Softness bias in the news: optimal subsidies, price floors and competitive threats

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Important topic!

Insightful results, well-motivated, and nicely modeled.

- Two–dimensional quality choice ($r=(x, z)$) and externalities ($\gamma z X$).

Softness bias seems real and with serious consequences.

- **Externalities** of news reporting **matter** and are arguably **understudied** in economics! (more empirical evidence would help)
- Despite e.g. ex FCC chairmen **Fowler** (*"TV is like a toaster with pictures"*) or **Powell** (When asked what he thought term "public interest" meant in a 2001 press conference, he answered: *"I have no idea. The public interest at its core is the same thing as my oath of office: a commitment to making sure the American consumer is benefited. [..] I try to make the best judgment I can in ways that will benefit the consumer. Beyond that I don't know. I'm still trying to figure it out."*)

Nonetheless, I believe:

- notation and delivery of insights can be improved.

The paper would benefit from:

- simpler and clearer notation
- fewer subsections
- fewer cases distinguished (my preferred case is the one of ***national free to air TV****:* prices fixed at zero; 1 or 2 (or more) commercial firms always best-responding; even when there is a public outlet; prices and heterogeneous consumers case later)
- ideally fewer **key** insights and ones that apply or extend to subcases.

Two main types of results:

Softness bias is unavoidable in market settings.

- This is studied in various cases (monopoly, competition, etc.).
- It seems quite robust.

Regulation policy options to mitigate the bias are limited.

- The effectiveness (or non-effectiveness) of different policies, mainly, audience and price based subsidies, and public broadcaster, is studied again in various cases.
- What happens if regulators can influence costs of producing hard news (z)?

Recall **social welfare function** in most basic case:

- $SS=B(y,z)+\gamma z+\alpha-k(y,z)$, where $k(y,z)=(y^2+z^2)$
- first-best: $(y,z)=((1-\lambda)/2, (\lambda+\gamma)/2)$

Recall **profit function** of monopolist:

- $\pi=\alpha+p-k(y,z)$
- profit-maximization: $(y,z)=((1-\lambda)/2, \lambda/2)$

If regulator can subsidize hard news or provide cost savings in the production of hard news – by **factor** $\phi\leq 1$, then:

- $\pi=\alpha+p-k(y,z)$, where now $k(y,z)=(y^2+\phi z^2)p$
- profit-maximization: $(y,z)=((1-\lambda)/2, \lambda/2\phi)$
- **first-best can be achieved** if regulator can set: $\phi=\lambda/(\lambda+\gamma)$
- Is this reasonable? Perhaps not too far-fetched (e.g., N. Davies)

Further comments:

1. When considering a public broadcaster I would consider the case, where *commercial outlets best-respond* to strategy of public broadcaster (now it's the other way around)
2. How practical is price regulation with multiple firms?
3. Would provide more *empirical evidence*, besides on externalities etc., also on types of policies that have been implemented and possible effects on information levels of population as a result.

   - Cushion: *The democratic value of the news: Why public service media matter*, Palgrave McMillan, 2012
   - Aalberg, Curran (eds.): *How media inform democracy: A comparative approach,* Routledge, 2012