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JORGE BRAGA DE MACEDO

Newspapers and Democracy in Portugal: The Role of Market Structure

3

A definição de uma política de informação adequadamente inserida no processo revolucionário . . . [exige] soluções eminentemente políticas, isto é que pouco têm a ver com "remédios" de carácter técnico.¹

Jesuino Report, August 1975.

Neste quadro de contexto social e económico, interessa indicar a razão principal do caos presente: a ausência de uma estrutura organizada, baseada na competência intelectual e na experiência adquirida na procura da gestão económica racional.²

V. Springel Report, August 1976.

On April 25, 1974, for the first time in over forty years Portuguese newspapers were free from censorship. This remarkable outcome was soon followed, however, by renewed attempts at controlling the press. Indeed, during the last eight years the mass media have been subject to severe economic and political pressures, which reflect not only the volatility of the environment but also the unstable structure of the market for media products. A tension between freedom and control is evident in the opening quotes, taken from two of the numerous outstanding studies of the "situation of the press." The first quote is from a report named after the minister of social communication who commissioned it, which shows a strong preference for an obedient press. Also (despite the presence of economists in the study group who prepared the report), the quote reveals aversion to economic constraints, summarily dismissed as "technical." The second report, known after the name of its Belgian author, describes the situation of the press one year later as "chaotic." Its major emphasis is, furthermore, on the virtues of rational management to preserve the autonomy of the press.

The volatility of the economic and political environment in Portugal is fairly well documented,³ and other chapters in this volume describe instances of political pressures on Portuguese newspapers. In this chapter we emphasize the con-

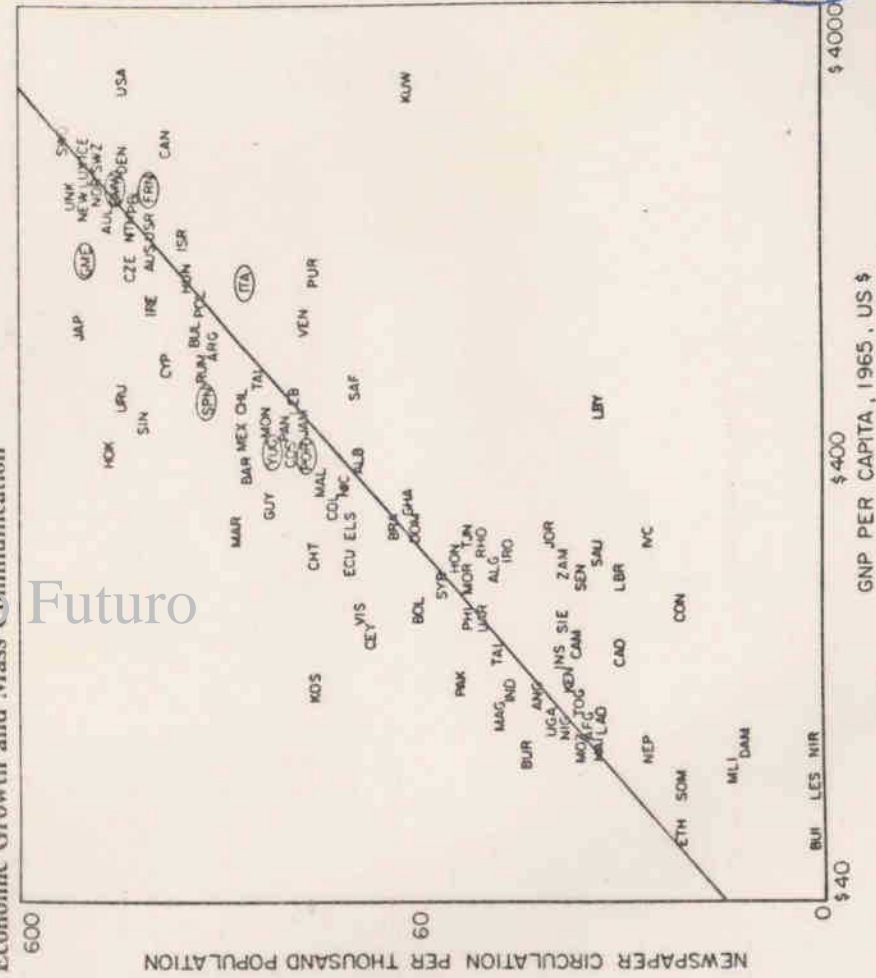
straint of the market structure on information policies wishing to preserve a free press, political democracy, and the traditional link between the two.

Newspapers and Democracy: Some Comparative Evidence

A basic postulate of liberalism is that a "free press" implies and is implied by political democracy. Of course, freedom is not complete: the libertarian theory of the press was qualified in the forties by the U.S. Commission on the Freedom of the Press, yielding the social responsibility theory. But the fundamental conflict between freedom and control is apparent when either one of these views is contrasted to the authoritarian theory of the press or its Soviet Communist variant underlying, for example, the *Jesuino Report*.⁴ More recently, political sociologists have developed these doctrines with an eye on constructing potentially testable hypotheses about the effects of mass media on social control and social change. To some the media are instruments of social control which "depoliticize" the masses, and analogies are drawn with the circus of ancient Rome. To others media induce social change, so that control is more likely to be observed when the system is under stress.⁵ Assumptions about how well audience preferences are reflected in the media lie at the heart of the problem. Nevertheless, the obvious difficulty in attempting to test these hypotheses across countries involves ways of controlling for different levels of economic development, as measured, say, by per capita income rather than for differences in consumers' preferences.

Consider figure 3.1, which shows a logarithmic plot of gross national product per capita (in dollars) and newspaper circulation per thousand population in the mid-1960s for most countries in the world.⁶ According to the data, 87 percent of the cross-country variation in circulation is associated with the level of income, and the slope of the regression line implies that a 100 percent increase in income per capita would on average have increased newspaper circulation per capita by 130 percent.⁷ Portugal's per capita income of 400 dollars would thus be associated with a circulation of fifty thousand per capita, rather than the observed level of about seventy thousand. This suggests that newspapers were more widely circulated in Portugal than the level of income would predict. Note that the same is true for Spain, Yugoslavia, and East Germany, while the opposite holds for Italy, France, and West Germany (all circled). While this is an indication of the shortcomings of the double-log-linear hypothesis that underlies the regression line, a similar average pattern would emerge if other measures of mass communication were regressed on income, because of the high correlation across countries between the number of television or radio receivers and newspaper circulation (see table 3.1).⁸ These high correlations make it tempting to construct composite per capita indices of mass media and domestic communications development, including consumption of paper (other than newsprint), domestic mail, and number of telephones to find that, on average, Southern European countries (including Italy and France) show a higher ranking on domestic communications

Figure 3.1
Economic Growth and Mass Communication



SOURCE: Neuman (1978).



Table 3.1
Communications and Development: Some Correlations *circa* 1965

| | Newspapers per capita (1) | Radio per capita (2) | TV per capita (3) | Cinema per capita (4) | % Literate (5) | % Higher Education (6) |
|------------|---------------------------------|----------------------------|-------------------------|-----------------------------|----------------------|------------------------------|
| 2. | .82 | | | | | |
| 3. | .82 | .83 | | | | |
| 4. | .79 | .63 | .59 | | | |
| 5. | .84 | .71 | .73 | .78 | | |
| 6. | .77 | .75 | .69 | .64 | .82 | |
| GNP CAP | .87 | .84 | .88 | .72 | .75 | .78 |

SOURCE: Neuman (1978, Figure 4).

NOTE: Correlations are based on the logarithm of the variable indicated for 136 countries.

than on mass media development, while the opposite holds for Eastern Europe and (curiously) West Germany (see table 3.2).⁹

Conventional measures of the strength of democratic institutions—such as the Dahl index¹⁰—also show Portugal, Spain, and Greece with a lower value ("less democracy") than the one associated on average with their level of income. Similarly, the Loewenstein index of the autonomy of the mass media with respect to the government shows that relative to the average effect of the level of income—which is determined largely by the Western countries—socialist countries are substantially below while Portugal and Spain are halfway in between.¹¹

Netting out the effects of income per capita on the Dahl and Loewenstein indices, Russell Neuman finds that newspapers, unlike radio or television, still have a positive effect on the strength of democratic institutions.¹² He speculates that this is due on the one hand to the emphasis of broadcast media on "content other than news and public affairs" and, on the other, to the tighter government regulation of broadcasting relative to the print media. Similarly, he finds a correlation of 0.62 between the Dahl and Loewenstein indices after netting out the effect of income per capita on both. Indeed, the fact that in 1965 the Philippines, India, and Uganda showed higher values on those indices than predicted by income per capita while Portugal and Spain showed lower values prompts him to interpret recent regime changes in the latter countries (to authoritarianism and democracy respectively) as "regression toward the mean."

Having found evidence of a net positive effect of newspaper circulation on

Table 3.2
Communications Ranking of Selected European Countries in 1969

| Country | Newspaper Circulation per 1000 (1) | Radio Receivers per 1000 (2) | Television Receivers per 1000 (3) | Paper Union | | Other than Newsprint kg. per capita (4) | Domestic Mail per capita (5) | Domestic Telegrams per capita (7) | Foreign Mail per capita (8) | Composite Indices | |
|--------------|---|---------------------------------------|--|--------------------------|----------------------|---|---------------------------------------|---|---|------------------------------------|--|
| | | | | kg. per capita (6) | Mass Media (9) | | | | | Domestic Communications (10) | |
| France | 29 | 19 | 22 | 13 | 12 | 23 | 35 | 32 | 21 | 18 | |
| Germany (DR) | 6 | 13 | 10 | -- | 39 | 27 | 24 | 3 | 10 | 31 | |
| Germany (FR) | 17 | 14 | 7 | 9 | 19 | 15 | 57 | 34 | 10 | 17 | |
| Greece | 51 | 60 | 68 | 44 | 51 | 30 | 17 | -- | 56 | 41 | |
| Italy | 44 | 43 | 26 | 20 | 28 | 24 | 33 | 36 | 33 | 26 | |
| Yugoslavia | 53 | 47 | 41 | 35 | 41 | 48 | 30 | -- | 44 | 45 | |
| Spain | 46 | 42 | 28 | 30 | 33 | 28 | 21 | 28 | 37 | 31 | |
| Portugal | -- | 52 | 51 | 46 | 42 | 35 | 48 | 24 | 50 | 39 | |

SOURCE: (1) to (8) based on UNESCO data.

