In 1975 the Federal Communications Commission initiated the newspaper-broadcast cross-ownership rule, which, by barring a single company from owning a newspaper and a broadcast station in the same market, seeks to prevent any single corporate entity from becoming too powerful a voice within a community. Media organizations have long opposed the ban, and now the FCC, pointing to the proliferation of "new media" sources of news and information, is considering its revision or elimination. But while the telecommunications marketplace has indeed changed over the last quarter century, it has become more concentrated, making the cross-ownership rule more important than ever for encouraging a diversity of voices and hence a more vibrant democracy.

Douglas Gomery is professor of media economics and history in the College of Journalism at the University of Maryland. His most recent book, Who *Owns the Media?* (with Ben Compaine). won the 2000 Picard Prize for the best media economics book of the year.

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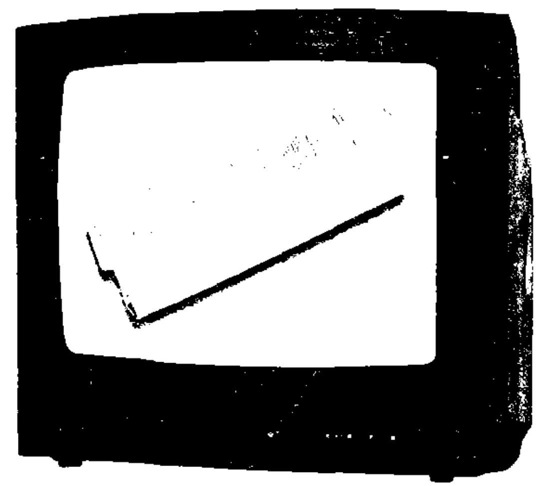
ISBN 0-944826-99-7

THE FCC'S NEWSPAP BROADCA CROSS-OWNERSHIP

03-277

AN ANALYSIS



DOUGLAS GOMERY

THE FCC'S NEWSPAPER-BROADCAST CROSS-OWNERSHIP RULE: AN ANALYSIS

BY DOUGLAS GOMERY

ECONOMIC POLICY INSTITUTE

About the Author

Douglas Gomery is professor of media economics and history in the College of Journalism at the University of Maryland. His most recent book. *Who Owns the Media?* (with Ben Compaine). won the 2000 Picard Prize for the best media economics booh of the year. He has published 10 other books. some 500 articles in scholarlyjournals and encyclopedias. written a column, "The Economics of Television." for the American Journalism Review, and consulted for both the Federal Communications Commission and the Government Accounting Office.

Acknowledgments

The author wishes to thank Eileen Appelbaum for her skills in fashioningthis study. and Marilyn Moon for her help in crafting its arguments and for ner inspiration as one of America's best public policy analysts.

ECONOMIC POLICY INSTITUTE
1660 L Street, NW. Suite 1200
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Introduction

In 1975 the Federal Communications Commission initiated the news
per-broadcast cross-ownership rule, which bars a single company fr
owning a newspaper and a broadcast station in the same market. The pu
pose of the rule is to prevent any single corporate entity from becomi
too powerful a single voice within a community, and thus the rule seeks
maximize diversity under the conditions dictated by the marketplace. T
cross-ownership ban does not prevent a newspaper from owning a broa
cast station in another market, and indeed many large newspapers — su
as the *New York Times* and the *Washington Post* — own and operate broa
cast stations outside their [illegible] (Compaine and Gomery 2000)

Media organizations have largely opposed the rule since its ince
tion, and their prospects for eliminating or limiting it brightened in 19
when the new Telecommunications Act directed the FCC to continual
review all ownership rules. On September 13, 2001, the commission ini
ated a review of the newspaper-broadcast cross-ownership ban, askin
among other questions, whether the rule continues to be necessary to pr
tect a diversity of viewpoints, whether the Internet and other "new medi
have had an impact on the sources of news and information available, a
whether joint operation of a newspaper and a broadcast station yield ef
ciencies and synergies that [illegible] benefits.

