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Peer Review

by Catherine Tyler Mooney *

Study 15: Consolidation and Conglomeration Diminish Diversity and Do Not Promote the Public Interest: A Review of the Hearing Record in the Media Ownership Proceeding

by Mark Cooper

Study 16: Consolidation and Conglomeration Diminish Diversity and Do Not Promote the Public Interest: New Evidence

by Mark Cooper and S. Derek Turner

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Study 15

Consolidation and Conglomeration Diminish Diversity and Do Not Promote the Public Interest: A Review of the Hearing Record in the Media Ownership Proceeding
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Study 15 functions as a critique of the evidence used by the FCC to evaluate the Newspaper/Broadcast Cross-Ownership Ban and the Local Television Ownership Limit in 2003. The author's main points as described in the abstract can be summarized as follows:

1. *The FCC misinterpreted the results of studies addressing the effect of ownership on viewpoint and the provision of news.*
2. *Other factors, such as market size, may explain differences in the provision of news between stations that are affiliated with a local newspaper and those that are not.*
3. *All television stations have increased their provision of news and the difference in that increase between duopolies and locally independent stations is not different.*
4. *The decreased independence of news due to media consolidation outweighs the benefits.*

The author raises some important critiques of the previous evidence. In particular, the few studies regarding the news provision of television/newspaper cross-owned stations were based on quite small amounts of data. Further analysis would also be important to fully understand the role of television "duopolies" in the growth of news provision. In general, the data cited here do not support a strong relationship between the amount of news a station broadcasts and cross-ownership or dual station ownership in either direction. Study 16 focuses more specifically on this topic.

To address point *1*, this review provides an independent interpretation of the previous evidence regarding the effect of ownership on viewpoint and news quality. The studies cited provide no documented evidence of political bias in news reporting associated with ownership. And, while the one study addressing news quality includes only a few cross-owned stations, it finds that they provide higher quality news.

Lastly, concerning *4*, this review does not attempt to place a value on media independence. Economists and other social scientists may be able to quantify the economic benefits of mergers to both firms and consumers, but the value of media independence is a question of political philosophy and, thus, is beyond the scope of this report.

1. *The FCC misinterpreted the results of studies addressing the effect of ownership on viewpoint and the provision of news.*

Study 2 of the 2002 Media Ownership Working Group Studies, "Viewpoint Diversity in Cross-Owned Newspapers and Television Stations: A Study of News Coverage of the 2000 Presidential Campaign" by David Pritchard compares the political slant of newspapers and television stations with the same owner. It finds no "predictable pattern of news coverage and commentary" associated with cross-ownership.[1] This corroborates the findings of Gentzkow and Shapiro (2007) concerning media slant. They use the text of newspaper articles to measure media slant and find that it generally matches the political leanings of local consumers, which is consistent with a model of profit maximizing news production.[2]

The Project for Excellence in Journalism's Report, *Does Ownership Matter in Local Television News: A Five-Year Study of Ownership and Quality* compares six cross-owned television stations in markets of diverse size and demographic composition to 166 other stations. It finds higher quality grades for the cross-owned stations. The only lower quality mark for cross-owned stations concerned fewer "on-the-scene" reports. However, the cross-owned stations relied less on syndicated wire feed news stories.[3]

Study 7 of the 2002 Media Ownership Working Group Studies, "The Measurement of Local Television News and Public Affairs Programs" by Spavins, Denison, Frenette, and Roberts finds evidence that television stations affiliated with a newspaper owner, regardless of market, receive a higher than average number of awards for news and broadcast more news hours. However, this

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[1] Pritchard, David, "Viewpoint Diversity in Cross-Owned Newspapers and Television Stations: A Study of News Coverage of the 2000 Presidential Campaign." Study 2, Media Ownership Working Group, Federal Communications Commission, 2002.
[2] Gentzkow, Matthew and Jesse Shapiro, "What Drives Media Slant? Evidence from U.S. Daily Newspapers." Working Paper, University of Chicago and *NBER*, 2007.
[3] Project for Excellence in Journalism, *Does Ownership Matter in Local Television News: A Five-Year Study of Ownership and Quality*, updated April 2003.

study does not directly address the question of cross-ownership of a television station and a newspaper in the same market.[4] Cooper notes that other stations in the same markets as the newspaper affiliates also won awards. Market factors, especially market size, should be taken into account when comparing the quality of stations. Because stations in larger markets have higher potential revenues, they receive higher payoffs for investments in quality broadcasting.

