The research perspective presented here is rational choice theory. So far, it has rarely been applied to journalism and journalism research. Economists as well as communication researchers have so far neglected the economics of journalism. This paper sketches out the assumptions on which an economic theory of journalism is based, the kind of insights it promises, and how it can be applied in research. Conclusions relate to the European Journalism Observatory as a case study of institution building and deal with the necessity and improbability of research transfer in journalism.

Keywords: quality of journalism, behavior of journalists, infrastructures of journalism, economic theory, rational choice theory
Future journalism research in Europe should have three features:

- It should be based on more realistic assumptions – be it on journalistic behavior, or institution building in journalism.
- It should definitely be more useful for media practitioners, i.e., it should help them set benchmarks, and discuss and raise quality standards in journalism.
- It has to be made more accessible by reducing cultural and language barriers within Europe.

To meet this challenge, we may have to present new research perspectives and also engage in further institution building, i.e., create infrastructure that contributes to the improvement of journalism and of journalism research.

The research perspective presented here is rational choice theory/institutional economics. Actually the “new” paradigm is a pretty old one. But for whatever reasons, it has rarely been applied to journalism and journalism research. At least in Europe, economists as well as communication researchers have so far neglected the economics of journalism. Only recently, has the rational choice theory been discovered as a fruitful approach to analyze journalistic behavior.

The first part of this paper roughly sketches out the assumptions on which an economic theory of journalism is based and the kind of insights it promises. The second part deals with the application of economic theory to journalism; and the third part analyzes the conditions of institution building in journalism.

Conclusions relate to the European Journalism Observatory as a case study of institution building and deal with the necessity and improbability of research transfer in journalism.

1. Economics - The New Approach to Journalism Research

After a century of normative reasoning on how journalism should be, after decades of applying systems theory to media and journalism without successfully linking it to empirical analysis, the time has come to work with a new set of assumptions on how journalists behave in the real world. This set of assumptions has been provided by the rational choice theory. Working with them seems to be a powerful tool to better understand decision making in journalism and thus, developments in the media which are most frequently driven by economic incentives.
To begin with, we may have to give up the common and comfortable hypothesis that journalism is fully determined by whatever “media system” or “environment” (= the society). Instead, we have to return to the - maybe - more painful insight that the journalists, the media managers and experts, but also sources and publics are the decision makers determining the fate of media and of journalism.

According to Sir Isaac Newton and later on Robert K. Merton (1983), researchers always sit on the shoulders of “giants” – usually predecessors who have inspired their work. Depending on whose shoulders the researchers rest upon, the outlook, the perspective and hence the research angle changes. If one looks at the sun as moving around the earth, it becomes an extremely complex task to explain the universe. However, with the heliocentric perspective based on studies at the Copernican turning point by Galileo Galilei and others, it becomes somewhat easier for astronomers to explain the movement of planets. This goes to show that the models researchers use shape their perception of reality.

Similarly, journalism and the media become very complex if seen as systems. The second and third generation of systems theory, elaborated by the scientific descendents of Talcott Parsons and Niklas Luhmann, has turned into an extremely sophisticated cosmos of its own. Even within the ivory tower of social sciences, it has become a kind of insider knowledge, which only few researchers fully understand. To grasp it, they had to spend years of study specializing in this school of thought – which, per se, is certainly fine but certainly does not contribute to the applicability and “user-friendliness” of the theory.

Systems in modern societies may remain a set of specific structures, functions and processes interacting with the environments surrounding them. But based on theories of Adam Smith, Joseph A. Schumpeter and other economists, these systems and their environments can, to an increasing degree, also be seen as “man-made”, as the aggregated results of decisions we and our predecessors have been making so far on how to exploit, how to use and how to combine resources in order to satisfy demands according to our specific preferences.

Journalism, then, is providing a product by specific procedures of generating, selecting, packaging and transporting news that can be traded in the marketplace. Obviously, there are different markets in which different types of information and news are being exchanged. In one market, PR experts and sources trade news to journalists in exchange for public attention. In another market, journalists trade news and entertainment.
to their audiences for their money as well as for their time and attention. And in a third market, the time and the attention of audiences/target groups are being sold to advertisers for their money which has become the major source of financing journalistic work. In corresponding labor markets, individual journalists, PR experts and other professional communicators sell their talent, know how and manpower as free lancers or employees to the entrepreneurs of the media industry – at prices which differ remarkably. The differences reflect the (low) willingness of most consumers to pay for news and information and the (high) value public attention has for companies, governments, NGO’s and all kind of individuals for whom visibility or prominence is important – be it for its own sake or to generate additional income.