Changes in the telecommunications marketplace over the last quar
century, rather than diminishing the usefulness of the newspaper-broa
cast cross-ownership rule, [illegible] more important than ever.

- Since 1975 the number of [illegible] has indeed increased, but
  the same time, ownership [illegible] more concentrated, and tod
  there is less diversity [illegible] and less diversity of news sourc
  — than in 1975.

- The increased mar[illegible] [illegible] fining number of corpor
  voices has led [illegible] [illegible] ses as well, with med

conglomerates stressing profit maximization over concerns of localism and diversity.

- There are synergies between broadcast television and newspaper ownership that are not in the public interest. A local television station owned by a newspaper can simply televise a summary of the paper's content, offering no benefits to the consumer, yet it will still be able to dominate the local political and cultural discourse.

Profit maximization has never been the sole point of U.S. communications policy. Under the Communications Act of 1934, the FCC is charged with allocating spectrum space to maximize "the public interest, convenience, or necessity." The Communications Act and its revisions mandate promotion of the public interest, and thus the encouragement of a diversity of voices so as to promote a vibrant democracy. How best can the commission achieve these goals within the confines of the marketplace?

To this end, we need to abandon the pure free market economic approach that assumes that profit maximization is the paramount goal of a media enterprise. Newspapers and broadcasters are not simple firms reducible to profit-generating equations but rather are large, complex social, cultural, and political institutions, and they need to be analyzed through an institutional economic model that takes into account externalities, both positive and negative, that have an impact on the public welfare.

The newspaper-broadcast cross-ownership rule helps to keep at bay the failure of the marketplace to ensure a variety of voices in news and entertainment. It is as relevant and important now as ever, perhaps more so, and must be retained.

The remainder of this study analyzes the recent history and current status of newspaper and broadcast ownership and concentration, and then goes on to examine the negative implications for the public interest of lifting the ban.

ONE

Today's new[illegible] monopolies

The market power of [illegible] has grown since the cro[illegible] ownership ban went in[illegible] dozens of newspapers h[illegible] gone out of business. [illegible] more than 500 cities and tow[illegible] had two or more comp[illegible] including about 100 cities t[illegible] had three or more [illegible] half dozen communities hav[illegible] least two newspape[illegible] [illegible]perate under joint agreeme[illegible] allowed under the N[illegible] Act. The act, which Presid[illegible] Nixon signed into la[illegible] Justice Department to ma[illegible] antitrust exemptions [illegible] combine non-editorial fun[illegible] tions and, through the [illegible] two voices in the comm[illegible] nity. That the act has [illegible] deregulatory decades dem[illegible] onstrates the continuing [illegible]ntative democracy places [illegible] multiple newspaper [illegible] Picard 1993; Picard, Wint[illegible] McCombs, and Lacy [illegible]

For newspapers [illegible] only the editorial units a[illegible] separate; all other portion[illegible] including printing, advert[illegible] ing, and delivery, opera[illegible] [illegible]omies of scale of such comb[illegible] nations help to keep the [illegible] in business. Yet despite th[illegible] congressionally appro[illegible] [illegible]ond newspaper voice aliv[illegible] the local newspaper bu[illegible] [illegible]ative than ever.

Newspaper comp[illegible] to maintain their monopo[illegible] positions through eff[illegible] high first-copy costs, no tr[illegible] substitutes, and a highl[illegible] (Picard, Winter, McComb[illegible] and Lacy 1988). Ind[illegible] newspapers is so secure th[illegible] there has not been a [illegible] 1976, when the Newhou[illegible] family's privately own[illegible] went after Booth Newsp[illegible] pers, owner of a Mi[illegible] Booth initially resisted, b[illegible] sold for $300 million. [illegible] [illegible]anies are takeover proof, an[illegible] if acquired are done [illegible] Thus, profits remain hig[illegible] and secure.

While advertisin[illegible] single copy costs are n[illegible] ing, the heads of 12 publicly held newspaper companies in 2000 took home an average of $3.6 million in salary, bonuses, and other compensation. And despite their downplaying of their future prospects, a study by the *American Journalism Review* found almost all of these companies experienced double-digit growth in earnings in the year 2000. The average operating profit margin was reported to be in excess of 22%, as high as it has ever been (Shepard 2001).

