Newspapers facing the prisoner's dilemma
when charging for articles in the net

1

To date, most newspapers offered their articles in the net for free. The editors are not happy about this because they cannot cover their cost by advertising revenue. Why were they not charging for articles published in the net?

- The public is used to getting information in the net for free. It is not easy to get rid of such a 'nice' habit.

- To be the first mover in introducing a method of payment is risky because the public will move to 'free' articles.

2

The newspapers are therefore vis-à-vis the classical prisoner's dilemma. An example will explain that:

- In a region there are two publishers of newspapers (paper and net) of a similar size. To date, they offered their articles in the net for free. Each got advertising revenue of 100. But both publishers think about introducing a mode of payment. Each decides on his own and there is no cooperation whatsoever because of fierce competition.

- If both publishers introduce a method of payment, each firm's total revenue will rise to 150 because users pay a fee. Due to lack of an alternative, the number of users does not diminish a lot and, therefore, advertising revenue will not fall significantly.

- If only one publisher (for example A) introduces a mode of payment, he gets punished. Many users will turn to 'free' information. A will have less advertising revenue the loss of which is only partly compensated by the new fee. Assumption: A gets total revenue of only 60, but B gets 180 because of increased advertising revenue.

3

Thus a prisoner's dilemma exists: The decisions are interrelated and each publisher chooses the strategy resulting in the highest pay-off, irrespective of the decision of the competitor.

4

The prisoner's dilemma the publishers face can be characterized as follows:

- Players: Decision makers (Publishers A and B)
- Strategy: Behavior (A fee/no fee)
- Pay-off: Outcome→ total revenue
- Dominant strategy: The best outcome for a player irrespective of the decision of the other player

5

Pay-off matrix:

Numbers → Total revenue

The first number refers to A, the second to B

		Publisher **B**			
		a fee		**no fee**	
Publisher **A**	**a fee**	150	150	60	180
	no fee	180	60	100	100

Which strategy is **dominant**?

From the point of view of publisher A:
- If B introduces a fee, I will not introduce one (180 > 150).
- If B does not introduce a fee, I will do the same (100 > 60).
- Irrespective of the behavior of B, I shall not introduce a fee.

B argues the same way because the pay-off matrix is symmetrical.

Dominant strategy for A and for B:

no fee (thus enabling users to read articles in the net for free)

6

By cooperation, either explicit or implicit, a better outcome could be seen (fee/fee, 150/150). But the publishers do not cooperate due to fierce competition.