Comments on "'Review of the Increases in Non-Entertainment Programming Provided in Markets with Newspaper-Owned Television Stations': an Update" by Michael G. Baumann of Economists Incorporated.

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I was asked by Jonathan Levy, Deputy Chief Economist of the US Federal Communications Commission, to identify potential problems in the reasonableness, correctness, and consistency of the assumptions used to produce the analysis; the quality and sufficiency of the data; and whether the conclusions follow from the analysis.

The study's purpose is to measure whether network-affiliated television stations program more non-entertainment programming in "convergence markets" (wherein a newspaper and television station are co-owned) than in "non-convergence markets." They conduct this analysis by making pair-wise comparisons between convergence markets and similarly-sized non-convergence markets with four broadcast network affiliates. I raise here two methodological concerns and then give an important caveat regarding the study's implications. I conclude by assessing how clearly the study's conclusion follows from the data.

Concern #1: The validity of the pairwise comparisons on which the study is based is the assumption that designated market area ("DMA") size is an indicator of DMA similarity. This assumption is reasonable on its face and, in the absence of better information, would be a commonly chosen starting point. However there is evidence to question whether this assumption is valid. A review of the average non-entertainment programming per station in the 3rd column of Table 1 shows that non-entertainment programming in control markets does not appear to be related to DMA size. For example, three similarly sized control markets (Anchorage, #154; Bismarck, #158; and Billings, #170) contain greatly varying quantities of non-entertainment programming (53.6, 42, and 66.5 hours, respectively). The lack of relationship between DMA size and non-entertainment programming extends throughout the range of DMAs considered. This calls into question the central assumption of the validity of the control group. It may well be that a better set of controls would include measures of market similarity like population demographics, prevalence of religious beliefs, or physical characteristics. For example, more children in a DMA may mean more children's educational programming; a higher share of churchgoing public may mean more religious programming; and more arable land may mean more agricultural programming.[1]

Concern #2: In the case of two DMAs (Panama City and Baton Rouge), the next-largest DMA was served by fewer than four commercial broadcast-network-affiliated stations, so a different DMA was chosen to serve as the control. In a sense, this helps to address the concern raised above if the number of commercial broadcast network affiliates is somehow related to unobserved market characteristics. However, given that the analysis is comparing quantity of non-entertainment programming on a per-station basis, it is not clear that four broadcast network stations are required to make this comparison. The study would be stronger if it reported the results of the comparison with both the next-largest DMA and the next-largest DMA with the same number of broadcast network affiliates.

A caveat regarding the application of the study's result: When selecting a control for Idaho Falls, the authors had to reject four DMAs (#159-162) to find one with four commercial broadcast network affiliates. If the structure of a convergence market crowds out non-broadcast-

[1] Given this concern, it would perhaps have been a better idea to compare convergence markets with control markets that are both similarly sized and geographically proximate.

network affiliated stations, this could have a dramatic impact on non-entertainment programming available, since stations affiliated with public or non-profit broadcasters are known to carry far more non-entertainment programming than commercial stations.

Conclusion: Given all of the above, my opinion is that the study provides limited evidence that commercial broadcast network affiliates in convergence markets air more non-entertainment programming than commercial broadcast network affiliates in non-convergence markets. However, it is possible that a different selection of control markets would reverse this result. And the implications of this study must be interpreted very carefully: it does not support the claim that co-ownership of television stations and newspapers increases the total amount of non-entertainment programming available in a market, since it does not consider the possibility that co-ownership may impact the number or affiliations of non-commercial television stations.