The Rise of the Blogosphere

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Abstract

“Weblogs have proliferated rapidly in recent years, attracting significant attention and generating important legal issues. Yet there is so far no coherent economic framework for addressing those issues.”

University of Chicago Law School professor Larry Ribstein has begun the work of examining the economics of blogging, and his excellent cost-benefit analysis is a quality initial venture into an emerging area of study. It seemed best, however, to examine the field from another vantage point, and that is what I have done. Rather than address specific cost-benefit arguments in this paper, I have attempted to illustrate instead the market movement as a whole. Though statistics can be notoriously unreliable, they seem to tentatively indicate a shift from mainstream media, which we define to include network television and traditional print newspapers, to an almost asymmetrical style, including cable news, online news aggregators, and the still emerging blogosphere. Since the effects of cable news have been visible and studied since the 1980s, I chose to address the blog market. As IBM reminds us, today’s world is an on-demand world. In this world, only products which meet the rigorous standard demanded by the free market will remain viable. It is my contention that the blog industry fulfills just this mandate. Through a potent combination of specialization in the form of niche blogs and expert analysis, rapid information dissemination through continuously updated content, and unprecedented accessibility both in terms of information provision and consumption, the blogosphere has not only seized market share today but is in a position to dominate tomorrow’s market as well.

1 Larry Ribstein, “Initial Reflections on the Law and Economics of Blogging,” 2.
Introduction

With President George W. Bush’s United States Supreme Court nominee Harriet Miers being debated, where did you turn for news and commentary? If you count yourself among the well-educated and internet savvy, you probably glanced at a website summarizing the latest coverage of the nomination, like Instapundit, or maybe you clicked over to Professor Bainbridge or the Volokh Conspiracy to hear a bona fide lawyer’s opinion on the matter. (Perhaps, however, the Mises blog or Lew Rockwell’s is more your style.) If you did any of the above, you are a part of the rapidly growing audience commanded by a group of rising neo-journalists known as “bloggers.” A shift is occurring from mainstream news media to a market of frequently updated, personal web pages devoted to either particular subjects or specializing in general topical news aggregation. The question we must ask ourselves is, what are the economic underpinnings of such a shift? The answer, in my opinion, is a high degree of specialization, consumer demand for instantaneous news and commentary, and near costless and ubiquitous accessibility.

Definition of Terms

The words “blog” and “blogosphere” might be unfamiliar to you. If they are, you just haven’t been paying attention. In 2004, Merriam-Webster chose “blog” as their word of the year. Since then, the popularity of blogs has only increased rapidly. So what are they? According to Daniel Drezner, assistant professor of political science at the University of Chicago, and Henry Farrell, assistant professor of political science and international affairs at George Washington University, blogs are “periodically updated journals, providing online commentary with minimal or no external editing” typically “presented as a set of ‘posts,’

individual entries of news or commentary, in reverse chronological order” often including
“hyperlinks to other sites” and serving as “personal diaries, political analysis, advice columns on
romance, computers, money, or all of the above.”

In simpler jargon, blogs are simply frequently
updated, personal websites often interdependent on other, similar sites via reciprocal links. The
blogosphere then is merely “the term used in the blogging world for the blogging world.”

**Short History of the Blogosphere**

Drezner and Farrell offer this short history of the prevalence of blogs. “In 1999, the total
number of blogs was estimated to be around 50; five years later, the estimates range from 2.4
million to 4.1 million. The Perseus Development Corporation, a consulting firm that studies
Internet trends, estimated that by 2005 more than 10 million blogs will have been created.”

And that is precisely what we find. By March 2005, Technorati estimated it was “tracking over 14.2
million weblogs, and over 1.3 billion links.” They further find that “this is just about double the
number of blogs that we were tracking 5 months ago.” In October 2004, Technorati was
“tracking 7.8 million blogs, which means the blogosphere has just about doubled again in the
past 5 months, and that the blogosphere continues to double about every 5.5 months.”

It is important to note that a significant amount of created blogs are not being actively updated.
(Technorati estimates only 13 percent are active.) However, if Technorati’s statistics are
believable, and there is no evidence to suggest otherwise, the blogosphere has been expanding
rapidly and will likely continue this expansion for the foreseeable future.

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4 Daniel Drezner and Henry Farrell, “Web of Influence”
5 David Kirpatrick and Daniel Roth, “Why There’s No Escaping the Blog”
6 Ibid.
g graphical representation of these numbers.
8 Ibid.
9 Ibid.
The geometric expansion of the blog supply would be nonsensical, however, if it were not accompanied by a similar expansion in the demand for blog content. In the spring of 2003, according to Pew Internet and American Life Project, “11 percent of internet users at that time had read blogs.” That number subsequently leapt to 17 percent in February 2004 and 27 percent in November 2004. Clearly demand is not only keeping up with supply but actively encouraging it. If historical patterns continue, both blog writing and blog reading will increase significantly in the near future, and that increase will come at the expense of more traditional sources of news.

