ECONOMIC ANALYSIS OF THE IDEOLOGICAL MARKET

by

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Introduction

The economic theory of democracy, the pioneer of which was A. Downs[1] analyses the working of the political market, making use of basic economic concepts. The purpose of this paper is to try doing the same for the ideological market. The rationale behind such an attempt is that, between an ideological producer and his audience, there is an interaction similar to the interaction between a politician and his electorate, in a democratic setting.

I call ideological production any public expression of ideas and/or feelings in order to communicate them to others.

I call ideological market the relationship between the ideological producer and his public.

The demand for ideological goods is assumed to be exclusively a function of their ideological content (not a function e.g. of the quality of the paper or the price in the case of a book).

Anyone who puts out an ideological good is an ideological producer as for example newsmen, columnists, novelists, artists, teachers and clowns.

I call integrity (with no moral connotation) the fact that an ideological producer embodies, in his ideological product, his ideas and feelings as they are. Obviously, integrity so defined, is a matter of degree since it is possible to soft pedal, truncate or otherwise distort the expression of one's thoughts.

I call objectivity the fact that the producer embodies in his products a maximum of information and a minimum of personal feelings.

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(1) The Economic Theory of Democracy. Harper and Row, N.Y. 1957.

II. The trade-off of the consumer

Ideological goods usually present more than one feature likely to attract the interest of the consumer. Like a motor-car which is characterized by its price, its gas consumption, its design a.s.o. ideological goods are multi-dimensional

One of the main features of an ideological good is its information or truth content. Information is valuable in itself but may of course be useful also in many circumstances of life.

In addition, however, an ideological good can please the consumer for reasons which have nothing to do with its truth content. Most, if not all, of these reasons are related to the emotional aspects of the consumer's personality, i.e. to his passions in the broadest sense : love, hatred, sympathy, envy, greed, pride, prejudices and the like.

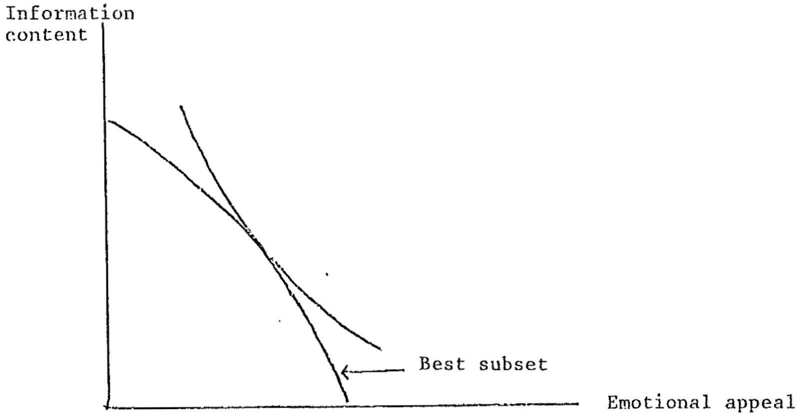
To simplify, then , I suggest that the consumer in choosing among the many ideological goods available, faces a basic trade-off between the information (truth) content and the emotional appeal of these products.

Among the set of ideological products available to any consumer there is a subset characterized by the fact that any item in the subset has a maximum information content for a given amount of emotional appeal and conversely. I call it the best subset.

A maximizing consumer will hence choose among items in the best subset. What he chooses exactly depends on the shape of his indifference curves.

If these assumptions are valid, the demand for ideological goods is not likely to be a demand for information only but rather for a mixture of information and emotional satisfaction. The proportions in the mixture however may have a very large variance. Some consumers may be emotion-seekers, other emotion averters.

Graph I Trade off of the consumer



III. The ideological producer's maximand

I assume that unlike most other producers the ideological producer cannot be expected to maximize monetary income alone. It seems more plausible to suppose that his utility function has three arguments :

1. - The integrity of his message which means that the ideological producer derives a satisfaction from the fact that he expresses his thoughts and feelings as they are. Any deviation from integrity would then be perceived as an (opportunity) cost.

2. - The size of his audience i.e. the number of persons who read him or listen to him.

3. - His monetary income which, in a number of cases, is positively correlated to the size of the audience. But not always.

Hence $U = U(I, A, R)$

where I = degree of integrity

A = size of audience

R = monetary income

IV. The trade-off between integrity and audience

About most debatable questions, a wide range of opinions i.e. of consumer preferences with regard to the information-emotional mix is possible between two opposite extremes. For example a whole spectrum of positions are possible between the two extremes :

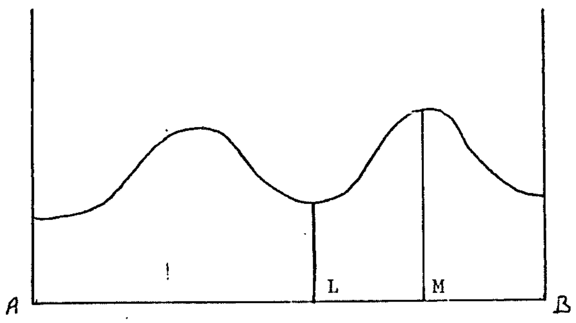
- abortion should never be tolerated

and - abortion is always a matter for the woman to decide

There may be a problem about the possibility of ranking all the possible opinions or positions or feelings between the extremes but it will be assumed here that such a problem can be solved.