(9) and (10) constructed by weighting (1) to (3) and (4) to (6) by coefficients of regression on GNP/cap (See Frey [1973], p. 359).

NOTE: The ranking on a 1 to 100 scale is based on the scores of the index in question for 75 to 80 countries.



democracy, Neuman goes on to test whether the net effect of the mass media is to reinforce social control or to serve as a catalytic agent of social change. He is not able to reject or accept any of the hypotheses he constructs.¹³ This is not surprising given the statistical methodology and the data used, but it is not damaging either. In fact, as mentioned, the implications of a cross-country link between newspapers and democracy for regulation policy can be analytically drawn from the specific features of media products, to which we now turn.

The Structure of the Market for Media Products

Mass media products, written or broadcast, have specific features which imply a market structure different both from perfect competition and from perfect monopoly.¹⁴ As a consequence, allocative efficiency in this market may require government regulation. To begin with, media products are public goods, like national defense, fire protection, and public parks. Once created, the message can be transmitted to any size audience without any additional cost of resources needed in creating it. Since the marginal cost of consumption by an extra individual is zero, in a perfectly competitive equilibrium the producer could never be compensated for the creation cost. As a consequence public goods are generally financed by taxation or, when sold as separate commodities, they carry a price that will always exceed marginal cost, thus generating inefficiency. The public good element varies, however, among different media products. In the case of electronic media, both the content and the distribution are public goods. In the case of the printed media, the content is a public good but the means of distribution (for example, the newspaper) is a private good.

This private good is in fact a joint product, containing news space for readers and advertising space for advertisers. These two products are linked since, given the cover price and the advertising rate, demand for news space, and thus circulation, depends on content (the public good feature) which can be measured by editorial costs, while demand for advertising space depends only on circulation. This makes the newspaper what Edwin Chamberlin called a "variable product." The presence of advertising dilutes the inappropriability of the news space precisely because advertisers are willing to pay more for space as the readership grows larger. On the other hand, the presence of advertising requires media firms to compete in two separate types of markets: they have to compete for audiences in one market and compete in another market to sell more audiences to advertisers. If both news and advertising are sold in fixed proportions this causes no difficulty. When the proportions are variable, average total cost has to be defined in terms of a particular product mix in order to carry out the analysis, as shown by William Baumol, John Panzar, and Robert Willig. In the case of newspapers, in fact, Max Corden showed long ago that for an isolated firm, optimum circulation from the viewpoint of advertising will be larger than optimum circulation from the viewpoint of editorial content and will vary differently relative to costs.



The structure of the news and advertising markets is another distinctive feature of media firms. Media are not perfect substitutes for each other, so that each firm is an element of monopoly in supplying its variable product. Nevertheless, the industrial organization of the daily press differs from perfect monopoly because there is substantial competition from television, radio, and printed material such as weekly magazines (intermedia substitutability). Furthermore, as reading preferences become more homogeneous, the elasticity of demand for a particular newspaper increases, so that monopoly power declines. The market for media, just like the market for automobiles and other differentiated products, is said to be imperfectly (or monopolistically) competitive rather than perfectly competitive. The analysis of this market structure, initiated by Chamberlin and surveyed in Robert Kuenne, has recently been developed by Michael Spence (1976), Avinash Dixit and Joseph Stiglitz, and others. The role of entry in these markets also has been recast into the wider framework of contestable markets by Baumol and his associates. Briefly, the pricing rule that marginal revenue equals marginal cost implies an efficiency loss because price exceeds marginal cost. As a consequence, if price equals marginal cost, firms will make losses, which would have to be covered by lump sum subsidies. When such subsidies are ruled out and the constraint of nonnegative profits is imposed, this market structure can be compared to a situation where the intensity of the preferences of the audience about the products is fully reflected, subject only to the constraint of financial viability. The point is that if there is free entry (exit) so that the market is perfectly contestable profits will still be driven to zero and average revenue will equal average cost.

Monopolistic competition also implies that even if each isolated newspaper firm was to view demand for its product as parametrically given, demand cross-elasticities with respect to prices charged by competing media would be neither zero (as in the case of perfect monopoly) nor infinite (as in the case of perfect competition). The welfare implication is, therefore, that under monopolistically competitive pricing, high (own- and cross-) elasticities create an environment with too many differentiated products while low elasticities may make for less product diversity than the optimum.

The structure of the newspaper industry is also different from perfect competition on the supply side because of the presence of increasing returns to scale. Thus, James Rosse (1967) found that in the U.S. newspaper industry marginal costs in circulation were nearly constant, rather than increasing as in perfect competition. Given substantial fixed costs, this implies that average circulation costs decline when circulation increases. For example, Rosse estimated that the average cost of a subscriber-inch of advertising declined about 3 percent for each 10 percent increase in subscriber-inch output; a decline in circulation will imply a more than proportional decline in profitability. Thus, the effect of fixed costs is to reduce product variety relative to the optimum given by consumers' preferences.

Under these conditions, media conglomerates are likely to appear as some

firms grow faster than others. According to James Dertouzos, the fraction of newspapers owned by chains in the United States was over two-thirds in 1976, up from less than one-half in 1953. Newspaper groups and cross-ownership ("media baronies") have also increased in importance while direct newspaper competition has substantially declined. Rosse (1980) reports that in 1923 there were 502 U.S. cities with multiple daily newspapers whereas in 1978 there were only 38; during the period, the percentage of one-newspaper cities ("local monopolies") increased from 61 to 98 percent of cities with newspapers.

A tendency for the total number of newspapers to decline also has been observed in other industrial countries. Using a "circulation spiral" model fitted to Swedish data over 1946-1971, Lars Engwall (1975) predicts a 40 percent decline by 1985. The spiral model implies that circulation shares will then be closer to each other because the newspapers that are more likely to be suspended are the ones with a small circulation. As a consequence, concentration ratios need not increase with the decline of the number of newspapers. This is consistent with the finding that most of the recent increase in concentration has been observed outside the industrial world.¹⁵ Note also that economies of scale imply a tendency for the vertical integration of the production of newsprint, the production of editorial material, and the distribution of newspapers to subscribers and media outlets.

A final characteristic of media industries follows directly from the fact that they produce public goods under monopolistic competition: the media are generally regulated by the government. Regulation takes various forms, depending on the medium and on the economic system. Government ownership of television is very frequent (it is observed in 80 percent of countries) while it is much less frequent for print media. One general argument for government regulation of oligopolistic industries, advanced by Dixit and Stiglitz, is based on the observation, already made, that in the absence of a government subsidy, goods with fixed cost, low marginal cost, and inelastic demand will be produced in suboptimal quantities. This feature of the market is responsible for the observed financial difficulties of newspapers with high quality material (high editorial costs) intensely demanded by elite groups. Similarly, Spence and Owen (1975) conclude from the market structure of the broadcasting industry in the United States that, given a policy of open entry and a low cross-elasticity of substitution among programs, a charge for television programs would be preferable to the present system of programming entirely supported by advertisers. There is, of course, the danger that government subsidies will make the firm less eager to compete on the advertising market. Schemes have been proposed, in particular by Fred Hirsch and David Gordon, which attempt to get around this problem by basing the small circulation subsidy on increases in, rather than the level of, circulation.¹⁶

An alternative policy, based on the importance of entry in the preservation of allocative efficiency, would be for the government to increase the contestability of the market. Indeed, in a perfectly contestable market, the presence of fixed costs need not represent a barrier to entry. Fixed costs do become an impediment

to efficient pricing if they are sunk so that they provide the incumbent firms with a cost advantage over potential entrants. One possible way to prevent sunk costs from deterring entry is to have them borne by the government. The same would happen with a mandate that sunk costs be shared by a consortium rather than to have them incurred by the firm that is supplying the services. Aside from drawing the regulatory net over only the segments of the industry that are inextricably associated with heavy sunk costs, tax measures can be devised to encourage rapid depreciation, retooling of plant, and reuse of old plant in new activities.¹⁷

Before using these concepts to analyze the Portuguese newspaper market, it should be noted that frequent entry and exit can only be used as evidence of market contestability in equilibrium by reference to a sustainable industry configuration. To the extent that incumbent firms are not financially viable at prevailing prices, the direct effect of entry (even costless) in promoting industry-wide efficiency is lost. There remains, however, the indirect effect of increasing the government subsidy to incumbent firms and therefore the hope that a sustainable price configuration eventually will be achieved.

The Portuguese Newspaper Market

Whatever the relative position of the country in the newspapers and income scattergram (figure 3.1), a basic feature of the Portuguese daily is its small circulation. Thus in 1978 there were twenty-five newspapers with a combined daily circulation of 650,000, about the same as the circulation of *Corriere della Sera* or *France-Soir*.¹⁸ Of those, eight were in Lisbon (combined circulation 400,000), three in Porto (200,000), and nine in the islands of Azores and Madeira (20,000). The remaining five were published in cities of the interior (see table 3.3).

The dominant position has traditionally belonged to Lisbon's *Diário de Notícias*, established in 1865 by Eduardo Coelho as a "popular" newspaper (that is to say, without an explicit political stand). Indeed, its creation is often seen as the beginning of a newspaper industry in Portugal.¹⁹ The other major Lisbon morning daily, *O Século*, established in 1881 by Magalhães Lima as a Republican newspaper, ceased publication in 1977. After the Republican Revolution of 1910, several ephemeral political newspapers appeared, of which only *República*, established by António José de Almeida and sold mostly to subscribers, survived until the 1970s. After the military coup of 1926, the number of newspapers fell, to increase again during the Second World War. Of the newspapers created then, however, only *Diário Popular* has survived.

