁰ He found that competition had a negative relationship with 36.7% of the variance in total international news. The higher the intensity of competition was, the less international news appeared in the newspapers. He concluded that, like findings in Western countries, the intensity of competition influences news coverage. He also reported that in Japan, competition impacts international news coverage, while Western

³⁹ Lacy and Simon, *Economics and Regulation of United States Newspapers*, 116.

⁴⁰ Hiromi Cho, "The Impact of Organizational and Market Factors on International News Coverage in Local Japanese Newspapers" (paper presented to the Second Annual Interdisciplinary Conference, Los Angeles, CA, April 1999).

newspaper competition impacts local news coverage. This study suggests the existence of umbrella competition in Japan.

With the same data set, Cho also conducted research examining the impact of umbrella competition on international conflict-oriented news.⁴¹ Results showed that competition had a negative relationship with international conflict-oriented news and 43.8% of the variance in international conflict-oriented news could be explained by competition. The results indicate that Japanese newspapers differentiate news coverage by allocating less space to international conflict-oriented news when competition is high. This study was partially consistent with existing literature in the United States that support the notion that competition influences local conflict coverage.

The majority of research in umbrella competition studies in the United States has looked at the market structure of the daily newspaper industry and has tried to explain the impact of umbrella competition on circulation or penetration. Devey looked at the relationships among the circulation of metropolitan newspapers, satellite newspapers, and suburban newspapers in the Boston metro area.⁴² She calculated the circulation of three types of newspapers at five-year intervals during the forty-year period between 1945 and 1985 and analyzed the umbrella competition for circulation. She concluded that umbrella competition between metropolitan daily newspapers and lower-level newspapers did not exist when taking population growth into account.

Her study, however, had three problems. First, her discussion was based primarily on aggregate changes between 1945 and 1985, not changes at five-year

⁴¹ Hiromi Cho, "Factors Influencing International News Coverage in Japanese Local Newspapers," (master's thesis, Michigan State University, 1996).

⁴² Susan Devey, "Umbrella Competition for Newspaper Circulation in the Boston Metro Area," *Journal of Media Economics* 2(1): 31-40 (spring 1989).

intervals, which means that the only comparisons she made were those between circulation in 1945 and 1985. She did not take into account any of the years between 1946 and 1984. Second, aggregate data alone was not significant. Instead, data from the individual sub-markets within the Boston SMSA should have been used. Third, she failed to employ sophisticated statistical techniques. If the study had run, for example, regression analysis among the circulation of metro dailies, satellite dailies and suburban dailies controlling for population growth, the results might very well have been different.

Tillinghast analyzed umbrella competition for circulation among metropolitan dailies, satellite dailies and suburban dailies in Los Angeles, Orange and San Diego Counties using circulation data provided by the Audit Bureau of Circulations.⁴³ She found that extensive umbrella competition existed between layers. In Los Angeles County, the competition was primarily between the *Times* and suburban newspapers. In Orange County, the battle for circulation was primarily between the *Times* and the *Register*, a satellite daily. The research, however, indicated that umbrella competition outside of the metropolitan area was, to a certain degree, limited. Moving away from the center of the market, the circulation of the metropolitan papers became less dense, and as a result, the metropolitan papers experienced a competitive disadvantage serving advertisers and readers with more localized interests. This was true especially when metropolitan dailies competed with smaller newspapers for local advertisers outside of their primary market areas. Thus, the metropolitan newspapers were limited in their growth potential in areas away from the center of its market.

⁴³ Diana Stover Tillinghast, "Limits of Competition," in *Press Concentration and Monopoly: New Perspectives on Newspaper Ownership and Operation*, eds. Robert Picard, James Winter, Maxwell McCombs, and Stephen Lacy (Norwood, NJ: Ablex Publishing Corporation, 1988), 71-87.

Thillinghast's study suggests that the degree of competition among the different layers varied from market to market because the number of newspapers within a layer and the number of layers also varied from market to market. Markets away from the metropolitan areas differed from those in metropolitan areas. Consequently, the direction of competition might not necessarily be downward as Rosse predicted, and as was observed in metropolitan areas.

After Tillinghast's study, umbrella competition research in the areas of circulation and penetration shift to the study of non-metropolitan areas. Lacy and Dalmia examined daily and weekly penetration outside metropolitan areas in Michigan.⁴⁴ They looked at daily and weekly newspaper penetration rates within the 80 counties outside the Detroit metropolitan area in Michigan for 1980, 1983, 1986 and 1989. Their results indicated a strong negative relationship between the satellite dailies and weeklies for each year that was included in the study. The Sunday editions of metropolitan dailies also pointed towards a strong negative correlation with the satellite dailies during the four periods. These results suggested competition between the satellite dailies and weeklies, and the Sunday editions of the metro and satellite dailies. In addition, the data showed that the part correlation squared with the metropolitan dailies as the dependent variables was larger than that with the satellite dailies as the dependent variables in each year, which indicated that changes in the penetration of the metropolitan dailies had a weaker effect on satellite daily penetration than the reverse. Thus, while the results supported the existence of umbrella competition away from metropolitan areas, Rosse's prediction that competition would be stronger downward than upward was only partially supported.

⁴⁴ Stephen Lacy and Shikha Dalmia, "Daily and Weekly Penetration in Non-Metropolitan Areas of Michigan," *Newspaper Research Journal* 14(3/4): 20-33 (summer/fall 1993).

This implies that a significant number of readers considered weekly newspapers acceptable substitutes for dailies, but only if the weeklies provided good local coverage. In addition, satellite daily and metro daily Sunday editions appeared to be acceptable substitutes for readers.

Coulson, Lacy, and Cho examined the existence of umbrella competition among the metropolitan dailies, satellite dailies and weekly papers in a national sample which included 381 non-metropolitan areas in the United States.⁴⁵ They found that there was a strong negative relationship between the penetration of metropolitan dailies and that of satellite dailies and also between the metropolitan dailies and weeklies. The data indicated that the competition between the metropolitan dailies and satellite dailies was stronger than between the satellite dailies and weeklies. These results were not consistent with Rosse's prediction that competition and umbrella competition in non-metropolitan areas would be upward rather than downward.

Little research in this area exists outside the United States. In Japan, Cho and Lacy looked at the impact of umbrella competition on penetration away from the metropolitan areas.⁴⁶ They conducted a census of the penetration of the four national dailies and the 76 local daily newspapers in Japan. Special newspapers were excluded from the study. The penetration rate of each national daily and the local dailies which were affiliated with the Japan Newspaper Publishers and Editors Association was measured by dividing circulation by the number of households in each prefecture. They

⁴⁵ David Coulson, Stephen Lacy, and Hiromi Cho, "Competition for Reader Penetration Among U.S. Metropolitan Daily, Non-Metropolitan Daily and Weekly Newspapers Outside Metropolitan Areas" (paper presented to the Media Management and Economics International Conference, Pamplona, Spain, May 2000).

⁴⁶ Hiromi Cho and Stephen Lacy, "Intercity Competition Among Daily Newspapers in Japan" (unpublished paper, Michigan State University, April 2000).

found that the penetration of the national dailies was negatively related to the penetration of the local dailies and explained 28.2% of the variance. The penetration of the national dailies was negatively associated with 35.3% of the variance in the penetration of the local dailies. The Cho and Lacy study indicated that changes in the penetration of the national dailies, which had downward impact, had a greater effect on local daily penetration than the reverse, which had upward impact. The results were inconsistent with those in the existing literature in the United States.

Their results also produced an important finding. While the penetration of the national dailies had a negative relationship with the penetration of the local dailies as aggregate data, data for the individual newspapers indicated that not all national dailies were substitutes for the local dailies. As two national dailies increased their penetration, the penetration of the local dailies decreased, but when the other two national dailies increased their penetration, the penetration of the local dailies also increased. These results indicate that the influence of newspapers in the upper-layers on newspapers in the lower-layers varies according to the nature of the competition between the newspapers in the upper-layers.

In summary, because the intensity of competition varies within a given geographic area, newspapers will produce products with enormous differences in content. Newspapers in the lower layers tend to use local coverage to differentiate themselves and tend also to be complements for newspapers in the upper layers. Although little research has tested Rosse's umbrella model outside of the United States, there is sufficient evidence to suggest that umbrella competition does have an economic impact on newspapers in the local markets of Japan.

Ownership

Why are news groups buying and independent newspapers selling? There are several reasons.⁴⁷ First, from the buyer's side, newspapers are a profitable investment. Groups may receive high returns on their investments. Second, newspapers are attractive to buyers because they are a scarce commodity. Because starting a new paper requires higher fixed costs for groups than buying an existing newspaper, groups continue to buy newspapers. Also, the professional management of groups makes them more profitable. The groups can afford to hire managers who can provide strict controls and profit planning, and who can, after the acquisition of a number of newspapers, invest in new technologies, wages, newsprint and presses.⁴⁸ Earnings will be increased by simultaneous production, bringing in professional managers, and by employing the most sophisticated systems and workers available to them. More specifically, groups will hire specialists who are very knowledgeable in specific areas and who have excellent journalistic skill in each department. Next, as the number of newspapers in the groups increase, the groups will be able to generate large amounts of cash, which enhances flexibility in business dealings. Fifth, tax laws may create incentives for the purchase of newspapers. Dertouzos and Thorpe explained how the acquiring a firm could save at least 25 cents in taxes for each dollar expended.⁴⁹ Finally, group synergy is likely to increase the efficiency of production. Lancaster pointed out that such advantages might be in the exercise of monopoly or quasi-monopoly power or in production economies

⁴⁷ Benjamin Compaine, *The Newspaper Industry in the 1980s: An Assessment of Economics and Technology* (White Plains, NY: Knowledge Industry Publications, Inc., 1980), 86-98; Benjamin Compaine, Christopher Sterling, Thomas Guback, and Kendrick Noble, Jr., *Who Owns the Media? Concentration of Ownership in the Mass Communications Industry*, 2nd ed. (White Plains, NY: Knowledge Industry Publications, Inc., 1982), 27-93.

⁴⁸ Compaine, et al., *Who Owns the Media?*, 11-53.

⁴⁹ James Dertouzos and Kenneth Thorpe, "Newspaper Groups: Economies of Scale, Tax Laws, and Merger Incentives," prepared for the U.S. Small Business Administration (June 1982).

arising from the joint management, as well as the joint ownership, of plants within the group.⁵⁰ Since groups are more efficient than independent newspapers, group ownership results from economies of scale.⁵¹ The high cost of producing the first copy of a newspaper is amortized over the production of subsequent identical copies, and by sharing partial newspaper content with other members of group newspapers. The potential benefits to a firm of being a member of a group are obvious because economies of scale in production and distribution are much more likely.

On the seller's side, first, due primarily to weak management, independent newspapers can seldom afford the increasing costs of new technology, wages, and newsprint that are required if they are to be little competitive in their markets. Second, due to family squabbles, independent newspapers are selling themselves. Third, independent newspapers may be sold to pay inheritance taxes when the owner of the independent newspaper, who does not have cash to pay those taxes, dies. In addition, capital gains tax rates are lower than income tax rates, encouraging the selling of newspapers to pursue the lower tax rate. Finally, the price offered by groups for independent newspapers are often so attractive for owners that they are eager to sell.

Although there are several advantages to buying and selling newspaper companies, ownership concentration across markets has created the potential for negative effects on society. It is reasonable to expect that, as a consequence of this phenomenon,

⁵⁰ Kelvin Lancaster, *Variety, Equity, and Efficiency: Product Variety in an Industrial Society* (New York, NY: Columbia University Press, 1979), 282.

⁵¹ Douglas Gomery, "Who Owns the Media?" in *Media Economics Theory and Practice*, eds. Alison Alexander, James Owers, and Rod Carveth, (Hillsdale, NJ: Lawrence Erlbaum Associates Inc., 1993), 65; John Busterna, "Concentration and the Industrial Organization Model," in *Press Concentration and Monopoly: New Perspectives on Newspaper Ownership and Operation*, eds. Robert Picard, James Winter, Maxwell McCombs, and Stephen Lacy (Norwood, NJ: Ablex Publishing Corporation, 1988), 35-53.

the community's total supply of information and opinion decreases.⁵² Evidence suggests that concentration of ownership has reduced competition across city and county lines, which can potentially reduce diversity of opinion.⁵³

The negative impact of group ownership on news content can be attributed to two primary factors. First, one potential danger of group ownership is the concentration of political, social and economic power in the hands of a few people. Publicly traded groups are more likely to pursue a profit maximization goal than are independent newspapers. If a newspaper firm reduces quality by cutting expenditures in the news and editorials, readers' choice in a one-newspaper city is reduced to either subscribing to a newspaper from another community or canceling their subscription and depending on other news media. Second, groups tend to be headquartered outside the community in which the newspaper is located. Local coverage in group papers tends to be written with limited local commitment and understanding. Bass wrote, "many readers mourn the diminishment of 'local, local' news and lament the snipping of another thread to their particular hometowns, the vanishing of a newspaper masthead that was overtly 'theirs'."⁵⁴

Another criticism is that group ownership creates newspapers of lower quality. Bagdikian argued that the concentration of newspaper ownership has resulted in the homogenization of content and a narrowing of the range of serious information available to readers.⁵⁵

⁵² Leo Bogart, "Letters to the Editors and Other Comments," *Journalism Quarterly* 70(1): 241-242 (spring 1993).

⁵³ Stephen Lacy and Todd Simon, "Intercounty Group Ownership of Daily Newspapers and the Decline of Competition for Readers," *Journalism and Mass Communication Quarterly* 74(4): 814-825 (winter 1997).

⁵⁴ Jack Bass, "Newspaper Monopoly," *American Journalism Review* 21: 64-86 (July/August 1999).

⁵⁵ Ben Bagdikian, "The U.S. Media: Supermarket or Assembly Line?" *Journal of Communication* 35(3): 97-109 (summer 1985).

Soloski attempted to examine how the introduction of group ownership influences the newsroom and the news using participant observation.⁵⁶ *The Sun*, a masked name, was selected because Soloski worked there at one time as an editor and reporter. Several changes in the newsroom and quality of coverage before and after a group merger were observed. Management at *The Sun* made the decision to subscribe to additional wire services and came to rely heavily on the wires after the merger. *The Sun* overused wire copies to minimize expenses. Consequently, the newspaper content and editorial pages began to resemble that of the other group companies, and there was also less local reporting. Soloski also reported that *The Sun*'s overemphasis on profit resulted in the reduction of the staff, an increase in the reporter's workload, and a reduction in the travel allowance for reporters. He concluded that the publisher was unlikely to have a vested interest in the local community and was more likely to pursue strictly economic goals. Soloski's observations were consistent with existing theoretical propositions and empirical research data which suggest that concentration of ownership decreases economic performance and, through the abuse of market power, ultimately causes a reduction in societal wealth.

Several studies have examined the impact of ownership, but the results are not always consistent. Some empirical research has found little or no significant effect on the quality of newspapers. One of the earliest studies by Grotta examined the relationship between ownership and financial commitment variables.⁵⁷ He used the size of the newshole and the number of editorial employees as independent variables to determine

⁵⁶ John Soloski, "Economics and Management: The Real Influence of Newspapers Groups," *Newspaper Research Journal* 1(1): 19-28 (November 1979).

⁵⁷ Gerald Grotta, "Consolidation of Newspapers: What Happens to the Consumer?" *Journalism Quarterly* 48(2): 245-250 (summer 1971).

whether newspapers underwent qualitative changes when they experienced a change in ownership, or if they retained their original ownership style throughout the time period of 1950 to 1968. He found no significant differences resulting from the change in ownership.

Wagenberg and Soderlund examined the effects of chain ownership on the editorial coverage of the Canadian federal election campaigns in seven Canadian newspapers.⁵⁸ A total of 811 editorials in four group newspapers and three non-group newspapers were coded based on subject themes. They did not find evidence that group newspapers stressed any particular issues or promoted the fortunes of any political party. They concluded that there was little impact of ownership on the editorial coverage of the election campaign in Canadian newspapers.

A relationship between ownership and the opinion polling practices at newspaper companies was analyzed by Demers using a mail survey.⁵⁹ A total of 404 editors, 245 of whom were editors for group newspapers and the rest of whom were editors for non-group newspapers were asked whether or not their newspaper had conducted opinion polls to gather information on which to base stories. Results suggested that there was no difference between the responses of group newspapers and those of non-group newspapers in their collective experience.

A weakness of the Demers study is his unsophisticated measurement of opinion polls. He applied a dichotomous measurement for the polls, rather than a ratio

⁵⁸ Ronald Wagenberg and Walter Soderlund, "The Influence of Chain-Ownership on Editorial Comment in Canada," *Journalism Quarterly* 52(1): 93-98 (spring 1975).

⁵⁹ David Demers, "Opinion Polling Practices of Chain and Independent Papers," *Journalism Quarterly* 65(2): 500-503 (summer 1988).

measurement, such as the number of opinion polls. Furthermore, he ignored the variations among answers.

Busterna and Hansen replicated the Wackman, Gillmor, Gaziano and Dennis study.⁶⁰ They hypothesized that chain newspaper ownership was associated with presidential candidate endorsement homogeneity. Data were taken from the three Quadrennial Presidential polls of 1976, 1980 and 1984 in the *Editor & Publisher International Yearbook*. A few alternations from the original study were made in the definition of homogeneity and method of data analysis. Homogeneity was defined in the original research as more then 85% of the threshold, and in Busterna and Hansen study, the definition of homogeneity was all of the newspapers in a group that endorse the same candidate. They also weighted each chain by its circulation. Their results were inconsistent with the original study. They found that there were no major differences between the endorsements by chains and those by non-chains. They concluded that chain ownership had little affect on the content performance of daily newspapers.

One possible reason why the Busterna and Hansen study did not the support previous research is the alternation of the definition, mentioned above. The change significantly alters the conclusions found in the other studies regarding the association of chain ownership and presidential endorsement patterns.

While several empirical studies have found no difference between group newspapers and non-group newspapers, other scholars have found that the type of ownership does affect certain aspects of newspaper content. By conducting a case study of the circulation performance in Gannett newspapers, Blankenburg found that groups

⁶⁰ John Busterna and Kathleen Hansen, "Presidential Endorsement Patterns by Chain-Owned Papers, 1976-84," *Journalism Quarterly* 67(2): 286-294 (summer 1990).

had market power that made group papers more profitable.⁶¹ Non-Gannett and Gannett newspapers were selected by matched sampling in the areas of circulation, publication cycle, and home county population. He examined the difference in circulation behavior between the newspapers in the Gannett group and the other newspapers between the years of 1969 to 1979. He hypothesized that Gannett newspapers would show a greater average decline in circulation at the end of the decade because of their goal, maximization of profits. Circulation patterns of 35 Gannett newspapers from 1969 to 1979 were compared with a matching set of 35 non-Gannett newspapers. Results of the *t*-test showed that there was no significant difference in the total circulation of Gannett newspapers between 1969 and 1979, while the circulation of non-Gannett newspapers increased significantly over the decade. He concluded that the results supported the hypothesis that Gannett newspapers systematically eliminated marginal circulation to increase profits.

One limitation of the Blankenburg study was his sampling procedure of non-Gannett newspapers. He did not take into consideration that non-Gannett newspapers were not necessarily non-group newspapers. Although there were limitations to the conclusions of the Blankenburg study, which suggested that there was a difference between Gannett newspapers and non-Gannett newspapers, the result also implied that group newspapers differ from non-group newspapers.

Some literature has focused on the editorial content of newspapers. Thrift, Jr. studied the effect of chain ownership on the editorial vigor of newspapers.⁶² Defining

⁶¹ William Blankenburg, "Newspaper Ownership and Control of Circulation to Increase Profits," *Journalism Quarterly* 59(3): 390-398 (autumn 1982).

⁶² Ralph Thrift Jr., "How Chain Ownership Affects Editorial Vigor of Newspapers," *Journalism Quarterly* 54(2): 327-331 (summer 1977).

chain ownership as two or more daily newspapers in different cities under the same principal ownership or control, he hypothesized that the proportion of editorials in independently owned dailies would be smaller after the newspapers were purchased by chains. A total of 1,445 editorials in twenty-four West Coast daily newspaper were coded. The editorials of newspapers purchased by chains were compared with those of independently owned newspapers up until 1975. The results showed that newspapers bought by chains tended to publish a smaller proportion of editorials on controversial issues and local editorials than independently owned newspapers.

Wachman, Gillmor, Gaziano and Dennis examined endorsements for the presidency for the 1960, 1964, 1968 and 1972 elections.⁶³ They defined chain newspapers as those in which 50% or more of the stock was owned by the chain. Presidential endorsements of chain-owned papers were compared with those of independent papers. They found that chain papers were more likely to support the favored candidate of the press in every election and they were more consistent in the candidates they endorsed than independent papers.

Using a similar method, Gaziano examined endorsement patterns for the presidency for the 1960, 1964, 1968 and 1972 elections.⁶⁴ Chain newspapers were categorized as homogeneous or heterogeneous based on the degree to which individual members of the chains endorsed the same candidate. When more than 85% of the papers in a chain endorsed the same candidate, it was considered homogeneous. She found that chains tended to be more homogeneous rather than heterogeneous although there were a

⁶³ Daniel Wackman, Donald Gillmor, Cecilie Gaziano, and Everette Dennis, "Chain Newspaper Autonomy as Reflected in Presidential Campaign Endorsements," *Journalism Quarterly* 52(3): 411-420 (autumn 1975).

⁶⁴ Cecilie Gaziano, "Chain Newspaper Homogeneity and Presidential Endorsements, 1972-1988," *Journalism Quarterly* 66(4): 836-845 (winter 1989).

few exceptions. Also, homogeneous chains were more likely to be supportive of the Republican candidate, while heterogeneous chains were more supportive of Democrats or mixed parties. The results of the Gaziano study were consistent with the original study.

Rystrom also conducted an examination of the impact of ownership on endorsement editorials.⁶⁵ The endorsement patterns of 51 newspapers in California were analyzed. Each endorsement was deemed to represent either a liberal or a conservative view. Endorsements in independently owned papers were compared with those in group-owned papers. Rystrom found that the split between liberal and conservative endorsements varied little, but differences existed between group-owned papers and independently owned papers. He concluded that group-owned papers were more liberal than independently owned papers. Although this conclusion was inconsistent with the Gaziano study, findings of the differences between group papers and independent papers were consistent with theoretical propositions.

Hale examined the editorial pages of 28 newspapers, 17 chain newspapers and 11 independent newspapers.⁶⁶ The editorial pages of newspapers were analyzed from the time period of eight to twenty months prior to the ownership change and from the period of four to sixteen months after the chain acquisition. Each editorial page was coded for the sixteen variables. For most newspapers, only modest changes and slight improvements or deterioration was found. The number of editorials under both forms of ownership were similar. The *Clarion-Ledger* of Jackson, Mississippi, for example, published five editorials during the week before it was acquired by Gannett. While under

⁶⁵ Kenneth Rystrom, "Apparent Impact of Endorsements by Group and Independent Newspapers," *Journalism Quarterly* 64(2/3): 449-453, 532 (summer/autumn 1987).

⁶⁶ Dennis Hale, "Editorial Diversity and Concentration," in *Press Concentration and Monopoly: New Perspectives on Newspaper Ownership and Operation*, eds. Robert Picard, James Winter, Maxwell McCombs, and Stephen Lacy (Norwood, NJ: Ablex Publishing Corporation, 1988), 161-176.

Gannett ownership, it published an average of 12 editorials per week. Another example was the *Evening Sentinel* of Holland, Michigan. It had an editorial page with large advertisements under independent ownership. Under chain ownership, ads were removed from the editorial page.

The political views of editors in chain-owned newspapers were compared to that in independent newspapers by St. Dizier.⁶⁷ A questionnaire regarding the 1984 presidential endorsements and the stands on a variety of election issues was mailed to 114 editorial page editors at newspapers with daily circulations greater than 50,000. Of a total of 85 responses, 58% were editors that worked for chain-owned newspapers and 42% were editors at independently owned newspapers. Two statistically significant differences between chain-owned and independent newspapers were found. One was that group-owned newspapers were more likely to be Republican and endorsed Reagan approximately three times more than they endorsed the Democratic candidate for president. The other was that independent newspapers tended to have more politically diverse groups of owners than those at group-owned newspapers. The St. Dizier study shed light on the relationship between ownership type and editorial content.

In addition to studies of editorial content, the relationship between different types of ownership and newspaper quality were studied by Becker, Beam and Russial.⁶⁸ They analyzed the data gathered by Ghiglione on essays and critiques from journalism experts for the 109 daily newspapers in New England. The definition of ownership they used was single newspaper corporation, small chain or large chain. They found that the types

⁶⁷ Byron St. Dizier, "Editorial Page Editors and Endorsements: Chain-Owned vs. Independent Newspapers," *Newspaper Research Journal* 8(1): 63-68 (fall 1986).

⁶⁸ Lee Becker, Randy Beam, and John Russial, "Correlates of Daily Newspaper Performance in New England," *Journalism Quarterly* 55(1): 100-108 (spring 1978).

of newspapers were significantly and positively associated with press performance.

Pearson correlation coefficients between the two variables showed .34. As the number of newspapers owned by a group increased, editorial quality, such as balance of stories and quality of writing, editing and layout improved.

The major drawback of their study was in their measurement of ownership. First, definitions for small chains and large chains were not provided. Second, they ran Pearson correlations, which requires equal intervals, with unequal intervals of measures.

Glasser, Allen and Blanks studied the influence of a newspaper chain and its news service on the coverage of the Gary Hart story.⁶⁹ Coverage of Gary Hart by Knight-Ridder newspapers was compared with that of two matched samples, non-Knight-Ridder newspapers that subscribed to the Knight-Ridder news service and non-Knight-Ridder newspapers that did not subscribe to the Knight-Ridder news service. Coverage was coded from zero for no coverage at all to seven for a front-page, above the fold story with a banner headline accompanied by a companion story. They found that newspapers owned by the Knight-Ridder chain gave more and better play to the Gary Hart story than newspapers with no affiliation with the Knight-Ridder chain. Two problems with the Glasser, Allen and Blanks study remain. First, the connection between the Knight-Ridder news service and the Gary Hart story was unclear. It cannot be said that subscribing to the Knight-Ridder news service resulted in a better Gary Hart story. Second, it is not necessarily true that all Gary Hart stories came from the Knight-Ridder news service. In fact, sampled newspapers subscribed to more than two wire services, but which wire service produced the story was unknown.

⁶⁹ Theodore Glasser, David Allen, and Elizabeth Blanks, "The Influence of Chain Ownership on News Play: A Case Study," *Journalism Quarterly* 66(3): 607-614 (autumn 1989).

A study of the impact of group ownership on color and graphics in newspapers was conducted by Kenney and Lacy, with a content analysis of 114 randomly selected newspapers from the United States.⁷⁰ The number of newspapers in a group was used as the ownership variable. The results of regression analysis showed that group ownership accounted for 4.5% of the total variance for the number of graphics at the $p < .05$ level. It also accounted for 2.2% of the variance for the space devoted to color although the relationship was not statistically significant at the $p < .05$ level. The larger the group size, the greater the number of graphics and color on the front page.

A national study by Lacy examined the relationships between the number of newspapers in a group and the way newspaper management allocates resources.⁷¹ Three types of allocation of resources were analyzed: budget allocation, space allocation and editorial space allocation. The results were somewhat consistent with previous findings that limited the impact of ownership on the allocation of resources. He found that group ownership had no effect on the allocation of news space, but had an effect on the allocation of budget and editorial space. Also, as the number of newspapers in a group increased, group newspapers tended to devote a smaller percentage of total space to editorial and news copy, and were likely to have fewer square inches of news copy per reporter. In editorial allocation, group newspapers tended to have a greater percentage of overall newspaper space given to editorial material, local editorials, and cartoons. These results indicated that group newspapers put a higher priority on editorial areas than did independent newspapers. These differences between group and non-group newspapers

⁷⁰ Keith Kenney and Stephen Lacy, "Economic Forces Behind Newspapers' Increasing Use of Color and Graphics," *Newspaper Research Journal* 8(3): 33-41 (spring 1987).

⁷¹ Stephen Lacy, "Effects of Group Ownership on Daily Newspaper Content," *Journal of Media Economics* 4(1): 35-47 (spring 1991).

resulted from the differences in organizational goals of the two. Compared to managers in independent newspapers, managers in group-newspapers are more likely to pursue strategies which emphasize editorials.

The impact of ownership on newsroom-related variables and content variables was examined by Lacy, Fico and Simon using a path model.⁷² They hypothesized that the reporter's workload would be lower for group-owned newspapers, which would increase fairness in reporting. The measure of group ownership used by this study was a dummy variable. The content of twenty-one large circulation and prestigious newspapers were non-randomly selected and then analyzed. They found that group ownership had a significant negative impact on the average reporter's workload, but it also had a negative impact on fairness. These findings suggested that group newspapers tend to lower the average reporter's workload. At the same time, the more imbalanced stories tend to appear in group newspapers more often than independently owned newspapers.

Due to their use of a non-representative sample of newspapers and the underspecified nature of the model, some of the results of this study were inconsistent with the results of previous research. However, their study does imply that group ownership had an impact on newsroom and content variables.

Lacy and Fico asked whether different types of newspaper ownership are responsible for differences in organizational goals.⁷³ Data from the content analysis of 114 newspapers collected in November 1984 was reanalyzed using the news quality

⁷² Lacy, Fico, and Simon, "Relationships Among Economic, Newsroom and Content Variables: A Path Model," 51-66.

⁷³ Stephen Lacy and Frederick Fico, "Newspaper Quality and Ownership: Rating the Groups," *Newspaper Research Journal* 11(2): 42-56 (spring 1990).

index, which was based on Leo Bogart's study.⁷⁴ The index has eight quality indexes which are: commitment to locally produced copy, amount of non-advertising copy, ratio of non-advertising to advertising space, number of interpretative and in-depth stories, amount of graphics, number of wire services, story length for all stories in the news section, and reporter workload. Newspaper ownership was categorized into two types: 31 independent and 49 group newspapers. The *t*-tests results showed no significant difference in news quality between group newspapers and independents. In addition, the average news quality index scores for group newspapers and independent papers were ranked twice, before and after circulation were considered. Regardless of differences in circulation size, newspaper group ratings showed great variation. From these two types of analysis, it was concluded that there was no systematic impact of ownership type on newspaper quality.