If so, the state of public opinion about any problem or question can be represented as a frequency distribution between two extremes, as, for instance, in graph II between A and B.

Graph II



Usually of course the distribution of opinions is a multidimensional one but this does not affect the arguments which follow.

The frequency distribution of public opinion can be considered as the most important variable influencing the audience of any ideological production. All other things equal (including the producer's talent) the audience may be expected to be large if the ideological product corresponds to a high frequency segment of public opinion and small if it corresponds to a low frequency segment. In other words the frequency distribution of public opinion represents the demand for the ideological good.

Some ideological producers are fortunate in the sense that their own ideas and feelings are in line with a high (or the highest) frequency segment of public opinion. But most of them will have ideas and feelings which deviate more or less from the high frequency area. In that case, the ideological producer will face a trade off. If he sticks unflinchingly to his ideas and feelings his audience will be less than if he makes concessions to the state of public opinion and adjusts his product accordingly. Hence a trade-off between integrity and audience.

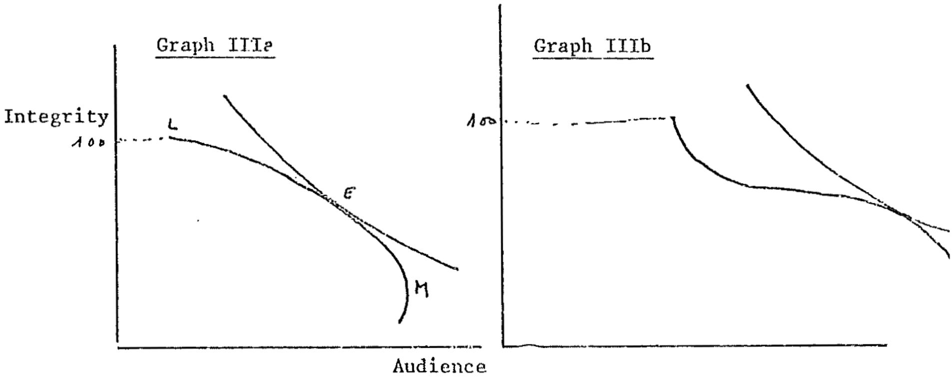
V. Basic equilibrium of the ideological producer

Assuming for a while that the producer's money income is an increasing function of his audience we may reduce his problem to a choice between integrity and audience. Granted that he makes anyway the best possible use of his talent, the trade off between integrity and audience will define a maximum performance line which is very much the same thing as the maximum production line of the conventional business. The difference is that the ideological producer does not substitute a good for another but a source of satisfaction for another. Such a line is represented by the curve LM on graph IIIa.

Total integrity is conventionally rated at 100 on the ordinate. As will be noted, it is assumed that the ideological producer enjoys some audience even with total integrity. If he adjusts the "quality" of his ideological product in the appropriate direction, he increases his audience until he reaches the point which corresponds to the highest frequency area in the state of public opinion. If he moves further his audience decreases (graph. IIIa).

The maximum performance curve pictured on graph III_a is convex throughout. It need not be so. If the full integrity position of an ideological producer coincides with a minimum of the frequency distribution of public opinion, such as L on graph II, any deviation from integrity towards a maximum of the frequency distribution, such as M, should yield, first, increasing returns in terms of audience, and subsequently, decreasing returns as the deviation brings the producer nearer to M (graph. IIIb).

However, for the sake of simplicity, the analysis here presented mainly concentrates on the case , where deviation from integrity yields decreasing returns in terms of audience.



The equilibrium point of the ideological producer then depends on the shape of his indifference curves.

The latter are assumed to be convex towards the origin as it seems psychologically plausible that minor departures from integrity are less resented, at the margin, than larger ones. As border-line cases, the totally uncompromising producer's indifference curves would be horizontal straight lines and those of a totally opportunistic producer would be vertical straight lines.

If the producer is totally uncompromising he will make no concessions to public opinion and choose point L. On the contrary, if he is a pure "opportunist" he will choose point M.

But these are border-line cases. Usually the ideological producer can be expected to have indifference curves which, in the relevant area, are neither horizontal nor vertical. He will then choose a point such as E.

VI. Equilibrium in terms of marginal revenue and cost

As integrity is regarded as a source of satisfaction for the ideological producer, any deviation from integrity can be analysed as a cost (total or marginal) increasing with the extent of the deviation.

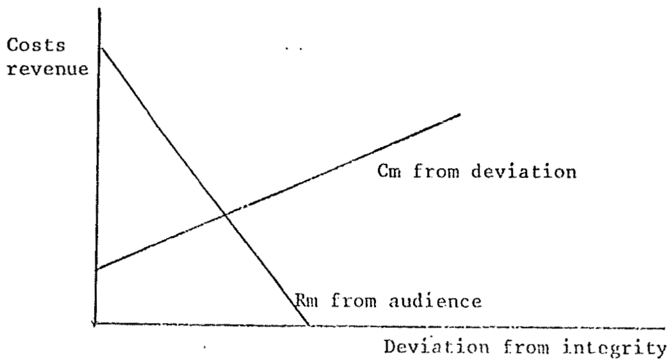
On the other hand, audience can of course be regarded as an income (total or marginal).

