

Rent seeking as a response to multi-sided market collapse: the case of Australia's news media bargaining regime

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Abstract: This paper develops a public choice theory of firm response to multi-sided market collapse and illustrates it through Australia's news media bargaining regime. Multi-sided firms depend on cross-side network effects, asymmetric price structures, and commercial cross-subsidies between distinct groups of users. When one side of the market is unbundled, disintermediated, or competed away, the resulting shock can propagate across the platform's entire business model. We argue that this multi-sided market collapse creates a unique rent-seeking incentive for incumbent firms to seek to reconstruct lost market sides politically by compelling adjacent firms to become substitute funders. We illustrate this mechanism through Australia's evolving news media bargaining regime. Twentieth-century newspapers are multi-sided markets that bundled readers, advertisers, classifieds, content, and local political attention, but digital platforms and specialist online services eroded the advertising revenues that had subsidised journalism and low reader prices. Incumbent news firms then translated this business-model failure into claims about bargaining power, fair remuneration, and public interest journalism. Those incumbents have successfully induced or compelled adjacent digital platforms — namely large social media and search platforms — to fund them, whether through direct regulatory compulsion or the credible threat of it. Because adjacency is a political construction rather than an economic relationship, the resulting regime is unstable: as targeted firms respond, the basis on which they are made to pay must be rebuilt on different grounds. The evolution from the earlier News Media Bargaining Code to the latest Albanese government's News Bargaining Incentive exhibits the kind of regulatory drift such rent seeking regimes produce.

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1 Introduction

Multi-sided markets can collapse when one side of their market is unbundled, disintermediated or simply competed away. The collapse happens because multi-sided firms depend on cross-side network effects, asymmetric price structures, and revenue flows between distinct groups of users (Rochet and Tirole 2003, 2006; Armstrong 2006; Rysman 2009). When one revenue source is eroded, the effect propagates through the platform's internal price structure, undermining the cross-subsidies that had sustained activity on other sides. But how do multi-sided markets respond to such a collapse? They might respond by adapting commercially, such as finding new revenue streams and business models. Or they may respond by seeking to reconstruct the lost side by compelling adjacent firms to become substitute funders through politics – that is, by *rent-seeking*. Such rent seeking and its dynamics are the focus of this paper.

We study this dynamic through the case of the newspaper industry. Digital platforms and specialist online services eroded the advertising and classified revenues that had subsidised journalism (Seamans and Zhu 2010). The political response to this collapse in Australia was a 'News Media Bargaining Code' and a later 'News Bargaining Incentive' – collectively what we will describe as the *news media bargaining regime*. These political responses translated the collapse of the newspaper platform's advertising-supported cross-subsidy into a regulatory claim against digital platforms. The effect of these regimes is a politically forced transfer of wealth from digital platforms to media organisations, framed as fair remuneration for the production of public interest journalism. Similar publisher-remuneration regimes have since been adopted in Canada and Indonesia, and proposed or recommended in New Zealand, Brazil, and South Africa.³

Public choice theory has long explained how firms seek transfers, protection, and favourable regulation (Tullock 1967; Krueger 1974; Stigler 1971; Peltzman 1976; Becker 1983). But it has not identified the loss of a platform side as a distinct source of political demand for rents. The multi-sided market literature, by contrast, explains cross-side network effects, price structures, critical mass, and platform competition (Rochet and Tirole 2003, 2006; Caillaud and Jullien 2003; Armstrong 2006; Rysman 2009; Evans and Schmalensee 2010), but it does not ask what happens when mature multi-sided markets lose the sides that sustain their internal cross-subsidies.

