

The Impact of Online Competition on Local Newspapers: Evidence from the Introduction of Craigslist

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Abstract :

How does competition from online platforms affect the organization, performance, and editorial choices of newspapers? And what are the implications of these changes for the information voters are exposed to and for their political choices? We study these questions using the staggered introduction of Craigslist – the world’s largest online platform for classified advertising – across US counties between 1995 and 2009. This setting allows us to separate the effect of competition for classified advertising from other changes brought about by the Internet, and to compare newspapers that relied more or less heavily on classified ads ex ante. We find that, following the entry of Craigslist, local papers experienced a significant decline in the number of newsroom and management staff. Cuts in editorial staff disproportionately affected editors covering politics. These organizational changes led to a reduction in news coverage of politics and resulted in a decline in newspaper readership, which was not compensated by increased news consumption online or in other media. Finally, we document that this reduced exposure to political news coverage was associated with more party-line voting and increased ideological polarization in voters’ choices.