Still, newspaper owners want more — the elimination of the cross-ownership rule. They call for a "level playing field" alongside other media companies, yet maintain high barriers to entry in their own industry. Just ask any former working reporter or editor: they argue, from their experience over the past 25 years, that monopoly newspapers have sacrificed the value of serving the public interest and have focused solely on profit maximization. Community service has given way to corporate profit centers (Compaine and Gomery 2000; Halonen 2001; Squires 1994[1]). After failing to increase profits with investments in the Internet, newspaper owners seek to merge with a local broadcast television station, lay off redundant reporters, editors, and other staff, and add even more to their bottom line (Fahri 2001).

This monopoly situation produces a newspaper aimed not at the whole community but at an audience valued by advertisers, who provide three-quarters of newspaper revenues. Advertisers seek to reach not necessarily a broad audience but rather targeted audiences who might purchase their products or services. Thus, the poor and the elderly, who are of less interest to advertisers, are also likely to be of little interest to profit-maximizing newspapers. While niche newspapers do reach targeted audiences, they differ from the broad-based, dominant monopoly newspapers that set the political, social, and cultural agenda of the community. This monopoly power endangers democracy, and merger with a local broadcast television station would endanger democracy further.

[1] Squires is just one of many editors and reporters who entered the newspaper business when most communities had at least one morning and one evening newspaper, and thus offered alternative competing voices. Universally, these journalists argue for a return to competing local media — both newspapers and television.

TWO

The current [illegible] television oligopoly

The market power of [illegible] while not a pure monopoly li[illegible] a sole local newspaper [illegible] oligopoly. Nearly 50 years a[illegible] the FCC allocated a system [illegible] TV stations, and while cab[illegible] TV and direct broadcast [illegible] made inroads, most peop[illegible] still watch local television [illegible] they are delivered. Apart fro[illegible] cable-only local news [illegible] the top-25 markets, broa[illegible] cast stations also offer [illegible] most markets. Thus, owni[illegible] a local television station [illegible] of profit. Because most st[illegible] tions are owned by chain[illegible] late precise profits, thou[illegible] rare is the case where [illegible] frequently TV station pro[illegible] margins range between [illegible] Compaine and Gomery 2000).

While overall audience [illegible] lined, programming offer[illegible] by affiliates of NBC, [illegible] all accounts for about half [illegible] all television viewing [illegible] the local news broadcast[illegible] of record. Cable news [illegible] — celebrate when th[illegible] obtain shares of the audi[illegible] so called dinosaur night[illegible] news programs — local [illegible] tently draw audiences fi[illegible] times that size.

Overall network [illegible] ing total in the billions [illegible] dollars a year. Television [illegible] that citizens watch and n[illegible] more than any other. Whi[illegible] cannot match that of a t[illegible] major newspaper, its [illegible] local, and agenda setti[illegible] (Compaine and Gomery [illegible]

For newspapers, [illegible] opting targets. It is not [illegible] news media that has [illegible] it is broadcast televisi[illegible] So, not surprisingly, [illegible] selves into the Internet a[illegible] local all-news channel [illegible] paper owners want to ow[illegible] local TV stations. Yet [illegible] monopoly newspapers [illegible] in dire straits, how will [illegible] of millions of dollars nece[illegible] sary to buy top-market [illegible] as any financial institut[illegible] knows, it is nearly im[illegible] owning a local televisi[illegible] station, and there will be cost cutting from scale economies with news reporting. On that known collateral, a local television station and a local monopoly newspaper could find funds to finance any permitted deal. Financial institutions are conservative; they are willing to put up the funds because they know the merger will make greater profits.