The marginal income from deviation is defined as the slope of the maximum performance line from its inception to the point of maximum audience (L to M on Graph III). To the extent that only the convex segment of the line is taken into account the Rm is decreasing throughout. It is first rising and subsequently decreasing if the maximum performance line has both a concave and a convex portion.

The marginal cost from deviation is defined as the slope of the succesive indifference curves at their intersections with the maximum performance line from its inception to the point of maximum audience. Its slope can be positive as well as negative. Being defined by intersection points, the marginal cost curve depends from both the network of indifference lines and the maximum performance line.

The equilibrium of the ideological producer is then defined by the intersection of his marginal income in terms of audience and his marginal costs in terms of deviation from integrity as in Graph IV. It corresponds to tangency point E on Graph IIIa.

Graph IV



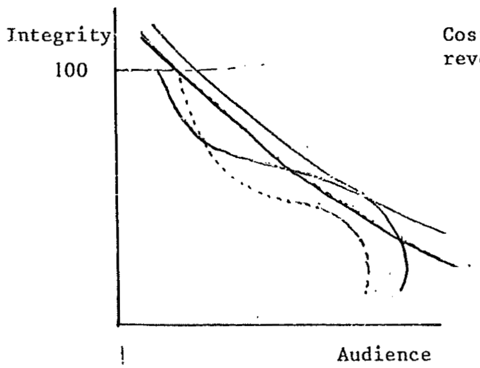
The ideological producer thus maximizes his total net satisfaction (psychological income) from deviation.

The above analysis can easily be extended to the case in which the maximum performance line has both a concave and a convex segment.

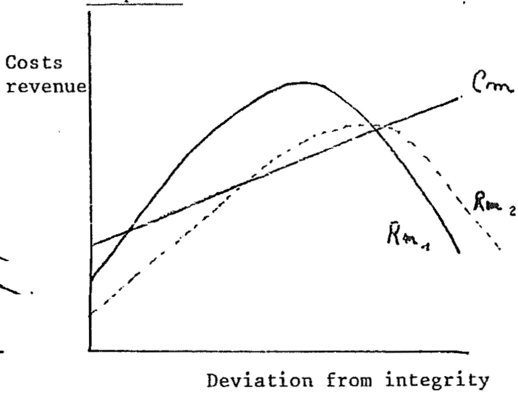
From Graph Va it is readily seen that in such a case the ideological producer, whose personal preferences are, by assumption, far away from the high frequency area(s) of public opinion must be expected either to deviate substantially or not to deviate at all from integrity.

Graph Vb translates Graph Va in terms of marginal costs and revenues. With Rm_1 the producer deviates substantially from integrity (total revenue from deviation is larger than total costs from deviation). With Rm_2 the producer does not deviate at all.

Graph Va



Graph Vb



It has so far been assumed that, even without deviating from integrity, the producer is anyway able to reach an indifference curve high enough to reward the effort of producing. In other words that the fixed income from producing with full integrity is larger than the fixed cost of producing.

Let us consider a net total income (NTC) function :

$$NTC = M + \alpha D - \beta D^2 - \gamma D - N$$

where : M = fixed income from producing at zero deviation
N = fixed cost of producing
D = deviation (assumed to be non-negative)
$\alpha D - \beta D^2$ = total income from deviation
γD = total cost from deviation

NTC is maximized where $\frac{d\ NTC}{d\ D} = 0$

i.e. where $\alpha - 2\beta D - \gamma = 0$

hence where $D = \frac{\alpha - \gamma}{2\beta}$

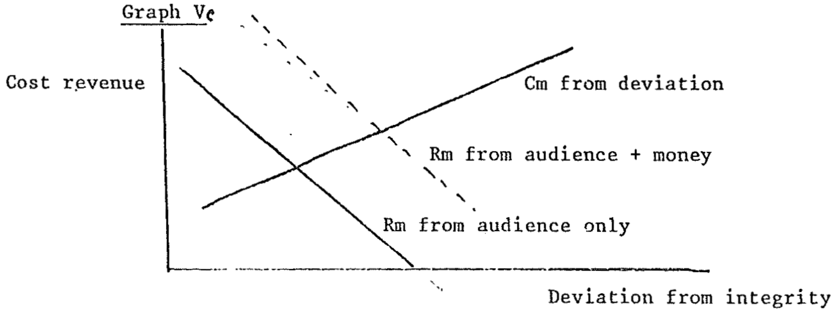
If $D = 0$ $(\gamma \geqslant \alpha)$.

Then no production will take place unless $M > N$.

The money income of the ideological producer can now be easily introduced. As is obvious, the equilibrium of the ideological producer will change only if he gets a marginal money income for deviating from integrity and in the relevant area. Royalties on the number of copies sold could have such an effect. The producer would then deviate more than otherwise from integrity (Graph V_c).

Unless there would be negative money incomes, they will not move the producer towards more integrity.