Television was introduced in the late 1950s, when a process of rapid economic growth was about to begin. Relevant changes in industry structure were the decline in the domestic production of newsprint, displaced after 1964 by imports from EFTA,²⁰ on the one hand, and the acquisition of newspaper firms by large conglomerates, particularly banking groups, on the other.²¹ In the late 1960s,

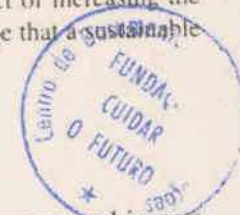


Table 3.3
Portuguese Daily Newspapers in Early 1978

| Title (abbreviation) | Place | Date Established (discontinued) | Circulation | | Ownership if not Private | |
|------------------------------|-------------|---------------------------------------|----------------------------------|------------------|--------------------------------|---|
| | | | April 1974 | December 1977 | A | B |
| Jornal do Comércio (JC) M | Lisbon | Oct. 17, 1853 (Sept. 3, 1976) | 19,642 | — | | N |
| 1. Diário de Notícias (DN) M | Lisbon | Dec. 29, 1864 | 192,200 | 97,098 | | N |
| O Século M | Lisbon | Jan. 4, 1881 (Feb. 3, 1977) | 70,350 | — | | N |
| Novidades M | Lisbon | Jan. 7, 1885 (May 3, 1974) | n.a. | — | C | C |
| República E | Lisbon | Jan. 15, 1911 (May 5, 1975) | n.a. | — | | I |
| 2. Diário de Lisboa (DL) E | Lisbon | April 7, 1921 | 59,984 | 41,280 | | I |
| A Voz M | Lisbon | Jan. 29, 1927 (1968) | n.a. | — | G | — |
| Diário da Manhã M | Lisbon | April 4, 1931 (1968) | n.a. | — | G | — |
| 3. Diário Popular (DP) E | Lisbon | Sept. 22, 1942 | 91,540 | 67,892 | | N |
| 4. A Capital (CA) E | Lisbon | Feb. 21, 1968 | 83,216 | 36,715 | | N |
| Epoca M | Lisbon | 1968 (May 1974) | n.a. | — | G | — |
| 5. Jornal Novo (JNV) E | Lisbon | April 17, 1975 | — | 37,124 | | — |
| 6. A Luza (LU) E | Lisbon | Aug. 25, 1975 | — | 41,526 | | — |
| 7. O Dia (DI) M | Lisbon | Dec. 11, 1975 | — | 40,300 | | — |
| 8. O Diário (DR) M | Lisbon | Jan. 10, 1976 | — | 52,846 | | — |
| 9. Comércio do Porto (CP) | Oporto (M*) | June 2, 1854 | 53,774 | 59,205 | | N |
| 10. Primeiro de Janeiro (PJ) | Oporto (M*) | Jan. 1, 1869 | 70,881 | 46,103 | | N |
| 11. Jornal de Notícias (JNT) | Oporto (M*) | June 21, 1888 | 99,100 | 31,638 | | N |
| Other Continental | | | | | | |
| 12. Notícias de Évora | (M) | Évora | Sept. 8, 1900 | 1,825 | | |
| 13. Diário do Minho | ** | Braga | April 19, 1919 | 8,861 | C | C |
| 14. Correio do Minho | ** | Braga | July 7, 1926 | 1,084 | 1,080 | G |
| 15. Diário de Coimbra | | Coimbra | May 24, 1930 | 5,521 | 4,215 | |
| Diário do Alentejo | | Beja | June 1, 1932 (Feb. 13, 1927) | n.a. | — | |
| Diário do Ribatejo | | Santarém | Nov. 27, 1967 (Dec. 15, 1977) | n.a. | — | |
| 16. Diário do Sul | W | Évora | Feb. 25, 1969 | n.a. | 1,800 | |
| Madeira | (M**) | | | | | |
| 17. Diário de Notícias | | Funchal | Oct. 11, 1876 | 7,756 | 6,201 | |
| 18. Jornal da Madeira | | Funchal | Jan. 1, 1927 | n.a. | n.a. | C |
| Azores | | | | | | |
| 19. Diário dos Açores | E | P. Delgada | Feb. 5, 1870 | 2,256 | 2,403 | |
| 20. A União | E | A. Heroísmo | Dec. 1, 1893 | 389 | 1,500 | C |
| 21. O Telegrafo | M** | Faial | Sept. 2, 1893 | n.a. | 1,660 | |
| 22. Correio dos Açores | M** | P. Delgada | May 3, 1920 | 2,263 | 2,260 | S |
| 23. Correio da Horta | E | Faial | Dec. 4, 1930 | n.a. | 980 | |
| 24. Açores | M** | P. Delgada | 1944 | 1,460 | 3,376 | |
| 25. Diário Insular | M** | A. Heroísmo | Feb. 16, 1946 | n.a. | n.a. | |

SOURCE: Data supplied at SECS. (Secretaria de Estado da Comunicação Social).

NOTES: Unless otherwise noted, newspapers are published daily, except on Sundays. * indicates that they are published on Sundays, ** indicates that they are not published on Monday, and W indicates that they are published on weekdays only. Ownership is distinguished as Before (B) and After (A) the Revolution, (C) means Catholic Church, (G) government party, (N) Nationalized, (I) Managed by the government, and (S) Self management. (M) denotes morning and (E) evening.



Two morning government newspapers were merged into *Época* while editorial conflicts in bank-owned *Diário Popular* and *Diário de Lisboa* led, respectively, to the creation of *A Capital* and a wider circulation for *República*. In 1972 the establishment of a weekly *Expresso* dubbed "independent from political and economic power" introduced further competitive pressure on the daily newspapers.

The increase in readership (and cover price) following the April 25, 1974, abolition of censorship was surely not enough to offset the substantial increase in input costs of the early 1970s. Also, when banks were nationalized in the aftermath of the March 11, 1975, leftist coup, eight troubled newspaper firms became owned by the state, which also acquired a minority participation in *O Primeiro de Janeiro*. In Lisbon, the state-owned press quickly began to echo the "party line" (as wished in the *Jesuino Report*), and editorial conflicts were fostered in the remaining private metropolitan newspaper, *República*. The military triumvirate attempted to control the only private radio station—owned by the Catholic church—and finally silenced *República* by force.

Readership of the "progressive press" meanwhile had declined but government subsidies covered the losses. Largely as a politically motivated attempt to counter the media monopoly of the state, but also because entry appeared profitable, three private newspapers were established in April and May 1975: *Jornal Novo* as an evening daily and *O Jornal* and *Tempo* as weeklies formatted after the successful *Expresso*. Similarly, during the "Hot Summer" of 1975, *A Luta* was established as an evening paper following the *República* tradition, while *Luta Popular*—the weekly of a Maoist party—began to appear every day.

The cleavage between the "progressive" and the private newspaper was further exacerbated during the sixth provisional government. Indeed, a study by José Lechner (1975a) of the "distortion" of political news in *Diário de Lisboa*, *Diário de Notícias* and *Século* was used by the military committee that investigated the events of November 25, a less than usual fate for products of content analysis research.²²

In any event, soon after the temporary suspension of the culprits, two new private morning papers appeared in Lisbon, *O Dia* and *O Diário*, the latter on the "progressive" side.

Since then, a stagnant readership, several new weeklies, and the continued presence of several government subsidized dailies led to the suspension of *Jornal Novo* and *A Luta*, but they were replaced by *A Tarde* and, until recently, a Scandinavian-style party daily, *Portugal Hoje*. Furthermore, in 1979 another Lisbon morning paper, *Correio da Manhã*, was established. Thus, while the three newspapers in Porto have been in publication for about one hundred years, the nine Lisbon newspapers are the result of four exits and five entries in the last eight years.

This description can be put into the perspective of intermedia competition by looking at market shares. Behind the figures reported in first three columns of table 3.4 is the strong assumption (mildly justified by the high correlation point-

Table 3.4
Exposure and Shares by Media Type

| | (2) | | | (4) | (5) |
|------------|--------------------------|------|-----------------|-----------------------|------------------------------|
| | (1) | (2) | (3) | | |
| | Share in number of units | | | | |
| | 1965 | 1970 | 1978 | Regular exposure 1978 | Advertising expenditure 1970 |
| Radio | 59 | 56 | 47 ^b | 72 | 22 |
| Television | 10 | 21 | 35 | 70 | 44 |
| Dailies | 31 | 23 | 18 | 37 | 34 ^a |

SOURCES: (1) through (3), number of expenses for radio and television; circulation for daily newspapers from *UNESCO Statistical Yearbook* (the number of receivers in use).
(4) Percentage of respondents who answered yes to a question about regular exposure, from Table 3.15.
(5) Data supplied by SECS (Secretaria de Estado da Comunicação) (a includes all printed media).

ed out above) that the number of receivers for broadcast media is comparable to daily newspaper circulation. The table contrasts these rough audience shares with the percentage of regular exposure to radio, television, and dailies in a 1978 poll, and with the advertising share by media type in 1970. While there is some correspondence between the shares of broadcast and print media according to these three criteria, radio and television have opposite shares in advertising and audience. Furthermore, the drastic increase in the audience share of television suggests that, just as in other countries, newspapers (specifically dailies) have been losing in terms of intermedia competition.

