

The Price of Media Capture and the Looting of Newspapers in Interwar France

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Brief Summary

- Small shareholders of newspaper companies, readers (vs) majority s.h.
 - Majority looting causes drop in demand for newspapers -> minority worse off
 - Majority looting causes worse quality of information -> readers worse off
- Exploit wedge voting vs. non-voting shares (voting premium) of newspapers to estimate value of control
 - Presume no stable 51% majority in 2 French newspapers, interwar period
- Directly estimate value of control: goodwill for newspapers acquired between wars

Brief Summary

Main findings

- Voting Premium for *Le Temps* and *Petit Parisien* surged before II W.W.
- Control value of *Le Temps* when sold in 1929 was 80% of total market value

Interpretation

- Over time, newspaper gains reputation and readers base
- When reputation high, it is worth for controlling s.h. to extract private benefits from trafficking
- Readers realize media capture over time -> Debasement
- Drop in reputation, drop in readership, drop in ability to traffic -> drop in overall value

Strengths

- Connecting firm-level corporate governance issues with overall societal welfare
- Historical stock prices allow to look at value of newspaper-related activities only (nowadays most newspapers are part of conglomerates)
- More broadly, interesting role of press in influencing public opinion in interwar France, a country where no fascist regime endogenously developed, but Vichy Government had sizable support at establishment.

Comment 1

Drop commercial value of *Le Petit Parisien* from 1932 onwards

Due to drop in demand once readers start to realize about looting?

- In 1930, Prouvost acquires *Paris-soir*
 - Graphic innovations (large titles, high quality pictures)
 - Editorial innovations (new journalists and intellectuals)
 - From 70K copies in 1930 to 1,7M copies in 1936 (*Les Echos*, 19 Jul 2011)
- Larger market share by local press over time
 - > expect drop of commercial value due to new entrants

Comment 1

How to dismiss this alternative explanation?

- Compare yearly sales for *Le Petit Parisien* and *Paris-soir*, check if migration of readers one-to-one
- Readers may sort into new outlets after realizing looting (but Prouvost also major entrepreneur). Need anecdotal evidence on success of *Paris-Soir*

Comment 2

Drop value of voting premium of *Le Petit Parisien* from 1936 to 1939

- But in 1936, first leftish government run by Leon Blum
 - *Accords de Matignon*: union representatives at factory level voted by workers, protected against retaliation; right to strike
 - empowered inside stakeholders act as monitors for majority s.h.
 - Intellectual Property draft legislation: exclusive rights to editor decay 10 years after author's death

-> expect drop of value of control

Comment 2

How to dismiss this alternative explanation?

- Under alternative explanation, drop in value of control is generalized across industries, firms
- Plot value premium for a few industries, or for matched firms in market cap. to *Petit Parisien* and *Le Temps*

Conclusion

- Idea of value of control as measure for newspaper looting is great
- Since nowadays newspapers owned by conglomerates, looking at historical evidence is necessary for reliable estimations, not only interesting in economic history perspective
- Since case studies, bringing more direct evidence on environment, evolution of value premium over time for comparable non-press firm would help to rule out alternative explanations