

Naturally, there are several reality-factors which modify the classical perfection of our industry-wide curve. For one thing, because of distribution costs and the local nature of much editorial content, the natural-monopoly rule tends to operate on a local level only. For another, growing newspapers seldom cut advertising rates as low as their reduced per-unit costs would permit; instead, they peg their rates somewhat *above* that level, and invest the difference in improved editorial performance – more pages, more columns, more features, more and sometimes better reporting. The public, as well as the shareholders, thus tend to benefit from profitable newspapers.

Also, it appears that in individual markets, the economies of scale operate even more forcefully than our industry-wide curve would indicate. This is because many newspapers are operating at less than full productive capacity; a circulation increase in such cases can have an especially dramatic effect on per-unit costs. Also, it appears that the larger a paper becomes and the lower its rates, the more advertising it attracts – thus making large newspapers even more profitable than our industry-wide curve might suggest.

The economics of newspapers are a plain expression of the law of the jungle. The name of the game is survival, and the winner is the paper that stays in business. This, in fact, is what has happened in Canada. Apart from cities such as Vancouver where the smaller competitor is kept alive by forcing advertisers to use both newspapers, there are only nine cities with two or more competing newspapers: Calgary, Winnipeg, Ottawa, Toronto, Montreal, Sherbrooke, Quebec City, Moncton, and St. John's.²

Competition continues in Sherbrooke and Moncton only because the "rival" papers are published in different languages. Competition continues in Calgary, Winnipeg, and Ottawa because in these cities the rival newspapers are owned by Southam and F.P. – two groups that are so strong, and so evenly matched in terms of capital resources and staying power, that all-out circulation wars are deemed inadvisable.

Of the remaining cities, Toronto and Montreal are the biggest markets in the country, and the scene of the greatest journalistic diversity. Competition continues there because the sheer size of the market allows the smaller papers to generate sufficiently large revenues to remain viable for a long time. The Toronto and Montreal competitors also appear to have achieved separate non-overlapping circulations, so that advertisers continue to patronize several newspapers, even though their rates differ. (If advertisers should decide, though, that one paper largely duplicated the circulation of its larger rival, that smaller paper would be in deep trouble.)

That leaves Quebec City and St. John's. In one case, the smaller French daily, *L'Action*, is subsidized by the Roman Catholic Church. In St. John's, the competition is between the large evening *Telegram* and the smaller *Daily News*, a situation that will not necessarily continue indefinitely.

² The situation is roughly twice as bad in the United States. With ten times our population, there were only 45 cities in 1968 with two or more competing daily newspapers.