Assuming that media professionals as well as media users are behaving rationally in their market transactions, does thereby not imply to return to the traditional, classical model of “homo economicus” who is fully informed and cannot be fooled, who ignores information and transaction costs, and who is acting selfishly in a vacuum ignorant of all social costs such behavior may cause.

Bruno S. Frey characterizes the modern “homo economicus maturus” in a much more human way. According to him his actions are determined by his desires and by restrictions limiting his space of action, but he systematically reacts to incentives. In interactions, occasionally he is cooperating, occasionally he is defecting (Frey 1990: 4-7). His rational behavior may include altruistic decisions: The “homo economicus maturus” is selfish, but not stubbornly egoistic. He is not necessarily the Hobbesian “homo homini lupus”. Instead he is integrated in communities and, in general, accepting their social norms (Piper 1992: 31). According to Herbert A. Simon (1983) his “bounded rationality” will lead rather to a satisficing than maximizing behavior in terms of goal-attainment.

2. Applying the Homo economicus Model to Journalism

So far, the foundations for the application of economic theory to journalism have been laid. From our point of view applying this model of the “homo economicus maturus” and thus of rational choice theory to newsrooms and to the world of journalism helps to understand better than other paradigms the logic of individual and collective action in journa-
ism, in particular interactions between journalists, their sources and their audiences (Fengler & Russ-Mohl 2005).

Some of the researchers who inhabit the “house of journalism economics” are shown in the following illustration:

Figure 1: Research Map: “House of journalism economics”

This chapter further outlines how the theoretical framework can lead to deeper insights into the workings of journalism in varied topics at different levels and in different situations.

1) **Interactions** between journalists and their sources, in particular PR professionals, can be understood better if they are seen as market exchanges - even if no direct payments of money are involved. In this very specific market, sources trade information for public attention (Franck 1998; Davenport & Beck 2001). Like in most other trading, the relationship between journalist and PR professional is “antagonistic” as well as “symbiotic” (Rolke 1999): Both sides try to get as much as possible out of the deal at the expense of the other. At the same time, the two sides
are aware that they will be better off after the deal, and that the chance to maintain the trading relationship and repeat similar dealings persists only if the other side does not feel cheated thereafter.

Economic approaches - like the game theory or the principal agent theory - in combination with psychology help in understanding the conditions under which actors, in our case journalists or PR experts, may be cheating or withholding information (Gerschlager 2005). The traditional game theory, as compared to the “inter-effication” theory (Bentele et al. 1997), gives a more neutral and better description of the different options journalists and PR experts have in their interactions. The inter-effication theory is “ideological” - it signals, as the very name suggests, that the relationship between PR and journalism has to be a win-win-situation by way of cooperation. In more realistic terms, the game theory foresees the option of defection for both sides.

2) The principal agent theory is of specific importance, because it is based on the information asymmetry between two interacting partners – the “agent” who is an expert in his field and the “principal” who needs the knowledge and know how of the agent. Being less knowledgeable himself, the principal can be easily exploited by the agent if the latter is, for his own sake, abusing the principal’s trust.

The process of news generation can be described as a cascade of such principal-agent relations: A genuine principal agent relationship exists between a client/employer and his PR professionals as well as between a media entrepreneur and his journalists in the newsroom. If “attention” is accepted as just another currency in which agents can be paid by their principals, journalists turn into the principals of PR experts, while the audience becomes the principal of the journalists. In all these cases, the principal agent theory may serve as an analytical tool for in-depth analysis and the probable behaviors of the actors involved.

3) James T. Hamilton (2004: 8) has provided a “different set of five Ws” – a set of questions “asked in the market” which help editors of commercialized media making decisions on news selection:

- Who cares about a particular piece of information?
- What are they willing to pay to find it, or what are others willing to pay to reach them?
- Where can media outlets or advertisers reach these people?
- When is it profitable to provide the information?
- Why is this profitable?
Taking a closer look at traditional news factors that determine news values (Galtung & Ruge 1965; Schulz 1976), it has been found that most of them correspond in some way or another to these questions. The very term “news value” has a strong economic connotation.