Yet profit maximization has never been the sole point of communications policy in the United States. Under the Communications Act of 1934 (and its 1927 predecessor and its 1996 successor), the FCC is charged with making effective use of spectrum space by means of allocation to broadcasting and other services. This allocation is performed to maximize "the public interest, convenience, or necessity." Though expressed in different ways over the years, the FCC has clearly held that the "best" broadcast station is locally owned and operated. Such ownership was deemed in the public interest, as it would presumably be closer to local needs and concerns, and thus the station would more adequately reflect and project that community than some absentee-owned operation or central network. Such a policy strongly affected such basic decisions as television allocations, as begun with the 1952 Sixth Report and Order, which expressed the need to provide as many local TV channels as possible. This "public service obligation" remained in the 1996 Telecommunications Act even as that deregulatory law eliminated the long-standing restrictions on broadcast network ownership of cable systems. (Earlier FCC rule making, congressional action, and the 1996 Telecommunications Act removed restrictions on the acquisition or creation of cable systems by telephone companies.) The 1996 act removed the numeric cap on the number of stations a broadcast network could own, replacing it with language that an individual, company, or corporation could own broadcast television stations that reached up to 35% of households in the United States (UHF stations counted half their actual reach for this limitation calculation). The act also removed the long-standing ban on joint radio-broadcast TV ownership in the same market. As the commission interpreted the 1996 act, it extended broadcast licenses to eight years to facilitate competition; under previous rules, TV stations had to renew their broadcast licenses every five years. The reasoning was that the lengthened license term would reduce the burden on broadcasters, and allow the competitive marketplace to operate more efficiently (Aufderheide 1999).

But Congress did not eliminate the cross-ownership rule in 1996 because it recognized the rule's value. There was debate on deleting the rule in the years leading up to the 1996 act, but legislators knew of the importance that the two media offered in local communities, and did not want to decrease the voices available in political debate (Aufderheide 1999).

THREE

Potential impact for news coverage

The synergies betw [illegible] and newspaper ownership [illegible] been apparent for a [illegible] quintessential profit maximizer newspaper ace [illegible] stated in his autobiography, [illegible] synergies between [illegible] newspaper operations and broad[illegible] [television] operation[illegible] By 1986, Gannett owned eight stations in markets [illegible] newspapers. Neuharth reve[illegible] that, if he could acq[illegible] in markets where Gannet[illegible] ready owned a monop[illegible] expected profits to grow fu[illegible] (Neuharth 1989).

Only the FCC'[illegible] cross-ownership rule preve[illegible] that combination[illegible] have continued to be hea[illegible] Gannett newspaper [illegible] towns. Neuharth was bru[illegible] honest in his autobi[illegible] grandfathered local new[illegible] per and broadcast [illegible] any extra coverage their [illegible] duty, not an excepti[illegible] rage. They want to be tho[illegible] of as "benevolent" [illegible]

A local televisi[illegible] a newspaper could simply [illegible] vise a summary of th[illegible] There is no advantage to the pu[illegible] of having a TV stati[illegible] of a monopoly newspaper deed, citizens have [illegible] already — through an Inte[illegible] site. In the late 199[illegible] started Internet sites u[illegible] their brand names. [illegible] Thus, to grow their alr[illegible] profitable compani[illegible] newspapers are lookin[illegible] a proven method to [illegible] means to serve the public in[illegible] est or add diversity [illegible] tion locally. Owning a l[illegible] television station off[illegible]

Eliminating th[illegible] will have profoundly nega[illegible] implications for the [illegible] rule were to be dropped. emergence of unregula[illegible] pers, the newspaper-TV c[illegible] binations, would be [illegible] political and cultural course and thus serio[illegible] individuals in a free s[illegible] ety to speak and receive all manner of communications. A study of the Zanesville, Ohio media market, where the only newspaper, radio station, and television station were, in the early 1970s, under the same ownership, found that residents of Zanesville used the news media less, and were less well informed, than residents of similarly sized cities with more media outlets. Since then, grandfathered companies have tread lightly by not covering important issues, rather than overtly abusing their privileged status (Stempel 1973).