Aggregate Supply of and Demand for Dailies

Quite aside from the difficulty in computing accurate audience shares by media type, measuring the audience of print media by circulation can be quite misleading.²³ Since circulation data for weeklies is not available, furthermore, we have to rely on trends in the aggregate circulation of Portuguese dailies, which are not even adjusted for leftovers. Thus, an index of circulation per unit of real output (table 3.5) declined steadily from 100 in 1964 to 43 in 1977, while an index of circulation per capita with the same base increased steadily to 132 in 1974 and then dropped to 79 in 1977. The implied [zero price-elasticity] income elasticity of demand for newspapers is very low (about 0.01). Given the change

Table 3.5
Circulation Indicators 1960-1978

| | (1) | (2) | (3) | (4) |
|------|----------------------------|----------------------------------|--------------------------------|--|
| | Number of daily Newspapers | Daily circulation (In thousands) | Indices circulation per capita | 1964 = 100 circulation per unit output |
| 1960 | 28 | 558 | 92.6 | 116.6 |
| 1961 | 33 | 561 | 94.1 | 110.9 |
| 1962 | 30 | 601 | 100.0 | 111.5 |
| 1963 | 29 | 577 | 95.6 | 101.9 |
| 1964 | 30 | 602* | 100.0 | 100.0 |
| 1965 | 29 | 622 | 104.4 | 95.9 |
| 1966 | 29* | 645 | 108.8 | 95.8 |
| 1967 | 29 | 674 | 113.2 | 92.8 |
| 1968 | 31 | 697** | 117.6 | 89.3 |
| 1969 | 32 | 720** | 120.6 | 89.4 |
| 1970 | 33 | 743 | 126.5 | 84.4 |
| 1971 | 31 | 705 | 120.6 | 75.1 |
| 1972 | 29 | 745 | 127.9 | 73.4 |
| 1973 | 29 | 740 | 126.5 | 65.5 |
| 1974 | 32 | 799 | 132.4 | 70.0 |
| 1975 | 30 | 612 | 95.6 | 56.2 |
| 1976 | 30 | 609 | 92.6 | 52.1 |
| 1977 | 28 | 527 | 79.4 | 42.8 |
| 1978 | 29 | 609 | 91.2 | 47.9 |

NOTES: *UNESCO estimate ** interpolated

SOURCES: (1) and (2) *UNESCO Statistical Yearbook*, various issues.

(3) Population and GNP at 1975 prices from IMF, *International Financial Statistics*, various issues.

in the relative price of newspapers over the period, it could only be made consistent with the cross-country estimate of figure 3.1 if the price-elasticity of demand for newspapers was larger than one.

Trends in the price of newspapers relative to the price of the consumer basket are reported in figure 3.2, curve C. The rate of consumer price inflation in Lisbon increased steadily from the early 1960s, while the price of newspapers remained constant until late 1969, when it rose by 50 percent (at the time the annual rate of inflation was a record 9 percent). The increase in relative prices in



Table 3.6
Changes in Cover Price (escudos)

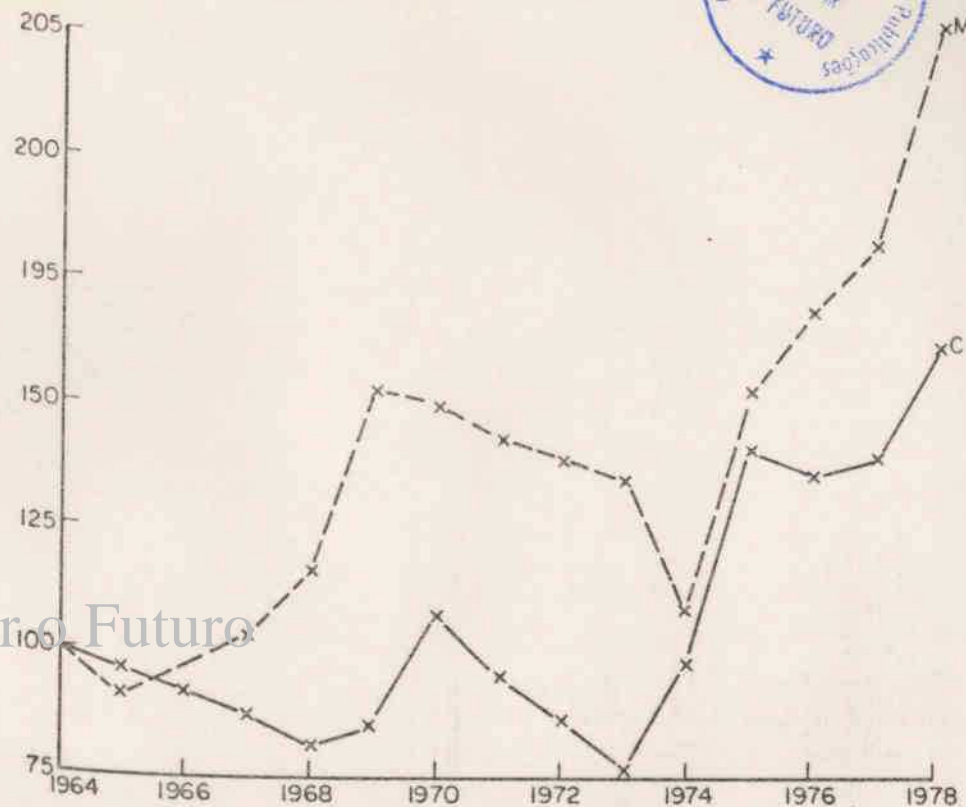
| | | |
|------|---------------|-------|
| 1946 | (November 1) | .80 |
| 1956 | (October 1) | 1.00 |
| 1969 | (October 1) | 1.50 |
| 1974 | (February 1) | 2.50 |
| 1975 | (January 2) | 4.00 |
| 1976 | (September 6) | 6.00 |
| 1977 | (December 12) | 7.50 |
| 1978 | (May 25) | 10.00 |

source: Data supplied at SECS (Secretaria de Estado da Comunicação Social)

1970 is due to a fall in the rate of inflation (to 6.4 percent). Inflation picked up again in the early 1970s so that until the 67 percent increase in cover price of early 1974 (table 3.6) the relative price of newspaper dropped considerably. Since then, despite the acceleration of inflation to over 20 percent per annum, the relative price has increased by over 60 percent, which makes newspapers relatively more expensive even than the "communications item" in the consumer price index.²⁴ Recall that the price elasticity of demand for newspapers always increases with the number of newspapers. Furthermore, the substantial increase in relative prices, together with the substantial decline in circulation relative to population and income, are consistent with a fairly elastic demand for newspapers in Portugal.

Figure 3.2 also plots the cover price relative to the unit value index of imported newsprint in escudos as the curve labeled M. If newsprint were the only component of variable cost, an increase in this relative price, as in the period 1964-1970, would have amounted to an increase in profitability. Since the dramatic increase in the price of newsprint in the early 1970s was cushioned by the revaluation of the escudo (table 3.7), it did not offset this gain: the index stood at 109 in 1974. After 1976, despite the devaluation, there is a very strong increase in this relative price due of course to the increases in the cover price. While the unit value index used for newsprint includes cost, insurance, and freight it may not be a reliable indicator of the price paid by newspaper firms. To the extent that it is, however, this increase does not substantiate the general impression that the price of newsprint hurt profitability after 1975. In the face of

Figure 3.2
Relative Price Indices (Base 1964 = 100)



SOURCES: M mean cover price from Table 3.6 over escudo unit value index from Table 3.7, column (9).
C same over consumer price index excluding housing from IMF, *International Financial Statistics*.

a declining demand for newspapers, the substantial increase in fixed labor costs seems to have been the dominant factor.

There are no consistent series on advertising rates or on lineage, but another important source of declining profitability has surely been the decline in advertising revenues. This drop seems to be stronger than what could be explained by depressed business conditions. Indeed, due to the competition from other media (including weeklies) and to the entry of new firms, newspapers attempted to attract readers by showing a decreased lineage. If at the same time price elasticities were thought to be low, rates were probably increased in an attempt to

Table 3.7
Newspprint Indicators

| | (1) | (2) | (3) | (4) | (5) |
|------|--------------------------|-----------------|--------------------------|--|---------|
| | Production 100 metric | Imports tons | U.S. Dollars millions | Unit Value Index dollars base 1964=100 | escudos |
| 1964 | 16 | 9 | 1.3 | 100.0 | - |
| 1965 | 10 | 23 | 3.4 | 109.5 | - |
| 1966 | 9 | 26 | 3.7 | 104.4 | - |
| 1967 | 6 | 29 | 3.8 | 96.3 | - |
| 1968 | 5 | 34 | 4.4 | 96.3 | - |
| 1969 | 3 | 34 | 4.5 | 97.8 | - |
| 1970 | 1 | 44 | 5.9 | 100.0 | - |
| 1971 | 2 | 33 | 4.8 | 105.8 | 104.2 |
| 1972 | 1 | 39 | 6.0 | 113.1 | 106.3 |
| 1973 | 1 | 37 | 6.5 | 129.2 | 110.9 |
| 1974 | 1 | 36 | 12.2 | 250.4 | 221.4 |
| 1975 | 1 | 29 | 11.4 | 292.7 | 260.2 |
| 1976 | 1 | 26 | 8.3 | 262.8 | 276.2 |
| 1977 | 0 | 31 | 10.5 | 251.8 | 335.1 |
| 1978 | 0 | 33 | 11.5 | 251.8 | 384.8 |

SOURCE: (1) through (4): FAO, *Yearbook of Forest Products*, various issues.
(5) average annual exchange rate from IFS.

generate revenue. This was certainly the case in 1976, when the advertising rate increased by more than the cover price (78 percent versus 50 percent). In early 1978, however, cover price was 10 percent higher than the advertising rate, relative to 1975. For a given price elasticity, furthermore, the continued decline in circulation lowers the demand for advertising space.

Contents: Some Examples

At a given cover price, demand for newspapers by readers depends on the quality of the editorial material. Leaving survey data on the political preferences of readers until later, we now discuss available evidence on the contents. To begin with, we return to the Lechner (1975a) analysis of three "progressist" papers during the agitated fall of 1975.²⁵ From the pieces of news published in the front page, Lechner identified domestic "political news" as referring to the sixth provisional government and labeled "unfavorable" that which was meant to give a negative image of the government's capabilities. To summarize their

relative frequency, he used the "coefficient of unfavorable imbalance" (C_u), shown in the first three columns of table 3.8. Unfortunately, Lechner only reports month to month values for the absolute values of C_u (and A , as defined in the table) so that the month to month values of C_f and AT cannot be constructed. He does, however, report totals for u , f , and t , from which AT over the September 20–November 25 period can be computed. This is reported in the last column of table 3.8, together with the coefficients implied by the basic data cumulated over the period.