Hamilton’s economic inquiry also can help to identify those news factors – such as personal prominence, negativism and positivism, dynamics, but also consonance and continuity - which have gained importance during the last decades.

4) The specific characteristics and “cultures” of different beats (like foreign correspondence, war coverage, business journalism, science journalism or sports reporting) impose restrictions on the individual editors and reporters: Again, rational choice theory can link individual decision making inside and outside the newsroom to the specific work conditions, the “newsroom climate”, and help us to understand better how certain information inputs are transformed into media products, based on decisions the individual reporters and editors are making as “homini economici maturi”. (See as initial work on media journalism: Russ-Mohl 1997; Russ-Mohl & Fengler 2000; Fengler 2002 and 2003; Fengler & Russ-Mohl 2004; on business journalism Höhne & Russ-Mohl 2004; on war coverage: Höhne & Russ-Mohl 2004, on science journalism: Russ-Mohl 2004; on feuilleton Höhne & Russ-Mohl 2005; on political journalism Fengler & Russ-Mohl 2006).

5) The process of news generation, its processing and distribution is strongly influenced by different types of information that is of different value for the actors involved.

First, we should differentiate between market information and missionary information (Biland 1997). While market information decreases in value over time and is valuable only as long as others are excluded from using it, missionary information increases its value over time and with an increasing number of people having access to the information.

Second, different actors will classify the same piece of information differently. From a PR experts’ perspective, something may be market information that has to be kept secret; from a journalist’s perspective the same information may be considered missionary information that gains value if he can spread it around.

Such discrepancies in judgment explain things that could be hardly understood before, like: why are PR experts, who are spoon-feeding the media, paid so much better than journalists – though they are frequently doing very similar work?
At first, all of this seems to be voodoo economics. A second glance, however, provides a view that the price differences express differences in value. For example: the public attention a company or institution gets by a successfully launched press release praising its brand or product (=missionary information) is an asset which is of high value.

On the one hand, the involved PR experts participate at the value creation stage, getting a high compensation for their work. On the other hand, the journalists are the victims of a very limited willingness of their clients, the audience, to pay for the kind of (market) information they are providing. Journalists themselves have helped a lot to create the myth that information should be provided “for free” to the citizens in a democracy. Thus, they should not be too surprised if the same citizens are more and more unwilling to pay very much as consumers for information - even if it is most valuable to manage their daily life. Instead, advertising has become the most powerful source of financing media products, and thus to “subsidize” journalism.

Only exclusive stories will help media and journalists to generate some extra attention and extra money. However, due to ill-defined property rights, such “exclusives” turn inevitably into a public good once they have been published by one medium. All other media will pick them up as “free riders” and distribute them without sharing the costs of investigation & research (Hamilton 2004: 2).

6) Why are free newspapers in many European countries so successful? Why is keeping high quality journalism alive in some media markets extremely difficult? One more economic approach useful in analyzing the inner workings of media and of journalism is Akerlof’s concept of “markets for lemons”. The concept deals with markets where buyers have much less information about the product quality than the sellers. As buyers in such a situation cannot judge the product quality very well, their willingness to pay for the product is low. Under these conditions, sellers will tend to offer products of low quality – the so-called lemons - at a given price. Realizing this, the buyers willingness to pay will further decrease – driving out of business those sellers who intend to offer better quality at a higher price (Kirchgässner 1997: 72). Certainly, not all media markets are markets for lemons. But identifying which of them are might help everybody concerned with the improvement of journalistic quality to bundle resources and concentrate on those markets where investment in quality makes more sense.

7) The ill-defined property rights of news, as mentioned above, also explain why journalists cover certain topics excessively. The “cascades,
epidemics, buzz or bandwagons” in journalism (Hamilton 2004: 8), the herd behavior of journalists (Fengler & Russ-Mohl 2005) can be understood better by what economists call the tragedy of the commons: A public good offered for free will be inevitably overused. In the good old times of a rural society this may have been a piece of land owned by the community that could be used by everybody to feed their cattle. Too many animals were likely to eat up all the grass and, finally, the soil would no longer be able to feed any of them (Hardin 1968; Sutter 2001).