The impact of structural difference on employee commitment was examined by Parsons, Finnegan, Jr., and Benham.⁷⁵ Applying a role-theory approach to journalistic behavior, a survey of 129 editors of daily newspapers in the five-state region of Minnesota, Wisconsin, North Dakota, South Dakota, and Iowa was conducted. This approach suggests that while the socialization process in an independent newspaper occurs within a limited geographic area, the socialization process in a chain newspaper comes from the norms and expectations of newspapers which are scattered all over the country. With a 61 % return rate, 46 managing editors in chain papers and 33 editors in

⁷⁴ Leo Bogart, *Press and Public: Who Reads What, When, Where and Why in American Newspapers* (Hillsdale, NJ: Lawrence Erlbaum Associations, 1981).

⁷⁵ Patrick Parsons, John Finnegan, Jr., and William Benham, "Editors and Their Roles," in *Press Concentration and Monopoly: New Perspectives on Newspaper Ownership and Operation*, eds. Robert Picard, James Winter, Maxwell McCombs, and Stephen Lacy (Norwood, NJ: Ablex Publishing Corporation, 1988), 91-103.

independent papers responded to questionnaires. As the model predicted, the results showed that the structural differences were responsible for the different behavior between the editors from the chain and independent newspapers. For instance, independent editors have a greater commitment to the local community than chain editors, while chain editors have greater organizational commitment than do independent editors. These tendencies can be explained by the fact that chain editors are likely to move from newspaper to other newspaper within the organization, while independent editors tend to stay at a single newspaper for a considerable length of time. Editors from newspapers representing different organizational types demonstrated varying levels of commitment to their organization, which resulted from the differences in structure of their respective organizations.

Few studies have dealt with the goals of particular types of ownership. In 1993, Demers conducted a mail survey to examine the relationship between organizational goals and organizational structures.⁷⁶ This study used *bureaucracy* as a measurement of organizational structure rather than ownership type (chain or independent) and organizational size (circulation or number of employees). He felt that because the spread of chain ownership had reached nearly 80% of all dailies in the United States, bureaucracy was a better indicator. He mailed 750 questionnaires to the highest-ranking editors of 250 daily newspapers, which were randomly selected, and the response rate was 55%. He hypothesized that corporate organizations would be more profitable, but that they would place less emphasis on profits and more emphasis on product quality as organizational goals. Results of the factor analysis indicated that the more characters of a

⁷⁶ David Pearce Demers, "Corporate Newspaper Structure, Profits, and Organizational Goals," *Journal of Media Economics* 9(2): 1-23 (1996).

corporate organization a newspaper has, the higher the profit margin, but the less emphasis it places on profits as the most important value. Such newspapers placed more emphasis on product quality, such as maximizing the growth of the organization, and winning reporting awards, which is a result of increased role specialization. This study found a relationship between newspaper structure, profits and organizational goals.

The 1996 Demers study and the following Demers and Merskin study found that corporate newspaper organizations placed more emphasis on product quality than profit. However, both studies have limitations in their method and conclusion. They conducted a survey for their research, not a content analysis of newspapers. Surveys of managers might not reflect actual newspaper performance, but rather the ideals and perceptions held by managers regarding newspaper performance. In addition, according to Smith, newspaper managers tend to believe that their newspapers are quality products.⁷⁷ Thus, their conclusion that found a relationship between the characteristics of an organization and newspaper performance are suspect due to the fact that their conclusions are all a result of managers' perception, not a result of actual performance analysis.

Further developing the studies just mentioned, Demers and Merskin employed the managerial revolution hypothesis and challenged the critical corporate model, which held that corporate news organizations were destroying democracy.⁷⁸ This managerial model is based on the assumption that corporate newspapers place less emphasis on profit and are primarily quality driven. They conducted a survey of top-ranking managers at 269 daily newspapers in the United States. Demers and Merskin looked at the relationship

⁷⁷ Ken Smith, "The Impact of Shared Mail on Editorial Quality in Non-Daily Newspapers," *Newspaper Research Journal* 13(3): 36-47 (summer 1992).

⁷⁸ David Demers and Debra Merskin, "Corporate News Structure and the Managerial Revolution," *Journal of Media Economics* 13(2): 103-121 (2000).

between organizational structure and the role of owners and publishers in terms of editorial content. Their results indicate that the more corporatized a newspaper becomes, the less owners and publishers play a role in controlling editorial content. In addition, the data partially supports the idea that as a newspaper become more corporatized, editors and reporters have greater control over news content. These two results suggest that since the control of corporate organizations is in the hands of professionals and experts, corporate newspaper organizations are not primarily profit-oriented but attach more importance to quality, which contradicts the critical corporate model.

Olien, Tichenor and Donohue interviewed the newspaper editors in 78 communities in Minnesota to test corporate influence on business judgments.⁷⁹ They analyzed the attitudes of managers under different ownership conditions. Newspaper ownership was categorized into four types: independent papers, chain papers with headquarters in the town, chain papers with headquarters elsewhere in Minnesota, and chain papers with headquarters outside Minnesota. Their results indicated that ownership was significantly correlated with the opinions of editors as well as reporting. The editors from independent newspapers were more likely to consider profit maximization as a basis for satisfaction than those in group-owned papers.

Using the same theoretical framework outlined by Olien, Tichenor and Donohue, Demers and Wackman examined the goals of the managers of chains versus those of independent managers.⁸⁰ They conducted a secondary analysis of data collected by the Media Management and Economics Resource Center at the University of Minnesota and

⁷⁹ Clarice Olien, Philip Tichenor, and George Donohue, "Relation Between Corporate Ownership and Editor Attitudes about Business," *Journalism Quarterly* 65(2): 259-266 (summer 1988).

⁸⁰ David Demers and Daniel Wackman, "Effect of Chain Ownership on Newspaper Management Goals," *Newspaper Research Journal* 9(2): 59-68 (winter 1988).

the Poynter Institute for Media Studies. Questionnaires were mailed to top managers and editors at 900 daily newspapers. The results of a multiple regression analysis demonstrated that group managers were more likely to emphasize profit than non-group managers.

Recognizing differences among types of organizational goals, Busterna conducted a study of manager attitudes toward profit maximization.⁸¹ Questionnaires were distributed to 37 managers of small dailies and weeklies, 14 of whom were non-owner managers and 23 of whom were owner-managers. The attitudes of managers toward profit maximization were measured by two sets of questions. The first set measured the value managers placed on profit maximization versus other possible managerial goals. The second set measured the propensity to take risks as a means of assessing the managers' value of profit maximization. His results were consistent with finding by Demers and Wackman that local newspaper owners placed less emphasis on profit maximization than did non-owners. He concluded that non-owner managers took a greater interest in maximizing profits resulting from superior managerial ability to extract greater profits by exercising economic power in monopoly markets.

Drawing on economic theory and Weber's model of bureaucracy, Demers hypothesized that chain-owned newspapers are likely to emphasize profit and product quality.⁸² Making a newspaper the unit of analysis, the highest-ranking editors at 200 daily newspapers in the United States were chosen randomly. To measure emphasis on profits and product quality, both close-ended and open-ended question styles were used

⁸¹ John Busterna, "How Managerial Ownership Affects Profit Maximization in Newspaper Firms," *Journalism Quarterly* 66(2): 302-307, 358 (summer 1989).

⁸² David Pearce Demers, "Corporate Structure and Emphasis on Profits and Product Quality at U.S. Daily Newspapers," *Journalism Quarterly* 68(1/2): 15-26 (spring/summer 1991).

in a questionnaire. Responses to the questionnaires were obtained from 110 editors, 70% of whom represented chain or group-owned newspapers and 30% of whom represented independently owned newspapers. The results provided partial support for the hypothesis that group newspapers were more profit-oriented than independently owned newspapers. The data for the open-ended measure showed a statistically significant difference between chain and independent newspapers for stress on profits, while the data for the close-ended measure did not support the hypothesis. Nearly two-thirds of the editors at chain newspapers agreed that profit was a goal in their organizations, compared to only a third of the editors at independent newspapers. This study provided some support for previous research findings that chains were more profit-oriented.

Although numerous studies have looked at the differences between group newspapers and non-group newspapers, only a few studies have examined the performance of public owned newspapers versus that of privately owned newspapers. Using existing data, Blankenburg and Ozanich studied how organizational goals pursued by newspaper groups influence the financial performance of newspaper companies.⁸³ They analyzed the financial performance of nine publicly owned newspaper companies. They hypothesized that companies held by the public put more emphasis on profit than private companies, and groups with a high percentage of *inside control* act more like privately held companies. Unlike previous studies, they used a ratio level to measure ownership, which is defined as the percentage of inside control of voting stock, rather than a dichotomous variable.

⁸³ William Blankenburg and Gary Ozanich, "The Effects of Public Ownership on the Financial Performance of Newspaper Corporations," *Journalism Quarterly* 70(1): 68-75 (spring 1993).

Five performance variables were used: average operating margin, average cash flow margin, return on equity, earnings predictability, and plowback ratio. They found that the relationship between public ownership, operationalized as inside control, was negatively correlated to profit emphasis, which is understood as performance variables. The more companies had inside control of voting stock, the less they emphasized profits.

Based on the Blankenburg and Ozanich study, Lacy, Shaver and St. Cyr replicated and extended their study.⁸⁴ Because the Blankenburg and Ozanich study did not include direct measures of expenditures, and the variables used in the original study were corporate level figures rather than figures from the newspaper division level, the replicated study included additional independent and dependent variables as well as five performance variables. The added independent variable was daily newspaper competition and the dependent variable was percentage of newspaper division revenue spent on expenses. With one exception, the results supported all twelve hypotheses, and were consistent with those of the original study of Blankenburg and Ozanich. The degree of inside control maintained by the publicly held groups was associated with financial performance. The more public the company was, the greater the need to manage in ways that provided earnings predictability and kept stock prices up. The replicated study also found that the pressures of maintaining a newspaper attractive to readers and advertisers in competitive markets produces lower profit margins.

The relationship between profit goals and circulation was analyzed by Lacy and

⁸⁴ Stephen Lacy, Mary Shaver, and Charles St. Cyr, "The Effects of Public Ownership and Newspaper Competition on the Financial Performance of Newspaper Corporations: A Replication and Extension," *Journalism and Mass Communication Quarterly* 73(2): 332-341 (summer 1996).

Martin, using the example of the Thomson newspaper group.⁸⁵ The circulation and profit margin of Thomson newspapers in 1980 was compared with that in 1990 because the organizational goal of Thomson in the 1980s was to increase profits by producing low quality papers. Also, circulation data for Thomson newspapers and a group of similar non-Thomson newspapers were analyzed. Sixty-four newspapers in the Thomson group were compared with a control group of 128 newspapers. The results showed that Thomson papers sold 1,671 fewer papers in 1980 and 2,292 fewer papers in 1990 than non-Thomson newspapers. Keeping all other factors equal, the average Thomson newspaper lost \$96,918 in 1980 and \$208,572 in 1990 in circulation revenue compared with non-Thomson papers. Lacy and Martin concluded that the Thomson group lost revenue and circulation during the 1980s when high profit goals were set. This study indicated that financial performance was strongly related to organizational goals.

Overall, early research did not produce a decisive answer to the question of whether or not different organizational structures create differences in newspaper resource allocation processes. However, some recent studies have cast some light on the mixed results. While previous literature defined the structural differences strictly in terms of group membership--group or non-group, recent studies have redefined the different structures in terms of ownership--public or private. This redefinition of ownership has turned out to be one of the most reliable indicators for predicting the impact of ownership on newspaper resource allocation processes. Current studies demonstrate that differences between publicly traded and privately owned companies influence organizational performance and goals.

⁸⁵ Stephen Lacy and Hugh Martin, "Profits Up, Circulation Down for Thomson Papers in 80s," *Newspaper Research Journal* 19(3): 63-76 (summer 1998).

Japanese Firms

This section will discuss the characteristics of Japanese newspapers, and an attempt will be made to find the most suitable hypotheses and research questions for a study of Japanese newspapers. According to Ejiri:

Newspapers in all free and democratic societies have one characteristic in common. They perform the same identical function of transmitting news and opinions freely and without constraint. However, at the same time, newspapers differ in their characteristics from country to country and even from district to district. These differences stem from the history, the cultural traditions, the popular traits and the degree of economic progress of the country or the district in which the newspapers are published or distributed. (p. 1)⁸⁶

As Ejiri states, newspapers in Japan have their own distinctive characteristics which differ, of course, from those in the United States or other Western countries. However, taking those differences, which may influence the press, into account, will help researchers to better understand the results of research. Also, it is especially important to keep in mind the similarities and dissimilarities of the press in Japan and the United States, since little research about competition and ownership exists in Japan.

Keiretsu

Japanese firms have a unique characteristic known as *keiretsu*. Although the exact definition of *keiretsu* is unclear, the word can be best translated as *links*, *affiliation*, or *connections*. It refers to a group of individual units viewed as a whole in which the flow of money, personnel, and personal loyalty are involved. Almost all of Japanese companies belong to *keiretsu*.⁸⁷

⁸⁶ Susumu Ejiri, *Characteristics of the Japanese Press* (Tokyo: Nihon Shinbun Kyokai, 1972), 1.

⁸⁷ Kenichi Miyashita and David Russell, *Keiretsu: Inside the Hidden Japanese Conglomerates* (New York, NY: McGraw-Hill, Inc., 1994), 8.

Four main characteristics of the keiretsu structure need to be explained to understand the uniqueness of Japanese corporations.⁸⁸ The first characteristic is the cross-shareholding ties among members. The second characteristic is shared access to capital as well as to other services, such as distribution and shipping. Links among a group of large companies allow them to have mutual stockholdings and trading relations.⁸⁹ This means that if a company becomes a member of a group, financial links to most or all of the key firms in a group are established. The keiretsu is a system of mutual interests, not of mutual dependence. The keiretsu relationship can not be compared to acquisition, where a parent firm buys up the stock of its subsidiaries. Both large and small companies in a group share each other's stocks, facilities and services.

The third characteristic of the keiretsu structure is the integration of one large and many small firms within industries and sectors. A group consists of many small companies subservient to one very large firm.⁹⁰ Unlike in the United States, a parent firm in Japan requires loyalty from its subsidiaries. While the parent firm assists the subsidiary by providing loans or providing opportunities to invest in new technologies, it demands high-quality, long-term contracting from the subsidiary. This close relationship deprives the subsidiary of independence and the needs of the parent firm are efficiently responded by the supplier.

The fourth characteristic is that group decisions are left entirely to parent firms. Two examples exemplify this characteristic very well. The first example is the practice of presidential council meetings in which the chairman of each member company holds

⁸⁸ Tomokazu Ohsono, *Charting Japanese Industry: A Graphical Guide to Corporate and Market Structures* (New York, NY: Cassell plc, 1995).

⁸⁹ Miyashita and Russell, *Keiretsu*, 9.

⁹⁰ *Ibid.*, 9.

monthly sessions to discuss matters of concern to the group as a whole. The second is the practice of core companies in a group dispatching their own executives to serve on the boards of directors of smaller firms in the group.⁹¹ The executives of large companies are sent downward into their subsidiaries, but the reverse does not happen. The power of decision is always in the hands of the parent firms.

The primary merits of the keiretsu structure are: 1) protection of the groups from potential takeovers, and 2) closer relationships to the rest of the group members.⁹² In addition, with mutual shareholding, the company's management is able to practice long-term planning and does not need to worry about short-term results. The keiretsu structure enables large groups of companies to keep an eye on each other, expand further and faster than its rivals, generate profits, and become the leader in a particular industry.⁹³

Like other Japanese firms, the keiretsu structure is also recognized among newspaper firms in Japan. Large newspaper companies and small newspaper companies build relationships that are mutually advantageous. In the case of newspaper companies, the advantages of the keiretsu structure explained above are as follows: 1) Small newspapers are able to maintain stable business conditions because the large companies protect the smaller companies by providing job security. Moreover, large newspapers can secure a stable supply of coverage which small companies can not have. By obtaining such special coverage, small papers have an advantage over their local rivals. 2) Large newspapers are able to receive detailed local information from small newspapers. 3) The keiretsu structure encourages large and small newspaper companies to develop long-term supply and demand relationships as well as loyalty.

⁹¹ Ibid., 70.

⁹² Ibid., 68-70

⁹³ Ibid., 40-42.

In addition to the merits of the keiretsu structure, there are additional reasons why large corporations would choose to build the keiretsu structure instead of buying small companies.⁹⁴ First, there is no merit in purchasing small companies unless the size of the companies is large enough to produce significant profits for the larger company after integration. Second, following integration, the expansion of the organizational system of the purchaser is inevitable and often produces the loss of inside management as well as delays the decision-making process. Third, the decline of competitive pressure from outside rivals results in a lowering of efficiency as well as lowering of the drive to progress as an organization.

Overall, to the extent to which the relationship between parent companies and subsidiaries exists, Japanese firms have the unique characteristic of cross-sharing ties among firms in a keiretsu group. However, similar to the way in which decisions are made in chains in the United States, corporate decisions in a keiretsu come from the parents at the top and move downward to the subsidiaries at the bottom. There is significant potential for a parent company to make corporate decisions that will impact the resource allocation process at its subsidiaries.

Newspapers in Japan

History: One Local Newspaper for Each Prefecture

The current structure of the Japanese newspaper industry is not the result of economic competition. Rather, this structure was formed intentionally and artificially by the Japanese government. During World War II, the Cabinet Information Bureau envisaged only one newspaper for each prefecture to control all the information in Japan

⁹⁴ Kikuo Iwata, *Mikuro keizaigaku nyūmon* (The Introduction to Microeconomics) (Tokyo: Nihon Keizai Shimbunshya, 1997), 472-499

and to implement national policies during the war.⁹⁵ In December of 1941, the government issued a newspaper Business Ordinance, which declared that ministers had the right to order the suspension of uncooperative publications and had the authority to order the transfer or merger of newspaper companies. As a result, a great number of smaller and less influential regional papers were forced to merge. By the end of the war, more than 1,200 daily newspapers disappeared within the period of a few years and only 55 newspapers remained.⁹⁶ A relatively small number of daily newspapers exist in Japan today.

After the war, these laws were abolished. Newspaper competition today was introduced just after World War II, and newspapers have been experiencing real economic competition for only fifty years.

Characteristics: Circulation and Structure

In Japan, most newspapers publish both morning and evening editions under the same name, and stories are edited in such a way as to enable continuity from the morning to evening newspapers.⁹⁷ There are seventy-eight daily newspapers,⁹⁸ excluding special newspapers, affiliated with Nihon Shinbun Kyokai, and their total daily circulation is 62,739,360.⁹⁹ The population of the country is 125,860,006, and there are 46,811,712 households,¹⁰⁰ which means that each household subscribes to 1.34 newspapers. In the

⁹⁵ Akihiko Haruhara, "Sensouto jyānarizumu (Wars and Newspapers)," in *Nihonno jyānarizumu* (The Japanese Newspapers), eds. Yoshimi Uchikawa and Naoyuki Arai (Tokyo: Yūikaku senshyo, 1990), 61-88.

⁹⁶ Young Kim, *Japanese Journalists and Their World* (Charlottesville, VA: University Press of Virginia, 1981), 20.

⁹⁷ Ejiri, *Characteristics of the Japanese Press*, 7.

⁹⁸ Nihon Shinbun Kyokai, *Zenkoku shimbun gaido 2000* (The Newspaper Guide 2000) (Tokyo: Nihon Shinbun Kyokai, 1999).

⁹⁹ Nihon Shinbun Kyokai, *Nihon shimbun nenkan '99-'00* (The Japanese Newspaper Annual '99-'00) (Tokyo: Dentsu Inc., 1999).

¹⁰⁰ Ministry of Home Affairs, Bureau of Administration, *Jūmin kihon daichō: jinkō oyobi setaisū, 31 March, 1999* (Tokyo, 1999).

United States, 1,489 daily newspapers exist with a total daily circulation of 56,182,092. The subscription rate is .55 copies per household.¹⁰¹

One reason for this high rate of dissemination in Japan is the home delivery system. Of the total circulation, 95.86% are delivered to individual households, 4.14% are sold at newsstands and less than .01% delivered through the mail.¹⁰² The major functions of the newspaper distribution stores are to deliver papers, promote the sale of a newspaper, insert ads, and collect subscription fees. Income for the stores comes from sales commissions as well as from subsidies from the newspaper firms.¹⁰³

Japanese newspapers are classified into four broad categories: national, bloc, local and non-dailies. Because Japanese land mass is relatively small, smaller than the state of California, it is not surprising that national dailies exist. The national papers are distributed throughout the country and refer specifically to the following five papers: *Yomiuri Shimbun*, *Asahi Shimbun*, *Mainichi Shimbun*, *Sankei Shimbun* and the *Nihon Keizai Shimbun*. Among them, the coverage of *Nihon Keizai Shimbun* is strictly business-oriented. *Yomiuri Shimbun* is the largest daily in Japan. It has a daily circulation of 14.5 million, followed by *Asahi Shimbun*, 12.5 million, *Mainichi Shimbun*, 5.8 million, the *Nihon Keizai Shimbun*, 4.7 million and *Sankei Shimbun*, 2.9 million.¹⁰⁴ By way of comparison, the daily circulation of *Yomiuri Shimbun* is 8.8 times larger than

¹⁰¹ *Editor & Publisher International Yearbook 1999* (New York, NY: Editor & Publisher, 1999); U.S. Census Bureau, *Statistical Abstract of the United States: The National Data Book 1999* (Washington DC, 1999).

¹⁰² These figures do not include special papers and non-dailies. Data is based on Nihon Shinbun Kyokai, *Zenkoku shimbun gaido 2000* (The Newspaper Guide 2000) (Tokyo: Nihon Shinbun Kyokai, 1999).

¹⁰³ Kim, *Japanese Journalists and Their World*, 8; Yoshitaka Miyajima, "Nihon no shimbun to gaikoku no shimbun no seido no chigai" (Differences Between Newspaper Policies in Japan and Those in Other Countries), in *Shimbungaku* (The Journalism), eds. Michio Inaba and Naoyuki Arai (Tokyo: Nihon hyōronshya, 1993), 169-177.

¹⁰⁴ Nihon Shinbun Kyokai, *Zenkoku shimbun gaido 2000*.

that of *USA Today* (1,653,428), and 13.6 times larger than the *New York Times* (1,066,658).¹⁰⁵

Daily regional papers, which are called the *bloc* papers circulate throughout areas greater than a prefecture. There are four bloc papers; *Hokkaido Shimbun*, *Tokyo Shimbun*, *Chunichi Shimbun* and *Nishi Nihon Shimbun*.¹⁰⁶ *Hokkaido Shimbun* is distributed on the northern island of Hokkaido and has 2 million daily circulations.¹⁰⁷ *Tokyo Shimbun* is distributed in prefectures around the Tokyo area with a circulation of 1 million. *Chunichi Shimbun* covers the Chubu district, which is between Tokyo and Osaka. Its daily circulation is 3.5 million. Both *Tokyo Shimbun* and *Chunichi Shimbun* are published by the same company. *Nishi Nihon Shimbun* whose circulation is 1 million serves the southern island of Kyushu. There is little geographical overlap among the bloc papers' circulation areas.

There are 70 local dailies, excluding special papers. Most of the dailies are based in the capital cities of Japan's 47 prefectures. The distribution of these newspapers is generally restricted to the prefectures in which they are located although some local papers distribute across prefectural boundaries, such as *Kyoto Shimbun*, *Kahoku Shimpō*, *Sanyo Shimbun* or *Chugoku Shimbun*. The total daily circulation of all these dailies is 19.5 million, and the average circulation per newspaper was approximately 278,264 per day in 1999.¹⁰⁸ This average circulation size is about the same as that of the *Omaha*

¹⁰⁵ *Editor & Publisher International Yearbook 1999* (New York, NY: Editor & Publisher, 1999); Nihon Shinbun Kyokai, *Nihon shimbun nenkan '99-'00* (The Japanese Newspaper Annual '99-'00) (Tokyo: Dentsu Inc., 1999).

¹⁰⁶ Norio Tamura, "Zenkokushi burokkushi kenshi komyuniti peipā" (National, Bloc, Local and Community Papers), in *Shimbungaku* (The Journalism), eds. Michio Inaba and Naoyuki Arai (Tokyo: Nihon hyōronshya, 1993), 222-231.

¹⁰⁷ Nihon Shinbun Kyokai, *Zenkoku shimbun gaido 2000*.

¹⁰⁸ These figures do not include special papers and non-dailies. Data is based on Nihon Shinbun Kyokai, *Zenkoku shimbun gaido 2000* (The Newspaper Guide 2000) (Tokyo: Nihon Shinbun Kyokai, 1999).

World-Herald in Nebraska or that of the *Little Rock Democrat-Gazette* in Arkansas in the United States.¹⁰⁹ In addition, there are non-dailies that have a small circulation and slight influence.¹¹⁰

Characteristics: Ownership and Regulations

Article 21 of the Japanese constitution guarantees the freedom of expression. Newspapers are not directly subject to various types of content regulation. Rather, certain privileges are given to newspapers by two laws that grant exemptions from a provision of the Commercial Code and also the Postal Law.

The Commercial Code requires all of the joint-stock companies to make their shares available to the general public. However, newspapers are exempt from this stipulation so that they may perform their mission and serve the public. The rationale for this exemption was that the requirement to go public might jeopardize the independence and editorial content of the press through economic domination by outsiders.¹¹¹ The code also restricts the transfer of newspaper stock. Thus, newspapers in Japan do not sell their stock to the public; shares of newspaper stock are usually sold only to employees and media-related companies. Newspapers rely primarily on their own internal sources for capitalization. The *Asahi Shimbun*, for example, whose capital is 6.5 million dollars (\$1=100 yen), depends entirely on its own internal sources for capitalization. The *Asahi* issued 3.2 million shares of stock (200 yen for each stock) and sold them to its 3,919 employees.¹¹²

¹⁰⁹ *Editor & Publisher International Yearbook 1999*.

¹¹⁰ Ejiri, *Characteristics of the Japanese Press*, 3.

¹¹¹ Kim, *Japanese Journalists and Their World*, 13.

¹¹² Nihon Shinbun Kyokai, *Nihon shimbun nenkan* '95-'96 (The Japanese Newspaper Annual '95-'96) (Tokyo: Dentsu Inc., 1995); Nihon Shinbun Kyokai, *Nihon shimbun nenkan* '99-'00.

In addition, newspapers in Japan are not valued on stock exchanges such as the Tokyo Stock Exchange, for the same reasons: service to the public, editorial independence, and the avoidance outside pressures in decision-making. Thus, strictly speaking, there are no publicly owned newspaper companies in Japan. In the same sense, ownership is not always divorced from management of the firm. It is often the owners who make major decisions regarding corporate strategies and daily operations because they are not only the managers, but are also stock holders of the company.

At the same time, the stipulation against public ownership has a negative impact on capital. The regulation limits the ability of newspapers to increase capitalization. According to data gathered by Nihon Shinbun Kyokai in 1999, only four companies exceeded \$10 million in capital.¹¹³ Four companies had capital in the \$5-10 million range. Forty-two companies fell within the range \$1-5 million. Thirty companies had capital between \$.3 million and \$1 million. Fourteen companies had less than \$.3 million in capital. According to government categories, companies whose capital is less than \$1 million are small or medium size companies.¹¹⁴ In Japan, 46.8% of newspaper companies are considered small or mid-size companies. Thus, it can be said that newspapers in Japan operate on a mammoth scale with relatively little capital.¹¹⁵

Another characteristic of Japanese newspapers is that they are involved in a variety of media-related activities, such as publishing weekly newspapers, weekly magazines and annual publications. Newspaper companies seek new *products* that have

¹¹³ Nihon Shinbun Kyokai, "Keiei shiryō (Management Data)," *Shimbun keiei* (Newspaper Management) 149: 68-90 (1999).

¹¹⁴ Ministry of Justice, Bureau of Civil Affairs, 3rd and 4th divisions, *Tōkishōroppō* (Tokyo: Keirinshoin, 1996).

¹¹⁵ Hideo Shimizu, Nobuo Hayashi, Hideo Takeichi, and Yasuhiro Kawanaka, eds., *Masu komyunikeishon gairon* (An Introduction to Mass Communication) (Tokyo, Gakuyōshyobō, 1992), 96-107.

technological or marketing synergies with existing product lines, even though the new products themselves may appeal to a different group of customers. Besides daily newspapers, *Asahi Shimbun*, for example, publishes an English language daily, five weekly magazines, ten monthly magazines, two quarterly magazines, eight annuals and a series of books.¹¹⁶ Even local dailies have extensive publications. *Chugoku Shimbun*, a local newspaper, publishes an annual encyclopedia and books in a variety of genre.¹¹⁷ Newspapers in Japan make an effort to reach readers in a variety of ways.

Their efforts are not limited to the field of newspapers and printed matters. Most papers hold several sports events and cultural activities, such as golf tournaments, concerts, and exhibitions. The purpose of these cultural activities is to enhance the prestige of the newspapers, which increases circulation and advertising revenues, even though companies do not expect direct and immediate results from these activities.¹¹⁸

Moreover, some newspapers are involved in vertical enterprises. While Japanese newspapers have little possibility of being owned by outsiders due to the exemption from the Commercial Code, they use their power to compete with firms at different production stages, as often happens in the United States. Often, they own firms at different stages of the production process. Newspaper companies, for example, are committed to being in charge of decision-making in distribution truck companies, home delivery companies and printing companies. Vertical integration allows newspapers to expand their business

¹¹⁶ Nihon Shinbun Kyokai, *Zenkoku shimbun gaido 2000*.

¹¹⁷ Ibid.

¹¹⁸ Ejiri, *Characteristics of the Japanese Press*, 11-12.

enterprise by gaining control of operations from the acquisition of fundamental raw materials through to the sale of the final product.¹¹⁹

The Postal Law also has a particular impact on the press, by offering newspapers a benefit and privilege accorded to cut-rate mailing. The law states that a periodical having public content receives the cut-rate mailing price.¹²⁰ The public content is determined as a periodical having less than 50% advertising. In addition, such periodicals need to publish more than 500 copies at a time. If newspapers have advertising in more than 50% of the space or less than 500 circulation, the privilege is revoked. Although home delivery systems in Japan are highly sophisticated and only a small percentage of the newspapers are mailed to readers, the privilege still has a significant meaning to them. For newspapers, receiving the cut-rate mailing permit means that they are working under the protection of freedom of speech and serving the public. Thus, newspapers cherish this privilege.

The last important characteristic of Japanese newspapers is the code of ethics adopted by all the newspapers affiliated with Nihon Shinbun Kyokai (Appendix A).¹²¹ The Canon of Journalism consists of seven parts; 1) freedom of the press, 2) sphere of news reporting and editorial writing, 3) the principle of editorial comment, 4) fairness, 5)

¹¹⁹ Barry Litman, "Daily Newspaper Industry" (lecture notes in the Media Economics Course, Telecommunication Department, Michigan State University, April 15, 1998).

