CONCEPTS IN CONTEXT

WALT DISNEY PRODUCTIONS AND ATTENDANCE AT THEME PARKS

Not even the land of Disney is immune to the harsh reality of demand curves. Walt Disney Productions operates two major theme parks: Disneyland in California and Walt Disney World in Florida. A theme park, unlike an ordinary amusement park, offers rides, exhibits, shows, and restaurants in the context of an overall theme. Thus, Disneyland, the oldest theme park in the United States, is centered around cartoon and movie characters. When Disneyland opened in 1955, there were 17 attractions, which have been expanded over the years to 57. The seven major areas of the park are Adventureland, Bear Country, Fantasyland, Frontierland, Main Street, New Orleans Square, and Tomorrowland.

In the 1980s, Walt Disney Productions had revenues of over $1 billion, most of which came from its theme parks, which account for about a third of all theme park attendance in the United States. In 1980, Disneyland attracted 11.5 million people, but in 1984, it attracted only 9.9 million people. This decrease in attendance was painful to Disney's management, and they devoted considerable attention to trying to determine its causes.

To some extent, the decline in attendance may have been due to a movement [redacted] along the demand curve for attendance at the parks. During 1983, Disneyland's admission prices increased by 6 percent. Also, higher gasoline prices tended to increase the cost of driving to Disneyland. For people who drive to theme parks, the driving cost can be regarded as part of the price of attending the parks. Thus, the higher total price of attendance may have been responsible for part of the drop in attendance.

But part of the drop seems to have been due to a leftward shift (shown in the figure on p. 70) in the demand curve for attendance at Disneyland. A harsh winter was blamed for the drop in attendance in 1983. The Olympics, which were held in neighboring Los Angeles, were blamed for the drop in 1984. Also, demographic changes have been cited. As the average age of the population increases and as the average family size decreases, fewer people may be interested in the child-centered themes featured in many parks. To Disney's management, this shift in the demand curve is of central importance. They must try to determine whether they can push the demand curve to the right (by altering the parks, by advertising, and by other means) and whether it is worthwhile to try to do so.*

The Detroit News
Detroit Free Press

In early 1989, the *Detroit Free Press* and the *Detroit News* obtained approval from the United States Court of Appeals to establish a newspaper monopoly in Detroit. Arguing that the *Free Press* was a failing newspaper, they took advantage of a special exemption from antitrust law, allowed under the Newspaper Preservation Act of 1970. (This exemption was created to keep alive competing editorial voices in major cities.) The two newspapers were allowed to continue to print newspapers under their own names, but all commercial operations would be merged.

Because the merged newspapers were legally permitted to fix prices and allocate markets as they pleased, they would constitute a monopoly, even though their newspapers were printed under two different names. The result would be a very substantial increase in profit. Before they combined, each lost more than $10 million a year; after they combined, experts estimated that they would make more than $150 million a year. This is eloquent testimony to the effect of monopoly on profit.

The reasons for this increase in profit were summarized as follows by the *New York Times:* "The formation of the monopoly enterprise would end an all-out war for control of advertising and circulation dollars, sending . . . rates skyrocketing for readers and advertisers."* This, of course, is entirely consistent with our discussion on page 358. A monopolist, free from the constraints imposed by direct competition, can set a higher price—and obtain a higher profit level—than it could if it had to compete with rival firms. The demand curve facing the monopolist in Figure 10.8 is the market demand curve—the demand curve for newspapers in Detroit in this case. This is quite different from the demand curve facing a perfectly competitive firm.

For the above reasons, monopoly newspapers command a higher market value than newspapers with competition. According to William McCluskey, the managing director of a media investment banking concern, a well-run monopoly would sell for about four times revenues, whereas a newspaper with competitors would sell for much less.

Detroit is not the only city with newspapers that have combined—or that are about to combine—their commercial arrangements: the *Pittsburgh Post-Gazette* and the *Pittsburgh Press* have combined, as have the *Miami Herald* and the *Miami News*, as well as the *San Francisco Chronicle* and the *San Francisco Examiner*. According to Stephen Barnett of the University of California law school, "Every industry would like to operate monopolistically. It's just that the newspaper industry has the political power to convince Congress to give it to them."†

New York Times, September 18, 1988.
†Ibid. Also, see *New York Times*, January 28, 1989.