



Google News in Europe

It seems that European legislators really want to go after Google, especially Google News. Recently, Germany has introduced a proposal that would force Google to pay a fee when showing a snippet of a news story among the results. This move comes after the similar French proposal mentioned by Miklos in a previous post.

Going after aggregators is the latest attempt of the news industry to stay afloat after suffering losses in the online world. But is this really the solution? Would this kind of legislation even help publishers? Their argument is that if an aggregator makes money from advertising using the publisher's content, the aggregator should pay for it, otherwise it is like stealing. But this argument fails to take into account that aggregators and publishers live in a symbiosis. This ecosystem is not trivial, therefore requires careful examination. This is what we do in a [paper](#) with Chris Dellarocas and Bill Rand, that has been just accepted to Management Science. We show using an elaborate model that while aggregators, such as Google, do benefit from the content created by third party publishers, aggregators have important positive effects on both consumers and content creators.



First of all, aggregators drive traffic to the content. What is great content worth without people finding it. Think about the Internet before and after the wide-spread use of search engines. That is, while aggregators may appropriate some of the value created by the original content, aggregators create demand for the content. A second more subtle effect of aggregators is that they make publishers compete harder. If consumers can easily find the best content out there, publishers have to invest more in creating high quality content. While this may decrease publishers' profits, it definitely benefits consumers.

It is clear that regulators should be careful and look at both sides of the equation. Of course, we cannot forget that European governments want to protect their national publishers against the evil American giant. And the latest [allegations](#) that Google managed to essentially avoid paying taxes on profits made in Europe don't help its case.

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