Broadcast Regulation and Joint Ownership of Media

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Throughout our history a most trenchant national principle has been the vigorous exchange of ideas as safeguarded by the multitude of separately owned media. This fundamental right is violated by the frequent tie-ins between broadcast stations and their older rivals the newspapers and movies. Many authorities who look to radio and television for additional channels of communication and discussion are alarmed by the affiliation of broadcast and nonbroadcast media.

Is this affiliation the inevitable by-product of production and management economies in joint operation? Are such "cross-channel" affiliations the only way older media can stabilize their revenues and quality? Is the growth of joint ownership the result of passivity of broadcast regulations? These are the issues explored in this book. In seeking the answers Professor Levin reveals that intermedia competition is unlikely to disrupt the resources of older media. He discusses the competitive impact of new media on old and how the

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old can adjust to the new in price and quality without harming the economic stability and quality of all media.

Professor Levin concludes that independent separately owned media would help restore neglected tastes and needs and provide a full and fair forum for news and commentary. Separate ownership is found to promote diversity and encourage individual expression; it also provides salutary competition in the content and quality of rival media. The book concludes by offering specific ways to strengthen the regulatory policy that now governs joint ownership of media.

Professor Levin has devoted ten years of research to the preparation of *Broadcast Regulation and Joint Ownership of Media.* He was a consultant on the Dumont Television Network during the summer of 1954. He is currently Associate Professor of Economics, Hofstra College, Hempstead, N.Y.

BROADCAST REGULATION AND JOINT OWNERSHIP OF MEDIA

by Harvey J. Levin

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Broadcast Regulation and Joint Ownership of Media

TO THE MEMORY OF MY GRANDMOTHER, SARAH MILLER

PREFACE

THIS BOOK WAS CONCEIVED as a case study in the economics of public regulation. As such, it should most interest students and practitioners in economics, law, and government, especially those who wish to explore the role and limitations of economic analysis in the formulation of policy in a regulated industry. It may also be of indirect value, as a preliminary background study, to theoretical economists interested in quality competition and product diversity.

For the noneconomist who sometimes decries the sterility of economics in policy matters, I hope that this book will provide disquieting evidence to the contrary. On the other hand, economists who discount the need to explore with care noneconomic as well as economic factors in analyzing specific regulatory policies may question the argument and treatment at some points. Suffice it to say that the close meshing of both sets of factors results as much from the peculiar character of the industry's output and the complex problems it poses as from the author's preconceptions.

A final, equally important set of readers for the book may be those students of journalism and mass communications who are curious to see firsthand what an economist finds when he explores the interrelations of the mass media and, more particularly, the consequences of diversifying their ownership. In a field where empirical inquiry is still subject to frequent frustrations, I had in mind the needs of media specialists, as well as students of regulated industries, when I included numerous statistical tables and heavy documentation. This was in order also insofar as the problem of joint media ownership has attracted attention in Canada and Great Britain as it has in the U.S. and is still a matter of some controversy.

The book actually began as a study of radio's impact on the newspapers, the newspapers' competitive adjustments, and the policy of joint ownership. But it seemed useful to broaden the analysis by looking briefly at television's impact on radio, newspapers, and movies, and at *their* subsequent adjustments. The more recent research (on television's impact) is sketchier than that on the earlier episode, but the general picture is still suggestive.

By way of acknowledgments, I should like first of all to thank Professor John Maurice Clark of Columbia University for invaluable guidance in launching the research some years ago, and for many extremely helpful criticisms along the way. Special thanks also go to Professor Arthur R. Burns for general suggestions and to Professors George J. Stigler and Robert D. Leigh for helpful advice at the start. Among the many others who gave generously of their time and expert knowledge were staff members of the Federal Communications Commission (especially Hyman H. Goldin and James B. Sheridan). So also did the former Commissioners James Lawrence Fly and Clifford J. Durr; numerous radio lawyers, newspaper publishers, theater owners, and advertising agency officials, who managed to find time for frequent interviews, notwithstanding crowded work schedules; staff members of the Columbia Broadcasting System, National Broadcasting Company, National Association of Broadcasters, McCann-Erickson Inc., and *Broadcasting* magazine, who gave helpful advice or opened their communications libraries for extensive use; and members of the American

Newspaper Publishers Association, who provided access to that organization's annual *Proceedings*. Professor Paul F. Lazarsfeld of Columbia University opened a rich file of unpublished materials accumulated almost twenty years ago in preparing extensive exhibits and testimony for presentation in the FCC's now famous Newspaper-Radio Hearings. Needless to say, however, none of these persons is in any way responsible for conclusions that I reach or for the recommendations finally made.

Because of the extended period devoted to this study, it seemed useful to publish some of the findings separately, along the way. Chapters IV, V, and VII of the present volume incorporate, often in a modified and updated form, the most relevant of these findings, with the kind permission of the publishers of the *Virginia Law Review, Quarterly Journal of Economics, Public Opinion Quarterly,* and *Journalism Quarterly.*

Thanks go to the Columbia University Social Science Research Council for financial aid in preparing an early version and to Hofstra College for several generous grants that facilitated completion of the work. I am very grateful also to members of the Hofstra Administration, and to Professor William N. Leonard, for general assistance and encouragement throughout. Special thanks go finally to my wife, Rhoda, for invaluable aid in preparing original materials for several crucial tables and for assistance in the tedious job of proofreading.

H. J. L.
Westbury, New York
March 1960

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INTRODUCTION

THE FORMAL OBJECTIVES of independent regulatory agencies have been classified recently as procompetitive, corrective, and protective.[1] The procompetitive function generally includes the control of 1
mergers and the prohibition of price discrimination, whereas corrective regulation refers to the elimination of excessive returns by means of rate regulation, or to the control of socially harmful activities that are profitable in the long run because private and social costs diverge persistently.* Certain agencies also intentionally and officially protect regulated firms from competitive inroads by rivals that may themselves be regulated or unregulated, the better to enhance the quality and quantity of output. 2

In transport regulation, for example, the Interstate Commerce Commission is directed and empowered to perform all three functions. In addition to the familiar procompetitive one, minimum and maximum railroad rates are fixed, safety standards and service to

* By implication, corrective regulation refers also to the *promotion* of socially beneficial activities that are unprofitable because social and private *benefits* diverge.

sparsely populated rural areas are maintained, and the financial resources of both motor carriers and railroads are protected by restraints on entry into motor transport and by the fixing of minimum price floors.

This classification is illuminating in an area where economists have too long assumed out of hand that *all* regulatory activities intend to restrict. Yet it is important to distinguish further between the apparent consistency of these regulatory functions *ex ante* and their actual inconsistencies in the light of external reality. It is obvious, for example, that protective entry-control necessarily cushions the revenues of motor carriers and railroads and thereby conflicts with the ICC's important procompetitive function. Furthermore, high safety standards and extensive service to areas unable to afford it have been cited frequently to justify substantial subsidies to airlines and the protection of revenues by restraints on entry into their route areas. Here too, corrective and protective functions have clashed with the procompetitive.

Broadcast regulation provides other good examples. The Communications Act of 1934 directs the Federal Communications Commission to leave competition where it finds it and to refrain from any direct regulation of profits either to protect the industry or to safeguard the public. Judicial dicta, Commission pronouncements, and Congressional debates frequently refer to the Commission's procompetitive function.[2]

Yet the Act also empowers the Commission to maintain a *quality* of output that would presumably not result without some deliberate, systematic control of entry and thereby some unavoidable restraint on competition and protection of revenues. Pursuant thereto, the Commission allocates bands of frequencies to different classes of users and licenses specific frequencies within those bands to "qualified" applicants, to minimize electrical interference and to insure a more efficient use of the spectrum and a more equitable geographic dispersion of facilities and signals *than would otherwise* *result from the working of free market forces.* This is a corrective function.

The upshot has been an unintended lopsidedness in intramarket competitive relations between different classes of standard-broadcast stations and also between television stations operating in different portions of the spectrum. For example, the corrective function clearly insulates from outside competition the revenues of powerful, full-time, "clear-channel" radio stations originally enfranchised to provide service for sparsely populated rural areas too poor to support their own local outlets.

In television also, corrective and procompetitive objectives have clashed. Here the policy of mixing so-called Very High Frequency and Ultra High Frequency channels* in almost all markets originally sought to maximize simultaneously the portion of the country within the range of at least one television signal, the number of communities with one or more than one local station, and the number of areas with two or more competing signals (local or otherwise).[3] The policy also sought to help establish a nationwide, competitive TV system.

Because of a complex of interrelated technical, institutional, and economic factors, however, UHF stations today are simply unable to compete effectively with VHF outlets for advertising support and network-affiliation contracts.[4] To be sure, the Commission claims that its *social* objectives are gradually being achieved anyway, notwithstanding serious lags.[5] But the lush profits of 100 leading VHF stations, authorized before the Commission's temporary cessation of grants in 1948, have soared sharply in recent years, with no

* The Ultra High Frequency channels operate in that portion of the broadcast spectrum between 300 and 3000 megacycles and were first opened for commercial use in April 1952. The older Very High Frequency band, located between 30 and 300 megacycles, was opened in 1945. UHF and VHF channels actually occupy only a small portion of the broadcast spectrum, which now uses parts of the range between 10 kilocycles and 10,000 megacycles.

chance for new-station entry in the choicest markets. Nor has the economic goal of a nationwide, competitive system yet been approached.

Short of rather drastic institutional changes, it may well be impossible to reconcile the major broadcast regulatory objectives. But that is all the more reason for regulators and legislators alike the re-evaluate their goals and procedures periodically [6] in order to minimize avoidable conflicts and appraise better the case for more fundamental changes.

The Commission's "diversification policy" * may soon become another good case in point. For by seeking to diversify radio-TV ownership, in hopes of securing a more balanced, thorough, and accurate presentation of news and commentary than would otherwise occur, the Commission clearly intends to perform a corrective function. The policy thus far has generally been consistent with the procompetitive function, possibly because it is implemented so weakly.[7] But the extent of cross-channel ownership today, notwithstanding its diminution in recent years (see Table 1), suggests that a more vigorous restraint on the entry of nonbroadcast media is needed, even if this should clash with the procompetitive function of authorizing new stations as rapidly as is consistent with basic

* By "diversification policy" this book refers to the FCC's policy on joint media ownership, or, more precisely, on what have been called "cross-channel affiliations"—*i.e.,* those affiliations between radio-TV enterprises on the one hand and nonbroadcast media on the other. These three terms—"diversification policy," "policy on joint media ownership," and "policy on cross-channel ownership or affiliation"—will be used interchangeably. Unless it is otherwise stated, however, usage here will *not* include the Commission's rules on multiple-station ownership or dual-station ownership in the same service areas. The policy in question holds only that, when other things are equal, applicants *without* holdings in nonbroadcast media should be preferred to those *with* such holdings. (See *Newspaper Ownership of Radio Stations,* 9 Fed. Reg. 702 [1944], issued after the FCC's *Newspaper-Radio Hearings in re: Orders 79 and 79-A* [FCC, Docket No. 6051, Feb. 12, 1942, hereafter cited as Docket No. 6051].) The inquiry will *not* examine the joint ownership of radio and TV stations to any extent, although many of my findings are pertinent to that phenomenon too.

TABLE 1 Number of Standard-Broadcast, Frequency-Modulation, and Television Stations, and Number With Newspaper Affiliations, 1931–1959

	Standard-broadcast	*News-paper-affiliated*	*Per cent*	*Fre-quency-modula-tion*	*News-paper-affiliated*	*Per cent*	*Tele-vision*	*News-paper-affiliated*	*Per cent*
1931	612	68	11.1						
1936	632	159	25.2						
1940	814	250	30.8						
1945	943	260	27.6	53	17	32.0	9	1	11.1
1950	2086	472	22.6	743	273	36.8	97	41	42.0
1955	2669	465	17.4	552	170	30.8	439	149	34.0
1959	3388	431	12.7	628	143	22.8	521	181*	34.7

* In addition, 59 TV stations were affiliated with theater interests.

SOURCE: Computed from data in *Broadcasting Yearbooks.* All figures refer to stations actually on the air January 1, except data for 1959, which are as of August 1.

technical, legal, and financial standards. This is underlined further by cross-channel tie-ins with many multiple owners * in our major markets. (See Table 2.)

One ticklish question (to be examined in the concluding chapter) is whether a "diversification policy," strengthened along lines proposed in recent years and tightened for reasons expounded in this book, may not actually *weaken* at least part of the policy's corrective impact at the very time it unintentionally protects segments of the broadcast industry against competition. But whatever the precise *form* for a policy on cross-channel affiliation, it is high time to clarify the nature and consequences of the intermedia competition that it appears to encourage. In so doing, this book will, I

* The term "multiple owner" is used in this study interchangeably with "group owner" and refers to all enterprises which control more than one standard broadcast station, or more than one television station.

TABLE 2 Multiple Ownership and Cross-Channel Ownership of Television Stations in One-Hundred Major Markets, November 1956

Number of TV stations owned	*Number of owners*	*Total stations*	*Number of owners having interests in one or more **			
			News-papers	*Radio stations*	*Maga-zines*	*Movie theaters*
7	1	7	1	1		
6	3	18		3		1
5	4	20	2	4	1	1
4	5	20	1	5	2	
3	15	39†	5	15	2	
2	30	49†	13	25	1	1
Total	**58**	**153**	**22**	**53**	**6**	**3**

* The same owner may have interests in more than one other medium.
† More than one multiple owner has a stockholder interest in some of these stations.

SOURCE: *Hearings Before the Antitrust Subcommittee of the House Judiciary Committee on the Television Industry*, 84th Cong., 2d Sess. (1956), p. 3779.

hope, dispel any doubt as to whether the corrective function implicit in the "diversification policy" coincides with the FCC's vital pro-competitive function when the latter is broadly viewed to include *intermedia* as well as *intramedium* rivalry.

NOTES

1. I am indebted to Lucile S. Keyes for these distinctions. See Keyes, "The Protective Functions of Commission Regulation," *Amer. Econ. Rev., 48* (May 1958), 544–6; also Keyes, "The Recommendations of the Network Study Staff: A Study of Non-Price Discrimination in Broadcast Television," *Geo. Wash. L. Rev., 27* (Jan. 1959), 304–05.

See similar distinctions in Meyer, Peck, Stenason, and Zwick, *The Economics of Competition in the Transportation Industries* (Cambridge: Harvard University Press, 1959), pp. 11–2.

2. For detailed examination of this function, and a strong case for its primary importance, see House Commerce Committee, *Network Broadcasting: Report of the Network Study Staff to the Network Study Committee*, H. R. Rept. No. 1297, 85th Cong., 2d Sess. (1958), pp. 64–105 (hereafter cited as *Network Report*). Compare with the gap between the FCC's professions and its actual behavior in this area (Schwartz, "Antitrust and the FCC: The Problem of Network Dominance," *U. of Pa. L. Rev., 107* [April 1959], 753–95).

3. See FCC, *Sixth Report and Order in Re: Dockets 8736, 8975, 8976, 9175* (FCC 52–294, 74219, April 14, 1952), especially pars. 63–68.

4. For a review of this matter, see Levin, "Economic Structure and the Regulation of Television," *Q. J. of Econ., 72* (Aug. 1958), 430–8.

5. Over 90% of the population is now in range of at least one television station and over 75% in range of two or more stations (FCC, *Twenty Fourth Annual Report* [Washington: U.S. Government Printing Office, 1958], p. 101). Progress has even been made toward the local-station objective where 302 of 1,240 communities with commercial-television-channel assignments recently had one or more stations in actual operation. Of these, 80 communities had two, 27 had three, and 11 had four or more stations operating (FCC, *Twenty Third Annual Report* [Washington: U.S. Government Printing Office, 1957], p. 105).

6. This is true in *all* regulated industries, for the need to reconcile protective and corrective regulatory functions with antitrust policy has received wide attention in recent years. (See Note, "Regulated Industries and the Antitrust Laws," *Colum. L. Rev., 58* [May 1958], 673–701; Hale and Hale, "Competition or Control," Pt. I, *U. of Pa. L. Rev., 106* [March 1958], 641–83, Pt. II, *loc. cit., 107* [March 1959], 585–620; Note, "Antitrust Immunities in the Communications Industries," *Va. L. Rev., 44* [Nov. 1958], 1131–46.) Should substantative and procedural co-ordination of regulation and antitrust prove unwork-

able, one alternative in most industries would be a system of public enterprises.

7. See Note, "Diversification and the Public Interest: Administrative Responsibility of the FCC," *Yale L. J., 66* (Jan. 1957), 365–96; Heckman, "Diversification of Control of the Media of Mass Communication—Policy or Fallacy?" *Geo. L. J., 42* (March 1954), 378–99; and Note, "Newspaper-Radio Joint Ownership: Unblest Be the Tie That Binds," *Yale L. J., 59* (June 1950), 1342–50.

CHAPTER ONE

THE CHARACTER OF INTERMEDIA COMPETITION

THE NATURE AND ROLE of intermedia competition as an instrument of broadcast regulation can best be set forth by starting with a brief word about interagency competition in the transport field. Although analogies are sometimes deceptive, competition between different modes of transportation has been welcomed by many as encouraging each mode to seek out and develop its own strong points and the special wants its peculiar technical characteristics enable it to satisfy. The hope is to produce an optimum division of labor between motor carriers, railroads, water carriers, and air transport, each contributing what it is best suited to do.

To be sure, interagency competition is no panacea in a difficult regulatory field. Its clash with implicit and explicit promotional subsidies has long plagued the Interstate Commerce Commission and the Civil Aeronautics Board. For the country's indirect economic gain, safety and national security are frequently cited to justify extensive public expenditures for the building and maintenance of highways, airports, and internal waterways, regardless of the impact on interagency competition. Protective entry-control and minimum-rate floors further conflict with the latter and obstruct an optimum division of labor between different transport agencies.

Notwithstanding such problems, however, interagency competition has come under renewed scrutiny in recent years and is seen to present unique opportunities as well as challenges for transport regulators in discharging their public service responsibilities.

In contrast with this, on the other hand, there has been little interest in inter*media* competition as a tool of broadcast regulatory policy. This may conceivably be due to the fact that radio and television alone among the mass media are directly regulated by a federal commission and that regulation is aimed basically at quality rather than price. In other words, the FCC's jurisdiction is more limited than the ICC's, and this limitation may preclude any real inquiry into the character of intermedia competition even though one major broadcast policy has long operated to encourage it. Because, however, this book deals with the possible role of such competition as a regulatory device, I shall attempt to set forth its basic characteristics briefly in this chapter and will conclude by indicating more explicitly the scope of subsequent chapters.

DIFFERENT MEDIA HAVE DIFFERENT PROPERTIES AND APPEALS

Intermedia competition takes place between units in different industries, these being distinguished by differences both in their products and in the agencies that produce them. The technical properties and distinctive appeals of different media are said to enable them to meet different needs,[1] needs which intermedia competition encourages them to seek out and satisfy.

For purposes of analysis, this book will, in the main, treat four major media: newspapers, radio, television, and movies. These media have diverse appeals—to eye (in words and pictures), to ear (in words and sound effects), and to eye and ear combined. Other differences can be defined in terms of the degree to which a medium is space-organized (newspapers), time-organized (radio), or time-and-space organized (movies and television).[2] Still other differences exist in the degree to which any medium facilitates social participation (movies ranking first and newspapers last); a medium's speed (radio and television coming first and movies last); and its permanence (movies ranking first, newspapers next, and radio and television last).

More specifically, printed media alone allow readers to fix their own speed, skip, reread, consider at length, evaluate and interpret the text. Readers can read where and when they want, comb in detail what they wish, ignore the rest, and return to what interests them again later.[3] On the other hand, radio highlights fewer issues more vividly, is heard free of cost once a set is bought, and gives the listener a sense of "intimate participation," of almost face-to-face contact, and of belonging to a large group simultaneously hearing the same material, all of which are said to enhance its impact. Because radio's fare is limited and available only at specified hours, moreover, a person's choice is considerably easier than when he faces an "ocean of print."

All in all, this probably means that radio will appeal to those lower in the educational-cultural scale, rather than to individuals with highly developed critical faculties, who will continue to prefer reading as a major source of information. The exception is a group with some intellectual training, though lackadaisical about learning, that constitutes a potential audience for informational and educational radio programs. Finally, radio would be more popular among rural readers, whose newspaper delivery is slow, and more popular among women insofar as it can be heard while doing other work.

In the advertising field, too, newspapers and radio are known to have distinctive possibilities. Newspaper advertisements have a stronger "quality" effect—people remember more details. Radio advertisements are best for "quantity," for bringing a brand or trade name and a few simple details to people's attention.[4] Other things being equal, printed advertisements are more effective for new products with "endurance value and high unit price, or whose aesthetic appearance is important to the purchaser"; whereas radio seems better suited for products that individuals purchase frequently, are well established, have low unit sales price, require no extensive shopping, are usually used a certain time each day, and appeal to children.[5] In short, the different appeals of listening and reading mean that newspaper and radio contents not only appeal most to different though overlapping groups, but that, as advertising media, they supplement rather than replace each other entirely.

Analogous differences exist between television and newspapers, notwithstanding the former's peculiar impact. To be sure, television combines the visual properties of printed media with the personal immediacy of radio and in this sense constitutes a greater threat to newspapers and magazines. Indeed, insofar as it also brings motion to sight, it becomes a sales medium as well as an advertising medium. Regarding the last point, the Department of Commerce has reported that television has the greatest sales-producing impact per person reached of any other medium and also offers the greatest audience identification of sponsor, remembrance of and understanding of the sales point of the commercial, and the greatest sales results.[6]

Despite television's wide appeal and the high degree of social participation it facilitates, once more newspapers have distinctive attractions of their own. As already noted, they offer a permanent record that can be reconsidered and evaluated at leisure, in contrast with television's ephemeral message, and can therefore handle materials of greater detail and complexity. Moreover, they cater to individual readers rather than to group audiences and would therefore appeal to those who seek privacy. Newspapers also give readers wide range with respect to where and when they read and would therefore appeal to groups with irregular schedules, whereas television is much less flexible on these counts.[7]

Analogous differences exist between motion-picture exhibition in theaters and the use of television at home. Producing or exhibiting films for large theater audiences committed to a two- or three-hour show—out to do the town—requires certain techniques, knowledge, and abilities.[8] But it is quite another job to do these things for disconnected groups watching television at home, where distractions are many and where the screen itself is so small as to present special problems. Theater entertainment, as a spokesman for the United Paramount Theaters Company has said, "can indulge in changes of pace and in subtle characterization just because it plays to larger group audiences committed to stay."[9] When home television develops its own techniques, they may well be different techniques, not the same things the movies can do better. Indeed, some movie producers are reluctant to undertake exclusive work for home sets because they feel unqualified—a new technique must be developed.

The greatest overlap between media seems to come when radio broadcasters turn to operating television stations. Here the audiences may be almost identical—small groups at home. Even the contents are similar: news, drama, music, sports, etc. Both media are also highly "contemporaneous"—the audience knows that many events seen or heard are actually happening at the time. Nonetheless, here too are differences in potential appeals. If nothing else, television demands more intense attention than radio,[10] a fact that is especially important in the case of motorists and housewives. And hearing *without* seeing may have compensatory charms among those of fertile imagination, as Rudolph Arnheim showed vividly many years ago.[11]

THE MEDIA ARE COMPLEMENTARY IN PART AND COMPETITIVE IN PART

Because these media have so many distinctive appeals it is not surprising that they are in part complementary, both for consumers and for advertisers. That is, any one medium tends to stimulate interest among consumers that may be pursued further by another medium. This is best illustrated by the joint use of several media by most advertising agencies in promoting innumerable products.

Political parties have also discovered the advantages of splitting their budgets among several media: the combined effects of seeing, hearing, and reading appear to be greater than the sum of separate effects. Although there is really no definitive scholarly research on this matter, the advertisers and campaign managers are by no means alone in their views.[12] Media complementarity is further illustrated by the tendency of radio-TV audiences to check for additional details in newspapers and magazines and by the greater frequency with which readers of books and magazines attend the movies.[13]

But although the mutually stimulating nature of all media is now widely recognized, it must not be exaggerated. For the media are *also* competitive in part and may encroach upon the demand for each other's services. They must, in fact, all compete for the consumer's limited leisure (except so far as radio may be heard without stopping certain activities) and for his personal expenditures (*e.g.*, even in broadcasting, radio-TV sets must be bought before programs are heard).

Three of the media under study here also compete seriously for the advertiser's dollar and receive substantial revenues from him, ranging from extensive support for newspapers to complete support for radio and television. (The movies still receive only minor support from advertising.) Two chief elements in this competition are the prices charged the advertiser (with allowance for choice locations or choice listening hours) and the circulation offered. So the consumer's preferences underlie the media's advertising income as well as their box-office and subscription income, the major difference being that in one case the choice of a medium's product is direct and in the other case it is indirect and depends on the kind of content that the advertising agency thinks will induce the consumer to buy the advertised product, the advertisement being interspersed with the medium's other products.

The three advertising media compete on a national, regional, and local basis. Quantitatively the daily newspapers dominate the local field, whereas television has come to lead in the national market. (See Table 3.)

Radio and television advertising are also organized on a network and nonnetwork basis, both in regional and national markets. Network organizations integrate stations into nationwide systems and perform three functions in so doing. They sell the time of affiliated stations to network advertisers. They produce or buy programs and provide them to their affiliated stations on a commercial basis with sponsors (the network and the affiliate sharing the proceeds) or on a sustaining basis, gratis. In conclusion, the networks also lease the coaxial cable and microwave facilities needed to connect the chains of stations that the advertiser orders.

Nonnetwork organizations, on the other hand, include numerous independent station representatives, who sell time to advertisers who may want to sponsor independently produced shows or prefer selective coverage in the markets and by the stations they themselves choose, rather than the minimum blanket coverage required by networks.[14] In brief, nonnetwork advertisers and independent program producers constitute a major alternative to the network system for radio-TV stations that seek programing and revenues.

The major source of radio's revenues has increasingly become

TABLE 3 Per Cent of Advertising Expenditures on All Media Going to Daily Newspapers, Television, and Radio, 1958

	Newspapers	*Television*	*Radio*	*Others* *	*Total*
National	7.3	10.8	2.4	41.0	61.5
Local	23.3	2.5	3.6	9.1	38.5
Total	**30.6**	**13.3**	**6.0**	**50.1**	**100.0**

* Includes magazines, farm papers, direct mail, business papers, outdoor, and miscellaneous.

SOURCE: McCann-Erickson, Inc.

the local and national nonnetwork account—in the face of a spectacular decline in network time sales. Television's major support, on the other hand, has shifted further from local to national network and nonnetwork advertisers. (See Table 4.)

One major problem in broadcast regulation has long been the relation between network and nonnetwork organizations. As was true in radio 20 years ago, so in television today: network practices have come under severe attack for restraining competition between the networks on one hand and the independent program supplier and nonnetwork time sales agent on the other. These practices are also alleged to give the network affiliate undue competitive advantages over the independent station, to enable the networks to exact disproportionate sums from their affiliates, and to discourage smaller advertisers from buying network time because they simply cannot afford to order the whole prescribed list of stations or because their pattern of needs differs from it.[15]

TABLE 4 Per Cent of Radio-TV Time Sales to Network, National Nonnetwork, Regional, and Local Advertisers, 1937–1958

	Radio				
	National network	*Regional network*	*National nonnetwork*	*Local*	*Total*
1937	47.7	2.4	19.6	30.3	100
1947	34.1	1.9	24.5	39.5	100
1958	7.9	.7	31.7	59.7	100

	Television			
	National network	*National nonnetwork*	*Local*	*Total*
1950	38.9	27.6	33.5	100
1958	44.6	36.3	19.1	100

SOURCE: Based on data from *Broadcasting Yearbook* (1959).

By way of rebuttal, however, the networks have emphasized the importance of intermedia competition as one of the facts of life with which they must live. In this context, they claim, intraindustry restraints that may flow from their various trade practices are not only negligible but actually reasonable and essential to radio's and television's ability to hold their own in the national advertising market against the attraction of printed media.[16] Aside from the validity of this argument, suffice it to note simply that newspapers have long feared the attraction for national advertisers of the convenient nationwide arrangements offered by radio-TV networks, and, to meet this, a few of the larger newspaper chains offer something not quite comparable. Today some thirteen Saturday or Sunday "magazine supplements" are distributed with large groups of individual papers, often in the same region although sometimes on a national basis, and these supplements all accept advertising. Besides this, several newspapers provide a similar service in daily editions, and about eighteen special agencies arrange advertising campaigns in selected papers according to the advertiser's desires.