Graph V_c



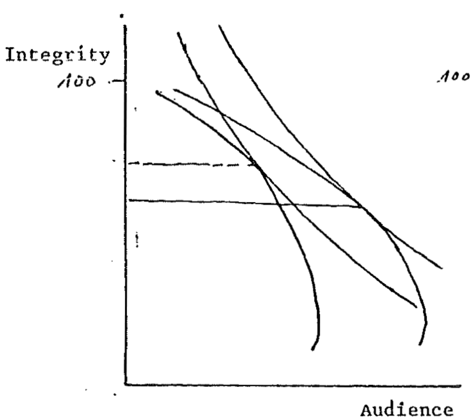
VII. Effect of competition

The competition on the ideological market must be thought of as an imperfect one, since ideological products are by their nature qualitatively different. New entrants, in the market segments of any producer, will therefore capture some part of his audience.

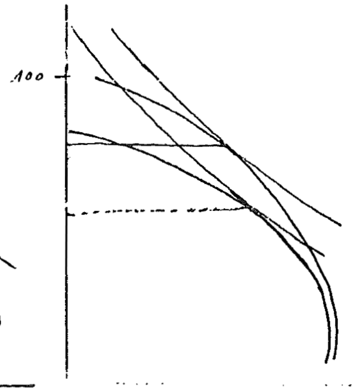
The effect of such a decrease in demand on the producer's deviation from integrity is however dependent upon the slopes of his indifference and maximum performance curves.

The decrease of consumer demand may affect the marginal segment of the producer's audience more than the intramarginal segment or vice versa. In the first case the producer is likely to deviate less (Graph VIa) but in the second case he might deviate more (Graph VIb) from integrity.

Graph VIa

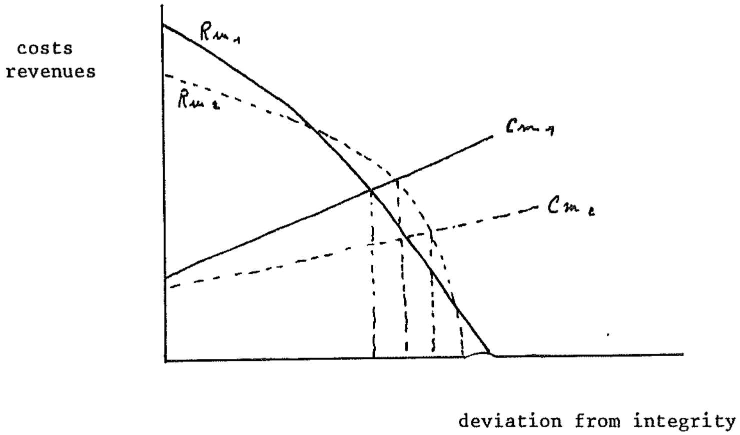


Graph VIb



This effect can also be understood in the light of Graph VII. The decline in consumer demand may bring about a change in both the level and the shape of the marginal revenue curves. On the other hand the marginal cost curve from deviation could be lower at lower levels of satisfaction for the producer. Hence the possibility of an increase in deviation from integrity as a result of more competition.

Graph VII



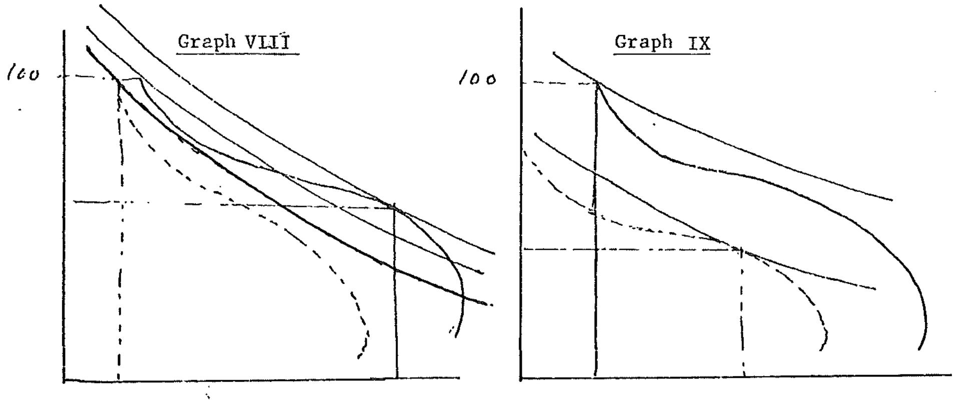
It can be seen that deviation from integrity can increase as a result of more competition, only if the marginal segment of the Rm curve is shifted to the north-east. This will occur if the slope of the intra-marginal segment of the opportunity curve becomes less steep when competition increases (graph VIb). Depending upon the slope and level of the Cm curve, the equilibrium point may then shift to the right.

This effect can be compounded by a downward shift of the Cm curve.

However more competition should always reduce the deviation of the completly opportunistic producer because a lower performance line will reach a maximum - and hence the Rm curve will reach zero - for a lesser amount of deviation.

Hence the best that can be said of competition is that it is likely to reduce deviations from integrity by completely opportunistic producers. But, on the whole, the effect of competition is highly uncertain. Competition can therefore not be regarded as a safe regulator of ideological markets.