From the first three columns of table 3.8, Lechner identifies four partly overlapping phases in the process:

1. attitude of initial vigilance (*a priori*, independently of the news): September 20 to 22;
2. attitude of open hostility (every time the news allow): September 26 to November 11;
3. attitude of systematic and subversive destruction (using all means, including the creation of news): September 1 to November 18;
4. subversive behavior (participation in the coup): November 20 to 25.

Note, however, that while the ranking of $-C_u$ by newspaper puts *Século* second in the fourth column, taking into account the frequency of favorable news in the fifth column makes *Século* the least unfavorable. It is, of course, difficult to interpret the index of combined influence for the three papers, $AT = .228$, without contrasting it to the values for the "non progressist" Lisbon dailies. In any event, if indices are weighted by relative circulation the dominant role of

Table 3.8
Bias in News about the Sixth Provisional Government

| Newspaper | $-C_u$ | | | | AT |
|--------------------|--------------|-------------|-------------|--------------|------|
| | (1) Sept. | (2) Oct. | (3) Nov. | (4) Total | |
| Diário de Lisboa | .06 | .24 | .32 | .24 | .222 |
| Diário de Notícias | .09 | .26 | .52 | .33 | .304 |
| Século | .13 | .19 | .45 | .26 | .141 |

SOURCE: Columns (1) through (3) from Lechner (1975a, Table 2) Columns (4) and (5) computed from data in Lechner (1975a, Table 1).

NOTES: $C_u = Au/t$ where t is the total number of front page pieces, u is the number of "unfavorable" news, f is the number of "favorable" and "neutral" news and $A = f - u/f + u$. $AT = C_f - C_u$ where $C_f = Af/t$. See Janis and Fadner (1943).

Diário de Notícias emerges again. Indeed, using data for mid-1976, we get $AT = .248$, because the least unfavorable newspaper, *Século*, had by then dropped from a share of 27 percent in late 1974 to 20 percent.²⁶ One way to interpret these numbers is to compute a limiting value of AT , for example by making $f = 0$ (so that $A = -1$), but keeping t so that $AT = C_u = u/t$ and favorable news are treated as irrelevant. We then would have $AT = .444$, almost the double of the previous value, while weighting by 1976 circulation we would have $AT = .440$ instead of $AT = .245$. These numbers suggest the arbitrary nature of the inference based on the coefficients, which stem not so much from problems with the index itself but rather from the subjective nature of the categories used in deciding whether a piece of news is favorable, unfavorable, neutral, or irrelevant.²⁷ Actually, analyses based on descriptive statistics such as C_u are generally supplemented by statistical inference based on other methods, in particular analysis of variance. This was done, for example, in the classic inquiry on "long-term trends in Communist propaganda" by Nathan Leites and Ithiel Pool. There, it will be recalled, these were identified as "decreasing realism" and "increasing self-indulgence," much like the Lechner phases just described.²⁸

The phases were not based on the JF index though, but rather on another descriptive device, the computation of scores on the reporting by the same newspaper of two crucial mass demonstrations in downtown Lisbon, for the government on November 9, and against the government on November 16 (table 3.9). For this, Lechner used the techniques developed by Jacques Kayser which involve weighting location (L), title size (T), and presentation (P) of the piece of news in a particular way, 40, 40, and 20 respectively.²⁹ For instance, front page is worth 30 points on L , whereas the scores on T and P involve a further weighting of absolute and relative importance. He obtained scores of 91, 130,



and 72 respectively for the progovernment demonstration and of 118, 180, and 130 for the antigovernment demonstration. It is not altogether clear, however, how different the scores are. Actually, the cruder method of measuring the area covered by the news shows that the larger imbalance refers to *Diário de Notícias*, which devoted 10.45 percent to the demonstration on November 9 and 23.44 percent to the one on November 16. The percentages for *Século* are not significantly different (9.31 versus 10.58), while for *Diário de Lisboa* they go the wrong way (9.37 versus 6.78).

A more recent—and less dramatic—example based on the relative area method just used includes the private newspapers. It refers to the reporting of the celebrations of April 25, 1978, and served to suggest political tendencies on the part of the newspapers (see table 3.10). In terms of the relative area covered by April 25 titles, private Lisbon newspapers were consistently lower than the state-

Table 3.9
Valuations of the Coverage of Two Mass Demonstrations

| | Nov. 9 For Gov't. | | | Nov. 16 Against Gov't. | | |
|------------------------------|----------------------|-------|------|---------------------------|-------|-------|
| | DL | DN | S | DL | DN | S |
| Location | 50 | 55 | 35 | 45 | 60 | 45 |
| Title | 31 | 49 | 24 | 48 | 80 | 54 |
| Presentation | 10 | 21 | 13 | 25 | 40 | 31 |
| Kayser Valuation | 91 | 130 | 72 | 118 | 180 | 130 |
| Area (sq.cm.) Valuation % | 9.37 | 10.45 | 9.31 | 6.78 | 23.44 | 10.58 |

SOURCE: Adapted from Lechner (1975a).

Table 3.10
Coverage of April 25, 1978, Celebrations

| | (1) | (2) | (3) |
|-----|------------------------|--------------------------------|-------------------------------|
| | SHARE IN OWN TITLES | SHARE IN TOTAL AREA COVERED | SHARE IN TOTAL CIRCULATION |
| DN | 42.2 | 15.6 | 14.3 |
| DL | 26.0 | 3.6 | 6.2 |
| DR | 35.7 | 13.2 | 8.4 |
| JNc | 34.9 | 9.2 | 13.4 |
| CP | 27.1 | 12.7 | 8.2 |
| PJ | 16.0 | 6.0 | 7.7 |
| DP | 38.8 | 8.6 | 11.1 |
| DL | 53.4 | 12.5 | 6.9 |
| CA | 64.2 | 11.3 | 8.4 |
| LI | 28.5 | 3.9 | 6.9 |
| JNv | 22.0 | 3.3 | 6.7 |
| | 35.5* | 100.0 | 40.0 |
| | | | 100.0 |

*Average using circulation as weight.

SOURCE: SECS, Comissão Organizadora das Comemorações do Dia de Portugal, de Camões e das Comunidades Portuguesas, *Revista de Imprensa Quinzenal*, 7/24/75, Table (1) and Table on p. 16.

NOTE: (1) is the ratio of space covered by titles referring to the celebration in the few days before April 25th to the ratio of space covered by other titles in the same pages. The base date is reported in Annexes I through IV of the source.

owned ones. Among morning papers, *Diário de Notícias* had 42 percent, *Diário* 36 percent, and *Dia* 24 percent; among evening papers *Capital* had 64 percent, *Diário de Lisboa* 53 percent, *Diário Popular* 39 percent, *Luta* 29 percent, and *Jornal Novo* 22 percent. Another exercise compares shares of total area and total circulation. There, the largest differences pertain to *Diário de Lisboa* and *Diário* (combined 11 percent greater share in area than in circulation) on the "favorable" side and to *Jornal Novo* and *Dia* (combined 7 percent smaller share) on the "unfavorable" side. Because this ignores newspaper size, however, *Capital* (3 percent) has a less favorable share than *Comércio do Porto* (45 percent).

The Reading Public

Despite swings in editorial policy, reading shares in the government-owned press did not change dramatically between 1973 and 1978, as shown in table 3.11. The two largest newspapers, *Diário de Notícias* and *Jornal de Notícias*, increased their share, while *Primeiro de Janeiro* lost readers to *Comércio do Porto*. Again, the most drastic changes pertain to the Lisbon market and have to do with the allocation of *Século* and *República* readers as well as with the loss of readers of the evening papers to new entrants. The pattern is similar for readers of the day before, except for *Diário de Notícias*, where the share decreases from 1973 to 1977 (see table 3.12). Data on the weekly pattern of reading habits in early 1977 (table 3.13) shows, on the other hand, that half of the total is made up of *Jornal de Notícias* (22 percent), *Diário de Notícias* (18 percent), and *Diário Popular* (10 percent). The dominance of these three is greater in the three- to four-day readership. Also, aside from *Diário* and *Primeiro de Janeiro* which are read five to six days a week by 12 and 11 percent of readers respectively, the only other percentage close to ten is the readership less than one to two days a week on nonmetropolitan newspapers.³⁰

Evidence about the political tendencies of some of these newspapers was already presented. It may be roughly summarized by reference to the major political parties. Thus, *Diário* and *Diário de Lisboa* reflect the news of the Portuguese Communist Party (PCP); *Luta* (and *Portugal Hoje*) reflect the views of the Socialist Party (PS); *O Dia*, *Jornal Novo*, and the Porto newspapers reflect the views of the Social Democratic Party (PSD) and the Party of the Social and Democratic Center (CDS)—which formed the Democratic Alliance (AD) coalition in 1979. The remaining metropolitan dailies are somewhere in between, with *Diário de Notícias*, *Capital*, and *A Tarde* perhaps closer to the PS than to the AD.