Another point of contact between broadcast and nonbroadcast media is in the criteria used by at least one major network in choosing between prospective affiliates with equal circulation in the same market. In such cases, contracts generally go to the newspaper-owned station, to the multiple owner (who often operates nonbroadcast media too), or to television licensees with radio experience.[17] In view of the tremendous value of network-affiliation contracts today for gaining the choicest programing and best advertising support, this practice may well provide another stimulus for broadcast licensees to seek out cross-channel affiliations of some sort.

A final cross-channel connection of radio-TV networks is in their once extensive holdings in the motion-picture industry. During the depression years, for example, the Radio Corporation of America, parent of the National Broadcasting Company and at that time also of the American Broadcasting Company, not only produced radio sets, phonograph records and equipment, transmitters, tubes, and motion-picture sound equipment, but also held sizable interests in the Radio-Keith-Orpheum Theaters Corporation. At that time, the Columbia Broadcasting System, a major radio network and a producer of phonograph records, had temporary tie-in stock arrangements with Paramount Pictures. Today, on the other hand, the only existing relationship comparable in extent is between the American Broadcasting Company (no longer controlled by RCA) and the United Paramount Theaters Company, a giant theater owner, whose amalgamation in 1952 created a new cross-channel empire, the American Broadcasting-Paramount Theaters Company.

ADVERTISING SUPPORT INTRODUCES ANOMALIES

The interposition of advertising agencies between the consumer and the media official in the cases just reviewed has produced curious anomalies, and these must be considered in appraising the media's performance. In radio and television, for example, advertising expenditures are generally allocated on the basis of Nielsen ratings, which record the number of minutes a program is tuned in with no precise indication of whether it is actually listened to. Some programs are even sponsored not because they have large audiences, but because so large a proportion of those who do listen buy the products advertised. The best example some years back was the daytime radio serial, which long had low audience ratings but high sales effectiveness.[18] It is equally conceivable, of course, that large audiences might fail to maintain a program where sales effectiveness was demonstrably low.

The newspaper industry provides another somewhat different example. Daily newspapers are complex bundles of utilities in which circulation and advertising receipts may well reflect the public's satisfactions with special features, society pages, comics, and sports, even when editorials and general news coverage are actually *disapproved*. This characteristic may help explain a paradox that has long perplexed newspaper editors and publishers, *viz.*, the failure of their advertising revenues to recover as quickly as their circulation revenues did after the 1929 downturn.

In this regard, it is well known that deflated newspaper advertising revenues fell some 24.6% between 1929 and 1933, compared to a fall in circulation of only 13.5%. As late as 1939, moreover, deflated advertising stood at only 77.7% of the 1929 level, whereas circulation stood at 93.6% of that level. (See Table 5.)

Audience surveys subsequently revealed that readers were fully aware of their newspaper's editorial and news policies during the 1930's and often disapproved of them, even though they continued to buy the paper. They indicated further that newspaper readers esteemed radio highly for its fairness and reliability in these matters.[19] It is therefore at least possible, as experts have testified, that advertisers were slow to return to newspapers for fear that their readers' lack of enthusiasm for news coverage and editorials might reduce the medium's sales effectiveness too, notwithstanding its circulation stability.[20] Whatever the validity of this explanation or

TABLE 5 Indexes of Per Capita Income, Daily-Newspaper Circulation Per Issue Per Thousand People, and Newspaper Advertising Revenues Per Capita, 1929–1939 *(1929 = 100)*

	Per capita income *	*Newspaper circulation*	*Newspaper advertising revenues* *
1929	100	100	100
1931	88	97	100
1933	66	87	75
1935	73	93	72
1937	86	99	75
1939	96	94	78

* Advertising revenue and per capita income were deflated by BLS Index of Wholesale Prices.

SOURCE: Based on data from *Editor and Publisher International Yearbooks,* Dept. of Commerce, and McCann-Erickson, Inc.

of other factors that may account for the discrepancy between circulation and advertising trends, suffice it to cite the episode as another indication of the peculiar complexities implicit in existing institutional arrangements.

THE MEDIA PROMOTE EACH OTHER AND CRITICIZE EACH OTHER

Regarding other interrelations of different media, it is revealing that each medium uses one or more of the others extensively to advertise its own product. The American Newspaper Publishers Association reports that radio and television stations spent almost $21,000,000 in 1958 to advertise their programs in newspapers on a national basis, and unknown sums for local advertising too. According to *Film Daily Yearbook* (1958), the motion-picture industry spent almost $70,000,000 on all its advertising in 1957, including expenditures on newspapers (71.9%), radio and television (21.8%), magazines and newspaper supplements (3.8%), direct mail (1.8%), and outdoor advertising (.7%). The bulk of these outlays provided local rather than national coverage. Magazines, newspapers, and book publishers spent some $21,000,000 for national coverage in daily newspapers in 1958, another $1,559,000 for national television promotion, and substantial sums for local advertising too. Finally, the Theater Screen Advertising Bureau estimates that in 1958 the country's indoor and drive-in theaters received some $20,000,000 from 25,000 local advertisers for providing facilities to promote their products. (In addition, the major television networks have arranged to pay Hollywood producers $200,000,000 by 1968 for their outdated film libraries.)

Besides tangible promotional outlays, most media benefit from *free* promotion insofar as their rivals find them newsworthy or fit subjects for entertainment features. This is best illustrated by the practice of many newspapers today of carrying radio-TV program logs and motion-picture theater schedules, gratis. It is illustrated further by background commentary in newspapers, and on certain radio-TV programs, about the offerings of rival media. The analogy breaks down somewhat in the case of the movies insofar as newsreels there generally follow rather than precede news coverage by newspapers, radio, and television. But here too, feature films sometimes seize upon the problems of other media as fit subjects for satire or sympathetic comment.

Closely intermeshed with these competitive, complementary, and promotional relations is the role of the media in criticizing one another. Criticism appears in the newspapers' special radio-TV columns and in the columns that review current motion pictures. It appears also in comparable radio-TV programs about other media and, much less comparably, in occasional motion pictures of a serious sort. Sometimes such criticism has considerable economic impact, although this is probably truer for the legitimate theater than for "mass" media, where audiences tend to be less discriminating on the whole. Most important are the incidental benefits that vigorous criticism produces for the quality of media output and for the community's access to the widest range of viewpoints.

INFLUENCES ON THE QUALITY OF MEDIA OUTPUT

Consumer Demand and Cost Factors

This brings us next to the qualitative aspects of intermedia competition, which are clearly the most important, and the most elusive, for broadcast regulatory policy. Here the pursuit of audiences is one of the main forces acting on the quality of the product. Its pressure includes sensationalism—up to the point of alienating numerically important groups—and pressures toward a dead level of vulgarity, partially offset by the need to appeal to minority groups whose standards rise above the vulgar. Sensationalism and vulgarity are themselves partial by-products of underlying economic, technical, and social factors. Thus, at every point in time there is an existing level of taste, and it is difficult and risky to build a new, higher level. On the whole, it is psychologically easier to cater to the existing level and to exploit susceptibilities than to raise tastes qualitatively, even assuming there were more general agreement than there is on desirable standards.

Such factors are vital in accounting for the tendency of media to aim at the lowest common denominator; but they are by no means the whole explanation. The media's high overhead costs, due largely to their expensive modern equipment, also play an important role. In most cases, the economic advantages derived from fuller utilization of plant, equipment, and administrative expertise are substantial, regardless of how this is attained.

Total unit costs of daily newspapers tend to fall steadily in rising circulation classes over the relevant range of output.[21] In particular, editorial, advertising, and composition costs per unit drop fairly steadily as circulation grows.[22]

In radio and television, the legal requirement that stations remain on the air a certain minimum number of hours daily means that the loss of a sponsor raises costs, as well as reduces revenues, and further intensifies the pressure to sell time in any way possible. Besides this, ratios of operating costs to broadcast revenues tend to fall as revenue classes of radio-TV stations rise.[23] Operating-cost ratios are also lower for high-power "clear-channel" stations than for medium power "regional" stations, and lower for the "regional" stations than for the low-power "local" stations.[24]

According to data in *Standard and Poor's* and *Film Daily Yearbook*, finally, I estimate that the 272 Hollywood features released in 1956 cost an average of at least $938,000 to produce, $165,000 to distribute, and $59,000 to exhibit. Tickets cost an average of $.50 in that year, exclusive of tax. Therefore, if we assume that 35% of box-office receipts went back to the producer and distributor, they would require an audience of some 6,300,000 people per feature to break even.

In light of the above, small wonder that mass media pursue wide audiences and have been said to cater necessarily to the lowest common denominator of tastes in so doing. Small wonder too that a *diversity* of offerings within each producing unit, and between competing units in different media, has come to be considered important for the media's economic success, as well as for democratic socio-political processes. When the range of offerings is varied, divergent groups can be attracted and the needed circulation gained. From a diversity of offerings, it is also hoped that there will result a more balanced, accurate, fair, and thorough picture of events that transpire in the community.

Press Ethics

In addition to consumer demand and cost factors, quality is further affected by press ethics, by the Congress and Judiciary, and by the FCC's pressures for social standards. Regarding the first element, newspaper and radio-TV codes all subscribe to fairness and accuracy in news reports, truthfulness of editorial comment, and full identification of commentary. The *Canons of Journalism* are the prototype on this subject. Herein the American Society of Newspaper Editors eschews ". . . partisanship in editorial comment which knowingly departs from the truth; [publication of] . . . unofficial charges affecting reputation or moral character without opportunity given to the accused to be heard . . . ; [promotion] of any private interest contrary to the general welfare. . . ." The *Canons* further maintains that newspapers should be truthful and accurate, that headlines should be "fully warranted by the contents of the article they surmount . . . ; [that] news reports . . . be free from opinion or bias of any kind."

Newspaper editors and publishers, in their frequent public statements, never weary of identifying the crucial function of daily newspapers as the unbiased, impartial dissemination of news and comment. Among other occasions, they have done so in opposing the application to them of laws relating to trade restraints, child labor, unfair advertising, improper labor relations, and so on. The Courts have long accepted the newspaper's social function as vital to democracy, but they have not always agreed that this function is jeopardized by the interferences that the newspapers oppose.[25]

In radio and television, special attention is paid to over-all balance and fairness in the handling of controversial events and to the broadcaster's affirmative responsibilities in providing the facts needed by an informed citizenry and in maintaining cultural standards. The Television Code [26] in particular holds that a "station's news schedule should be adequate and well-balanced"; "news reporting should be factual, fair and without bias"; "commentary and analysis should be clearly identified as such"; "pictorial material should . . . not [be] presented in a misleading manner"; and "fair representation" should be given to opposing sides in important, controversial public issues. Beyond this, the Code prescribes that the broadcaster be "thoroughly conversant with the educational and cultural needs and desires of the community served . . . [and] affirmatively seek out responsible and accountable educational and cultural institutions . . . with a view towards providing opportunities for instruction and enlightenment of the viewers." The Code enunciates further the broadcaster's positive responsibilities toward children in helping to educate and foster sound, healthy personalities and adjustments to social and community life. Finally, the Code endorses conventional standards of decency and morality in its proscriptions against profanity, obscenity, and vulgarity; against sexually suggestive dress, dance, or exposure; against words derisive of any race, creed, color, or nationality except when race prejudice is condemned; and against approval of indiscriminate drinking, gambling, cruelty, greed, selfishness, exploitation, revenge, narcotic addiction, drunkenness, sex crimes, and so on.

Congress

With a few exceptions to be noted, legislators rarely seek to influence press quality directly; but many laws obviously modify, in an indirect and unintended way, the forces that determine quality. With respect to fairness, accuracy, and truth, the law of libel provides an ultimate safeguard of sorts. Short of that, Congress tends to keep hands off in line with First Amendment guarantees.

For instance, newspapers are legally free to be as inaccurate and unfair as they wish provided that they do not defame anyone, incite to violence, or disrupt governmental operations. In several judicial dicta, moreover, First Amendment guarantees were explicitly extended to radio and movies. And, unlike practice abroad, there has never been a press law in this country requiring newspapers to provide opportunities for anyone attacked or maligned to reply. The main qualification lies in the creation of a federal commission to regulate radio and television and in that commission's well-known views on the matter.

Notwithstanding, Congress *has* frequently inquired directly into the standards of decency and morality of motion pictures and radio-TV programs.[27] The Postmaster General has sometimes withdrawn valuable second-class mail privileges because printed matter violated such standards. State licensing authorities and censors often apply well-known standards of conventional sorts to the quality of motion pictures.

Partly to forestall more extreme action, perhaps, the media sometimes correct their own abuses and, as noted above, prescribe standards in line with what they believe to be the prevailing community values. Indeed, their actual behavior sometimes follows the spirit of these standards so closely that critics complain of *excessive* conventionality of values and morality in radio-TV drama and motion pictures!

With respect to fairness and accuracy, only radio and television are required by law to maintain adequate standards. But the newspaper industry too has shown real concern about and sensitivity to charges that its reports and commentary are biased and distorted. Not only in its formal ethical code but in the statements of its leaders and in the actions of particular enterprises, the industry's best reveal an awareness of the community's concern with inaccuracy and unfairness.[28] Such self-regulation clearly operates to forestall further governmental regulation and may in part reflect the media's fear that real public dissatisfaction could express itself through governmental as well as market pressures.

The Judiciary

Judicial dicta exercise still another influence on quality, again an influence that has operated largely in favor of accuracy, fairness, and truthfulness on the one hand and a maximum diversity of viewpoints on the other.

In libel suits, for example, media have been able to defend themselves best when they could demonstrate the truthfulness of their facts, the fairness and accuracy of their news reports, and the reasoned logic and factual basis for their opinions (and their good will in stating them).[29] "Freedom of speech," according to the High Court in *Sweeney v. Schenectady Union Publishing Co.*, "is freedom to tell the truth and comment fairly on facts and not a license to spread damaging falsehoods in the guise of news gathering and dissemination." [30] This was stated even more vividly in *Associated Press v. NLRB* [31] when the High Court explicitly acknowledged the Associated Press's major function as the impartial and unbiased dissemination of news and comment, and in *Associated Press v. U.S.* when Justice Frankfurter observed in a concurring opinion: "The business of the press . . . is the promotion of truth regarding public matters by furnishing the basis for an understanding of them." [32]

Regarding diversity, on the other hand, two major decisions among others leave no doubt on the Court's position. The most explicit statement is Justice Black's frequently quoted opinion in *Associated Press v. U.S.*: "[The First] Amendment rests on the assumption that the widest possible dissemination of information from diverse and antagonistic sources is essential to the welfare of the public, that a free press is a condition of a free society." [33]

This statement further endorsed the earlier, powerful statement by Justice Learned Hand:

> [Newspaper publishing] serves one of the most vital of all general interests: the dissemination of news from as many different sources, and with as many different facets and colors as is possible. That interest is closely akin to, if indeed it is not the same as, the interest protected by the First Amendment; it presupposes that right conclusions are more likely to be gathered out of a multitude of tongues, than through any kind of authoritative selection.[34]

The other landmark is Justice Douglas's ruling in *Hannegan v. Esquire*, where the Postmaster General had withdrawn second-class mail privileges:

> Under our system of government there is an accomodation for the widest varieties of tastes and ideas. What is good literature, what has educational value, what is refined public information, what is good art, varies with individuals as it does from one generation to another. . . . [A] requirement that literature or art conform to some norm prescribed by an official smacks of an ideology foreign to our system. The basic values implicit in the requirements of the Fourth condition can be served only by uncensored distribution of literature. From the multitude of competing offerings the public will pick and choose. What seems to one to be trash may have for others fleeting or even enduring values. But to withdraw the second-class rate from this publication today because its contents seemed to one official not good for the public would sanction withdrawal of the second-class rate tomorrow from another periodical whose social or economic views seemed harmful to another official.[35]

FCC Standards

Regarding the FCC's pressures, its concern with minimal standards of decency and morality is well known, but its views on the accuracy, fairness, balance, and thoroughness of news and commentary are all important here. Perhaps the best single statement on the latter is the Commission's *Report On Broadcast Editorializing,* which states, among other points:

> [In the] presentation of news and comment the public interest requires that the licensee must operate on a basis of overall fairness, making his facilities available for the expression of the contrasting views of responsible elements in the community on the various issues which arise. . . . (It) is evident that broadcast licensees have an affirmative duty generally to encourage and implement the broadcast of all sides of controversial public issues over their facilities, over and beyond their obligation to make available on demand opportunities for the expression of opposing views.[36]

Equally important is the Commission's conception of "program balance," [37] which requires mainly that radio-TV service include an unspecified but reasonable number of sustaining programs as well as commercial ones; local, live programs as well as network, recorded, or wired programs; discussions of public issues as well as entertainment; advertisements, but none in bad taste or of an excessive length. Judging from Commission license- and renewal-application forms, balanced programing would seem to include entertainment, educational, religious, agricultural, civic, governmental, news, and other programs. Most revealing here is the Commission's characterization of the five-fold role of sustaining programs as follows:

> 1. To secure for the station or network a means by which in the overall structure of its program service, it can achieve a balanced interpretation of public needs.
>
> 2. To provide programs which by their very nature may not be sponsored with propriety.
>
> 3. To provide programs for significant minority tastes and interests.
>
> 4. To provide programs devoted to the needs and purposes of nonprofit organizations.

5. To provide a field for experiment in new types of programs, secure from the restrictions that obtain with reference to programs in which the advertiser's interest in selling goods predominates.[38]

The question is how much power the FCC does, can, or ought to exert in the light of constitutional, economic, and political realities. For example, the Commission is bounded on one side by the First Amendment and the proscription against censorship in Section 326 of the Communications Act. Even the relatively unspecific program standards now used, formulated historically as a by-product of technical restraints, would probably be less acceptable to many authorities should these technical restraints recede one day in the wake of technological progress regarding spectrum use.[39] Recent proposals for more rigorous application of more precise standards have already raised a chorus of objections.

Yet it is well to recall even here that the First Amendment is however coming more and more to be defined in terms of the community's right to hear all views, rather than the media's right to be free from governmental interferences. In this sense, *social* restraints imposed by a federal commission may be justified to minimize private restraints imposed by broadcast licensees on the freest and fullest flow of ideas.

On the other hand, aside from censorship questions, how far can the Commission go without disrupting the solvency and efficiency of broadcast media? For instance, when unsponsored "sustaining" programs lose audiences, will the adjacent commercial time-slots retain their sponsors? When controversial material or educational programs alienate audiences, will advertisers wait until new audiences for the unpopular material are gradually built, or will they turn to other media before then? Within this context, how far can regulators go in raising standards or in maintaining a balanced, thorough coverage of controversial matter? How far can the Commission go with new network rules to equalize competitive conditions between network and nonnetwork organizations without so upsetting network finances as to reduce their ability to perform in the public interest? In this regard, severe enough disruption of business flexibility and revenues might obstruct rather than enhance the flow of ideas, and external attempts to influence quality must be carefully tempered by such considerations.

Pressure Groups

Further influences on the media's quality are exerted by powerful pressure groups like the Legion of Decency, whose economic power and moral convictions have threatened to reduce the movies to timid insipidity. Powerful business, labor, farm, and other organizations have been known to exert direct pressures, especially in the radio-TV field. But in most cases their impact is indirect. According to many authorities, what happens is simply that radio and television, wholly dependent for income on advertising, prefer to stay clear of controversy when possible, the better to avoid irritating *anyone's* pet peeves.

Financial Stability of the Media

One final factor of great importance for the quality of media output is the producer's position, which should be strong enough to resist improper pressures from the above sources. It is in this context that this book analyzes the effects of cross-channel ownership and of intermedia competition as encouraged by the "diversification policy." The aim is to analyze effects on the quality of the products in question, including effects on financial security and adequacy of economic resources, coupled with pressures for economy in their use.

In this regard, one fundamental contradiction sometimes attributed to antitrust policies in general, as well as to specific policies applied to the regulated industries, is that attempts to increase the number of competitive firms tend to conflict with attempts to increase the resources needed for an adequate performance. This book considers a small part of one approach to resolving this conflict in broadcast regulation by analyzing the bases and consequences of cross-channel ownership and the "diversification policy" that governs it. But another approach, and probably a more fundamental one, would be to launch, on a more vigorous scale, groups of noncommercial stations supported by state outlays and foundation grants and operated by nonprofit organizations, municipalities, co-operatives, universities, trade unions, and so on. For this would not only act to increase the number of independently owned and operated units and thereby to improve chances for diversity on that score, but would go further and vary the *institutional* perspectives of the media as well. What we seem to need in the mass communication field today is a system of enterprises with both an abundance of resources and an abundance of perspectives, institutional and individual, and the proper incentives to use them for the freest dissemination of ideas.

SCOPE OF BOOK

So much for the general setting of the study. The subsequent chapters will ask, first, whether intermedia competition acts to promote freedom of expression in positive ways, even assuming temporarily that the prevention of affiliations does not weaken financial stability. Case studies and analyses of media content will be examined to answer such questions as:

1. Are separately owned media more likely than joint enterprises to experiment and seek out specialized audiences otherwise neglected?

2. To what extent does separate ownership diversify the perspectives of owners and do diverse perspectives produce diverse content?

3. Do price and quality competition *per se* further or impede the diversity of communication or the accuracy, fairness, thoroughness, and balance of the media?

Then we will try to link the findings of economic analysis to the performance of the media by reviewing evidence that financially unstable media, more than others, are susceptible to group pressures and likely to debase standards. The theoretical social benefits of separate ownership, in short, subsume stable finances, and so we will ask how the maintenance of competition and prevention of affiliations would affect financial stability:

1. Would savings result from affiliation, the exploitation of which might release resources for more elaborate research facilities, superior personnel, improved techniques? If so, affiliations might well act to enhance the range and quality of media content. If not, the case against affiliations would be strengthened insofar as an increased number of independent outlets would enhance the structural conditions of diversity of expression without unduly reducing the needed resources.

2. Have affiliations enabled the older media to protect themselves against short-run financial inroads by radio and television and thereby to forestall a financial instability that might otherwise reduce their resources and ability to withstand outside pressures of organized groups?

3. Have long-run adjustments made by the older media in price, content, format, and techniques helped stabilize their revenues and thus strengthen their abilities and incentives to operate in the public interest?

Stated more directly, Chapter II will measure and explain the pattern and trend of cross-channel affiliations since 1922; Chapters III–VI will assess the movement's impact on the freest dissemination of ideas by analyzing its impact on industry structure, resources, and performance in terms of the public's right to hear all views; and Chapter VII will conclude with a review of pertinent public policy matters.

NOTES

1. For classic documentation of this thesis, see Lazarsfeld, *Radio and the Printed Page* (New York: Duell, Sloane and Pearce, 1940), and Cantril and Allport, *Psychology of Radio* (New York: Harper, 1935), especially pp. 158–81. Also see useful summary and analysis of all available evidence in Klapper, "The Comparative Effects of the Various Media," in Schramm (ed.), *The Process and Effects of Mass Communication* (Urbana: University of Illinois Press, 1955), pp. 91–105.

2. This distinction and the attributes specified in the sentence which follows are adapted from the Introductory Note in Schramm (ed.), *The Process and Effects*, pp. 87–90.

3. Contrasts drawn in this paragraph and the next are best documented in Lazarsfeld, *Radio and the Printed Page*, Chs. IV and V.

4. See Lazarsfeld, "Psychological Impact of Newspaper and Radio Advertisements" (unpublished study for the American Newspaper Publishers Association, 1949), summarized in *Sponsor*, Sept. 26, 1949, p. 24.

5. See Cantril and Allport, *op. cit.*, p. 244.

6. U.S., Dept. of Commerce, *Television As an Advertising Medium* (Washington: U.S. Government Printing Office, 1950), p. 1.

7. Indeed despite the fact that newspapers and facsimile (the electronic newspaper) *both* produce permanent records of current news and comment, distinctive potentialities must still be noted. There are important similarities in gathering, writing, editing, and displaying the news, but experimental facsimile suggests that the medium will be most effective in supplementing aural and visual broadcast fare simultaneously. Transmission of charts, maps, comic strips, background material for concerts, and so on may bolster and enrich radio and television programs. (On facsimile's distinctive properties see *Annals of the Amer. Acad. of Pol. and Soc. Sci., 213* (Jan. 1941), 162–9, 172–4, 185–6; also Schramm [ed.], *Communications in Modern Society* [Urbana: University of Illinois Press, 1948], pp. 133–5.)

8. Differences between radio and the movies, some of which also apply to television and the movies, are examined in Lazarsfeld and Kendall, *Radio Listening in America* (New York: Prentice-Hall, 1948), pp. 9–13, also Table 12. See also Powdermaker, "An Anthropologist Looks at the Movies," *Annals of the Amer. Acad. of Pol. and Soc. Sci., 254* (Nov. 1947), 80–7; Seldes, *The Great Audience* (New York: Viking, 1950), pp. 160–91; and Houseman, "How—and What—Does a Movie Communicate?" *Quarterly, 10* (Spring 1956), 227–38. So far as they make us "conform to certain rules of behavior more than do radio and television and far more than newspapers," the movies have been said to facilitate the greatest degree of social participation of any mass medium (Cantril and Allport, *op. cit.*, pp. 259–80).

9. Speech by Robert O'Brien of the United Paramount Theaters Co., June 27, 1950. Also see Siepmann, *Radio, Television and Society* (New York: Oxford University Press, 1950), pp. 346–8.

10. Siepmann, *op. cit.*, pp. 343–6.

11. Arnheim, *Radio* (London: Faber and Faber, 1936), pp. 103–203.

12. See Klapper, *loc. cit.*, pp. 94–5, 103; Lazarsfeld, "Some Notes on the Relationship Between Radio and the Press," *Journ. Q., 18* (March 1941), p. 11; Lazarsfeld, *Radio and the Printed Page*, Ch. VI.

13. See Lazarsfeld and Kendall, *Radio Listening in America*, pp. 1–9, especially Tables 3–6. This thesis is widely held in industry circles today. For example, see *Advertising Agency and Advertising Selling*, October 1950, pp. 54–5, 128, 130; *Broadcasting*, April 30, 1951, pp. 29, 72; *Editor and Publisher, 87* (Feb. 6, 1954), 57; Memorandum of Omnibook News Department, dated January 16, 1951.

14. Until recently the two major television networks required all advertisers seeking national coverage to order a minimum of more than 50 basic stations. Following a recent Congressional inquiry into network practices, the minimum requirement has been defined along lines long used by the American Broadcasting Company, in terms of aggregate monetary sums rather than specific stations.

15. See *Network Report*, Chs. VI–IX. On how these and other complaints were stated and answered during the recent Congressional

inquiry, see Levin, "Economic Structure and the Regulation of Television," *Q. J. of Econ., 72* (Aug. 1958), 439–48. On the earlier complaints against *radio* network practices, see FCC, *Report on Chain Broadcasting* (Washington: U.S. Government Printing Office, 1941), Ch. VII.

16. See Senate Committee on Interstate and Foreign Commerce, *Hearings on S. Res. 13 and S. Res. 163,* 84th Cong., 2d Sess. (1956) (cited hereafter as *Television Inquiry*), pp. 1759–63, 1815, 2129 (CBS testimony); pp. 2301–3 (NBC testimony). Also see NBC exhibits in FCC, *Docket No. 12285 in Re: Study of Radio and Television Broadcasting* (1958), and analysis in rebuttal by J. W. Markham, reproduced in FCC-mimeo #61278 (1958).

17. *Network Report,* pp. 212, 236–46; *Television Inquiry,* pp. 1874–6 (CBS testimony).

18. See FCC, *Public Service Responsibility of Broadcast Licensees* (1946), pp. 13–4; Siepmann, *Radio's Second Chance* (Boston: Little Brown and Co., 1946), pp. 55–60; also FCC-mimeo 79855 (1944), pp. 11–12.

19. See Roper, "The Press and The People—A Survey," *Fortune, 20* (Aug. 1939), 64–5, 70–8; and testimony in *Docket 6051 in Re: Orders 79 and 79-A* (Newspaper-Radio Hearings, 1941), pp. 234–74 (cited hereafter as Docket 6051). More recent, extensive surveys have bolstered the thesis that people find radio more fair and accurate than other media and esteem these attributes highly (Lazarsfeld and Field, *The People Look at Radio* [Chapel Hill: University of North Carolina Press, 1946], Ch. I; Lazarsfeld and Kendall, *Radio Listening in America,* pp. 81–91).