³ Canada's Online News Act received Royal Assent on 22 June 2023 and establishes a CRTC-overseen bargaining framework requiring large digital platforms to bargain with news businesses; Government of Canada, "The Online News Act," <https://www.canada.ca/en/canadian-heritage/services/online-news.html>. Indonesia issued Presidential Regulation No. 32 of 2024 on the responsibility of digital platform companies to support quality journalism; Sekretariat Kabinet Republik Indonesia, "Gov't Issues Regulation on Publisher Rights," 21 February 2024, <https://setkab.go.id/en/govt-issues-regulation-on-publisher-rights/>. New Zealand's Fair Digital News Bargaining Bill remains before Parliament; New Zealand Parliament, "Fair Digital News Bargaining Bill," <https://bills.parliament.nz/v/6/fc7faac0-2ec0-4e47-7ab5-08db9ebb2302?Tab=history>. Brazil's PL 2370/2019 contains proposed digital-platform remuneration provisions for news publishers; Center for Journalism & Liberty, "Tech & Media Fair Compensation Global Tracker," <https://www.journalismliberty.org/tech-media-fair-compensation-frameworks>. South Africa's Competition Commission Media and Digital Platforms Market Inquiry recommended and negotiated remedies, including a Google/YouTube media support package; Competition Commission of South Africa, "Media and Digital Platforms Market Inquiry Final Report" media statement, 13 November 2025, <https://www.compcom.co.za/wp-content/uploads/2025/11/MDPMI-Releases-Final-Report-13-November-2025-2.pdf>.

Australia's news media bargaining regime shows how multi-sided market collapse can generate a new and unstable form of rent-seeking. Incumbent news firms have converted the loss of a commercial counterparty into a claim for state-backed reconstruction of that counterparty, with adjacent firms — beginning with large social media and search platforms — made to perform the funding role that the lost market side once performed. That adjacency is a political construction rather than an economic relationship, and this is what makes the resulting regime unstable. As targeted firms respond, the account naming them as the substitute payer must be rebuilt on different grounds. The obligation persists by changing its rationale rather than its incidence.

The paper proceeds as follows. Section 2 describes the economics of the newspaper as a multi-sided platform, focusing on reader-advertiser cross-side effects, cross-subsidy, attention matching, multihoming, content production, and the consequences of the shift of advertising away from news platforms. Section 3 describes the origins, rationale, operation, and proposed evolution of Australia's news media bargaining regime. Section 4 develops the public choice mechanism of platform reconstruction, showing how commercial loss is converted into a claim for regulatory repair through a politically constructed substitute payer. Section 5 traces the drift of adjacency through the lifecycle of the Australian regime, from the ACCC's bargaining-power inquiry to the design of the News Bargaining Incentive. Section 6 concludes.

2 Multi-sided market collapse in the newspaper industry

A newspaper is a canonical advertising-supported platform: it sells attention to readers on one side, and access to those readers to advertisers on the other. In a multi-sided market such as this, the platform chooses a price and quality structure across sides, not simply one price in one market. Reader demand, advertising demand, advertising quantity, circulation, and content choice are jointly determined. Advertisers value circulation and audience composition. Readers may dislike advertising as clutter, ignore it, or value it when advertising itself carries useful information, as in classifieds. Newspapers therefore choose cover prices, advertising prices, advertising intensity, and content quality with cross-side effects in mind ([Rochet and Tirole 2003](#); [Armstrong 2006](#); [Rysman 2009](#); [Anderson and Gabszewicz 2006](#)). A low or even below-cost reader price may be the optimal price on the side whose participation raises the value of the advertising side. Conversely, content and circulation are not only products sold to readers, but instruments for assembling an audience with value to advertisers ([Argentesi and Filistrucchi 2007](#); [Chandra 2009](#); [Lindstädt 2009](#)).

This cross-subsidy did not survive the 2010s – these multi-sided markets *collapsed*. They *collapsed* in the sense that the loss of one side undermines the economic settlement that had sustained the other side of the platform. Advertising and classifieds moved to specialised digital markets; the reader side lost part of its subsidy; circulation, display advertising, newsroom resources, and original production adjusted in response. Newspapers were hit by a sequence of digital shocks on different sides of the platform at once. The earliest and clearest hit classifieds – the colloquial “rivers of gold” that had formed the industry's economic backbone in the twentieth century. Specialised online services — Craigslist in the United States, and equivalents like Seek, Domain, RealEstate.com.au, Carsales, and Gumtree in Australia — competed for one side of the newspaper's market while leaving the content side formally untouched. Seamans and Zhu's ([2010](#)) study of Craigslist entry shows the cross-side propagation that follows: when

competition reduces the number of potential classified advertisers, the return to an additional reader falls, and newspapers should then weaken the reader subsidy. Classified-reliant newspapers reduced classified advertising rates after Craigslist entry, raised subscription prices, lost circulation, and saw display-advertising rates fall.