The Blogosphere vs. Mainstream Media

Recent data suggests the popularity of blogs is growing strongly, but is it at the expense of traditional sources of news and commentary? While this is difficult to ascertain, preliminary evidence at least suggests a correlation if not necessarily causality. The numbers for mainstream media sources have been declining for years. In the Spring 2005 issue of the Wilson Quarterly, publisher of The Weekly Standard Terry Eastland details the recent decline of traditional media. Old media is deteriorating, he writes, and it’s time to write “an account of their rise and decline and delicate prospects amid the ‘new media’ of cable television, talk radio, and the blogosphere.” Moving from their heyday in the early and mid twentieth-century to the 1980s, “more and more Americans have stopped relying on the traditional media for news.” Pioneered by The Cable News Network (CNN) in 1980 and continued by Fox News Channel in 1996, frustrated by national talk radio, and finally done in by the arrival of the blog in 1999,

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10 Lee Ranie, “The State of Blogging,” 2
11 Terry Eastland, “Starting Over.” (NB: A subscription to EBSCOhost or a similar research database is required to access this article.)
12 Ibid.
mainstream media is in full retreat.\textsuperscript{13} Statistically, newspaper circulation has fallen since 1990, the number of daily newspapers has decreased, viewership of the evening network news has been cut almost in half since 1980, and, most worrisome for advertisers and hence television’s bottom line, the median age of network news viewers is now 60, hardly the ideal demographic.\textsuperscript{14} That desired demographic is the one browsing blogs. Pew reports the average blog reader is “more likely to be young, male, well educated, internet veterans.”\textsuperscript{15}

If the numbers seem difficult to contextualize, here is some commentary from Pew to put matters into perspective. “The number of adult readers of blogs is about 40 percent of the size of the talk radio audience. According to a survey a year ago – May 2004 – by the Pew Research Center for The People & The Press, 40 percent of all American adults are regular or occasional listeners. And that same survey showed that about 79 percent of American adults regularly or sometimes read daily newspapers. So, the blog-reading audience is about 20 percent of the size of the newspaper-reading population.\textsuperscript{16} Contrast this with the fact that before 1999 there were no blogs, and you can see the trend developing. In only 6 years, blogs have made significant inroads into the market for news.

Some other factors which point toward both the present and the future success of the blogosphere can be found in the recent actions of Yahoo!, Google, and AOL. Yahoo! News, for instance, has added blogs to their news aggregation.\textsuperscript{17} Google has begun indexing blogs and adding them to a special search found at blogsearch.google.com.\textsuperscript{18} Moreover, Google recently purchased Blogger, the most popular host and software of the blogosphere. Finally, AOL

\begin{itemize}
\item \textsuperscript{13} Ibid.
\item \textsuperscript{14} Ibid. The following figures were quoted in by Eastland from a variety of other sources which he did not indicate individually. For further notation, please see Appendix C.
\item \textsuperscript{15} Ranie, “The State of Blogging.”
\item \textsuperscript{16} Pew Internet & American Life Project, “New Data on Blogs and Blogging.”
\item \textsuperscript{17} British Broadcasting Corporation, “Blogs Vie With News for Eyeballs.”
\item \textsuperscript{18} Ibid.
\end{itemize}
purchased Weblogs Inc, which includes several of the most prominent blogs, among them Engadget and Autoblog. The deal paid between $20 and $35 million for websites which were making nearly $2 million annually.\textsuperscript{19} The lesson from these purchases and additions is simple: Yahoo!, Google, and AOL are proven winners. They have been successful in the market and have been able to predict the market winds well enough to establish themselves in industry leading positions. If they are confident that the blogosphere is the wave of the future, shouldn’t we take note? Finally, we are able discuss the economic factors causing these numbers.

**The Role of Specialization in Expanding the Blog Market**

Several economic principles can assist in explaining the explosive growth of the blogosphere. Perhaps foremost among these is the role of specialization. The theoretical concept of specialization (or division of labor) is easily understood. Murray Rothbard writes in *Man, Economy, and State* that “specialization in a line of production is likely to improve each person’s productivity in that line and intensify the relative superiority of each.”\textsuperscript{20} Operating under this principal, we deduce that by focusing on a single area of expertise – be it a particular aspect of law or politics or technology – a specialist emerges who is then capable of transmitting this knowledge to any consumer wishing to partake therein. Furthermore, in a society engaging in indirect exchange, specialization functions to extend the scope and breadth of the market, as Rothbard argues in chapter three of *Man, Economy, and State*. He writes,

“In the modern world of specialization and division of labor, it is almost always the consumers alone who decide, and this in effect excludes the capitalists, who rarely

\textsuperscript{19} Rafat Ali, “Exclusive: Weblogs Inc Being Bought Out By America Online.”

consume more than a negligible amount of their own products. It is the consumers, then, given the ‘natural’ facts of stocks of resources (particularly labor and land factors), who make the decisions for the economic system. The consumers, through their buying and abstention from buying, decide how much of what will be produced, at the same time determining the incomes of all the participating factors.”