In order to caution against hasty interpretations of survey data,³¹ note that the breakdown by party affiliation is rather different from election returns, in particular because over half of the respondents claimed they would either abstain in an election or were undecided about party affiliation (see table 3.14). Excluding these from the Norma Survey of May 1978 commissioned by Thomas Bruneau and Mário Bacalhau, we find that the results agree with the 1976 parliamentary



Table 3.11
Shifts in Usual Reading Patterns

| | (%) | |
|-----------------------------|------|-------|
| | 1973 | 1978 |
| Diário de Notícias | 21 | 26 |
| Jornal de Notícias | 19 | 24 |
| Diário Popular | 29 | 14 |
| Primeiro de Janeiro | 17 | 13 |
| Século | 12 | - |
| Diário de Lisboa | 10 | 7 |
| Capital | 8 | 5 |
| Comércio do Porto | 7 | 19 |
| República | 6 | - |
| Diário | - | 13 |
| Dia | - | 5 |
| Jornal Novo | - | 2 |
| Luta | - | 1 |
| Other & No Answer | 9 | 4 |
| Memo: Number of respondents | 775 | 2,259 |

NOTES: Answer to "which daily newspaper do you usually read?" from (1973, p. 39) and T. Bruneau, questionnaire reported in Bruneau and Bacalhau (1978, p. 145).

election returns for the PCP and the CDS, but the PS drops from 35 to 28 percent while the PSD drops from 23 to 14 percent. A 1977 poll by Contagem does show 38 percent with Socialist affiliation, excluding undecided, but the Social Democrats, who won the 1979 elections, are consistently underestimated. One possible reason for the agreement between respondents and elections returns is a greater stability of partisan support. This is certainly applicable to the PCP and seemed to be more true of the CDS than of the larger PSD and PS.



Table 3.12
Readership Patterns

| | READING | | | |
|-----------------------|--------------|-------------|-------------|-------------|
| | MONTH BEFORE | WEEK BEFORE | DAY BEFORE | |
| | 1977 (1) | 1977 (2) | 1977 (3) | 1973 (4) |
| DN | 17.3 | 16.5 | 18.0 | 21.2 |
| JNt | 21.7 | 22.4 | 22.2 | 17.7 |
| CP | 8.9 | 8.1 | 10.6 | 8.8 |
| DP | 9.9 | 9.8 | 8.7 | 16.0 |
| DR | 8.7 | 9.0 | 10.2 | ---- |
| PJ | 8.6 | 9.0 | 11.7 | 12.2 |
| DL | 5.2 | 5.4 | 5.5 | 5.7 |
| DI | 3.2 | 3.4 | 3.2 | ---- |
| CA | 4.9 | 5.1 | 3.8 | 4.0 |
| JNv | 2.9 | 2.6 | 2.0 | ---- |
| LU | 3.2 | 3.9 | 2.7 | ---- |
| Seculo | 4.5 | 3.6 | 1.6 | 10.2 |
| Republica | ---- | ---- | ---- | 4.1 |
| Others & No Answer | .8 | .9 | .5 | ---- |
| BASE | 2430 | 2083 | 952 | 1963 |
| As % of Sample | 41.8 | 25.6 | 16.3 | 100.0 |

SOURCE: Based on survey data supplied at SECS.

The relationship between media exposure and party affiliation is also of interest because more partisan audiences would select the medium as a function of its political stand. Actually, the survey results (table 3.15) suggest a clear distinction in exposure between "right" and "left" audiences which agrees with the dominant tendency of the medium. Interestingly, the ambiguity there refers to the PS but not to the PSD respondents. The daily press and television are preferred by PCP respondents, who also show more media exposure than the

Table 3.13
Weekly Reading Patterns, January 1977

| | Total | 5-6 | 3-4 | 1-2 | Less |
|------------|-------|------|------|------|------|
| DR | 8.9 | 11.9 | 3.8 | 8.8 | 7.8 |
| DL | 5.2 | 6.7 | 5.6 | 3.8 | 3.6 |
| DP | 9.9 | 7.6 | 11.6 | 11.7 | 9.6 |
| DN | 17.6 | 17.2 | 15.5 | 16.6 | 23.8 |
| CA | 4.9 | 3.7 | 3.8 | 7.7 | 3.6 |
| LU | 3.4 | 5.5 | 3.4 | 2.4 | 0 |
| DI | 2.8 | 3.5 | 4.0 | 3.1 | .9 |
| JNv | 2.8 | 2.1 | 2.7 | 3.1 | 4.5 |
| CP | 8.7 | 8.5 | 6.9 | 8.7 | 9.0 |
| JNt | 22.1 | 19.7 | 31.2 | 20.8 | 20.0 |
| PJ | 8.8 | 10.9 | 7.2 | 8.7 | 5.4 |
| Other | 4.5 | 2.6 | 4.3 | 4.6 | 9.9 |
| Total | 2401 | 908 | 446 | 715 | 332 |
| Horizontal | 100.0 | 37.8 | 18.6 | 29.8 | 13.8 |

SOURCE: Based on survey data supplied at SECS.

Table 3.14
Poll and Election Results Compared

| | PCP | PS | PSD | CDS | Other | Abst. | No Reply or Undecided |
|-------------------------------|------|------|------|------|-------|-------|-----------------------------|
| 1) Norma Poll May 1978 | 8.0 | 15.4 | 7.4 | 8.7 | 2.7 | 12.6 | 45.3 |
| 2) Contagem Poll June 1978 | 12.2 | 16.3 | 12.3 | 10.3 | 5.8 | 24.5 | 28.6 |
| 3) Contagem Poll July 1977 | 11.8 | 29.7 | 12.4 | 9.6 | 4.3 | 18.5 | 23.6 |
| 4) Elections April 1976 | 14.6 | 35.0 | 24.0 | 15.9 | 5.8 | 4.8 | -- |
| 5) Elections April 1975 | 12.5 | 37.9 | 26.4 | 7.6 | 8.7 | 6.9 | -- |
| 6) Row 1) excluding Undecided | 14.4 | 28.1 | 13.5 | 15.9 | 4.8 | 23.0 | -- |

SOURCES: 1) based on survey data supplied by T. Bruneau; see Bruneau and Bacalhau (1978, p. 75)
2) and 3) average using survey data from *Expresso* 6/24/78 and the share of respondents as weights (0.5 for Lisbon, 0.2 for Oporto and 0.13 for Beja, Leiria and Guarda).
4) and 5) Bruneau and Bacalhau (1978, p. 29)

Table 3.15
Media Exposure by Party, May 1978

| | Other Left | PCP | PS | PSD | CDS | Other Right | None | Does Not Know/Does Not Answer |
|-----------|------------|------|------|------|------|-------------|------|-------------------------------|
| RECORDS | 1,991 | 135 | 313 | 124 | 144 | 14 | 286 | 940 |
| TOTAL | 6,091 | 120 | 480 | 450 | 532 | 41 | 769 | 2,762 |
| 1) Radio | 71.6 | 79.2 | 77.9 | 82.1 | 82.2 | 79.7 | 82.9 | 60.9 |
| 2) TV | 69.6 | 84.2 | 87.3 | 80.4 | 76.0 | 75.4 | 53.7 | 67.6 |
| 3) Daily | 37.1 | 66.7 | 68.8 | 37.6 | 46.7 | 45.3 | 56.1 | 35.8 |
| 4) Weekly | 14.3 | 38.3 | 19.0 | 9.9 | 24.9 | 25.8 | 19.5 | 14.2 |

NOTE: Cells are percent of Total who answered yes to a question on usual exposure to medium indicated. The Records row is indicative of the raw distribution of respondents, which was then weighted for randomness to yield the Total. See Bruneau and Bacalhai (1978, Appendix 2).

average. Conversely, the weekly press and the radio are preferred by AD respondents, who show above average exposure there and an exposure to television that is substantially below average. PS respondents show lack of exposure with respect to the print media, particularly weeklies, and are closer to PCP respondents with respect to television and to AD respondents with respect to radio.

More specifically, there is evidence of filtering insofar as party affiliation helps to confirm the political tendency of a particular daily (see table 3.16). Thus, only 13 percent of respondents from the "right" read *Diário* or *Diário de Lisboa* and no one from the "left" reads *Dia*, *Jornal Novo* or *Luta*. *Diário de Notícias* is read by Socialists and centrists—who were in government at the time of the survey—but ignored by Social Democrats. Among the latter (who are strongest in the north of the country), 63 percent read *Comércio do Porto*, which, as shown in table 3.14 above, increased its readership substantially between 1973 and 1978. Also, despite the success of *Diário* in terms of readership (table 3.11 above), it is read by less than 50 percent of Communists.³²

The Deterioration in Profitability

While reading habits may not have changed drastically for the "old" Lisbon newspapers, erratic changes in editorial content, the decline in advertising revenue, and the increase in costs would tend to drive down profits. On top of this, the frequency of new entries and exits in the Lisbon market, as documented above, would tend to make sales forecasting very difficult. The volatility of sales is evident from figure 3.3. Actual sales (*Dia*, *Jornal Novo*, and *Capital*) vary, of course, more than sales computed from circulation and a constant leftover ratio (10 percent for *Diário Popular* and 20 percent for *Diário de Notícias* and *Di-*



Table 3.16
Newspapers Read by Party Affiliation

| | TOTAL | OTHER LEFT | PCP | PS | PSD | CDS | OTHER RIGHT | NONE | NK/NA |
|-------------------------------------|-------|------------|------|------|------|------|-------------|------|-------|
| 1) Which Daily Do you Usually Read? | | | | | | | | | |
| DR | 12.8 | 11.3 | 48.8 | 2.6 | 5.7 | .4 | — | 13.5 | 8.3 |
| DL | 7.4 | 22.5 | 16.1 | 2.3 | .5 | — | 13.0 | 7.3 | 8.5 |
| DP | 14.1 | 32.5 | 12.4 | 17.0 | 4.3 | 5.4 | 13.0 | 20.4 | 14.7 |
| DN | 25.9 | 5.0 | 19.7 | 34.4 | 9.0 | 32.8 | 26.1 | 30.5 | 27.6 |
| CA | 4.8 | 3.8 | .9 | 6.3 | .5 | 7.9 | — | 6.9 | 5.3 |
| LU | 1.4 | — | — | 5.4 | 1.9 | — | — | 2.2 | .3 |
| DIA | 5.0 | — | — | 4.3 | 2.9 | 14.9 | 4.3 | 5.8 | 5.1 |
| JN | 1.8 | — | — | .6 | 6.2 | 5.8 | — | 2.2 | .3 |
| CP | 19.4 | 7.5 | 2.4 | 14.5 | 62.9 | 29.5 | 52.2 | 11.3 | 17.2 |
| JNot | 23.9 | 46.3 | 19.7 | 24.4 | 24.3 | 33.2 | 21.7 | 20.0 | 21.4 |
| PJ | 12.5 | 8.8 | 4.2 | 11.4 | 15.2 | 15.4 | 13.0 | 12.0 | 15.5 |
| Other* | 4.2 | 2.5 | 3.6 | 4.5 | 2.4 | 2.9 | — | 3.0 | 6.1 |
| 2a)**BASE (#) | 2259 | 80 | 330 | 352 | 210 | 241 | 23 | 275 | 749 |
| 2b)As % of Total | 100 | 3.5 | 14.6 | 15.6 | 9.3 | 10.7 | 1.0 | 12.2 | 33.2 |
| 3) Reads a Daily Almost Every Day | 48.1 | 53.8 | 50.3 | 51.7 | 51.0 | 66.8 | 43.5 | 43.6 | 39.8 |

*Includes *Diário de Coimbra* (total .4), other newspapers (total 1.4), other answers (total 2.2) and no answer (total .2).

