*Old Model*

1. Important Questions
   1. Is there “enough” Ideological Diversity in the newspaper space
      1. How do newspapers choose an optimal political affiliation?
         1. Can we assume newspapers make the decision to affiliate politically before or upon entering the newspaper space?
         2. Are newspapers rational agents?
      2. Is the industry capable of providing “enough” ideological diversity?
         1. Are certain ideologies more profitable than others?
         2. By measure of readership, is one idealology more profitable than another.
   2. How is internet news affecting the amount of political diversity in the newspaper space?
   3. Higher advertising revenue was found to be associated with lower incentive to differentiate from competitors. Online?
2. The model
   1. The game
      1. Newspapers decide sequentially to enter the market
         1. The equilibrium number of papers is given by the number by which an additional paper would not have a positive expected profit: v(j) > (fixed cost)/(number of households) > v)j+1)
      2. The newspapers that decided to enter choose their political affiliation sequentially
      3. Newspapers simultaneously decide their circulation prices.
      4. Newspapers decide their advertising profits, and advertisers decide whether to advertise with the newspaper
   2. The newspaper’s profit function
      1. Variables
         1. Number of Households
         2. Circulation price
         3. Advertising price
         4. Marginal Cost – assume to be the same for all newspapers
         5. Quantity purchased
         6. Costs of Political affiliation
            1. This is privately observed after the entry decisions are made – this is the only private information in the model
            2. A binary variable assigned for endorsing a presidential candidate
            3. See “The Effect of Newspaper Entry and Exit on Electoral Politics” for justification
            4. This can be compiled by hand for relevant newspapers
         7. Market Specific cost
            1. Assume logistically distributed
   3. The consumer’s utility
   4. The advertisers’ utility