Nowadays a similar effect may occur with news: Once a story is published by one medium, it can be picked up for free by any other journalist – and as long as the interest of the public persists, this story can be covered and recycled by many media in a profitable way. Examples to remember are: the frequency of the scenes splashed across the tube of the collapse of the twin towers after 9/11, the excessive and over-blown coverage of BSE, SARS, and the bird-flu. However, after a certain time, even the best news story loses its news value. Inevitably, journalists then turn to the next pasture that can be grazed.

8) Only cynics can explain this repetitive process of generating and exploiting news by categories like the “public’s right to know” or “journalists’ obligation to provide the information the public needs”. Economists have a better explanation. According to them, the media coverage is the result of exchanges from which the involved parties tend to benefit (win-win-situations) – frequently causing external effects at the expense of third parties. The “deals” are in most cases made between journalists and their sources, frequently PR professionals. The third parties are either victims, i.e. persons, groups or institutions being scandalized or businesses being severely damaged by the media (Kepplinger 2001) - or it is the audience which is seduced and alarmed, if not “terrorized” by exaggerated, sensationalized and one-sided reporting.

9) The “homo economicus” is omnipresent in the non-market sector as well, and journalists in public radio and TV stations aren’t necessarily the “better” or less profit-seeking journalists than their colleagues in privately owned media. There is no need to wonder why huge and powerful public TV and radio networks like BBC, ARD, ZDF or RAI tend to neglect their mission. Economists offer, once again, a plausible explanation for such journalistic behavior. Instead of providing a public good and filling the niches left by private competitors due to market failure, there is obviously a convergence in programming between public and private TV and radio compa-
nies. While they are supposed to be concentrating on providing information and education, emphasizing high culture as well as neglected minorities - the public TV channels have become forerunners of infotainment and entertainment for mass publics. They make contracts with the most expensive show stars and talk masters, they buy sports rights for screening the Olympics or soccer world championships – and they abuse their buying power (based on royalties which are equivalent to taxes) to gain a foothold over private competitors in the key commercial TV markets.

The *tyranny of small decisions* is a perfect economic explanation for such behavior: Exposed to private competition, public TV and radio can no longer neglect the market forces. As the public networks are giants, they have to please the masses and not just niche audiences to legitimize politically the incredible amount of money they are devouring year after year from their audiences (and in some countries even from non-audiences!). It is economic incentives which force them stepwise to turn into just another one of those big entertainment machineries providing “circus games” for the ordinary people instead of “enlightenment” to a much smaller crowd which is willing to learn.

In the long run, what becomes an obvious trend, is the result of an infinitesimal number of “small decisions” leading to what organization experts call a shift of goals (Etzioni 1967: 23-25): Informative programs are being postponed to late evening hours, just one more cheap talk-show is replacing a science program, the foreign correspondents’ offices in Tokyo or Nairobi are being closed down, and with every re-launch one or two more minutes of the evening news are being devoted to car accidents, sports coverage, or sex and crime stories.

Not so surprisingly, there is another side of the coin: By adapting to the market demands, the large public TV and radio networks in Europe could so far protect their specific resource base. Thus, they have remained institutions with an oligopolistic power – and of course, they are behaving as arrogantly and as self-aggrandizing as economists like Northcote C. Parkinson (1971) or Anthony Downs (1967) have described such institutions in their early oeuvres. Politicians, instead of controlling the TV giants, tremble as they are competing for their share of media attention.

Thus, economic theory provides even lucid explanations for the behavior of those very institutions in journalism that were created to counterbalance the market forces.
10) Journalism cultures (like “American Journalism”, but also journalism in Italy or Germany) can be understood better by using the assumptions of rational choice theory as the “missing link” between individual choices and different cultural settings. These settings (in systems theory: “the system” or its environmental context) impose restrictions on individual decision making. They lead to different, but still predominantly “rational” decisions – though there is no “rational” decision-making outside of the given cultural context (Karmasin & Karmasin 1997: 28; Männel 2000: 527 f.; Pridatt 2005).