¹²⁰ Ministry of Justice, Bureau of Civil Affairs, 3rd and 4th divisions, *Tōkishōroppō* (Tokyo: Keirinshoin, 1996).

¹²¹ Nobuo Hayashi, "Jishu kisei" (The Self-Regulations), in *Shimbungaku* (The Journalism), eds. Michio Inaba and Naoyuki Arai (Tokyo: Nihon hyōronshya, 1993), 107-118; Yoshitaka Miyajima, "Nihon no shimbun to gaikoku no shimbun no seido no chigai" (Differences Between Newspaper Policies in Japan and Those in Other Countries), in *Shimbungaku* (The Journalism), eds. Michio Inaba and Naoyuki Arai (Tokyo: Nihon hyōronshya, 1993), 169-177.

tolerance, 6) guidance, responsibility and pride and 7) decency.¹²² The Canon states that the fundamental rule of news reporting is to convey facts accurately and faithfully and that the personal opinions of reporters should never be inserted in the news they report. This means that objective reporting, impartiality, fairness and political neutrality are fundamentals of news reporting in Japan. Although some scholars have questioned the validity of the concept of objective reporting,¹²³ the Canon still exists. Similar to the Japanese Canon, the American Society of Newspaper Editors calls for six journalism values: balance/fairness/wholeness, accuracy/authenticity, leadership, accessibility, credibility, and judgment (Appendix B).¹²⁴

In summary, four types of newspapers exist in Japan; national, bloc, local and non-dailies with relatively large circulation. A reason for this large circulation and high rate of dissemination is the home delivery system. Newspaper firms pay sales commissions and subsidies to newspaper distribution stores.

The United States First Amendment-type freedom of expression is guaranteed in Japan. However, the exemption from Commercial Code makes Japanese newspapers dissimilar to those of the United States. Due certain stipulations, publicly held newspapers do not exist because stock is not sold through a stock exchange. Only two types of newspaper ownership exist in Japan: independent privately owned newspapers and privately held group newspapers. Vertical integration is popular in Japan. It is often

¹²² The Canon of Journalism in the *Nihon shimbun nenkan '99-'00* (The Japanese Newspaper Annual '99-'00) ed. Nihon Shinbun Kyokai (Tokyo: Dentsu, Inc., 1999); Nihon Shimbun Kyokai, *The Canon of Journalism* (<http://www.pressnet.or.jp/english/canon.htm>) (October 22, 2000).

¹²³ For example, Jun'ichiro Uemae, *Shitenchō wa naze shindaka* (Why did the Bank Manager Commit Suicide?) (Tokyo: Bungei shunjūshya, 1977); Makio Ito, "Gendai no nyūsu to kishya no shyutaisei" (News in Modern Societies and the Subjectivity of Reporters), *Shimbun kenkyū* 236: 17-21 (1971); Hideo Matsuoka, "Gendai shyakai to shinbun houdō" (Modern Society and Newspaper Reporting), *Shimbun kenkyū* 219: 15-10 (1969).

¹²⁴ American Society of Newspaper Editors, *JVI Reconsidering Journalism Values* (<http://www.asne.org/works/jvi/jvirecon.htm>) (December 16, 1999).

that newspaper companies have several firms at different stages of production under their control. Although firms in Japan have this unique characteristic of cross-sharing among firms in a keiretsu group, the direction from which corporate decisions in a keiretsu flow is downward, from parents to subsidiaries. There can be no doubt that corporate decisions from the parents company influence the newspaper resource allocation processes at their subsidiaries.

The Postal Law gives newspapers the cut-rate mailing price as well as ensures that newspapers are under protection for freedom of speech. Japanese newspapers serve the public through objective reporting, impartiality, fairness and political neutrality.

Summary

A review of previous literature dealing with direct competition, umbrella competition, and ownership provides useful suggestions from which to draw hypotheses for testing. As far as direct competition is concerned, intense direct competition results in a greater financial commitment to newsrooms because newspapers try to attract readers by being a substitute while differentiating themselves with more news coverage or other distinguishable features. Through the review of previous literature, three kinds of daily newspaper resource allocation processes determine content. These are the budget allocation process, the news space allocation process, and the editorial allocation process. This study will focus on these three allocation processes as they pertain to reporters' workload, the percentage of newshole in the newspaper, the percentage of newshole in the newspaper given to news sections, the percentage of newshole in the newspaper given to editorial pages, the percentage of newshole in news sections given to wire news, the

percentage of newshole in news sections given to staff copy, the percentage of newshole in news sections given to the home city coverage, the percentage of newshole in news sections given to international news copy, the percentage of non-advertising space in editorial pages given to editorial opinion about the home city, and the percentage of newshole in editorial pages given to letters and guest columns.

Umbrella competition appears to have an impact on newspaper content. There is a tendency for newspapers in the lower layers to differentiate themselves by increasing local coverage and newshole. In terms of umbrella competition, this study looks at seven variables: the reporters' workload, the percentage of non-advertising space in the newspaper, the percentage of non-advertising space in the newspaper given to news pages, the percentage of non-advertising space in news pages given to the home prefecture coverage, the percentage of non-advertising space in news pages given to international coverage, the percentage of non-advertising space in news pages given to conflict coverage, and the percentage of non-advertising space in editorial pages given to editorial opinion about the home prefecture.

Although the Japanese newspaper industry has unique ownership characteristics, and little research exists about Japanese newspapers, literature in Western countries suggests that ownership will have an impact on the budget allocation process. This study will examine four areas in which the impact of ownership may be found. These include: reporters' workload, non-advertising space in the newspaper, non-advertising space in the newspaper given to news pages, and non-advertising space in the newspaper given to editorial pages.

CHAPTER 4 HYPOTHESES

As reviewed in Chapter 3, existing research has found that the degree of competition and variation in organizational goals can influence the allocation processes of budget, space and editorial copy in newspaper organizations. Because little research about Japanese competition and ownership exists, the hypotheses related to competition and the research questions related to ownership in this study are primarily based on research conducted in the United States. In addition, this study takes into account the comparability of newspaper research from Japan with that from the United States.

Hypothesis 1 through Hypothesis 10 address the impact of competition among local newspapers in a prefecture on management allocation of budget, space, and editorial copy.

H1: *The reporters' workload is negatively related to the intensity of competition among local newspapers in a prefecture.*

Existing research has found that as competition intensifies, newspapers spend money on reporters and the number of wire services for a given amount of space, which means that reporters' workload will decrease when competition intensifies.¹

¹ For example, Stephen Lacy, "The Effects of Intracity Competition on Daily Newspaper Content," *Journalism Quarterly* 64(2/3): 281-290 (summer/autumn 1987).

H2: *The percentage of non-advertising space in the newspaper is positively related to the intensity of competition among local newspapers in a prefecture.*

The percentage of newshole is determined by the budget process at the beginning of the year.² Previous research has suggested this allocation process influences newspaper content through financial commitment.³

H3: *The percentage of non-advertising space in the newspaper given to news pages is positively related to the intensity of competition among local newspapers in a prefecture.*

This reflects the increased financial commitment of newspapers to news coverage. Existing literature has suggested that the percentage of newshole given to news and editorial material is significantly related to the intensity of direct competition.⁴

H4: *The percentage of non-advertising space in the newspaper given to editorial pages is positively related to the intensity of competition among local newspapers in a prefecture.*

² Jon Udell, *The Economics of the American Newspaper* (New York, NY: Hastings House, Publishers, 1978), 80-87.

³ For example, Barry Litman and Janet Bridges, "An Economic Analysis of Daily Newspaper Performance," *Newspaper Research Journal* 7(3): 9-26 (spring 1986).

⁴ For example, Lacy, "Effects of Intracity Competition on Daily Newspaper Content," 281-290.

This hypothesis is based on previous findings that newspapers in a competitive market increase the percentage of the newshole given to editorial pages.⁵

H5: *The percentage of non-advertising space in news pages given to wire news is negatively related to the intensity of competition among local newspapers in a prefecture.*

Because hiring reporters represents a larger cost than subscribing to wire news, monopoly newspapers, which have monopoly power in the markets, contain a relatively larger amount of wire copy than competitive newspapers do.

H6: *The percentage of non-advertising space in news pages given to staff copy is positively related to the intensity of competition among local newspapers in a prefecture.*

Staff copy requires more expenditure on the newsroom. According to existing literature, competitive newspapers allocate more space for staff copy to attract readers than do monopoly newspapers.⁶

⁵ For example, Galen Rarick and Barrie Hartman, "The Effects of Competition on One Daily Newspaper's Content," *Journalism Quarterly* 43(3): 459-463 (autumn 1966); John Schweitzer and Elaine Goldman, "Does Newspaper Competition Make a Difference to Readers?" *Journalism Quarterly* 52(4): 706-710 (winter 1975).

⁶ For example, Maxwell McCombs, "Concentration, Monopoly, and Content," in *Press Concentration and Monopoly: New Perspectives on Newspaper Ownership and Operation*, eds. Robert Picard, James Winter, Maxwell McCombs, and Stephen Lacy (Norwood, NJ: Ablex Publishing Corporation, 1988), 129-137.

H7: *The percentage of non-advertising space in news pages given to the home prefecture coverage is positively related to the intensity of competition among local newspapers in a prefecture.*

This hypothesis is related to the theoretical proposition that newspapers try to differentiate themselves with more news about local markets when competition is high. Previous research has shown that the more competition intensifies, the more local coverage newspapers run.⁷

H8: *The percentage of non-advertising space in news pages given to international coverage is negatively related to the intensity of competition among local newspapers in a prefecture.*

Existing research has indicated there is a connection between the intensity of competition and the percentage of international coverage. McCombs found that newspapers without competition tended to have more international coverage rather than local coverage.⁸

H9: *The percentage of non-advertising space in editorial pages given to editorial opinion about the home prefecture is positively related to the intensity of competition among local newspapers in a prefecture.*

This is related to the theoretical proposition that newspapers in a competitive market differentiate themselves with more editorials which address local issues than other issues.

⁷ For example, Lacy, "Effects of Intracity Competition on Daily Newspaper Content," 281-290.

⁸ McCombs, "Concentration, Monopoly, and Content," 129-137.

H10: *The percentage of non-advertising space in editorial pages given to letters and guest columns is positively related to the intensity of competition among local newspapers in a prefecture.*

This hypothesis is based on findings by previous studies that monopoly newspapers are less likely to have letters to the editors than competitive newspapers.⁹

Hypothesis 11 through Hypothesis 17 are examinations of the impact of umbrella competition between local newspapers and national newspapers on the allocation processes and newspaper content of the local newspapers.

H11: *The reporters' workload is negatively related to the intensity of umbrella competition.*

This hypothesis is consistent with previous research that has found negative relationship between the reporters' workload and the intensity of umbrella competition. Negative relationships represent the financial commitment to the newsroom, and is consistent with Lacy, Fico and Simon's research.¹⁰

H12: *The percentage of non-advertising space in the newspaper is positively related to the intensity of umbrella competition.*

⁹ Maxwell McCombs, "Effect of Monopoly in Cleveland on Diversity of Newspaper Content," *Journalism Quarterly* 64(4): 740-744, 792 (winter 1987).

¹⁰ Stephen Lacy, Frederick Fico, and Todd Simon, "Relationships Among Economic, Newsroom, and Content Variables: A Path Model," *Journal of Media Economics* 2(2): 51-66 (fall 1989).

The percentage of total space given to newshole is determined by the budget process at the beginning of the year. As the intensity of competition increases, newspapers spend more money on newshole.

H13: *The percentage of non-advertising space in the newspaper given to news pages is positively related to the intensity of umbrella competition.*

Existing research has found that as the intensity of umbrella competition increases, the percentage of newshole increases.¹¹ This is because competitive newspapers must spend money on the newsrooms

H14: *The percentage of non-advertising space in news pages given to home prefecture coverage is positively related to the intensity of umbrella competition.*

This hypothesis is related to the theoretical proposition that newspapers must differentiate themselves by providing information that their competitors do not provide, but at the same time, they must be a substitute for the competitors. Local newspapers differentiate themselves to retain their readers by increasing local news coverage.

H15: *The percentage of non-advertising space in news pages given to international coverage is negatively related to the intensity of umbrella competition.*

¹¹ Stephen Lacy, "The Impact of Intercity Competition on Daily Newspaper Content," *Journalism Quarterly* 65(2): 399-406 (summer 1988).

Existing research in Japan has found that competition has a negative relationship to international news. The higher the intensity of competition is, the less international news is provided.¹²

H16: *The percentage of non-advertising space in news pages given to conflict coverage is negatively related to the intensity of umbrella competition.*

This hypothesis is based on findings in Japan that as the intensity of umbrella competition increases, the percentage of newshole given to international conflict coverage decreases.¹³ However, the impact of umbrella competition on conflict coverage has not been explored.

H17: *The percentage of non-advertising space in editorial pages given to editorial opinion about the home prefecture is positively related to the intensity of umbrella competition.*

One theoretical proposition has suggested that newspapers will try to differentiate themselves with more news about the local market as well as make more room for local voices when competition is high.

From Research Question 1 to Research Question 4, the impact of ownership on the budget allocation process by local newspapers is examined. Recent research in the United States distinguishes publicly traded group newspapers from independent

¹² Hiromi Cho, "The Impact of Organizational and Market Factors on International News Coverage in Local Japanese Newspapers" (paper presented to the Second Annual Interdisciplinary Conference, Los Angeles, CA, April 1999).

¹³ Hiromi Cho, "Factors Influencing International News Coverage in Japanese Local Newspapers" (master's thesis, Michigan State University, 1996).

newspapers, and explains how those differences affect profit goals that would affect content.¹⁴ However, because of a unique characteristic of cross-sharing ties among newspapers and the non-existence of publicly traded newspapers in Japan, it is hard to conduct U.S.-style research with Japanese newspapers.

Since little research about the impact of ownership in Japan exists, and little is known about how the structure of Japanese newspapers affects budget allocation, this study attempts to explore this area.

RQ1: *Do group newspapers vary from non-group newspapers in the way in which management allocates reporters' workload?*

RQ2: *Do group newspapers vary from non-group newspapers in the way in which management allocates non-advertising space in the newspaper?*

RQ3: *Do group newspapers vary from non-group newspapers in the way in which management allocates non-advertising space to the newspaper given to news pages?*

RQ4: *Do group newspapers vary from non-group newspapers in the way in which management allocates non-advertising space given to editorial pages?*

¹⁴ William Blankenburg and Gary Ozanich, "The Effects of Public Ownership on the Financial Performance of Newspaper Corporations," *Journalism Quarterly* 70(1): 68-75 (spring 1993); Stephen Lacy, Mary Shaver, and Charles St. Cyr, "The Effects of Public Ownership and Newspaper Competition on the Financial Performance of Newspaper Corporations: A Replication and Extension," *Journalism and Mass Communication Quarterly* 73(2): 332-341 (summer 1996).

In summary, the underlying assumption here is that the business nature of newspapers contributes to the nature and extent of allocation processes. This study focuses on Japanese newspapers, but a thorough review of previous research in Western countries has provided these hypotheses and research questions with sufficient validity to test for their applicability to Japanese newspapers.

CHAPTER 5 METHODS

Sampling

Sampling for Local Newspapers

A census of all 70 local newspapers affiliated with Nihon Shinbun Kyokai were included in this study.¹ Special papers such as professional, business, sports, and foreign language papers, and non-dailies were excluded. When considering the case-to-independent-variable ratio, fewer than 70 cases might not be large enough to run a regression analysis, therefore a census of all 70 local newspapers were chosen for this study. Since every member of a population of local newspapers could be examined, there was no need to infer to characteristics of a population based on a sample. Therefore, the measurements for local newspapers were not subject to sampling errors.

The 70 papers were categorized into four strata provided by a two by two grid. The four categories of strata were drawn from two essential criteria for this study, competition and ownership. One dimension was based on the degree of competitiveness in a newspaper market. In it, newspapers were grouped into two different categories: newspapers in monopoly markets and newspapers in competitive markets. Monopoly newspapers are headquartered in a prefecture which has only one local newspaper. Competitive newspapers are those with direct competition, which is competition between or among newspapers that are headquartered in the same prefecture. Ownership was

¹ Nihon Shinbun Kyokai, *Nihon shimbun nenkan '99-'00* (The Japanese Newspaper Annual '99-'00) (Tokyo: Dentsu Inc., 1999).

reflected in another dimension which classifies whether a newspaper is grouped or not grouped. As explained in Chapter 3, all decisions in a keiretsu are made by parent companies even though the parent corporations and subsidiaries cross-share their stock. Considering the unique characteristics of keiretsu and the decision-making process, groups were defined as a company which owns more than two newspapers. Thus, group newspapers were newspapers that were owned by the other newspaper companies or which own other newspapers themselves. In other words, they were newspapers whose stock shares were held by other newspaper companies or have stock in other newspapers. Non-group newspapers were papers that were not owned by other newspaper companies and did not own stock in other newspapers.

Table 5.1
Categorization of Newspapers

	Monopoly	Competitive	Total
Group	4	12	16
Non-Group	24	30	54
Total	28	42	70

The four strata were: 1) group newspapers in monopoly markets, 2) group newspapers in competitive markets, 3) non-group newspapers in monopoly markets, and 4) non-group newspapers in competitive markets. Of the 70 local newspapers, four newspapers were group newspapers in monopoly markets, twelve were group newspapers in competitive markets, 24 were non-group newspapers in monopoly markets, and 30 were non-group newspapers in competitive markets.

Table 5.2
Newspaper Categorization Based on Competition and Ownership

<i>Group/Monopoly Newspapers (4 newspapers)</i>	
Kanagawa Shimbun (Asahi Shimbun*)	
Shimotsuke Shimbun (Mainichi Shimbun*)	
Shizuoka Shimbun (Yamanashi Nichinichi Shimbun*)	
Yamanashi Nichinichi Shimbun (Shizuoka Shimbun*)	
<i>Group/Competitive Newspapers (12 newspapers)</i>	
Fukushima Mimpo (Mainichi Shimbun*)	
Fukushima Minyu (Yomiuri Shimbun*)	
Minami Shinshu (Shinano Mainichi Shimbun*)	
Muroran Mimpo (Tomakomai Mimpo*)	
Mutsu Shimpo (Asahi Shimbun*)	
Nikkan Kenmin Fukui (Chunichi Shimbun*)	
Okayama Nichinichi Shimbun (Asahi Shimbun*)	
Osaka Shimbun (Sankei Shimbun*)	
Shinano Mainichi Shimbun (Minami Shinshu*)	
Shonai Nippo (Mainichi Shimbun*)	
Tomakomai Mimpo (Muroran Mimpo*)	
Yukan Fuji (Sankei Shimbun*)	
<i>Non-Group/Monopoly (24 newspapers)</i>	
Chibanippo	Kumamoto Nichinichi Shimbun
Chugoku Shimbun	Kyoto Shimbun
Ehime Shimbun	Miyazaki Nichinichi Shimbun
Gifu Shimbun	Nagasaki Shimbun
Hokkoku Shimbun	Nara Shimbun
Ise Shimbun	Nihonkai Shimbun
Jyomo Shimbun	Niigatanippo
Kahoku Shimpo	Oitagodo Shimbun
Kii Mimpo	Saga Shimbun
Kitanihon Shimbun	Saitama Shimbun
Kobe Shimbun	Shikoku Shimbun
Kochi Shimbun	Tokushima Shimbun
<i>Non-Group/Competitive (30 newspapers)</i>	
Akita Sakigake Shimpo	Ibaraki Shimbun
Daily Tohoku	Iwate Nichinichi Shimbun
Fukui Shimbun	Iwatenippo
Higashi Aichi Shimbun	Joyo Shimbun
Hokuu Shimpo	Kagoshim Shimpo

Continued on next page

Table 5.2—*Continued*

Kushiro Shimbun	Ryukyu Shimpō
Minaminihon Shimbun	San'in chūō Shimpō
Miyako Mainichi Shimbun	Sanyō Shimbun
Naganonippo	Shimane Nichinichi Shimbun
Nagoya Times	Toonippo
Naigai Times	Tokachi Mainichi Shimbun
Nankai Nichinichi Shimbun	Yaeyama Mainichi Shimbun
Nikkan Ubejiho	Yamaguchi Shimbun
Okinawa Times	Yamagata Shimbun
Osaka Nichinichi Shimbun	Yonezawa Shimbun

Note: * Stockholders.

Sampling Week for Local Newspapers

A constructed week was randomly selected by computer from January 1, 1999, to June 30, 1999. A random constructed week was applied to avoid any sampling biases for two reasons. First, it addresses the variation in the distribution of newspaper stories which is controlled by the demand of advertisers and readers, and avoids the possibility of oversampling Sundays or Saturdays, when particularly large and small newshole are presented.² Second, it eliminates a possible systematic bias due to the time of year.³ A certain event, accident, or trend of a certain time period, such as the Olympic games or wars may produce invalid results which harm the generalizability of the sample. This sampling method allowed researchers to avoid seasonal bias and increase external validity.

A six-month period was chosen to represent the newspaper content. The decision to use a six-month instead of a twelve-month testing period was made mainly to

² Daniel Riffe, Charles Aust, and Stephen Lacy, "The Effectiveness of Random, Consecutive Day and Constructed Week Sampling in Newspaper Content Analysis," *Journalism Quarterly* 70(1): 133-139 (spring 1993).

³ Stephen Lacy, "The Effects of Ownership and Competition on Daily Newspaper Content" (Ph.D. diss., University of Texas at Austin, 1986), 126-127.

accommodate the author's time schedule and financial resources.

This study randomly sampled one constructed week in the six-month period by using the SPSS program⁴ because one constructed week sufficed for a population of six months of newspaper editions.⁵ By choosing each one of the weekdays during that period, the dates and days were determined. For instance, each of the total of 26 Sundays during the six-month period was assigned a number from 1 to 26, and the computer randomly selected one Sunday. For each of the days from Sunday through Saturday, this procedure was repeated to select seven days. The chosen dates and days were: Sunday, June 20; Monday, February 8; Tuesday, April 20; Wednesday, May 12; Thursday, January 21; Friday, June 18; and Saturday, March 27.

Content Coding (Dependent Variables)

Categorization

The news and editorial content in Japanese newspapers was examined. This study focused solely on these two sections because they perform a public information role in the function newspapers which reflect the marketplace of ideas concept.⁶ These sections fulfill the newspaper's watchdog obligation to oversee and interpret the actions of government.⁷ For reasons such as these, news pages dedicated to sports, religion, lifestyle, food, entertainment, television, and radio were eliminated. While important,

⁴ SPSS Graduate Pack 9.0 for Windows (Chicago, IL: SPSS Inc., 1999).

⁵ Riffe, Aust, and Lacy, "The Effectiveness of Random, Consecutive Day and Constructed Week Sampling in Newspaper Content Analysis," 133-139.

⁶ Lacy, "The Effects of Ownership and Competition on Daily Newspaper Content," 128.

⁷ Dennis Hale, "Editorial Diversity and Concentration," in *Press Concentration and Monopoly: New Perspectives on Newspaper Ownership and Operation*, eds. Robert Picard, James Winter, Maxwell McCombs, and Stephen Lacy (Norwood, NJ: Ablex Publishing Corporation, 1988), 161-176.

these excluded sections are not good indicators of public information functions than the news and editorial sections.

Since the structure of Japanese newspapers is based on *pages* instead of *sections* as in American newspapers, for the purpose of this study, pages were considered sections for Japanese newspapers. Generally, Japanese newspapers introduce a different subject matter on each page. For example, typical Japanese newspapers start with general matters which appear to be the most important and prominent news of the day in any genre.⁸ Following are pages of editorial opinion and letters to the editor. Appearing after these pages, in order, are: government, international news, business, market conditions, culture and entertainment, lifestyle and food, radio, sports, local news, and television.⁹ One to three pages are usually assigned to each subject matter. A total of approximately ten to thirty pages are folded together. Thus, pages were considered as sections for Japanese newspapers, and this study analyzed only news pages and editorial pages.

To code newspaper content, definitions of the variables used in this study were clarified. Taking into account the comparability of newspaper research in Japan with that in the United States, categorization and definitions followed previous studies conducted in the United States. Specifically, Lacy's content analysis which was conducted in 1986 was employed.¹⁰

Total space. Total space refers to the entire contents of a newspaper from the first page to the last page. As such, it includes the titles of newspapers, the titles of pages,

⁸ Nihon Shinbun Kyokai, *Japanese Newspapers Handbook* (Tokyo: Nihon Shinbun Kyokai, 1997), 24-25.

⁹ Ibid., 24-25.

¹⁰ Lacy, "The Effects of Ownership and Competition on Daily Newspaper Content"; James Stephens Jr., "The News Philosophy of African American Newspaper Publishers and Editors Correlated with the News and Opinion-Editorial Content Found in Selected African American Newspapers" (master's thesis, Michigan State University, 1994).

headlines, bylines, news articles, opinion-editorials, advertising, cartoons and all visuals. For convenience, the measurement for the first inside page can be used for the measurement of the rest of all inside pages that are equivalent in size.

Advertising. Advertising is defined as that portion of the newspaper devoted to display advertising, classified advertising, and any copy identified as advertising.¹¹ Any printed notice with the primarily purpose of promoting a product or a business is included here. Stories about businesses, real estate, and housing which promote the products or businesses without providing information to readers for their own use, are also classified as advertising.

Non-advertising space. Non-advertising space is the newshole that is determined by subtracting the amount of advertising from the amount of total space. All photographs, tables, graphs, news, obituaries, and weather is counted as non-advertising.

The coding section is divided into two main parts: news content and opinion-editorial content. News source and story type are distinguished for news content. For editorial content, editorial-opinion or letters to the editor/guest column are specified. A category based on geographical emphasis for both news and editorial contents is also made.

News pages categories

News pages. News pages are those pages about general subjects which appear to be the most important and prominent news of the day in any genre: government, international news, business and market conditions. Opinion-editorial pages and pages about sports, religion, lifestyle, food, entertainment, television, and radio are not included.

¹¹ Lacy, "Effects of Ownership and Competition on Daily Newspaper Content," 278.

News. News is all coverage published in news pages excluding advertising. Obituaries, indexes, headlines and white space are not included. Lists such as weather are generally eliminated unless they are in story form. Even if visuals, e.g., tables, graphs, illustrations, pictures, and cartoons, and comments on the visuals, are related to news stories, they are not treated as news.

The analysis of news pages involved assigning each story to sub-categories of three main categories . The first category focuses on geographic emphasis which can be local, international or other. The second category, original source of the story, includes staff, wire services and other. The third category classifies the news items according story type. If a story comes under conflict coverage, it is recorded as such. When a story is not categorized as conflict coverage, it falls under the category of other.

Geographic Emphasis

In general, newspapers have a specific geographical area that they focus on for news and information. News can be identified as belonging to one of the three subcategories listed below. The categories are based on the geographic area on which the story focuses.

Local copy. Local copy is copy about the prefecture where the newspaper is located. The main emphasis of the story must be local. The presence of one or two paragraphs about the impact of a state, national or international event or issue within the newspaper's primary area of coverage is not considered local. For example, coverage about an earthquake in Tokyo with brief information about the injured from a prefecture where the newspaper is located does not make the story local.

International copy. International copy is copy concerning events or issues in countries outside of Japan. For example, 1) *Stories sent from the outside of Japan*--stories dispatched from countries other than Japan is considered as international news regardless of the content or how the stories are written. If a copy which deals with Japanese people or Japan is sent from outside Japan, it is treated as international copy. For instance, if news is about the Japanese Prime Minister talks about Japan in the White House, it is placed in the international copy category. 2) *Stories about foreign people*--only when stories focus on foreigners' nationality, are the stories considered international news. For example, a story may be about a sporting event in Japan where a foreign player competes, but it is not treated as an international story unless the story is focusing on the foreign player's nationality. 3) *Stories about foreign countries or events*--if the main focus of the story is foreign countries or events, the story is considered international copy. Stories about history, culture and arts outside of Japan are included in this category. Even if foreign countries are mentioned in a story, the story is not treated as international news unless the countries are the main focus of the story. For example, if a story is a personal profile of the Japanese Prime Minister, and the story mentions several countries he has visited, it is not considered international news. Another example would be if the main focus of a story is about French history, the story is considered international news even if it is written by the Japanese Prime Minister. If the main focus of a story, however, is the Japanese Prime Minister, it is not treated as international news even if he writes about German history.

Other. Other includes all copies except local copies and international copies. Copies about national events or issues are included here.

Source of the Story

Source is the organization to which the writer belongs, and can be one of the following:

Staff copy. All copies, excluding wire copies or syndication copies and copies from other sources such as contributors, are categorized as staff copies because staff copies in Japanese newspapers do not necessarily have a byline. Non-staff copies always have bylines in Japan.

Wire copy. Wire copy is copy from wire service agencies. Since copies from wire services always have bylines, those copies will be treated as wire copy. The content or how the stories are written is of no consequence. If the copy is sent from wire service agencies, it is considered wire copy.

Other. Other means anything except staff copy and wire or syndicated copy.

Story Types

The type of story can be conflict news or other.

Conflict news. The definition of conflict news from Lacy, Chang, and Lau's 1989 study was employed.¹² If a story involves either physical or ideological disagreement, or violence, the story is categorized as conflict news. Since conflict involves changes in customs and values, social unrest, and changes in the status quo, examples of conflict include wars, invasions, coup d'etat, revolutions, guerrillas, riots, uprisings, political disagreements, and special interest groups that advocate social change.¹³

¹² Stephen Lacy, Tsan-Kuo Chang and Tuen-Yu Lau, "Impact of Allocation Decisions and Market Factors on Foreign News Coverage," *Newspaper Research Journal* 10(3): 23-32 (fall 1989).

¹³ George A. Hough, *News Writing*, 3rd ed. (Boston, MA: Houghton Mifflin Company, 1984), 3; Nihon Shinbun Kyōkai Kenkyūjyo, "Kokusai nyūsu no hōdō jyōkyō" (The International News Coverage) *Nihon Shinbun Kyōkai Kenkyūjyo Nenpō* 6: 1-47 (1984).

Disaster. A story about a natural disaster is categorized into *disaster*. Disaster is defined as conflict news because it involves man in conflict with natural forces.¹⁴

Other. Any coverage that is not conflict news is categorized as *other*.