20. Docket 6051, pp. 234–42 (testimony by Alfred M. Lee).

21. See Simon, "Local Monopoly in the Daily Newspaper Industry," *Yale L. J., 61* (June 1952), 974–6, especially chart on p. 976.

22. *Ibid.,* especially footnote 156.

23. See FCC, *Broadcast Financial Data for Networks and AM, FM and Television Stations* (1950), p. 17 (on standard-broadcast stations);

FCC, *Broadcast Revenues, Expenses and Income* (1953), Table 7d (on television).

24. I have estimated the following average operating-cost ratios for the three major classes of standard-broadcast stations:

	1945–1952	*1938–1944*
Clear-Channel		
50 kilowatt, Unlimited Time	72.4	63.7
*All Clear-Channel Stations	75.4	66.7
Regional		
Regional, Unlimited Time	78.2	74.5
†All Regional Stations	80.4	75.3
Local		
Local, Unlimited Time	85.6	87.7
†All Local Stations	86.0	87.1

* Includes 5–25 kw stations, and part-time stations.
† Includes part-time.

25. See *Oklahoma Press Publishing Co. v. Walling*, 327 U.S. 186 (1946); also Emery, *History of The American Newspaper Publishers Association* (Minneapolis: University of Minnesota Press, 1950), pp. 218–40.

26. The Code is reprinted in *Broadcasting Yearbook*, 1958, pp. B–2 to B–8.

27. Illustrative inquiries are: Senate Committee on the Judiciary, *Report on Motion Pictures and Juvenile Delinquency*, Senate Report No. 2055, 84th Cong., 2d Sess. (1956); Senate Committee on the Judiciary, *Report on Television and Juvenile Delinquency*, Senate Report No. 1466, 84th Cong., 1st Sess. (1956); House Committee on Interstate and Foreign Commerce, *Hearings on H. Res. 278* (Investigation on Radio and Television Programs), 82d Cong., 2d Sess. (1952); Senate Committee on Interstate and Foreign Commerce, *Hearings on S.2444* (Liquor Advertising Over Radio and Television), 82d Cong., 2d Sess. (1952).

28. By way of illustration see *Nieman Reports, 9* (Jan. 1955), 24; *10* (July 1956), 17; *10* (Oct. 1956), 3. An illuminating episode is described in *Nieman Reports, 10* (July 1956), 6–7. It relates to editorial instructions that the *Washington Post* gave to its staff before the 1956 election campaigns regarding the accuracy, fairness, and balance of their coverage. The *Post*'s subsequent self-appraisal appears in *Nieman Reports, 11* (Jan. 1957), 7. Also see *Nieman Reports, 10* (July 1956), 8–13.

29. See especially Siebert, *The Rights and Privileges of the Press* (New York: Appleton-Century-Crofts, 1934), pp. 157–60, 197–9, 207–8, 343–5, 366–7; Chafee, *Government and Mass Communications* (Chicago: University of Chicago Press, 1947), pp. 77–104.

30. C.C.A. N.Y. (1941), 122 F.2d 288, aff. 62 S. Ct. 1031, 316 U.S. 642 (1941), reh. den. 316 U.S. 710 (1941).

31. 301 U.S. 103 (1937).

32. 326 U.S. 28 (1945).

33. 326 U.S. 20 (1945).

34. *U.S. v. Associated Press,* 52 Fed. Suppl. 372.

35. 327 U.S. 158 (1946). Other endorsements of diversity appear in *Times Picayune Publishing Co. v. U.S.,* 345 U.S. 602–605 (1953); *Dennis v. U.S.,* 341 U.S. 494 (1951); *Scripps-Howard Radio Corp. v. FCC,* 189 F. 2d 677, 683 (D.C. Cir. 1951); *Mansfield Journal Co. v. FCC,* 180 F. 2d 28, 35–36 (D.C. Cir. 1950); *Burstyn v. Wilson,* 343 U.S. 501–507 (1952).

36. Pike and Fischer Radio Regulation Series, Vol. 1, 91, 205–206 (cited hereafter as Radio Reg.). See also the Commission's emphasis on an adequate treatment of controversial community questions in local live programs in Johnston Broadcasting Co., 3 Radio Reg. 1784 (1947), affirmed 175 F.2d 35 (D.C. Cir. 1949); Key Broadcasting System, 13 Radio Reg. (1955); California Committee Opposed to Oil Monopoly, 14 Radio Reg. 631 (1956).

37. See FCC, *Public Service Responsibility of Broadcast Licensees* (1946), pp. 12–47.

38. *Ibid.*, p. 12. "Program balance" has figured in numerous licensing decisions. See Hi-Line Broadcasting Co., 22 FCC 891, 914 (1957); Beachview Broadcasting Corp., 11 Radio Reg. 939, 967 (1956); WDOD Broadcasting Corp., 10 Radio Reg. 1119, 1173 (1956). Also see FCC, *Report on Chain Broadcasting* (1941), pp. 63–5, where option time privileges, though conducive to network financial stability, were opposed as detrimental to a balanced program structure.

39. One powerful argument has long been that broadcast regulators must ration scarce spectrum space and choose between equally qualified candidates who seek rights to operate on the same frequency. The technical scarcity of outlets is said to require, among other things, the review of past and proposed programing. The Commission has, over the years, developed standards relating to program balance and diversity. (For a brief review of the scarcity factor and its relation to licensing standards, see my "Social Aspects of the FCC's Broadcast Licensing Standards," reprinted in *Business Organization and Public Policy* [New York: Rinehart, 1958], especially pp. 480–90.) The growing number of communities with two or more radio stations, in the face of widespread local newspaper monopolies, has been cited recently as evidence that the "scarcity thesis" in broadcast regulation is being invalidated by the facts. The question raised is whether changing technology is not really making the Commission's program standards *unnecessary,* if not actually unconstitutional. (See FCC, Docket No. 12782, *Study of Radio-TV Network Broadcasting,* July 7, Dec. 19, 1959–Jan. 30, 1960, pp. 451–5, 3278–84, cited hereafter as Docket No. 12782.) There are, of course, other bases for regulation; *viz.,* the contention that the broadcast spectrum is public property, under Sec. 301 of the Act; the special problems which broadcast media present in regard to violations of privacy in the home, in contrast with newspapers and the movies; the allegedly "unique" social, educational, and cultural potential of the broadcast media.

CHAPTER TWO

THE PATTERN AND TREND OF JOINT MEDIA OWNERSHIP

COMPETITION IN NEWSPAPER PUBLISHING has declined noticeably since 1910. According to Raymond B. Nixon, communities with two or more separately owned dailies have fallen from 57.1% of all daily-newspaper communities in 1910 to 6% in 1954. This fell to 4.6% in 1958. Furthermore, some 840 dailies disappeared between 1930 and 1953 through consolidation, merger, local combination, or conversion from daily to weekly, in contrast with only 687 new dailies launched.[1]

In the motion-picture industry, on the other hand, eight major film producer-distributors dominate, even though 7,400 enterprises operated about 18,000 movie theaters in 1958, some 600 circuits operating four or more theaters controlled 51% of the houses, and a handful of giants held many of the 450 "first-run" houses in the 95 largest cities.[2]

It has been hoped that the growth of radio and television would provide alternative outlets for expression as a partial answer to such trends. But numerous cross-channel affiliations have acted to dim these hopes. On August 1, 1959, newspapers had affiliations with an estimated 431 of 3,388 standard-broadcast stations, 143 of 628 frequency-modulation radio stations, and 181 of 521 television stations on the air. In addition, 32 motion-picture companies controlled another 59 television stations, and an even more extensive marriage seems likely. The most spectacular development of recent years was the merger in 1952 of the American Broadcasting Company, owning 10 radio and television stations and affiliated with 348 others, and the United Paramount Theaters Company, operating outright some 650 theaters and holding minority interests in another 300.

Cross-channel enterprises are further enmeshed today with multiple-station owners in our major cities. Thus the Network Study Committee reported that, in November 1956, 58 multiple owners in 100 leading markets not only controlled 153 of 168 television stations operating there, but were also affiliated with 22 newspaper, 53 radio, 6 magazine, and 3 motion-picture-theater enterprises, many of which in turn ran several establishments in these other fields too. Even more striking, new research summarized in Table 6, when read along with Table 9 below, reveals that the proportion of newspaper-affiliated radio-TV stations that were group owned on August 1, 1959, significantly exceeds the proportion of all radio and TV stations that were affiliated with newspapers on that date. For whereas group owners held 90 (50%) of 181 TV stations with newspaper affiliations, the latter represented only 34% of all operating TV stations. And whereas group owners held 160 (37%) of 431 newspaper-affiliated standard radio stations, the latter constituted a scant 13% of all standard-broadcast stations on that date. Finally, group owners held 17 (68%) of those 25 newspaper-affiliated radio stations authorized to use 50 kilowatts power—the choicest of available power designations; but those 25 newspaper affiliates constituted only 27% of 93 50-kilowatt radio stations studied.

As already indicated, the purpose of this book is to examine the

TABLE 6 Number of Television and Radio Stations Owned by Group Owners, by Newspapers, and Jointly Owned by Both, August 1, 1959

Station Category	*Television*	*Radio* *	*50-kilowatt stations only* †
Group-Owned	278	776	52
Newspaper-Owned ‡	181	431	25
Group- and Newspaper-Owned	90	160	17
Total on Air §	**521**	**3301**	**93**

* Standard-broadcast stations only.

† Includes all standard-broadcast stations, full-time and part-time, authorized to use 50 kilowatts power, day or night, as reported by source used.

‡ Includes minority stock interests.

§ Includes stations neither group- nor newspaper-owned as well as those that are. Radio estimates vary with compilation techniques. See Table 1.

SOURCE: Computed by author from data in *Broadcasting Yearbook* (1959). See Appendix, p. 207.

economic and social bases and consequences of the FCC's policy governing cross-channel affiliations. This chapter will designate the movement's historical pattern and then explain variations in this pattern in terms of the attitudes of older media toward their new electronic rivals. Fear and the desire to "hedge" against the unknown have often been said to underlie the entry of nonbroadcast media. The *validity* of such fear will be appraised in later chapters, the better to ascertain the possible impact of the Commission's "diversification policy" on the performance of all media. But here it suffices simply to consider whether the desire to hedge is in fact more important in explaining cross-channel affiliation than are pride in the use of new technology, the desire to exploit technical know-how, the prestige of affiliation, and so on.

The resolution of this question by no means decides the desirability of any policy on cross-channel affiliation. The older media entering radio and television from fear may nonetheless seek to bolster rather than restrict these rivals even at the expense of their older properties—should this prove profitable in the aggregate. Nonetheless, the question of motives should be clarified, elusive though it is. For affiliation through fear—"hedging"—is considered a pertinent fact by those who oppose cross-channel affiliation and is often denied outright by the media themselves. Valid or not, moreover, fear may lead older media to try to restrict the economic growth and development of their newer rivals, and this would act to reduce the public's access to information along lines reviewed in Chapter III.

The newspaper publishers who enter radio and television have generally operated medium-sized or large dailies in medium-sized or large communities. According to FCC estimates, for example, newspapers in 1940 were generally more likely to have radio affiliates the higher their circulation and the larger the community they served—except for newspapers in the *highest* circulation-population-of-community class, where the proportion of affiliated papers fell noticeably. In other words, whatever their *reasons* for entering into cross-channel affiliations, the newspapers' abundant financial resources and ready access to the capital market undoubtedly *facilitated* the movement.

Given their apparent wealth, however, why have so many newspapers preferred to invest in radio and television rather than in equally profitable alternatives? Stated briefly, the pattern and trend of cross-channel affiliations, and the factors underlying them, can be described as follows:

First, the prestige of affiliation, the pride in transmitting one's product with the latest technology, and the desire to exploit one's know-how in a potentially profitable, related field, all apparently play a general role in cross-channel affiliation. Each of these elements may conceivably tip the scale in marginal cases, but alone they cannot explain *variations* in the rate of entry by newspaper publishers and motion picture companies since 1922. Such variations are better explained by the desire to hedge against the actual or feared impact of a new rival—even when it is not immediately profitable to enter. Indeed this hypothesis not only explains variations *within* the two nonbroadcast media, but also seems roughly consistent with variations *between* them.

Second, looking at the whole period 1922–1958, the most extensive entry into standard broadcasting by newspapers seems to have occurred when the new medium's impact was in fact the sharpest or when fears about this impact—valid or not—were the greatest. In line with this, moreover, the newspaper publisher's attitude toward radio-TV competition has varied with general economic conditions as well as with his rivals' actual impact. During good times, the publishers stress the usefulness of radio and television in promotion. They carry program logs (paid or gratis) and emphasize differences in potential appeals of different media. During bad times, however, the opposite is true. In other words, the publisher's judgment on program logs, radio-TV columns, and "distinctive" appeals seems less a product of systematic inquiry than of rules of thumb based on his *general* financial position, whatever its real determinants.

Third, although motion-picture companies, like newspapers, suffered reduced receipts during the 1930's, their failure to enter radio can be explained partly in terms of the differences between box-office and news-advertising media, and partly in terms of radio's very small inroads, the movies' relatively rapid recovery after 1933, and their application of sound to film after 1929.

Since the war, finally, fear of television has induced entry by four major motion-picture producer-distributors, several theater chains, and many newspapers as well, notwithstanding the FCC's "diversification policy," and even though there were no immediate prospects of profits. Although they seem so far to have suffered no serious harm because of television, the newspapers have feared its rise nonetheless and have entered as a "hedge." Movie producers and theater owners, on the other hand, are entering on a more limited scale than newspapers for several cogent reasons, despite significant television inroads.

The remainder of this chapter will set forth the basis for these general propositions and conclude by drawing a few implications for the argument propounded in subsequent portions of the book.

NEWSPAPERS ENTER STANDARD RADIO

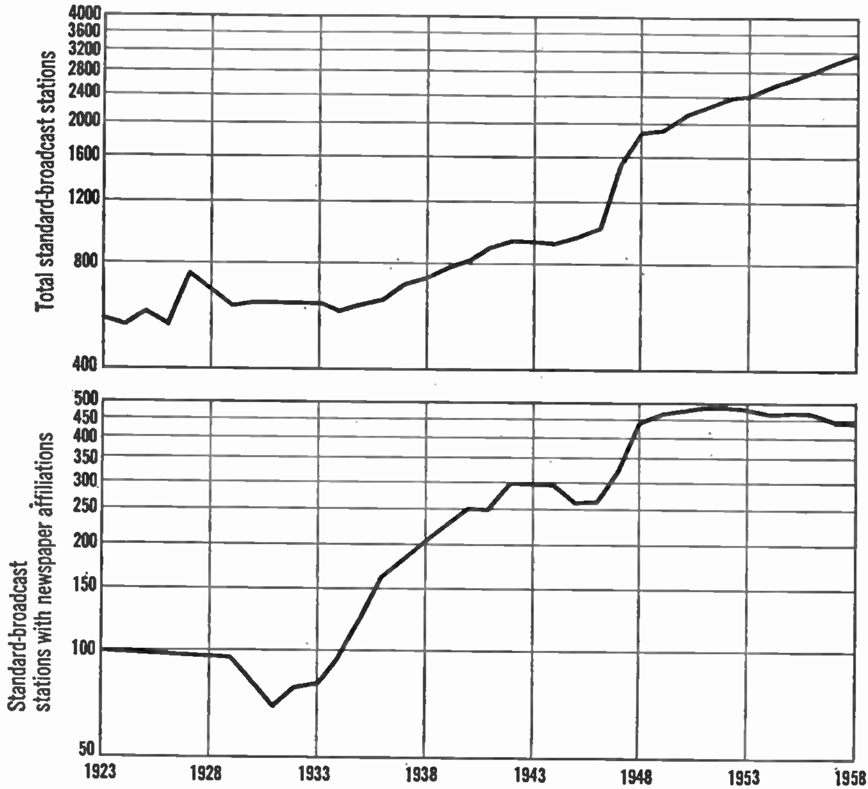
Chart I suggests that the rate at which newspapers entered standard radio between 1931 and 1940 was greater than the rate at which the total of stations took to the air and apparently greater than the rate of newspaper affiliation before 1929. During the war, total stations on the air remained constant, while newspaper affiliation decreased slightly. Then, between 1945 and 1948, the number of affiliates and total stations grew at roughly the same rate. Between 1949 and 1958, total stations rose more rapidly than newspaper affiliates—which actually decreased in absolute terms after 1951.

The 1920's

Only 11% of standard stations had newspaper affiliations in 1931, compared to 31% in 1941 and 22% in 1951. Even the sparse data on affiliations before 1931 suggests a slower rate in the 1920's than the 1930's. We may first seek an explanation by examining the publishers' attitudes in the earlier period.

This decade was apparently a "friendly" period in newspaper-radio relations. Publishers stressed the different appeals of printed and aural media, as both news disseminating and advertising outlets, and the possibility also of using radio to promote circulation and news interest in general.[3] Fifteen years before Dr. Paul F. Lazarsfeld's systematic analysis of differences in these appeals, the American Newspaper Publishers Association cited these differences as reason not to fear the new rival. Radio was news in those

CHART 1 Standard-Broadcast Stations and the Number with Newspaper Affiliations, 1923–1958



SOURCE: See Appendix.

days, and publishers gave generous space to news coverage, features, and background information.[4] Indeed, Ralph D. Casey holds that the rapid growth of sets-in-use between 1922 and 1923 can be understood only in terms of newspaper publicity of the new medium.

Highly suggestive of attitudes at this time is that radio's threat was minimized by the ANPA as late as 1927.[5] One has only to compare the 1927 proceedings with those of 1930 to understand the relative calm and good will of the earlier period. The publishers' confidence seems to have been reinforced by their knowledge of the Federal Radio Act (1927), which required radio to operate in the public interest. In their eyes, this would surely preclude any sponsorship of news by advertisers. Moreover, the opposition to advertising by broadcast leaders like Sarnoff, officials like Hoover, and the public in general would probably act to stifle any potential fears of competitive inroads.[6] Lastly, of course, manufacturers of radio sets poured millions into newspaper advertisements of their product, and so the growth of radio was, in this sense, viewed with pleasure. To win and hold their radio-set account, publishers agreed to carry program logs gratis and often printed extensive background materials and product information as well.[7]

The economic forces underlying this rather benign psychological outlook can be roughly described as follows: The average annual rates of growth of radio sets-in-use and of the ratio of radio sets to total families were smaller in the 1920's than the 1930's. (See Table 7.) And if radio's growth had not yet assumed the striking

TABLE 7 Average Annual Rates of Growth: Radio-Set Ratios, Radio-Family Ratios, Standard Sets-in-Use, 1922–1950

	Average Annual Growth		
	Ratio of radio families to total families	*Ratio of radio sets to total families*	*Sets-in-use (thousands)*
1922–1929	4.35	6.10	1,808
1930–1940	3.13	6.31	3,025
1941–1950	1.47	5.01	2,580
1922–1950	3.34	6.64	2,772
1929–1933	5.40	6.47	2,140

SOURCE: Based on data from Federal Communications Commission.

proportions of later years, newspaper growth, on the contrary, was apparent. Thus the newspapers' share of all advertising revenues going to magazines, newspapers, and radio rose from 70% in 1919 to 80% in 1928, the year that radio claimed a mere 1.4%. Moreover, deflated newspaper advertising revenues per capita (1926 prices) rose from \$4.93 in 1921 to \$6.87 in 1929, compared to \$4.91 in 1935 and \$5.34 in 1939.

In a general way, then, it would seem that the low rate of newspaper affiliation, the great concern with using radio for promotion, the emphasis on the two media's separate appeals, the widespread carrying of program logs gratis, and the extensive coverage of radio that marked this "friendly" period came at a time when newspaper publishing was expanding and when radio broadcasting had not yet approached the peak of its own growth rate. The motives most frequently mentioned for entry in the 1920's—aside from "promotion"—were the newspaper publisher's professional obligation to use the newest technology, his prestige in so doing, and the "good will" he thought he gained by operating a radio station.[8]

The Depression Decade and War Years (1930–1945)

Now let us examine the factors that underlie the growing affiliation rate of the 1930's—the decade when entry of newspapers was most rapid—and the wartime slack.

On the economic side, we know that business conditions changed sharply in 1930. Indeed, during the whole period 1929–1945 the newspapers' relative share of advertising revenues going to three major media fell steadily, and per capita advertising revenues (deflated) recovered only negligibly between 1935 and 1939. (See Table 21 and Chart II in Chapter V below.) On the other hand, the same series for radio show steady growth. Indexes of national advertising further indicate a marked shift in the relative positions of newspapers and radio between 1935 and 1945, with radio gaining and newspapers losing. (See Table 8 and Chart III in Chapter V.)

The depression and war years, in short, were clearly years of newspaper losses and radio gains. But were these interconnected? Did radio gain at the newspapers' expense? Or were other factors largely responsible for both newspaper troubles and radio's growth? Detailed statistical analysis described in Chapter Five suggests that radio's impact was definite but limited, that it varied regionally and temporally, and that the decline in national income was really a more important factor in explaining newspaper troubles until the very late 1930's. Radio's growth, on the other hand, seems to have been closely tied to the surge in set sales and its novelty effect. The new medium was at least partly supported out of new advertising money it induced advertisers to spend and also out of revenues it took from rivals other than newspapers.

TABLE 8 Indexes of Expenditures on National Advertising, 1935–1958 (1947–1949 = 100)

	General *	*Network radio*	*Network television* †	*Newspapers*
1935	30	30		38
1940	41	55		41
1945	72	97		52
1949	106	99	17	118
1950	116	96	49	133
1955	185	41	310	185
1957‡	214	32	385	202
1958‡	208	30	422	185

* General index is of total expenditures on national advertising, including outdoor, business papers, magazines, etc.

† 1950–1952 = 100

‡ Preliminary.

SOURCE: *Statistical Abstracts of the U.S.*, 1951, 1959 (Washington, D.C.: U.S. Government Printing Office). *Printer's Ink* index.

Nonetheless, the very fact that newspapers developed troubles at the same time that radio prospered—notwithstanding the explanation now offered by economic analysis—appears to have colored the publishers' outlook, judging from statements they made about radio's threat during each of the depression years.[9] There seem to have been an exaggeration and a misunderstanding of what was actually happening even in national advertising, where we know radio did make some inroads. During the decade following 1929, newspapers often blamed their losses on radio's speed and immediacy, on unfair competitive tactics (*e.g.*, radio "giveaways"[10]), and on the great growth in set ownership, facilitated by generous newspaper publicity. They even cited cases in which radio time salesmen showed clippings of "free" newspaper publicity to induce advertisers to hold or expand their radio outlays and cut elsewhere, if necessary—*on the grounds that they could have newspaper coverage gratis.*[11] The gloomy Media Records Report was cited at length at the ANPA's meeting in 1931 as evidence that advertisers were diverting outlays from newspapers to radio, and this report literally set the tone until the war.[12]

There was little talk at the ANPA conventions during those years of entering radio for the prestige of affiliation, for the pride in using new technology, or for promotion. But there *was* frank talk of "hedging against the unknown," "joining the winning side,"[13] and safeguarding news reliability by the operation of stations directly instead of allowing radio to issue sponsored newscasts. Indeed, many restrictions placed on the use of news in the 1930's—if not the actual cessation of news services in 1933—were justified as protecting both the publishers' property rights and the public's right to fair, unbiased news.[14] As noted below in Chapter III, the publishers identified their financial interest with the public interest.

To be sure, when questioned by the FCC in 1941 about their reasons for entry, newspaper publishers generally minimized their fears and desire to hedge and stressed the wish to enter a new, expanding, profitable industry where their experience would help launch them.[15] They also emphasized their pride in using new technology to bring news and interpretative comment to their readers and their desire to keep abreast of rivals who had already acquired radio subsidiaries.[16] The facts seem to support these reasons too, yet without rejecting the desire to hedge.

During this second period, then, the outlook and attitude of publishers once again reflected, in a general way, underlying economic forces. But there was a tendency to overestimate radio's impact and to ignore the factors of general income decline and wartime exigencies. For example, the publishers' fears were apparently as pronounced in 1929–1933 as in 1937–1940, although income change appears to have been more important than radio growth in the first period. Even in the second period, there was a conspicuous absence of awareness that the general level of business activity and income decline were factors affecting newspaper revenues, wholly apart from growing radio competition. Indeed, my investigation sharply challenges the thesis that radio's gains came primarily from outlays that would otherwise have gone to newspapers and points up radio's share of the *growth* in total advertising revenues during the period and of gains from other media. (See Chapter V.)

Postwar Period (1945–1958)

Regarding postwar trends, the proportion of standard-broadcast stations with newspaper affiliations remained constant between 1945 and 1948, despite the sharp surge in new standard-broadcast stations, and then fell after 1949.

Since the war, newspapers have bettered their relative position vis-à-vis radio on several counts. Table 21 (p. 109) shows that the publishers' share of all advertising revenues going to three major media rose from 54.3% in 1947 to 62.9% in 1949 (before television became a serious factor reducing radio revenues) to 69.2% in 1958. Radio's share fell from 25.3% to 20.8% to 13.7%. Likewise, the newspaper index of national advertising revenues (1947–1949 = 100) rose from 52 (1945) to 185 (1958), while network radio's fell from 97 to 30. Per capita advertising revenues of newspaper publishers (deflated) rose from $8.11 (1947) to $10.67 (1954), while radio's revenues fell about 25% and *network* radio's alone fell even more sharply. Moreover, multiple correlation analysis in Chapter V shows no impact of radio on newspaper advertising revenues or circulation levels in 1947, in the country as a whole or in 36 major cities, again *before* television becomes a complicating factor. In effect, the publishers' comeback may reflect a number of things discussed in Chapters V and VI: the lessening of newsprint shortages; the end of "free publicity"; attempts to meet advantages of the network rate structure and discounts; greater efforts in audience research and promotion; greater emphasis on commentary, evaluation, and foreign affairs; the shrinkage of general news and general features as newspapers become functionally specialized; the development of radio columns and background materials to capitalize on interest in radio.

Reflecting the underlying economic forces since the war, we find greater confidence on the part of newspapers in holding their own by developing their strong points, adjusting their techniques, pushing their research and promotion. There is also a greater desire to gain objective data on the nature of their appeals and a greater willingness to carry program logs and to use radio for promotional purposes.[17] In 1954, the National Association of Radio and Television Broadcasters reported that 73% of all radio-TV stations paid nothing to have their logs printed, 13% paid customary or special rates, and 14% refused to pay and preferred to publish the logs independently. The important point is that newspapers do carry the bulk of program logs gratis, notwithstanding continued complaints in the trade press and vigorous demands that radio-TV stations reciprocate by informing newspaper readers of pending newspaper features. Today we do not find mention of standard-broadcast affiliations as a guarantee against the future. Now, for promotional purposes, newspapers turn to frequency-modulation radio, and fear of the future brings them into television and to experiments with facsimile.[18]

Looking back on the period 1922–1958 as a whole, it is evident (and not too surprising) that attitudes toward program logs, toward the distinctive appeals of printed and aural media, the promotional value of radio, and the newsworthiness of radio-TV programs, were positive in the 1920's and after 1945, and negative during the 1930's. In other words, during prosperous years, the newspaper publishers were less concerned about radio's competitive threat than during bad years. It would seem, therefore, that the attitudes toward logs and so forth were based less on systematic, objective analysis of *their* impact, or of *radio's* impact, than on general rules of thumb at a time when a multitude of *other* factors might better explain the newspapers' prosperity or losses.

It is also interesting that the highest affiliation rate occurred at a time when newspaper losses (and radio's actual impact) were the greatest, a time, too, when radio revenues per capita were rising most rapidly. When newspapers regained their old position after the war, and standard-broadcast revenues fell, there was less propensity to affiliate. This suggests a tentative generalization: the desire to hedge against the unknown and the desire to enter a new, expanding, profitable industry—where journalistic experience might help orient them—were the primary factors motivating entry. There seems no way of disentangling these two factors in the given analysis. On the other hand, pride in the use of new technology, prestige, promotion, the desire to safeguard news reliability and to maintain competitive positions may have reinforced marginal decisions and tipped the balance in borderline cases, leading newspaper publishers to enter this field rather than some other. But they can hardly explain the changing *rate* of entry. The indirect bearing this motivation may have on press quality, and on the need for a policy on cross-channel affiliation, was noted at the outset and will be examined again later. But first let us turn to the newspaper publisher's entry into frequency-modulation radio and television.

