

Diversity and Localism: A Policy Analysis Perspective

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Diversity and localism long have been two of the central non-economic objectives of communications policymaking. The purpose of this presentation is to articulate the specific policy goals inherent in these principles, in an effort to facilitate effective policymaking and – most important – rigorous and relevant policy analysis. To this end, this presentation will explore the underlying rationales for diversity and localism policies, in an effort to draw clearer linkages between intention and outcome that will facilitate the Commission’s efforts to both justify – and assess the effectiveness of – diversity- and localism-motivated policies. This paper also will break these principles down into clearly defined, discrete components, which can then be used in the design of assessments of the effectiveness of diversity- and localism-motivated policies. Along the way, I will also present preliminary results of some work in progress that bears upon these issues, and that I believe represents the type of research initiatives the Commission should be undertaking in an effort to develop a more comprehensive empirical foundation for its decision making pertaining to diversity- and localism-motivated policies.

Diversity

In addressing the issue of if and how diversity policies should be pursued, it is important to address the underlying rationales of the diversity principle. Diversity as a policy objective grows directly out of the marketplace of ideas metaphor’s advocacy of the "widest possible dissemination of information from diverse and antagonistic sources" (Associated Press v. United

States, 1945, p. 1424) in an effort to promote goals such as informed decision making, cultural pluralism, citizen welfare, and a well-functioning democracy. Regardless of whether one takes a purely democratic theory approach or purely economic theory approach to the marketplace of ideas, the concept still emphasizes maximizing both the number of participants in the marketplace and the range of ideas, viewpoints, and cultural perspectives available to citizens/consumers.

In theory and in policy practice, I believe the diversity principle is most comprehensively represented as follows (see Figure 1).

Figure 1

Diversity Components, Subcomponents, and Assumed Relationships.

<u>Source Diversity</u>	⊥	<u>Content Diversity</u>	⊥	<u>Exposure Diversity</u>
1. Ownership		1. Format/Program Type		1. Horizontal
a. Programming		2. Demographic		2. Vertical
b. Outlet		3. Idea/Viewpoint		
2. Workforce				

This model builds upon and extends the source-outlet-viewpoint diversity framework traditionally employed by the Commission. The concept of source diversity here is defined in terms of both content and outlet ownership (“source” and “outlet” diversity under the

Commission's definitions). In addition, the concept of source diversity also encompasses workforce diversity, which is defined in terms of the ethnic and gender composition of a media outlet's workforce. This component of source diversity is best represented by the Commission's EEO policies.

Content diversity is defined not only in terms of diversity of viewpoints, but also in terms of diversity of program types (an imprecise, yet frequently employed unit of analysis in diversity assessments) and demographic diversity, which refers to the ethnic and gender composition of those represented in media content. This latter component of content diversity is well-represented by recent complaints among minority groups such as the NAACP and efforts by the broadcast and cable networks to increase the ethnic diversity of program casts and writing staffs.

As the figure indicates, the traditional presumption that has guided policymaking is that source diversity promotes content diversity. As numerous court decisions have illustrated, there is not, at this point, sufficient empirical evidence to support this presumption in the face of empirical scrutiny. Nor, however, is there substantial contradictory evidence. There is, instead, an empirical vacuum that policy researchers only recently have begun to address. I believe a key research priority for the Commission should be to conduct extensive assessments of the relationship between the various forms of source and content diversity outlined above. This will, of course, facilitate better-informed diversity policymaking.

Finally, there is exposure diversity, a diversity component that traditionally has not been integrated into the Commission's policy making and policy analysis, but is, in my opinion, as central to communications policy as either source or content diversity. Exposure diversity refers to the diversity of content or sources consumed by audience members, which, of course, may be

very different from the diversity of content or sources available. Analyses of exposure diversity would thus seek to answer questions such as: How many different sources are audiences exposed to in their media consumption? Are audiences exposing themselves to a wide range of political and social views? Are they consuming diverse types and formats of programming? And, perhaps most important, what factors affect the levels of exposure diversity among audiences?