Editorial-opinion page categories

Generally, the editorial and op-ed materials are labeled as such; otherwise, they are defined as material which is strongly opinionated and does not provide various viewpoints. Two items, editorials and letters to the editor/guest columns, are analyzed in this study. The categorization of the editorials focuses only on the local geographic area.

Local editorials. Editorials are commentary pieces that represent the official stand of the newspaper company. These are generally labeled as such or express the opinion of the editors or the newspaper organization. Local editorials are items that comment on issues and events relating to the prefecture in which the newspaper is located. The editorials about towns, villages, and cities inside of the prefecture are classified local editorials. The main emphasis of the editorial must be the prefecture. A brief statement about the prefecture is not enough to qualify the editorial for this category.

Letters to the editor and guest columns. Letters to the editor and guest columns are labeled as such. Guest columns usually list the guest's occupation and are accompanied by a picture of the guest. The street interviews about social, political, or economic issues are treated as letters to the editor. If an item answers the question from a reader, it is considered as a letter to the editor.

¹⁴ Lacy, Chang and Lau, "Impact of Allocation Decisions and Market Factors on Foreign News Coverage," 23-32.

Coding Process

Three coders, one being the researcher, coded the newspapers. Usually, coding newspapers involves all the processes including analyzing, measuring and writing down the measured amounts on coding sheets, but this study divided the work between the researcher and two other coders. First, the researcher analyzed and checked the items that were to be measured in the newspapers. Then the other two coders measured the checked items. They also measured the total news space and advertising space in all the pages of the newspapers. Lastly, the researcher categorized and recorded the numbers which were measured onto the coding sheets. The work of the coders was limited to the measurement of the newspaper contents. The remainder of the work was completed by the researcher.

Two coders were hired and paid. One of them had several years experience working as a banker. The other was an office clerk. Both possessed business abilities such as finance and accounting, and they were accustomed to deskwork. They worked on this project from roughly 9 a.m. to 6 p.m., Monday through Friday.

The coding instructions were given to the coders before beginning (Appendix C). The researcher reviewed the definitions of the variables analyzed in addition to the coding instructions. A verbal explanation of the project and measurement instructions was given to the two coders. The author analyzed and checked news and editorial content page by page, and the two coders measured them. The first step in the coding process was to seek information on the name, date, total pages and page numbers of the paper being analyzed. This task was completed by the author. Also, the author distinguished news and op-ed pages from the other pages as well as from each other, and

each page was identified by checking the appropriate blank space provided on the top right side of the sheet. News and op-ed items which qualified for coding under the definitions were selected, and each item was assigned a number. The name of the headline was also recorded for identification purposes.

Second, the two coders measured the length of the stories checked by the author in square centimeters. Each square measure was recorded near each headline so that the researcher could identify the number and transfer it to a coding sheet at a later time. Headlines related to the story, as well as the names of sections not affected by story change, were not included in the measurement. After measuring all news or editorials on each page of the newspaper, the total space of each page of the newspaper was measured. This was accomplished by measuring the length and width of the material on a page. The width was measured from one edge of the copy to the other. The length was measured from the top of the copy to the bottom of the copy. Once the total space in a page was assessed, the square centimeters of advertising space were calculated and subtracted from the total space. Then the total news or editorial space of the page was assessed. This procedure was repeated for all pages of each newspaper in the constructed week. The amounts of the total space, advertising and total news or editorial space could have been measured either before or after coding the content.

Following the measurement of the story length by the two coders, the researcher classified each of the items being measured and recorded the amount of the story length into subcategories. The geographic emphasis for both news and editorials, the source of the story and story type for news pages were identified. For editorials, the item was recognized as either local opinion-editorials or letters to the editor/guest columns. The

total space of each page of the newspaper, the advertising space, and the total news or editorial space of the page were also transferred to the coding sheets.

One problem arose during the coding process. The Japanese newspapers often did not provide editorial pages, and news and editorials were on the same page. In such cases, the author calculated the ratio of the amount of total news and editorial space. Based on that ratio, the amounts of newshole and advertising space for news and editorials was calculated.

The researcher transferred figures for the news and editorial items of each page for each newspaper to a newspaper content summary sheet for each day of the week. Then, a summary sheet for the entire week was constructed. Total news space, editorial space, the space of each of the subgroups of geographic emphasis, the source of the story, story type, opinion-editorials, and letters to the editor/guest columns were calculated. These totals were presented in square centimeters as well as percentages.

Coder Reliability

The units of measurement for this study were square centimeters of copy and advertisements. The author provided training for the two coders to familiarize them with the content being analyzed and the process of concept definition and protocol construction.¹⁵ During the training sessions, if the items one coder measured were substantially different from the items the other coder measured, they were discussed. After several sessions, inter-coder reliability was addressed in terms of space and category agreement. If the study is systematic and objective, similar results should be expected when the same coding instructions and definitions are used by different coders

¹⁵ Daniel Riffe, Stephen Lacy, and Frederick Fico, *Analyzing Media Messages: Using Quantitative Content Analysis in Research* (Mahwah, NJ: Lawrence Erlbaum Associates Publishers, 1998), 104-134.

on a given sample of data.¹⁶ If large differences between coders exist, one of the following two causes should be considered and corrected. The two possible causes are the failure of the coders to achieve a common frame of reference and oversights committed by the coders.¹⁷

The types of reliability data that were derived from this study were space measurement reliability and category reliability. The space measurement was not reliable when different rulers were used or the physical differences in coders existed.¹⁸ To avoid unreliable outcomes, the researcher provided the same ruler to each coder to measure the news and editorial contents. Category reliability was also needed to test the coding protocol, although only one person, the author, categorized the items.

In order to test the reliability of space measurement, 84 issues were randomly chosen. This sample size for the reliability check was calculated using a formula introduced by Riffe, Lacy and Fico.¹⁹ The confidence level desired in the test was set at 95%.

$$n = \frac{(N-1)(SE)^2 + PQN}{(N-1)(SE)^2 + PQ} = 84$$

N = number of content units in the study.

P = population level of agreement.

Q = (1-P)

N = sample size for the reliability check.

¹⁶ Ole R. Holsti, *Content Analysis for the Social Sciences and Humanities* (Menlo Park, CA: Addison-Wesley Publishing Company, 1969), 135.

¹⁷ Guido H. Stempel III, "Content Analysis," in *Research Methods in Mass Communication*, eds. Guido H. Stempel, III and Bruce H. Westley (Englewood Cliffs, NJ: Prentice-Hall Inc., 1981), 119-131.

¹⁸ Lacy, "Effects of Ownership and Competition on Daily Newspaper Content."

¹⁹ Riffe, Lacy, and Fico, *Analyzing Media Messages: Using Quantitative Content Analysis in Research*, 124-127.

Table 5.3
Space Measurement Reliability Results

Measurement: Coder A	Measurement: Coder B	Difference Between Coder A and B	Percent Difference
589.60	594.68	-5.08	.86
495.75	488.10	+7.65	1.54
737.52	727.13	+10.39	1.41
679.08	688.17	-9.09	1.34
931.34	923.21	+8.13	.87
634.38	628.04	+6.34	1.00
453.36	452.29	+1.07	.24
383.30	385.58	-2.28	.59
570.93	565.01	+5.92	1.04
418.39	415.13	+3.26	.78
646.98	641.82	+5.16	.80
668.41	662.77	+5.64	.84
511.12	502.22	+8.90	1.74
527.95	531.15	-3.20	.61
540.34	541.80	-1.46	.27
600.88	594.42	+6.46	1.08
419.77	412.78	+6.99	1.67
682.54	677.67	+4.87	.71
643.02	645.27	-2.25	.35
916.30	902.47	+13.83	1.51
483.14	486.78	-3.64	.75
561.11	558.68	+2.43	.43
756.05	750.61	+5.44	.72
974.45	967.29	+7.16	.73
884.70	880.52	+4.18	.47
611.91	612.90	-.99	.16
331.22	332.24	-1.02	.31
647.31	646.60	+.71	.11
520.22	518.18	+2.04	.39
830.93	814.62	+16.31	1.96
578.69	575.80	+2.89	.50
452.35	454.97	-2.62	.58
467.60	462.26	+5.34	1.14
607.11	601.33	+5.78	.95
605.91	609.75	-3.84	.63
1033.69	1046.47	-12.78	1.24
682.41	678.01	+4.40	.64
724.71	718.21	+6.50	.90

Continued on next page

Table 5.3—*Continued*

Measurement: Coder A	Measurement: Coder B	Difference Between Coder A and B	Percent Difference
699.61	695.71	+3.90	.56
518.64	504.67	+13.97	2.69
484.10	477.60	+6.50	1.34
582.18	582.19	-.01	.00
468.57	475.15	-6.58	1.40
593.03	597.41	-4.38	.74
490.86	486.42	+4.44	.90
1387.34	1395.24	-7.90	.57
700.96	695.34	+5.62	.80
816.15	807.96	+8.19	1.00
599.60	603.38	-3.78	.63
885.51	881.63	+3.88	.44
573.50	579.21	-5.71	1.00
852.11	856.94	-4.83	.57
618.16	617.38	+.78	.13
825.16	815.53	+9.63	1.17
793.64	786.09	+7.55	.95
637.00	632.38	+4.62	.73
561.34	554.72	+6.62	1.18
481.27	470.31	+10.96	2.28
786.84	785.99	+.85	.11
428.95	425.84	+3.11	.73
448.00	464.23	-16.23	3.62
484.30	479.53	+4.77	.98
512.71	510.46	+2.25	.44
856.77	836.91	+19.86	2.32
523.79	515.56	+8.23	1.57
567.25	569.79	-2.54	.45
353.92	349.86	+4.06	1.15
582.07	581.15	+.92	.16
396.91	392.84	+4.07	1.03
569.76	567.92	+1.84	.32
661.83	655.10	+6.73	1.02
621.43	618.34	+3.09	.50
461.65	460.99	+.66	.14
340.37	337.56	+2.81	.83
466.13	468.28	-2.15	.46
865.86	860.10	+5.76	.67
757.65	762.36	-4.71	.62

Continued on next page

Table 5.3—*Continued*

Measurement: Coder A	Measurement: Coder B	Difference Between Coder A and B	Percent Difference
771.08	775.15	-4.07	.53
601.36	600.15	+1.21	.20
397.66	394.73	+2.93	.74
509.04	508.56	+.48	.09
523.45	522.08	+1.37	.26
476.18	472.77	+3.41	.72
708.77	704.56	+4.21	.59
<ul style="list-style-type: none"> Average percentage difference between Coder A and Coder B for 84 issues. 			.86
<ul style="list-style-type: none"> Pearson product-moment correlation coefficient for measurement of coder A and coder B. 			99.14%

Note: These measurements are in square centimeters.

$$\text{Percent difference} = \frac{\text{Absolute value of difference}}{\text{Value of coder's measurement}}$$

Then, the two coders excluding the researcher measured five randomly selected stories of two randomly selected pages in each of the newspapers. One coder's total square centimeters were compared with the other coder's using a Pearson product-moment correlation coefficient. The results are presented in Table 5.3.

The percentage of difference between the two coders was calculated by dividing the absolute value of the difference by the original coder's measurement. The difference ranged from .00 to 3.62, and the average percent difference for 84 issues was .86 %. As shown by the high degree of correlation, 99.14 %, the measurement variations between the two coders were not great enough to affect the results. Therefore, it is reasonable to say that various measures between the coders did not create systematic bias in the data.

As a coder category agreement check, two randomly selected pages of 84 randomly selected issues were coded. The coder category agreement was measured by

Table 5.4
Category Agreement Reliability Results

	Items Agree	Items Disagree	Scott's Pi
Geographic Emphasis	699	32	93.33%
Source of the Story	714	17	96.00%
Story Types	694	37	88.64%
Ed-Op Categories	109	0	100.00%

Note: Source of Scott's formula is Ole Holsti, *Content Analysis for the Social Sciences and Humanities*, 135-142.

- $P_i = \frac{\% \text{ observed agreement} - \% \text{ expected agreement}}{1 - \% \text{ expected agreement}}$
- $\% \text{ observed agreement} = \frac{KM}{N_1 + N_2 + \dots + N_k}$
K = Number of coders; M = Number of coding items on which the judges are in agreement; N_k = Number of coding items made by judges 1, 2 and k, respectively.
- % expected agreement was calculated by finding the proportion of items falling into each category of a category set, and summing the square of those proportions.

Scott's *Pi*. Category reliability is dependent upon the coder's ability to determine which items belong to which category.²⁰ Tests for category reliability evaluate the percentage of category agreement among two or more coders. The general level of acceptance for agreement is greater than .80.²¹

Table 5.4 shows the results of the category reliability. Scott's *Pi* ranged from 88.64% to 100 %, indicating that agreement between the coders was sufficiently high to accept the reliability of the coding protocol. Although the results were good, the author reviewed the items in dispute between the coders, and found that some items were difficult to categorize. Regarding geographic emphasis, there was news of an airplane crash of the U.S. Air Force in Kochi prefecture. This news should have been categorized

²⁰ Holsti, *Content Analysis for the Social Sciences and Humanities*, 135-142.

²¹ Stephen Lacy and Daniel Riffe, "Sampling Error and Selecting Inter-coder Reliability Samples for Nominal Content Categories," *Journalism and Mass Communication Quarterly* 73(4): 963-973 (winter 1996).

as other or local if the coded newspaper was published in Kochi, but it was mistakenly coded as international news. In terms of story type, there was disagreement on the categorization of the news of a company takeover. The researcher did not categorize it as conflict while the coder did.

Careful reading of the coding protocol by the coder would have prevented the miscategorization of these news items. The researcher reviewed the instructions carefully with the coder once again.

Validity

Validity raises special concerns in content analysis because it is inseparable from the procedures of content analysis. If the sampling design is faulty or an instrument is not adequate, the results of the study probably possess little validity, resulting in inappropriate inferences and interpretations. Validity is a crucial component in the content analysis that this section discusses and explores in detail.

Validity is the degree to which researchers measure what they are supposed to measure. In other words, validity refers to the extent to which an empirical measure adequately portrays the real meaning of the research concept under consideration.²² There are four types of validity that are relevant in establishing the truthfulness of a measure used in a content analysis. The four types of validity assessment are based on work by Holsti.²³ Since this study purposes to determine how competition and ownership impact the allocation of news and editorial space in newspapers, the validity questions are: 1) Does the measurement represent the space in newspapers? and 2) Does the measurement represents the results of the allocation processes? Checking these questions

²² Earl Babbie, *The Practice of Social Research*, 6th ed. (Belmont, CA: Wadsworth Publishing Company, 1992), 132.

²³ Holsti, *Content Analysis for the Social Sciences and Humanities*, 142-149.

against the four measurement validity types, this study attempts to validate its measurement of resource allocation.

The face, or content, validity is the most common validity test in content analysis. It examines whether the measurement reflects a specific domain of content.²⁴ The data collected in this research appeared to be face valid for three reasons. First, applying square centimeters for measuring news and editorial space was valid because space was assigned to reporters by editors on the basis of column centimeters.²⁵ In addition, square centimeters were a more appropriate unit than number of words because the size of a word and the size of a title were different in and among newspaper companies. Lastly, the measurement had face validity in terms of representing the allocation of news and editorial content due to the nature of the news allocation process. Subject and space are determined respectively. Editors make decisions where and how news and editorials should be reported in newspapers. Every item in the newspaper is allocated systematically. With the aforementioned reasons, it is reasonable to conclude that the measurement of each subject and space reflects the allocation process of news and editorial coverage.

Concurrent validity is closely related to predictive validity. This can be tested by correlating the measuring instrument used in this study against some present criterion such as a similar measurement used in another study.²⁶ In addition to the use of a similar measurement instrument, for the purpose of comparison, the other study must be recent.

²⁴ Edward Carmines and Richard Zeller, *Reliability and Validity Assessment* (Newbury Park, CA: Sage Publications, Inc., 1979), 20-22.

²⁵ Nihon Shinbun Kyokai, "Shimbun kōkoku ryōkin hayamihyō (Advertising Rates)," *Zenkoku shimbun gaido 2000* (Newspaper Guide 2000) (Tokyo: Nihon Shimbun Kyokai, 1999).

²⁶ Riffe, Lacy, and Fico, *Analyzing Media Messages: Using Quantitative Content Analysis in Research*, 143.

This second condition is required because, over time, changes in market structure can occur, which could affect changes in the allocation of newspaper space.²⁷ This study incorporated a crosscheck with a relevant sample of Cho's MA thesis.²⁸ His study looked at international news coverage in Japanese local newspapers through the content analysis of a one-week constructed sample from 48 Japanese local newspapers during the period from January 1995 to June 1995. While the focus of his study was not news and editorial content, the measurement process was almost the same as that of the present study, and his data provided some comparable content data. He reported that the average of the local Japanese newspaper newshole was 64%. The results of the present study demonstrate 69.59% newshole in the newspaper. Although the sets of newspapers from these two studies represent different periods of time, the consistency between the two sets supports the validity of this sample.

Predictive validity is judged by checking the measurement instrument against some future outcome. The concern here is not with what is being measured but is whether the measurement has the ability to correctly predict future behavior.²⁹ As such, the measure has predictive validity if the results occur as expected.³⁰

Similar to predictive validity, construct validity is hard to establish. It relates a measuring instrument to an overall theoretical framework to ensure that the measurement is logically related to other concepts in the framework.³¹ Strictly speaking, it is impossible to validate a measure of a concept in terms of construct validity because

²⁷ Lacy, "Effects of Ownership and Competition on Daily Newspaper Content," 157.

²⁸ Hiromi Cho, "Factors Influencing International News Coverage in Japanese Local Newspapers" (master's thesis, Michigan State University, 1996).

²⁹ Roger Wimmer and Joseph Dominick, *Mass Media Research: An Introduction*, 5th ed. (Belmont, CA: Wadsworth Publishing Company, 1997), 56.

³⁰ Riffe, Lacy, and Fico, *Analyzing Media Messages: Using Quantitative Content Analysis in Research*, 143.

³¹ Wimmer and Dominick, *Mass Media Research: An Introduction*, 56.

validation is the process of theory development and testing.³² The specification of the theoretical relationship between the concepts, the examination of the empirical relationship between the measures of the concepts, and the interpretation of the empirical evidence in terms of how it clarifies the construct validity of the particular measure must be made.³³

Both predictive and construct validity are difficult to establish, but they can be tested by comparing the results of this study with those of previous research. If this study is consistent with previous literature, predictive and construct validities of the study will be corroborated. These validities will be addressed in the discussions of findings in Chapter 8.

Use of Existing Data

Dependent Variables

In addition to the categories which appear on the coding sheet, one dependent variable, reporters' workload, was used for analysis. Variables such as the percentage of newshole in the newspaper, the percentage of newshole in the newspaper given to news pages, the percentage of newshole in the newspaper given to editorial/opinion and letter pages, and the percentages of newshole given to conflict coverage were compiled after the coding was undertaken. These variables were described in detail in the previous section. The data for the reporters' workload was collected from existing materials. The definition of the variable and how the data was provided are explained below.

³² Edward Carmines and Richard Zeller, *Reliability and Validity Assessment* (Newbury Park, CA: Sage Publications, Inc., 1979), 22-27; Lacy, "Effects of Ownership and Competition on Daily Newspaper Content," 158-159.

³³ Carmines and Zeller, *Reliability and Validity Assessment*, 22-27.

Reporters' workload. Reporters' workload was operationalized by newshole divided by the number of reporters in a newspaper. The data of the number of reporters was given from *Nihon shimbun nenkan '99-'00*.³⁴

Independent Variables

Competition

Determining whether competition among daily newspapers exists in a market requires some careful calculation. There are five possible measures of competition for newspapers.³⁵ The simplest method is to use a dummy variable based on the presence or absence of similar firms. Although this dichotomous measurement was frequently used in early newspaper competition studies, it is not sufficient for sophisticated statistical methods such as regression.³⁶ This measurement of competition is not likely to find the impact of competition on resource allocation.³⁷

The second possibility is to count the number of newspapers published in a market. Competition prevails when there is more than one newspaper company existing in a market. The problem with this method is that it treats the number of media firms in the market as being equal in the degree of competition. Counting the number of newspapers does not discriminate between a situation where a large firm dominates over two small firms, or one in which three firms are equally competitive in a market.

³⁴ Nihon Shinbun Kyokai, *Nihon shimbun nenkan '99-'00*

³⁵ Stephen Lacy and Jan Vermeer, "Theoretical and Practical Considerations in Operationalizing Newspaper and Television News Competition," *Journal of Media Economics* 8(1): 49-61 (1995).

³⁶ For example, Stanley Bigman, "Rivals in Conformity: A Study of Two Competing Dailies," *Journalism Quarterly* 25(2): 127-131 (June 1948); Wesley Willoughby, "Are Two Competing Dailies Necessarily Better than One?" *Journalism Quarterly* 32: 197-204 (spring 1955); Raymond Nixon and Robert Jones, "The Content of Non-Competitive vs. Competitive Newspapers," *Journalism Quarterly* 33: 299-314 (summer 1956).

³⁷ For example, Bigman, "Rivals in Conformity: A Study of Two Competing Dailies," 127-131; Willoughby, "Are Two Competing Dailies Necessarily Better than One?," 197-204; Nixon and Jones, "Content of Non-Competitive vs. Competitive Newspapers," 299-314.

Applying the Herfindahl-Hirschman Index (HHI) to competition measurement is the third choice. The index is calculated by squaring the market share of each firm in the relevant geographic markets and adding them.³⁸ A monopoly would equal 1.00 while the most competitive market would be represented as closer to 0.00. The HHI takes the number of firms in an industry, as well as differences in relative market shares, into consideration. However, this measurement may not be accurate when the number of firms in a market is too small. When, as is the case in Japan, markets have only one or two newspapers, there is no variation in the measurement of structure; the structure of the market is fixed.

Another possible competition measurement is a competition index which has been used to measure direct newspaper competition.³⁹ This is calculated by subtracting the penetration of the trailing newspaper from the penetration of the leading newspaper.⁴⁰ The index indicates how close the trailing newspaper is to the leading newspaper. The range is from 0 to 100, with zero meaning intense direct competition and 100 meaning a monopoly.

The advantages of the competition index are: 1) It is an interval measurement and 2) it considers the perspective of managers. However, since the index was designed for a two-newspaper or three-newspaper market, it has not been applied to situations where multiple newspapers exist in a market exist.⁴¹

³⁸ Orris C. Herfindahl, *Copper Costs and Prices: 1870-1957* (Baltimore, MD: Johns Hopkins Press, 1959), 167.

³⁹ For example, Stephen Lacy, "Effects of Newspaper Competition on Daily Newspaper Content," *Journalism Quarterly* 64(2/3): 281-290 (summer/autumn 1987); Stephen Lacy, "Newspaper Competition and Number of Press Services Carried: A Replication," *Journalism Quarterly* 67(1): 79-82 (spring 1990).

⁴⁰ Lacy and Vermeer, "Theoretical and Practical Considerations in Operationalizing Newspaper and Television News Competition," 49-61.

⁴¹ *Ibid.*, 49-61.

The last option is a competitors' penetration measurement. This measurement is calculated by adding each percentage of the competitors' penetration in a market. It represents the market share held by a firm's competitors in a market. There are two advantages to this measurement. First, this is an interval-level measurement that allows researchers to use powerful and sophisticated statistical methods to examine correlations. Second, this measurement has face validity. When the primary purpose of a study is to examine the cross-elasticity of demand among newspapers in a market, a measurement, which is an indicator of market share, is a reasonable measurement.

Choosing the best measurement of competition is challenging because each measurement introduced above provides for a unique aspect of competition, a complex concept. However, it is important to consider the advantages and the disadvantages as well as the level of measurement of each measurement option when making a decision. Taking all of these factors and the purpose of this study into consideration, a competition index was chosen. This measurement reflects the perceptions of managers which influence management's marketing plan, including newspaper content and resource allocation.⁴² Since the focus of this study is the impact of competition on the resource allocation process, the index, which includes management perceptions of competition, was considered to be appropriate. One problem, however, arose from the decision to use this index. As explained above, the index was originally designed for two-newspaper or three-newspaper markets, but some of the provinces included in this study, such as Hokkaido and Okinawa, have four local newspapers in their markets. The author looked for previous literature and found some research which used the index even when more

⁴² Stephen Lacy and Daniel Riffe, "The Impact of Competition and Group Ownership on Radio News," *Journalism Quarterly* 71(3): 583-593 (autumn 1994).

than three newspapers in a market existed.⁴³ Considering the precedents, the author decided on the competition index.

To calculate the competition index in 1999, the data for circulation of each newspaper in each prefecture was taken from *Zenkoku shimbun gaido 2000*⁴⁴ and *Shimbun Publishers' Report 1999*.⁴⁵ The number of households in a prefecture was based on data in *Jūmin kihon daichō*.⁴⁶ The original competition index was the absolute value ranging from zero, which represents intense competition, to 100, which represents a monopoly. In this study, the original competition index was used for univariate statistics. Also, when using bivariate statistics, this study modified the index by multiplying the absolute value by minus one. The index ranged from zero, which represents intense competition, to -100, which represents a monopoly. This process makes for a clearer interpretation of the results.⁴⁷

The competition index was applied to all 17 hypotheses. In the case of Hypotheses 1 through Hypothesis 10, the local competition index would be the subtraction of the penetration of the trailing local newspaper from the penetration of the leading local newspaper in a prefecture. The umbrella competition index, from Hypothesis 11 to Hypothesis 17, would be represented as the subtraction of the sum of the penetration of the national newspaper in a prefecture from another newspaper's penetration. The penetration of national newspaper was treated as aggregate data. The

⁴³ Lacy, "Effects of Ownership and Competition on Daily Newspaper Content."

⁴⁴ Nihon Shinbun Kyokai, *Zenkoku shimbun gaido 2000* (The Newspaper Guide 2000) (Tokyo: Nihon Shinbun Kyokai, 1999).

⁴⁵ Japan Audit Bureau of Circulations, *Newspaper Publishers' Report, January-June 1999* (Tokyo: Japan Audit Bureau of Circulations, 1999).

⁴⁶ Ministry of Home Affairs, Bureau of Administration, *Jūmin kihon daichō: jinkō oyobi setaisū, 31 March, 1999* (Tokyo, 1999).

⁴⁷ Lacy, "Newspaper Competition and Number of Press Services Carried: A Replication," 79-82.

penetration of individual national paper was not considered. Penetration was calculated by dividing circulation by the number of households in a prefecture.

Ownership

For the newspaper categorization of ownership, *Nihon shimbun nenkan '99-'00* was the primary source of information.⁴⁸ In addition, collecting some data, particularly for ownership, required use of telephone interviews by the author.⁴⁹ *Nihon shimbun nenkan '99-'00* included lists of shareholders, but the listed information was incomplete due to the fact that not all Japanese newspaper companies are traded on the Tokyo Stock Exchange; therefore, only the names of a few major shareholders were listed in *Nihon shimbun nenkan '99-'00*. To ensure the accuracy for the listed data as well as to gather information about the shareholders, the author conducted telephone interviews with all of the companies. The questions that were asked during these interviews were: 1) Does your company currently own stock in other newspaper companies? 2) Is your company's stock currently owned by any other newspaper companies? 3) Has your company ever owned stock in other newspaper companies? and 4) Has your company's stock ever been owned by any other newspaper companies?

Through the telephone interviews, several useful facts could be gathered. Five newspapers, whose stock information was insufficient to place them as members of groups in *Nihon shimbun nenkan '99-'00*, were categorized as members of groups after the telephone interview. *Shizuoka Shimbun* owns stock in *Yamanashi Nichinichi Shimbun*.⁵⁰ A person from the general affairs department of *Yamanashi Nichinichi*

⁴⁸ Nihon Shinbun Kyokai, *Nihon shimbun nenkan '99-'00*.

⁴⁹ Telephone interviews conducted on January 13, 2000.

⁵⁰ Telephone interviews of Mr. Ishibe from the personnel department of *Shizuoka Shimbun* by author on January 13, 2000.

Shimbun also reported that the company is controlled by *Shizuoka Shimbun*, not only in terms of stock, but also by an executive officer dispatched from *Shizuoka Shimbun*.⁵¹ Thus, *Shizuoka Shimbun* and *Yamanashi Nichinichi Shimbun* were classified as group newspapers.

It was discovered that *Okayama Nichinichi Shimbun's* stock was held by *Asahi Shimbun* until May of 1999.⁵² Considering the sampled period of this study, this newspaper was not owned by *Asahi Shimbun* during the last month of the study period, which was June, 1999. However, for the purpose of this study, *Okayama Nichinichi Shimbun* was considered to be a member of a group newspaper for two reasons. First, it had been a group paper for most of that period. Second, the impact of a business strategy takes several months to develop.

In the case of *Muroran Minpo*, it had not been held by and was not owned by any other company, according to information obtained from the interview. However, a general affairs officer at *Tomakomai Minpo* answered that the two companies had mutual stock ownership in each other's companies.⁵³ Because the staff at *Tomakomai Minpo* responded in detail to questions about their shareholder, *Muroran Minpo*, this study treated both papers as group newspapers.

Nagano Shimbun and *Hokkoku Shimbun* were classified as non-group newspapers although staff at *Nagano Shimbun*⁵⁴ and *Hokkoku Shimbun*⁵⁵ implied that they were

⁵¹ Telephone interviews of Ms. Satonaka from the general affairs department at Yamanashi Nichinichi Shimbun by author on January 13, 2000.

⁵² Telephone interviews of Mr. Hiroshi Yoshiwara from the general affairs department at Okayama Nichinichi Shimbun by author on January 13, 2000.

⁵³ Telephone interview of Mr. Kunio Mikami from the general affairs department of Tomakomai Minpo by author on January 13, 2000.

⁵⁴ Information gathered via telephone interviews of Mr. Kazuyoshi Kobayashi from the general affairs department of Nagano Shimbun by author on January 13, 2000. Mr. Kobayashi indicated that Nagano

members of the group newspapers. Because both *Nagano Shimbun* and *Hokkoku Shimbun* did not reveal their shareholder's names, the two newspapers were categorized into non-group newspapers.

For *Mutsu Shimpō*, the response by a desk staff member to the author's questions was that the company was not and had not been owned by another newspaper company, contradicted the data in *Nihon shimbun nenkan '99- '00*. The information in *Nihon shimbun nenkan '99- '00* indicated that 4.55% of the stock of *Mutsu Shimpō* was currently owned by *Asahi Shimbun*.⁵⁶ Although a disparity existed between the recorded data and that obtained from the interview, the author decided to accept the data in *Nihon shimbun nenkan '99- '00* as being legitimate and *Mutsu Shimpō* was categorized as a group-owned newspaper. In all the telephone interviews, the written data was confirmed, and additional information was provided.