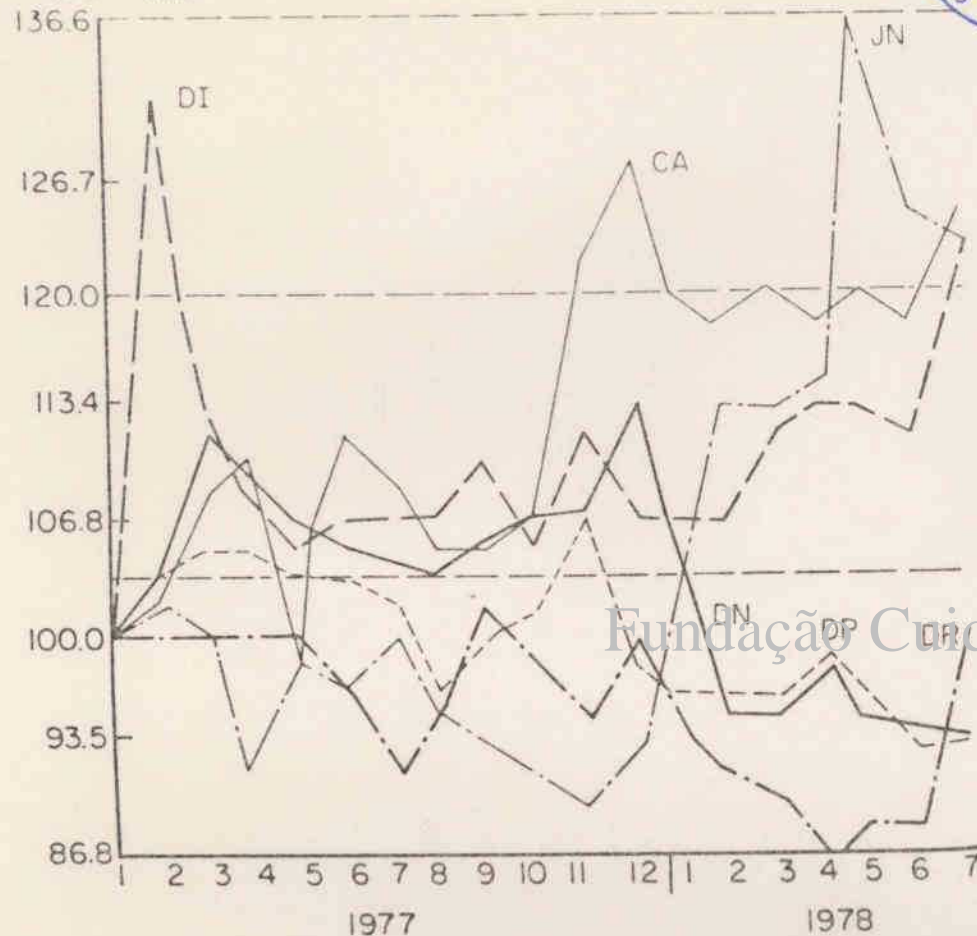
**Row (3) in Table 3.15 is the BASE in Row (3) here as a percent of Total in Table 3.15

SOURCE: Same as Table 3.15

ário): the ratio of the standard deviation and the mean of sales ranges from 13 (*Jornal Novo*) to 5 (*Diário*), with *Capital* at 8 and *Dia* and *Diário de Notícias* slightly above 6. It is also interesting to note that sales of *Diário de Lisboa* (not shown in figure 3.3) are highly positively correlated with the sales of *Diário Popular* (0.76) and highly negatively correlated with the sales of *Capital* (-0.82), the other high negative correlation being between *Diário de Notícias* and *Jornal Novo* (-0.82). These suggest that readers are drawn from one newspaper to the other, but the major point of this figure is the high variance of sales. Indeed, as mentioned, *Jornal Novo*, which was expanding fastest in early 1978, has since disappeared.

It was stated earlier that the price-elasticity of demand for newspapers was likely to be higher than one. A high variance of sales of individual newspapers suggests that cross-elasticities are also high, suggesting that the number of Lisbon newspapers is larger than optimal. In any case, the newspaper industry responded to increases in the heterogeneity of preferences (or in ideological fractionalization) by increasing the number of firms. Meanwhile increased labor costs and lower advertising revenues hurt profitability. Data for eight major

Figure 3.3
Average Monthly Sales Index of Lisbon Newspapers (January 1977 = 100)



SOURCE: Data Supplied at Sees. DI, JN, CA actual sales, DN DR 80% of circulation; DP 90% of circulation

newspapers is reported in table 3.17. From the second column we see that (ironically) in 1971 *República* was one of the two profitable newspapers, the other one being *Diário Popular*. Data for mid-1976 shows substantial losses for *Diário de Notícias* and *Capital* and a private morning paper.³³ In the first column the large percentage of leftovers is evident, with the exception of *Diário Popular* (recall figure 3.3). In terms of share of revenues from advertising, reported in the third column of table 3.17, in 1974 the position of *Diário de Notícias* was quite



strong, while *Capital* was weaker. On average the share was 50 percent, and it declined in 1976

The figures on employment per copy printed, reported in the fourth column, show that even though evening papers require less editorial work than morning ones, *Capital* and *Diário Popular* have a higher ratio than the morning private paper. Excluding the anomalous *Século*, *Diário de Notícias* has the largest labor-output ratio, accompanied by the lowest share of the labor costs (27 percent). Note, however, that the criteria to define labor costs in the fifth column are not likely to be the same.

The data in table 3.17 are consistent with the view that the Portuguese newspaper industry has not been able to exploit the economies of scale and that government subsidies based on ownership have been a serious deterrent to permanent competition by new entrants who would have to be financially viable. The fact that there were many new firms in Lisbon suggests either a strong effect from the once-and-for-all increase in the heterogeneity of preferences or an equal disregard for financial viability. As this changes the structure of the industry and hurts the incumbents, the need for a policy of government subsidies designed to lower sunk costs suggests itself. Otherwise the inevitable decline in the number of daily newspapers will be accompanied by a deterioration in the quality of the editorial material without further entry because of the decline in the profitability of the industry.

The size and composition of the Portuguese newspaper market is such that a substantial decline in the number of newspapers is necessary for equilibrium to be reached and sustained. Behind the unstable situation of the last ten years in terms of the demand for news and advertisement, explained in large part by more explicitly heterogeneous reading preferences and the stagnating economic environment, there is a tendency for newspapers with small circulation to disappear. Given the link between newspapers and democracy, this may be a cause for concern. Nevertheless, the principal problem of the Portuguese newspaper has been the erratic policy of government subsidies which—while it has not prevented temporary entry—has artificially slowed down the exploitation of economies of scale. Often the private press has seen the worst of both worlds, freedom from government subsidies and government pressure on costs. This is not to extrapolate on the results of content analysis showing that some state-owned newspapers indulged in outright propaganda during the turbulent fall of 1975. Indeed, there is no reason to discriminate in favor of private ownership of newspapers when a broad criterion of media autonomy is accepted. But the situation in Portugal has been one of keeping state-owned newspapers insulated from the natural economies of scale of the market, with the consequence of making it extremely difficult for newcomers—and the industry—to operate efficiently. While it is clear that this policy is ultimately ineffective, it can have significant costs in delaying the adjustment to a situation where the competition from other media may become stronger. Furthermore, the budgetary cost of the

Table 3.17
Financial Indicators of Selected Lisbon Newspapers

| | Leftovers | Profit per | | Adv. revenue | | Employment | Fixed costs/ labor costs |
|--------------------|--------------------|---------------------------|-------|----------------|-----------------|--------------------|-----------------------------|
| | (% of circulation) | copy printed (escudos) | | (% total rev.) | | (% of circulation) | (% total costs) |
| | 1976 | 1974 | 1976 | 1974 | 1976 | 1976 | 1974 |
| Diário de Notícias | 21 | -.22 | -1.34 | 61 | 55 ^f | 1.5 | 47/27 |
| Diário Popular | 11 | .58 ^h | -.45 | 51 | 31 ^g | 0.7 | 65/56 |
| Século | 39 | -.83 | n.a. | 50 | 30 | 2.4 | 66/52 |
| Capital | 36 | -1.13 | -1.25 | 38 | 31 ^f | 0.8 | 79/46 |
| República | -- | 1.55 | -- | 51 | -- | -- | 52/44 |

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| | | | | | | | |
|------------------------|---------------------|------------------------|--------------------|----|----|-----|--------------------|
| Diário de Lisboa | 22(23) ^a | -.46(-.6) ^a | -1.17 ^a | 50 | 36 | 0.5 | 73/55 |
| Private A ^b | 44(36) ^d | -- | -1.93 | -- | 48 | 0.3 | 50/39 ^e |
| Private B ^c | 25(50) ^d | -- | n.a. | -- | 36 | 0.1 | 49/33 ^e |

SOURCES: 1974 figures from data supplied by SECS, dated 12/3/74.