2. *Other factors, such as market size, may explain differences in the provision of news between stations that are affiliated with a local newspaper and those that are not.*

Market size plays an important role in shaping the incentives of television stations. It increases the payoff of advertising and the payoff of providing valuable content to viewers. As mentioned above, larger markets should see higher quality news broadcasts. The same point does not necessarily hold for the quantity of news. Stations maximize advertising revenues by weighing the marginal benefit of advertising against the marginal benefit of a larger audience, drawn by more content (fewer commercials). The impact of market size on one counteracts its impact on the other. While market size plays a role in a station's news quantity decision, it may be less important than market structure. In other words, the numbers of stations and owners determine the intensity of competition for viewers, who are attracted by more news content and fewer commercials.[5]

Because Study 16 provides a much more rigorous analysis of the relationship between market size and the quantity of news, further discussion of the empirical evidence is provided below.

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[4] Spavins, Thomas C., Loretta Denison, Scot Roberts, and Jane Frenette, "The Measurement of Local Television News and Public Affairs Programs." Study 7, Media Ownership Working Group, Federal Communications Commission, 2002.

[5] For further discussion, see "The Media and Advertising: A Tale of Two-Sided Markets" by Anderson and Gabszewicz in *Handbook of the Economics of Art and Culture, Vol. 1,* Elsevier, 2006.

3. *All television stations have increased their provision of news and the difference in that increase between duopolies and locally independent stations is not different.*

As discussed above, market structure determines the intensity of competition among stations for viewers. Stations attract these viewers by providing them with more content. Furthermore, because there are so few network stations in a market, each station responds to any changes in the amount of news provided by any of its competitors. Economic theory would predict that the merger of two news producing stations in one market would affect the quantity of news provided by all stations. The analysis presented and discussed in the study compares news quantities among stations. It notes little difference in the size of the increase in news by dual network stations and other stations. The effect of "duopolies" on the amount of news available to the public may be better determined at the market level.

Study 16

Consolidation and Conglomeration Diminish Diversity and Do Not Promote the Public Interest: New Evidence
by Mark Cooper and S. Derek Turner

The primary focus of Study 16 is the impact of cross-ownership and "duopoly" on the broadcast time dedicated to local news at the station level. It presents the results of several studies completed since 2003 by both economists at the FCC and academics. The authors also supplement their review of the evidence with a new analysis of the data used in one of the studies cited. The study also discusses the results of previous research concerning the impact of ownership on news diversity and quality.

Of the previous studies concerning the quantity of local news broadcasts, Yan (2006) presents the most rigorous analysis. He finds that cross-owned stations may be more likely to broadcast local news, but conditional on broadcasting local news, they do not broadcast a higher quantity of local news minutes than other stations. He also finds that "duopoly" stations broadcast fewer local news minutes.

Study 16 presents new econometric results using the same data. Its analysis adds market rank and station age as explanatory variables, which eliminates any statistically significant effects of ownership type on the quantity of local news. The authors do not fully explain the additional insights that should be taken from the new explanatory variables, so it is difficult to discern the implications of their results relative to the previous work. Moreover, in the case of the cross-ownership analysis, the inclusion of station age raises the issue of sample selection bias in estimation.

The other studies cited, by FCC economists and the Project for Excellence in Journalism, find that consolidation of television station ownership tends to lower the quality and diversity of news broadcasts. However, the PEJ study finds that six cross-owned stations have higher quality newscasts than other stations.

Review of Recent Evidence

The authors begin by discussing the Project for Excellence in Journalism's Report, *Does Ownership Matter in Local Television News: A Five-Year Study of Ownership and Quality*. This study finds that network owned and operated television stations generally provide lower quality news broadcasts than network affiliate stations. As discussed above, they also find that newspaper cross-owned stations tend to produce higher quality news. Two studies authored by FCC economists and their coauthors further analyze the PEJ data. They use its detailed description of the content of local news broadcasts and merge it with data from other industry sources. Alexander and Cunningham find that television markets with higher firm concentration indices have less news diversity.[6] The anonymous study, "Do Local Owners Deliver More Localism? Some Evidence from Local Broadcast News" finds that local owners tend to air more local news content.[7] Both of these studies have very small sample sizes and attempt to estimate a very large number of parameters relative to the number of observations. While informative, these studies warrant further analysis with more data or, at least, statistical testing of the model specifications.

Yan, Napoli, and coauthors produced a series of studies using a random sample of 233 television stations' programming schedules. Yan and Napoli (2004) find that commercial broadcast stations, especially network owned and operated stations, air less public affairs programming. They find no effect of dual network status on public affairs programming.[8] Yan and Park (2005) find that "Big Four" network stations increased news programming between

[6] Alexander, Peter J. and Brendan Cunningham, "Same Story Different Channel? Broadcast News and Information," 2004.
[7] Anonymous, "Do Local Owners Deliver More Localism? Some Evidence from Local Broadcast News," FCC, 2004.
[8] Yan, Michael and Philip Napoli, "Market Structure, Station Ownership, and Local Public Affairs Programming on Local Broadcast Television," Telecommunications Policy Research Conference, October 2004.

