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Thank you for the opportunity to comment on “Online platforms and digital advertising market study: Statement of Scope.” I am chief economic strategist at the Progressive Policy Institute, a Washington DC-based nonprofit think tank (PPI). We focus on growth and innovation policies globally. A brief summary of my qualifications and PPI’s mission is found below.

In that role I have studied the global market for digital advertising in a recent PPI policy paper, entitled “The Declining Cost of Advertising: Policy Implications” (July 2019). I am submitting this paper as a comment, since the Statement of Scope indicates that the inquiry will collect information on price of digital advertising.

This paper lays out some of the key facts about the global digital advertising market. Our research suggests that the shift to digital advertising, rather than pushing up prices, has been a significant force driving down the cost of advertising globally. We show that the share of GDP going to advertising in media has dropped by roughly 25% in the United States, and other countries such as Australia, France, and Germany. The main reason: Digital ads cost less than their equivalent print counterparts.

We calculate, based on several assumptions, that for every \$3 that an advertiser spends on digital advertising, they would have to spend \$5 on print advertising to get the same impact. The benefits of these lower prices flow directly to advertisers and consumers.

Moreover, data from the U.S. Bureau of Labor statistics shows that the price differential between print and Internet advertising has been widening, not narrowing. Since 2016, the price of print advertising in U.S. newspapers is down 6%, based on the first four months of 2019. But the price of Internet advertising sold by digital platforms and other non-print publishers is down 23% over the same stretch. (Figure 5, reproduced below).

Moreover, newspapers have become increasingly uncompetitive, even in the digital realm. According to the BLS, the price of digital advertising sold by U.S. print newspapers has only declined by 4% since 2016. If these figures are accurate, they explain why newspaper publishers have been losing share in the advertising market—they are simply not meeting the market price.

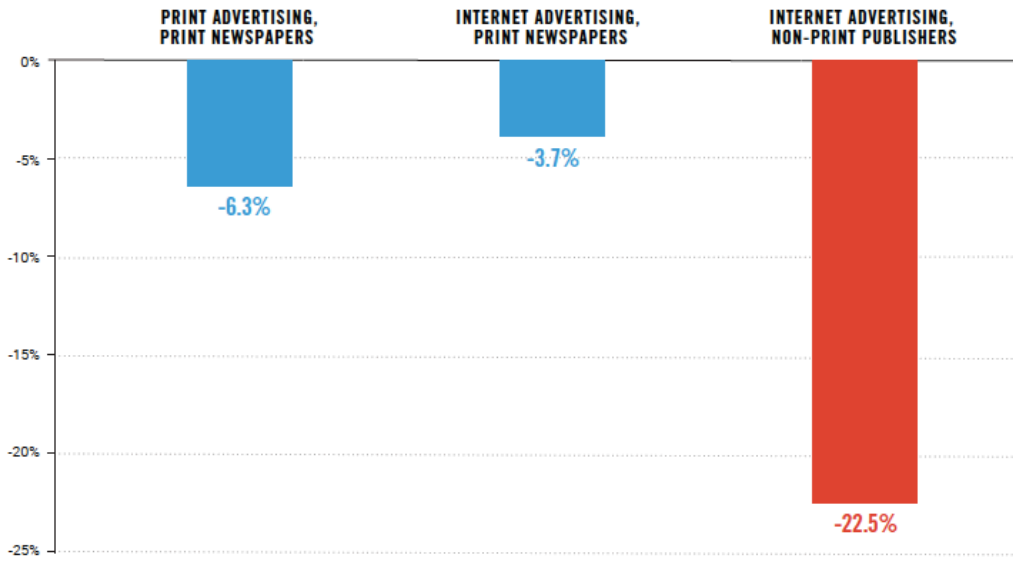
These figures are for the United States, not for the United Kingdom. But this shift to lower advertising prices appears to be a global phenomenon, and it would be a surprise if it were not true for the United Kingdom as well.

Finally, our results do not bear directly on market power. But all else being equal, a market with falling prices is providing powerful benefits directly to the purchasers (advertisers) and indirectly to consumers. We suggest that regulators avoid actions that might end up raising prices instead.

Thank you

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**FIGURE 5. PRINT NEWSPAPERS BECOME LESS COMPETITIVE IN DIGITAL ADVERTISING
(PERCENTAGE CHANGE IN PRICES, 2016-2019*)**



**based on first four months of 2019
Data: BLS, PPI*

Dr. Michael Mandel is chief economic strategist at the Progressive Policy Institute in Washington DC and senior fellow at the Mack Institute of Innovation Management at the Wharton School (UPenn). He was chief economist at BusinessWeek prior to its purchase by Bloomberg.

With experience spanning policy, academics, and business, Dr. Mandel has helped lead the public conversation about the economic and business impact of technology for the past two decades. Mandel's seminal analysis showing how ecommerce creates jobs and reduces inequality was featured by the Wall Street Journal, New York Times, Washington Post, Boston Globe, and Financial Times, among others. His most recent Wall Street Journal op-eds were entitled "Robots Will Save the Economy" and "Get Ready for the Internet of Goods." The March 2017 report he co-authored with Bret Swanson, "The Coming Productivity Boom: Transforming the Physical Economy with Information," makes the case that the information revolution is still only in its early stages. He recently wrote a report entitled "The Rise of the Internet of Goods: A New Perspective on the Digital Future for Manufacturers." He regularly writes about digital manufacturing for Forbes.com.

Dr. Mandel regularly engages with policymakers in Europe, Latin America, and Asia-Pacific on key issues such as privacy, tax policy, fiscal policy, regulation, and competition policy. His analysis of App Economy jobs covers the United States, the European Union, Mexico, Argentina, Brazil, Colombia, Japan, Vietnam, and Australia.

Dr. Mandel started two businesses: South Mountain Economics LLC, a consulting firm focusing on emerging occupations and emerging industries; and Visible Economy LLC, which produced news and education videos for the college market. Dr. Mandel is the author of four books, including *The High Risk Society* and *Rational Exuberance: Silencing the Enemies of Growth and Why the Future Is Better Than You Think*. His survey level economics textbook from McGraw-Hill, *Economics: The Basics*, is going into its fourth edition and widely used across the country. Dr. Mandel received a PhD in economics from Harvard University, and taught at New York University's Stern School of Business.

The **Progressive Policy Institute** is a catalyst for policy innovation and political reform based in Washington, D.C. Its mission is to create radically pragmatic ideas for moving beyond ideological and partisan deadlock.

Founded in 1989, many of PPI's mold-breaking ideas have been translated into public policy and law and have influenced international efforts to modernize progressive politics. Today, PPI is developing fresh proposals for stimulating economic innovation and growth; equipping everyone with the skills and assets that social mobility in the knowledge economy requires; modernizing an overly bureaucratic and centralized public sector; and defending liberal democracy in a dangerous world.