The effect of classified competition extended beyond revenue loss to alter newsroom staffing and content priorities. For instance, Djourelouva et al (2025) consider the digital shock's impact on organisation and content, using Craigslist's staggered entry to isolate competition for classified advertising from the broader effects of internet diffusion. Classified advertising had been a high-margin source of revenue for local newspapers, and its loss reduced the resources available for news production. Classified-reliant newspapers experienced a fall in classified pages, cuts to management and newsroom staff, disproportionate reductions in political editors, less political coverage, and lower readership among politically interested readers. The important point for our argument is that the platform effect runs through the internal allocation of newspaper revenue, changing the economics of content production on the reader side.

Digital attention did not simply replace the old newspaper advertising side. When readers multi-home across many outlets, advertisers face duplicate and missed impressions, making publisher inventory less valuable and depressing advertising prices and favouring platforms that can offer broad unique reach over individual publishers (Athey et al 2018). Aggregators further complicate the picture. Evidence suggests that aggregators can increase traffic to publishers rather than substitute for it, and the Google News withdrawal in Spain reduced publisher visits and revenues (Chiou and Tucker 2017; Calzada and Gil 2020). But these results do not restore the old platform. Discovery and attention are now partly mediated by external platforms, while monetisation is governed by online advertising markets in which publishers have weaker control. Original reporting is costly, quickly copied, and only partly rewarded through audience and reputation (Cagé et al. 2020).

Australian news firms responded to collapse through exit, consolidation, and commercial adaptation. Some Australian news firms exited or contracted: News Corp moved or closed more than 100 local and regional papers in 2020, and the Australian Associated Press came close to closure before being rescued as a not-for-profit newswire. Others adapted commercially by shifting toward reader revenue, subscriptions, registration, memberships, newsletters, podcasts, events, and sharper product differentiation. Others sought scale through consolidation, most visibly a merger between the broadcaster Nine and the newspaper conglomerate Fairfax, while regional publishers consolidated newsroom and printing operations. At the same time, new and repositioned entrants occupied narrower niches, including *Crikey* (founded 2000 but which repositioned itself as a general news outlet during this period), *The Conversation* (founded 2011), *Guardian Australia* (founded 2013), and *The Saturday Paper* (founded 2014). But an alternative to this is the reconstruction of the multi-sided market through political rent-seeking, which has come to characterise the Australian system.

3 Australia's News Media Bargaining regime

Australia's news media bargaining regime originated in an inquiry into digital platforms by the country's anti-trust regulator, the Australian Competition and Consumer Commission (ACCC),

commissioned by the Turnbull government in 2017. This Digital Platforms Inquiry, which reported in 2019, was a broad-ranging investigation into the economic significance of search engines, social media platforms, and digital content aggregators on media and advertising markets, with particular attention to news and journalism.

The idea that digital platforms and news publishers stood in a discrete commercial bargaining relationship, and that there were failures in this market that required government intervention, was constructed rather than simply discovered. The government's December 2017 direction asked the ACCC to examine market power in platforms' "commercial dealings" with creators of journalistic content and advertisers ([Morrison 2017](#)). In its July 2019 inquiry report, the ACCC accepted that Google and Facebook disputed the existence of a market for news referrals, but remained of the view that online print news referral services "probably" constituted a market because platforms and publishers exchanged mutually beneficial services: publishers received referrals, while platforms received content that improved the quality of search, social media, and aggregation services ([Australian Competition and Consumer Commission 2019, 100–105](#)). This starting point is not wrong merely because the exchange occurred at a zero monetary price. Multi-sided market theory makes clear that platforms often set asymmetric price structures, including zero or below-cost prices on one side, because value is recovered elsewhere in the system ([Rochet and Tirole 2003](#); [Armstrong 2006](#); [Rysman 2009](#)). The problem is that mutual benefit does not by itself establish a discrete market, a market-power finding, or a normative baseline from which non-payment appears as a defect. Complements can be mutually valuable without constituting a separate market in which one party owes the other a positive price.