However, if aggregated, these decisions will add up to unexpected and frequently much less rational outcomes.

3. Institution Building to Improve the Quality of Journalism

Whatever has been described so far should not be misunderstood: It is a theoretical framework that should help to generate hypotheses. Economic theory can inspire further empirical and experimental research, but cannot replace it.

But economic theory does not only provide powerful tools to understand better recent trends in journalism by tracing them back to basically self-interested, rational decision-making of individuals, and by seeing the described developments as the cumulative effects of such actions. It also helps to understand better the underlying logic of infrastructural institution building in journalism – which has been so far characterized by a surprising instability.¹

By infrastructure we mean all those initiatives and institutions which outside the newsrooms contribute to maintaining and improving quality standards in journalism – like journalism schools, press councils, ombudsmen, media watchdog organizations, journalists’ or publishers’ associations, or think tanks and research institutes devoted to the analysis of journalism and mass communication. Such infrastructures have been “coming and going” during the last decades.

¹ The term “institution” can be used in a more narrow and a wider sense. We are referring to institutions in the narrow sense, basically as different forms of organizations like journalism schools, press councils, media watchdog organizations, journalists’ or publishers’ associations, ombudsmen. In a wider, more abstract sense “institutions” include all kind of conventions and routines existing in a given society to organize and to give structure to everyday life in order to help people getting along with each other.
To mention just a few examples:

- In the US, the Freedom Forum Media Studies Center was closed down \cite{Dennis/Stebenne 2003}. Though it was probably the most successful media think tank which ever came into being, the Board of the Freedom Forum, a foundation created as an offspring of America’s largest newspaper chain Gannett, simply decided to concentrate all its funds on another, perhaps more visible and prestigious project, a huge interactive newspaper museum, the Newseum in Arlington, Va..

- In Germany, after very successful initial years of funding journalism infrastructure, the Bertelsmann Foundation decided in a similar way to withdraw its resources from the media sector and to invest them in other fields – thus avoiding a conflict of interest with the Bertelsmann company.

- In the German speaking world, numerous highly reputable institutions of journalism training were either re-dimensionalized, as in the case of Henri-Nannen School or Axel Springer School, or were threatened by financial cutbacks, like the Evangelische Journalistenschule in Berlin or Haus Busch in Hagen. Others like the Ringier School in Zurich, closed down temporarily.

- In Berlin, the one and only academic midcareer training program for journalists in the German speaking world, Journalisten-Weiterbildung, had to be closed down due to severe cutbacks of resources for public universities, among them the hosting institution Freie Universität Berlin.\cite{This happened in the years after reunification – at a time when professional training in particular for East German journalists would have been urgently needed as they still had to adapt to the Western system of democracy, free speech and free markets.}

Why do media companies, but also individual journalists and philanthropic institutions invest so little in journalism infrastructure\cite{Why is it so difficult to}, in professional training and continuing education? Why is it so difficult to

\footnote{The author of the comment to this article, Everette Dennis, was the Director of the Freedom Forum Media Studies Center.}

\footnote{The author of this article was the director of the Journalistenkolleg and thus in charge of the Journalisten-Weiterbildung at the FU Berlin until the end of 2001.}

\footnote{The concept of journalism infrastructure has been further developed in Russ-Mohl 1994; see also – in English language – Russ-Mohl 1993.}
build institutions that contribute to maintain and improve journalism quality? And why do they remain endangered and precarious even if they are, by all existing criteria of professional evaluation, working successfully?

With “market failure” and “government failure” as catchwords, economic theory provides at least some plausible answers to such questions:

- **Market failure**: Investments in infrastructure to improve journalistic quality rarely pay off for companies or individual journalists, as consumers seem less and less willing to pay for news (once again: the *market for lemons* effect), and as advertisers get more target-group oriented in their spending. Media companies may have also severe difficulties to internalize the benefits of such investments: due to frequent job-hopping of journalists, the probability is high that money spent on journalism infrastructure turns into subsidies for the competitors’ journalistic quality.

- **Government Failure**: Government action is most likely to happen where strong lobbying groups create pressures to channel taxpayers’ money in certain directions. Though media are powerful institutions, journalists themselves as well as media users have always been difficult to organize – and thus they rarely put any severe pressure on governments to improve, for example, conditions of journalism and journalistic training. Mancur Olson’s “Logic of Collective Action” (1965) provides some powerful insights into why this is the case, and why groups like consumers or journalists cannot easily be organized to exert pressure in democracies.