NEWSPAPERS ENTER FREQUENCY-MODULATION RADIO AND TELEVISION

Table 9 shows a sharp growth in the proportion of FM radio and television stations with newspaper affiliations between 1945 and 1950 and varying declines thereafter. This contrasts with the pro-

TABLE 9 Number of Standard-Broadcast, Frequency-Modulation, and Television Stations and the Number and Percentage with Newspaper Affiliations, 1945–1959

	Standard			*FM*			*TV*		
	On Air (1)	*Affil. (2)*	*Per Cent (3)**	*On Air (1)*	*Affil. (2)*	*Per Cent (3)**	*On Air (1)*	*Affil. (2)*	*Per Cent (3)**
1945	943	260	27.6	53	17	32.0	9	1	11.1
1948	1887	444	23.6	1010	331	32.8	73	24	32.0
1949	1911	463	24.2	933	280	30.0	48	13	27.1
1950	2086	472	22.6	743	273	36.8	97	41	42.0
1951	2231	487	21.8	659	231	35.1	107	45	42.1
1952	2330	485	20.8	648	212	32.3	108	49	45.4
1953	2375	478	20.1	626	199	31.8	126	87	78.9
1954	2521	469	18.6	560	183	32.7	356	130	37.1
1955	2669	465	17.4	552	170	30.8	439	149	34.0
1956	2824	463	16.4	540	156	28.9	482	160	33.4
1957	3005	441	14.7	534	142	26.6	469	156	33.3
1958	3180	440	14.0	537	145	27.0	513	168	33.1
1959	3388	431	12.7	628	143	22.8	521	181	34.7

* Column 3 was arrived at by dividing Column 2 by Column 1.

SOURCE: Based on data in *Broadcasting-Telecasting Yearbooks.* All figures are as of January 1, except those for 1959, which are as of August 1.

portion of standard-broadcast stations with such affiliations, which declines steadily throughout.

Entry into FM Radio

To explain the publishers' interest in frequency-modulation radio, it should be remembered first of all that FM was cheaper to build and to operate than all but the smallest standard-broadcast stations.[19] Furthermore, the choice facing would-be publisher-broadcasters was really between *building* an FM outlet or *buying* older broadcast properties *at bloated prices* in the crowded standard (AM) band. For example, in the period 1944–1946, the FCC reported 119 100% sales of standard-broadcast stations at prices ranging from three to six and one-half times original cost. It was also easier to enter FM without costly competitive hearing. Cases in which two or more applicants sought the same outlet and special hearings were necessary were far fewer in FM than in standard broadcasting. (See Table 10.) Newspaper publishers have always been sensitive to the fact that their occupation might weigh against them when competing against an independent candidate for any outlet. At its 1946 meeting, the ANPA paid explicit attention to the element of risk involved in the FCC's policy of preferring nonnewspaper applicants to newspapers, other things equal, in competitive cases.[20] Lastly, FM's 90 channels, able to support up to 5,000 outlets, enhanced the technical possibility of entering choice markets where standard-broadcast outlets were all preempted or where standard-broadcast sales prices were exhorbitant.*

Besides these economic and administrative factors, newspaper publishers knew that the FCC was eager for older standard-broadcast licensees (including newspapers) to pour much-needed venture capital into frequency modulation to develop it quickly so that independents could operate successfully. The FCC believed

* Nor were the publishers unaware of this (see ANPA, *Proceedings*, 1944, pp. 156–7).

TABLE 10 Number of Broadcast Hearings as Per Cent of Total Broadcast Applications and of Applications for Construction Permits, 1947–1951 *

	Number of hearings as a per cent of applications for construction permits			*Number of hearings as a per cent of all applications †*		
	AM	*FM*	*TV*	*AM*	*FM*	*TV*
1947	70.7	22.2	33.3	43.6	16.8	16.7
1948	53.7	27.5	60.1	30.3	11.3	58.0
1949	54.7	29.6	54.3	31.1	12.8	49.5
1950	49.6	23.5	49.4	26.8	9.2	45.8
1951	51.4	14.0	40.8	26.0	4.0	37.7

* The table should be interpreted as follows: In 1947 the number of hearings held on applications for permits to build standard-broadcast stations was 70.7% of the number of actual applications for such permits; in FM radio, the hearings cases numbered only 22.2% of total applications for permits to build such stations. Total hearings in each band also numbered 43.6% of all applications received (for changes in power, assignments, antenna heights, etc.) in the case of standard radio, 16.8% in FM, and 16.7% in TV.

† Including those for changes in power, and for transfer of control.

SOURCE: Computed from statistics in FCC, *Annual Reports* (1948–1952).

that the older radio licensees could build and operate FM radio stations more cheaply than newcomers by "utilizing common personnel and by broadcasting [their] programming with little or no added cost—over [their] FM stations."[21] Indeed the Commission went so far as to send "hurry up" notes to FM grantees who were suspiciously lax in starting construction in 1947. Perhaps most important was the newspaper publisher's desire to be prepared to operate facsimile—the electronic newspaper—which it was long thought would be run by frequency-modulation stations. Long-run expectations are important here, for facsimile seemed more likely than other electronic media to threaten the very survival of newspapers.

In short, the old motives of pride in the newest technology and fear of the future combined to attract newspapers into frequency-modulation radio after the war, even though expectations of immediate profits were low. (See Table 11 below.)

The Race into Television

Now let us consider the rapid entry into television. Television stations are much more expensive to build and operate than are frequency-modulation and all but the largest standard-broadcast stations; comparative costs hardly explain the decision of most newspapers to acquire TV subsidiaries. Moreover, the chance of entering television without an expensive, time-consuming hearing was much less than that of entering standard broadcasting, let alone FM broadcasting. (See Table 10.) To be sure, the newspapers consider television a serious rival for national advertising today. Yet there was no significant television impact on newspaper circulation in those crucial years between 1948 and 1951, when television sets-in-use grew some fifteenfold.[22] (See Chapter V.) And the publishers' knowledge of their own comeback against radio must have reassured them about the efficacy of promotion and adjustments in content and techniques as alternatives to the acquisition of television subsidiaries. The fact that the manufacturers of television sets poured millions into newspaper advertisements anyway would further deter any decision to affiliate.

Surely the rush into television cannot be explained wholly in terms of pride and prestige, although these probably played some role, or in terms of the desire to enter a profitable industry: television's losses until 1951 were as notable as FM's. (See Table 11.) In effect, we must turn partly to the publisher's long-run expectations of television's profitability and to the fear for his newspaper properties when the new medium came of age, and partly to the desire to protect his *radio* subsidiaries. For the newspapers entering television generally have their own frequency-modulation and

TABLE 11 Comparative Broadcast Income in Millions of Dollars Before Taxes, 1948–1958

	AM *	*FM only* †	*TV*
1948	64.1	(3.1)‡	(14.9)‡
1950	70.7	(2.6)	(9.2)
1952	61.1	(1.0)	55.5
1954	42.5	(0.6)	90.3
1956	49.6	(0.4)	189.6
1958	38.0	(0.7)	171.9

* Includes joint AM-FM operations because not separately reported.
† Includes only independent FM stations without AM licenses.
‡ Parentheses denote losses.

SOURCE: Federal Communications Commission.

standard-broadcast outlets and fear of television's impact on *radio* enters their calculations.

As owners of radio facilities, moreover, they would have, from the administrative viewpoint, a position favorable to entering television, for technical broadcast experience and experience with radio programing would help them with FCC. Doubtless too, they fear being left behind in the competitive race with other newspaper publishers who might enter. Just what these competitive advantages of television subsidiaries are is not too clear, but the factor is often cited nonetheless.

Besides widespread entry, newspapers are also adjusting to television by using it for promotion, by changing their techniques and content, by stressing commentary and evaluation, and by exploiting television's news interest. Special television columns and features, background materials and program logs seek to exploit the public's interest in the new medium to stimulate newspaper sales—so much so that theater owners complained in 1956. They charged that 16 important newspapers gave radio and television stations publicity, excluding program logs, that exceeded by 100% the advertising space these media bought from the newspapers. Whereas the movies, buying five times as much advertising space as the radio-TV stations, got only 25% more publicity. The 16 newspapers gave the motion-picture theaters publicity equal to only one half the space they bought for regular advertisements.[23]

THE MOVIES, RADIO, AND TELEVISION

Few motion-picture companies or theater chains entered radio before the war. Today entry into television and radio is growing, but compared to the newspapers', it is still negligible, and one wonders why this is so.

Radio and the Movies

A priori, radio competition would seem to be a matter of concern to the movies, quite as much as to the newspapers, in the sense that all media must vie for the public's leisure. Yet motion-picture companies and theater chains were slower than newspapers by several years even to take note of radio's early developments, let alone enter the field. For example, not until 1927 does *Film Daily Yearbook* discuss talking pictures and radio patents in passing (p. 815), whereas the ANPA notes the possible uses and dangers of radio as early as its 1923 *Proceedings*. When *Film Daily* considered radio in the late 1920's, it was not as a potential rival or even as a promotional device, but rather as something to be incorporated directly into motion-picture exhibition. Indeed careful examination of trade journals during the 1930's shows few instances in which movie producers or theater owners expressed fear of radio listening in the home as a threat to their audiences. More often, sound pictures were viewed as a great attraction and stimulus to movie revenues during the days of business doldrums, and this may well have been the case.[24]

In 1926, the Warner Bros. Vitaphone Corporation, which applied Western Electric's sound system to film, and the successful production of the "Jazz Singer" jarred the major companies into action. Heretofore they had opposed the introduction of sound as likely to threaten their older investments in silent pictures, stars, etc. But the phenomenal success of Vitaphone forced quick and resolute action in 1928. All major companies rushed to lease the new techniques from Western Electric; theater chains hurried to wire their houses. In those days, the great but short-lived contest was between *talking* pictures and *silent* pictures, not between radio and the movies.[25] The full adjustment was to take several years, and it may be traced by studying the lists of "wired" and "unwired" movie theaters published by *Film Daily* in its yearbooks between 1931 and 1934.[26] (No "unwired" theaters are listed after 1934.)

The year 1928 was also the year that the Radio Corporation of America, owner of the National Broadcasting Company, unable to find outlets for its own sound equipment, purchased the Keith-Albee-Orpheum theater chains and picture studios. Indeed, this purchase is, in the late 1920's, the equivalent of the United Paramount Theaters' more recent amalgamation with the American Broadcasting Company's radio-TV network. It is also suggestive, perhaps, that in the earlier case a *radio* corporation sought a safe and growing outlet for its sound equipment, whereas today a giant *theater chain* seeks to affiliate with its powerful rival, the television industry.

Even in those early days, however, the potential threat of television was noted, at least in passing. Before and after the 1929 downturn, and during those years when newspapers were so outspoken about their fears of radio, *Film Daily Yearbook* stressed the effect of the general business depression and income decline on movie attendance and noted frequently that television might some day be a menace.[27] In the annals, only once in 1933 was *radio's* threat to movie attendance noted briefly.[28]

The motion-picture industry's relative equanimity concerning radio is not hard to explain and makes an interesting contrast with newspaper attitudes of the time. *First,* radio was a news and advertising medium, and so it is not strange that newspaper publishers should be more sensitive to its potentialities and threats than were the motion-picture interests, who were concerned primarily with entertainment and box-office receipts. The planning and administration of the two media were quite distinct. Indeed, this factor may still operate today as an obstacle to widespread affiliation between television and motion-picture companies.

Second, unlike newspapers, the movies were able to incorporate radio into their basic product by wiring their theaters for sound. When this was accomplished the advantage, technically speaking, was more on the side of the movies than on that of radio, in the sense that the movies combined pictures with sound. Only later, when television brought pictures and sound directly into the home and added the reproduction of events actually occurring, did the movies re-examine the threat of their electronic rivals.

Third, the movies had greater success in weathering the fall in national income between 1929 and 1933 than did newspapers, and their recovery was somewhat more rapid after 1933. (See Table 12.) Perhaps, then, there was less reason to look for a scapegoat.

Fourth, statistical analysis reveals strong evidence that motion-picture receipts varied in close correspondence to variations in con-

TABLE 12 Percentage Changes in Proportions of National Income Going to the Movies, Newspapers, and Radio, 1929–1950

	Movies	*Newspapers*		*Radio*
		Total revenues *	*Advertising* †	
1929–1933	47.82	32.55	14.57	348.40
1933–1939	—25.37	—28.36	—28.87	69.78
1947–1950	—25.99	26.28	10.09	0.00

* Includes subscriptions, newsstand sales, and advertising income.
† Includes advertising only.

SOURCE: Based on data from *Census of Manufactures,* Department of Commerce, and Federal Communications Commission.

sumer expenditures in the years 1929–1948 (before television became a complicating factor), and even stronger evidence that this was so from 1929 to 1940. But there is *no* evidence of even a minor deterrent resulting from radio on this level.[29] Indeed, further tests of motion-picture receipts in 48 states during the period 1933–1939, the time of radio's most rapid rate of growth, tend to support this generalization, showing, however, some evidence of radio's impact in 1939, when the novelty effect of sound movies had worn off.[30]

Next, there was little indication that the rate of recovery of movie receipts in 48 states between 1933 and 1939 was seriously hindered by radio's growth, although this might have been so to a minor extent in the Southeast, Southwest, and South Central states.[31] Even more important, perhaps, there was no evidence of radio's being a deterrent to the growth of motion picture-theater seating capacity in 36 major cities, even though radio *had* made some inroads into newspaper revenues during these same depression years.[32]

5

In conclusion, even during the years of radio's most rapid and extensive growth, years when newspapers apparently suffered, there is very little indication that the movies lost directly to their new rival, or that radio was a serious deterrent before 1940. It is perhaps understandable, therefore, that radio was not viewed as any major financial threat and that affiliations were not sought as a "hedge." The distinct problems of box-office and news-advertising media may have further bolstered the decision against affiliations. Motion picture companies preferred to incorporate radio into their basic product by wiring their theaters for sound and by applying sound to film. This contrasts with the newspapers, who had no such alternative.*

* Of course motion-picture producers and theater owners, like newspapers, have used radio for promotion, and they can do so without actually acquiring subsidiaries.

Television and the Movies

In the case of television today, the motion-picture industry's reaction in some ways resembles and in other ways differs from its reaction to radio. On the one hand, movie interests try to adjust to television by incorporating special television apparatus into their theaters (supplementing regular motion-picture fare and further displacing vaudeville and dance orchestras, as sound films once did), by turning to "better" films (judged not only by Hollywood's standards but by the critics', too) and spectacular techniques like Cinemascope, stereophonic sound, and so on.

Such adjustments are clearly analogous to those that both the movies and the newspapers made to radio in the past. Moreover, I have found that some 400 independent companies have been making films for television since 1950 and that, whereas no major Hollywood producer made such films in 1949, all seven do so today, through special subsidiaries. Lastly, during 1956, five major producers—RKO, Twentieth Century Fox, MGM, Warner Bros., and Columbia—released for sale or lease hundreds of features and shorts made before 1948, estimated at a total value of $100,000,000. Subsequent sales have doubled this figure. Some 40% of all television programing today is said to be on film—kinescopes of television shows, old features, and so forth. In other words, television is now considered an important outlet for Hollywood's productions.

On the other hand, a major theater chain—the United Paramount Company—has merged with a major radio-TV network, the American Broadcasting Company; * and a major producer—Paramount Pictures—operates one television outlet directly and held 25.5% of stock in the Du Mont Television Network until it

* The American Broadcasting Company operates five radio and five television stations directly and is affiliated with 353 and 143 others, respectively. Besides United Paramount Theaters, at least seven other theater chains had entered television by mid-1958.

ceased operations in September 1955.* Hence, despite the fact that early television applications of many major companies were subsequently abandoned, motion-picture interests are now active in television programing. Hollywood and the theater chains, in short, seem more likely to play a more serious role in television than they ever played in radio.

The decision to acquire television subsidiaries may be explained first by the fact that television, more than radio, is viewed as an entertainment medium. It is also a visual medium, and motion-picture interests believe their showmanship and general know-how will have greater carry-over here than in aural radio. Second, the decision for outright affiliations coincides with evidence of a sizable impact of television on movie receipts (examined in Chapter V), in contrast with the absence of any such impact by radio in the 1930's. Movie interests would therefore seem to have good reason for their concern. But why is the extent of entry still so much smaller than that of newspapers?† After all, in the period 1947–1950 the share of national income devoted to movie admissions fell

* Paramount Pictures was the largest single stockholder of DuMont, owning all "class B" stock and 2.4% of the "class A" stock. DuMont, moreover, owned several television stations outright and was affiliated with 133 others until suspending its network operations September 15, 1955. Other motion picture producers now operating television stations include Metro-Goldwyn-Mayer, Twentieth Century Fox, and RKO Teleradio Pictures.

† This is clearly so if we exclude network affiliates per se from the cross-channel picture, as we do here on several grounds. (See Table 13.) The control which (say) the American Broadcasting-Paramount Theaters Company can exercise over an ABC affiliate is limited not only by rules relating to cross-channel ownership regarding the operation of theaters and television stations as entirely separate businesses, but also by the Network Rules, which define the legal rights of network affiliates. Our concern in this book is with cross-channel affiliation in the strictest and most direct sense. Newspaper-radio-TV affiliations are of this direct sort and are most comparable to (say) United Paramount Theaters' affiliation with ABC's ten owned and operated radio-TV stations, not with ABC's several hundred affiliates. Moreover the FCC's multiple-ownership rules refer only to this *direct* control and not to the other. The network-affiliation problem raises serious new considerations beyond the scope of this book.

26%, when the share going to newspapers rose 26%, a sharp contrast to the situation in the 1930's, when movie admissions recovered more quickly from the 1929 downturn. (See Table 12.) Moreover, the correlation analyses in Chapter V suggest a sharp impact of television on movie admissions and on the number of motion-picture theaters operating in 48 states, but none on newspaper circulation—again a contrast with the 1930's, when radio hit newspapers harder than it hit the movies. If anything, then, shouldn't the movies—at least the theater owners—be more and not less sensitive to their new rival television than are newspaper publishers? Other things equal, shouldn't entry be more extensive? Surely this held in the 1930's, when the publishers' high rate of entry coincided with a growing impact of radio and adverse effects of income decline, both of which the movies weathered more successfully.*

Of course, it might be argued that the structure and pattern of control of the motion-picture industry logically preclude as extensive an entry into radio and television by that industry as by the newspapers. For example, FCC's present multiple-ownership rules limit the number of stations that any single licensee can control to seven standard, seven frequency-modulation, and seven television outlets (provided two are in the UHF band). If independent companies wealthy enough to build stations are fewer in the motion-picture industry than in newspaper publishing, this might explain at least in part the dearth of affiliations among the former and, more important, lead us to expect the same in the future. But Table 13 challenges this thesis, in part.

On the one hand, other things being equal, some six times more (not fewer) theater enterprises than newspapers might be expected to acquire radio and television subsidiaries. Indeed, even if

* Indeed, movie theaters experience direct competition with local television stations, and one might well expect a prompt reaction on this count—in contrast with large movie producers, who are not directly challenged by any *particular* station.

TABLE 13 Newspaper Enterprises, Motion-Picture-Theater Enterprises, and Film Distributors, January 1, 1949, by Whether or Not They Have Television Affiliates, January 1, 1954

	Total enterprises	*Per cent*	*TV-affiliated*	*Per cent*	*"Large" * enterprises*	*Per cent*	*TV-affiliated*	*Per cent*
Movie Theaters	7342	(83.4)	14†	(6.5)	647	(90.2)	14†	(20.9)
Newspapers	1465	(16.6)	200	(93.5)	70	(9.8)	53	(79.1)
Total	**8807**	**(100.0)**	**214**	**(100.0)**	**717**	**(100.0)**	**67**	**(100.0)**
Motion-Picture Distributors	130	(8.1)	1	(.5)	8	(10.3)	1	(1.8)
Newspapers	1465	(91.9)	200	(99.5)	70	(89.7)	53	(98.2)
Total	**1595**	**(100.0)**	**201**	**(100.0)**	**78**	**(100.0)**	**54**	**(100.0)**

* "Large" theater enterprises refers to 647 circuits operating four or more theaters in 1948 (*International Motion Picture Almanac for 1951–1952*, p. vii). "Large" newspapers refers to 70 "chains" operating two or more dailies in 1948 (Agee, "Cross-Channel Ownership of Media," *Journ. Q. 26* [Dec. 1949], 415). "Large" distributors refers to the eight "majors" listed in *Film Daily Yearbook* (1949).

† Computed from stockholder data listed for each television station in *Telecasting Yearbook* (1954). Nine of these enterprises only had *permits* to build ten stations at the time; five enterprises actually operated ten stations on January 1, 1954.

we give special weight to larger companies as potential applicants, this should be no limiting factor for movie theaters. Quite the contrary. Only 70 newspaper chains operated two or more papers in 1948, compared to 647 theater circuits operating four or more theaters. Hence on this level, too, some seven times *more* (not fewer) theater applicants might be expected.* In short, the con-

* Table 13 also makes quite clear the lower propensity of motion picture theater enterprises (large and small) to seek television affiliations. Thus, though theaters account for 83.4% of total theater and newspaper enterprises, they account for a mere 6.5% of theaters plus newspaper enterprises with TV affiliations. Again "large" theaters, though a full 90.4% of large newspaper and theater enterprises, account for only 20.9% of those with TV affiliations.

centration of ownership does not lead us to expect fewer theater owners than newspaper enterprises to seek television outlets.

On the other hand, the picture is somewhat different for film distributors. Here there are some 10 times as many newspaper enterprises as total film distributors and 11 times as many newspaper chains as "major" distributors. Hence, both the absolute number of distributors and the concentration of control might be factors ultimately retarding affiliations, although available data suggest this has not yet happened.*

A truly satisfactory explanation of the motion-picture industry's failure to enter television on as extensive a scale as newspaper publishers have must include factors already cited: their greater reluctance to enter a "news-advertising" medium, whose problems are quite different; their greater ability to "harness" television within the theater and by producing films for transmission to home sets; their meager *radio* properties to worry about or to "protect" by acquiring television subsidiaries. Furthermore, motion-picture companies do not have the advantage of past broadcasting experience, as do many newspaper publishers, in approaching the FCC for an outlet.

CONCLUSION

The implications of these trends can now be stated. Fear and the desire to hedge against competitive inroads of rivals clearly loom large among the factors underlying many cross-channel affiliations. This fact itself—that media affiliate more out of fear than because of other factors—further points up certain potential restrictive dangers of the affiliations that are to be sketched in Chapter III. For with their *major* properties on the motion-picture or newspaper

* It is clear that distributors have a lower propensity to seek TV affiliations than newspapers do. But even if this propensity were the same, the small absolute number of distributors (total and large) obviously means that fewer distributors than newspaper chains can enter television.

side, rather than the radio-TV side, joint enterprises might well try to safeguard their revenues by restricting the growth of their rivals, granted that such attempts may fail. This restrictionism is by no means inevitable; but it would seem to merit precautionary measures all the more because fear plays such an important role in the affiliations. The actual consequences of cross-channel affiliation in terms of fairness, balance, thoroughness, and accuracy of coverage must be studied by comparative content analysis.

On the other hand, granted that a policy to discourage cross-channel affiliation may have gained additional support of sorts in this chapter, it might so disrupt the economic stability of rival media as to obstruct realization of the theoretical benefits of independent ownership expounded in Chapter III. Whether this is so depends in large part on the *validity* of those fears that we have here seen motivate the affiliations. This leads us to an analysis of competition between different media in Chapters V and VI.

NOTES

1. Nixon, "Trends in Daily Newspaper Ownership Since 1945," *Journ. Q.*, *31* (Winter 1954), especially Tables 1 and 3.

2. *International Motion Picture Almanac* (1959), p. 12–A.

3. ANPA, *Proceedings* (1925), pp. 238–9. On the promotional value of radio in this early period see FCC, Report No. 73100 (Summary of Docket 6051), p. 6.

4. See ANPA, *Proceedings* (1925), pp. 237–40; also Ralph D. Casey, "Relationships of Press and Radio" (unpublished ms. prepared for the Newspaper-Radio Committee), pp. 3–4.

5. See ANPA, *Proceedings* (1927), pp. 282–5. To be sure, there was some speculation about radio's threat to newspaper national advertising accounts (ANPA, *Proceedings* [1926], pp. 242–8). As early as 1922, the Associated Press even resolved to take steps against wholesale pirating of news (FCC, Report No. 73100, p. 19).

6. See Archer, *Big Business and Radio* (New York: American Historical Society, 1939), pp. 30–4; Archer, *History of Radio to 1926* (New York: American Historical Society, 1938), pp. 252–4, 342–4, 361.

7. ANPA, *Proceedings* (1928), pp. 180–1. One of the principal bones of contention between newspapers and radio since 1922 has been whether newspapers should carry radio program logs (a) at all, (b) gratis, (c) with names of sponsors and products. General attitudes of newspaper publishers on this issue virtually provide an index of the relationships between the two media. On the very eve of the great depression and the end of our first period, the newspapers generally carried the logs gratis, although there was division of opinion on this. One group actually regarded the logs as a "daily item of legitimate news which readers want and stations should be given for the asking." Another group, more fearful of radio competition, was less generous in offering space. But they carried the logs as editorial matter under the pressure of network advertisers and radio-set manufacturers. Finally, a growing third group argued that logs be carried as paid advertising matter only (ANPA, *Proceedings* [1929], pp. 254–5).

8. ANPA, *Proceedings* (1924), pp. 187–9; FCC, Docket 6051, pp. 1315–8, 1323–4, 1335–7, 1345–6, 2832–3.

9. For instance, note the fear that radio would take much of newspaper revenues because it performed the latter's major functions of informing, entertaining, and advertising (ANPA, *Proceedings* [1930], p. 209). The confusion about radio's impact was so great that the ANPA hastened to reassure its members by telling them that they would hardly be replaced by radio any more than railroads had been displaced by motor transport (ANPA, *Proceedings* [1930], p. 210). Let the two media compete on an equal footing and newspapers would "hold their own" (ANPA, *Proceedings* [1931], p. 183). In 1933, the ANPA acted vigorously to stop all news piracy; to urge newspapers with radio subsidiaries to limit local news bulletins so as not to hurt the sales of newspapers of dailies without radio connections in the area; to urge that news bulletins be made to "whet the listener's appetite" for detailed newspaper coverage; to stop the advanced dis-

semination by radio of news "painfully and expensively gathered by national news services" (ANPA, *Proceedings* [1933], pp. 257–8).

10. ANPA, *Proceedings* (1931), p. 181. The ANPA considered radio "giveaway" shows and contests to be unfair competition because they employed an element of chance that attracted listeners even though the newspapers could not use similar techniques without endangering their second-class mail privileges.

11. FCC, Docket 6051, pp. 1172–8, 1186–7, 1191–2; also ANPA, *Proceedings* (1931), p. 178. As late as 1947, the ANPA Bureau of Advertising stated that newspapers had been received more enthusiastically by readers than by advertisers since 1929 and that where advertisers had to reduce expenditures they preferred to cut newspaper outlays because they expected free publicity for their radio clients anyway.

12. See ANPA, *Proceedings* (1931), pp. 178–9. That the ANPA's fears continued throughout the 1930's is clear from the close study of radio in its proceedings each year until 1940.

13. FCC, Docket 6051, pp. 1315–8, 1335–7, 2867–9; ANPA, *Proceedings* (1949), pp. 48–50.

14. The ANPA based its opposition to sponsored newscasts less on the fear for newspaper revenues than on the fear that advertisers would take over the final editing of news (ANPA, *Proceedings* [1935], pp. 180–1). In 1933 the ANPA Radio Committee further reported that "false statements and exaggerated reports" had been broadcast recently by stations that "[did] not have newspaper sources for news." The ANPA underlined the special burden this placed on newspapers "to reconstruct the true facts [for] the people." It predicted finally that the public would soon demand that broadcast stations be placed under government ownership "in order to raise the standards of programs and to make them comply with the . . . 'public interest, convenience and necessity' " (ANPA, *Proceedings* [1933], p. 255). In 1938, finally, the ANPA joined educational, religious, medical, and civic groups in pointing out the social dangers implicit in the suggestibility of radio listeners and their tendency to be much influenced by radio programs

and radio advertising, however questionable (ANPA, *Proceedings* [1938], p. 356).

15. FCC, Docket 6051, pp. 641–4, 2716–21, 3345–6.

16. Sometimes a newspaper sought a radio affiliate to be better able to compete with a rival who had a good bulletin-board location and was therefore better able to direct the public's attention beforehand to newspaper stories and features (FCC, Docket 6051, pp. 213–8). Some experts believed that the *major* reason newspapers entered radio in the 1930's was to hold their own against other papers that had already done so (*ibid.*, pp. 2324–5, 2349). Newspapers without radio affiliates apparently felt that either *no* newspaper should hold a radio license, or that *all* papers should be allowed to (*ibid.*, pp. 2341–2).