The more important move in the ACCC's analysis was to shift from the tentative market category to a finding of substantial bargaining power. The report expressly said it was not necessary to decide whether Google and Facebook had substantial market power in news referral service. Instead, it rested on the proposition that news media businesses would suffer substantial losses if they refused platform referrals ([Australian Competition and Consumer Commission 2019, 100–105](#)). But dependence on a complementary input is not the same thing as a showing that the competitive price of that input should run from platforms to publishers. The media economics literature makes the direction of value ambiguous. Aggregators can expand traffic to publishers rather than substitute for them ([Chiou and Tucker 2017](#); [Calzada and Gil 2020](#)), while consumer multihoming across publishers, search, social media, and aggregators can lower publisher advertising prices by changing the efficiency of reach and frequency matching ([Athey et al. 2018](#)). The publishers' loss is therefore plausibly explained by a wider change in advertising, discovery, and audience-homing conditions rather than by an unpaid debt for referrals. The ACCC's construction of a "news referral services" market converted an economy-wide transformation in the newspaper platform into a bilateral bargaining failure between publishers and digital platforms.

The ACCC's proposed remedy was a voluntary code of conduct governed by the media regulation (the Australian Communications and Media Authority) that would have covered data sharing, advance notice of ranking/display changes, non-interference with monetisation, and fair negotiation over revenue sharing or compensation where platforms obtained value from news content. In April 2020 the government directed the ACCC to develop a mandatory code after limited progress in voluntary negotiations and a COVID-19 advertising shock that intensified

pressure on the news sector ([Frydenberg and Fletcher 2020](#)). The ACCC proposed that Google and Facebook be compelled to bargain with news businesses over “appropriate remuneration” for the use of news ([Australian Competition and Consumer Commission 2020](#))

The resulting *Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Act 2021* inserted the Code into the *Competition and Consumer Act 2010*. The Code came into effect on 2 March 2021 and applies only when the Treasurer designates a digital platform service. In deciding whether to designate, the Treasurer must consider whether there is a significant bargaining power imbalance and whether the platform has already made a significant contribution to the sustainability of Australian news, including through commercial agreements. By this stage the idea of bargaining had narrowed and hardened. The Act allows a registered news business to notify a designated platform that it wishes to bargain over specified issues relating to its covered news content made available on the platform service, but the Code’s binding arbitration machinery centres on the remuneration amount if negotiations fail. The later statutory regime therefore preserved the broader language of bargaining while making payment its coercive core. No platforms have been designated under the code. In practice, the Code has instead operated as a threat-backed bargaining regime. In the first year the Australian government stated that Google and Facebook (which had now change its corporate name to Meta) had entered more than 30 commercial agreements with Australian news businesses, which the government believed were highly unlikely in the absence of the code ([Australian Government The Treasury 2022](#)). The details of these agreements were however commercial-in-confidence.

This regime lasted less than 3 years. In February 2024 Meta announced that it would discontinue Facebook News in Australia and would not enter new commercial deals for traditional news content once existing agreements expired ([Meta 2024](#)). Because the designation, bargaining, and arbitration machinery under the 2021 Code depends on platforms carrying news, a platform could avoid the regime by withdrawing from news distribution or news-specific products. In other words, a firm could freely withdraw from the market that the ACCC had described in 2019 as a news referral service market.

The Albanese government’s News Bargaining Incentive ([Australian Government The Treasury 2025](#)) is designed to close this “loophole” by imposing a charge on large digital platforms whether or not they carry news, while allowing them to reduce or eliminate that liability by entering or renewing commercial deals with Australian news businesses. In April 2026, the government released an exposure draft of the implementing legislation — the *News Media Bargaining (Administration) Bill 2026*, the *News Media Bargaining Charge Bill 2026*, and the *Treasury Laws Amendment (News Media Bargaining) (Consequential) Bill 2026* — giving the Incentive its first concrete legislative form.