A dummy variable was used from Research Question 1 to Research Question 4 to test whether there was difference between group-owned local newspapers and non-group local papers. A dummy variable addressed newspaper ownership by assigning a value of one to the group papers, and a zero to the non-group papers. Using a dummy variable allowed for regression analysis even when ownership was measured at the nominal level.⁵⁷

Shimbun has group membership; however, his definition of "group" may include magazine companies, broadcasting companies, printing or distribution companies.

⁵⁵ Ms. Katada at the public relations department at Hokkoku Shimbun informed the author by telephone on January 13, 2000 that she could not disclose any information about stocks.

⁵⁶ *Nihon Shinbun Kyokai, Nihon shimbun nenkan '99- '00*.

⁵⁷ Wimmer and Dominick, *Mass Media Research: An Introduction*, 47.

Control Variables

When evaluating an association between two variables, it is essential to determine whether a relationship between the two variables remains after removing the effects that other variables may have on this association.⁵⁸ Specifically, a relationship between two variables is spurious if their association disappears when a third variable, a common cause of both variables, is controlled.⁵⁹ These spurious relationships need to be excluded as much as possible to accurately examine whether there are any associations between independent and dependent variables being analyzed in a study.

The examination of previous research in this field of study is helpful in discerning which variables one must control for.⁶⁰ One variable, the number of households, is believed to have an impact on the dependent variables being examined in this study, such as the percent of total newspaper space given to news and editorial material, the percent of news section given to news copy, the percent of news section given to in-depth coverage, and the percent of news section given to staff copy.⁶¹ The number of households in the prefecture indicates the overall circulation potential of the newspaper market in the prefecture. Therefore, the number of households was used as a control variable in this study. The data for the number of households was taken from *Jūmin*

⁵⁸ Alan Agresti and Barbara Finlay, *Statistical Methods for the Social Sciences*, 3rd ed. (Upper Saddle River, NJ: Prentice-Hall, 1997), 359-365.

⁵⁹ *Ibid.*, 362.

⁶⁰ For example, Stephen Lacy, "Effects of Intracity Competition on Daily Newspaper Content," *Journalism Quarterly* 64(2/3): 281-290 (summer/autumn 1987); Stephen Lacy, "The Impact of Intercity Competition on Daily Newspaper Content," *Journalism Quarterly* 65(2): 399-406 (summer 1988); Stephen Lacy and Hugh Martin, "Profits Up, Circulation Down for Thomson Papers in 80s," *Newspaper Research Journal* 19(3): 63-76 (summer 1998); Lacy, "Effects of Ownership and Competition on Daily Newspaper Content."

⁶¹ For example, Lacy, "Effects of Intracity Competition on Daily Newspaper Content," 281-290; Lacy, "Impact of Intercity Competition on Daily Newspaper Content," 399-406.

kihon daichō, a report on population and number of households in cities and prefectures in Japan.⁶² The figures were listed as being current as March 31, 1999.

Another control variable in this study is circulation. Circulation has been found to have a relationship to news content.⁶³ Large newspapers had a greater percentage of news space devoted to staff copy, international news and in-depth coverage, and a smaller percentage of space devoted to news and editorial material and to wire copy than small and medium circulation newspapers. The circulation figures used in this study were based on data from *Zenkoku shimbun gaido 2000*⁶⁴ and *Shimbun Publishers' Report 1999*.⁶⁵

Statistical Analysis

Because this study examined the population, inferential statistics were not used.⁶⁶ For all 17 hypotheses and four research questions, multiple regression analysis was used. Multiple regression analysis is a method of analyzing situations where a given dependent variable is affected simultaneously by several independent variables.⁶⁷

The data from the content analysis and existing data were collected and recorded into the Statistical Package for the Social Sciences (SPSS) software programs as the

⁶² Ministry of Home Affairs, Bureau of Administration, *Jūmin kihon daichō: jinkō oyobi setaisū, 31 March, 1999* (Tokyo, 1999).

⁶³ Stephen Lacy and James Bernstein, "Daily Newspaper Content's Relationship to Publication Cycle and Circulation Size," *Newspaper Research Journal* 9(2): 49-57 (winter 1988).

⁶⁴ Nihon Shinbun Kyokai, *Zenkoku shimbun gaido 2000*.

⁶⁵ Japan Audit Bureau of Circulations, *Newspaper Publishers' Report, January-June 1999* (Tokyo: Japan Audit Bureau of Circulations, 1999).

⁶⁶ Amir D. Aczel, *Complete Business Statistics*, 3rd ed. (Chicago, IL: Irwin, 1996), 226.

⁶⁷ Earl Babbie, *The Practice of Social Research*, 6th ed. (Belmont, CA: Wadsworth Publishing Company, 1992), 439-441.

statistical method used for this study was available in these programs.⁶⁸ The analysis was completed by processing the collected data with these SPSS programs.

Regression

Multiple regression analysis is one of the parametric techniques used to examine the relationships between one dependent variable and more than one independent variable. The five assumptions of this technique help determine how suitable this method is to the data collected. These assumptions had to be evaluated against the data before actual hypothesis testing could be conducted because any violations of the regression assumptions could affect significance levels, confidence intervals, or other regression tests which are sensitive to certain types of violations.⁶⁹ A result of the influence of these violations on the regression tests is that the data cannot be interpreted correctly.

The five assumptions of multiple regression are randomization of sampling, normality of data distribution, linearity, homoscedasticity of relationships among the variables, and absence of multicollinearity.⁷⁰

Randomization of sampling is a key factor in any inferential statistical method because the quality of the inferences depends heavily on how well the sample portrays the population. This assumption was satisfied by conducting random sampling.

Normality of data distribution can be tested by using residuals. The distribution of the residuals should be approximately normal if the two variables are linear and the dependent variable is normally distributed for each value of the independent variable.⁷¹ To check the distribution of residuals, histogram were drawn and scatterplots against

⁶⁸ SPSS Graduate Pack 9.0 for Windows (Chicago, IL: SPSS Inc., 1999).

⁶⁹ Marija Norusis, *SPSS/PC+ Studentware Plus for Business* (Chicago, IL: SPSS Inc. 1991), 280

⁷⁰ Agresti and Finlay, *Statistical Methods for the Social Sciences*, 534-561.

⁷¹ Norusis, *SPSS/PC+ Studentware Plus for Business*, 270.

each of the dependent variables were used. The purpose of both methods is to specify whether outliers exist. An outlier represents either a measurement error which could cause a major bias in the prediction equation, or an observation that is not typical of the sample data.⁷² If outliers do not exist, which confirms that the assumptions are not violated, histograms or scatterplots show randomly distributed residuals around the mean of zero. If outliers are found in each variable, they should be corrected by reassigning the value of three standard deviations from the mean.

The third assumption is linearity of relationship among the variables. One way to see whether a relationship is nonlinear is to examine the scatterplots of the residuals against the predicted values and against the values of the independent variables.⁷³ If any type of pattern to the residuals exists, the possibility of nonlinear relationships is suspected. If nonlinearity is found and it is curved, transforming the data by using a logarithm should be considered. The data then has to be transformed into logarithms, after which the regression analyses should be run.⁷⁴

Homoscedasticity, the fourth assumption, means that the conditional distribution of the dependent variable has a constant standard deviation throughout the range of values of the explanatory variables.⁷⁵ The scatterplots of the residuals were used. If there is no violation of assumptions, the residuals appear to cluster randomly around zero with no obvious trend or change in variation as the values of a particular x increase.⁷⁶

⁷² Agresti and Finlay, *Statistical Methods for the Social Sciences*, 534-535.

⁷³ Norusis, *SPSS/PC+ Studentware Plus for Business*, 276.

⁷⁴ Paul Adams, "A Forecasting Model for Newspaper Management," *Newspaper Research Journal* 8(4): 43-50 (summer 1987).

⁷⁵ Agresti and Finlay, *Statistical Methods for the Social Sciences*, 534.

⁷⁶ *Ibid.*, 536.

A final assumption of the data is multicollinearity. Multicollinearity occurs when the condition of highly correlated independent variables cause inflation of standard errors of estimated regression coefficients.⁷⁷ To check the possibility of multicollinearity, correlations among independent variables were examined. If independent variables have bivariate correlations of .9 or higher, multicollinearity exists.⁷⁸

This study used unstandardized regression coefficients, standardized regression coefficients, and squared part correlations to test the hypotheses. Squared part correlations gave the percentage of variance in the dependent variables that was explained uniquely by an independent variable, controlling for all other independent variables⁷⁹. When using hierarchical regression, squared part correlations equal the change in the coefficient of determination (*R*-squared) when each additional variable is entered.

Preliminary Analysis of Data

The total values of the eleven dependent variables were measured through the content coding of all 70 newspapers. The means and standard deviations for all of the variables were calculated. These descriptive statistics are illustrated in Chapter 6. Before the hypotheses were tested, it was necessary to do some preliminary analyses of the data to determine how well the data fit the assumptions of the linear multiple regression method. As explained in the Statistical Analysis Section, there are five assumptions for

⁷⁷ Ibid., 561.

⁷⁸ Barbara Tabachnick and Linda Fidell, *Using Multivariate Statistics* (New York, NY: Harper & Row, 1983), 82.

⁷⁹ Norman H. Nie, C. Hadlai Hull, Jean G. Jenkins, Karin Steinbrenner, and Dale H. Bent, *SPSS: Statistical package for the Social Sciences*. 2nd ed. (New York, NY: McGraw-Hill Book Company, 1975), 327, 344, 383-397.

this technique. The first assumption, randomization of sampling, was satisfied by conducting a census. The remaining four assumptions were examined here.

First, the normality of data distribution was tested by using histograms. The histogram was simply a graph of a frequency distribution, which is useful in specifying whether outliers exist. The 15 variables were checked for outliers. Five variables, the percent of non-ad space in the newspaper given to news pages, the percent of non-ad space in news pages given to wire news, the percent of editorial opinion about the home prefecture, local competition index, and national competition index had no outliers. The rest of the ten variables had one outlier each. These variables included: reporters' workload, the percent of non-ad space in the newspaper, the percent of non-ad space in the newspaper given to editorial pages, the percent of non-ad space in news pages given to staff copy, the percent of non-ad space in news pages given to local coverage, the percent of non-ad space in news pages given to international coverage, the percent of non-ad space in the editorial page given to letters/guest, and the percent of non-ad space in news page given to conflict coverage.

Each outlier was reassigned the value of three standard deviations from the mean. In the case of reporters' workload, *Nikkan Kenmin Fukui* was an outlier with a value of 3,662.69, which was more than three standard deviations from the mean of 1,216.5. This case was reassigned to 3,257.46. In terms of the percent of non-advertising space in the newspaper, *Kagoshima Shimpō* was an outlier and changed the value from 91.01 to 90.93. In the percent of non-advertising space in the newspaper given to editorial pages, the outlier equaled 19.01, which was *Osaka Shimbun*. This value was corrected to 17.79. *Tokachi Mainichi Shimbun* was an outlier in the case of both percent of the non-

advertising space in news pages given to staff copy as well as the percent of non-advertising space in news pages given to local coverage. For the former case, the value, 39.34 was changed to 35.12. For the latter case, the value, 37.92 was changed to 34.77. In the case of non-advertising space in news pages given to international coverage, the value of *Yamagata Shimbun*, 14.14, was refitted to 12.41. For the percent of non-advertising space in editorial page given to letters/guests, *Shimane Nichinichi* was the outlier, 66.92, and changed to 50.05. Last, *Iwate Nichinichi Shimbun* was the outlier for the percent of non-advertising space in news pages given to conflict coverage. The value was changed from 11.99 to 9.89.

Second, scatterplots of residuals were examined to see whether or not two assumptions of multiple regression, linearity of relationship among the variables and homoscedasticity, were violated. There was no obvious type of trend or pattern to the residuals. The scatterplots proved that there was no possibility of nonlinearity or violation of homoscedasticity.

Finally, correlations among independent variables were checked to avoid multicollinearity. If a bivariate correlation of .9 or higher exists, the possibility of multicollinearity is suspected. The data indicated that the independent variables were not highly correlated with each other. The highest correlation found was between household and national papers' competition index, -.427. Since the condition of highly correlated independent variables was not found, multicollinearity was not a concern.

Overall, the data collected for this study met all five assumptions of the linear multiple regression model. Based on the preliminary analysis, the model fit the data reasonably well.

Summary

In order to examine 17 hypotheses and four research questions, a content analysis of a one-week constructed sample from a census of all the 70 local Japanese newspapers was conducted. A constructed week was randomly selected during the period from January 1, 1999 to June 30, 1999. Definitions of categories used for this study and the coding process were introduced. The data for one dependent variable, reporters' workload, and two independent variables, competition and ownership, were collected from existing materials. As a control variable, the data for the number of households was used.

Reliability and validity concerns were also assessed, and the data collected for this study seemed to be reliable and valid. For coder reliability, space measurement reliability was tested. The data for the dependent variables were measured by two coders and were compared using Pearson product-moment correlation coefficients. The results showed that agreement between the coders was sufficiently high to accept the reliability of the data. The validity of the data was assessed according to Holsti's four measurement validity types. The data's validity was supported by previous research. However, because of the lack of studies in this area in Japan, more replicable studies are needed to verify whether the measurement for this study represents the space in newspapers as well as the results of the allocation processes.

A multiple regression method was used for this study. How well this method fit the data collected for this study was checked by means of five assumptions of multiple regression. Some outliers were found, but they were reassigned the value of three standard deviations from the mean. By looking at histograms, scatterplots of residuals,

and correlations among independent variables, the five assumptions were supported. The data fit the linear model of the multiple regression method.

In the next chapter, 17 hypotheses and four research questions will be examined. To determine whether or not systematic relationships between economic factors and newspaper content exist, multiple regressions will be run.

CHAPTER 6

RESULTS

Table 6.1 shows the descriptive statistics for local Japanese daily newspapers. The average circulation of a newspaper was 267,635.64, with a standard deviation of 243,632.53. The average number of reporters working for a newspaper was 107.73, with a standard deviation of 82.15. There was a great variance among newspapers in Japan. Compared to U.S. newspapers, where the average circulation was 37,731.43¹ and the average number of reporters was 19.32,² local Japanese newspapers had both larger circulation and staff.

The market size in which a newspaper circulates varied from 205,871 to 4,000,000. The mean of the households in a province was 1,009,184.50. The average market size in the United States was 121,837.97.³ The average market size of the local Japanese newspapers was twice that of U.S. newspapers.

The mean for the local competition index was 70.23, while for the national competition index it was 54.42. This indicates that local papers experienced more competition from national papers. In addition, a standard deviation of the national competition index, 28.05, was smaller than that of the local competition index, 32.70, which indicates that the penetration of the national papers was more consistent across the markets.

¹ Editor & Publisher Co., *Editor & Publisher International Yearbook 1999* (New York, NY: Editor & Publisher Co., 1999).

² Stephen Lacy, "The Effects of Ownership and Competition on Daily Newspaper Content" (Ph.D. diss., University of Texas at Austin, 1986).

³ Ibid.

Table 6.1
Descriptive Statistics for Content of All 70 Newspapers

Variables	Mean	Std. Deviation
Local Papers Competition Index	70.23	32.70
National Papers Competition Index	54.42	28.05
Ownership	.23	.42
Household	1,009,184.50	974,808.17
Circulation	267,635.64	243,632.53
Number of Reporters	107.73	82.15
Reporters' Workload	1,210.89	661.22
% of Non-Ad Space in the Newspaper	69.59	7.11
% of Non-Ad Space in the Newspaper Given to News Pages	49.72	10.05
% of Non-Ad Space in the Newspaper Given to Editorial Pages	7.44	3.37
% of Non-Ad Space in News Pages Given to Wire News	18.31	7.31
% of Non-Ad Space in News Pages Given to Staff Copy	16.34	6.03
% of Non-Ad Space in News Pages Give to Conflict Coverage	3.72	1.91
% of Non-Ad Space in News Pages Given to Local Coverage	16.14	6.04
% of Non-Ad Space in News Pages Given to International Coverage	4.71	2.49

Continued on next page

Table 6.1—*Continued*

Variables	Mean	Std. Deviation
% of Non-Ad Space in Ed. Pages Given to Local Editorial Opinion	5.32	4.59
% of Non-Ad Space in Editorial Pages Given to Letters and Guest Columns	24.13	9.21

Local Japanese newspapers had a large percentage of non-advertising space in the newspaper, an average of 69.59%, with a standard deviation of 7.11.

Of the percentage of non-advertising space in news pages, an average of 18.31% was from wire services with a standard deviation of 7.31, and 16.34% was written by staff with a standard deviation of 6.03. Local Japanese newspapers devoted an almost equal amount of space to wire copy and staff copy.

The percentage of non-advertising space in news pages given to international coverage was 4.71. This was about the same percentage found by Lacy in American newspapers, where the percentage of newshole given to international news was 5.2.⁴ However, local Japanese newspapers devoted a greater percentage of space to local coverage, 16.14%, compared to 7.8% in the United States. Local Japanese newspapers devoted about four times as much space to local coverage as they devoted to international coverage. This probably reflects the existence of newspapers that cover national issues and also use visuals.

In terms of editorials, 7.44% of newshole in the newspaper was given to editorial pages. Of non-advertising space in the editorial pages, 5.32% of editorial opinion was

⁴ Ibid.

about the home prefecture, with a standard deviation of 4.59. The average size was larger than that found in U.S. newspapers, 2.0%, with a standard deviation of 2.7.⁵ Editorials in local Japanese newspapers could be local-oriented.

The mean percentage of non-advertising space in editorial pages given to letters/guest columns was 24.13%. About one-quarter of editorial space in the newspaper was given to letter/guest columns.

These data indicate that local Japanese newspapers were in a market where there was strong demand for local newspapers and national newspapers. Considerable space was devoted to newshole. Coverage focused on local rather than international news, and coverage between staff copy and wire copy was evenly split.

Pearson correlation coefficients for all the variables were shown in Table 6.2. With regard to competition, the competition index of the local papers was positively related to reporters' workload and equaled .231. When the intensity of competition increased, reporters' workload increased. However, the competition index of the local papers had a negative relationship with the number of reporters, $r = -.340$. As competition intensified, the number of reporters decreased.

A notable correlation with regard to umbrella competition was between the competition index of the national papers and the percentage of newshole in news pages given to wire news which equaled .376. The higher the umbrella competition, the more wire news appeared in the newspapers.

Although Person correlation coefficients give some insight into bivariate relationships, this correlation does not control for the influence of other variables, and tends to overestimate the true relationship statistically.

⁵ Ibid.

Table 6.2
Pearson Correlation Matrix

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1)	1.000											
(2)	.323	1.000										
(3)	.117	.065	1.000									
(4)	.273	-.427	.222	1.000								
(5)	-.273	.105	.044	.175	1.000							
(6)	-.340	.265	-.170	-.052	.778	1.000						
(7)	.231	-.027	.059	-.109	-.600	-.700	1.000					
(8)	-.003	.080	-.026	-.127	-.254	-.214	.428	1.000				
(9)	-.159	.000	-.012	-.328	-.113	.022	-.055	-.139	1.000			
(10)	.033	.048	.150	.068	.154	.047	-.170	-.223	-.046	1.000		
(11)	-.259	.376	-.117	-.205	.364	.545	-.299	.246	.044	-.031	1.000	
(12)	.352	-.292	.137	.013	-.399	-.513	.228	-.294	-.142	.065	-.739	1.000
(13)	.317	-.258	.141	-.045	-.404	-.499	.210	-.279	-.082	.063	-.699	.989
(14)	-.146	.290	-.147	-.112	.481	.549	-.317	.105	-.095	-.051	.773	-.607
(15)	-.180	.293	-.150	-.302	.250	.418	-.251	.132	.138	-.093	.676	-.336
(16)	.055	-.113	-.054	-.236	-.239	-.209	.081	-.063	.131	-.155	-.144	.294
(17)	.113	.047	.037	.176	.368	.220	-.184	-.159	-.129	.119	.189	-.060

Note: The competition index in the table was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Variables represented are as follows: (1) Local Papers' Competition Index; (2) National Papers' Competition Index; (3) Ownership; (4) Household; (5) Circulation; (6) Number of Reporters; (7) Reporters' Workload; (8) % of Non-Ad Space in the Newspaper; (9) % of Non-Ad Space in the Newspaper given to News Pages; (10) % of Non-Ad Space in the Newspaper Given to Editorial Pages; (11) % of Non-Ad Space in News Pages Given to Wire Copy; (12) % of Non-Ad Space in News Pages Given to Staff Copy; (13) % of Non-Ad Space in News Pages Given to Local Coverage; (14) % of Non-Ad Space in News Pages Given to International Coverage; (15) % of Non-Ad Space in News Pages Given to Conflict Coverage; (16) % of Non-Ad Space in Editorial Pages Given to Local Editorials; and (17) % of Non-Ad Space in Editorial Pages Given to Letters/Guest Columns.

Continued on next page

Table 6.2—Continued

	(13)	(14)	(15)	(16)	(17)
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					
(11)					
(12)					
(13)	1.000				
(14)	-.600	1.000			
(15)	-.300	.605	1.000		
(16)	.317	-.232	.137	1.000	
(17)	-.066	.159	.059	-.180	1.000

Note: The competition index in the table was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Variables represented are as follows: (1) Local Papers' Competition Index; (2) National Papers' Competition Index; (3) Ownership; (4) Household; (5) Circulation; (6) Number of Reporters; (7) Reporters' Workload; (8) % of Non-Ad Space in the Newspaper; (9) % of Non-Ad Space in the Newspaper given to News Pages; (10) % of Non-Ad Space in the Newspaper Given to Editorial Pages; (11) % of Non-Ad Space in News Pages Given to Wire Copy; (12) % of Non-Ad Space in News Pages Given to Staff Copy; (13) % of Non-Ad Space in News Pages Given to Local Coverage; (14) % of Non-Ad Space in News Pages Given to International Coverage; (15) % of Non-Ad Space in News Pages Given to Conflict Coverage; (16) % of Non-Ad Space in Editorial Pages Given to Local Editorials; and (17) % of Non-Ad Space in Editorial Pages Given to Letters/Guest Columns.

Hypothesis 1 through Hypothesis 10

Hypothesis 1 through Hypothesis 10 addressed the extent of the impact of competition among local newspapers according to the way local newspaper management allocated budget, space, and editorial copy. Hypothesis 1 stated that the reporters' workload was negatively related to the intensity of competition among local newspapers in a prefecture. Table 6.3 shows results from regression analysis and did not support the hypothesis. The impact of direct competition had a positive relationship with .6% of the

Table 6.3
Regression of Content Measures on Reporters' Workload

Independent Variables	Dependent Variable Reporters' Workload			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	1.744	2.258	.086	.006
National Papers' Competition Index	1.024	2.733	.043	.001
Ownership (dummy)	122.292	162.171	.078	.006
Household	-.00002	.001	-.030	.001
Circulation	-.0016	.001	-.579	.283
Constant	1,802.397	252.421		
N=70; R ² =.374				

Note: The competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Table 6.4
Regression of Content Measures on the Percentage of Non-Advertising Space in the Newspaper

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in the Newspaper			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	-.009	.029	-.040	.001
National Papers' Competition Index	.021	.036	.082	.005
Ownership (dummy)	-.135	2.114	-.008	.000
Household	-.00000024	.001	-.032	.001
Circulation	-.00000078	.001	-.267	.060
Constant	72.475	3.290		
N=70; R ² =.079				

Note: The competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

variance in the reporters' workload. The impact of direct competition was not visible, and the direction of the impact was opposite from what was predicted.

Hypothesis 2 asked if the percentage of non-advertising space in the newspaper was positively related to the intensity of competition among local newspapers in a prefecture. This hypothesis was not supported. Direct competition was negatively related to the percentage of non-advertising space in the newspapers with a beta weight of -.040 (Table 6.4). Little impact of direct competition was found, and the direction of the

Table 6.5

Regression of Content Measures on the Percentage of Non-Advertising Space in the Newspaper Given to News Pages

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in the Newspaper Given to News Pages			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	-.047	.040	-.154	.018
National Papers' Competition Index	-.077	.048	-.216	.034
Ownership (dummy)	2.590	2.857	.109	.011
Household	-.000004	.001	-.390	.104
Circulation	-.0000028	.001	-.069	.004
Constant	46.422	4.446		
N=70; R ² =.159				

Note: The competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

impact was opposite from what was expected. This result was inconsistent with existing literature that as competition intensifies, newspapers spend more money on reporters and newshole, which means that reporters' workload would decrease when competition intensifies.⁶

⁶ Stephen Lacy, "The Effects of Intracity Competition on Daily Newspaper Content," *Journalism Quarterly* 64(2/3): 281-290 (summer/autumn 1987).

Table 6.6
Regression of Content Measures on the Percentage of Non-Advertising Space in the Newspaper Given to Editorial Pages

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in the Newspaper Given to Editorial Pages			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	.008	.014	.075	.004
National Papers' Competition Index	.006	.017	.053	.002
Ownership (dummy)	1.020	1.018	.128	.015
Household	.000000047	.001	.014	.000
Circulation	.0000022	.001	.160	.022
Constant	7.455	1.585		
N=70; R ² =.050				

Note: The competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Hypothesis 3, which dealt with the relationship of the percentage of non-advertising space in the newspaper given to news pages and the intensity of competition among local newspapers in a prefecture, was addressed by the regression equation in Table 6.5. The data failed to show any support for the hypothesis. Direct competition was negatively associated with the percentage of non-advertising space in the newspaper given to news pages and accounted for 1.8% of the variance. The impact of direct

Table 6.7
Regression of Content Measures on the Percentage of Non-Advertising Space in News Pages Given to Wire Copy

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in News Pages Given to Wire Copy			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	-.009	.027	-.040	.001
National Papers' Competition Index	.069	.032	.265	.053
Household	-.0000011	.001	-.142	.015
Circulation	.000011	.001	.350	.104
Constant	19.708	2.904		
N=70; R ² =.267				

Note: The competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

competition was found, but the direction was opposite from what was anticipated.

Hypothesis 4 asked if the percentage of non-advertising space in the newspaper given to editorial pages was positively related to the intensity of competition among local newspapers in a prefecture. The hypothesis was not supported. Overall, in the regression analysis, only .4% of the variance in the percentage of non-advertising space in the newspaper given to editorial pages can be explained by the independent variable (Table 6.6). The data did not show any noticeable impact of direct competition, but it did

Table 6.8
Regression of Content Measures on the Percentage of Non-Advertising Space in News Pages Given to Staff Copy

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in News Pages Given to Staff Copy			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	.041	.022	.223	.039
National Papers' Competition Index	-.049	.026	-.229	.040
Household	-.00000058	.001	-.093	.006
Circulation	-.0000074	.001	-.298	.075
Constant	19.110	2.402		
N=70; R ² =.263				

Note: The competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

demonstrate a tendency predicted by the hypothesis which is that as competition intensifies, the percentage of non-advertising space in the newspaper given to editorial pages increases.

Hypothesis 5 stated that the percentage of non-advertising space in news pages given to wire news was negatively related to the intensity of competition among local newspapers in a prefecture. Data in Table 6.7 failed to support this hypothesis. The squared part of the correlation coefficient for direct competition was .001, and the beta weight for direct competition equaled -.040. There was no strong impact from

competition, but the direction of the impact was the same as what was predicted; the percentage of non-advertising space in news pages given to wire news decreased when the intensity of direct competition increased.

Hypothesis 6 stated that the percentage of non-advertising space in new pages given to staff copy was positively related to the intensity of competition among local newspapers in a prefecture. Data in Table 6.8 supported this hypothesis. Direct competition in the equation accounted for 3.9% of the variance in the percentage of non-advertising space in news pages given to staff copy. The beta weight for direct competition equaled .223. The unstandardized regression coefficient was .041, and this indicated that after controlling for other variables, the percentage of non-advertising space in news pages given to staff copy increased by .041% for each 1% increase in local competition.

Hypothesis 7 asked if the percentage of non-advertising space in news pages given to the local prefecture coverage was positively related to the intensity of competition among local newspapers in a prefecture. The data in Table 6.9 indicated that this hypothesis was supported. The impact of direct competition had a positive relationship, with 3.2% of the variance, on the percentage of non-advertising space in news pages given to the local prefecture coverage. The unstandardized regression coefficient for direct competition was .037. This implied that the percentage of non-advertising space in news pages given to the local prefecture coverage increases .037% for every 1% increase in the local competition. The higher the intensity of direct competition, the greater the percentage of non-advertising space in news pages given to local prefecture coverage.

Table 6.9

Regression of Content Measures on the Percentage of Non-Advertising Space in News Pages Given to Local Prefecture Coverage

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in News Pages Given to the Local Prefecture Coverage			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	.037	.022	.202	.032
National Papers' Competition Index	-.048	.027	-.222	.037
Household	-.00000088	.001	-.143	.015
Circulation	-.0000075	.001	-.301	.076
Constant	19.048	2.427		
N=70; R ² =.249				

Note: The competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

The eighth hypothesis predicted the percentage of non-advertising space in news pages given to international coverage would be negatively related to the intensity of competition among local newspapers in a prefecture. This hypothesis was not supported as shown in the results of Table 6.10. Direct competition had a positive impact on the percentage of non-advertising space in news pages given to international coverage with a beta weight of .098. The increase in the intensity of direct competition resulted in the increase in non-advertising space in news pages given to international coverage. The

Table 6.10

Regression of Content Measures on the Percentage of Non-Advertising Space in News Pages Given to International Coverage

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in News Pages Given to International Coverage			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	.007	.009	.098	.008
National Papers' Competition Index	.018	.011	.208	.033
Household	-.00000036	.001	-.140	.014
Circulation	.0000052	.001	.510	.220
Constant	5.199	.960		
N=70; R ² =.307				

Note: The competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

impact of competition was found, but the direction was opposite from what was expected.

The ninth hypothesis, which dealt with the relationship of the percentage of non-advertising space in editorial pages given to local editorial opinion and the intensity of competition among local newspapers in a prefecture, was addressed by the regression equation in Table 6.11. This hypothesis was not supported. Direct competition had a positive association with the percentage of non-advertising space in editorial pages given

Table 6.11

Regression of Content Measures on the Percentage of Non-Advertising Space in Editorial Pages Given to Local Editorial Opinion

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in Editorial Pages Given to Local Editorial Opinion			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	.004	.018	.027	.001
National Papers' Competition Index	-.036	.022	-.222	.037
Household	-.0000015	.001	-.311	.070
Circulation	-.0000029	.001	-.154	.020
Constant	5.865	1.978		
N=70; R ² =.137				

Note: The competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

to local editorial opinion and explained .1% of the variance. The beta weight for direct competition equaled .027. The impact of competition was not noticeable, but the direction was the same as that which the hypothesis predicted, which was that when direct competition intensified, the percentage of non-advertising space in editorial pages given to local editorial opinion increased.