This conclusion grows stronger if one envisages the case in which the maximum performance line has both a concave and a convex segment. As is clear from graphs VIII, IX decline in consumer demand as a result of more competition can, then, cause sudden and broad shifts in the producer's equilibrium position either towards more or towards less integrity.



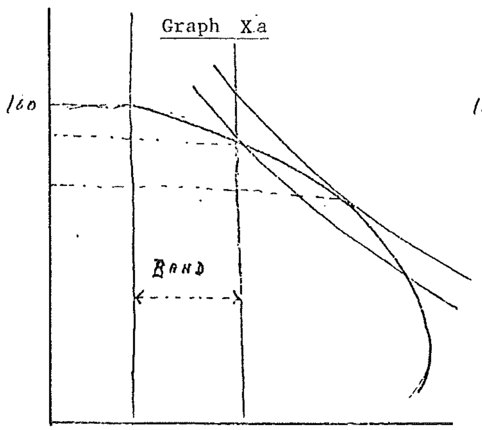
VIII. The constrained producer

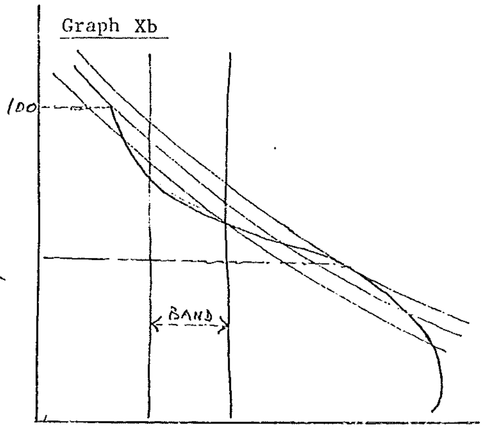
Ideological producers can be constrained by a censorship that defines which type of ideological product is desirable and which is undesirable, in keeping with e.g. the "party line". Accordingly, the ideological producer's choice would be restricted to a band of product quality corresponding, as the case may be, to a more or less extensive deviation from his own integrity.

If the normal equilibrium point of the producer lies within the band nothing will be changed.

If it lies outside the band, the ideological producer would still remain in business provided his total income exceeds his total costs. But he will try to remain as close as possible to the border-line of the permissible area (Graph X.a). This however is not necessarily true if the maximum performance live has a concave section (Graph Xb).

If the permissible band is so far from integrity as to make total cost larger than total income the producer goes out of business.





Thus the effect of censorship is also highly uncertain.

IX. The politically rewarded producer

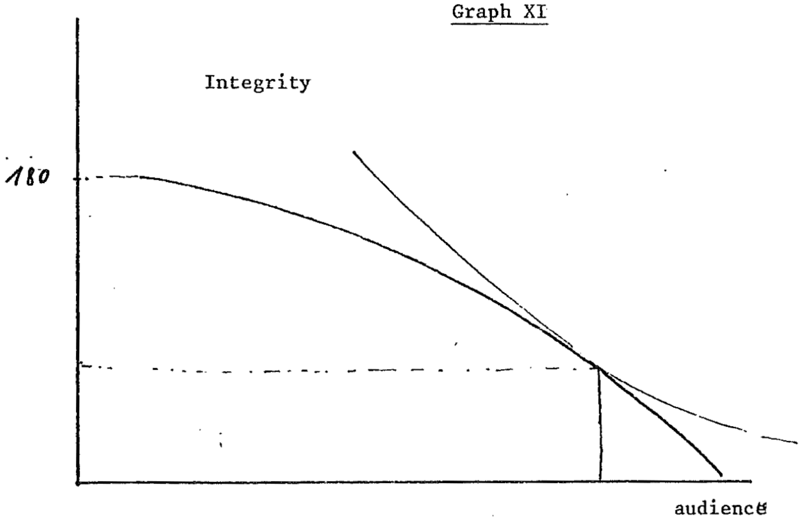
In Western democracies the ideological market is a stepping stone towards a political career and, for professional politicans, a most essential instrument that must be used to remain in power. Thus, for this particular category of ideological producers, ideological production is to be regarded as an investment. It is natural to suppose that their main concern is to maximize the political return on such investments.

If this is so, the size of the audience will be of paramount importance to the politically rewarded producers. As a result they will easily trade a lot of integrity for some more audience and their indifference curves will be shaped accordingly.

On the other hand, as the voter is ill informed and inclined to believe what seems to enhance his interests and what gratifies his emotional prejudices it will be typical of the political segment of the ideological market that a lot of audience can be gained by deviating from integrity.