There is a second, perhaps even more important and certainly more normative reason why governments can hardly take care of journalism infrastructure as they are trying (more or less successfully) to compensate market failure in other areas: If the independence of the press as a “fourth estate” and an instance of power control is a highly desirable prerequisite for the functioning of democracies, government intervention in the media sector should be kept to a minimum.

This argument is based on a liberal value judgement that interventionist governments may or may not accept. Given the market failure, it could be even wise to not accept it – as government financing of the infrastructure of journalism may be the only way to help improve journalism quality - provided that such investments are not tied to direct governmental control of the infrastructural institutions funded.
Even if we find some examples - like the BBC - where such models of “disinterested subsidy” have worked for some time, skeptical economists find it difficult to believe that they will survive in the long run without being instrumentalised by power hungry, self-interested politicians.

Yet the very fact that the economic theory is aware of potential market failure as well as of potential government failure, might help transform a dogmatic confrontation into a more open and more realistic debate about the “dos” and “don'ts” of government intervention in the media landscape.

Market failure and government failure thus leave the field basically to three kinds of actors whose interplay may be essential: NGOs, institutions of private philanthropy, and determined individuals working in the media (journalists, journalism educators, media critics or journalism researchers).

Some of the latter, as “dynamic entrepreneurs” in the Schumpeterian sense, continue to enhance journalistic quality one way or another by simply fighting for it and, at a larger scale, by fundraising and institution building. This is difficult, and the competition for such sponsorship money has increased fiercely during the last years. As foundations and other potential sponsors themselves are competing for public attention, they have become more “professional” in channeling their resources to activities that guarantee a maximum of attention and esteem. It is rather the highly visible sports or cultural events that attract funds than the activities behind the stage which might help to improve journalistic professionalism and media's accountability.

If we consider a certain level of information quality necessary to exercise democratic citizenship, and if this quality is neither provided adequately by market forces nor by governments or by private philanthropy, we have to end up with an unsatisfactory conclusion: Improvement of journalism by infrastructure is caught in a vicious circle. It will continue to depend on the insight, the good will, the good nerves and the good luck of few actors with a high individual willingness to self-exploitation - and with the determination to start anew, if necessary. What they are doing is frequently Sisyphos’ work. Their success remains highly dependent on contributions of philanthropical institutions and is thus precarious, uncertain, and accidental. However, Albert Camus has provided some consolation: he has suggested thinking of Sisyphos as a lucky human being.
4. Conclusion: The Missing Link of Research Transfer

The examples provided in this “manifesto” clearly point out the directions where further joint research efforts of economists and communications scientists might lead to fruitful results. The economic theory applied to the field of journalism also helps create the necessary skepticism and to evaluate realistically the chances of institution building and infrastructure creation for the improvement of journalism.

However, such research results are of little value if not transferred to those in need of a better understanding of what kind of innovations are working in journalism when, where, why, and how. Journalists and media managers need more and better access to communications research – and this is what we are trying to provide with the European Journalism Observatory (EJO). With resources from the Fondazione Corriere del Ticino and some other sponsors, we continue to contribute our modest share to the innovation of newsrooms and to the improvement of the journalistic profession.

- by observing trends in journalism and media management,
- by building bridges between researchers and media practitioners, between different research traditions, between different journalism cultures, by creating a European and a transatlantic network among journalism experts,
- by transforming research results into journalistic products and making them accessible on media pages of newspapers, in professional journalism reviews and - in different languages – on our website www.ejo.ch.

The existing network of cooperation partners and inspirers is shown in the following illustration:
The vision for the future is clear: to continue the networking, to arrive at a “critical mass” of partners who help to make EJO’s contribution valuable and visible for practitioners, to provide our services in additional languages (French, Spanish, and Eastern European languages like Russian, Polish, Czech or Serbian), and to be able to offer fellowships to young researchers and journalists who would like to share with us the fascinating challenge and experience of exploring and comparing journalism cultures, furthering journalism quality, and discovering the economics of journalism.
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