At first glance, it might not seem apparent how questions of exposure diversity have relevance from a policy perspective. However, when we return to the diversity principle's origins within the marketplace of ideas metaphor, the relevance of exposure diversity to communications policy decisions becomes clear. Specifically, implicit within the "marketplace of ideas" model is the assumption that audiences provided with a diversity of content options consume a diversity of content. It is this exposure to diverse ideas, sources, and perspectives that facilitates the well-informed decision making that is central to the democratic notion of effective self-governance and the increased consumer satisfaction typically associated with economic perspectives on a diverse marketplace of ideas.

Consequently, audience exposure must be an integral part of the conventional diversity framework and must receive greater attention in policy research. This will allow diversity policy decisions to emerge from a better understanding of exactly how audiences respond to changes in the level of diversity of their media offerings. Economic policymakers typically do not set prices on goods and services in order to achieve their desired objectives; however, they do make policies designed to affect prices and purchasing habits. These decisions are made with an informed understanding of how consumers and industries will respond to these changes. Similarly, while communications policymakers can not -- and should not -- make policies that

directly affect consumption habits, it is certainly within the bounds of their responsibility to make policies that promote exposure to a diversity of sources and a diversity of content. For a communications policymaker to not have a sophisticated understanding of how audiences respond to changes in their media system is equivalent to an economic policymaker not knowing how consumers respond to changes in prices. Assessing exposure diversity can focus on either horizontal exposure diversity or vertical exposure diversity. Horizontal exposure diversity refers to the distribution of audiences across all available content options, while vertical exposure diversity refers to the diversity of content consumption within individual audience members.

Barriers to Diversity

It is also important that the Commission continue to devote attention to the barriers to diversity in media. The Commission recently conducted a series of studies addressing this issue, and the data presented here provide additional insights into the challenges facing efforts to promote source, content, and exposure diversity in the electronic media. Table 1 presents the results of an analysis of radio station power ratios (for 1999) in those Arbitron-defined markets where Hispanic and African-American audience composition data are available. Power ratios are computed by dividing a radio station's share of the total radio advertising expenditures in its market by its share of the total radio listening audience in that market. Thus, a power ratio greater than one suggests that a station is able to capture a share of advertising dollars that exceeds its share of the total audience. Such a station is "overselling" its audience. A station with a power ratio of less than one is capturing a share of advertising dollars that is lower than its share of the listening audience. Such a station is "underselling" its audience. Table One presents a mean power ratio comparison between stations that target minority audiences and

stations that do not. For the purposes of this analysis, minority-targeted stations were defined as those stations for which the majority of the station's average quarter hour audience (i.e., greater than 50 percent) is comprised of African-American and/or Hispanic listeners. As the table indicates, those stations with a minority audience of greater than 50 percent have an average power ratio of .82, compared with an average power ratio of 1.06 for other stations (N = 461). This difference is statistically significant at the .01 level. These results suggest that minority-targeted stations tend to undersell their audiences, meaning that their share of the total radio audience is greater than their share of the total radio advertising revenues in their markets.

Table 1

Power Ratios of Minority-Targeted Versus Non-Minority-Targeted Stations (N = 461).

<u>Station Type</u>	<u>Mean Power Ratio</u>
Minority-Targeted Stations (121)	.82
Non-Minority-Targeted Stations (340)	1.06

Note. F = 27.41 (p < .01).

Table Two presents a list of independent variables utilized to investigate the possible effects of a broad range of factors on station power ratios, including factors such as market competition, market demographics, and station audience composition in terms of age, gender, and ethnicity.

