

A few other observations on the profitability of daily newspapers, as set forth in the profitability tables:

*If you want to own a newspaper, it's better to own a small one or a large one than a medium-sized one. Companies publishing newspapers with circulation below 10,000 or above 100,000 consistently earned after-tax profits of more than 16 per cent from 1965 onward. Newspapers with circulations between 10,000 and 50,000 were less than half as profitable as the industry as a whole.

*During the period studied, labour costs increased about as much as did total revenues – 71.5 per cent. Gross returns to capital, however, increased by 95.2 per cent over the same period. (It is one of our regrets, incidentally, that the Committee could not make a detailed study, without unduly prolonging its existence and delaying this report, of the effect of labour costs on the ability of the media to survive and serve their audience. It has been suggested that rising labour costs are killing off newspapers, particularly in the United States. But on the evidence available to us, it would appear that while publishing and broadcasting are subject to the same inflationary pressures as everyone else, on an industry-wide basis both productivity and returns to capital are increasing faster than labour costs.)

*Retained earnings – the profits which a corporation holds back and usually invests in expansion or in other corporations – are much higher in the daily newspaper business than in other manufacturing industries. This indicates that the industry has been highly profitable in the past, and that its members are probably hungry to acquire other newspapers.

*Share capital and long-term debt make up smaller proportions of total liabilities and equity for daily newspapers than they do for corporations in other industries. This underlines what we know already: that newspapers are less likely than other corporations to borrow or to issue new shares when they need extra money; usually, they can finance expansion and acquisitions from their profits.

ECONOMICS OF BROADCASTING

We turn now to the economics of broadcasting, where many of the same considerations apply. We're going to argue that broadcasting, like newspaper publishing, is another industry where large economies of scale can be achieved as circulation increases. We think the data indicate that if broadcasting existed in a regulatory vacuum, individual stations would behave as newspapers do – the big ones would swallow the little ones. The main reason this hasn't happened is that broadcasting is subject to stringent federal regulation, and that the existence of a public broadcasting network drastically alters the rules of the media monopoly game.