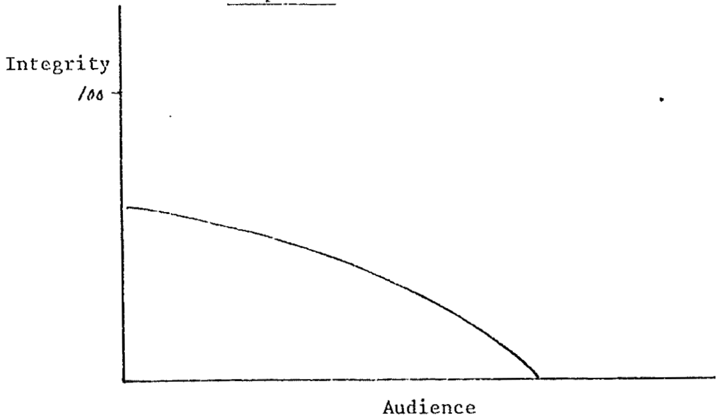
Consequently the politically rewarded ideological producer must be expected to deviate quite substantially from integrity as is shown on Graph XI.

Graph XI



It might even be the case that the producer's audience comes down to zero well before he reaches full integrity. Then the producer could not avoid deviating from integrity even if he wanted to -except by going out of business. Such a producer could be said to be "alienated" for reasons different but in the same way as the contrained producer. (Graph XII).

Graph XII



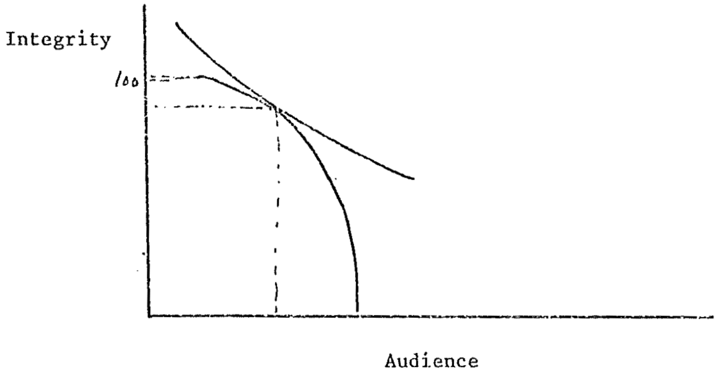
If he is consistent, the alienated producer will remain in business only on the condition that his total net income (including political reward) is positive.

This piece of elementary analysis may go a long way to explain why politicians and voters are dissatisfied with each other. The latter say the former are lacking in integrity, the former that if they did not, they would be out of business.

X. The scientific producer

A scientific audience, unlike a political one, is usually well informed. Moreover material interests and emotional factors are rarely involved in scientific matters or only to a limited extent. In such conditions, a scientific producer will usually find little reward in the form of increased audience by deviating from integrity. He must then be expected to deviate little, even if he would like to.

Graph XIV



XI. The ideological innovator

All ideological producers make consumers experience something. To a certain extent this is true also of producers of material goods. The consumer experiences the kind of utility which he derives from using the goods. Successful experience leads to adoption of the good i.e. to a shift of demand which can sometimes be interpreted as a change in tastes.

It is even more so with ideological products whose only effect on the consumer is to make him experience something. But most ideological products do not make people experience anything new. Hence they do not change the shape of public opinion. Ideological innovators however succeed in doing so because, unlike ordinary producers, they are able to communicate to the consumer an experience which is new to him. This is possible only on the condition that the producer has himself experienced something unknown, as yet, to the consumer and in addition that he possesses enough talent to communicate his experience to others. These are influencial producers. As an example, Soljenytsine had both the experience of Soviet concentration camps and the talent to make readers share in his experience.

Such producers are fortunate in the sense that they do not have to deviate from integrity to enjoy a large audience. They create their market in the same way as a business innovator (who puts out a new good and not simply introduces a new production process).

XII. Effect of "voice"

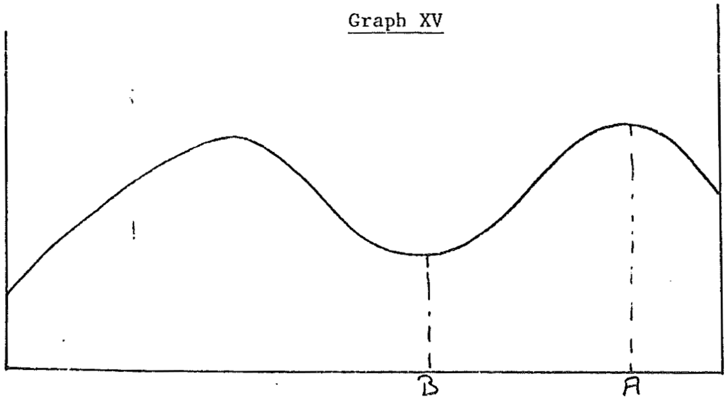
Hirschman[1] has convincingly suggested that what he calls "voice" i.e. the expression of protest by customers or the public at large is to be interpreted as a source of cost for producers. It should be particularly so in the case of ideological producers whose "output" by its very nature is vulnerable to criticism.

A more accurate picture of the ideological market ought therefore to include "voice" among the costs borne by producers.

But this raises several questions. The first is whether and how "voice" is related to the size of the audience (and hence to deviation from integrity). If the frequency distribution of public opinion is unimodal it is likely that voice would be minimal when the ideological product is in line with the median of public opinion.

Suppose however a bimodal distribution such as on Graph XI. Would an ideological product in line with "A" raise more or less voice than a product in line with "B" ?