Table 2

Variable Labels and Descriptions

<u>Variable</u>	<u>Description</u>
<u>Market-Level</u>	
MARKREV	Total radio advertising revenues in market.
PERCAP	Per capita income in market.
BLACK	Percentage of market population that is African-American.
HISP	Percentage of market population that is Hispanic.
<u>Station-Level</u>	
AMFM	Does a station broadcast on an AM or FM modulation? (0 = AM; 1 = FM).
MEN1854	Percentage of a station's average quarter hour audience composed of men, ages 18 to 54.
WOM1854	Percentage of a station's average quarter hour audience composed of women, ages 18 to 54.
SHARE	Station's average quarter hour audience share in its market.
AQBLACK	Percentage of a station's average quarter hour audience composed of African-Americans.
AQHISP	Percentage of a station's average quarter hour audience composed of Hispanics.

Interaction Terms

AQBLACK*BLACK; AQBLACK*MARKREV; AQBLACK*PERCAP; AQHISP*HISPANIC; AQHISP*MARKREV; AQHISP*PERCAP.

Dependent Variable

LOGPR Log of a station's power ratio (advertising revenue share/audience share).

As Table Three indicates, both Hispanic (beta = $-.20$; $p < .01$) and African-American (beta = $-.27$; $p < .01$) audience composition are negatively related to station power ratios, suggesting that ethnic composition exerts a downward pressure on a radio station's ability to monetize its audience.

Table 3

Hierarchical Regression for Natural Log of Station Power Ratio for Stations in Hispanic and African-American Measured Markets (N = 461).

	<u>B</u>	<u>S.E.</u>	<u>\$</u>
Block 1: Market-Level			
MARKREV	.00	.00	.02
PERCAP	.00	.00	.01
BLACK	.002	.01	.03
HISP	.002	.003	.04
Adjusted R ² = .00			
Block 2: Station-Level			
AMFM	-.29**	.06	-.26
MEN1854	.01**	.001	.49
WOM1854	.01**	.002	.44
SHARE	.05**	.01	.19
AQBLACK	-.01**	.001	-.27
AQHISP	-.003**	.001	-.20
Adjusted R ² = .32**			
Block 3: Interaction Terms			
AQBLACK*BLACK	-.0002	.00	-.05
AQBLACK*MARKREV	.00	.00	-.03
AQBLACK*PERCAP	.00	.00	.09
AQHISP*HISP	-.0001	.00	-.09
AQHISP*MARKREV	-.00000001**	.00	-.20
AQHISP*PERCAP	-.000001	.00	-.09

Adjusted R² = .37**

R² Change = .05**

* p < .05; ** p < .01.

When these results are considered in light of the fact that minority owners are significantly more likely to present content addressing minority interests and concerns, it becomes clear that both source and content diversity can suffer in an environment in which not all audience segments are valued equally by advertisers. These results suggest that source diversity policies, which traditionally have focused on the establishment of minority-owned and minority-targeted media outlets, should also address means of sustaining such outlets.

Localism

Like diversity, localism never has been an end in and of itself. Rather, localism is a policy objective that is pursued on behalf of broader social objectives. As this discussion will illustrate, localism has had both political and cultural rationales and has factored prominently in the design and operation of our social institutions.

Political Rationales for Localism Policies

From a political standpoint, localism traditionally has been an important value in the distribution of governmental control in the United States. Localism in the design and operation of our political institutions was a central tenet of many of the early democratic theorists. This localization of political power was seen as promoting political participation and education among the citizenry. Such participation, and its concomitant education, can only be achieved, however, via a reduction in the scale of decision making and a genuine transfer of power to the decentralized units. When we acknowledge the media as a significant political institution, the function of localism as a communications policy objective becomes related to traditional democratic theory objectives such as enhanced political participation and better informed political decision making.

Cultural Rationales for Localism Policies

A local orientation to the design and functioning of our social institutions can serve a cultural function as well. Specifically, a focus on localism in institutional design and operation has been viewed as essential to the preservation of unique cultural values and traditions within particular communities. Within the United States, such cultural diversity is both extensive and highly valued. These concerns have been transferred to the regulatory treatment of media institutions, as our media institutions long have been recognized as a potentially powerful influence on culture and values.