1976 figures from v. Springel Report p. 28.

a) Inspeção Geral de Finanças, supplied by SECS

b) Information from confidential sources (April 1978).

c) Information from confidential sources (February 1978).

d) Data supplied at SECS for January 1977.

e) Based on disaggregated data, early 1977. Criterion for state-owned newspapers is costs other than raw materials.

f) Financial statement 1976, supplied at SECS.

g) Financial statement July-December 1976, supplied at SECS.

h) Figure from Inspeção Geral de Finanças, supplied by SECS. (Jan.-July 1975) is -1.2.



subsidies to the state-owned press make it impossible for the government to design schemes that could lower sunk costs and also subsidize private newspapers facing a rigid demand by small groups. As a consequence, the decline in the number of newspapers may well be excessive, thus lowering collective economic and political welfare. The final puzzle remains, though, that the press should have received so much attention from policy makers in terms of its alleged influence on public opinion while so little political and economic analysis was done of it.

Notes

The empirical research summarized in this chapter was carried out at Yale University during the fall of 1978. I wish to thank friends in Lisbon and elsewhere for their generous supply of data and insights on problems with which I had little familiarity; conference participants and the referee for comments; and Teresa Carneiro for excellent research assistance. Errors are my own.

1. "The definition of an information policy consistent with the revolutionary process . . . [requires] eminently political solutions, which have little to do with technical remedies." Ministério da Comunicação Social. Relatório sobre a Situação da Imprensa Diária. Undated manuscript which appeared in August 1975.

2. "In the framework of this social and economic context, it is useful to indicate the major reason for the present chaos: *the lack of an organization and the lack of intellectual competence and experience acquired through the search for a rational economic management.*" Relatório apresentado ao Senhor Dr. A. Ruella Ramos, presidente da Associação da Imprensa Diária, Lisboa. "Algumas observações sobre a situação da imprensa diária." Manuscript, August 1976.

3. On the economic and political experience since 1974, see, for example, the survey in Macedo (1979), and the papers collected in Macedo and Serfaty.

4. These theories, on which the Loewenstein index used below is based, were proposed by Siebert, Peterson, and Schramm. They are described in Engwall (1978), who emphasizes newspapers as organizations, and in Nieto, who also stresses the legal aspects.

5. See references to the literature in Neuman (1978). See also Hoyer, Hadenius, and Weibull.

6. The list and the abbreviations are in Neuman. See also Taylor and Hudson.

7. Neuman (figure 3) reports the regression equation but no confidence intervals. Clearly the pooling of cross-section and time-series data would be in order.

8. The correlations reported in table 3.1 turn out to be quite close to the ones reported by Frey (p. 345) for the mid-1950s. Note that while the correlation of "percent literate" with newspaper circulation is 0.82, it is only 0.75 with income per capita. The pattern of figure 1 for Portugal is also puzzling because in 1960 illiteracy reached 38 percent of the population according to the *UNESCO Statistical Yearbook*.

9. It is also noteworthy that the ratio of advertising expenditure in all mass media to national income in 1973 was higher in Portugal than it was in Britain or Italy, but it was



of Spain's. In fact, the ratio of per capita income was two-thirds. On the other hand, a comparison of advertising shares by media type shows that the share of print media in Portugal was one half of the corresponding share in Spain.

10. See Dahl, and the discussion in Neuman (Appendix B). Another index is reported in Taylor and Hudson (1972).

11. See note 4 above, and the discussion in Neuman (Appendix B). The index is reported in Taylor and Hudson, p. 51.

12. There is of course controversy about the effect of the media on political behavior. Galtung, and Krauss and Davis come back to the emphasis of the 1940s and 1950s. On the other hand, Lerner is skeptical of the view of the "global village." See also Chaffee, and note that a similar controversy has developed over the extent of economic and political interdependence between nations, as surveyed, for example, in Macedo (1977).

13. The hypotheses were hinted at above. Neuman labels them as the political stress hypothesis, the critical mass hypothesis, the depoliticization hypothesis, and the technology-fractionalization hypothesis.

14. See an overview in Rosse (1978).

15. See Nixon and Hahn, and Hoyer, Hadenius, and Weibull.

16. Mention should be made in this connection of the proposal of Oliveira, according to whom the "social price" forming the basis of government subsidies should be determined by starting from an "ideal" number of newspapers in order to find the optimal circulation (and then all other variables by taking "industry standards").

17. See Baumol, Panzar, and Willig (1982, p. 482-3), and Baumol (1982).

18. In terms of average circulation the comparison is even more striking. The Lisbon and Porto newspapers have an average circulation which is 1.25 percent of that of the eight big British dailies. See Hirsch and Gordon, p. 44.

19. See Tengarrinha, p. 188. The distribution was made in the streets, unlike for instance, the *Comércio do Porto*. The price of the *Diário de Notícias* was ten *reis* (of which two to the seller), whereas the *Comércio do Porto* sold for forty *reis*. The amount of advertising included was also quite large even by the European standards of the time. Note that there is little else on the history of the Portuguese newspaper, and the author stops in 1910, even though he closes with excerpts of the censorship decree-laws of 1933 and 1936.

20. This has been done mostly through Sodimpel, a partly Swedish group much criticized in the *Jesuino Report*. See p. 6, and "Preço dos jornais e aumento do custo do papel." Document of April 6, 1973, included as annex 4 in a file on the Press Conference of the "Director Geral de Preços" at the Ministério de Comunicação Social on September 24, 1974, supplied at Secretaria de Estado da Comunicação Social.

21. Some of these acquisitions are described in Martins (1975).

22. *Contra* the wishes of Lasswell (1949), Holsti (p. 83) lists only a few cases in which content analysis was used to provide legal evidence in cases of suspected criminal sedition. On the media in 1975, see Lechner (1975b), and, for the ownership, Martins and Rosa (1979, p. 132).

23. See references in Hoyer, Hadenius, and Weibull, p. 37.

24. This gives newspapers a minor weight. In the communications section only mail and telephones are included. This index increased 42 percent in 1975 and 31 percent in 1976. In early 1978 there were again drastic increases as part of an IMF inspired stabilization program. See Macedo and Serfaty, chapters 2 and 3.

25. From May to December 1977 Lechner directed a team which produced a "continuous analysis of public opinion in the daily press" for the Socialist cabinet: the results of which are, hopefully, forthcoming.

26. Estimates of relative circulation of these three newspapers in late 1975 are not available. The two closest dates are the first semester of 1976, from the V. Springel report and data from SICS for December 1974. But while these would have been preferable, because *Século* dropped substantially in early 1976, the share of *Século* in December 1974 comes to 33 percent, up from 22 percent in the SICS data for April 1974. We thus had to use the 1976 shares $DV = 0.52$, $DL = 0.28$, and $Seculo = 0.20$.

27. The distinction between "classical" and "theoretically oriented" content analysis is emphasized in Carney (1972, p. 47). For a criticism along the same lines and references to early analyses of newspaper reporting, see Holsti, pp. 53-56. The 1920 Lippman and Merz study on the coverage of news items from Russia during and after the revolution is a classic example of the distortions in news reporting, whereas Weingast's analysis of Lippmann's treatment of New Deal policies in his column "Today and Tomorrow" shows the essential subjectiveness of these descriptive methods by revealing Lippmann's own biases.

28. See Leites and Pool, pp. 334-81. They use the JF method to construct an "index of frankness" which they correlate with other indices. The quote is from page 366.

29. Lechner, in his 1974 notes on sociology of information at the Escola Superior de Meios de Comunicação Social discussed the techniques of his former teacher and adapts them to the characteristics of the Portuguese newspaper.

30. Note that only *JN* and "other" had more irregular than regular readers. For *JN*, this special feature is confirmed by a reader survey made at the FE GRAEICA/78. There were 2,345 replies but only 1,379 were analyzed, of which 1,000 percent were regular readers, 38.0 percent occasional readers, 16.6 percent former readers, and 31.8 percent nonreaders. No cross tabulation was attempted and the reported conclusions are that of the first two groups together 48 percent read *JN* because they consider it "informative," 44 percent like its tendency (the report mistakenly refers to this percentage with respect to the question on the graphics of the newspaper; there the percentage, however, can be computed as 35 percent). By profession, 8 percent are managers, 13 percent professionals, 7 percent white-collar workers, and 17 percent students (this drops to 14.4% for regular readers). See *Sondagem de Opinião*, manuscript with no date.

31. See for example Linz on Portugal and Spain, and Fegiz on Italy.

32. Other attributes of readers are harder to motivate. Thus, with respect to profession high-ranking professionals, unlike owners or middle professionals, shun the *Diário de Notícias* and prefer *Dia*, *Diário de Lisboa*, or *Capital*. In terms of age, people from twenty-five to thirty-four prefer *Diário de Lisboa* to *Diário*, while older people prefer *Diário de Notícias* and younger people prefer *Jornal de Notícias*. *Diário de Notícias* seems to have a predominantly male readership. Furthermore, the geographical penetration of the metropolitan papers differs widely between north and south. The scattered settlements of the north make the Porto papers more accessible in small towns. Also, medium sized towns are concentrated in the north, whereas cities of over 500,000 are more penetrated by the Lisbon papers. The distaste of college educated people for *Diário de Notícias*, *Diário*, and *Luta*, relative to *Dia*, *Jornal Novo*, *Capital*, and *Diário de Lisboa*, is also clear from the data. Finally, the taste of analphabets for *Diário de Notícias*



Diário (46 percent and 34 percent respectively) comes as a reminder of the dangers in taking survey results too seriously.

33. The idea of merging a profitable and an unprofitable government newspaper led in 1977 to the proposal of two government owned corporations, Empresa Publica Noticias Capital, and Empresa Publica Seculo Popular. See *Reestruturação da Imprensa Estatalizada*, known as the *Alameda Santos Report*.

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