Graph XV



Finally "voice" can conceivable create an "effet de scandale", which, though a cost in itself, could also shift Rm upwards i.e. increase the size of the audience.

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(1) A. Hirschman, "Exit Voice and Loyalty". Harvard Univ. Press. Cambr. Mass. 1970.

The impact of "voice" is thus apparently a complex one and the direction of its net effect not a priori clear.

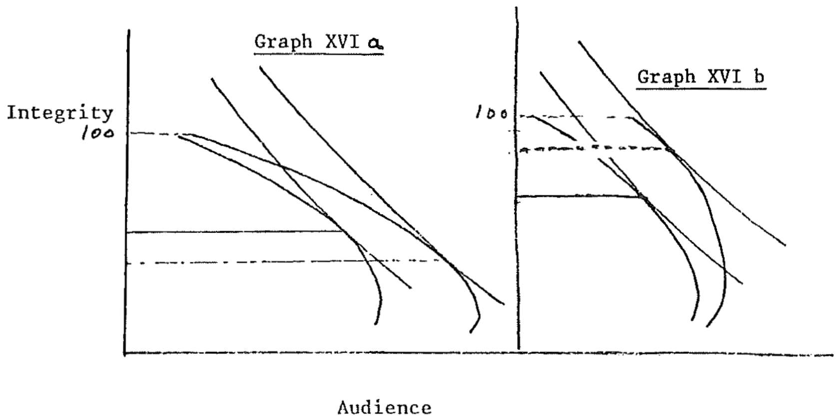
XIII. The effect of brokers

Brokers on the ideological market, such as publishing houses or broadcasting stations, if they are efficient at all, must be able to increase a producer's audience, all others things being kept equal. On the other hand, brokers must be expected to maximize their audience.

If they are privately run business, their monetary income is highly correlated to the success of what they publish. They thus have both pecuniary and prestige reasons for maximizing audience.

If they are state run business, their managers can only be interested in prestige and hence in maximizing audience (within more or less effectively enforced constraints). The possible exception pertains to the manager of a state run brokerage business who abuses his position and status to promote his own ideological preferences.

The effect of brokerage on the integrity of producers is uncertain just as is the effect of competition and for the same reasons. The producer is likely to deviate more if brokerage increases mainly the marginal segment of his performance line and conversely if it mainly increases the marginal portion of that line.



XIV. Ideological goods as neither private nor collective goods

Most ideological goods display the typical features of collective goods. Their consumption is indivisible in the sense that an increase in their consumption does not entail any variable costs. On the other hand, to the extent that the market is free nobody can be excluded from consumption.

For example, disregarding the cost of the material medium (the cost of publishing) no relation exists between the number of readers of a novel and the cost to the producer. Neither is there a crowding effect which would tend to limit the number of readers.

And, barring state intervention, nobody can be prevented from buying a book (again disregarding the cost of the material medium). The same applies of course to films, radio broadcasts, etc.

There are exceptions however in the case of ideological products which are not published e.g. paintings or drawings.

Thus, most ideological goods are like collective goods. But in one respect they are different : While the producer of the standard collective good is not rewarded for his imputs (save to the extent that the good is useful to himself) the producers of ideological goods are indeed rewarded by the size of their audience i.e. by the consumers. Hence ideological products are not generally underproduced.

In this latter respect, they are more like ordinary goods. But again there is a difference. While ordinary goods producers are rewarded through the transfer of a price, his reward accrues to the ideological producer without any transfer of money (disregarding royalties) i.e. through an external effect.

Disregarding the cost of the medium and royalties, all ideological goods are available to the consumer at a uniform zero price. As a uniform zero price does not reflect relative scarcities, there cannot be an "economic" optimum on the ideological market. For example some ideological goods which are very highly valued by a limited number of consumer could very well not be produced at all because the size of the audience is too small to elicit the producer's effort ; while others which are of minimal utility to many consumers could be produced in large numbers since they would command a large audience.

A similar problem arises with respect to majority voting : a passionate minority can be kept in check by an almost uninterested majority. The economic theory of democracy shows that logrolling is sometimes a way out of trouble for the passionate minority albeit not always. Patronage might be an analoguous solution for passionate minorities on the ideological market. But would patronage be as efficient as logrolling ?

XV. Tridimensional analysis

It has been assumed so far that the producer's trade-off is between integrity (saying what he pleases in the way he pleases) and audience.

It would however be plausible to assume that what pleases the producer is made out of two elements, namely an intellectual element related to the pleasure of telling the truth (which we shall call objectivity) and an affective element which we shall call militancy. To the extent that the consumer is sensitive to both the objectivity and the militancy of an ideological product and to further elements as well (e.g. a militancy of another kind) the producer will face a tridimensional maximum performance surface.

His equilibrium would then be defined by the point of tangency between his maximum performance surface and his highest indifference surface.

The broad consequences are not different from those which can be derived from a two-dimensional analysis. But it becomes clear that ideological producers should usually be expected to deviate from both objectivity and integrity.