The Incentive also marks a conceptual shift in the policy rationale. The Code was framed as a response to a bargaining failure within an existing platform relationship: digital platforms used news to drive traffic and had become necessary distribution channels for news businesses. The government’s case for the Incentive is that this machinery fails if a platform withdraws news, because there is then “nothing to negotiate or arbitrate over” ([Australian Government The Treasury 2025, 4](#)). The proposed remedy is therefore no longer simply a bargaining rule for a multi-sided exchange, but a charge on large social media and search platforms that applies

irrespective of whether they carry news content. The irony is that the policy moves from correcting the price of a claimed exchange to discouraging exit from that exchange: the platform is required to fund news not because it is necessarily supplying a news referral service, but because government seeks to preserve the revenue relationship that the original Code induced.

The new design of the mechanism goes further than simply incentivising payments to news businesses – it also structures how those payments must be distributed across the sector. The Explanatory Memorandum is explicit:

To offset their NMI payable to nil, the parent entity must have sufficient eligible expenditure in relation to at least four news business corporate groups. This prevents the entity from being able to fully offset its NMI with one large agreement with a single news business corporate group and encourages the sustainability and diversity of the Australian news media sector. (The Parliament of the Commonwealth of Australia, 2026, para. 1.77)

No market mechanism ever imposed such a requirement. The four-group minimum uses the charge structure to engineer a particular distribution of revenue across the news sector – one that reflects political goals about diversity rather than any economic relationship between platforms and individual news businesses. It also imposes different rates of discount for funding different sized publishers, with deals struck with smaller publishers receiving a 170% discount and larger publisher deals receiving a 150% discount (Draft News Media Bargaining (Administration) Bill, 2026, § 20(b)).

4 Platform reconstruction through politics

Australia's news media bargaining regime is a regulatory cross-subsidy. A charge or threat of charge runs from search and social media platforms to news firms, with the Treasurer holding a designation power under the Code and a charge mechanism under the Incentive. Posner (1971) called this kind of arrangement *taxation by regulation*. Regulators force regulated firms to bear charges that would otherwise need to be raised by an explicit appropriation, and to pay them out as cross-subsidies to favoured users or firms. For example, aviation regulation kept loss-making services running on small routes by letting carriers cross-subsidise from urban ones. Telecom regulation kept rural service cheap by charging urban ratepayers more. Postal regulation funded universal service from urban delivery profits. The Code is in this lineage, and the Incentive moreso because it operates as an explicit charge with a deduction for compliant deals – closer to a tax than the Code ever was. The latest legislative design of the Incentive confirms this, formally imposing the charge at a fixed rate of 2.25 per cent of Australian-attributable consolidated revenue (News Media Bargaining Charge Bill, 2026, § 3(2)), administered by the Commissioner of Taxation.

Posner's (1971) cross-subsidies are *intra-industry*. The regulator forces a regulated firm to redistribute among its own customer classes. Aviation, telecom, broadcasting, and postal regulation share this structure. Search platforms and news publishers are not in the same industry, and they are not in a prior regulated relationship. The Code creates the regulated relationship in order to impose the cross-subsidy, rather than imposing the cross-subsidy on a regulated relationship that already exists. The literature on regulatory cross-subsidies —

Faulhaber (1975) on the meaning of cross-subsidy in regulated firms, and the universal-service tradition in postal and telecom regulation — does not appear to have theorised this particular form. The closest pre-existing analogue is cable retransmission consent, in force in the United States since 1992, under which cable systems were forced to negotiate with broadcasters for the right to carry their signals, with FCC arbitration as a fallback. But broadcasting was not in collapse when retransmission consent was imposed. The public-interest claim was about a continuing industry, not the reconstruction of a settlement that had already been lost. The Australian case is distinguished by the collapse-as-antecedent.

It is also important that the prior commercial settlement did not need a regulator to organise it. Multi-sided market theory shows that platforms set their prices as a result of the entrepreneurial discovery of cross-subsidy opportunities, not through regulatory direction (Rochet and Tirole 2003; Armstrong 2006). The newspaper's old funding settlement — advertisers paying high, readers paying little, journalism produced at the centre — was a market arrangement. When that arrangement collapsed, the political demand was to reconstruct not the specific advertising flows or classified rivers that no longer move through newspapers, but the multi-sided structure itself, in which one set of firms funds the public-interest output of another. Direct subsidy could in principle do this.