1997 and 2003. Theirs is the only study to look at the market level effects of duopolies on news quantity. They find no statistically significant difference in the mean total quantity of news hours in duopoly versus non-duopoly markets. Instead, they find that both non-duopoly and duopoly stations increased news in duopoly markets. In these markets, the duopoly stations increased news more than the non-duopolies, but the change did not overcome the large 1997 gap between the two groups of stations.[9]

Yan (2006) adds twenty-seven newspaper cross-owned stations to the random sample of stations. Since there are so few cross-owned stations, including as many as possible in the data set is desirable. However, the data are no longer a random sample. The estimated effects of the explanatory variables may be biased by an over-representation of cross-owned stations and by an over (under)-representation of any station characteristics that are more common (rare) among cross-owned stations. When Yan finds that cross-owned stations are more likely to air local news, he cautions that most of these stations are "Big Four" network affiliates and are highly ranked within their markets. He says, "These are the types of stations that are most likely to be in the local news business." The sample selection bias should be less of an issue for duopoly stations. He finds that conditional on airing local news broadcasts, duopoly stations provide fewer local news hours. He does not examine the effect of cross-ownership or duopoly on other stations in the market.[10]

[9] Yan, Michael Zhaoxu and Yong Jin Park, "Duopoly Ownership and Local Informational Programming on Television: an Empirical Analysis," Telecommunications Policy Research Conference, September 2005. See Table 2.

[10] Yan, Michael Zhaoxu, "Newspaper/Television Cross-Ownership and Local News and Public Affairs Programming on Television Stations: an Empirical Analysis," Donald McGannon Communication Research Center, Fordham University, 2006.

New Analysis

Cooper and Turner perform an econometric analysis similar to that of Yan (2006). They use the same data and add two additional explanatory variables – station age and market rank. Like Yan they find a positive effect of cross-ownership on local news. However, unlike Yan, they do not find that effect to be statistically significant. Instead, they find a positive and statistically significant impact of station age on local news. Station age is meant to capture historical characteristics of the station, like UHF/VHF status. Because most cross-owned stations were affiliated with a newspaper prior to 1975, station age appears to explain much of the effect of cross-ownership found by Yan. However, as discussed above, the cross-owned stations in the data were not selected randomly as were the other stations included in the analysis. Therefore, the distribution of age conditional on cross-ownership is likely to be quite different than that of other stations in the data. In other words, cross-owned stations may be over-represented among the older stations in the data. If this sample selection bias exists, the coefficient on station age may actually capture the impact of cross-ownership on local news. This relationship should be further explored to determine whether the positive effect of station age (the negative effect of "year started") on the quantity of local news is biased by an over-sampling of older, cross-owned stations. (Exhibit 7 supports the hypothesis that older stations are significantly more likely to be affiliated with a newspaper in the data.) Econometric methods to control for selection bias are well-known and relatively simple to use. Their application in this context would allow researchers to isolate the effect of cross-ownership on news from other common characteristics of cross-owned stations like age and "Big Four" status.

The second explanatory variable added for this study is the DMA market rank. The ranking of markets is generally based on the number of TV households. Therefore, it is not clear what additional market level information the DMA rank captures when the number of television households is already included. The rank measure imposes an arbitrary difference of one between each market in the ranking. This has unclear implications for the regression coefficient and its interpretation. The authors find that market rank has a negative influence on the amount of local news, implying that stations in larger markets air more local news. If market rank were removed from the regression, the coefficient on the number of TV households would explain this relationship more precisely.

The authors use similar regressions and find similar results for the presence of local news, the quantity of local public affairs programming, and the presence of local public affairs programming. The main difference is that they find that cross-ownership has a positive, statistically significant effect of on the quantity of local public affairs. None of their other explanatory variables explain variation in the amount of local public affairs programming. On the other hand, they find that only market rank and station revenues have a notable effect on the presence of local public affairs programming.

Cooper and Turner also use these data to repeat analysis above substituting duopoly for cross-ownership. They find no statistically significant impact of duopoly ownership on the amount of quantity of local news. As above, they find strong effects of station age and market rank on the amount of local news. The sample of stations in the duopoly analysis was chosen randomly. Therefore, unlike the cross-ownership analysis, sample selection should not be a concern here. However, the authors make little attempt to explain the strong effects of market rank and station age on local news. Surely some institutional or economic factor can explain these strongly consistent results. The authors’ argument would be stronger if the analysis explained what does drive the amount of local news broadcast on a television station, instead of only the factors that do not explain it.

In summary, market rank and station age explain a large amount of the variation in local news broadcasting across stations. The issue of selection bias clouds the interpretation of Study 16's results regarding the effect of television/newspaper cross-ownership on time devoted to local news and public affairs programming. The study finds no effect of duopoly ownership on news production. In fact, it finds that only market rank, station age, "Big Four" status, and revenues are statistically important. Because all of these variables are interrelated in a complex way due to both economic and institutional factors, interpretation of the results from a simple linear regression model is difficult. Perhaps in the future more carefully specified models of the broadcaster's decision will shed more light on this important policy question.