Thus, via the process of specialization, the market satisfies ever-expanding numbers of consumers.

Let us examine the pertinent case: the market for blogs. In mainstream media, niche markets are avoided – they are simply unprofitable. Law professor at the University of Chicago Larry Ribstein explains the market for the specialization of blogs. “The costs of mass media,” he writes, “can be recouped only through economies of scale. This requires catering to a substantial market, which can leave service gaps.”

These service gaps, however, can be filled by blogs. To cite a rather trivial example, consider the narrow topic of the Kansas City Royals professional baseball team. Typical media sources might be the Kansas City Star’s sports section, which likely runs a daily column on the Royals, plus semi-regular feature articles. If the Royals are doing well, possibly they might receive attention from USA Today. Contrast this with the resources available through the internet. ESPN.com and MLB.com will both devote resources to covering the Royals, but again, coverage often hinges on the performance of the team. During the summer of 2005, for instance, the Royals nearly established a new record for most consecutive losses. They failed at that, too, though, and traditional media rapidly lost attention. Enter the blogosphere. Even a topic as banal as Kansas City Royals baseball and a team as

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21 Ibid., 514
22 Ribstein, “The Law and Economics of Blogging: The Economics of Blogging.”
pedestrian as the 2005 version which finished at the bottom of the standings with room to spare generated multiple blogs focused solely on their everyday activities. In a small experiment, I attempted to find as many blogs devoted exclusively to Kansas City Royals baseball and updated daily during the season in a 10 minute period as I could. Not surprisingly, I found 11 high quality, well-written blogs complete with statistical analysis and obsessive devotion to a losing team. If the subject of the experiment were a higher profile team or topic in another area, no doubt the amount of blogs would have been greater and the quality even stronger.

The example of Rafat Ali ought to suffice. Ali was the one-man-show behind PaidContent.org, a job from which he earned $60 to $80,000 annually from advertising alone. His site is a repository of information on what content is being paid for where and by whom. Ali summarizes the nature of a successful blog: “Niche, niche and niche, that's the name of the game.” Specialization, as is obvious, has played a significant role in the adoption of the blogosphere as a new source of news, but it is also not the only factor.

The Role of Time Preference in the Expansion of the Blog Market

A second and equally prominent aspect of the success of the blogosphere is the economic concept of positive time preference. Mises writes in Human Action, “Satisfaction of a want in the nearer future is, other things being equal, preferred to that in the farther distant future. Present goods are more valuable than future goods.” No clearer explanation can be given. The relationship of time preference to the blogosphere should be evident as well. Assuming the good is satisfaction of the desire to intake news of whatever variety – whether national, political,

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23 For the complete list of Kansas City Royals blogs I found during the experiment, see Appendix D.
24 Leander Kahney, “Blogging for Bucks.”
25 Ibid.
26 Ludwig von Mises, Human Action, 484.
technological, etc – that product which fulfills that need best will inevitably capture market share. Since, as was revealed earlier, the popularity of blogs is rising while at the same time that of newspapers and network television is falling, we can infer that the market is speaking and blogs do indeed more satisfactorily deliver the news. Though that would be a logical conclusion to draw, it is not necessary to rely solely on logical deductions. The facts are that blogs have an indisputable advantage in speed. Eastland writes, “A notable characteristic of the new media is speed (some would say haste).”

Tens of thousands of blogs are updated continuously, and the most important stories quickly make their way up the chain until anyone reading blogs on that particular topic has read them.

Several examples will serve the purpose. The first is from the political realm, and the second hails from the consumer sphere, both were recorded in detail by Daniel Kirkpatrick and David Roth for Fortune magazine. The first is usually referred to as “Rathergate” in the blogosphere, and the story is as follows. During the 2004 Presidential campaign, Dan Rather and CBS’ 60 Minutes broke the story of President Bush’s absence from duty while stationed in the Texas National Guard by relying on memorandums typed by his superiors, except he wasn’t and they weren’t. Kirkpatrick and Roth write, “Within a half hour of the broadcast, bloggers started questioning the authenticity of the memos. Others picked up on the suspicions and added their own thoughts and findings. After denying it at first, CBS later admitted it could ‘no longer vouch’ for the memos. Soon after the election, Rather announced his retirement and the blogosphere declared victory—to the chagrin of the mainstream press.”