17. ANPA, *Proceedings* (1948), pp. 188–90; *Broadcasting,* February 15, 1954, pp. 27–8. In 1956, some 60% of daily newspapers used television for promotional purposes (*Editor and Publisher, 89* [May 19, 1956], 52).

18. ANPA, *Proceedings* (1947), 24–5.

19. Senate Small Business Committee, *Small Business Opportunities in FM Broadcasting* (Washington: U.S. Government Printing Office, 1946), pp. 9–10, 15–20.

20. ANPA, *Proceedings* (1946), p. 65.

21. Senate Small Business Committee, *op. cit.*, p. 10. The FCC's encouragement of a general entry into FM radio is clear from comments on pp. 1–13, and from frequent addresses by Commissioners during the period 1944–1946.

22. Such information on the absence of severe television inroads was not unknown to the newspapers. Many audience surveys informed them of television's relatively small impact on newspaper reading compared with its impact on movie-going and other activities. (See Fact Finders Association, "Readers of Television Guide Report on their Habits and Preferences" [New York, May 1950]; Coffin, "Hofstra College Survey on Television's Impact," cited in *Broadcasting,* November 15, 1948, p. 10; Alldredge, "Survey of Television's Impact on Habits of Televi-

sion Families in Washington, D.C.," summarized in Martin Codel, *FM and Television Digest*, Feb. 4, 1950.)

23. *Editor and Publisher, 89* (Aug. 18, 1956), 52 ("Press pampers television at theater's expense").

24. See especially *Film Daily Yearbook* (1929), pp. 514–5; *ibid.*, (1930), p. 559; *ibid.*, (1931), p. 550; *ibid.*, (1932), p. 53; *ibid.*, (1933), pp. 95–9. (Note the statements by David Sarnoff of the Radio Corporation of America.)

25. Note the dearth of comments on radio in the *Annual Reports of the Motion Picture Producers and Distributors Association*, 1922–1945. A single complaint appears in the 1933 report, on p. 10, where radio's "free entertainment" is criticized as a threat to motion picture attendance in bad times. The main opponents to applying sound to the movies, incidentally, were "the intelligentsia, including many film critics and a few actors" (Macgowan, "When the Talkies Came to Hollywood," *Quarterly, 10* [Spring 1956], 294–6).

26. For a good account, see *Film Daily Yearbook* (1929), pp. 484–503; also Archer, *Big Business and Radio*, pp. 325–6.

27. For instance, see *Film Daily Yearbook* (1927), p. 817; *ibid.*, (1931), p. 15; *ibid.*, (1932), p. 3; *ibid.*, (1934), p. 3; and the opening section of each yearbook for the years 1935–1945. Also see Motion Picture Producers and Distributors of America, *Annual Report* (1932), pp. 7–8.

28. See Motion Picture Producers and Distributors of America, *Annual Report* (1933), p. 10. It is true, however, that in the summer of 1929, Paramount Pictures arranged to buy one-half of CBS stock as a safeguard against possible radio inroads into movie attendance. The agreement was that it would be sold back to CBS a few years later (Archer, *Big Business and Radio*, pp. 389–90).

29. By correlation analysis, I analyzed the relative importance of U.S. per capita consumer expenditures (X-2), and radio homes per thousand homes (X-3), in explaining U.S. movie receipts (X-1), 1929–1940 and 1929–1948. The correlation coefficients are:

	1929–1948	*1929–1940*
$R_{1.23}$	.960	.972
$r_{12.3}$	.851	.948
$r_{13.2}$	.759	.339

$R_{1.23}$ indicates the degree to which variations in levels of per capita income or of consumer expenditures (X-2) and of radio homes per thousand homes (X-3) explain variations in movie receipts per capita (X-1). $r_{12.3}$ states the closeness of relationship between income (or consumer expenditures) and movie receipts, holding constant the factor of radio homes. $r_{13.2}$ depicts the relationship between levels of radio homes and movie receipts, holding constant income (or consumer expenditures). See Appendix for comment on levels of significance of statistical measures used in this study.

30. Here the analysis was of the degree to which levels of movie receipts per capita (X-1) were explained by levels of per capita income (X-2) and levels of radio homes per thousand homes (X-3), for 48 states, 1933, 1939, and 1948. The correlation coefficients are:

	1933	*1939*	*1948*
$R_{1.23}$	.925	.928	.932
$r_{12.3}$	.744	.828	.827
$r_{13.2}$	.328	—.408	.889

31. Here 48 states were ranked first (X-1) according to the percentage change in per capita movie receipts, 1933–1939, second according to changes in per capita income (X-2), and third according to changes in radio homes per thousand homes (X-3). The states ranked first were those with the smallest percentage increases in each variable. The three regions analyzed separately are defined below, Ch. V, note 17. The rank correlation coefficients are:

	U.S.A.	*East*	*South*	*Central*
$\text{rho}_{1.2}$	.3844	.1429	.4092	.1813
$\text{rho}_{1.3}$	.7057	.6316	—.5330	.0046

$rho_{1.2}$ states the degree of concordance between rankings according to changes in per capita movie receipts and in per capita income. $rho_{1,3}$ does the same for rankings according to changes in movie receipts and in radio homes. On levels of significance see note in Appendix, p. 209.

Multiple correlation analysis of the percentage change figures for the U.S.A. totals only, produced the following values: $R_{1.23} = .457$, $r_{12,3} = .127$, $r_{13.2} = .405$.

32. Here 36 major cities were ranked first according to the percentage change, 1933–1939, in movie-theater seats per thousand people (X-1), and second according to changes in radio homes per thousand homes (X-3). Cities with the largest decline in X-1 and the largest increase in X-3 were ranked first. The resulting rank correlation coefficient of −.0413 indicates an entirely insignificant concordance between the two sets of rankings and therefore gives no evidence whatsoever of a radio deterrent. Indeed, even upon weighting the radio homes data (X-3) by the number of radio stations operating in each of the 36 cities, 1939, there resulted a coefficient of merely .0513, once more revealing no significant concordance and no radio deterrent.

CHAPTER THREE

THE CASE FOR SEPARATE OWNERSHIP

BY REDUCING THE NUMBER of independent communications outlets, cross-channel affiliation may conceivably operate to reduce the public's access to all views. Or by enhancing the resources of joint enterprises, the resulting performance may be more and not less in the public interest. The basic problem is to estimate the relationship between the affiliation of rival media on the one hand, and the dissemination of news, comment, and entertainment on the other. Is cross-channel affiliation a structural condition facilitating or impeding a more diversified media output? Much depends on the resources, perspectives, and motivations of the joint enterprises.

It is convenient here to divide the analysis into two parts on the assumption, first, that aggregate resources remain constant regardless of whether two media are separately owned or jointly owned and, second, that unaffiliated enterprises will have fewer resources.

Stated in another way, there are two key questions, one examined here, the other examined in Chapters IV and V. *First,* assuming that the public discouragement of affiliations has no serious adverse economic effects, are there positive benefits from such a policy in terms of a widened and enriched coverage of events? That is, are separately owned enterprises more likely than affiliated ones to experiment and to seek out specialized audiences that would otherwise be neglected? Would separate ownership promote the diversity of perspectives of media owners and act, on that score, to enhance the diversity of media output? * *Second,* assuming that the discouragement of affiliations unleashes forces that reduce the efficiency and stability of rival media (an assumption explored at length in Chapters IV and V), is there evidence that the performance of the media will deteriorate seriously? In other words, how consistent are a competitive industrial structure and the resources needed for an adequate performance? Can we increase the number of independent communication outlets as structural conditions facilitating diversity of output, without unduly reducing the needed resources?

Cross-channel affiliations between radio-TV enterprises on one hand and nonbroadcast media on the other have been said to expose the community to at least two sets of dangers, intentional and unintentional. The avoidance of such dangers would constitute a major advantage of the "diversification policy."

DELIBERATE ABUSE OF POWER

The possibility of at least three kinds of deliberate abuse of power may not warrant outright condemnation of *all* cross-channel affiliations; but it does justify some sort of preventive action.

First, joint enterprises may restrict the economic development and growth of their electronic subsidiaries in hopes of shielding their heavier investments in older media like newspapers and theaters. Should this be the case, alternative channels for the dissemination of ideas might be obstructed and their performance

* A related subquestion, reserved for Chapter VI, is whether the competition of unaffiliated media in price, content, techniques, and format would act to enhance and diversify output in its own right.

worsened because they lack the great resources needed for accurate, fair, and thorough commentary and news and for balanced programing. For instance, this issue was raised six years ago in the United Paramount Theaters merger case.[1] Would United Paramount really profit as much from enriching and developing television programing transmitted to the home over the facilities of ABC as from treating television as an adjunct to her older, more extensive theater properties—possibly by restricting its growth? [2] Although the Commission majority finally voted to approve the merger in hopes of bolstering ABC's competitive position vis-à-vis the other major television networks, the cross-channel issue was faced squarely nonetheless. Indeed, whenever radio-TV licenses are granted to nonbroadcast media, the Commission requires the applicant to promise under oath to run the station separately and not as an adjunct to his major properties.

Closely related is FCC's criticism of Paramount Pictures for "restrictive" television policies concerning its films, stories, and stars. Such practices, it was feared, were likely to impede the development of a rival medium and also to restrict directly the range and quality of its programing. To avoid jeopardizing her television applications, Paramount finally agreed to make all her resources available to the television industry whenever the networks or stations could match the bids of theater owners for films, stars, and stories. Here restrictionist tactics by one medium toward another *before* merger raised the possibility of restrictionism *after* merger.

This last episode brings to mind three others. One is the action of the Associated Press in 1933, under pressure of the American Newspaper Publishers Association, to stop all sales of news to radio stations in hopes of stemming what newspapers feared was the new medium's impact on their circulation and advertising revenues.[3] Then there is the case of *Lorain Journal Co. v. U.S.* (342 US 143 [1951]), wherein the Supreme Court upheld an injunction prohibiting the *Journal* from refusing to sell advertising space to anyone buying time from its local rival, radio station WEOL-AM-FM. The Court ruled that such restrictionism violated Section 2 of the Sherman Act. Last is the case of *Mansfield Journal Co. v. FCC* (180 F. 2d 28 [D.C. Cir. 1950]), wherein the District Court supported the Commission's denial of a radio license on grounds of the *Journal*'s former restrictive activities in news and advertising. At the least, such cases raise the possibility that news- Conclusion papers entering radio and television might act to restrict their growth rather than promote it vigorously.

Second, the "diversification policy" seems justified also insofar as joint enterprises may use their enhanced economic power to coerce rivals either on the radio-TV side of the affiliations, or on the newspaper or motion-picture side. Here the danger is not that the radio-TV subsidiary will be restricted, but rather that the parent company may engage in unfair practices using it as a special lever 2 in bargaining. The ultimate result would be a decline in the number of independent communications outlets, or intensified instability with a reduction in the quality and quantity of output.

This issue was raised most squarely in *Kansas City Star Co. v. U.S.* (240 F. 2d 643 [1957]), wherein the District Court ruled that the *Star,* the predominant newspaper in Kansas City, had violated Sections 1 and 2 of the Sherman Act by systematically denying advertisers access to its subsidiary, WDAF-AM-FM, unless they bought newspaper space too. The *Star* had also long granted special combination rates for joint purchases in both the radio and newspaper facilities.[4] Such practices clearly harmed the competitive position of rival newspapers and rival radio stations in the city.[5]

Although identical abuses need not inevitably arise in comparable situations, it is still disquieting to note that in 1958 the only local daily or weekly newspaper controlled one of two standard (AM) stations in 44 communities; that one of two newspapers controlled the only AM station in 15 communities and one of two

AM stations in another seven communities. Lopsided competitive relations are clearly a danger in these 66 towns, especially because frequency-modulation and even television licenses are so often held by the AM licensees, too.

Third, among the media, only radio and television are required by law to be fair, thorough, and balanced in their coverage of controversial questions, and some experts fear that a newspaper's partisan tradition may color the programing of its electronic subsidiaries. The best examples of such abuses actually appear before World War II and were clearly documented in the Newspaper-Radio Hearings of 1941. At that time, to be sure, the Commission's review of past programing at renewals and its special inquiry into the performance of newspaper stations in communities where the only newspaper controlled the only radio station revealed no unusual bias, distortion, or injection of the newspaper's editorial position.[6] And an analysis of the program logs of 62 stations located in communities with only one newspaper and one radio station (half of which were jointly owned) did not indicate any significant differences in the quantity or scheduling of different categories of programs. (See Table 14.)

Nonetheless, isolated instances of bias and cases in which newspapers had their stations limit the details of news events and required them to schedule broadcasts at times least likely to interfere with newsepaper sales were scattered throughout the record, and these indicated a real *possibility* of abuse. It seemed to justify some preventive policy on cross-channel affiliation, notwithstanding the protection afforded by the broadcaster's professional ethics, by potential competition, and by the Commission's program reviews at renewal time.

For instance, Hearst Radio, Inc., operating stations WINS, WISN, KYA, WCAE, and WBAL in 1941, influenced Hearst newspaper editorial policies somewhat during a dispute about royalty fees between the National Association of Broadcasters and the

TABLE 14 Radio-Program Analysis, in Percentages, of Stations with and without Newspaper Affiliations, by Type of Program, 1941*

	Commercial programs		*Sustaining programs †*	
	Affiliated stations	*Unaffiliated stations*	*Affiliated stations*	*Unaffiliated stations*
Entertainment	21.5	22.9	49.0	45.2
Educational	3.1	4.0	9.7	12.9
Religious	1.6	2.1	3.2	4.9
Agricultural	1.1	.5	2.7	2.9
Fraternal	.3	.1	.7	1.0
Total ‡	**29.9**	**31.9**	**69.6**	**67.5**

* The analysis is of renewal applications of 31 stations affiliated with newspapers and 31 not affiliated, matched according to power, geographical area, and size of community, and all located in communities with only one newspaper and one radio station.

† All programs are divided into commercial and sustaining. Sustaining programs are provided by the station itself, without outside sponsorship, and include many public service features.

‡ The figures in each column do not add up to the totals of the columns because certain stations listed programs in their logs not included in the five categories used here.

SOURCE: Bureau of Applied Social Research, Columbia University.

American Society of Composers and Publishers. As a consequence, Hearst newspapers supported the NAB. Likewise, Hearst editorials were often broadcast by Hearst stations; WINS carried a five-minute editorial daily from the *Journal American.*[7]

Furthermore, Hearst stations considered the interest of Hearst newspapers in selecting controversial programs.[8] Proposed materials of "doubtful" or "political" complexion were subject to check-up and consultation between both ends of the radio-newspaper empire.[9] For example, Hearst newspaper and radio officials co-operated to secure the cancellation of a nightly CIO program over

KYA (San Francisco), apparently because Hearst's *San Francisco Examiner* feared that the program would hurt its advertising accounts.[10]

According to former CIO director Allan Haywood, "some of the more glaring instances of discrimination [against labor] . . . have been committed by newspaper owned stations. . . ." Furthermore, Haywood testified before FCC on the inability of the Transport Workers Union to secure paid time or sustaining time, day or night, during a three-month period of repeated requests, from Hearst station WINS. Like most other newspapers in New York City, Hearst's *Journal-American* opposed the TWU editorially regarding its collective-bargaining rights during the transfer of subways to the Board of Transport. TWU's request for time was also denied by WNEW, owned by the *Paterson Morning Call*.[11]

Although such cases indicate no *inherent* abuse in cross-channel affiliation, they do clearly suggest a *possibility* of trouble. Indeed, the Commission's policy in support of broadcast editorializing,[12] promulgated eight years after the Newspaper-Radio Hearings, makes the control of cross-channel affiliation even more important than otherwise. For the danger that a newspaper's partisan traditions will color broadcast coverage of controversial matters would seem greater when its radio subsidiary is allowed to editorialize than when this is not so. Nor is the requirement that *over-all* coverage be fair and balanced, aside from the editorial itself, a really adequate safeguard, short of costly periodic monitoring.

Perhaps the gravest problem today appears in communities where the only newspaper controls the only standard (AM) radio station. Frequency-modulation service is still no adequate competitive alternative even in the few cases in which AM licensees do not control it. Indeed, the few television stations in these small communities today are generally controlled by the single AM licensee too.

To be sure, I find that the number of such "one-one" communities has declined in recent years from 165 in 1950 to 118 in 1958, notwithstanding a sharp rise in the number of radio communities. (See Table 15.) Many of them also receive service from out-of-town newspapers and broadcast stations. But the question remains as to whether this is good policy and, particularly, whether *local* affairs and *local* politics get the treatment they otherwise would. The potential dangers of local communications monopolies in this regard have long been a subject of heated debate.[13]

One broad issue is whether the FCC should limit itself to program reviews at renewals, encourage self-regulation and professionalism, and rely on potential competition to keep broadcast licensees in line; or whether it should also seek to discourage cross-channel affiliations. In the United Paramount Theaters merger case mentioned earlier, the former were considered adequate safeguards against deliberate abuse, although the Commission's main reason for approving the merger was ostensibly to enhance competition

TABLE 15 Number and Per Cent of Communities Where the Only Daily Newspaper Controls the Only Standard-Broadcast Station, 1936–1958

	Number of radio communities	*Number of daily newspaper communities*	*Number of communities where only daily controls only station*	*Per cent col. 3 is of col. 1*	*Per cent col. 3 is of col. 2*
1936	412	1456	36	8.7	2.5
1940	537	1435	111	20.7	7.7
1950	1348	1447	165	12.2	11.4
1958	2057	1448	118*	5.8	8.1

* In several communities with no daily newspaper, a weekly newspaper controlled the only standard-broadcast station.

SOURCE: Based upon directories in *Broadcasting Yearbook* and *Editor and Publisher International Yearbook*. Newspaper communities in 1940 and 1950 from Nixon, "Trends in Daily Newspaper Ownership Since 1945," *Journ. Q., 31* (Winter 1954), 3, 7. Column 3 also includes minority stock interests. See Appendix.

between the major radio-TV networks by allowing the American Broadcasting Company to bolster its finances.

At the Newspaper-Radio Hearings, on the other hand, the *possibility* of abuse warranted the discouragement, if not the entire prohibition, of newspaper entry into the field. As conceived there, professional ethics and self-regulation can play a significant role in maintaining high-quality service in cross-channel enterprises and even in local communications monopolies. But this did not eliminate the need for other checks, such as separate ownership, should professional spirit flag one day. Nor did ownership diversification necessarily exclude the role of self-regulation. Potential competition was also considered an important check of deliberate abuses of power. But again, witnesses at the hearings posed the question of how far local news monopolists could go before the public revolted and an outsider entered to serve dissenters.[14] The gap between extreme abuse and a range of bearable dissatisfaction was viewed as substantial.

That much harm may be done within the limits of tolerable abuse is actually suggested by three well-known psychological factors: the impact of mass media is greatest the fewer the views heard; it is easier to cater to susceptibilities and prejudices than to change them radically; the combined effects of reading, hearing, and seeing the same ideas are greater than the sum of separate effects. These suggest that local monopolists can do little to change a community's views, although they may be a strong force conserving existing opinions, prejudices, and vices.[15]

DIVERSIFICATION OF OUTLOOKS AND PERSPECTIVES

The Commission's "diversification policy," like the policy on multiple ownership and overlapping dual-station ownership, is further supported by certain unintentional restraints on free dissemination of news and ideas arising from the fact that one man, rather than two men, directs a joint enterprise and from the "unconscious bias" of mass media as business enterprises.

Two Individuals Rather Than One

Separate owners as separate individuals interpret events differently, and the fact of separate ownership per se may provide an element of variety. Moreover, the very conditions under which news media operate make opportunities for individual error enormous. Separate selection of news, separate reporting, and separate presentation by separate media—where economically feasible—may be a minor safeguard of accuracy and variety, at least as far as different reporters and editors make different mistakes and fall short of stating what really transpires at different points. In other words, from many versions of the same story may conceivably emerge a fuller, more balanced, and accurate picture.[16]

Two related barriers to accuracy and thoroughness further imply the desirability of separate ownership of mass media and therefore support the "diversification policy": (1) the great difficulty of relating language symbols to facts of the real world; (2) the need for a constant interplay between symbol and experience if the distortion in symbol is to be corrected.[17] Once more, two or more reporters, writers, or program suppliers might conceivably produce a total picture of events containing more elements of what really transpired. For there is the possibility that different people's language distorts reality differently and that the greater the number of trained individuals, the greater the chance to relate symbol to fact—assuming that they have comparable resources to work with.[18]

Arguments like these in support of the "diversification policy" have not gone unchallenged. One of the most serious criticisms is that their practical significance is nil because the actual contents of newspapers operating independently in the same community (or operating along with independent radio stations) apparently show little difference in the handling of important social, political, and other problems.[19] A number of recent studies confirm the conclusions of earlier work in this regard.[20] Yet the possibility surely remains that separate coverage of events by different individuals may sometimes help. And it will be disquieting to those who emphasize this marked similarity in the contents of competing newspapers to examine recent evidence that three *television networks* varied considerably in their treatment and coverage of an important political event—even though each sought to give a straightforward, objective account.[21]

Unconscious Bias

It has been contended—especially by those who find the contents of competing newspapers similar—that the fact that two publishers are both businessmen may overshadow their differences as individuals. In other words, deliberate distortion for political or social objectives is not the only kind of bias. Another form—more subtle and pervasive—arises from the business duties of publisher, station owner, or motion-picture executive. For such individuals as businessmen have trade-union problems, buy and sell materials, pay high corporation taxes, etc. It would be strange indeed if such duties had no effect on their ideas about social, political, and economic problems or led to no identification with the business community. And it is not surprising that their outlook is colored by their close relationship with their advertisers.

Stated otherwise, fact-gathering and modern technology are expensive, and an effective establishment requires abundant material resources. Yet the very size and resources of modern media give them a particular outlook on life. They are themselves big businesses, a fact that gives them what Zechariah Chafee has called "a position and a bias toward a certain system of society which, unconsciously perhaps, they presuppose is the right one. . . ."[22] That is, no matter how thorough and careful a job the owners of the media may want to do, they necessarily evaluate within a particular frame of reference.[23] It may well be that business rarely coerces the press outright. But in a sense there is *no need for coercion:* the media's interests are often business's interests.

At first glance, this factor of "unconscious bias" seems to weaken the case for the "diversification policy." Would not television station and newspaper have a business orientation whether separately or jointly owned? Yet there is one advantage in separate ownership: occupation is only one of many factors determining values and perspectives; race, religion, age, sex, territorial association, and so forth also play a role. All of which suggests that keeping newspapers out of radio and television not only forestalls the three types of deliberate abuse just reviewed (and their adverse effect on performance), but also safeguards the chance that the station owner—although a businessman—may differ in his life situation and outlook from the publisher.[24] Likewise, keeping motion-picture companies out of television may, although it need not, diversify the outlooks of owners. In both cases, the policy would thereby act to diversify output and thus help facilitate greater accuracy, fairness, thoroughness, and balance of the media.

CONCLUSION

The possible deliberate abuses of cross-channel affiliation include the forcing of advertisers to purchase newspaper space and radio time jointly, the use of affiliations as a coercive weapon on both ends of the enterprise, the retardation of development of the subsidiary, and the injection of newspaper editorial positions into the programing of radio-TV stations. The avoidance of such abuses constitutes a major benefit of the "diversification policy." A second benefit is the greater diversity of output that results from the diversity of outlooks and perspectives of different owners as different individuals, even though they generally belong to the same economic group.*

In brief, the positive social basis for the "diversification policy" is the prevention of private restraints on the flow of ideas. Separate

* A third benefit, the salutary adjustments of different media to each other, is described in Chapter VI.

ownership of media constitutes a structural condition that may act to diversify output and facilitate greater accuracy, fairness, and balance—provided that financial resources are adequate. But the possibility that adverse economic forces may more than offset the salutary consequences of diversification can no longer be ignored, and we turn to this in Chapters IV and V.

NOTES

1. American Broadcasting Company-United Paramount Theaters Merger decision (FCC Dockets 10031, 10032, 10033, 10046, 10047), Feb. 9, 1953.

2. See FCC, Initial Decision on ABC-UPT Merger, mimeo #83222, Nov. 13, 1952, pp. 99–106, and especially Commissioner Hennock's *Separate Views,* FCC-Mimeo #86351, Feb. 9, 1953, pp. 12–8, 22–3.

3. See FCC, Docket 6051, pp. 724–41.

4. The ABC-UPT merger case also posed this issue insofar as Commissioner Hennock held that the new company, after merger, would have disproportionately large bargaining power in seeking out first-run films. (See Hennock's *Separate Views,* FCC-mimeo #86531, pp. 17–8).

5. The *Star* actually received more than 94% of the total advertising revenues going to daily newspapers in Kansas City in 1951 and 1952, and 84%–85% of the total when radio-TV station revenues were also included. But the remaining income supported several small, independent dailies and a number of radio-TV stations, too.

6. See FCC, Report No. 73100 (Summary of Docket 6051), p. 18; also Docket 6051, exhibits 385–7.

7. FCC, Docket 6051, pp. 850–63.

8. *Ibid.,* p. 848.

9. *Ibid.,* pp. 910–8.

10. *Ibid.*, pp. 929, 961–2, 970–2; exhibits 142, 155–6. Also see FCC, Report No. 73100, pp. 33–4.

11. FCC, Docket 6051, pp. 1373–8, 1380–7.

12. *Editorializing by Broadcast Licensees,* 1 Radio Reg. 91:201 (1949). In 1959, broadcast editorials were carried occasionally by an estimated 1597 (47%) of operating standard-broadcast stations, 156 (25%) of FM radio stations, and 157 (30%) of television stations (*Broadcasting Yearbook,* 1959, p. F–15).

13. See especially Senate Committee on Interstate and Foreign Commerce, *Hearings on S. 814 To Amend the Communications Act,* 78th Cong., 1st Sess. (Nov. 1943), pp. 409–12 (testimony of Newspaper-Radio Committee). See also Commission on Freedom of the Press, *A Free and Responsible Press* (Chicago: University of Chicago Press, 1947), p. 43; FCC Docket 6051, pp. 1411–6, 1426 (testimony by Morris L. Ernst), pp. 1713–4, 1722 (testimony by Zechariah Chafee), p. 2355 (testimony by Irving Brant). Chafee stated: ". . . the past record of impartiality is not a sure guarantee of future impartiality" (*ibid.*, p. 1714).

14. FCC, Docket 6051, pp. 1628–9, 2373–6.

15. There is a good case for this generalization set forth in Simon, "Local Monopoly in the Daily Newspaper Industry," *Yale L. J., 61* (June 1952), 957–9.

16. FCC, Docket 6051, pp. 170–3 (testimony by Mitchell V. Charnley); also *Report of the Royal Commission Investigating the Press* (London: His Majesty's Stationery Office, 1949) pp. 127–8.

17. See especially Katz, "Psychological Barriers to Communication," in Schramm (ed.), *Mass Communications* (Urbana: University of Illinois Press, 1949), pp. 275–87.

18. Whether this really requires separate ownership, or just separate news staffs, scenario departments, and so on, under the same management, is not absolutely clear. But separate ownership does provide an ultimate safeguard of balanced treatment.

19. FCC, Docket 6051, p. 2914 (testimony of Fred S. Siebert).

20. See especially the thorough review and important new inquiry by Nixon and Jones, "The Content of Non-Competitive vs. Competitive Newspapers," *Journ. Q., 33* (Summer 1956), 299–314; Willoughby, "Are Two Competing Dailies Necessarily Better Than One?" *Journ. Q., 32* (Spring 1955), pp. 197–204; Borstel, "Ownership, Competition and Comment in Twenty Small Dailies," *Journ. Q., 33* (Spring 1956), 220–2.

21. See Lang and Lang, "The Inferential Structure of Political Communications; A Study in Unwitting Bias," *Pub. Opin. Q., 19* (Summer 1955), 168–83.

22. Chafee, *Government and Mass Communications* (Chicago: University of Chicago Press, 1947), p. 614.

23. For an illuminating statement on the role of occupation and everyday experience in the shaping of outlooks and perspectives, and for the tendency to interpret events and to assimilate information to one's own frame of reference, see Katz, *loc. cit.*, pp. 279–83. Also see Kornhauser, "Psychological Bases of Class Divisions," in Berelson and Janowitz (eds.), *Reader in Public Opinion and Communication* (Glencoe, Ill.: Free Press, 1953), pp. 70–82.