In sum, both the political and cultural concerns that historically have permeated the localism principle in the design and operation of our social institutions are relevant to the structure, function, and regulation of our system of electronic communication. Research indicates significant relationships between use of localized media and the strength of community ties; positive attitudes towards the community; the intensity of community commitment; and levels of knowledge of local political issues. These findings suggest that the maintenance and promotion of localized means of self-expression can indeed promote broader political and cultural objectives.

The Localism Principle in Practice

Many of us here are no doubt very familiar with the history of localism policies within the FCC. Central to many of these policies has been the idea that the involvement of local programmers (i.e., local ownership) is an important means of promoting the production of local programming. The data presented here are an attempt to investigate this presumption, a presumption that has, to this point, received very little empirical attention. Local programming,

in turn, has been defined along two dimensions: (a) local production; and (b) addressing local issues and concerns. The Commission often has assumed a causal relationship between these two dimensions, with local origination presumed to lead to local interest programming.

However, the Commission has not been consistent in its acceptance of this assumption, and the empirical record on this issue represents a prime area of neglect from a policy analysis standpoint. Certainly, it may be the case that local origination is likely to lead to content that addresses local interests in concerns; however, the validity of this assumption has gone largely unexamined and must become a central research question for policymakers and policy analysts.

The following results are from research in progress that addresses the question of whether ownership characteristics affect the provision of public affairs programming. This is an extension of previous research that primarily was concerned with the relationship between market conditions and public affairs programming, and involves an analysis of the broadcast schedules for 111 commercial television stations during a two week time period in January of 2000. As Table Four indicates, television stations owned locally aired an average of .85 hours of local public affairs programming during this two week time period, compared with 1.52 hours for stations not locally owned. These results approach, but do not achieve, accepted levels of statistical significance.

Table 4

Means Comparison: Local Public Affairs Programming (N = 111).

<u>Station Type</u>	<u>Local Public Affairs Programming Hours</u>	<u>S.D.</u>	<u>N</u>
Local Owner	1.52	3.11	36
Non-Local Owner	.85	1.97	75

Note: F = 1.902; p = .17

Table Five presents the results of a multivariate analysis of the relationship between various market and station characteristics and the provision of locally produced public affairs programming. There is essentially no significant relationship ($R^2 = .05$; $p > .05$) between any of a variety of market competition and demographic factors (e.g., number of television households, average household income, minority population, cable penetration, number of public TV stations) and the provision of local public affairs programming. Nor is there any significant relationship between local ownership or ownership group size (measured in terms of national household reach) and local public affairs programming. These results raise questions regarding whether audience-based ownership caps or local ownership requirements are an effective means of promoting the production of local public affairs programming.

Table 5

Regression Analysis: Local Public Affairs Programming Hours (N = 111).

<u>Variable</u>	<u>B</u>	<u>S.E.</u>	<u>Beta</u>
<u>Market Demos</u>			
TV Households	-.001	.00	-.32
Avg. Household Income	-.00003	.00	-.07
Percent Minority	-.002	.02	-.01
<u>Competitive Conditions</u>			
Public TV Stations	-.08	.22	-.05
Cable Penetration	.02	.03	.07
Commercial TV Stations	.27*	.11	.42
<u>Station Characteristics</u>			
Station Revenues (000)	.00001	.00	.17
VHF/UHF (0 = U; 1 = V)	.43	.55	.09
Big Four Affiliate (0 = No; 1 = Yes)	.07	.99	.01
Other Net Affiliate (0 = No; 1 = Yes)	-.19	.83	-.03
Local Owner (0 = No; 1 = Yes)	1.04	.55	.20
National Audience Reach (000)	.00001	.00	.03
Constant	-1.38	3.17	

Adjusted R² = .05 (p > .05).

* p < .05.