The speed of the blog market broke the story and news consumers wishing to hear the latest were required to turn to the blogs.

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27 Eastland, “Starting Over.”
28 Kirkpatrick and Roth, “Why There’s No Escaping the Blog.”
A second example concerns the popular locks manufactured by Kryptonite. On Sept. 12, an anonymous internet user revealed that Kryptonite locks could easily be picked with a ball point pen. Shortly thereafter, Engadget posted a video demonstrating the trick and recommended using a different kind of lock. Initially, Kryptonite refused to recognize the problem, but as the blogosphere ran with the problem, the mainstream media, including the New York Times and the Associated Press, published stories about the problem, prompting Kryptonite to eventually replace over 100,000 locks.  

In both of the above cases, the flexibility and speed of the blogosphere set it apart from mainstream media and satisfied an urgent consumer want: information as quickly and accurately as possible. The ability of the blogosphere to provide information quickly gives it a competitive advantage which partially explains its recent surge into the information market, however, that alone does not tell the entire story.

The Role of Accessibility in the Blog Market

The third and perhaps final category accounting for the blogosphere’s recent success is the most complex yet possibly the most important. To reduce it to one word, this category is accessibility. Compared to mainstream media, the blog market has low barriers to entry on the supply side as well as cheap access on the demand side, resulting in rabid competition from within. This in turn forces the production of quality products, resulting in an easily accessible product and inevitably leading to a rising percentage of the market for information. We are

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29 Ibid.
reminded by Rothbard that a freely competitive market is the one which will maximize happiness.\textsuperscript{30}

Accordingly, since the blog market faces competition both from within, among similar blogs, and without, from newspapers, television, magazines, journals, and more, only the best rise to the top and the remainder are practically invisible. Entry into the blog market requires little more than a “computer, internet access, and a blogging program” writes Ribstein.\textsuperscript{31} And further, “This ease of access means nearly infinite diversity and nearly zero intermediation, either directly or indirectly through entry costs. One doesn’t need permission or a permit or financing to enter the blogosphere.”\textsuperscript{32} Drezner and Farrell believe the “greatest advantage of the blogosphere is its accessibility.”\textsuperscript{33} Whether accessibility is its greatest advantage or not, it is undeniably a real factor in the blog market’s nascent success.

**Conclusion**

The essence of the free market is supply catering to demand. Entrepreneurs recognize a current or future demand and act to meet it. By doing so, they are rewarded with monetary profits. If they miscalculate, they are punished by financial losses. If we must choose one reason for the recent success of the blog market, this is it. The blogosphere has more successfully met and satisfied the demands of the marketplace. The market has demanded increased specialization, and the blogosphere has responded with blogs ranging from politics to technology to sports, and every subgenre in between. The market has demanded an agile and rapid-fire dissemination of information, and the blogosphere has responded with continuously updated

\textsuperscript{30} Rothbard, *Man, Economy, and State*, 753
\textsuperscript{31} Ribstein, “The Law and Economics of Blogging: The Economics of Blogging.”
\textsuperscript{32} Ibid.
\textsuperscript{33} Drezner and Farrell, “Web of Influence.”
blogs and the necessary software to monitor them. Finally, the market has demanded quality and accessibility, and the blogosphere was uniquely positioned to comply. The cost to consumers is minimal, with the time lost being the heaviest price customers are required to pay. Furthermore, the output has been quality. If it was not, no profit would be turned, but that is not what we observe. Instead, advertisement has made many bloggers financially secure, and some blogs have been purchased by large companies. The fact that money is flowing into the blog market suggests what we have suspected all along: blogs are doing a better job of meeting consumer demand. Drezner and Farrell hold that “the blogosphere’s influence will more likely grow than collapse” as more bloggers enter the field. 34 I am inclined to agree.

34 Ibid.
Appendix A


Appendix B


Appendix C

Daily U.S. newspaper circulation
1990: 62,327,962
2003: 55,185,351

Number of daily U.S. newspapers
1990: 1,611
2003: 1,456

Combined viewership of network evening news
1980: 52 million
2004: 28.8 million

Median age of network evening news viewers: 60

Appendix D

Here are the websites I found within 10 minutes of searching using a combination of search engines (Google, MSN, and AOL) and links from other blogs.

- http://royals.mostvaluablenetwork.com/
- http://dailylancer.blogspot.com/
- http://www.all-baseball.com/kauffman/
- http://royalscorner.blogspot.com/
- http://www.royalsreview.com/
- http://www.thepinetarrag.com/
- http://thekclpipeline.blogspot.com/
- http://kcstarstatguy.blogspot.com/
- http://kansascityroyals.barebaseball.com/
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http://www.mises.org/rothbard/mes.asp


–. “State of the Blogosphere, August 2005, Part 2: Posting Volume.” Technorati,