Before the government can name a substitute payer, the loss has to become politically actionable. Newspaper publishers did not merely need to show that a revenue stream had disappeared. They needed to present that disappearance as a public loss, make the direction of value contestable, obscure the incidence of the transfer, and assemble a coalition broad enough to support regulatory repair. Four familiar public-choice conditions do that work.

- The loss must be politically recoverable. A buggy whip maker losing sales to cars cannot easily turn that loss into a public claim. The harm is real but private. In a multi-sided market the structure is different. Cross-subsidies allow the loss of one paying side to be reframed as the collapse of the funding structure for another, often non-paying, activity. The lost advertisers do not look like lost customers. They look like the lost basis for journalism, local reporting, and public-interest news. Public-interest framing of this kind is the standard mechanism by which concentrated industry losses are converted into broad coalitional support (Olson 1971; Stigler 1971). In the multi-sided case the framing has more to work with than usual, because the lost paying side really did fund the non-paying activity, and the public claim is therefore more credible than it would be for an ordinary industry in decline.
- Value attribution must be ambiguous. Multi-sided markets are notoriously opaque about value flows because value is generated through cross-side externalities and reflected in the platform's price structure rather than in any single observed payment in equilibrium (Rochet and Tirole 2006). The question of who creates value for whom in a multi-sided market is settled by pricing. Advertisers pay because readers attend; readers get cheap papers because advertisers pay; classified buyers pay because the medium attracts browsers. The cross-side prices are the answer. When a market side migrates, the equilibrium that pinned attribution is gone. The remaining sides face a question that the prior pricing cannot answer: how much of the platform's value came from each input?

The political consequence is that the question becomes rhetorical rather than economic. The ACCC argued that digital platforms had captured value created by news content. The opposite claim — that platforms send traffic, attention, and audience to publishers, who would be worse off without them — was equally available ([Chiou and Tucker 2017](#); [Calzada and Gil 2020](#)). Open questions about value flow are politically useful because they let an incumbent cast its decline as having had value taken from it, and they make a regulatory transfer look like restitution.

- The transfer must be subject to a fiscal illusion. Fiscal illusion describes the institutional separation of the perceived benefits of public action from the perceived costs of paying for it ([James M. Buchanan and Wagner 2000](#); [Brennan et al. 1980](#)). Regulation can produce the same effect when government pursues fiscal purposes through private obligations rather than through taxing and spending. This is Posner's ([1971](#)) point about taxation by regulation: the regulator can compel cross-subsidies that would otherwise have to appear as taxes, appropriations, or explicit transfers. The Code's record of more than thirty private agreements made under the threat of designation but never requiring it is the canonical instance. The transfer was politically created, but not recorded as a budget outlay. The NMI is closer to an explicit tax, yet its stated purpose is to induce private payments so that government collects no revenue. Indeed, the Explanatory Memorandum states this design intention explicitly: the goal of sustainable and diverse media sector is to be "achieved through an offset mechanism which is designed to be more favourable for entities to pay for the use or production of Australian news content than to pay the NMI." (The Parliament of the Commonwealth of Australia, 2026, para. 1.50). The offset is engineered so that platforms find it cheaper to pay news businesses directly than to remit the charge to government, realising the fiscal function entirely through compelled private transfers rather than budgetary appropriation. This is the purest possible instance of Posner's taxation by regulation: the state achieves a redistributive end without it ever appearing as a tax, an appropriation, or a line in the budget.
- A coalition must support the move, and in this case the coalition is organised around the status quo ante. Adopting Yandle's ([1983](#)) formulation, the Baptists in this case are the advocates of public-interest journalism, local news, and democratic accountability. The bootleggers are the incumbent publishers seeking replacement revenue. What joins them is not merely that each can support the same transfer for different reasons, but that both can describe the transfer as restoration. The status quo supplies the base position from which claims, losses, and proposed changes are evaluated ([James M. Buchanan 2004](#)). Political argument is therefore shaped by which status quo is treated as the relevant one. The bargaining regime does not ask readers to compare the proposed transfer with the current digital-market settlement, in which advertising, classifieds, and attention have moved elsewhere. It asks them to compare it with the pre-collapse newspaper settlement, in which advertising and classifieds funded journalism, readers paid little, and the country had a press. That baseline selection matters. The Baptist claim becomes restoration of a public-good equilibrium; the bootlegger claim becomes restoration of a revenue equilibrium. The policy does not in fact restore the old status