24. FCC, Docket 6051, pp. 1723–4. Chafee drew this conclusion explicitly in his testimony.

CHAPTER FOUR

ECONOMIES OF JOINT OWNERSHIP

THE LARGELY NONECONOMIC BENEFITS of the FCC's "diversification policy" described in Chapter III may be neutralized by unfavorable economic effects, that is, if the prevention of cross-channel affiliation has adverse effects on finances. For it is well known that an accurate, fair, and balanced treatment of events and of socioeconomic groups in general is expensive at best and that abundant resources are needed. Moreover, financially unstable media are more susceptible than others to pressures from organized groups in the community, and so less able to be balanced, fair, and accurate. Therefore, economic effects induced by the "diversification policy" must be analyzed with care.

High-quality news reporting, commentary, forums, fact-gathering, and the kind of balanced programing that the Commission urges upon all broadcast licensees are expensive jobs at best and only prosperous organizations can perform adequately. For example, it is generally accepted that only financially secure television networks, newspapers, or magazines can afford those research specialists needed to place news in a meaningful context where, as Ralph D.

Casey writes, "a report of surface happenings cannot alone tell the whole story."[1] Getting the facts accurately is only the first step; "getting below the event and interpreting its meaning are equally important."[2] The point here is that separate ownership of media, although desirable on every *social* ground, might still be opposed on *economic* grounds. Suppose separation resulted in two struggling outlets, neither of which had sufficient resources for a really first-class job. The fall in quality might well counterbalance any theoretical advantage of separate ownership. Indeed, the result might be less and not more opportunity for the public to hear all views. Such was a position frequently maintained at the Commission's Newspaper-Radio Hearings in 1941.[3]

Statements by the American Newspaper Publishers Association reveal similar fears. Time and again the ANPA has opposed legislation that it claimed would upset newspaperdom's economic stability, arguing that the quality of press coverage and news dissemination would suffer. To that organization, to safeguard newspaper properties means to protect the public's interest in an adequate press performance.[4]

Small wonder then that the ANPA has opposed both the Food, Drugs, and Cosmetics Act and the Securities Exchange Act as likely to endanger newspaper advertising revenues; child labor laws, as likely to upset newspaper distribution; higher second-class mail rates, as a serious blow against weaker newspapers; the Fair Labor Standards Act, as likely to raise labor costs. In each case, the ANPA emphasized the "expensive" nature of an adequate press service and identified its business interest with the public's interest in such a service.[5]

To be sure, the ANPA's numerous critics have sharply questioned the sincerity of these fears. But even the critics agree that *if* federal legislation hurt the newspaper publisher's finances, the quality of his performance *would* probably deteriorate along the lines mentioned. To begin an inquiry into the possible adverse effects of the "diversification policy," therefore, I have tested, in this chapter, the hypothesis that significant savings arise in newspaper-radio enterprises, the exploitation of which enhances the quality of their performance. This will be followed by a more extensive analysis of intermedia competition in Chapter V.

First, a general questionnaire on costs was sent to 60 of 400 newspaper-radio enterprises operating in 1950, many of which owned frequency-modulation and television as well as standard-broadcast stations. The enterprises selected were those whose owners had operated radio-TV stations for some time, in the belief that older ventures were more likely to have integrated their operations fully. Essentially the questionnaire inquired into whether cross-channel affiliation operated to lower the combined costs of the newspaper and radio-TV station because (a) management ability and knowledge are spread; (b) more expensive, elaborate machinery can be used, and used to fuller capacity, and by-products can be utilized more fully; (c) personnel can better specialize along functional lines; (d) legal, financial, and other administrative expertise can be employed more efficiently; (e) the larger enterprise can secure more favorable terms on bank loans; (f) research expenses are spread over larger output.[6]

Briefly, no significant management economies were seen to result from affiliation mainly because the jobs of directing newspapers and radio-TV stations were markedly different. The carry-over of general business knowledge and the convenience of having top-level business talent available on an informal, consultative basis in determining over-all policy were at least in part offset by the peculiar problems of printed and aural media, with their substantially different characteristics and appeals. Owners of both newspapers and radio stations faced labor problems, bought raw materials, processed and distributed a journalistic product; but the buying of newsprint, the overseeing of newspaper news-editorial staffs, and the management of distribution facilities bore little resemblance to the station owner's problem of keeping on the right side of the

FCC, or of maintaining elaborate electrical transmitters and directing radio features and newscasts.

Regarding joint production costs, moreover, the techniques of writing and programing were seen to be sufficiently different to preclude more than negligible savings in the preparation of newspaper and radio content. Sometimes the two media shared a single local news staff. But the rules of different news services actually require newspapers and radio-TV stations to subscribe to news services separately, and the combined costs were seen to be no less than if they had been separately owned. In other cases, the cross-channel enterprises made some limited use of newspaper features as radio script material, or presented a reporter as a feature guest on radio or TV, paying additional fees when this was done.

Regarding joint marketing, once more only negligible savings were reported, probably because the FCC frowns on the joint selling of radio-TV time and newspaper space to advertisers because of the dangers of economic coercion in both the newspaper and radio fields. Nor did the cross-channel enterprises believe that the same men could push both items effectively. The use of common market data would produce limited savings. But the main value of cross-channel affiliation was felt to be "promotional." Newspaper publishers said that they knew just what they wanted from their electronic subsidiary and that intimate co-operation between the two media helped in joint promotional campaigns.

To sum up, no official screened by questionnaire or interviewed directly believed that the combined costs of operating a newspaper and radio-TV station were lower because of affiliation. A few companies actually maintained the contrary: costs were higher. Any savings that resulted were attributed to having superior executive ability to consult and to using common market data, legal, accounting, and administrative expertise, and above all to joint promotion. In most cases, however, there was no doubt that the two enterprises could continue to operate successfully under separate ownership.

Notwithstanding this rather meager evidence in support of the existence of economies in cross-channel affiliation, additional statistical analysis was undertaken, the better to test the hypothesis in question. Regarding the latter, if special economies resulted from cross-channel affiliation we might expect relatively fewer newspapers than other businesses to sell their stations. During the period 1940–1952, however, analysis shows that newspapers were *more likely* to sell their stations than were other enterprises (Table 16).

More specifically, my hypothesis was that newspaper ownership introduces forces making for transfers of radio stations. If this were *not* so, relatively more stations without newspaper affiliations than with them might be expected to be transferred at any time since newspapers first entered radio, to the last day they operated stations in the remote future. For the statistical universe consists of all transfers of radio stations (by whether or not newspaper affiliated) regardless of time period. In Table 16 I am actually trying to infer from a limited sample of the period 1940–1952 certain characteristics true of all transferred stations, with and without affiliations, for any comparable period. The sample is not representative, or chosen at random, but it is the best evidence possible under the conditions.

The chi-square test measures the discrepancy between the actual

TABLE 16 Analysis of Radio-Station Transfers, 1940–1952

	Number of standard (AM) stations, 1940	*Number of transfers, 1940–1952 **	*Per cent transferred*
Without newspaper affiliations	564	102	18.0
With newspaper affiliations	250	64	25.0
		($X^2 = 5.91$, $P = .025$, $n = 1$)	

* Transfers are of stations operating in 1940 that had been transferred by 1952.

SOURCE: Data compiled from *Broadcasting Yearbooks*, 1940 and 1952.

number of transfers in each category, and the number we would expect if newspaper ownership played no role. The computed value of chi-square here is significant on the .025 level.* This constitutes definite though limited evidence that newspaper ownership does, in some way, aggravate the forces leading to transfers.

To be sure, some transfers may be due to death and may have occurred notwithstanding economies in joint operations. But newspaper owners were no more likely to die than other businessmen during the periods studied, and death is surely no adequate explanation. Perhaps the newspapers sold out in the face of great savings simply because the sales prices offered them were high and because they were not bound heart and soul to their radio subsidiaries. This explanation of the findings in Table 16 must be weighed carefully before rejecting the existence of substantial savings in joint enterprises.

In this regard, newspaper stations in 1940 included significantly more network affiliates than did nonnewspaper stations [7] and also somewhat more high-powered stations.[8] On both counts they might be expected to be more profitable.[9] Indeed, W. K. Agee found that in 1949 newspapers held a large proportion of the oldest licenses and were therefore best entrenched with desirable network and advertising affiliations.[10] The older the standard-broadcast station, the less likely it was to report losses during the 1940's.[11]

One might argue that such choice, lucrative, newspaper-owned stations would naturally attract high sales prices and that their

* This simply means that if we took an infinite number of samples from the universe in question, 975 times in 1000 we would find stations with newspaper affiliations more likely to be transferred than others. Only 25 times in 1000 would we find the opposite true, and the question is whether pure chance alone could account for these cases. It is generally regarded that 10, or fewer than 10, such cases in 1000 might in fact be due to chance alone, with no doubt cast on the hypothesis being examined. Indeed, as many as 50 cases in 1000 may be due to chance, but anything above 10 weakens the significance of the evidence. (See Appendix, p. 209, for citations.)

owners would be tempted to sell in such circumstances. In other words, even if great economies existed, might they not be sacrificed to strengthen the newspaper part of the enterprise in the face of rising newsprint costs?

But this line of reasoning is speculative at best, and we could equally well conclude that the newspapers would not have sold so many of these choice outlets *unless plagued by serious diseconomies* of some sort. The data do not justify either conclusion definitively, and the most we can really say is that newspaper stations were worth more to the newspapers when sold than when operated as subsidiaries. To put it another way, *the stations were more valuable to someone else than to the newspaper publishers.* This seems more probable in cases in which no great economies result from joint operations.[12]

At any rate, the absence of economies did not cause newspapers with radio subsidiaries to *fail* more frequently than others. Some transfers may have occurred before the development of really serious diseconomies. Most newspaper failures between 1940 and 1950 occurred among the smallest newspapers in the smallest communities (Table 17), where circumstances are least favorable to buying or building radio stations.[13] It is conceivable therefore, that newspapers with radio subsidiaries were more likely to survive than others even in the absence of significant economies in joint operation (Table 18).

We must consider whether the statistical data tabulated in Table 18 are consistent with the thesis that the mere *absence* of radio affiliation aggravates the forces that produce newspaper suspensions. If this were so, and the principles of classification were *not* independent, we would expect to find that relatively more newspapers *without* radio ties than newspapers with them suspend operations regardless of time period. For once more the statistical universe consists of all newspaper suspensions from the first day they entered radio in the 1920's, to the last day they operate a station in the future.

TABLE 17 Number of Daily-Newspaper Suspensions by Size of Circulation, 1940–1950

Circulation	*Number of dailies, 1940*	*Number suspended by 1950*	*Per cent suspended*
Below 3000	398	86	21.6
Above 3000	1490	30	2.0

SOURCE: Data compiled from *Editor and Publisher International Yearbooks,* 1940 and 1950.

TABLE 18 Number of Daily-Newspaper Suspensions by Whether or Not Newspaper Had Radio Affiliate, 1940–1950

	Number of newspaper enterprises, 1940	*Number suspended by 1950*	*Per cent suspended*
Radio Affiliated	200	6	3.3
Nonaffiliated	1427	110	7.7
		($X^2 = 5.92$, $P = .025$, $n = 1$)	

SOURCE: Newspaper enterprises from FCC, Docket 6051, Exhibit 8. Newspaper suspensions compiled from *Editor and Publisher International Yearbooks,* 1940 and 1950. See Appendix.

In Table 18 the computed value of chi-square is 5.92, significant on the .025 level of confidence. As suggested above, this means that if we took an infinite number of samples from the statistical universe in question, 25 times in 1000 we would find that newspapers *with* radio affiliates suspended more frequently than those without any. Could chance alone account for these 25 cases? If so, we would conclude that not possessing a radio affiliate *does* appear to be a factor contributing to newspaper suspensions. If *not,* the data would be inconsistent with a hypothesis that newspapers with no radio ties fail more frequently than others.

This is actually a borderline case. For, as already noted, up to 10 such cases in 1000 may be due to chance alone. (That is, where the discrepancy between observed and theoretical suspensions is large enough to be significant on the .01 level, the principles of classification with regard to radio affiliation are said to be interdependent.) But if newspapers with radio affiliates failed more frequently than others in more than 50 cases in 1000, we would question the hypothesis that nonaffiliation is a factor contributing to newspaper suspensions. (Here the discrepancy between observed and theoretical suspensions would be so small as to be significant only on a level of confidence larger than .05, and the principles of classification would be independent.)

The chi-square value of 5.92 in Table 18 is significant on a level of confidence somewhere between these limits of .01 and .05 and can therefore be viewed simply as limited evidence that newspapers without radio affiliates tend to fail more frequently than those with such affiliates.*

What shall we conclude? That the smaller newspapers, unable to operate radio affiliates, were therefore unable to exploit significant economies of joint operation and so were less able to survive than their larger brothers who operated radio subsidiaries? 1 Or that newspapers of different sizes were subject to different pressures during the period and that the factor of radio affiliation was a minor one? 2 The research of Royal H. Ray and others tends to support the second explanation. answer

For instance, Ray found that during the whole period 1909–1948 some 33.3% of 1,957 daily-newspaper suspensions occurred in communities with populations of 5,000 or less and that 57.6% occurred in cities of 10,000 or less. Furthermore about three fourths

* This example, and the one on page 94, serve to clarify the chi-square terminology and concept as used in this book and also bear on the degrees of confidence of different correlation coefficients cited elsewhere. All chi-square tables also record appropriate percentage figures, which ordinarily suffice to tell the story. But where the discrepancy between percentages is not so strikingly large as in Table 17, the value of chi-square itself is computed, with an indication of the level of confidence on which it is significant. (See Appendix, p. 209, for citations.)

of the suspending dailies had circulations below 3,000, about one half had circulations below 1,000, and less than 7% had circulations above 10,000.[14] Among the factors he cited to explain the decline of the small-town daily were sharp increases in operating costs throughout the period, wartime newsprint shortages, the decline in national income (especially during the 1930's), the greater efficiency of medium-sized and large newspapers, the preferences of advertisers for evening rather than morning newspapers, population shifts from rural to urban centers, extended communications and transportation, which facilitate the infiltration of suburban areas by big-city papers.[15] Radio competition was also cited, but not the absence of a radio affiliate.

In short, the facts reviewed here, at the least, fail to support the thesis that affiliated media experience such savings in joint production, management, and marketing as to facilitate improved service. The reverse is equally conceivable. Perhaps the most that can be inferred is that the data bolster the case for placing a heavier burden of proof on newspapers than on other broadcast applicants, without justifying a blanket prohibition. But more of this in Chapter VII.

The record of radio-TV suspensions provides similar evidence. As above, relatively more standard (AM) stations without newspaper ties (than with them) suspended operations between 1934 and 1942 (Table 20), and again in 1949, although the evidence was weaker in that year (Table 19, A). Likewise, FM and TV stations without newspaper ties have also been suspended more frequently than stations with such ties (Table 19, B, C).

Yet, once again, this hardly demonstrates the existence of economies in joint operation. For the choice advertiser and network affiliations of the newspapers' older AM radio stations, to say nothing of their higher power and favorable locations, would lead one to expect fewer suspensions anyway. In regard to FM radio and television, on the other hand, newspapers may conceivably

TABLE 19 Suspensions of Radio and Television Stations by Whether or Not Affiliated with a Newspaper, 1949

	Stations operating, Jan. 1, 1949	*Number suspended during 1949*	*Per cent suspended*
A. Standard-Broadcast Stations			
Nonaffiliated	1448	52	3.6
Affiliated	463	9	1.9
		($X^2 = 3.1$, $P = .08$, $n = 1$)	
B. Frequency-Modulation Stations			
Nonaffiliated	653	180	27.6
Affiliated	280	30	10.7
		($X^2 = 32.2$, $P = .001$, $n = 1$)	
C. Television Stations			
Nonaffiliated	35	13	37.1
Affiliated	13	0	0.0

SOURCE: Based on data in *Broadcasting Yearbooks* and *Editor and Publisher International Yearbooks,* 1949 and 1950.

TABLE 20 Suspensions of Standard-Broadcast Stations by Whether or Not Affiliated with a Newspaper, 1934–1942

	Total stations operating, 1934–1942	*Number suspended, 1934–1942*	*Per cent suspended*
Nonaffiliated	4840	56	1.2
Affiliated	1777	6	0.3
		($X^2 = 9.38$, $P = .005$, $n = 1$)	

SOURCE: Data compiled from *Broadcasting Yearbooks* and *Annual Reports* of the Federal Communications Commission. See Appendix.

have been more willing and better able than other enterprises to bear early developmental losses in hopes of recouping handsome returns at a later date. But internal subsidization for the sake of long-run advantage is one thing, and real savings from joint operation are quite another. Both may conceivably act to enhance media quality. But the economies of joint ownership appear to do this in a more reliable way and without violating norms of economic efficiency.

In sum, it seems that the resources needed for an adequate performance of media need not be lessened seriously by a "diversification policy," insofar as marked economies may not always arise in joint enterprises anyway. Internal subsidization may qualify this conclusion, but does not really negate it; and there still remain the positive theoretical advantages of separate ownership, as outlined in Chapter III. At any rate, to resolve uncertainties in the present analysis, handicapped as it is by inadequate materials, Chapter V will examine a closely related problem along somewhat different lines.

NOTES

1. Casey, "Press, Propaganda and Pressure Groups," in Schramm (ed.), *Mass Communications* (Urbana: University of Illinois Press, 1949), p. 154.

2. *Ibid.*

3. See FCC, Docket 6051, pp. 219–28 (testimony by Marco Morrow), 1604–5 (testimony by Carl J. Friedrich, 2868–9 (testimony by Frank L. Mott), 2913, 2926–9, 2956–8 (testimony by Fred S. Siebert), 3232 (testimony by Ernest Angell).

4. Emery, *History of the American Newspaper Publishers Association* (Minneapolis: University of Minnesota Press, 1950), pp. 218–20.

5. This point was also made emphatically in FCC, Docket 6051, pp. 2911–2, 2918–9, 2945 (testimony by Fred S. Siebert).

6. For a summary of findings see Levin, "Economies in Cross Channel Affiliation of Media," *Journ. Q. 31* (Spring 1954), pp. 167–71.

7. See FCC, Docket 6051, exhibit 8.

8. Weak supporting evidence on this point appears in the following table:

Power	*Number of radio stations, 1940*	*Number with newspaper affiliations*	*Per cent of stations with newspaper affiliations*
Under 500 watts	461	133	28.8
Over 500 watts	340	116	34.1
Total	**801**	**249**	**31.0**

SOURCE: Based on data provided by the Bureau of Applied Social Research, Columbia University.

The value of chi-square is 2.48, significant only on the .14 level when n = 1.

9. This is because stations affiliated with networks had higher profits on the average than did stations without network affiliation, in 1939 and 1942, and also because average broadcast income per station tended to vary roughly with station power in those years. See Steiner, *Workable Competition in Radiobroadcasting* (unpublished Ph.D. thesis, Harvard University Library, 1949), pp. 134, 153. For corroboration of the second point see FCC, *Broadcast Financial Data for Networks, and AM, FM and Television Stations (1950)*, p. 5. The Commission's statistics also show clearly that network affiliates in each revenue class have higher ratios of income to revenues than do stations without network affiliations (*ibid.*, p. 17).

10. Agee, "Cross Channel Ownership of Mass Media," *Journ. Q., 26* (Dec. 1949), 410–6.

11. FCC, *Broadcast Financial Data* (1950), p. 26.

12. This conclusion on economies corroborates the FCC's findings in 1941; *viz.*, that newspaper stations as a class, in 1940, differed little from nonnewspaper stations, with respect to profits, losses, time sales, broadcast income, ratios of income to sales or to revenues, expenses, and depreciated tangible broadcast property (See FCC, Report No. 73100, p. 11; Docket 6051, exhibits 19–23). The Commission's staff analyzed costs, profits, and losses of newspaper and nonnewspaper stations, by class-time-power designation of station, by population of community, by the number of competing stations in the community, and by whether the station was a network affiliate. In all properly matched categories, the Commission found no substantial differences between newspaper and nonnewspaper stations.

13. According to FCC estimates, relatively fewer daily newspapers had radio affiliates in 1940, the lower their circulation class and the smaller the community they served, except that in the *largest* population-circulation classes the proportion of affiliated papers was also low. (See FCC, Docket 6051, exhibit 8.)

14. Ray, *Concentration of Ownership and Control in the American Daily Newspaper Industry* (New York: Columbia University Library, 1950), pp. 184–8.

15. *Ibid.*, pp. 227–39. On the relation between size and efficiency in newspaper publishing see citations in Ch. I, footnotes 21–22; also Malone, "Economic-Technological Bases for Newspaper Diversity," *Journ. Q.*, *28* (Summer 1951).

CHAPTER FIVE

IMPACT OF NEW MEDIA ON THE OLD

THE POSSIBILITY THAT REDUCED resources might lower the adequacy of media on the economic grounds just reviewed is only one relevant point. It is also possible that the "diversification policy" might subject older media to such severe competition from the newer ones as to weaken their ability to resist organized groups and press them to reduce standards of taste, morals, and culture. The ability to resist external pressure is often mentioned as essential to mass media in performing their vital functions. Although one might expect owners to be sensitive to the likes and dislikes of advertising agencies, independent groups evaluating the press have sometimes emphasized the absence of any widespread pressure by advertisers to slant news or otherwise distort media content. Financially weak enterprises appear to be most vulnerable both to deliberate pressures and to the more subtle sort imposed by mass audiences.

In the words of the Commission on Freedom of the Press: "The evidence of dictation of policy by advertisers is not impressive. Such dictation seems to occur among the weaker units. As a newspaper becomes financially stable, it becomes more independent and tends to resist pressure from advertisers."[1] With regard to the pressure of mass audiences it was further said:

> To attract the maximum audience, the press emphasizes the exceptional rather than the representative, the sensational rather than the significant. Many activities of the utmost social consequence lie below the surface of what are conventionally regarded as reportable incidents. . . . The effort to attract the maximum audience means that each news account must be written to catch headlines. The result is not a continued story of the life of a people, but a series of vignettes, made to seem more significant than they really are. . . . The criteria of interest are recency or firstness, proximity, combat, human interest, and novelty. Such criteria limit accuracy and significance.[2]

The big question is whether the "diversification policy" need so upset the economic stability of both the old and new media as to result in the social dangers in question. An analogous question is whether the policy can help increase the number of independent communications outlets as a structural condition facilitating diversity of expression without unduly reducing the needed resources. Only if the second question is answered affirmatively can the policy truly operate to help diversify the output of mass media.

Before turning to an analysis of intermedia competition as encouraged by the Commission's policy on cross-channel affiliation, I will briefly describe a few episodes that illustrate what may happen when finances are weak.

Regarding deliberate pressures by organized groups, the American Newspaper Publishers Association has long maintained that newspaperdom's financial stability is an important safeguard against pressures by labor, farm, business, and other organized groups, as well as by advertisers. Indeed, the ANPA regards any threat to the newspaper's economic security as a threat to its function as a "forceful organ presenting news and opinion."[3] Wholly apart from the *sincerity* of this argument, which has been questioned, outspoken critics of the press often agree with it.

For example, during the FCC's Newspaper-Radio Hearings in

1941, Irving Brant, a veteran newspaper man, testified on a spectacular instance of successful external pressure. Before passage of the Wheeler-Lea Act of 1938, which amended the Pure Food and Drug Act with respect to misleading or unfair advertising practices, advertisers came personally into newspaper offices to dissuade editors from supporting the legislation. According to Brant:

> [The affair occurred after a partial economic recovery] that had not, however, relieved the newspapers from a very serious shrinkage in advertising, and they were probably less capable of resisting pressure then than at any time in their modern history, or in their entire history, and there was simply a terrific campaign to control newspaper opinion in the country and it was 99 44/100% successful, and it didn't take the line of requests but of commands. . . .[4]

Newspaper editors have sometimes characterized the dangers to their "independence" as pressures not so much from advertisers or even organized business, farm, labor, or veteran groups, as from local politicians and their own circle of friends and from the fear of alienating future news sources. Once again, financial strength is cited as a factor in resisting such pressures. Houstoun Waring has written:

> . . . I have gained more independence as my years on the Littleton Independent have increased. Part of this is due to the fact that prosperous times have freed us from payroll fears, and part is due to the absence of any cutthroat competition. . . . It has been a quarter century since anyone has seriously tried to bribe me or put economic pressure on the newspaper. They tried it and failed. . . .[5]

Even local newspaper monopolies have been justified in similar terms, as providing "more freedom from financial pressure. A single ownership paper can better afford to take an unpopular stand. It can better absorb the loss of money in support of a principle. . . ."[6]

Turning next to the motion-picture industry, an episode there depicts in a somewhat different way the dangers of financial instability. In a book sponsored by the Commission on Freedom of the Press, Ruth A. Inglis has called the Motion Picture Production Code, which now governs the industry's output standards, "one of the means by which the industry has avoided trouble with pressure groups and hence contributed to the timidity of the movies. . . ."[7] She notes that the Code is said to interfere with forceful presentation of controversial moral, political, and social issues; to be conservative politically and socially as well as morally; and thereby to impede the projection of attitudes and ideas of different groups in society to each other.[8]

Another well-known criticism is that, by trying to get on with everyone, the movies have often been unrealistic, trivial, and even insipid. They apparently find using banal themes safer and more profitable than grappling with problems of social adjustment involving prejudice, sex, corruption of government and law courts, labor-management relations, interracial marriage, and so forth. Frank, honest, vigorous treatment of such vital questions—and of crime and juvenile delinquency—has been called rare; the values consistently approved are limited and one-sided.[9] The Production Code has been blamed for at least part of these inadequacies.

The question that arises, of course, is why Hollywood and theater owners have subjected themselves to it. Of great importance here is the role of *powerful organized groups and financial instability.*[10]

Moviedom's revenues suffered during an influenza epidemic in 1919 and in a postwar depression at that time. Weary of war pictures, the public looked with greater favor on sex and crime, and producers found such large profits in responding that religious and women's organizations arose in loud protest. Hollywood was reluctant to surrender any sure sources of revenue in those days of financial stringency, and a battle royal ensued.

After a survey of movie content in 1919, the General Federation of Women's Clubs demanded state legislation to restrict the industry's output. Legislation and censorship of various sorts were demanded subsequently also by the International Reform Federation, the Lord's Day Alliance, and the Annual Convention of the Central

Conference of American Rabbis. As a result of this reformist campaign, the number of local, state, and city censor boards grew rapidly and federal legislation seemed imminent. To avoid what might have become a movement toward national censorship, the motion-picture industry turned successively to different forms of self-regulation and finally established the Hays Office in 1922 to enforce a production code drawn up under Catholic guidance.

In analyzing the success of this well-timed, well-planned, reformist campaign, Inglis finds *moviedom's vulnerable financial position* an important factor contributing to "capitulation." [11] Of course the production code was at least in part a desirable "capitulation" to moralistic pressures, aimed at curbing a debasement of standards. But once in force the same code interfered with moviedom's ability to perform a vital social role, along lines already sketched.

A second successful campaign occurred in 1933–1934, once again days of economic insecurity.[12] This time the Legion of Decency, a Catholic group, initiated a strong attempt to reduce movie attendance, again on grounds of immoralities. The Legion demanded effective enforcement of the production code and continued its antimovie campaign among Catholics, with the co-operation of many non-Catholic groups also. A climax was reached in Philadelphia when a Catholic group sought to boycott *all* motion pictures regardless of their quality.

This was a bad year for the movies anyway, what with the depression and the waning novelty of sound pictures, and once more financial weakness contributed to "capitulation." Hollywood agreed not to release any more pictures without a seal of approval from the Hays Office, thus strengthening the latter's hand immeasurably; producers agreed to pay a $25,000 fine for producing, distributing, or exhibiting any picture without this approval. Legitimate complaints against obscenity or immorality are one thing; but the impact of the code, hammered through and strengthened during that period, is something else and a restraint of serious import.[13]

So much for the way in which financial instability may reduce the ability to resist pressures by organized groups in the community, thereby resulting in one-sidedness and factual distortion. Financial stringencies may also press media to debase their standards of taste, morals, and culture in an unbalanced and lopsided way—especially in the movies and radio—in hopes of widening their audiences. To secure large circulation, newspapers are known to use banner headlines and to cater to the public's interest in sex, crime, and other people's private affairs.[14] Radio stations may well have relaxed their standards of acceptable advertising in times of economic stress.[15] At least part of the familiar inadequacies of magazines, radio, television, and the movies have been attributed to their necessary effort to maximize advertising revenues, circulation, or box-office receipts. In short, the competitive impact of different media on one another, if sufficiently severe, might force all or some to utilize techniques and subject matter that reduce the accuracy and thoroughness of their news dissemination and the balance of their commentary, their treatment of different social groups, and the values they consistently approve or disapprove.