Yet conflicts of interest can and do arise. Milwaukee's Journal Communications, owner of the *Journal-Sentinel* newspaper and the local NBC affiliate WTMJ-TV and radio station, became a cheerleader for a new baseball stadium to be paid for by the taxpayers. Not only did publisher Robert Kahlor chair the governor's stadium commission, but reportedly Kahlor spent $25,000 of corporate monies lobbying state lawmakers. The WTMJ stations carry the Brewers baseball games (McConnell 2001).

The cross-ownership rule at least constrains these monopolists, and offers a measure of a robust marketplace of ideas essential for a democracy. Newspaper companies cannot assemble, as they wish to do now, a strong position in local television, nor simultaneous control over a community or town's cable system or radio station.

Since newspapers have had their chance to participate in the new electronic world of the Internet, and failed by their own criterion (profit maximization), the policy question reduces to: should the FCC relax the newspaper-broadcast cross-ownership rule so the monopoly newspaper can take over a local television station simply to provide its corporate owners with a new profit center? From the point of view of the public interest, the answer should be no.

FOUR

No real world technological transformation

It has long been expected [illegible] and the Internet would merge. [illegible] millions began to use th[illegible] [illegible]gular basis at home, televis[illegible] station entrepreneurs sought [illegible] chnologies to offer the Inter[illegible] through television sets [illegible] and programs such as WebTV.

But this long-prom[illegible] has not come to pass, and bro[illegible] cast TV continues to b[illegible] and entertainment system. [illegible] basic fare most Ameri[illegible] the time. Cable TV chan[illegible] appeal to niche fans, and [illegible] as a supplement.

The "assumption [illegible] changed is just that — an [illegible] sumption. The pressu[illegible] [illegible]sion stations and newspa[illegible] is pure greed. Both local [illegible] and newspapers today are q[illegible] profitable, and so there [illegible] change the rule.

The basis of the [illegible] today's media marketplace a[illegible] was when the rule was [illegible] 1975. The rule has been an im[illegible] tant safeguard ensuring th[illegible] Amendment rights. The ration[illegible] for the rule is provide [illegible] media marketplace of id[illegible] essential for a democra[illegible] helped maximize the numbe[illegible] local voices. The local [illegible] ness is doing just fine; add[illegible] more newspaper owner[illegible]

FIVE

Media conglomerates

When a newspaper and a broadcast television station are under a single operation, it is often as part of a media conglomerate with many other interests as well. This structure constrains reporting, as the conglomerate ignores and does not send out information that may have a negative impact on the conglomerate's other interests. Because news is but one product of many media conglomerate corporate activities, the temptation is to maximize profit — and avoid embarrassing or constraining profit potential. Here, abuse lies in what is not seen and heard. Thus, the combination of a local monopoly newspaper and a local television broadcast station will be made even worse if the companies become, as is likely, part of a media conglomerate. When the big get bigger, there is a loss of diversity and a dampening of a multitude of voices (Picard, Winter, McCombs, and Lacy 1988).

Behind today's seeming plethora of television choices are five conglomerates: Disney (which owns ABC), Viacom (CBS and the United Paramount Network), AOL Time Warner (The WB), News Corporation (Fox), and General Electric (NBC). Moreover, the world of cable is worse than the three-network world of the 1970s. Then there were three choices; now the single local cable provider chooses which channels we can watch. Profit is the lone criterion for cable company judgment.

But what about all those cable networks? The BETs, the TNNs, the MTVs? Most are owned in part (or completely) by one of the major media conglomerates. The cable powers — led by AOL Time Warner — take the tack that owning the franchises guarantees their networks favorable treatment. Thus, we ought not be surprised to learn from the National Cable Television Association's list of the "Top Cable Networks" that media conglomerates own most services. For example, Fox alone now owns and affiliates with more than 200 television stations across the United States, but also programs FX, Fox News, and a plethora of regional sports networks. In December 2001 EchoStar signed a deal to purchase DirecTV, and if the deal survives regulatory muster then consumers may have just one choice in DBS. This proposed and other future mergers will seek greater profits.