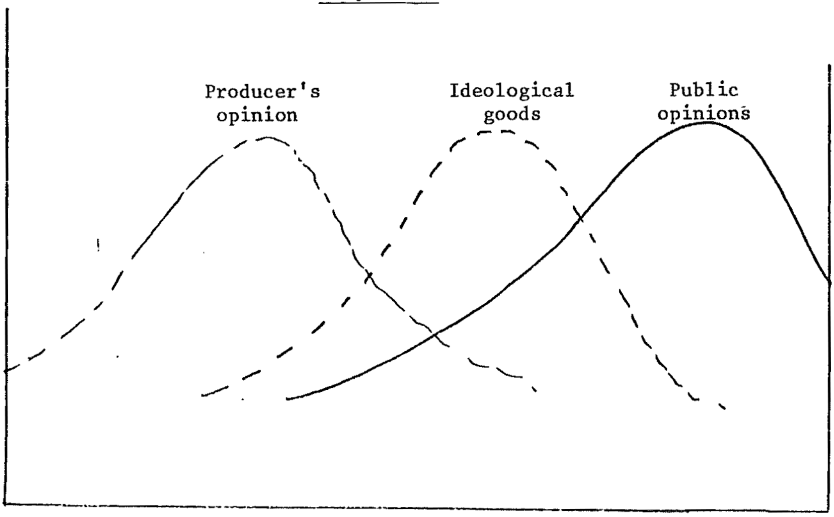
XVI. Long term changes in public opinion

It has been contended that only innovators create their own market i.e. induce a perceptible change in public opinion while ordinary ideological producers merely adjust to it.

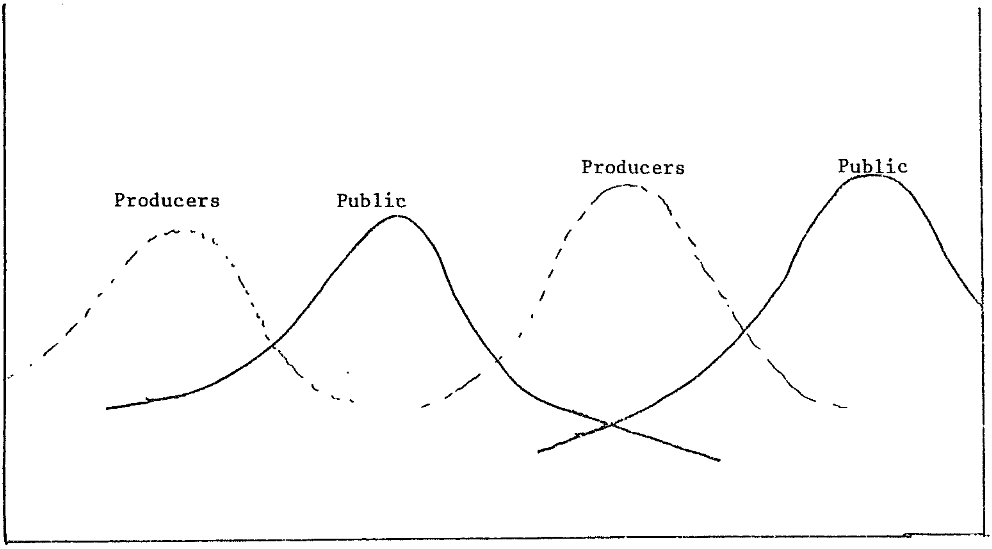
It follows that if the median of the producers opinion frequency distribution does not coïncide with the median of public opinion, then, the median of ordinary ideological products will lie somethere between the two. (Exceptions are possible when the maximum performance line has both a concave and a convex section).

Even if, in the short term, each ordinary ideological producer has only an imperceptible influence on public opinion (and therefore has to adjust to it) it is perfectly conceivable that, with a time lag, all ideological producers taken together might shift public opinion in their direction. The situation depicted in Graph XVII would entail with a time lag a move of public opinion towards the left.

Graph XVII



Graph XVIII



Much more complexe situations are of course conceivable.

For instance the ideological producers might split up and form a bimodal distribution with medians on both sides of public opinion's median. After a while, public opinion could be expected to break up as well into a bimodal distribution.

Or, given a bimodal public opinion, the medians of ideological producers could be nearer to each other or further apart than those of public opinion or both on the same side of those of public opinion. In the first two cases, the consequences to be expected after a time lag are respectively a decrease and an increase in public opinion discrepancies. In the third case one could expect both a general shift of public opinion in one direction and also a split in the public opinion group caught between the medians of ideological producers (Graph XVIII).

These indications are only hints to suggest that the method lends itself to the analysis of the dynamics of public opinion.

XVII. Conclusion

If the above analysis has validity, it explains why the working of a free and competitive ideological market does not result in eliminating error.

The ideological consumer is not exclusively interest in information. Even if he was interested in nothing else an "oversdose" of information would bore him. Hence the ideological producer would lose audience if he attempted to maximize the truth content of his messages. But the consumer is usually also interested in the emotional content of ideological products.

The producer, on the other hand, is usually interested simultaneously in truth telling, in expressing his feelings and in gaining audience. In order to maximize his level of satisfaction he has to compromize between these objectives.

The outcome of interactions on the ideological market can then only be an incredible mixture of distorted truth and partially veiled feelings.