quo, because advertisers, classified buyers, and readers are not returned to the newspaper platform. It constructs a new payer while presenting the transfer as a return to an older order.

5 Adjacency in platform reconstruction

The politically imposed cross-subsidy still needs to land on a particular firm. In an intra-industry model ([Posner 1971](#)), this question is settled by prior fact of regulation: the regulated firm is the firm to which the cross-subsidy attaches. In the inter-industry case, no such prior relationship exists. The regulator must choose a firm to make the substitute payer, and the choice has to be defended. In a working multi-sided platform, the question of who pays whom is settled by cross-side prices and competitive discovery. With cross-side prices gone, the equivalent answer is missing. Nothing in the residual economic structure names firm A as the substitute payer for firm B.

The core of the Australian regime is that when politically reconstructing a multi-sided market the regulator names an *adjacent* firm and presents that adjacency as a reason to make the firm pay. The term *adjacency* our analytic device for tracking how the regime answers the naming problem at each stage. What constitutes adjacency is not stable. What has constituted adjacency has drifted. In the ACCC inquiry, adjacency was claimed in *causal* terms (digital platforms had taken the advertising side). In the Code's design, adjacency was claimed in *functional* terms (digital platforms were unavoidable trading partners for news). In the Incentive, adjacency is claimed *industrially* (digital platforms above a size threshold are the relevant class). The senses are different, and the differences matter for how the regime is sold; what they share is that the firm being made to pay has been picked out by a political account, not an economic relationship or, indeed, a price. Markets find adjacency through prices and feedback while politics builds adjacency through coalitions, and coalitions reconfigure.

Posner, like Stigler ([1971](#)), Peltzman ([1976](#)), and Becker ([1983](#)), describe regulators choosing instruments, beneficiaries, and burdens to maximise political support, but they assume the burden falls within an identifiable industry whose stake in the regulated activity is given. Where the substitute payer must be drawn from outside the affected industry, the regulator cannot invoke a pre-existing economic relationship. Some account of why this firm is liable must be supplied. *Adjacency* is the form that account takes. It is a political construction, and like other political constructions in this literature it is sensitive to the coalition it serves and the firm it targets ([Stigler 1971](#); [Yandle May/June 1983](#)).

That sensitivity has two implications. First, adjacency claims are unanchored. There is no price, contract, or prior regulated relationship to fix which firm is the substitute payer; the account is whatever can be made publicly defensible at the relevant moment, and what is defensible can change as evidence, advocacy, and political conditions shift. Second, the firms made to pay can act on the account itself: they can dispute the causal claim, withdraw from the relationship that grounds the functional claim, or restructure to fall out of the industrial class. Meta's withdrawal from Facebook News in 2024 illustrates the second pressure. The Code's bargaining-and-arbitration machinery presupposed that platforms used news. When Meta announced it would not renew its Australian commercial deals, the functional case for the Code lost its anchor. The

government did not designate Meta and force the Code’s mechanism into use; it moved to the Incentive, where the obligation no longer depends on platforms carrying news. The substitute payer was kept in place by changing the account of why the firm is the right payer. The regime’s instability is anticipated in the Incentive bill itself with extensive anti-avoidance provisions (Draft News Media Bargaining (Administration) Bill, 2026, Part 5) that are designed to prevent platforms from restructuring to escape the charge, with retrospective application to schemes entered into from 1 January 2025 — before the legislation was even tabled — suggesting the government expects firms to act on the account of adjacency and attempt to exit the regime.