In the above context, then, the question can now be raised as to whether the Commission's "diversification policy" operates seriously to prevent older media from stabilizing their resources in the face of onslaughts from the new, at the same time that it cuts off likely sources of venture capital for the latter. The fears of older media about the impact of their newer rivals are well known. But the validity of these fears has rarely been analyzed systematically and so I will devote special attention to that question here.

RADIO AND NEWSPAPERS

The fears of newspaper publishers concerning radio's threat during the depression years and after are easy to understand. As seen in Chapter II, many advertisers cut their expenditures on newspapers in 1930, at the same time that they increased radio and magazine appropriations. As the newspaper share of advertising revenues going to all three media fell from 80% in 1928 to 54% in 1947, radio's share jumped from 1% to 25%. (See Table 21.) The number of dollars spent on newspaper advertising revenues per $1000 disposable income fell from 9.33 in 1928 to 6.00 in 1947, while the number spent on radio rose from .17 to 2.80. Between 1929 and 1933, newspaper advertising revenues fell 46% with a 54% decline in national income, in the face of a 113% jump in radio revenues.* Small wonder then that newspaper publishers imputed their severe losses to radio's growth and entered broadcasting

TABLE 21 Division of Advertising Revenues Among Standard Broadcasting, Daily Newspapers, and Magazines (in Percentages), 1919–1958

	Radio	*Newspapers*	*Magazines*	*Three media*
1919		70.0	30.0	100
1928	1.4	80.0	18.6	100
1929	2.6	78.4	19.0	100
1931	6.6	74.5	18.9	100
1933	9.8	73.5	16.7	100
1935	12.3	70.6	17.1	100
1937	16.3	65.0	18.7	100
1939	19.8	62.6	17.6	100
1947	25.3	54.3	20.4	100
1949	20.8	62.9	16.3	100
1951	19.7	64.1	16.2	100
1953	18.8	65.0	16.2	100
1955	12.4	70.9	16.7	100
1957	13.1	69.6	17.3	100
1958*	13.7	69.2	17.1	100

* Preliminary data.

SOURCE: See Appendix.

* Figures in this paragraph and in Table 21 all refer to current dollars.

in self-defense—as a business hedge. Yet other factors may have been more important in causing their troubles after all.

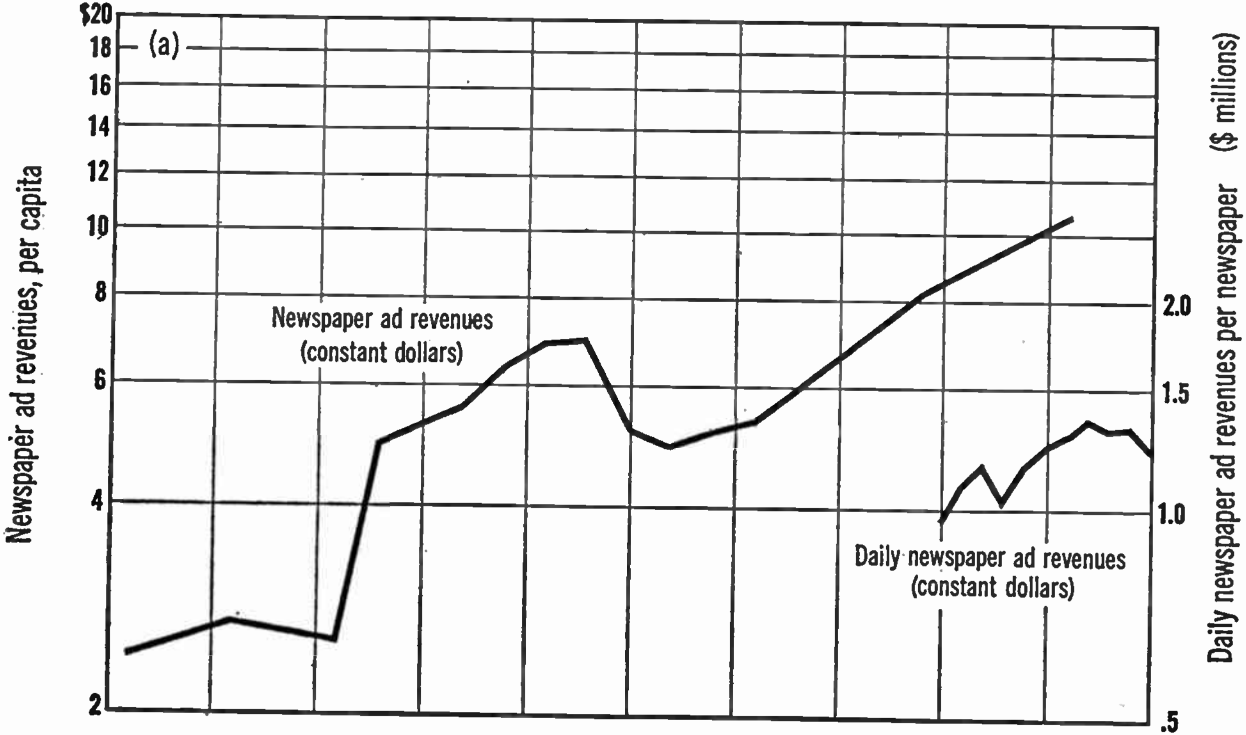
Analysis of over-all time series soon makes at least one fact clear: radio has not turned newspaper publishing into a declining industry since 1929. Thus Charts II and III suggest: (1) that extensive losses in circulation and advertising revenues *did* occur during the 1930's, at a time when radio's share of total advertising revenues grew rapidly; (2) circulation seemed to regain its average growth rate more quickly than did advertising; (3) circulation grew rapidly in the 1940's, apparently despite severe newsprint shortages, and then declined slightly after 1945; (4) advertising revenues soared after 1945, and publishers have steadily bettered their relative position vis-à-vis radio since then. Study of additional data shows that newspaper circulation generally moves with changes in national income and general business activity.

Granting that radio has not turned newspaper publishing into a declining industry, has it at least deterred the latter's growth, especially before 1943? Of course, many factors besides radio growth and income change have affected newspaper finances: rising costs, geographical population shifts, local newspaper competition, and so on. But what has been the relative importance of radio growth and income change themselves in explaining newspaperdom's difficulties since 1929? The possible impact of the FCC's "diversification policy," as it applies to newspapers and radio, must be viewed in this context. In this regard, the major conclusions of an extensive statistical analysis are as follows:

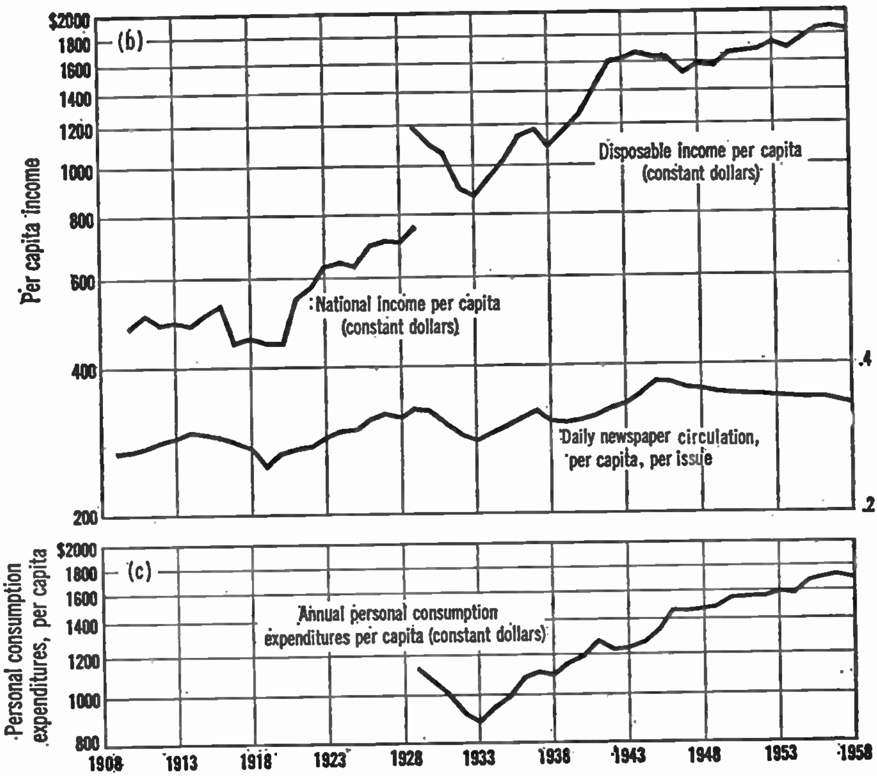
First, radio's adverse impact on advertising revenues in the country as a whole seems to have grown noticeably between 1929 and 1940 and then virtually disappeared after the war. To a lesser extent, the same is true of its impact on circulation. Income levels, on the other hand, grow steadily, as a factor explaining circulation and advertising levels: the sharp growth between 1940 and 1947 may to some extent reflect the diminution of radio's impact.[16]

Second, the relative strength of income change and radio growth

CHART 2 National Income, Newspaper Advertising Revenues, Newspaper Circulation, and Personal Consumption Expenditures, 1909–1958



(Continued on p. 112)



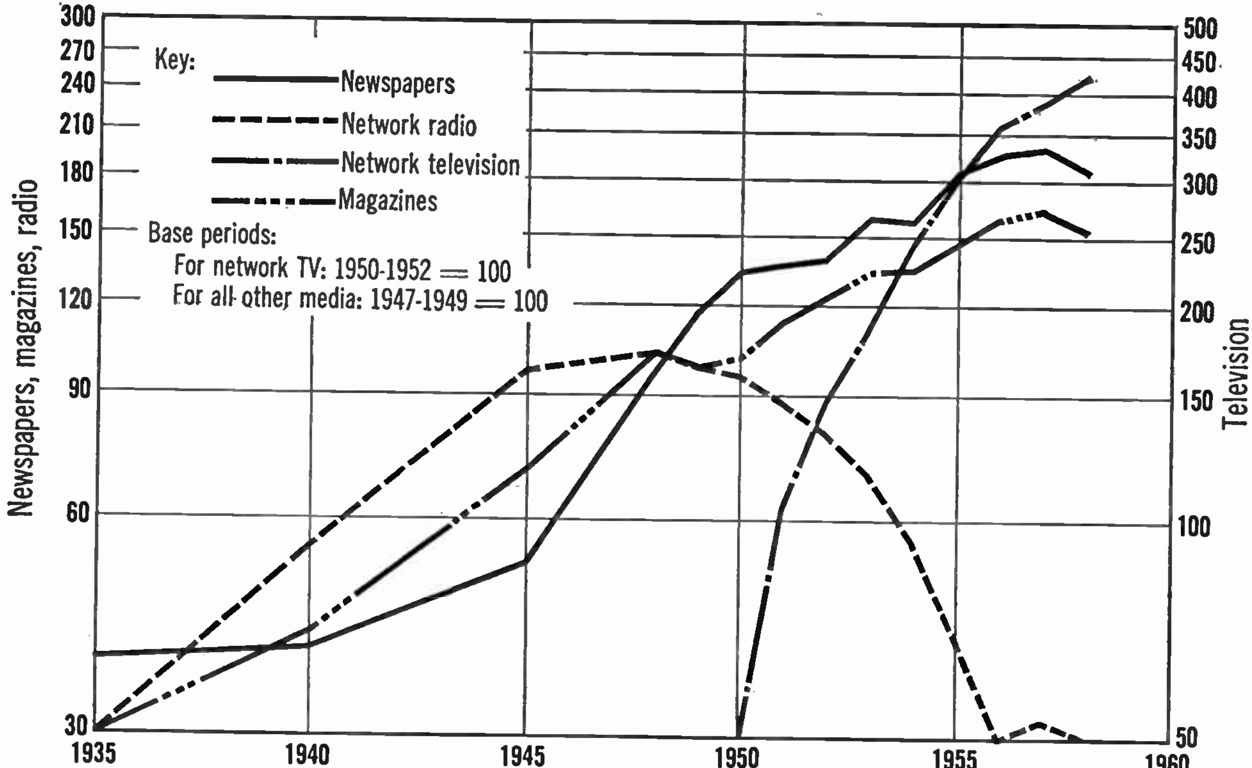
SOURCE: See Appendix.

may have varied as between regions: income seems to have played its most important role in the East, 1929–1933, and the South, 1941–1943; radio growth in the East, 1937–1940, and in the Central states, 1941–1943.[17]

Third, newspapers in our largest cities may have been hit more severely by income decline in the years 1929–1933 than were newspapers in the country as a whole.[18]

Fourth, radio's impact on advertising revenues was apparently

CHART 3 Indexes of Expenditures on National Advertising, by Medium, 1935–1958



SOURCE: *Printer's Ink.*

greater than its impact on circulation, 1937–1943, although the reverse may have been true in the period 1929–1933.

Fifth, radio's growth may have contributed to the suspension of daily newspapers during the war years, but, contrary to widespread impressions, not during the depression decade itself (Table 22). Income decline, on the other hand, seems to have played its largest role, as suggested earlier, in the 1929–1933 downturn (Table 23).

Sixth, during the war the daily newspaper's national advertising index (1947–1949 = 100) rose only from 41 (1940) to 52 (1945), compared to a rise in the radio index from 55 to 97. (See Chart III.) National network revenues per capita (1926 prices) rose sharply from $8.24 (1939) to $13.83 (1944), even though

TABLE 22 Number of Daily-Newspaper Suspensions in States Where Radio Homes Grew More and Less Rapidly than the Median Growth Rate, 1929–1933, 1937–1940, 1941–1943

States where radio homes per thousand grew	*Dailies at start of period*	*Dailies suspended during period*	*Per cent suspended*
1929–1933			
More than 51.8%	737	48	6.5
Less than 51.8%	1205	80	6.6
Total	**1942**	**128**	**6.6**
1937–1940			
More than 1.7%	1100	78	7.1
Less than 1.7%	893	87	9.7
Total	**1993**	**165**	**8.3**
1941–1943			
More than 3.5%	813	60	7.4
Less than 3.5%	1044	55	5.3
Total	**1857**	**115**	**6.2**
		($X^2 = 3.47$, $P = .08$, $n = 1$)	

SOURCE: See Appendix.

TABLE 23 Number of Daily-Newspaper Suspension in States Where Per Capita Income Grew or Fell More and Less Rapidly than the Median Rate of Change, 1929–1933, 1937–1940, 1941–1943

States where per capita income	*Dailies at start of period*	*Dailies suspended during period*	*Per cent suspended*
1929–1933			
Fell More than 46%	735	63	8.6
Fell Less than 46%	1207	65	5.4
Total	**1942**	**128**	**6.6**
		($X^2 = 7.581$, $P = .01$, $n = 1$)	
1937–1940			
Grew More than 19.9%	838	68	8.1
Grew Less than 19.9%	1155	97	8.4
Total	**1993**	**165**	**8.3**
		($X^2 = .0535$, $P = .85$, $n = 1$)	
1941–1943			
Grew More than 54.5%	791	65	8.2
Grew Less than 54.5%	1066	50	4.7
Total	**1857**	**115**	**6.2**

SOURCE: See Appendix.

sets-in-use and sets-per-family remained relatively constant during the period. The suggestion is that newsprint shortages and the resulting lack of advertising space may have facilitated radio's inroads, leading otherwise indifferent advertisers to turn to radio. The newsprint factor may also help explain why radio's growth during the war, wherever it did occur, came in areas where newspaper failures occurred more frequently.

At this point, it is hard at best to say how large a role the "diversification policy" played in encouraging competition. Suffice it to note that whatever its impact, the policy probably did not actually subject newspapers to blows that might have shattered their integrity, if only because such blows were apparently not delivered by radio even during the depression, let alone after the war. The main trouble occurred in the East, in the late 1930's.

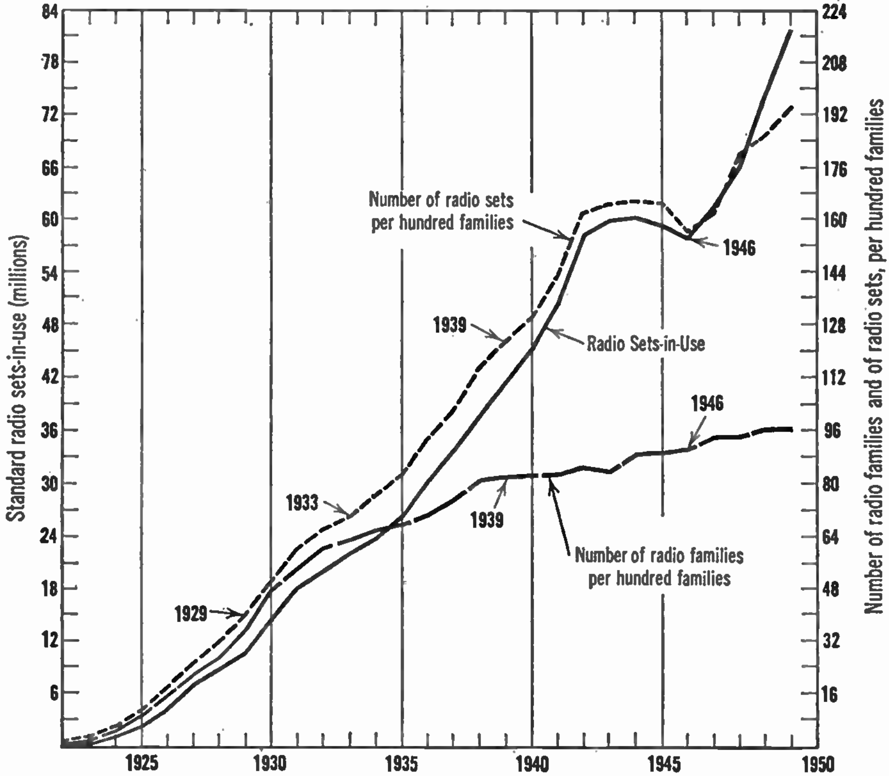
Two additional questions now pose themselves: First, in view of radio's limited inroads on newspapers, from what other sources did its great growth in revenues come? Second, what factors explain radio's ability to take even the limited revenues it took from newspapers during the depression and war, especially in view of the different basic appeals of the two media? What about the publishers' comeback after the war?

Answering the first question may make our statistical findings more plausible and so support the conclusions we have just drawn tentatively. For if radio's inroads were really as limited as they appear, there must be another way to explain the rapid growth in its revenues during the depression. The second question, like the first, is important for public policy. For if radio's gains were due primarily to an inherent technological superiority—say, its speed—then a policy of maintaining competition between the media would seem inevitably to subject the older medium to forces lowering its resources and quality.

Sources of Radio's Revenues

The rapid growth of radio-set ownership during the 1930's brought many families within radio's reach for the first time and widened the market for radio advertisements tremendously. Indeed, during the depression years, radio sets-in-use increased more rapidly on the average, per year, than during subsequent periods. (See Chart IV.) The ratio of radio sets to total families grew at an annual rate of 6.31 during the 1930's, and at a rate of 6.47 for 1929–1933, compared with annual rates of 6.10 (1922–1929) and 5.01 (1941–1950). (See Table 7, above.) When radio entered a community for the first time, it seems that existing advertisers increased their total outlays and also diverted funds to radio from

CHART 4 Standard Radio Sets-in-Use, Number of Radio Families and of Radio Sets Per Hundred Families, 1922–1950



SOURCE: Based on data from Federal Communications Commission.

newspapers, magazines, car cards, and farm papers. Moreover, many concerns that had apparently never advertised before started to do so.

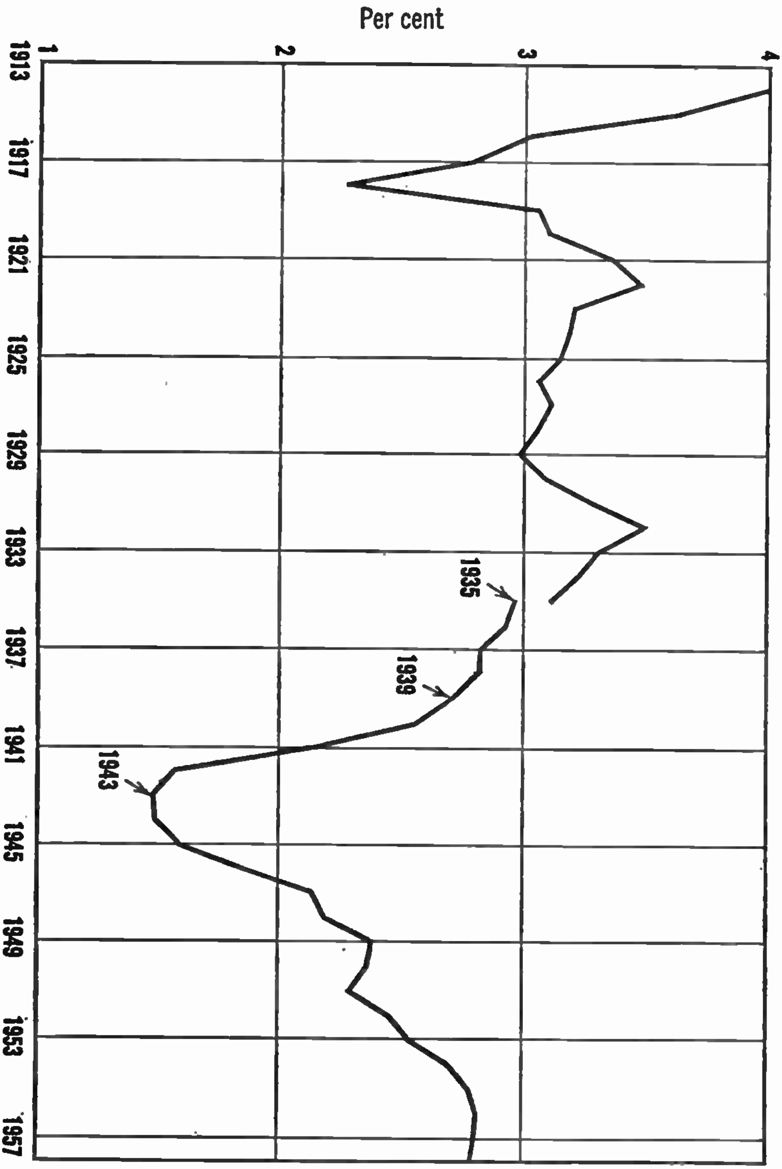
Advertising outlays on certain kinds of commodities may have increased with radio's advent simply because the new medium was especially suitable for promoting them. For example, expenditures on cereals, pharmaceuticals, and tobacco went up, whereas financial, legal and funeral-parlor notices, medical, classified, automotive, and display advertisements remained the forte of newspapers.[19] In addition, radio advertising seems to have stimulated newspaper advertising directly on several counts.

First, there was simply the effect of introducing newcomers to the role of advertising, after which they simply "got the bug" and turned to other media as well.[20] Then, there was the phenomenon of "competitive advertising": outlays by one firm in a new medium force its rivals to follow suit while maintaining their older appropriations, or to counter with increased outlays in established media. Moreover, manufacturers of radio sets poured millions into newspaper advertisements. Indeed, one reason that radio's impact was not greater may be that set manufacturers like the Radio Corporation of America returned to newspapers, in different cities and states, some of the very revenues "stolen" by its subsidiary, the National Broadcasting Company. Review of the ANPA's *Proceedings* for 1929 shows that newspapers carried an abundance of radio news and program logs at the time, in hopes of being favored by lush radio-set advertising accounts.

Furthermore, although there is no evidence (see Chapter II) that radio seriously deterred movie receipts, what inroads there were would bring new money into advertising. Radio's impact, limited though it was, would first divert money from the movie box office to radio-set manufacturers; and then, by swelling the radio audience, this diversion might result in increased outlays by advertisers. Lastly, newspapers turned to radio for promotion, which is not at all the same as saying that radio took revenues that would otherwise have gone to newspapers, for newspapers seeking to promote their circulation over radio might not have advertised at all in other newspapers or magazines.

Chart V does not seriously challenge this hypothesis on new advertising money. The percentage of national income going to advertising expenditures declined only negligibly between 1935 and

CHART 5 Total Advertising Expenditures as a Percentage of National Income, 1914–1958



SOURCE: See Appendix.

1939, from 2.96% to 2.72%,* compared to a much sharper wartime drop to 1.47% in 1943. To be sure, a sharp *rise* in this percentage might strengthen our case. But the argument still stands. For during the years 1935–1939, radio revenues rose some $83,-500,000 and magazine and newspaper advertising revenues some $30,700,000 and $39,472,000, respectively. The fact that radio grew more rapidly than the others might be interpreted to mean that it took money that otherwise would have gone to the printed media. But there is no way of knowing this. Perhaps when new markets opened to radio, advertisers simply increased their radio outlays *more than other outlays*. Their increases might well include funds that would never have been spent on advertising at all.

How Radio Took Revenues from Newspapers Despite Their Different Appeals

Despite the different potential appeals of aural and printed media, and despite the new money that radio apparently brought into advertising, newspapers did suffer definite, if limited, losses to their new rival. One possible explanation is that the *potentially* different appeals of radio and newspapers were not immediately exploited by the newspapers.[21] Their subsequent adjustments to radio, which we consider in Chapter VI, may explain in part the sharp postwar rise in their advertising revenues (noted on Charts II and III) and also the absence of evidence that radio was a deterrent in 1947.

But there are other reasons too for radio's gains in the face of the newspapers' distinctive appeals. The end of newsprint shortages and the greater availability of advertising space are additional fac-

* This refers to the series of comparable data for 1935–1957 based on McCann-Erickson and Department of Commerce figures. The estimate derived from Borden for the year 1935 would throw more doubt on the validity of my thesis. But its lack of comparability with figures for the subsequent years rules out its use here. (See Chart V and Appendix, p. 208.)

tors that help explain the postwar movements, just as existence of such shortages during the war may, in some cases, have induced advertisers to turn to radio. We have already seen that newsprint may also account, in part, for the sudden and sharp increase in national network revenues during the war and for changes in the radio and newspaper advertising indexes (noted on Chart III).

On the other hand, during the depression proper, radio's inroads appear to have been facilitated by several "accidental" factors—unrelated to any "inherent" technological superiority of an aural medium. Those factors, moreover, must be viewed in a context of falling national income. No one of them by itself is likely to explain even the limited inroads we have observed. Even combined they may not present a convincing case. But when hard pressed by a general decline in business activity, otherwise indifferent advertising agencies may well have weighed such factors carefully and then turned from newspapers to radio.

Promotion. Radio's superior canvassing techniques with advertisers and more intensive audience research might have tipped the scale for business concerns that were otherwise indifferent as to which medium's outlays they should cut. It is well known that newspapers failed to show the agencies as effectively as radio what they could do.

Thus Lazarsfeld wrote in 1941:

> Until recently: printed media have had a monopoly of communications, and therefore have not done much research . . . to back their claims. Radio, an upstart, has used research much more skillfully. . . . It is research into the yet unexploited potentialities of print . . . that will keep a healthy balance among the different media. . . .[22]

Borden also observed:

> Radio growth has come in large part because objective evidence has shown advertisers the effectiveness of specific programs undertaken. Radio has been subjected to more effective and intensive

> research designed to show consumer response than have other media. . . . Although large advertisers have turned to radio in substantial numbers, they will turn to newspapers whenever they see opportunity to use them effectively. . . .[23]

Indeed *Broadcasting Yearbook* reported in 1950 that radio's research outlays since 1922 had been greater by far than the "combined research investment of all other media since their inception. . . ."

Since then, to be sure, newspapers have given more attention to promotion. In 1946 the ANPA's Bureau of Advertising studied the comparative effectiveness of radio and newspaper advertisements and tried to show how newspapers could be made more appealing to national as well as to local advertisers.[24] By 1949 the Bureau's budget reached an all-time high of $1,000,000. Perhaps the new promotional campaign contributed to the publishers' recent comeback, just as inadequacies here facilitated radio's inroads during the depression.

Editorial position of newspapers. When cuts were necessary, otherwise indifferent advertisers may have preferred to reduce newspaper rather than radio outlays, because they feared the growing divergence between public opinion and the editorial position of most newspapers. No less a figure than William Randolph Hearst once saw newspapers losing their political influence and leadership in the community because their general political position diverged so far from their readers'.