Hypothesis 10 said that the percentage of non-advertising space in editorial pages given to letters and guest columns was positively related to the intensity of competition

Table 6.12

Regression of Content Measures on the Percentage of Non-Advertising Space in Editorial Pages Given to Letters and Guest Columns

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in Editorial Pages Given to Letters and Guest Columns			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	.067	.035	.236	.044
National Papers' Competition Index	.039	.042	.120	.011
Household	.00000087	.001	.092	.006
Circulation	.000015	.001	.403	.137
Constant	25.982	3.830		
N=70; R ² =.197				

Note: The competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

among local newspapers in a prefecture. The results in Table 6.12 supported the hypothesis. The squared part of the correlation coefficient for direct competition was .044. Direct competition was positively related to the percentage of non-advertising space in editorial pages given to letters and guest columns with a beta weight of .236. The unstandardized regression coefficient equaled .067, indicating that after controlling for other variables, the percentage of non-advertising space in editorial pages given to letters and guest columns increased .067% for every 1% increase in local competition.

The intensity of direct competition increased the percentage of non-advertising space in editorial pages given to letters and guest columns.

Hypothesis 11 through Hypothesis 17

Hypothesis 11 through Hypothesis 17 addressed the extent of the impact of umbrella competition between local newspapers and national newspapers on the local newspapers' allocation processes and newspaper content. Hypothesis 11 asked if the reporters' workload was negatively related to the intensity of umbrella competition. A glance at Table 6.3 indicated no support for this hypothesis. Umbrella competition was positively related to reporters' workload with a beta weight of .043, and explained .1% of the variance. The impact of umbrella competition was not found, and the direction of the impact was opposite.

Hypothesis 12 predicted that the percentage of non-advertising space in the newspaper would be positively related to the intensity of umbrella competition. The results in Table 6.4 did not support this hypothesis. Umbrella competition in the equation accounts only for .5% of the variance in the percentage of non-advertising space in the newspaper. The unstandardized regression coefficient equaled .021. An implication of this number was that after controlling for other variables, the percentage of non-advertising space in the newspaper increased only .021% for each 1% increase in national competition.

Hypothesis 13 stated that the percentage of non-advertising space in the newspaper given to news pages was positively related to the intensity of umbrella competition. This hypothesis was not supported. Umbrella competition was negatively

related to the percentage of non-advertising space in the newspaper given to news pages with a beta weight of $-.216$ (Table 6.5). The impact of umbrella competition was significant, but the direction of the relationship of the two variables was opposite from what the hypothesis predicted.

Hypothesis 14 presumed that the percentage of non-advertising space in news pages given to the local prefecture coverage would be positively related to the intensity of umbrella competition. This hypothesis received no support. The data in Table 6.9 shows that umbrella competition had a negative relationship with the percentage of non-advertising space in news pages given to the local prefecture coverage, and explained 3.7% of the variance. The standard regression coefficient equaled $-.222$. The impact of umbrella competition was found, but the direction was opposite from what was expected.

Hypothesis 15 stated that the percentage of non-advertising space in news pages given to international coverage would be negatively related to the intensity of umbrella competition. The regression equation in Table 6.10 failed to support this hypothesis. The impact of umbrella competition had a positive relationship with 3.3% of the variance in the percentage of non-advertising space in news pages given to international coverage. The beta weight for umbrella competition equals $.208$. The impact of umbrella competition was found, but the direction of the relationship of the two variables was not the same as what the hypothesis predicted.

Hypothesis 16 predicted that the percentage of non-advertising space in news pages given to conflict coverage would be negatively related to the intensity of umbrella competition. The data shown in Table 6.13 did not support the hypothesis. Umbrella competition in the equation accounts for 1.5% of the variance in the percentage of non-

Table 6.13
Regression of Content Measures on the Percentage of Non-Advertising Space in News Pages Given to Conflict Coverage

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in News Pages Given to Conflict Coverage			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	.002	.007	.028	.001
National Papers' Competition Index	.010	.009	.142	.015
Household	-.00000059	.001	-.301	.066
Circulation	.0000023	.001	.295	.073
Constant	4.344	.794		
N=70; R ² =.201				

Note: The competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

advertising space in news pages given to conflict coverage. With a beta weight of .142, umbrella competition was positively related to the percentage of non-advertising space in news pages given to conflict coverage. These data suggested that the impact of umbrella competition was found, but the direction was opposite from what was anticipated.

Hypothesis 17 presumed that the percentage of non-advertising space in editorial pages given to local editorial opinion would be positively related to the intensity of umbrella competition. This hypothesis was not supported. As Table 6.11 shows,

umbrella competition was negatively related to the percentage of non-advertising space in editorial pages given to local editorial opinion with a beta weight of $-.222$, and accounted for 3.7% of the variance. The impact of umbrella competition was found, but the direction was opposite from what was predicted. The increase in the intensity of umbrella competition lowered the percentage of non-advertising space in editorial pages given to editorial opinion about the home prefecture.

Research Question 1 through Research Question 4

Research Question 1 through Research Question 4 examined the impact of ownership on the budget allocation process by local newspapers. Fifty-four independently owned newspapers and 16 group newspapers were compared. Research Question 1 asked if group newspapers varied from non-group newspapers in the way newspaper management allocated reporters' workload. The regression equation in Table 6.3 showed that ownership had a very small impact on reporters' workload and accounted for .6% of the variance. The standard regression coefficient equaled $.078$. These values indicate that there was a difference between group and non-group newspapers in terms of reporters' workload. The unstandardized regression coefficient for the ownership dummy variable was 122.292, indicating group newspapers burden each reporter with 122.292 square centimeters more coverage than non-group newspapers. When newspapers took the form of groups, reporters' workload increased.

Research Question 2 asked if group newspapers varied from non-group newspapers in the way newspaper management allocated non-advertising space in the newspaper. The result of this research question is shown in Table 6.4. Ownership had no

impact on the percentage of non-advertising space in the newspaper, and had a beta weight of $-.008$. There was no difference between group and non-group newspapers in the way newspaper management allocated non-advertising space in the newspaper.

Research Question 3 asked if group newspapers varied from non-group newspapers in the way newspaper management allocated non-advertising space in the newspaper given to news pages. The results in Table 6.5 indicated that ownership had a slight impact on the percentage of non-advertising space in the newspaper given to news pages with a beta weight of $.109$, which explained 1.1% of the variance as well. There was a difference between group and non-group newspapers in terms of the percentage of non-advertising space in the newspaper given to news pages. The unstandardized regression coefficient for the ownership dummy variable was 2.59 . This value indicated that group newspapers had 2.59% more non-advertising space in the newspaper given to news pages per issue than did non-group newspapers. When newspapers took the form of group, non-advertising space in the newspaper given to news pages increased.

Research Question 4 asked if group newspapers varied from non-group newspapers in the way newspaper management allocated non-advertising space in the newspaper given to editorial pages. Table 6.6 shows that there was a difference between group and non-group newspapers in terms of non-advertising space in the newspaper given to editorial pages and accounted for 1.5% of the variance. A beta weight of $.128$ also supported the impact of ownership on non-advertising space in the newspaper given to editorial pages. The unstandardized regression coefficient for the ownership dummy variable was 1.02 , which indicated that group newspapers had 1.02% more non-

advertising space in the newspaper given to editorial pages per issue than non-group newspapers.

In addition to the hypothesized relationships and research questions, other important relationships were discovered. As many scholars have found, household and circulation, control variables in this study, were the important determinants in newspaper allocation processes.

Circulation was associated with nine dependent variables, which are reporters' workload, the percentage of non-advertising space in the newspaper, the percentage of non-advertising space in the newspaper given to editorial pages, the percentage of non-advertising space in news pages given to wire copy, the percentage of non-advertising space in news pages given to staff copy, the percentage of non-advertising space in news pages given to local prefecture coverage, the percentage of non-advertising space in news pages given to international coverage, the percentage of non-advertising space in editorial pages given to letters and guest columns, and the percentage of non-advertising space in news pages given to conflict coverage. For example, circulation had a negative relationship with reporters' workload, explaining 28.3% of the variance (Table 6.3). A beta weight of $-.579$ shows a strong but negative impact of circulation on the reporter's workload. This indicated that newspapers with a larger circulation demanded less work from their reporters. Another example is the positive relationship between circulation and the percentage of non-advertising space in news pages given to wire copy, which explained 10.4% of the variance and had a beta weight of $.35$ (Table 6.7). These values mean that newspapers with a larger circulation had more non-advertising space in news pages given to wire copy.

One possible reason for these outcomes was simply that newspapers with large circulations can afford more reporters for a given amount of work and thus lower the reporters' workload. Another reason could be that larger newspapers can expend more on news, which takes advantage of products. This means that newspapers with larger circulations can produce high quality products through committing financially to news.

The other control variable, household, was also associated with six dependent variables. They were: the percentage of non-advertising space in the newspaper given to news pages, the percentage of non-advertising space in news pages given to wire copy, the percentage of non-advertising space in news pages given to local prefecture coverage, the percentage of non-advertising space in news pages given to international coverage, the percentage of non-advertising space in editorial pages given to local editorial opinion, and the percentage of non-advertising space in news pages given to conflict coverage. Among them, for example, household had a relationship with the percentage of non-advertising space in the newspaper given to news pages with a beta weight of $-.390$, and was responsible for 10.4% of the variance (Table 6.5). This negative relationship indicated that newspapers in larger cities produced a smaller percentage of non-advertising space in the newspaper given to news pages than newspapers in smaller cities.

CHAPTER 7

POST-HOC ANALYSIS

Direct competition showed little impact on the budget allocation process in this study, which was inconsistent with previous research. Table 7.1 summarizes the results of regression analysis in Table 6.3 through Table 6.13 in Chapter 6. Most past research has demonstrated a negative relationship between direct competition and reporters' workload, and a positive relationship between direct competition and the percentage of newshole in the newspaper, the percentage of newshole in the newspaper given to news pages, and the percentage of newshole in the newspaper given to editorial pages. The purpose of this chapter is to examine the reasons why the hypotheses related to direct competition were not supported by this study.

The results of regression analysis in Chapter 6 demonstrated that the competition index had large variation across the cases. The high standard error compared to unstandardized regression coefficient indicated great variation of impact across markets. For example, in Table 6.3, the standard error of the competition index of local papers, 2.258, exceeded the unstandardized regression coefficient, 1.744, which suggested a great possibility that competition affected content in some markets.

The existing research in the United States also has indicated that the impact of competition depends on the market conditions in which newspapers compete. A study by Rarick and Hartman found that competition had an impact on the resource allocation

Table 7.1
Summary of 1st Regression Analysis with All 70 Newspapers: Part Squared Correlation Coefficient and Partial Correlation Coefficient

Dependent Variables	Independent Variables								
	Direct Competition			Umbrella Competition			Ownership		
	Direction	Part r^2	Partial r	Direction	Part r^2	Partial r	Direction	Part r^2	Partial r
Reporters' Workload	↑	.006	.096	↑	.001	.047	↑	.006	.094
% of Newshole in the Newspaper	↓	.001	-.036	↑	.005	.073	↓	.000	-.008
% of Newshole in the Newspaper given to News Pages	↓	.018	-.147	↓	.034	-.197	↑	.011	.113
% of Newshole in the Newspaper given to Editorial Pages	↑	.004	.068	↑	.002	.047	↑	.015	.124
% of Newshole in News Pages given to Wire Copy	↓	.001	-.041	↑	.053	.261	n/a	n/a	n/a
% of Newshole in News Pages given to Staff Copy	↑	.039	.225	↓	.040	-.226	n/a	n/a	n/a
% of Newshole in News Pages given to Local Coverage	↑	.032	.203	↓	.037	-.218	n/a	n/a	n/a
% of Newshole in News Pages given to International Coverage	↑	.008	.104	↑	.033	.212	n/a	n/a	n/a
% of Newshole in News Pages given to Conflict Coverage	↑	.001	.028	↑	.015	.137	n/a	n/a	n/a
% of Newshole in Editorial Pages given to Local Editorials	↑	.001	.026	↓	.037	-.203	n/a	n/a	n/a
% of Newshole in Editorial Pages given to Letters/Guest Columns	↑	.044	.228	↑	.011	.115	n/a	n/a	n/a

Note: Direction of arrow indicates the increase or decrease of the dependent variable with the increase of the independent or control variable. The competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero. n/a represents not applicable to regression.

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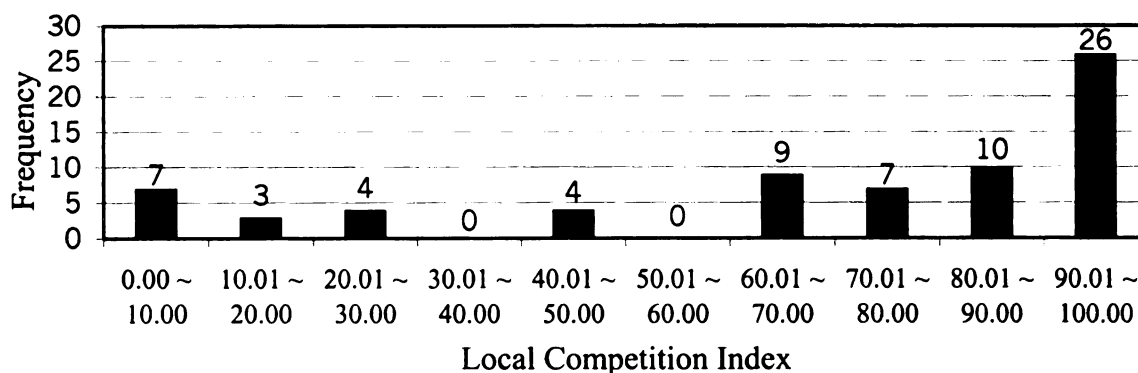
Table 7.1—Continued

Dependent Variables	Control Variables					
	Household			Circulation		
	Direction	Part r^2	Partial r	Direction	Part r^2	Partial r
Reporters' Workload	↓	.001	-.031	↓	.283	-.558
% of Newshole in the Newspaper	↓	.001	-.028	↓	.060	-.248
% of Newshole in the Newspaper given to News Pages	↓	.104	-.331	↓	.004	-.069
% of Newshole in the Newspaper given to Editorial Pages	↑	.000	.012	↑	.022	.149
% of Newshole in News Pages given to Wire Copy	↓	.015	-.140	↑	.104	.352
% of Newshole in News Pages given to Staff Copy	↓	.006	-.092	↓	.075	-.303
% of Newshole in News Pages given to Local Coverage	↓	.015	-.139	↓	.076	-.304
% of Newshole in News Pages given to International Coverage	↓	.014	-.141	↑	.220	.491
% of Newshole in News Pages given to Conflict Coverage	↓	.066	-.275	↑	.073	.290
% of Newshole in Editorial Pages given to Local Editorials	↓	.070	-.275	↓	.020	-.150
% of Newshole in Editorial Pages given to Letters/Guest Columns	↑	.006	.087	↑	.137	.382

Note: Direction of arrow indicates the increase or decrease of the dependent variable with the increase of the independent or control variable. The competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero. n/a represents not applicable to regression.

process only when newspapers were in intensely competitive markets.¹ Because Busterna, Hansen, and Ward excluded mid-range circulation papers, which were considered to be more competitive than papers in other ranges, they failed to find an impact of competition.² Propelled by these two studies, this study examined 14 newspapers which had a competition index of less than 40 in their prefecture. These were intensely competitive markets. In the present study, a close examination of intensely competitive newspapers was conducted to determine whether or not the competition influenced the newspaper resource allocation process. These fourteen newspapers were selected because of a large discrepancy in frequency distribution between the intensity of competition in that group and all other newspapers (Table 7.2). All 14 newspapers had a competition index of less than 40, while the remaining 56 newspapers had a competition index which was greater than 40. Regressions on each dependent variable with a control variable, circulation, were run to test if local Japanese

Table 7.2
Frequency of Local Competition Index of All 70 Newspapers



¹ Galen Rarick and Barrie Hartman, "The Effects of Competition on One Daily Newspaper's Content," *Journalism Quarterly* 43(3): 459-463 (autumn 1966).

² John Busterna, Kathleen Hansen, and Jean Ward, "Competition, Ownership, Newsroom and Library Resources in Large Newspapers," *Journalism Quarterly* 68(4): 729-739 (winter 1991); Leo Bogart "Letter to the Editors and Other Comments," *Journalism Quarterly* 70(1): 241-242 (spring 1993).

newspapers in intensely competitive markets committed greater financial resources to the newsroom. Only one independent variable and one control variable were entered into the equations because the case-to-independent-variable ratio was not large enough to put in additional variables.

Table 7.3 illustrates the descriptive statistics for the 14 intensely competitive newspapers. The average circulation of the 14 newspapers was 193,652.00, with a standard deviation of 144,207.42. This average was approximately three-quarters of the average circulation size of all 70 newspapers, 267,635.64.

The market size in which the 14 newspapers operated was 1,561,258.4 household, and was 1.5 times as large as that of all 70 newspapers, 1,009,184.5 household, which indicated that intensely competitive newspapers were located in prefectures that were predominately metropolitan.

The average of the local competition index for the 14 newspapers was 13.02, and the average national competition index was 73.61. The average of the local competition index for all 70 newspapers was 70.23, and the national competition index for the same group was 54.42. It can be seen that the 14 newspapers had more intense competition with local competitors and less competition with national newspapers.

The average reporters' workload for the 14 papers, 1,324.37, was larger than that of the reporters for all 70 newspapers, 1,210.89. The average newshole for the 14 newspapers, 69.91%, was approximately the same as that of all 70 newspapers, 69.59%.

In terms of news coverage, the 14 intensely competitive newspapers devoted an average of 19.40% of newshole to staff copy, 18.93% to local coverage, and 27.22% to letters/guest columns. All 70 newspapers devoted an average of 16.34% of newshole to

Table 7.3
Descriptive Statistics for Content of 14 Intensely Competitive Newspapers.

Variables	Mean	Std. Deviation
Local Papers' Competition Index	13.02	8.11
National Papers' Competition Index	73.61	27.82
Ownership	.36	.50
Household	1,561,258.40	1,121,706.50
Circulation	193,652.00	1,44,207.42
Number of Reporters	80.14	52.62
Reporters' Workload	1,324.37	540.95
% of Non-Ad Space in the Newspaper	69.91	7.69
% of Non-Ad Space in the Newspaper Given to News Pages	47.55	9.97
% of Non-Ad Space in the Newspaper Given to Editorial Pages	7.85	3.98
% of Non-Ad Space in News Pages Given to Wire News	16.05	6.13
% of Non-Ad Space in News Pages Given to Staff Copy	19.40	7.33
% of Non-Ad Space in News Pages Given to Conflict Coverage	3.08	1.74
% of Non-Ad Space in News Pages Given to Local Coverage	18.93	7.56
% of Non-Ad Space in News Pages Given to International Coverage	4.12	1.98

Continued on next page

Table 7.3—*Continued*

Variables	Mean	Std. Deviation
% of Non-Ad Space in Editorial Pages Given to Local Editorial Opinion	4.76	3.73
% of Non-Ad Space in Editorial Pages Given to Letters and Guest Columns	27.22	6.18

staff copy, 16.14% to local coverage, and 34.13% to letters/guest columns. The average percentages in all three areas were greater for the 14 intensely competitive newspapers than those were for the total of all 70 newspapers.

These data indicated that the 14 newspapers in intensely competitive markets that were headquartered in large prefectures had a stronger demand for local newspapers than national newspapers. The 14 newspapers had more intense competition from local competitors than from national newspapers. The intensely competitive newspapers devoted a large percentage of total space to staff copy, local coverage, and letters/guest columns.

The results of regression analyses on the 14 intensely competitive newspapers are in Appendix D. Table 7.4 which summarized Appendix D illustrated the directional changes of the impact of competition upon the dependent variables using the 14 intensely competitive newspapers and compared these results to the original results from all 70 newspapers which tested the hypotheses of this study. Obvious directional changes occurred in reporters' workload, the percentage of newshole in the newspaper given to news pages, and the percentage of newshole in the newspaper given to editorial pages. As the intensity of competition increased, reporter's workload decreased, and the

Table 7.4

Summary of 2nd Regression Analysis with 14 Intensely Competitive Newspapers: Part Squared Correlation Coefficient and Partial Correlation Coefficient

Dependent Variables	Independent Variable			Control Variable		
	Direct Competition			Circulation		
	Direction	Part r^2	Partial r	Direction	Part r^2	Partial r
Reporters' Workload	↓	.038	-.221	↓	.026	-.514
% of Newshole in the Newspaper	↓	.076	-.278	↓	.021	-.150
% of Newshole in the Newspaper given to News Pages	↑	.000	.010	↓	.009	-.096
% of Newshole in the Newspaper given to Editorial Pages	↓	.080	-.316	↑	.151	.415
% of Newshole in News Pages given to Wire Copy	↓	.000	-.008	↑	.178	.424
% of Newshole in News Pages given to Staff Copy	↑	.108	.354	↓	.097	-.339
% of Newshole in News Pages given to Local Coverage	↑	.112	.336	↓	.118	-.374
% of Newshole in News Pages given to International Coverage	↑	.070	.287	↑	.178	.431
% of Newshole in News Pages given to Conflict Coverage	↑	.023	.510	↑	.176	.460
% of Newshole in Editorial Pages given to Local Editorials	↑	.537	.733	↑	.022	.213
% of Newshole in Editorial Pages given to Letters/Guest Columns	↑	.388	.788	↑	.506	.826

Note: Direction of arrow indicates the increase or decrease of the dependent variable with the increase of the independent or control variable. The competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero. n/a represents not applicable to regression.

percentage of newshole in the newspaper given to news pages increased. These results were consistent with the theory of financial commitment which predicts that increased intensity of competition results in increased financial commitment to the newsroom, and also supported the previous studies which indicate that the degree of the impact of competition varies from market to market depending on market conditions. Local Japanese newspapers with intense competition influenced the budget allocation process in the same way as highly competitive newspapers did in the United States.

Several factors may be responsible for the failure to find the impact of competition with the original data set. First, in terms of the number of cases studied, it was obvious that the behavior of the group with the larger number, 56, tended to dominate the behavior of the group with the smaller number, 14. The number of newspapers with intense competition was four times smaller than the number of those without intense competition. Second, when little or no competition was present, newspaper managers could cut costs arbitrarily, which would impact resource allocation.

Considering these possibilities, this study next attempted to reduce the statistical impact of the 56 newspapers in non-competitive markets by changing the measurement of competition. Because the interval level of measurement, intensity of competition, had more power over another group than the nominal level of measurement, the measurement of competition was changed with a dummy variable. The dummy variable is lesser in power than the interval level due to a less quantitative measurement.³ All 70 newspapers were analyzed with competition treated as a dummy variable with 14 competitive

³ Alan Agresti and Barbara Finlay, *Statistical Methods for the Social Sciences*, 3rd ed. (Upper Saddle River, NJ: Prentice-Hall, 1997), 12-17.

newspapers assigned the number one and 56 noncompetitive newspapers assigned a zero. The results are in Appendix E.

The data in Table 7.5 summarizing Appendix E which demonstrated directional changes in the impact of competition on the budget allocation process was compared to the original data in Table 7.1. These data were consistent with previous research that predicts that increased intensity of competition results in increased financial commitment to the newsroom. The impact, however, was not discernable. Direct competition had little impact on reporters' workload or the percentage of newshole in the newspaper. This result strongly indicated that newspapers in a highly competitive market behaved differently than did newspapers in a less competitive market. Newspapers with monopoly power could behave with impunity.

As seen in Table 7.4, intensely competitive newspapers behaved in a manner which was consistent with findings from previous literature. Economic conditions unique to Japan may provide an explanation for the contradictory results in terms of direction of impact, and the failure to find a noticeable impact of competition on financial commitment. These conditions include: the rule which limited one newspaper for each prefecture during World War II, the economic recession of the 1990s, and the threshold of competition presented by Lacy and Vermeer.⁴ First, as mentioned in Chapter 3, with some exceptions, each prefecture in Japan was allowed to have only one local newspaper during World War II. The Japanese government forced newspapers to transfer or merge with other newspapers within a prefecture in order to control information and to

⁴ Stephen Lacy and Jan P. Vermeer, "Theoretical and Practical Considerations in Operationalizing Newspaper and Television News Competition," *Journal of Media Economics* 8(1): 49-61 (1995).

Table 7.5
Summary of 3rd Regression Analysis with All 70 Newspapers: Part Squared Correlation Coefficient and Partial Correlation Coefficient

Dependent Variables	Independent Variables							
	Direct Competition			Umbrella Competition			Ownership	
	Direction	Part r^2	Partial r	Direction	Part r^2	Partial r	Direction	Part r^2
Reporters' Workload	↓	.000	-.010	↑	.000	.025	↑	.009
# of Reporters	↑	.004	.117	↑	.024	.269	↓	.040
% of Newshole in the Newspaper	↑	.001	.033	↑	.007	.087	↓	.000
Amount of Newshole in the Newspaper	↑	.003	.073	↑	.053	.308	↓	.026
% of Newshole in the Newspaper given to News Pages	↓	.006	-.083	↓	.030	-.186	↑	.010
Amount of Newshole in the Newspaper given to News Pages	↑	.000	.034	↑	.016	.170	↓	.008
% of Newshole in the Newspaper given to Editorial Pages	↑	.005	.075	↑	.003	.051	↑	.014
% of Newshole in News Pages given to Wire Copy	↑	.002	.048	↑	.060	.275	n/a	n/a
% of Newshole in News Pages given to Staff Copy	↑	.016	.146	↓	.042	-.228	n/a	n/a
% of Newshole in News Pages given to Local Coverage	↑	.016	.142	↓	.038	-.218	n/a	n/a

Note: Direction of arrow indicates the increase or decrease of the dependent variable with the increase of the independent or control variable. The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero. n/a represents not applicable to regression.

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Table 7.5—Continued

Dependent Variables	Independent Variables								
	Direct Competition			Umbrella Competition			Ownership		
	Direction	Part r^2	Partial r	Direction	Part r^2	Partial r	Direction	Part r^2	Partial r
% of Newshole in News Pages given to National Coverage	↑	.001	.039	↑	.067	.280	n/a	n/a	n/a
% of Newshole in News Pages given to International Coverage	↑	.003	.069	↑	.031	.207	n/a	n/a	n/a
% of Newshole in News Pages given to Conflict Coverage	↑	.000	.007	↑	.014	.133	n/a	n/a	n/a
% of Newshole in Editorial Pages given to Local Editorials	↓	.007	-.090	↓	.046	-.226	n/a	n/a	n/a
% of Newshole in Editorial pages given to National Editorials	↓	.005	-.078	↓	.004	-.065	n/a	n/a	n/a
% of Newshole in Editorial Pages given to International Editorials	↓	.000	-.007	↓	.010	-.109	n/a	n/a	n/a
% of Newshole in Editorial Pages given to Letters/Guest Columns	↑	.050	.242	↑	.013	.128	n/a	n/a	n/a

Note: Direction of arrow indicates the increase or decrease of the dependent variable with the increase of the independent or control variable. The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero. n/a represents not applicable to regression.

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Table 7.5—Continued

Dependent Variables	Control Variables					
	Household			Circulation		
	Direction	Part r^2	Partial r	Direction	Part r^2	Partial r
Reporters' Workload	↓	.000	-.011	↓	.331	-.586
# of Reporters	↓	.005	-.129	↑	.569	.806
% of Newshole in the Newspaper	↓	.002	-.040	↓	.057	-.240
Amount of Newshole in the Newspaper	↓	.035	-.254	↑	.289	.602
% of Newshole in the Newspaper given to News Pages	↓	.116	-.345	↓	.001	-.039
% of Newshole in the Newspaper given to News Pages	↓	.076	-.348	↑	.291	.589
% of Newshole in the Newspaper given to Editorial Pages	↑	.000	.014	↑	.021	.146
% of Newshole in News Pages given to Wire Copy	↓	.019	-.159	↑	.123	.379
% of Newshole in News Pages given to Staff Copy	↓	.003	-.068	↓	.003	-.068
% of Newshole in News Pages given to Local Coverage	↓	.011	-.119	↓	.103	-.344

Note: Direction of arrow indicates the increase or decrease of the dependent variable with the increase of the independent or control variable. The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero. n/a represents not applicable to regression.

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Table 7.5—Continued

Dependent Variables	Control Variables					
	Household			Circulation		
	Direction	Part r^2	Partial r	Direction	Part r^2	Partial r
% of Newshole in News Pages given to National Coverage	↓	.002	-.045	↑	.100	.338
% of Newshole in News Pages given to International Coverage	↑	.012	-.132	↑	.220	.488
% of Newshole in News Pages given to Conflict Coverage	↓	.064	-.273	↑	.075	.293
% of Newshole in Editorial Pages given to Local Editorials	↓	.060	-.256	↓	.028	-.179
% of Newshole in Editorial Pages given to National Editorials	↓	.046	-.219	↓	.013	-.116
% of Newshole in Editorial Pages given to International Editorials	↓	.078	-.296	↑	.131	.372
% of Newshole in Editorial Pages given to Letters/Guest Columns	↑	.007	.093	↑	.126	.369

Note: Direction of arrow indicates the increase or decrease of the dependent variable with the increase of the independent or control variable. The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero. n/a represents not applicable to regression.

implement national policies. Following the war, these rules were abolished, but a relatively small number of local newspapers remain today, and most of the prefectures still have only one local newspaper.

This unique Japanese newspaper structure could allow for the majority of newspapers in Japan to behave as if they were in local monopoly markets.

Microeconomic theory holds that a monopoly does not lead to an optimal allocation of resources; therefore, consumers do not receive as large a portion of the monopolist's output as they desire in terms of the good's marginal cost and marginal value.⁵ Data from all 70 newspapers was consistent with this model (Table 7.1). Non-competitive newspapers did not commit financial resources to the newsroom, rather they pursued profit by cutting newshole and increasing reporters' workload. Thus, the quality of their newspaper declined more than would be expected.