However, as Table Six indicates, when the definition of public affairs programming is expanded to include both locally and non-locally produced public affairs programming, a slightly different picture emerges, with local ownership positively related to the provision of public affairs programming (Big Four network affiliation also emerges as a significant factor).

Table 6

Regression Analysis: All Public Affairs Programming (N = 111).

<u>Variable</u>	<u>B</u>	<u>S.E.</u>	<u>Beta</u>
<u>Market Demos</u>			
TV Households	-.001	.001	-.23
Avg. Household Income	-.00004 .00		-.06
Percent Minority	.002	.02	.01
<u>Competitive Conditions</u>			
Public TV Stations	-.17	.31	-.06
Cable Penetration	.03	.04	.07
Commercial TV Stations	.52**	.16	.51
<u>Station Characteristics</u>			
Station Revenues (000)	.00001 .00	.14	
VHF/UHF (0 = U; 1 = V)	.82	.79	.11
Big Four Affiliate (0 = No; 1 = Yes)	3.1*	1.41	.35
Other Net Affiliate (0 = No; 1 = Yes)	-.19	1.20	-.02
Local Owner (0 = No; 1 = Yes)	1.59*	.79	.20
National Audience Reach (000)	.00001 .00	.04	
Constant	-3.67	4.51	

Adjusted R² = .24 (p < .01).

* p < .05.

** p < .01.

Localism Policy Priorities

When we assess these results within the context of the traditional rationales for localism, a number of important points arise. First, there may be little reason to expect localism – as operationalized in terms of local ownership – to contribute to localism as operationalized in terms of local content. However, when we consider the rationale of decentralization of control that is central to the localism principle, then localism policies that focus on local ownership have merit independent of their effects on content. As the review of the political and cultural rationales for localism indicated, localism is intended to facilitate a decentralization of decision making regarding the programming audiences receive, regardless of the specific content decisions the programmers ultimately choose to make. This motivating factor is purely structural and completely content neutral. Thus, in those instances in which decentralization of control and decision making are central policy objectives, localism need only be operationalized in terms of localized ownership.

However, the cultural and political rationales for localism also suggest that localism policymaking and policy analysis should, at times, delve deeper into the actual nature of the program content. From a cultural rationales standpoint, neither local ownership nor local origination guarantees that content will address or appeal to the cultural values or beliefs of the local community. Similarly, from a political standpoint, programming produced locally and/or presented by local owners need not necessarily address local political issues and concerns. This is a common finding of the few studies that have looked at actual content characteristics in the assessment of localism. Studies that have simultaneously assessed broadcast content in terms of both local origination and local content have found that much locally produced news deals with

issues outside of the community.

In addition, programming that caters to the cultural or political interests or concerns of a particular community could very well be produced outside the geographic boundaries of the community. The development of high-bandwidth national or global reach media technologies such as Direct Broadcast Satellite and the Internet further accentuates the likelihood that specialized local interests can be served from outside the local community. Along similar lines, these new technologies may also be facilitating alternative definitions of communities – communities whose parameters are not tied to geography. Instead, these communities may be defined in terms of their shared values, agendas, or interests. As communication technologies facilitate a definitional expansion of the community concept, as well as alternative means by which traditional communities can be developed and strengthened, the limitations of a strictly geography-based approach to local programming become clear. If the concept of community is to remain an essential element of the localism principle then policymakers' conceptualization of local programming must move beyond a program's point of origin and address the nature of the content provided.

In sum, localism policies that reflect that traditional political and cultural rationales for localism in the organization of our social institutions should focus on two components: (a) local ownership; and (b) content that addresses local interests and concerns. To the extent that local origination of content matters, its relevance is purely a function of the extent to which policy research can demonstrate that locally originated content has a significant likelihood of addressing local interests and concerns. In addition, localism policymaking needs to begin with a clear articulation of underlying motivations. Whether policymakers are primarily concerned

with greater decentralization of decision making, or primarily concerned with increasing the availability of content that addresses local interests and concerns will determine the appropriate policy initiatives and standards of assessment.