Locally, a media conglo[illegible] a local television station w[illegible] love to also own the do[illegible] newspaper, if only to cross-pro[illegible] broadcast and cable TV inte[illegible] Such a merger could be of great hel[illegible] the owners of the congl[illegible] that would offer even less diversity t[illegible] viewer. Such a situation [illegible] would reduce the First Amendi[illegible] rights of viewers and [illegible] mere consumers and specta[illegible] That would be a danger[illegible] for democracy, permitting a han[illegible] of companies that contr[illegible] uction and distribution of news, e[illegible] tainment, and ideas to be[illegible] ther consolidated.

Newspapers and broad[illegible] provide different functions in the [illegible] discourse. Allowing cr[illegible] ship will undermine the marketplac[illegible] ideas by weakening the [illegible] that provide in-depth analysis, o[illegible] ion, and investigative re[illegible] will threaten the unique instituti[illegible] motivation and perspect[illegible] papers bring to public debate. [illegible] basic principle embodi[illegible] rule seeks to fuel political par[illegible] pation and debate abou[illegible] norms, cultural values, indivi[illegible] aspirations, and commu[illegible] society. This principle will be jeo[illegible] dized if broadcasters ar[illegible] or be owned by, a newspap[illegible] the same community.

Ultimately, each [illegible] the media system — newspap[illegible] broadcast networks, cab[illegible] and the Internet — provides a dis[illegible] product of news, inform[illegible] and each has its own ins[illegible] tional framework, geog[illegible] and relationship with the [illegible] Thus, far from being [illegible] interchangeable media outlets, various print and elect[illegible] organizations currently have dis[illegible] roles in informing and [illegible]

These distinctions [illegible] if the cross-ownership ru[illegible] relaxed (Compaine and [illegible]

SIX

Why help fewer, more powerful media owners?

In the FCC's order and notice of proposed rulemaking regarding broadcasting-newspaper cross-ownership, the commission recognized that, while the number of media outlets has grown, concentration of ownership has increased as well. Moreover, it acknowledged that this growth has coincided with the relaxation of media ownership rules, such as the national TV ownership limit and local radio ownership rules. For example, in 1975 a single entity could not own more than 14 radio stations nationwide, while today one entity owns more than 1,000 stations. Since the enactment of the Telecommunications Act of 1996, the number of owners of commercial radio stations declined from approximately 5,100 to approximately 3,800, a decrease of 25%[2] (Compaine and Gomery 2000).

Similarly, since 1995 the number of entities owning commercial TV stations has dropped by 40%. Newspaper ownership has rapidly consolidated as well. For example, Gannett, after a multi-billion dollar spate of acquisitions in 2000, grew from 74 daily newspapers to 99, and it operates as a local monopoly in each of these markets. Gannett now produces one out of every seven newspapers sold in the United States. Three huge chains, Gannett, Knight Ridder, and the Tribune Company, together account for a quarter of all the daily newspaper circulation in the nation (Compaine and Gomery 2000).

Two detailed studies attached to the comments provided the FCC by the Office of Communications Inc. of the United Church of Christ, the National Organization for Women, and the Media Alliance, filed December 3, 2001, show in great detail that for local radio markets there are now

[2] In the period before passage of the Telecommunications Act of 1996, when companies were prohibited from owning more than one radio station in a market, cross-ownership of a same-market newspaper and radio station would not have posed a major threat in terms of monopolizing opinion. But with the concentration of radio station ownership within markets since 1996, relaxing newspaper-radio cross-ownership would now pose a significant threat to the diversity of voices.

more stations on the air [illegible] by fewer parties, meaning decrease in voices. The [illegible] television ownership and mark[illegible] concentration shows th[illegible] broadcast television. It also show[illegible] that, despite cable TV [illegible] the major affiliated broa[illegible] cast television stations still [illegible] share of viewers, and are t[illegible] more powerful and influential [illegible] news site or any other ne[illegible] technological outlet. The [illegible] users get their news fro[illegible] newspapers and broadcast [illegible]. And, indeed, many of th[illegible] supposedly "new" outlets [illegible] owned by newspapers an[illegible] broadcast television station[illegible]

In summary, media [illegible] made the conditions that le[illegible] to the enactment of the [illegible] rule worse today than the[illegible] were then, making it [illegible] that the rule be maintaine[illegible] Why should public policy [illegible] profitable monopolie[illegible] oligopolies, and conglomer[illegible]

SEVEN

Maximizing the public interest

The Communications Act and its revisions continue to demand promotion of the public interest, and thus maximize a diversity of voices so as to promote a vibrant democracy. How best can the commission achieve these goals?