Efforts to commit finances to the newsroom by intensely competitive newspapers were visible as is evident in Table 7.4. The behavior of these newspapers was consistent with Chamberlin's monopolistic competition theory that predicts that a firm will try to produce products which will best satisfy their customers' desires, and as a result, will increase quality and extend demand for their products.⁶

Understanding that the behavior of a larger group of newspapers in Japan dominated the behavior of a small group of newspapers, may help to explain the contradictory results, as well as the failure to find a strong impact of competition on the newspaper budget process as has been found in the United States. A second explanation

⁵ Paul Samuelson and William Nordhaus, *Economics*, 15th ed. (New York, NY: McGraw-Hill, Inc., 1995), 175.

⁶ Edward Chamberlin, *The Theory of Monopolistic Competition* (Cambridge, MA: Harvard University Press, 1962), 71-116.

Table 7.6
Newspaper Revenue for Past Ten Years

Year	Total Revenue		Sales Revenue		Ad. Revenue		Other Revenue	
	\$ billion	% of previous year	\$ billion	% of previous year	\$ billion	% of previous year	\$ billion	% of previous year
1989	22.16	10.1	10.15	9.5	9.31	13.9	2.70	.8
1990	23.53	6.2	10.46	3.1	9.97	7.1	3.10	14.5
1991	23.57	.2	10.67	2.0	9.77	-2.0	3.12	.9
1992	24.02	1.9	11.57	8.4	8.86	-9.4	3.59	15.0
1993	23.30	-3.0	11.95	3.2	8.09	-8.7	3.26	-9.2
1994	23.98	2.9	12.56	5.1	8.11	.3	3.31	1.5
1995	24.26	1.2	12.73	1.4	8.41	3.7	3.12	-5.9
1996	25.00	3.1	12.90	1.3	8.97	6.7	3.13	.4
1997	20.17	-19.3	10.19	-21.0	7.63	-15.0	2.35	-24.9
1998	20.10	-.4	10.25	.6	7.40	-3.0	2.44	3.9

Note: \$1=100 yen

Sources: Nihon Shinbun Kyokai, *"Nihon shimbun nenkan '99-'00"* (Tokyo: Dentsu Inc., 1999), 385; Nihon Shinbun Kyokai, *Dejitaru jyohoka shakai: Shinbun no chousen* (Tokyo: Nihon Shinbun Kyokai, 1998), 82.

is that the economy in Japan during the 1990s when the research was conducted, was experiencing an economic depression. Profit margins for newspaper companies largely depend on market conditions. When the economy is faltering, the economic downturn reduces newspaper profits by generating less revenue from advertisers and readers. As a consequence, the newspapers reduce their financial commitment to the newsroom in order to maintain profits.

In 1998, advertisement revenue in Japanese newspapers totaled \$7.4 billion (\$1=100 yen), which was a decrease of 3.0% from the previous year (Table 7.6).⁷ The 1998 revenue shows the smallest advertisement earnings in the past ten years. Compared

⁷ Data from 1998 is the most recent available and is provided by Nihon Shinbun Kyokai, *Nihon shimbun nenkan '99-'00* (The Japanese Newspaper Annual '99-'00) (Tokyo: Dentsu Inc., 1999), 385; Nihon Shinbun Kyokai, *Dejitaru jyohoka shakai: Shinbun no chousen* (The Digital Information Era: Challenges for Newspapers) (Tokyo: Nihon Shinbun Kyokai, 1998), 82. Figures are generated from 42 randomly selected newspapers including national, bloc, local, economic, sports and special newspapers.

Table 7.7

Total Number of Employees and Writers in Newspaper Offices and News Agencies

Year	Employees		Reporters	
	Number	% of Previous Year	Number	% of Previous Year
1990	65,304	0.4	25,855	0.6
1991	65,919	0.9	26,507	2.5
1992	65,444	-0.7	21,859	-17.5
1993	65,023	-0.6	20,741	-5.1
1994	63,540	-2.3	20,925	0.9
1995	61,554	-3.1	20,166	-3.6
1996	60,956	-1.0	19,788	-1.9
1997	60,292	-1.1	20,228	2.2
1998	59,625	-1.1	19,888	-1.7
1999	58,380	-2.1	20,651	3.8

Source: Nihon Shinbun Kyokai, *Total Number of Employees and Writers in Newspaper Offices and News Agencies* [Online] Available <http://www.pressnet.or.jp>, (September 15, 2000).

to \$9.31 billion in 1989, advertising revenue in 1998 dropped 20.5%. In general, a strong downward trend in advertising revenue has continued since 1990.

A similar trend can be seen in the total revenue of newspapers, which is a combination of revenue from newspaper sales, advertising and other sources. Total revenues in 1997 showed a double-digit decrease of 19.3% from the previous year, and the 1998 total revenue was less than it was ten years previous. The implications are that the Japanese economy in 1999 was still in the middle of a recession, and the majority of newspapers in Japan continued to experience a decline in profits.

Data in Table 7.7 show the number of reporters at newspapers during the past decade.⁸ The number of reporters in Japanese newspapers in 1999 totaled 20,651. Since 1990, the number of reporters gradually declined, and the number of reporters in 1999

⁸ Nihon Shinbun Kyokai, *Total Number of Employees and Writers in Newspaper Offices and News Agencies* [Online] Available <http://www.pressnet.or.jp>, (September 15, 2000). Figures generated from randomly selected newspapers including national, bloc, local, economic, sports and special newspapers.

was only 79.9% of the total of that from ten years previous. The economic recession discouraged most newspapers from spending money on the newsroom. Rather, they may have been forced to cut costs. It was obvious that most Japanese newspapers cut back on their largest expense, the number of reporters, and tried to increase profit margins by reducing their costs during the 1990's.

By contrasting this information with the behavior of newspapers without intense competition, it was more understandable how monopoly newspaper reacted to competition. Monopoly newspapers responded differently to economic recession than did newspapers in intensely competitive markets. Because competition was less important to the survival of the non-competitive newspapers than was the economic depression, they reacted more quickly to overcome the economic crisis than respond to the competitive newspapers. Thus, the impact of competition on financial commitment variables was not noticeable when taking into account all newspapers in Japan. This behavior was consistent with microeconomic theory.

Another possible explanation for the failure to find a noticeable impact of competition on financial commitment was the concept of threshold of competition. The threshold concept describes a point at which managers decide that another firm in the same market has reached a level of buyer substitution that requires a reaction. According to Lacy and Vermeer, managers have a sense of competition intensity, but the point at which each manager starts reacting to another firm is different depending on how much they perceive the presence of another firm as a competitive threat.⁹ In other words, the

⁹ Lacy and Vermeer, "Theoretical and Practical Considerations in Operationalizing Newspaper and Television News Competition," 49-61.

competitive threshold may change depending on conditions that influence managers' perceptions.

This suggests that the economic recession in Japan during the 1990s might have changed the point at which another firm was perceived as being a threat. The competition threshold during the recession might have risen higher than it would have during a normal period because the reaction to the economic depression, which reduced revenues extensively, caused a delay in the response of managers to the competition. Since most of the Japanese newspapers did not generate substantial earnings, as seen in Table 7.6, they might not have tried to expand their market share, which requires the commitment of financial resources. Only a small number of newspapers that had passed the unusually-high competition threshold might have committed financial resources to the newsroom.

Because a particular response to another firm depends largely on managers' decisions, which depend on perceptions of economic conditions in markets, the serious economic recession in Japan might have forced the competition threshold very high. As a result, most of the newspapers reacted primarily to the economic recession and limited their response to the competition that existed in many markets. For this reason, most markets showed little impact of competition on the budget allocation process.

These three explanations were consistent with previous research and economic theory. Because one or some of these conditions synergistically affected the newspaper economic structure in Japan, this study failed to find as strong a relationship between competition and financial commitment as found in the United States in earlier studies.

CHAPTER 8 CONCLUSIONS

This chapter will discuss how the various outcomes of this study were consistent with the theoretical framework and how existing research about competition and ownership relates to newspaper resource allocation processes. The validity of the theoretical constructs of this study will be examined by contrasting the findings of this study with those of existing research. Three allocation processes will be explored in the relationships with direct competition, umbrella competition and ownership. The relationship between direct competition and the budget process will be discussed briefly since it was examined in detail in Chapter 7. Also, the common characteristics of newspapers in Japan and Western countries will be explored.

Competition

Direct Competition

This study hypothesized that an increase in direct competition results in financial commitment to the newsroom which improves the quality of the news (Hypothesis 1 through Hypothesis 4). The study confirmed the impact of direct competition on the newspaper budget allocation process although the impact was limited to 14 markets due to the unique conditions in Japan, as explained in Chapter 7. Also, the results in these 14 markets were consistent with previous research as concerns the direction of the relationship. Most past research has shown a negative relationship between direct

competition and reporters' workload, and a positive relationship between direct competition and the percentage of newshole.¹ This study found that local Japanese newspapers committed financial and human resources to the newsroom as the intensity of direct competition increased.

A relationship between direct competition and news space allocation was also found in this study (from Hypothesis 5 to Hypothesis 8). Direct competition influenced the way newspaper management in intensely competitive newspapers allocated space involving the editors' selection of the most newsworthy stories from all the wire services and staff.

To the extent to which the impact of direct competition on the percentage of news pages given to staff copy was positive, this finding was consistent with microeconomic theory. As intensity of competition increased in a market, newspapers increased the percentage of news pages devoted to staff copy. Because producing staff copy represents a larger cost than subscribing to wire news, competitive newspapers allocated more staff copy.²

Like newspapers in Western countries, the intensity of direct competition had a positive association with local coverage. Chamberlin's theory of monopolistic competition predicted that firms will produce differentiated products which are sufficiently similar to serve as substitutes for each other, and local Japanese newspapers, consistent with this prediction, differentiated themselves by increasing local coverage when direct competition was high.

¹ For example, Stephen Lacy, "The Effects of Intracity Competition on Daily Newspaper Content," *Journalism Quarterly* 64(2/3): 281-290 (summer/autumn 1987).

² Maxwell McCombs, "Concentration, Monopoly, and Content," in *Press Concentration and Monopoly: New Perspectives on Newspaper Ownership and Operation*, eds. Robert Picard, James Winter, Maxwell McCombs, and Stephen Lacy (Norwood, NJ: Ablex Publishing Corporation, 1988), 129-137.

Unlike previous studies, competition had a positive association with international coverage, due to the coding categorization of international coverage.³ International copy was defined as stories sent from outside of Japan. Copy that dealt with Japanese people or Japan, coming from outside of Japan was treated as international copy. Stories about a local mayor and a prefectural governor visiting foreign countries were categorized into international copy. Also, events or issues in sister-cities in foreign countries were treated as international copy. Because reporters increased their efforts to cover stories connected to “local” prefectures, their coverage expanded as competition intensified, regardless of prefectural and national boundaries. As a consequence, “international/local” copy about local mayors, governors and sister-cities increased when competition increased. This is consistent with the financial commitment model which predicts that competition will increase financial commitment to the newsroom,⁴ as well as the product differentiation theory which holds that firms differentiate their products from their competitors to create a monopoly.⁵

These results suggested an important implication for the study of the Japanese newspaper industry. Although the ways in which the intensity of direct competition in Japan influenced the news space allocation process shared some similarities with those in Western countries, newspapers in Japan were notably different. The intensity of direct competition in Japan resulted in increased expenditures on staff copy and local copy by newspapers in order to differentiate themselves, and also resulted in increased

³ Wayne Wanta and Thomas Johnson, “Content Changes in the St. Louis Post-Dispatch During Different Market Situations,” *Journal of Media Economics* 7(1): 12-28 (1994); McCombs, “Concentration, Monopoly, and Content,” 129-137.

⁴ Lacy, “The Effects of Intracity Competition on Daily Newspaper Content,” 281-290.

⁵ Edward Chamberlin, *The Theory of Monopolistic Competition* (Cambridge, MA: Harvard University Press, 1962), 71-116.

international coverage. Japanese newspapers committed fairly large sums of money to cover local government; as a result, they increased “local” coverage regardless of national boundaries. This seems to reflect a decision to allocate a larger proportion of the newshole to local prefecture coverage.

The editorial allocation process was also found to have a relationship to direct competition (Hypothesis 9 and Hypothesis 10). Although the direction of the relationship was not consistent with that of previous research, this study found that as the intensity of direct competition increased in a market, the percentage of non-advertising space in editorial pages given to local editorials decreased.

The relationship between the percentage of newshole in editorial pages given to letters/guest columns and direct competition was positive, consistent with previous findings in the United States, which indicate that the intensity of direct competition results in an increase in the percentage of newshole in editorial pages given to letters/guest columns.⁶ This result implied that local Japanese newspapers differentiated themselves by substituting newshole given to letters/guest columns for newshole given to news pages.

Direct competition influenced the way newspaper management allocated resources in markets with intense competition. Local Japanese newspapers attempted to provide differentiated products from their competitors in a variety of ways. At the same time, they tried to be good substitutes for their competitors.

⁶ Maxwell McCombs, “Effect of Monopoly in Cleveland on Diversity of Newspaper Content,” *Journalism Quarterly* 64(4): 740-744, 792 (winter 1987).

Umbrella Competition

The hypotheses related to the impact of umbrella competition on the newspaper budget allocation process were not always supported by this study (Hypothesis 11 through Hypothesis 13). Umbrella competition had an effect only on the percentage of newshole in the newspaper and the percentage of newshole in the newspaper given to news pages. However, this result should not be interpreted to mean that umbrella competition had little effect on the budget process. Additional analysis of the data suggested some important implications for the effects of umbrella competition on the budget process.

Financial resources were committed to the number of reporters and the amount of newshole in the newspaper rather than reporters' workload. While reporter's workload was not related to umbrella competition, the number of reporters was positively associated with competition, with a partial correlation coefficient of .269 (Table 7.5). The higher the competition was, the more reporters newspapers hired. In addition, the amount of newshole in the newspaper was positively associated with umbrella competition (partial $r = .308$). These results indicated that the effect of competition on reporters' workload was masked because of the closeness in degree of the impact of competition on both the number of reporters and the amount of newshole in the newspaper. Thus, intense umbrella competition did result in increasing financial commitment. It was more likely that competing newspapers increased the number of reporters and the amount of newshole in the newspaper than did non-competing newspapers.

Moreover, an interesting finding is that only a small portion of the increased newshole resulting from competition was given to news pages. Most of it may have been given to pages about sports, culture, life, travel, and women. The relationship between competition and the amount of newshole in news pages (partial $r = .170$) was not as strong as that between competition and the amount of newshole in the newspaper (partial $r = .308$) (Table 7.5). A relatively small increase in newshole was given to news pages, with the rest having been given to pages that do not assume the public information function of newspapers.

These results revealed some notable findings of the newspaper industry in Japan. Newspapers in Japan committed financial and human resources to newsrooms in order to increase the quality of newspapers when umbrella competition was high. Newspapers spent more money to differentiate themselves and to remain substitutes for their competitors in order to attract readers. The resources were committed primarily to the number of reporters and the amount of newshole in the newspaper, but newspapers put less space onto news pages, which were responsible for carrying out the public information function of newspapers.

Hypothesis 14 through Hypothesis 16 tested the relationship between umbrella competition and the space allocation process. The intensity of umbrella competition had a negative relationship with local coverage and a positive association with international coverage. These results were inconsistent with two previous studies in Japan.⁷ Several factors may be responsible for this conflict. First, the two previous studies analyzed

⁷ Hiromi Cho, "The Impact of Organizational and Market Factors on International News Coverage in Local Japanese Newspapers" (paper presented to the Second Annual Interdisciplinary Conference, Los Angeles, CA, April 1999); Hiromi Cho, "Factors Influencing International News Coverage in Japanese Local Newspapers" (master's thesis, Michigan State University, 1996).

international stories on each page in the newspaper, while the present study analyzed all the stories on only news and editorial pages whose primary role was that of providing public information.

Second, according to the two previous studies, Japanese newspapers devoted fairly large amounts of international news to international social news (47.1%) and international sports news (17.5%). Because this study analyzed only news and editorial pages, coverage in the newspaper was more likely to be political and economic in nature rather than social or sports-oriented.

Third, there was a difference in the measurement of competition. This study used a competition index as the measurement of competition, while the previous studies used the competitors' penetration.

Taking these three factors into consideration, results of this study were not necessarily inconsistent with those of the two studies. The percentage of newshole in news pages given to local coverage decreased, and international coverage increased as the intensity of umbrella competition increased.

Along with these findings, an additional regression result portrayed a unique characteristic of Japanese newspaper competition. Data in Table 7.5 demonstrated that the intensity of umbrella competition in Japan had a positive association with the percentage of newshole in news pages given to national coverage. Unlike findings in Western countries, this study found the impact of umbrella competition on all three of the geographical emphases of news coverage: local coverage, national coverage and international coverage. It could be said that the decline in the percentage of newshole given to local coverage was translated into increased national and international coverage.

In addition, Japanese newspapers decreased the percentage of newshole in news pages given to staff copy and increased wire copy, as the intensity of competition increased (Table 7.5). An increased dependence on wire copy resulted in an increased percentage of newshole in news pages given to international and national coverage. As a result, over-reliance on wire copy resulted in an increase in the percentage of newshole given to conflict coverage. Since most local newspapers in Japan did not have the resources to support staff working abroad, they depended on wire services to provide coverage of international events, and, as a result, the newspapers tended to carry more conflict news. This finding was consistent with the findings of Lacy, Chang and Lau in the United States.⁸

These results suggested that local Japanese newspapers redistributed content in newspapers as umbrella competition increased, which is an important finding of this study. The intensity of competition resulted in a change in content distribution in newspapers by substituting wire copy for staff copy, and national and international coverage for local coverage. Because competition with national newspapers needed to provide diverse information for a large heterogeneous population, local newspapers provided a variety of types of information by increasing news space and redistributing content, which appeared to be related to substitutability of local newspapers for national newspapers. Managers in Japan appeared to have decided to be good substitutes for, rather than complements to, national newspapers, which, by changing content distribution, tended to have a larger geographic coverage areas. This decision in Japan was very unusual in the United States, but it was consistent with a previous study in

⁸ Stephen Lacy, Tsuan-Kuo Chang, and Tuen-yu Lau, "Impact of Allocation Decisions and Market Factors on Foreign News Coverage," *Newspaper Research Journal* 10(3): 23-32 (fall 1989).

Japan. Cho and Lacy 's study on umbrella competition in Japan found that local Japanese newspapers were substitutes for national papers in terms of penetration.⁹ There was a strong negative relationship between the penetration of local newspapers and that of national papers in Japan. Thus, when competition with national newspapers was high, local newspapers expanded their news coverage beyond their local prefecture.

The unusual substitutability of local newspapers for national newspapers in Japan may reflect an unusually high subscription rate. Japan's subscription rate is 1.34 newspapers per household,¹⁰ while the U.S. rate is .55.¹¹ It can be said that Japan's subscription rate has already reached the saturation point, which means that if a newspaper is to expand a market, other firms in the same market, in general, have to lose their subscribers. A firm trying to expand its market share must be a substitute for its competitors, regardless of competition from other papers. There is less chance of finding new subscribers for newspapers whose readers already subscribe to more than one newspaper. Thus, managers at local newspapers decided to allocate news space to coverage other than local, and to be substitutes for national papers. Their efforts to be substitutes for national newspapers may be stronger than the efforts of newspapers to be substitutes for their competitors in the United States.

On the editorial allocation process, the intensity of umbrella competition had an impact (Hypothesis 17). However, the effects of umbrella competition in Japan were not consistent with the assumption that newspapers try to differentiate themselves with more

⁹ Hiromi Cho and Stephen Lacy, "Intercity Competition Among Daily Newspapers in Japan" (unpublished paper, Michigan State University, April 2000).

¹⁰ Nihon Shinbun Kyokai, *Nihon shimbun nenkan '99-'00* (The Japanese Newspaper Annual '99-'00) (Tokyo: Dentsu Inc., 1999); Ministry of Home Affairs, Bureau of Administration, *Jūmin kihon daichō: jinkō oyobi setaisū*, 31 March, 1999 (Tokyo, 1999).

¹¹ *Editor & Publisher International Yearbook 1999* (New York, NY: Editor & Publisher, 1999).

news about local markets as well as increased local voices when competition was high. Umbrella competition was negatively associated with the percentage of newshole in editorial pages given to local editorials.

Additional analysis indicated that the percentage of newshole in editorial pages given to national and international editorials also decreased, but the percentage of newshole in editorial pages given to letters/guest columns increased when competition was high. These results indicated that the intensity of umbrella competition influenced the way newspaper management allocated editorial space. The increase in letters/guest columns made possible by reducing local, national, and international editorials may be an effort to provide a differentiated product from one's competitors, as well as to understand the interests of subscribers.

Perhaps, the demands of Japanese readers differed from those of American readers. While American readers were interested in local coverage, Japanese readers were more interested in the opinions of other readers.

Ownership

This study examined whether there were differences between group newspapers and non-group newspapers in the way newspaper management allocated human and budget resources (Research Question 1 through Research Question 4). This study confirmed the impact of ownership on the newspaper resource allocation processes in Japan. Group and non-group newspapers were similar in regard to the percentage of newshole in the newspaper, but group newspapers differed from non-group newspapers

in regard to reporters' workload. Group newspapers burdened reporters with more work than did non-group newspapers.

The reduction in the number of reporters as well as a reduction in the percentage of newshole was consistent with this tendency. According to the regression analysis, group newspapers had an average of 40.7 fewer reporters than non-group newspapers (Appendix E). Furthermore, additional regression showed that group newspapers had a newshole that was 16,539.37 square centimeters smaller per week than that of non-group newspapers (Appendix E). Group newspapers reduced the number of reporters and the amount of newshole in the newspaper, and did not commit financial and human resources to the newsroom to the degree non-group newspapers did; instead, they appeared to pursue profit by cutting the number of reporters, reducing newshole in the newspaper, and increasing the workload.

These data indicated that groups aimed to maximize profit. They attempted to increase profit margins in three ways: cutting the number of reporters, reducing the amount of newshole in the newspaper, and increasing reporters' workload.

Some scholars, however, have warned that reducing newspaper quality by cutting costs to obtain high profits will have a negative impact on the long-run profits of the firm.¹² In the long-run, the result will be a loss of readers, which will result further in lost circulation revenue, and, consequently, declining advertising revenue. In fact, this study of Japanese newspapers found the tendency of advertising space in group-newspapers to be smaller than that in non-group newspapers. According to the regression analysis, group newspapers had a smaller newshole, but the same proportion of newshole in the

¹² Stephen Lacy, "A Model of Demand for News: Impact of Competition on Newspaper Content," *Journalism Quarterly* 66(1): 40-48, 128 (spring 1989).

newspaper, compared to non-group newspapers. This indicated that group newspapers cut advertising space as well as newshole in the newspaper by maintaining the same proportion of newshole as that in non-group newspapers. Although data in this study could not show whether group-newspapers actually lost circulation and advertising revenue, the result implied that the accumulated effect of reducing financial and human resources from the newsroom will have serious long-run effects on a firm's future profits.

Summary

This study of local Japanese newspapers supported the impact of direct competition, umbrella competition, and ownership on the resource allocation processes. It was consistent with many of the existing studies although the effects did differ from those in the United States in some ways. Direct competition had an influence on the percentage of newshole in the newspaper given to news pages and editorials pages, the percentage of newshole in news pages given to staff copy, local coverage, the percentage of newshole in editorial pages given to local editorial and letters/guest columns.

Umbrella competition had an impact on the number of reporters, the percentage of newshole in the newspaper, the percentage of newshole in the newspaper given to news pages and editorial pages, the percentage of newshole in news pages given to wire copy, staff copy, local coverage, international coverage and conflict coverage, the percentage of newshole in editorial pages given to local editorials, and letters/guest columns.

Ownership also had an impact on the number of reporters, reporter's workload, the percentage of newshole in newspapers, the percentage of newshole in news pages and editorial pages.

Like those in Western countries, local Japanese newspapers aimed to be substitutes for competing newspapers to increase circulation and advertising revenue. At the same time, they differentiated themselves by providing information the competitors did not provide.

A few other interesting conclusions follow from this study:

1. Direct competition resulted in increasing international coverage because human and financial resources were committed to the newsroom, which increased coverage related to local mayors and prefectural governors visiting foreign countries, which was categorized as international coverage.
2. The demands of Japanese readers differed from those of readers in the United States in terms of content type. While American readers were interested in local news coverage, Japanese readers were more interested in the opinions of other readers. Thus, managers made decisions to allocate a larger proportion of the newshole which reflected the opinions of their subscribers rather than providing information regarding their community when direct and umbrella competition was high.
3. The financial resources in Japanese newspapers were committed primarily to the number of reporters and the amount of newshole in the newspaper rather than to reporters' workload when umbrella competition was high.

4. Pages that provide public information were emphasized less when umbrella competition was high.
5. Local Japanese newspapers reassigned content distribution when competition was high, which is unusual in the United States.
6. Umbrella competition had an impact on the three geographical emphases of news coverage. The decline in the percentage of the newshole given to local coverage was translated into national and international coverage.
7. Local newspapers increased wire copy, national, and international copy as umbrella competition increased, which was due to the fact that local newspapers were substitutes for national newspapers.
8. Group newspapers reduced their human and financial resources. This may be that group newspapers more frequently set a goal of profit maximization than non-group newspapers.
9. Group newspapers also cut advertising space. This may be the result of the accumulated effects of reducing financial and human resources from the newsroom, and may result in damage to long-run profits.
10. Economic conditions had an influence on managerial decisions regarding the threat of competition. When economic times were bad, many managers exercised their monopoly power more often than when times were good.

Although this research had taken a step toward understanding the mechanisms of resource allocation on newsrooms, the results were limited. Some level of limitation was

the inevitable accompaniment to all studies, and this particular study was no exception. There were five areas of limitation which should be taken into account before the final conclusions are reached. First, the sample used in the study was limited to local Japanese newspapers registered in the Japan Newspaper Publishers and Editors Association. Some newspapers were not registered in the association and were therefore excluded as subjects of this study.

Second, the study focused on local newspapers in Japan, not on national, bloc, weekly, or free distributed newspapers. The results of the study extended only to local newspapers in Japan but not to Japanese newspapers as a whole.

Third, the focus of the study was the news and editorial pages, which perform a watchdog function. Precisely, the framework of this study was limited to those pages which represented the public information role of the local Japanese newspapers. Other pages such as features, sports, life, and travel were not considered for this study because they did not represent the social responsibility of the press. The geographical coverage of the afore-mentioned pages tends to differ from that of the news and editorial pages, and the results of a study which would include features, sports, life, and travel would likely differ from the results of this study.

Fourth, the difference between the time period represented by this study and that of previous studies should be taken into account. The present study was conducted in 1999, which was a very different time period from that of the previous studies. The important implication for the difference in the time period was that there was a great possibility that external factors, which were not included in this study, may have affected the results. One possible factor was the economic condition of the country. During 1999,

the time when the research was being conducted, Japan was in the middle of an economic depression. This may account, in part, for the fact that some of the results of this study contradicted those of previous studies.

Last, this research on Japanese newspapers was unique in terms of the particularly unique features of this country and also the lack of study in this area in Japan; however, this uniqueness should be considered a limitation. Most of the existing research and theoretical frameworks were developed primarily in Western countries. However, the differences in the regional, historical, political, cultural, and economic backgrounds between Western and Japanese newspapers may contribute to very dissimilar research results. When evaluating the results of research in this area, consideration must be given to the unique and diverse aspects of the background of each country included in the research.

Future studies may choose to focus on economic growth and market conditions, factors which have a significant influence on newspaper performance. This study found that economic conditions significantly influenced managerial decisions when responding to the threat of competition. This study indicated that when economic times were bad, many managers exercised their monopoly power more frequently than when times were good. Longitudinal analyses in response to changes in economic conditions are needed to confirm the results of this study.

Also, a close examination of the relationship between keiretsu and newspaper content may be worth undertaking. Because it is unique to Japan, the manner in which keiretsu influences newspaper content is unknown. This study found that newspapers

without intense competition behaved more like a monopoly in their markets. This result may be due to keiretsu, which would imply a negative impact on newspaper content.

In addition, this study found that group newspapers probably aim to maximize profit by cutting the number of reporters, reducing the amount of newshole in the newspaper, increasing reporters' workload and, also, by cutting advertising space. These results imply that the accumulated affect of reducing financial and human resources in the newsroom will have serious effects on the future profits of firms. Future research related to the impact of ownership may include the examination of the relationship between types of ownership, expenditures on newsrooms, circulation and advertising revenue.

APPENDICES

APPENDIX A
THE CANON OF JOURNALISM

THE CANON OF JOURNALISM IN JAPAN

(Adopted by the Nihon Shinbun Kyokai on June 21, 2000)

Aware afresh of the important mission of newspapers on the threshold of the 21st century, and pledging their continued effort toward an affluent and peaceful future, members of the Nihon Shinbun Kyokai (The Japan Newspaper Publishers and Editors Association) have formulated this new Canon of Journalism.

The public's right to know is a universal principle that sustains a democratic society. That right cannot be ensured without the existence of media, operating with the guarantee of freedom of speech and expression, while being totally committed to a high moral standard and fully independent of all powers. Member newspapers resolve to retain their role as the fittest standard-bearers in this regard.

In a modern society flooded with a vast range of information, the public is constantly required to make correct and swift decisions on what is true and which information to select. It is the responsibility of member newspapers to respond to such requirements and fulfill their public and cultural mission through accurate and fair reporting, and through responsible commentaries.

All newspapermen and women engaged in duties including editing, production, advertising and circulation should uphold freedom of speech and expression. They should also conduct themselves with honor and decency in such a way as to ensure this responsibility is duly performed, and to strengthen the readers' confidence in the newspapers.

Freedom and Responsibility

Freedom of expression is a fundamental human right, and newspapers have that absolute freedom in both their news coverage and editorial comment. In exercising that freedom, however, member newspapers must be duly aware of their heavy responsibility and be constantly mindful not to impair public interests.

Accuracy and Fairness

Newspapers are the first chroniclers of history, and the mission of reporters lies in the constant pursuit of truth. Reporting must be accurate and fair, and should never be swayed by the reporter's personal conviction or bias. Editorial comment should be an honest expression of the writer's belief, not to court popularity.

Independence and Tolerance

Member newspapers uphold their independence in the interests of fair comment and free speech. They must reject interference by any outside forces, and resolve to remain

vigilant against those who may wish to use the newspapers for their own purposes. On the other hand, they should willingly give space to opinions that differ from their own, provided such opinions are accurate, fair and responsible.

Respect for Human Rights

Member newspapers should pay utmost respect to the dignity of human beings, put a high value on individuals' honor and give serious consideration to their right to privacy. They should also acknowledge errors and correct them promptly, and in cases when an individual or a group has been unjustly maligned, adequate steps should be taken to rectify the situation, including the provision of an opportunity to reply.