The ACCC’s Digital Platforms Inquiry proposed both functional and causal claims running in parallel. The formal analysis was functional: digital platforms had become “unavoidable trading partners” for news businesses, and the terms on which content, links, attention, and data were exchanged were not the terms a competitive market would produce. The political rhetoric, especially from incumbent publishers and the government, was causal: digital platforms had taken advertising revenue, and Google and Meta should pay because they took. The functional frame supplied the legal hook of bargaining-power asymmetry but depended on platforms continuing to use news. The causal frame supplied public legitimacy. However, even here the classifieds (the “rivers of gold”) had not migrated to Facebook or Google but instead migrated to specialised digital platforms not covered by the inquiry ([Australian Competition and Consumer Commission 2019](#), p 89).

Nonetheless, the Code committed to functional adjacency. A bargaining-power remedy needs an exchange to which bargaining can attach. “They took our advertising” is not an exchange but an historical claim. “They use our content” (or, more precisely: “they *link* to our content”) is an economic relationship which can be constructed into a multi-sided market. The Code’s machinery — bargaining over commercial terms for news content carried on designated platform services, with final-offer arbitration as the backstop — therefore presupposes a continuing exchange of news. The discrepancy between the functional policy mechanism and the still partly causal political language was visible but unimportant while the deals continued.

The Incentive formalises the move to industrial adjacency. It is a charge on large digital platforms operating significant search or social media services in Australia, offset by eligible commercial deals with news publishers. A platform that removes news entirely still owes the charge. The Incentive’s published rationale still gestures at the older justifications for intervention — public interest journalism, news sustainability, the value of an informed public — but the design no longer relies on those the economics of multi-sided markets doing work. Indeed, we can see this confusion directly in the Explanatory Memorandum of the (The Parliament of the Commonwealth of Australia, 2026, Section 1.39), excluding and including platforms on opposing grounds (emphasis added):

... Other electronic services, and social media or search services with a smaller active Australian user base, are *excluded as they have limited links to news media* and are therefore less relevant to the bargaining power imbalance experienced by Australian news media businesses. *A significant social media or search service does not need to carry news content to attract an NMI.*

In other words, the policy mechanism has detached itself from any specific economic claim about the structure of the “news referral market” despite maintaining its form.

6 Conclusion

The argument in this paper does not require denying that journalism may have public value beyond the willingness of readers or advertisers to pay for it. Nor does it require a view about whether the state should support the production of public interest journalism. Australia already supports journalism directly through its extensive public broadcasting regime, including the Australian Broadcasting Corporation and the Special Broadcasting Service,⁴ and governments could in principle consider other instruments if they wished to increase the supply of public interest journalism: direct appropriations, contestable grants, tenders for specified journalistic services, tax treatment for non-profit journalism, or regulatory reforms that reduce the cost of media production (Berg 2017). These alternatives raise their own institutional problems, especially around independence, political influence, winner selection, and accountability. The point is not to recommend them here. It is to observe that the news media bargaining regime is a specific and unusual policy instrument: it funds journalism through compelled or threat-induced transfers from selected digital platforms, rather than through transparent fiscal support or general regulatory reform.

That specificity matters. The News Media Bargaining Code and the News Bargaining Incentive do not simply express a public commitment to journalism. They reconstruct a lost commercial cross-subsidy by assigning a new payer through political process. The original newspaper platform joined readers, advertisers, and publishers through prices, matching, and cross-side effects. The Australian regime replaces that discovered arrangement with a regulatory one: publishers receive revenue from firms selected because they are politically adjacent to the collapse, even as the rationale for that adjacency shifts over time.

Multi-sided market collapse therefore creates a distinctive form of rent-seeking. The incumbent does not merely ask the state for protection against competition, nor only for subsidy from taxpayers. It asks the state to identify another firm to perform the funding role that a missing side of the old platform once performed. The Australian case shows how such a claim can be made plausible through public-good rhetoric, ambiguous value attribution, opaque incidence, and the memory of a lost status quo ante. It also shows why the resulting policy is unstable: because political adjacency is not disciplined by the prices and feedback that held the original market together, it must be reconstructed and rejustified as circumstances change.

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⁴ For a book-length critique of the ABC as a publicly funded broadcaster, see Berg and Davidson (2018).

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