In addressing this question, we need to recognize that in the newspaper and television industries there are market failures. How should one go about trying to make policies to correct market failures? A particularly important issue in this regard is how to fashion the most diverse ownership of the mass media. How should we make sure that the stated policy of safeguarding the public interest is ensured?

We need to abandon a pure free market economic approach as the sole method of analysis. That neo-classical economics approach assumes that efficient operation and profit maximization represent the paramount goal — and often the only goal — of any media enterprise, even ones so vital to democracy and quality of life as mass communication and mass entertainment. Studying the economics of mass communication as a homogeneous good or service assumes away the important roles played by the media in society and public life. We need to abandon this narrow perspective, which sees no reasons for any government intervention.

Citizens recognize media externalities. Minorities ask for more diverse ownership. Critics from all sides have long sought a forum for local expression. To this end, an institutional economic model, rather than a neo-classical free market model, offers a better approach.

If we are to move past efficiency as the sole criterion of proper policy, we must begin by recognizing that newspapers and broadcasters are not simple firms reducible to equations but large complex social, cultural, and political institutions. When the Communications Act grants owners an exclusive broadcasting monopoly, it generates ramifications not only in economic terms but also in social, cultural, and political terms.

The importance of externalities is carefully laid out in James Hamilton's *Channeling Violence* (1998). Looking solely at the market for

television violence, he [illegible] whereby costs spill over members of society and [illegible] the industry. He compares [illegible] situation with environmen[illegible] firm that generates hazardo[illegible] waste does not incorpora[illegible] society of its corporate dec[illegible] sions when it fails to cal[illegible] into the costs of produ[illegible] ing, marketing, and distri[illegible] the public. A means needs [illegible] be created so the pollutin[illegible] nalizes all costs, corporate a[illegible] societal (Hamilton 1998).

Externalities, both [illegible] need to be considered [illegible] any policy analysis. Ham[illegible] to reduce damages fro[illegible] violence on television [illegible] ing system. Programme[illegible] use violence as part [illegible] ivity, and Hamilton argu[illegible] for the need for media [illegible] negative externalities. W[illegible] also can seek to diversi[illegible] the cross-ownership ru[illegible] furthers this goal (Hamil[illegible] 2001).

There are too many [illegible] world to rely on an idea[illegible] ized neo-classical abstra[illegible] cannot assume away e[illegible] ternalities. That is, from [illegible] to acknowledge that t[illegible] history of institutions pla[illegible] that institutional ownershi[illegible] matters. Institutions see[illegible] nopoly power. We need [illegible] acknowledge that, and s[illegible] ncourage diversity and lo[illegible] calism.

Neo-classical econ[illegible] above all. However, whi[illegible] free market economists [illegible] rformance criterion, publ[illegible] policy analysts ought to [illegible] difficult, but just because [illegible] is difficult does not mean [illegible] cial roles of the mass me[illegible] dia in democracy and ma[illegible] ered just another homoge[illegible] neous good or service (M[illegible]).

Media industries ou[illegible] peech and political discu[illegible] sion. A democracy need[illegible] to make it work, and th[illegible] mass media ought to b[illegible] mote debate of all points o[illegible] view. The marketplace [illegible] of accuracy and complete[illegible] ness, and these qualiti[illegible] inition of diversity. Publ[illegible] regulations must seek [illegible] as possible, realizing ho[illegible] central various means of [illegible] rust democracy. This go[illegible] should not be consid[illegible] equal to efficiency as [illegible] criterion to maximize.