Decency and Moderation

In the performance of their public and cultural mission, member newspapers must be available for anyone to read anytime, anywhere. They should maintain decency both editorially and in the area of advertising, and in their circulation practices they should at all times exercise moderation and good sense.

Source: Nihon Shinbun Kyokai. [Online] Available <http://www.pressnet.or.jp/english/canon.htm>,
October 22, 2000.

On June 21, Nihon Shinbun Kyokai (NSK or the Japan Newspaper Publishers and Editors Association) created a new comprehensive code of ethics. Previous edition is as follows:

The Canon of Journalism (Previous Edition)
(Adopted by the Nihon Shinbun Kyokai in 1946 and revised in 1955)

The role to be played by newspapers in rebuilding Japan as a democratic and peace-loving nation is decidedly of great importance. In order to realize this mission in the fastest and most effective manner possible, it is necessary for every newspaper in the nation to adhere to a high ethical standard, elevate the prestige of its profession, and carry out its functions to the fullest.

Aware of the significance of their mission, democratic Japanese daily newspapers, large and small, have met in the most cordial spirit, organized the Nihon Shinbun Kyokai (The Japan Newspaper Publishers and Editors Association), formulated as its moral charter the Canon of Journalism and have pledged to endeavor with the utmost sincerity to realize these principles.

The Canon of Journalism, which stresses the spirit of freedom, responsibility, fairness and decency, constitutes a standard which should govern not only news and editorial writers but to an equal extent all persons connected with newspaper work.

I. Freedom of the Press

The press should enjoy complete freedom in reporting news and in making editorial comments, unless such activities interfere with public interests or are explicitly forbidden by law, including the freedom to comment on the wisdom of any restrictive statute. The right of the press should be defended as a vital right of mankind.

II. Sphere of News Reporting and Editorial Writing

The freedom of news reporting and editorial writing should be subject to the following voluntary restraints:

1. The fundamental rule of news reporting is to convey facts accurately and faithfully.
2. In reporting news, the personal opinion of the reporter should never be inserted.
3. In treating news, one should always remember and strictly guard against the possibility of such news being utilized for propaganda purposes.
4. Criticism of individuals should be limited to that which could be said directly to the individual involved.
5. Partisanship in editorial comments, which knowingly departs from the truth, undermines the true spirit of journalism.

III. The Principle of Editorial Comment

An editorial comment should be a bold expression of the writer's belief and conviction and not a flattering speech. Furthermore, in writing an editorial comment, the writer should maintain the public spirit of being a speaker for those who otherwise have no means of voicing their opinions. The role of a newspaper as a public organ should be upheld most strongly in this regard.

IV. Fairness

The honor of an individual should be respected and protected as are his other fundamental human rights. Those who are to be criticized should be given the opportunity to defend themselves. Mistakes, if made, should be retracted immediately upon receipt of information that the article in question is false and should be rectified.

V. Tolerance

A fundamental principle of democracy recognizes the freedom of individual assertions and counter-assertions, and should be reflected clearly in the editing of newspapers. The tolerance to allot just as much news space introducing and reporting the policies which a newspaper opposes as it would allot to others which it supports is a fundamental character of democratic newspapers.

VI. Guidance, Responsibility and Pride

The principal difference between newspapers and other commercial enterprises is that newspapers in their reportorial and editorial activities exercise great influence over the public. The public depends on newspapers as their chief source of information and consequently newspapers affect their judgment of public events and problems. From this distinction arise the public character of journalistic enterprises and the special social status of journalists. The journalists' realization of their responsibility and pride in their work are fundamental in ensuring their special status. These two points must be observed by each individual journalist.

VII. Decency

A high sense of public decency is naturally required of newspapers because of their share of influence over public opinion. Such a standard of decency can be achieved by abiding with the above-mentioned principles. Newspapers and journalists, when they fail to observe those principles, will invite public condemnation and disapproval by other papers and journalists and in the end will be unable to operate or work. Therefore, all members of the Nihon Shinbun Kyokai should endeavor to cooperate and maintain a high ethical standard by promoting their moral unity, guaranteeing free access to news material and assisting each other in newspaper production.

Thus, the association of newspapers which strictly observes the Canon of journalism shall be able to accelerate and ensure the democratization of Japan and simultaneously elevate Japanese newspapers to world standards.

Source: Nihon Shinbun Kyokai. *The Japanese Press 1999* (Tokyo: Nihon Shinbun Kyokai, 1999).

APPENDIX B
THE JUOURNALISM VALUES

JOURNALISM VALUES [IN THE UNITED STATES]

Journalistic values drive what goes on in newsrooms each day – what issues and events newspapers cover, who journalists interview, how stories are framed and presented.

ASNE launched the Journalism Values Institute to prompt newspapers and journalists to reinvigorate their core values.

Thirty editors took part in the formation of the Institute. They met three times in 1995-96, each time for three days. Newsroom staff members joined the editors for one meeting. Concepts from these sessions were developed into materials that were presented at four regional JVI seminars in 1996-97. The regional seminars took place in San Francisco, Washington, D.C., Chicago and Atlanta.

Building from “Timeless Values: Staying True to Journalistic Principle in the Age of New media,” (a 1995 ASNE report), the original group of 30 JVI editors examined six enduring journalistic values and then defined them in new ways. These new definitions can be summarized as:

- **Balance/Fairness/Wholeness** – to reflect the “wholeness” of communities. Coverage needs to capture diverse voices and viewpoints, solutions and problems, the profoundly ordinary as well as the unusual, the good with the bad.
- **Accuracy/Authenticity** – to get the facts right but also to get the “fight facts.” Coverage needs to provide background, context and perspective and it must capture the tone, language, experiences and emotions of people.
- **Leadership** – to frame and illuminate important issues in the communities a newspaper serves. Coverage needs to stimulate discussion about public concerns and help people see possibilities for moving forward.
- **Accessibility** – to connect the public to important community issues. Coverage needs to create give-and-take between the newspaper and its communities, and connect citizens to one another.
- **Credibility** – to consistently fulfill journalistic values over time and convey a deep understanding of the communities a newspaper serves.
- **Judgment** – to act as the regulator of the other journalistic values by selecting, shaping and bringing definition to what is important, interesting and meaningful in a community.

Why Journalistic Values Matter

The journalism values system works much like an ecosystem. At first glance, the elements of land, air, water and wildlife seem quite simple. As the elements interact and function together as a whole, a much more complex and nuanced environment emerges.

Editors concluded that newsrooms must approach their values, communities and assumptions as such an interconnected system.

The six enduring values must be simultaneously, not independently, practiced. The values are formed by the newspaper's relationship to its communities and by the preconceived views and assumptions that journalists bring with them.

The journalism values system is not a gimmick or tactic. It cannot be acted upon as a "connect-the-dots" activity. It is a lens through which newspapers and journalists can view what it means to practice their values on a day-to-day basis and over time.

But this lens will be of use, the JVI editors emphasized, only if newsrooms challenge themselves. Indeed, the editors said it is essential for journalists to talk about their values. As one editor remarked, "It will take 300, no 3,000 conversations" in newsrooms.

Here is a sketch of how the values related to one another.

- **The newsroom franchise: Credibility**

The system begins and ends with the value of credibility – a newsroom's and newspaper's franchise.

Credibility is driven by how people view what journalists do over time. Readers judge a newspaper's credibility by whether journalists demonstrate a deep understanding of the community and are a reliable source of information; act as part of the community, not just as passing visitors; and take responsibility for how their coverage might affect people. If newspapers and journalists lack credibility, people turn away.

But while credibility is essential to a newspaper, it is not necessarily an action value on its own.

- **Protecting the franchise: Four key values**

Journalists must implement four key values to gain and preserve credibility. These are balance, accuracy, leadership and accessibility.

These four values play off one another. For example, if a journalist views balance as capturing only two opposite sides when there are actually multiple dimensions to a story, then accuracy suffers and claims of bias may result. Readers judge whether a newspaper is credible by examining the extent to which journalists fulfill all of their journalistic values over time.

- **Making the system work: Judgment**

Judgment can be thought of as the regulator of the journalism values system. It acts as the filter through which the values of balance, accuracy, leadership and accessibility flow and decisions are made from them.

If journalists use their judgment to shape their values in a meaningful way, then credibility is the outcome. But if the judgment filter is somehow obstructed (if the newspaper does not truly understand what is important to readers, for example, or if "official" voices exclusively drive news coverage), then the newspaper risks losing its relevance and meaning in people's lives. Credibility is thus undermined.

- **The relationship that guides the system**

Central to sustaining the values system is an independent/ interdependent relationship between newspapers and their communities. Both journalists and citizens believe newspapers must maintain the ability to make independent judgments without fear or favor.

In order to be credible when exercising independent judgments, journalists must have a deep understanding and knowledge of their communities. This requires an interdependent relationship with their communities. Interdependent journalists can better judge what information is relevant and meaningful to people.

- **Preventing system malfunctions: Check your assumptions**

Everyone has preconceived views and assumptions, or what some people call “biases.” They are people’s starting points. They exist within institutions and individuals, including journalists.

The preconceived views and assumptions of journalists can drive how they approach coverage, the questions they ask, whom they talk to, what they hear, how they frame stories and how news is presented.

Journalists must ask themselves, “What assumptions do I (and my newsroom) bring to this issue? How might these preconceived views affect the way we frame stories? How can we deal with these views?”

Biases influence journalists’ news judgments and how they fulfill their values of balance, accuracy, leadership and accessibility. In the end, bias in a newsroom can affect the credibility of the newspaper.

Source: The American Society of Newspaper Editors. *JVI Reconsidering Journalism Values* (<http://www.asne.org/works/jvi/jvirecon.htm>, December 16, 1999).

APPENDIX C
NEWSPAPER CODING PROCEDURES

NEWSPAPER CODING PROCEDURES

CODING INSTRUCTION

This is a study of the news coverage of local daily newspapers. To identify which news stories belong to what categories, and how stories should be measured, the following definitions will be used.

Total space. Total space is all contents from the first page to the last page appeared in a newspaper. As such, it includes titles of newspapers, titles of pages, headlines, bylines, news articles, opinion-editorials, advertising, cartoons and all visuals. For convenience, the measurement for the first inside page can be used for the measurement of the rest of all inside pages that are equivalent to that size.

Advertising. Advertising is defined as that portion of the newspaper devoted to display advertising, classified advertising, and any copy identified as advertising. Any printed notice to primarily promote the product or a business is included here. Stories about businesses, real estate, and housing which promote the products or businesses without providing information to readers for their own use, are also classified as advertising.

Non-advertising space. Non-advertising space is the newshole that is determined by subtracting the amount of advertising from the amount of total space. All photographs, tables, graphs, news, obituaries, weather should be counted as non-advertising.

The coding section is mainly divided into two parts: news content and opinion-editorial content. News source and story type are distinguished for news content. For editorial content, whether it is editorial-opinion or letters to the editor/guest column is specified. A category based on geographical emphasis for both news and editorial contents is also made.

News pages categories

News pages. News pages are those pages about general subject matters which appear to be the most important and prominent news of the day in any genre; government, international news, business and market conditions. Opinion-editorial pages and pages about sports, religion, lifestyle, food, entertainment, television, and radio are not included.

News. News is all coverage published in news pages which excludes advertising. Obituaries, indexes, headlines and white space are not included. Lists such as weather are generally eliminated unless they are in story form. Even if visuals, e.g., tables, graphs, illustrations, pictures, and cartoons, and comments on the visuals, are related to news stories, they are not treated as news.

Analysis of news pages includes recording each story in three different categories. The first category focuses on the geographic emphasis which can be local, international or other. The second category, original source of the story, includes staff, wire services and other. The third category classifies story type of the news. If a story comes under conflict coverage, it is recorded as so. When a story is not conflict coverage, it is categorized as other.

Geographic Emphasis

In general, newspapers have their own geographical areas that they concentrate on for news and information. News can be identified as one of the three subcategories below. The categories are based on the geographic area on which the story focuses.

Local copy. Local copy is copy about the prefecture where the newspaper is located. The main emphasis of the story must be local. The presence of one paragraph or two about the impact of a state, national or international event or issue within the newspaper's primary area of coverage is not considered local. For example, coverage about an earthquake in Tokyo with brief information about the injured from a prefecture where the newspaper is located does not make the story local.

International copy. International copy is copy concerning events or issues in countries outside of Japan. For example, 1) *Stories sent from the outside of Japan:* News dispatched from countries other than Japan is considered as international news regardless of the content or how the stories are written. If a copy which deals with Japanese people or Japan is sent from outside Japan, it is treated as international copy. For instance, if news is about the Japanese Prime Minister talking about Japan in the White House, it is placed in the international copy category. 2) *Stories about foreign people:* Only when stories focus on foreigners' nationality, are the stories considered international news. For example, a story may be about a sporting event in Japan where a foreign player competes, but it is not treated as an international story unless the story is focusing on the foreign player's nationality. 3) *Stories about foreign countries or events:* If the main focus of the story is about foreign countries or events, the story is an international copy. Stories about history, culture and arts outside of Japan are included in this category. Even if foreign countries are mentioned in a story, the story is not treated as international news unless the countries are the main focus of the story. For example, if a story is a personal profile of the Japanese Prime Minister, and the story mentions several countries where he has visited, it is not considered international news. It is because, in this case, the main focus of the story is the Japanese Prime Minister. Another example is that if the main focus of a story is about French history, the story is considered international news even if it is written by the Japanese Prime Minister. If the main focus of a story, however, is the Japanese Prime Minister, it is not treated as international news even if he writes about German history.

Other. Other includes all copies except local copies and international copies. Copies about national events or issues are included here.

Source of the Story

Source is the organization which the writer belongs to, and can be one of the following:

Staff copy. All copies, excluding wire copies or syndication copies and copies from other sources such as contributors, are categorized as staff copies because staff copies in Japanese newspapers do not necessarily have a byline. Non-staff copies always have bylines in Japan.

Wire copy. Wire copy is copy from wire service agencies. Since copies from wire services always have bylines, those copies will be treated as wire copy. The content or how the stories are written does not matter. If the copy is sent from wire service agencies, it is considered wire copy.

Other. Other means anything except staff copy and wire or syndicated copy.

Story Types

The type of story can be conflict news or other.

Conflict news. If a story involves either physical or ideological disagreement, or violence, the story is qualified as conflict news. Since conflict involves changes in customs and values, social unrest, and changes in the status quo, the examples of conflict included wars, invasion, coup d'etat, revolution, guerrillas, riot, uprising, political disagreement, and special interest groups that advocate social change.

Disaster. A story about natural disaster is categorized into "disaster." Disaster is defined as conflict news because it involves man in conflict with natural forces.

Other. Any coverage that is not conflict news is categorized as "other."

Editorial-opinion page categories

Generally, the editorial and op-ed materials are labeled as such; otherwise, they are defined as a material which is strongly opinionated and does not provide various viewpoints. Two items, editorials and letters to the editor/guest columns, are analyzed in this study. The categorization of the editorials focuses only on the local geographic area.

Local editorials. Editorials are commentary pieces that represent the official stand of the newspaper company. These are generally labeled as such or express the opinion of the editors or the newspaper organization. Local editorials are items that comment on issues and events relating to the prefecture in which the newspaper is located. The editorials about towns, villages, and cities inside of the prefecture are classified local editorials. The main emphasis of the editorial must be about the prefecture. A brief statement about the prefecture is not enough to qualify the editorial for this category.

Letters to the editor and guest columns. Letters to the editor and guest columns are labeled as such. Guest columns usually list the occupation with a picture of the guest. The street interviews about social, political, or economic issues are treated as letters to

the editor. If an item answers the question from a reader, it is considered letters to the editor.

PROCEDURES

1. All measurements are made in square centimeters. The measurements of copy exclude headlines and bylines, which are not affected by story change. Also, visuals such as tables, graphs, illustrations, pictures, cartoons, maps and comments on visuals are not considered stories.
2. The total news space and advertising space in all the pages of the newspaper are measured.
3. Stories within news and editorial pages will be examined. The coder reads the first six paragraphs. Categorization of a story is based on these paragraphs.
4. In calculating percentages, the news categories will be based on a percentage of non-advertising space in the newspaper given to news space. The editorial categories will be based on a percentage of non-advertising space in the newspaper given to editorial pages.
5. If news and editorials are on the same page, calculate the ratio of the amount of total news and editorial space. Based on that ratio, the amounts of newshole and advertising space for each news and editorials are figured out.
6. Three coding sheets will be provided:
 - a) A content coding sheet will be used to code each page of the newspaper.
 - b) A content summary sheet for day will be used to summarize the news and editorial content per newspaper issue.
 - c) The summary of newspaper for week will be used to further summarize the content per issue to per newspaper. There will be one summary sheet per newspaper.
7. Carry measurements to the second decimal place when measuring the newspapers. For example, the length is described as 10.16 centimeters.
8. Classified and legal advertising in additional edition of the Sunday newspaper, the advertising will be measured.

Newspaper Coding Sheet

[illegible]

Summary for Day

Newspaper Name: _____ Edition: _____ Date: _____ # of pages: _____

Page #										Total
Total space of page										
Ad space of page										
Non-ad space of page										
Space in news pages										
Ad space in news pages										
Non-ad space in news page										
Space in editorial pages										
Ad space in editorial pages										
Non-ad in editorial pages										
Local										
International										
Other										
Wire										
Staff										
Other										
Conflict										
Disaster										
Other										
Editorial opinions (local)										
Letters/columns										

Summary of Newspaper for Week

Newspaper Name: _____.

Edition: _____.

Dates: () January 21, 1999 () May 12, 1999
 () February 8, 1999 () June 18, 1999
 () March 27, 1999 () June 20, 1999
 () May 11, 1999

	Total (cm ²)	Total (%)
# of pages		
Total space		
Ad space		
Non-ad space		
Space in news pages		
Ad space in news pages		
Non-ad space in news pages		
Space in editorial pages		
Ad in editorial pages		
Non-ad in editorial pages		
Local		
International		
Other		
Wire		
Staff		
Other		
Conflict		
Disaster		
Other		
Editorial opinions (local)		
Letters/columns		

APPENDIX D
REGRESSIONS OF CONTENT MEASURES
WITH 14 INTENSELY COMPETITIVE NEWSPAPERS

Regression of Content Measures on Reporters' Workload with 14 Intensely Competitive Newspapers

Independent Variables	Dependent Variable Reporters' Workload			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	-13.113	17.406	-.197	.038
Circulation	-.0019	.001	-.518	.026
Constant	1,530.264	300.827		
N=14; R ² =.272				

Note: The competition index in the table was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly).

Regression of Content Measures on the Percentage of Non-Advertising Space in the Newspaper with 14 Intensely Competitive Newspapers

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in the Newspaper			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	-.266	.277	-.281	.076
Circulation	-.0000078	.001	-.147	.021
Constant	67.969	4.795		
N=14; R ² =.086				

Note: The competition index in the table was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly).

Regression of Content Measures on the Percentage of Non-Advertising Space in the Newspaper Given to News Pages with 14 Intensely Competitive Newspapers

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in the Newspaper Given to News Pages			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	.012	.374	.010	.000
Circulation	-.0000068	.001	-.098	.009
Constant	49.013	6.468		
N=14; R ² =.010				

Note: The competition index in the table was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly).

Regression of Content Measures on the Percentage of Non-Advertising Space in the Newspaper Given to Editorial Pages with 14 Intensely Competitive Newspapers

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in the Newspaper Given to Editorial Pages			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	-.141	.128	-.288	.080
Circulation	.000011	.001	.394	.151
Constant	3.912	2.205		
N=14; R ² =.277				

Note: The competition index in the table was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly).

Regression of Content Measures on the Percentage of Non-Advertising Space in News Pages Given to Wire Copy with 14 Intensely Competitive Newspapers

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in News Pages Given to Wire Copy			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	-.006	.209	-.007	.000
Circulation	.000018	.001	.429	.178
Constant	12.446	3.610		
N=14; R ² =.185				

Note: The competition index in the table was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly).

Regression of Content Measures on the Percentage of Non-Advertising Space in News Pages Given to Staff Copy with 14 Intensely Competitive Newspapers

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in News Pages Given to Staff Copy			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	.301	.240	.334	.108
Circulation	-.000016	.001	-.317	.097
Constant	26.435	4.143		
N=14; R ² =.248				

Note: The competition index in the table was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly).

Regression of Content Measures on the Percentage of Non-Advertising Space in News Pages Given to Local Prefecture Coverage with 14 Intensely Competitive Newspapers

Dependent Variable Percentage of Non-Advertising Space in News Pages Given to the Local Prefecture Coverage				
Independent Variables	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	.316	.243	.339	.112
Circulation	-.000018	.001	-.348	.118
Constant	26.575	4.192		
N=14; R ² =.277				

Note: The competition index in the table was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly).

Regression of Content Measures on the Percentage of Non-Advertising Space in News Pages Given to International Coverage with 14 Intensely Competitive Newspapers

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in News Pages Given to International Coverage			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	.066	.066	.269	.070
Circulation	.0000059	.001	.429	.178
Constant	3.835	1.142		
N=14; R ² =.217				

Note: The competition index in the table was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly).

Regression of Content Measures on the Percentage of Non-Advertising Space in Editorial Pages Given to Local Editorial Opinion with 14 Intensely Competitive Newspapers

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in Editorial Pages Given to Local Editorial Opinion			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	.343	.096	.744	.537
Circulation	.0000039	.001	.151	.022
Constant	8.468	1.655		
N=14; R ² =.538				

Note: The competition index in the table was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly).

Regression of Content Measures on the Percentage of Non-Advertising Space in Editorial Pages Given to Letters and Guest Columns with 14 Intensely Competitive Newspapers

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in Editorial Pages Given to Letters and Guest Columns			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	.482	.113	.632	.388
Circulation	.000031	.001	.722	.506
Constant	27.501	1.958		
N=14; R ² =.764				

Note: The competition index in the table was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly).

Regression of Content Measures on the Percentage of Non-Advertising Space in News Pages Given to Conflict Coverage with 14 Intensely Competitive Newspapers

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in News Pages Given to Conflict Coverage			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index	.104	.053	.487	.023
Circulation	.0000051	.001	.425	.176
Constant	3.445	.917		
N=14; R ² =.347				

Note: The competition index in the table was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly).

APPENDIX E
REGRESSIONS OF CONTENT MEASURES WITH THE LOCAL PAPERS'
COMPETITION INDEX DUMMY VARIABLE

Regression of Content Measures on Reporters' Workload

Independent Variables	Dependent Variable Reporters' Workload			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index (dummy)	-14.286	180.667	-.009	.000
National Papers' Competition Index	.550	2.777	.023	.000
Ownership (dummy)	137.145	163.822	.088	.009
Household	-.0000069	.001	-.010	.000
Circulation	-.0016	.001	-.606	.331
Constant	1,659.277	173.005		
N=70; R ² =.368				

Note: The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Regression of Content Measures on Number of Reporters

Independent Variables	Dependent Variable Number of Reporters			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index (dummy)	14.717	15.622	.072	.004
National Papers' Competition Index	.536	.240	.183	.024
Ownership (dummy)	-40.702	14.166	-.210	.040
Household	-.0000073	.001	-.087	.005
Circulation	-.00027	.001	.794	.569
Constant	78.974	14.960		
N=70; R ² =.694				

Note: The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Regression of Content Measures on the Percentage of Non-Advertising Space in the Newspaper

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in the Newspaper			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index (dummy)	.611	2.345	.035	.001
National Papers' Competition Index	.025	.036	.099	.007
Ownership (dummy)	-.280	2.126	-.017	.000
Household	-.00000034	.001	-.047	.002
Circulation	-.0000073	.001	-.250	.057
Constant	73.200	2.245		
N=70; R ² =.079				

Note: The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Regression of Content Measures on Amount of Newshole in the Newspaper

Independent Variables	Dependent Variable Amount of Newshole in the Newspaper			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index (dummy)	5,908.666	10,098.683	.058	.003
National Papers' Competition Index	402.626	155.199	.274	.053
Ownership (dummy)	-16,539.368	9,157.072	-.170	.026
Household	-.0095	.005	-.226	.035
Circulation	-.096	.016	.567	.289
Constant	99,523.656	9,670.388		
N=70; R ² =.491				

Note: The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Regression of Content Measures on the Percentage of Non-Advertising Space in the Newspaper Given to News Pages

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in the Newspaper Given to News Pages			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index (dummy)	-2.128	3.191	-.085	.006
National Papers' Competition Index	-.074	.049	-.207	.030
Ownership (dummy)	2.524	2.894	.106	.010
Household	-.0000042	.001	-.409	.116
Circulation	-.0000016	.001	-.038	.001
Constant	50.200	3.056		
N=70; R ² =.146				

Note: The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Regression of Content Measures on Amount of Newshole in the Newspaper Given to News Pages

Independent Variables	Dependent Variable Amount of Newshole in the Newspaper Given to News Pages			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index (dummy)	1,498.503	5,557.746	.028	.000
National Papers' Competition Index	117.830	85.413	.151	.016
Ownership (dummy)	-4,942.562	5,039.537	-.096	.008
Household	-.0074	.002	-.330	.076
Circulation	-.051	.009	.568	.291
Constant	46,295.939	5,322.037		
N=70; R ² =.452				

Note: The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Regression of Content Measures on the Percentage of Non-Advertising Space in the Newspaper Given to Editorial Pages

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in the Newspaper Given to Editorial Pages			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index (dummy)	.682	1.129	.082	.005
National Papers' Competition Index	.0071	.017	.059	.003
Ownership (dummy)	.987	1.023	.124	.014
Household	.000000055	.001	.016	.000
Circulation	.0000021	.001	.152	.021
Constant	6.846	1.081		
N=70; R ² =.051				

Note: The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Regression of Content Measures on the Percentage of Non-Advertising Space in News Pages Given to Wire Copy

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in News Pages Given to Wire Copy			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index (dummy)	.812	2.112	.045	.002
National Papers' Competition Index	.074	.032	.283	.060
Household	-.0000012	.001	-.161	.019
Circulation	.000011	.001	.369	.123
Constant	20.414	1.976		
N=70; R ² =.267				

Note: The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Regression of Content Measures on the Percentage of Non-Advertising Space in News Pages Given to Staff Copy

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in News Pages Given to Staff Copy			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index (dummy)	2.106	1.775	.141	.016
National Papers' Competition Index	-.051	.027	-.237	.042
Household	-.00000043	.001	-.069	.003
Circulation	-.00000084	.001	-.340	.104
Constant	15.834	1.660		
N=70; R ² =.240				

Note: The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Regression of Content Measures on the Percentage of Non-Advertising Space in News Pages Given to Local Prefecture Coverage

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in News Pages Given to the Local Prefecture Coverage			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index (dummy)	2.064	1.785	.138	.016
National Papers' Competition Index	-.049	.027	-.227	.038
Household	-.00000076	.001	-.123	.011
Circulation	-.0000084	.001	-.338	.103
Constant	16.072	1.670		
N=70; R ² =.233				

Note: The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Regression of Content Measures on the Percentage of Non-Advertising Space in News Pages Given to National Coverage

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in News Pages Given to National Coverage			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index (dummy)	.497	1.571	.038	.001
National Papers' Competition Index	.056	.024	.299	.067
Household	-.00000025	.001	-.046	.002
Circulation	.0000072	.001	.334	.100
Constant	15.465	1.470		
N=70; R ² =.219				

Note: The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Regression of Content Measures on the Percentage of Non-Advertising Space in News Pages Given to International Coverage

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in News Pages Given to International Coverage			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index (dummy)	.390	.701	.063	.003
National Papers' Competition Index	.018	.011	.204	.031
Household	-.00000033	.001	-.129	.012
Circulation	.000005	.001	.492	.220
Constant	4.604	.656		
N=70; R ² =.303				

Note: The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Regression of Content Measures on the Percentage of Non-Advertising Space in Editorial Pages Given to Local Editorial Opinion

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in Editorial Pages Given to Local Editorial Opinion			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index (dummy)	-1.046	1.434	-.092	.007
National Papers' Competition Index	-.041	.022	-.248	.046
Household	-.0000013	.001	-.285	.060
Circulation	-.0000033	.001	-.177	.028
Constant	5.562	1.341		
N=70; R ² =.144				

Note: The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Regression of Content Measures on the Percentage of Non-Advertising Space in Editorial Pages Given to National Editorial Opinion

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in Editorial Pages Given to National Editorial Opinion			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index (dummy)	-1.246	1.985	-.081	.005
National Papers' Competition Index	-.016	.030	-.072	.004
Household	-.0000016	.001	-.249	.046
Circulation	-.000003	.001	-.117	.013
Constant	9.317	1.857		
N=70; R ² =.089				

Note: The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Regression of Content Measures on the Percentage of Non-Advertising Space in Editorial Pages Given to International Editorial Opinion

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in Editorial Pages Given to International Editorial Opinion			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index (dummy)	-.022	.378	-.007	.000
National Papers' Competition Index	-.0051	.006	-.115	.010
Household	-.00000041	.001	-.326	.078
Circulation	.00000019	.001	.382	.131
Constant	.225	.353		
N=70; R ² =.182				

Note: The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Regression of Content Measures on the Percentage of Non-Advertising Space in Editorial Pages Given to Letters and Guest Columns

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in Editorial Pages Given to Letters and Guest Columns			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index (dummy)	5.591	2.777	.244	.050
National Papers' Penetration	.044	.042	.133	.013
Household	.00000092	.001	.097	.007
Circulation	.000014	.001	.374	.126
Constant	20.675	2.597		
N=70; R ² =.202				

Note: The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

Regression of Content Measures on the Percentage of Non-Advertising Space in News Pages Given to Conflict Coverage

Independent Variables	Dependent Variable Percentage of Non-Advertising Space in News Pages Given to Conflict Coverage			
	Unstandardized Regression Coefficient	Standard Error	Standardized Regression Coefficient	Squared Part r
Local Papers' Competition Index (dummy)	.032	.578	.007	.000
National Papers' Competition Index	.0095	.009	.139	.014
Household	-.00000058	.001	-.295	.064
Circulation	.0000023	.001	.288	.075
Constant	4.211	.540		
N=70; R ² =.201				

Note: The local papers' competition index dummy variable: 14 intensely competitive newspapers assigned a one, 56 non-competitive newspapers assigned a zero. The national papers' competition index was modified by multiplying by minus one. The index ranged from zero (intense competition) to -100 (monopoly). Ownership dummy variable: Group newspapers assigned a one, non-group newspapers assigned a zero.

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