Should members [illegible] ociety be shut out of th[illegible] mass media industrie[illegible] managers or as consum[illegible] ers? For consumers, [illegible] nd more restrictive as [illegible] larger share of the m[illegible] ment for services. Tel[illegible] vision used to be considered free; now the vast majority of homes pay a monthly fee for access to cable TV or DBS. If television is an important link in a democracy, how will the process of government change when a sizable segment of the population lacks access to cable or DBS television? This issue strikes at the heart of the diversity question. Research by Joel Waldfogel of the University of Pennsylvania's Wharton School suggests that minorities are better served by minority-owned media outlets, which contain more minority-oriented content. Waldfogel concludes that we should expect a reduction in targeted minority satisfaction if the rule is altered (Waldfogel 2001).

We can do better. Communication systems break down space and tie us together; but they also cause disconnections, paranoia, and social volatility. For instance, Robert Kuttner, in his book, *Everything for Sale* (1996), persuasively links the erosion of civic life through the 20th century with the agenda-setting power of the mass media in general and broadcast television in particular. For example, when the 1996 Telecommunications Act lifted ownership limits, localism and diversity disappeared so much that the Department of Justice stepped in to negotiate a case-by-case set of consent decrees to guarantee at least some diversity (Kuttner 1996).

Prior to the 1996 act, radio broadcasting was decentralized and considered competitive. That is, many stations offered closely competitive "products," i.e. formats, particularly in major markets. Research showed that the average person tuned in to a score of stations — through button selections on the car radio — and might listen to several country stations, for example. Further, each substitutable station in the market sought to differentiate its on-air product in the mind in the listener by way of combinations of music, disc jockeys and personalities, and marketing tactics. There was diversity, albeit not perfect.

But with the relaxation of ownership rules in 1996, chains developed collections of radio stations numbering from the hundreds into the thousands. With this concentration of ownership, decisions of formats were made within the same group, and so the economics of competition disappeared in favor of classic oligopoly — particularly within bigger markets. The Telecommunications Act of 1996 set off the greatest merger wave in history. In a telling metaphor Mel Karmazin, the founder of Infinity Broadcasting (which was acquired by CBS after the act's passage), noted that "it's like combining two ocean-front properties." He meant that the new firm would be not a quaint collection of rural stations in small towns but rather an empire with half a dozen to a dozen outlets in the biggest media markets. By the 21st century, what was once local and diverse radio had become an outlet of Clear Channel, CBS, or ABC.

The 1996 Telecommunications Act for radio did not work, and i[ts] failure ought to alert us to the dangers of eliminating long-time ownershi[p] rules. The cross-ownership rule has worked. Its elimination would not b[e] in the public's interest.

Conclusion

The elimination of the FCC's newspaper-broadcast cross-ownership rule would reduce an important set of voices in the media marketplace. The trend in the 1990s has been to merge media companies, and thus, while audiences see and hear a variety of new channels, these services are controlled by fewer and fewer owners. The increased market power of a sharply declining number of corporate voices has led to negative externalities as well, as the media conglomerates stress profit maximization over concerns of localism and diversity. The cross-ownership rule works to keep the outlets at the present number, and not decrease voices. Since the lone benefit of altering the rule will be more profits to the owners of existing media conglomerates, and more concentration of media, there seems to be no good basis for eliminating the ban.

Indeed, retaining the newspaper-broadcast cross-ownership rule is more important than ever. The need for these safeguards, created in the "old media" era, is as strong as ever, as long as the promised world of new media remains just that --- a promise.

The public interest will not be served by eliminating the longstanding prohibition against common ownership of a newspaper and a TV station in the same community. We need to keep as many independent voices as possible in order to promote and preserve the nation's commitment to maintaining institutions and market forces that promote a robust democracy.

The cross-ownership rule is about maintaining the maximum number of major voices at the local level. We need as many voices as possible to cover local and state elections. We need many voices so that minorities are not shut out. More voices makes for a better democracy. The rule may have been created a generation ago, but it is more relevant and important than ever.

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