It is difficult to assess the importance of this factor, but authorities like Alfred M. Lee believe that advertising agencies may have weighed the lack of enthusiasm of subscribers ". . . for the political and economic views of their newspapers . . ." in allocating their outlays.[25] It is further known that radio's reputation for fairness and balance was widespread—in part, of course, because broadcast stations could have no editorial policies of their own until 1949, and even now are required by FCC to give a balanced presentation of news and opinion.

The role of this factor may well have been counteracted, however, by the fact that readers apparently continue to read newspapers for features, comics, sports, theater, etc., regardless of editorial policy. Indeed this departmentalization is probably one of the newspapers' most effective ways of holding a varied audience. The newspapers' partisan role, moreover, is more generally accepted as traditional, and it may not exactly mean "disapproval" when the public finds radio "fairer."

"Unfair" radio practices. Another factor that might have turned hesitant advertisers from newspapers to radio was that they expected detailed coverage of their radio programs—sometimes even including citations of their products—in special newspaper columns. We noted in Chapter II that radio time salesmen actually used clippings of such "free publicity" in trying to win accounts from their newspaper rivals. So-called "giveaway" shows also appealed to some advertisers, although newspapers could not utilize such devices without jeopardizing their second-class mail rights.

Radio listening was a "free" good. Radio listening was considered a free good by set owners once a set was bought, and income fluctuations doubtlessly affected a radio family's purchase of printed media more than it affected its radio listening. Men may not respond to advertising as actively when they are unemployed as when they have jobs, but there is still some advantage in keeping a firm's name before the public during a depression. Advertisers might therefore favor radio's steady "depression-proof" audience to fluctuating newspaper circulations.

Advertising rates. Newspaper space rates remained notably rigid during the 1930's.[26] Of course, it is by no means clear that space rate cuts would have sustained newspaper revenues in the face of radio's growth. Radio was an expanding new service, shifting the demand curves of existing products, and price adjustments alone would probably not suffice to cushion newspapers under these conditions. But in view of all the special advantages already noted, it would seem that publishers would have to make some price concessions to keep their old customers satisfied.

Advertisers may have been tempted to favor radio over newspapers for other reasons. Borden notes the advantage of dealing with a single network official able to act for several hundred affiliated stations as opposed to the cost and inconvenience of dealing with many newspapers separately.[27] It is also of relevance that network radio gives substantial discounts for long-term advertising contracts and discounts on a rising scale as more and more stations are included in the advertiser's coverage and as more time is used. More recently, to be sure, newspapers have sometimes tried to provide an alternative to the advantages of network organization. Space contracts and appropriate discounts were available for a few years through the American Newspaper Advertising Network, set up in 1946. It goes without saying, however, that radio's rate structure may indeed have played an important role during the depression in facilitating radio's inroads.

The End Result for Newspapers

To sum up, radio apparently induced advertisers to divert some outlays from newspapers to radio, on a number of counts, during the days of financial retrenchment following 1929 and during the war. The reason for the inroads was no inherent technological superiority of the new medium, as many publishers once feared. It was not as though automobiles were competing with wagons or electric light bulbs with gas fixtures. Such "accidental" factors as radio's superior promotion, its reputation for "fairness," "free" newspaper publicity, radio listening considered as a "free" good, the network rate structure, and newsprint shortages explain radio's ability to compete effectively with newspapers and may account, in large part, for the dramatic shift in the relative positions of the two media between 1929 and 1945.

The publishers' comeback after 1945 was facilitated to some extent by changes in these same accidental factors and by adjustments in form and technique. The adjustments are reserved for later comment, but a word is in order about the accidental factors.

The lessening of newsprint shortages has already been noted, as have the ANPA's increased outlays on research and promotion and the attempt to offer advantages equivalent to network rate structure. As for "free publicity" given by newspapers to radio products and programs, severe steps were taken to eliminate it during the depression decade itself. And "giveaways," although still on the air and defended in important court decisions, have frequently aroused FCC's criticism.

In any event, there is no evidence that all or even most of radio's spectacular growth since 1929 has come at the expense of newspapers. In view of such findings, what about the publishers' decision to hedge by acquiring radio outlets? It is clear that newspapers owning radio stations shared in radio's profits. But by and large, they do not seem to have recouped money that would have gone to newspapers were radio nonexistent. Anyway, they might also have stabilized their revenues by strengthening their own strong points as they tended to do after 1945. In this context, it seems that the FCC's policy of discouraging cross-channel affiliations may have, to a degree, weakened newspaperdom's ability to resist outside pressure groups during the 1930's and at the same time reduced the resources for research, reporting, rewrite, and so on. But it has probably *not* had this effect since the war. Indeed, if anything, the FCC's formal policy promulgated in 1944 may actually have hastened the day when newspaper publishers would meet radio's threat squarely by developing their own strong points, rather than by buying stations of their own as a hedge. Cross-channel affiliations may have weakened the incentive to adjust.

TELEVISION AND OTHER MASS MEDIA[28]

Statistical analysis of television's impact on the revenues of its rivals is almost nonexistent. Much study in this area takes the form of audience surveys in which crude sampling techniques are used to ascertain, by interview and questionnaire, changes in the amount of time families spend on newspaper reading, movie going, radio listening, and so on, after buying a television set.[29] Such data, of course, give no clear idea of how hard television will hit the profitability of rival media, but they do give an idea of how consumer-preference scales are being modified, and this may be suggestive.

To some degree, the surveys already indicate that television will compete for time that now goes to aural radio, newspapers, magazines, books, sports, theater, motion pictures, concerts, and even to hobbies, conversation, and religious, social, and political activities. It is also clear that television hits different media with different severity. For instance, it is apparent that (1) nighttime radio listening has been hit the hardest by television; (2) newspaper reading has been hit the least; (3) ranked in approximate order of their losses, with the largest loser listed first, come movie-going, sports attendance, and magazine and book reading—each of which has apparently fallen more moderately than nighttime radio though far more than newspaper reading. Moreover, this pattern seems to hold after sets have been owned for two years, when one might expect much of television's novelty appeal to have worn off.[30]

Secondly, there is strong evidence that television keeps people at home more. The Fact Finders Association found that in a sample of 1,850 New York television families, 67.8% said they "went out" less, 29.1% the same, and .8% more, since they had a television set. Some authorities even go so far as to say that television will bring greater cohesion to family life, just as the automobile may have added to its diffusion.

Finally, the recuperative power of rival media is clear in a recent seven-year study of habits of television families. A survey released by the Cunningham and Walsh agency in March 1955 shows that, after an initial adjustment, the families interviewed spent *more* time on *all* media, with movie attendance recovering more than radio listening, but with radio listening growing too. Nonetheless, certain familiar trends continued: radio's greatest strength was in the morning, when 23% of people interviewed listened, compared to only 14% watching television, and when the figures for housewives were 45% and 22% respectively. But television dominated the evening hours: in 1954, it commanded the attention of 74% of all viewers and 83% of the housewives.

For our purposes, these audience data pose several important questions for more systematic inquiry. First, how large are television's inroads into the finances of its major rivals? Second, have 1
radio and the movies actually been hit harder than newspapers?
Third, in view of the fact that television keeps people home more, 2
may it not actually be a greater threat to the movies than to radio? 3

Regarding television's impact on newspapers, the new medium seems to have been no deterrent to newspaper circulation in 1948, on the eve of commercial TV's remarkable upsurge.[31] Nor did the fifteenfold growth in TV-set ownership between 1948 and 1951 play any significant role in the mild decline in per capita circulation during the period,[32] even though there was a mild upward movement in per capita personal-consumer outlays during those years and sharp fluctuations in daily newspaper advertising revenues per newspaper. (See Chart II.) Perhaps most striking is that three years later, in 1954, when television sets were owned by seven families in ten, there was still no evidence of deterrence by television, even though per capita circulation continued to decline slightly in the face of a steady rise in personal-consumption expenditures.[33] Indeed, daily-newspaper advertising revenues have generally grown in the years since their dip in 1951. (Chart II.) Perhaps newspapers and television are sufficiently distinct in the minds of readers, viewers, and advertisers to warrant prosperous coexistence. Adjustments by newspaper publishers to television in form, techniques, and contents (examined in Chapter VI) may also be partly responsible for newspaperdom's performance.

On the other hand, television had apparently begun to reduce radio revenues seriously as early as 1950 (Table 24) and by 1952 had started to inflict serious losses on the older medium (Table 25),

TABLE 24 Changes in Broadcast Revenues between 1949 and 1950 of 1665 Identical Standard-Broadcast Stations in TV and Non-TV Markets

Type of change in revenues	*Total stations reporting*	*Stations in TV markets*	*Per cent in TV markets*	*Stations in non-TV markets*	*Per cent in non-TV markets*
Decrease	490	136	34.9	354	27.6
Increase	1175	253	65.1	922	72.4
Total	**1665**	**389**	**100.0**	**1276**	**100.0**

SOURCE: Federal Communications Commission.

TABLE 25 Number of Standard-Broadcast Stations Classified by Whether or Not They Serve as Outlets for Nationwide Networks, and by Location in TV and Non-TV Markets, Showing Number and Per Cent Reporting a Loss, 1952

	TV market areas			*Non-TV market areas*		
Type of station	*All stations reporting*	*Stations reporting loss*	*Per cent reporting loss*	*All stations reporting*	*Stations reporting loss*	*Per cent reporting loss*
Serving as network outlet	210	47	22.4	950	119	12.5
Not serving as network outlet	287	77	26.8	865	225	26.0
Total	**497**	**124**	**24.9**	**1815**	**344**	**19.0**

SOURCE: Federal Communications Commission.

although even then the data show little impact on stations *without* network affiliation.* This early differential impact on network af-

* Analysis of data in Table 24 produced a value of 7.54 for chi-square. Similarly, analysis of television's impact on network radio affiliates in Table 25 produced a chi-square value of 13.5. Both values are significant, on the .01 and .001 levels, respectively.

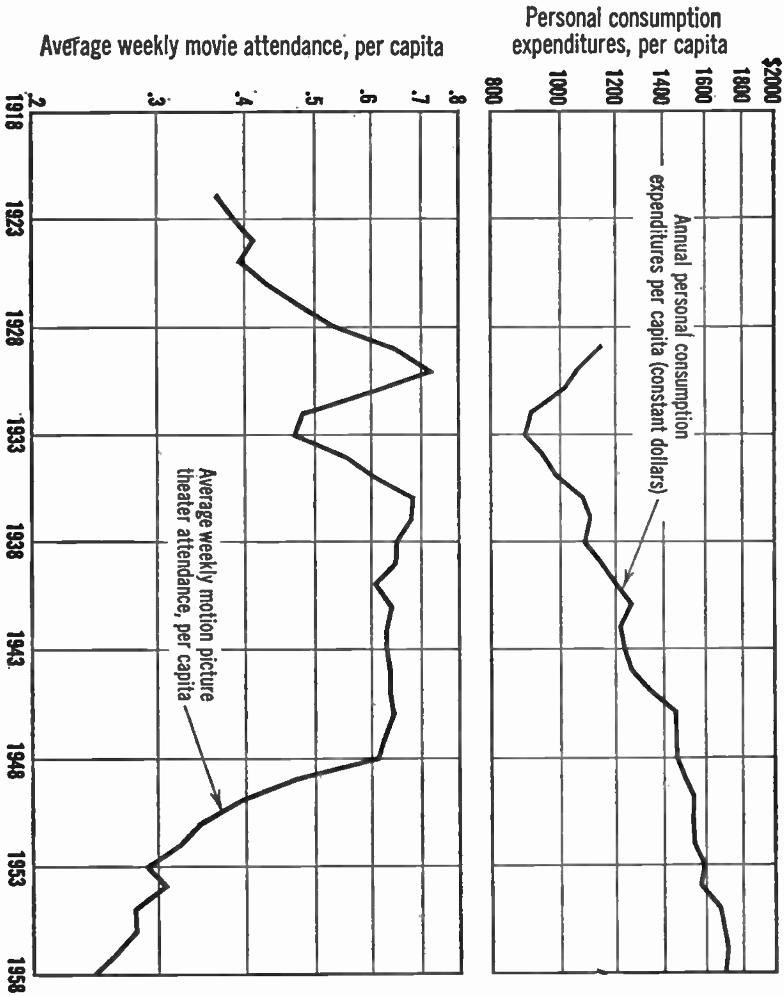
filiates may be due to the fact that they were more likely than unaffiliated stations to be concentrated in the choicest urban markets where TV set concentration was greatest and TV signals most numerous. Radio stations without network affiliation in 1952 were more likely to be those in the smaller communities and rural areas without TV service at the time, or with poor service at best. Even today, although the number of television stations in the country has grown several-fold, relatively few of the smaller communities and rural areas have their own local stations, or much service from nearby points other than that relayed in from urban centers by community antenna systems.

At any rate, the sharp decline in national-network time sales, 68% between 1948 and 1958, contrasts with a decline in regional sales of 49%, and a growth in national nonnetwork and local sales of 64% and 89%, respectively. (See also Table 4 and Chart III above.) The national networks also suffered a spectacular decline in *profitability* after 1952. (See Table 35.) The question is whether any conceivable adjustments in price, quality, or organizational structure can stem such marked trends, wholly aside from what may happen in *other segments* of the radio industry.[34]

Next, a study of motion-picture theater receipts in 1948 showed no serious deterrent resulting from television.[35] But television's onslaught *is* clearly revealed in an analysis of the decline in the number of theaters operating in 26 television cities, between 1948 and 1953, the period of the most precipitous decline in average weekly movie attendance in moviedom's long history.[36] (See Chart VI.) Television inroads appear even more vividly in a recent cross-section analysis of variations in per capita motion-picture theater receipts, in 48 states, for the year 1954.[37] This is true notwithstanding the over-all stability of consumer expenditures during the period 1948–1954. (See Chart VI.) These findings clearly suggest that television is a growing threat to the movies and that it is causing much more trouble than radio ever did in the 1930's.[38]

Nevertheless, there are several possible reasons why television's

CHART 6 Annual Personal Consumption Expenditures and Average Weekly Motion-Picture Theater Attendance, per Capita, 1922–1958



SOURCE: See Appendix.

inroads have not been more serious so far. By reviving old pictures, the new medium is paying money to Hollywood that it might otherwise never have received. For example, the National Telefilm Association (NTA) purchased a $30,000,000 film library from Twentieth Century Fox in November 1956 and the latter simultaneously bought a 50% interest in the NTA Film Network. The Film Network had started to service 110 affiliated stations a few weeks earlier. Just two years later, *Standard and Poor's* reported that a total of more than 3,000 feature films (mainly pre-1948) had been sold for use on television for an aggregate sum in excess of $200,000,000, to be paid in full by 1968.

Film shorts about attractions coming to local theaters are also being used by movie interests to stimulate attendance, apparently with good results. Some authorities believe that television will eventually become a large consumer of new Hollywood productions made especially for reception at home. Movie producers are already experimenting with new techniques, changes in pacing, characterization, and so on, more suitable for the disconnected audiences viewing films over television, subject as they are to domestic distractions. Film records of television shows for rebroadcast—"kinescopes," as they are called—are now made frequently, as a matter of course.

Like radio, moreover, television is probably stimulating newspaper circulation both because television itself is news and because it seems to make people more news conscious. This thesis has been documented by Paul F. Lazarsfeld in his analysis of the mutual stimulation and complementary nature of books, movies, magazines, and radio and is also borne out by commentators in interested trade journals.[39] Indeed, in 1956, several newspapers actually tried to build Sunday circulation by offering free copies of their own television magazine or by printing full-page, week-long television logs, and they reported favorable reader response. Furthermore, manufacturers of television sets, like radio-set manufacturers 20 years ago, are pouring millions of dollars into newspaper advertisements. The ANPA records that in 1950 outlays for newspaper advertisements by manufacturers of radio-TV sets and by station owners totalled $22,760,000—a gain of 78.4% over 1949, and an amount equal to 4.6% of all newspaper advertisements. More recent data appear in Table 26, wherein it is clear that the advertising expenditures in question totalled some $132,000,000 in the years 1953–1958, during which period the outlays to advertise radio-TV sets fell considerably in contrast with a sharp rise in the outlays to promote broadcast stations.

TABLE 26 Expenditures for National Advertising in Newspapers by Radio and Television, 1953–1958 *(000 omitted)*

Expenditures by:	*1953*	*1954*	*1955*	*1956*	*1957*	*1958*
Radio-TV Stations	$10,185	$ 9,819	$12,252	$14,352	$17,987	$20,857
Radio-TV Sets	15,779	6,473	5,806	6,827	6,158	5,740
Total	**$25,964**	**$16,292**	**$18,058**	**$21,179**	**$24,145**	**$26,597**

SOURCE: *American Newspaper Publishers Association.*

In any case, television's general stimulating qualities seem important enough in the eyes of the Department of Commerce to make "possible and likely" a successful long-run adjustment of the major media—despite short-run losses.[40]

CONCLUSION

The greater interest in current events, drama, and music stimulated by television may conceivably increase the total time and money spent on *all* media. Television is also making some direct contributions to the revenues of newspapers and the movies.

Nonetheless, the new medium seems to have made limited, but definite, inroads into the earnings of its major rivals. Its impact on movies and radio appears much greater than its impact on newspaper circulation and may well be greater than its impact on newspaper advertising revenues, though no detailed analysis of this second point was undertaken. The radio networks have probably been hit harder than the movies, although this was not demonstrated conclusively here.

Income levels were considerably more important in explaining levels of motion-picture receipts and daily newspaper circulation per capita in 1948 than were levels of television sets. Since then, however, television has apparently become a factor of increased importance, especially in the case of motion pictures. But income levels and income change continue to play a serious role too.

Differences in basic appeals of the media are not incompatible with the findings here on television's *actual* impact. The earlier material merely suggests that television's impact *need* not be lethal, that after a period of adjustment the older media, or at least selected segments within them, may come to prosper side by side with television just as newspapers have done with radio. Whether or not this will happen, of course, is another question.

In short, before an adjustment in organization, techniques, form, and content has been undertaken by its rivals, television's impact, like radio's, may well continue to increase their susceptibility to pressures from organized groups and in other ways reduce the accuracy, fairness, and thoroughness of their performance. Radio and the movies might conceivably be forced to reduce their standards of taste, morals, and culture in an unbalanced and lopsided way. A "diversification policy" would, therefore, have limited but definite social costs in the short run, more in radio and the movies perhaps than in newspapers. On the other hand, the possible long-run effects of vigorous price and quality competition on both the revenues and the quality of television's rivals are of paramount concern here and will be considered in the next chapter.

NOTES

1. Commission on Freedom of the Press, *A Free and Responsible Press* (Chicago: University of Chicago Press, 1947), p. 62. Also see similar conclusions in *Report of the Royal Commission Investigating the Press* (London: His Majesty's Stationery Office, 1949), pp. 143–4. The American commission referred to *all* mass media, whereas the Royal Commission had examined newspapers only. More recently, the FCC's inquiry into radio-TV network broadcasting revealed that advertisers play a much larger and more intimate role in influencing program content and scheduling than acknowledged by the Commission on Freedom of the Press—*irrespective of economic conditions* (see FCC, Docket 12782, especially pp. 425–9, 440–55 [testimony of C. Terence Clyne, McCann-Erickson, Inc.], pp. 585–92 [testimony of Robert L. Foreman, B.B.D. & O. Inc.], and pp. 1811–8, 1824–5 [testimony of Philip Cortney, Coty Inc.]). But once again, advertiser control was seen to become intensified in times of financial stress (*ibid.*, pp. 494–504).

2. Commission on Freedom of the Press, *op. cit.*, pp. 55–6.

3. Emery, *History of the American Newspaper Publishers Association* (Minneapolis: University of Minnesota Press, 1950), p. 219.

4. FCC, Docket 6051, p. 2382.

5. Waring, "Can Any Man Be Independent?" *Nieman Reports, 10* (Oct. 1956), 27.

6. Block, "Facing Up to the 'Monopoly' Charge," *Nieman Reports, 9* (July 1955), 4.

7. Inglis, *Freedom of the Movies* (Chicago: University of Chicago Press, 1947), p. 183.

8. *Ibid.*, pp. 180–3.

9. *Ibid.*, pp. 10–11. Also see pertinent analysis in Albig, *Modern Public Opinion* (New York: McGraw-Hill Book Company, 1956), Ch. 19; and Seldes, *The Great Audience* (New York: Viking, 1950), pp. 89–104.

10. The account that follows is based on Inglis, *op. cit.*, pp. 62–7.

11. *Ibid.*, pp. 65–7.

12. The episode is well described in Inglis, op. cit., pp. 116–25.

13. For a rather similar episode in the radio field see White, *The American Radio* (Chicago: University of Chicago Press, 1947), pp. 54–67, 93–100. According to White, radio broadcasters were most vulnerable to outside pressures from advertising agencies during the early 1930's. At that time the agencies' clients had acute sales problems. It was no longer enough for the agencies "to look for attractive programs and then to seek advertisers who would take a fling at broadcasting" (*ibid.*, p. 56). Instead they began to produce their own programs for radio. This was the beginning of what White calls the "advertiser domination" of radio networks, a domination which he says had by 1946 resulted in an "absolute minimum of educational programs, controversy, diversity, experimentation, local service, [and] objectivity, in handling of basic economic cleavages in which the advertising man will aggressively defend what he believes to be his clients' 'interest' " (*ibid.*, p. 96). Aside from the complete validity of these criticisms, suffice it to note the economic conditions under which the advertising agencies came to produce so many radio network programs directly. For a very similar and equally vivid episode in television, see the FCC's recent Docket 12782, July 7, 1959, pp. 498–502, testimony by C. Terence Clyne, senior vice-president of McCann-Erickson, Inc. Clyne testified there that the slackening economic conditions of 1958–1959, combined with the emergence of the American Broadcasting-Paramount Theaters Company as a serious factor in network competition, made all networks "far more amenable to agency and sponsor [suggestions] than they had ever been before" (p. 498).

14. See *Report of the Royal Commission Investigating the Press*, pp. 131–3, 152–3; also *A Free and Responsible Press*, pp. 54–9.

15. *Annals of Amer. Acad. of Pol. and Soc. Sci.*, *213* (Jan. 1941), 111–2.

16. Here I examined the degree to which levels of daily newspaper circulation, per issue, per thousand people, in 48 states (X-1) were

explained by levels of per capita income (X-2) and of radio homes per thousand homes (X-3). The years 1929, 1940, and 1947 were selected as three significant points in radio's development. Similar tests were also conducted with advertising revenues of *all* newspapers (including weeklies, and so on) per capita as X-1. The correlation coefficients follow:

	1929	*1940*	*1947*
Circulation			
$R_{1.23}$	.687	.707	.887
$r_{12.3}$	.247	.385	.844
$r_{13.2}$	.323	.150	.837
Advertising			
$R_{1.23}$	.794	.713	.760
$r_{12.3}$	.300	.465	.553
$r_{13.2}$	.554	—.720	.414

$R_{1.23}$ indicates the degree to which variations in levels of per capita income and radio homes per thousand homes explain variations in newspaper circulation or advertising revenues, in 48 states. $r_{12.3}$ states the relationship between income and circulation levels (or income and levels of advertising revenues) holding constant the factor of radio homes. $r_{13.2}$ depicts the relationship between levels of radio homes and circulation or advertising revenues, holding income levels constant.

In the thought that radio's impact may have occurred even more sharply in the leading metropolitan areas—markets of greater homogeneity than the 48 states—I prepared a supplementary analysis of 36 major cities, with per capita city-zone circulation as X-1, and radio homes per thousand homes, in the county in which the cities were located, as X-3. For lack of any better measure of consumer income, I used data on per capita retail sales for X-2. The results are as follows:

	1929	*1940*	*1948*
$R_{1.23}$	.523	.304	.422
$r_{12.3}$	.170	.252	.256
$r_{13.2}$	—.408	.273	.305

The main additional finding here is the evidence of radio's negative impact on circulation in 1929. But the absence of any deterrent due to radio after that date is equally striking. (The small computed values of $R_{1.23}$ and $r_{12.3}$ may reflect the limitations of retail sales as an index of consumer buying power in those markets.)

17. In this test I assigned the 48 states to three groups which were fairly homogeneous, during the years selected, in degrees of urbanization, average per capita income, and average newspaper circulation, per capita. *East* includes 20 states—the Middle Atlantic, New England, East North Central and Pacific states, plus West Virginia and Maryland; *South* includes the 15 Southeast, South Central, and Southwest states; *Central* includes the remaining 13 Mountain and West North Central states.

Rank order techniques were then used. The dependent variable (X-1) was the rate of change in circulation per issue, per thousand people, of daily newspapers in the states within each region. The two independent variables were percentage changes in per capita income (X-2) and percentage changes in radio homes per thousand homes (X-3). States within each region were ranked in descending order starting with the greatest percentage decline in circulation and income and the greatest increase in radio homes, 1929–1933. In the two other periods studied, states with the greatest percentage increases in all three variables were ranked first.

The most significant values for $\text{rho}_{1.2}$ were .624 (*East*, 1929–1933), and .554 (*South*, 1941–1943). The most significant values of $\text{rho}_{1.3}$ were −.501 (*East*, 1937–1940) and −.640 (*Central*, 1941–1943).

($\text{Rho}_{1.2}$ states the degree of concordance between states within each region ranked according to percentage changes in circulation (X-1) and according to percentage changes in per capita income (X-2). $\text{Rho}_{1.3}$ does the same for rankings according to changes in circulation (X-1) and changes in radio homes per thousand homes (X-3).)

18. Here 36 cities were ranked first according to the percentage change in city-zone circulation of daily newspapers, per thousand people (X-1), and, in 23 cities, according to estimates of advertising revenues per thousand people (based on advertising linage and circulation figures), 1929–1933. A second ranking (X-2) was made according to average per capita retail sales for the years in question, the best avail-

able index of city buying income, and a third ranking (X-3) according to the percentage change in radio homes per thousand homes. The cities ranked first were those with the greatest decline (or smallest increase) in circulation or advertising revenues, the greatest growth in radio homes, and the lowest level of average per capita retail sales. These results may be compared with those in an analysis of rankings of 48 states, calculated for percentage changes in circulation (X-1), in per capita income (X-2), and in radio homes per thousand (X-3), along lines followed in the regional tests in footnote 17.

Rank correlation coefficients are:

	Circulation (36 cities)	*Advertising (23 cities)*	*Circulation (48 states)*
$rho_{1.2}$	.430	.410	.145
$rho_{1.3}$	—.150	—.080	.011

None of the values for $rho_{1.3}$ is statistically significant. In other words, the data reveal no evidence of radio growth as a factor in the decline of newspaper circulation or advertising revenues in our major cities (or in the country as a whole) in the years 1929–1933. On the other hand, the values of $rho_{1.2}$ in the analysis of city-wide data *are* significant on the .01 and .05 levels of significance, respectively. This contrasts with the insignificant value of $rho_{1.2}$ in the analysis of 48 states.

19. The different appeals of printed and aural media are said to underlie the products they can best be used to advertise. (See discussion above in Ch. I, pp. 10–12).

20. FCC, Docket 6051, pp. 199–201, 644.

21. See discussion above in Ch. I, pp. 10–13 and citations in notes 2–11.

22. Lazarsfeld, "Some Notes on the Relationship Between Radio and the Press," *Journ. Q., 18* (March 1941), 11.

23. Borden, Taylor, and Hovde, *National Advertising in Newspapers* (Cambridge: Harvard University Press, 1946), pp. 184–5.

24. ANPA, *Proceedings* (1946), pp. 145–56; *ibid.* (1948), pp. 188–90. The ANPA's new vigor in fighting for national as well as local advertising accounts has extended into the television era. See *Broadcasting,* July 7, 1958, p. 8 ("Newspapers demonstrate power to sell aggressively"); *Editor and Publisher 87* (Sept. 11, 1954), 15 ("How papers can be more aggressive"); *ibid., 91* (March 1, 1958), 24 ("Papers not competing enough with television"); *Printer's Ink, 262* (Jan. 24, 1958), 6 ("Newspapers plan to hit harder at television and other rival media").

25. FCC, Docket 6051, p. 238, and remainder of testimony there.

26. See Kinter, "Rigidity of Advertising Rates in Depression and Boom Years," *Journ. Q., 24* (June 1947), 123 (Table 20), reproduced below in Ch. VI as Table 27.

27. Borden, Taylor, and Hovde, *op. cit.,* pp. 200–15.

28. After completion of research for this section my attention was brought to a doctoral dissertation by Frederic Stuart, entitled, *The Effects of Television on the Motion Picture and Radio Industries* (New York: Columbia University Library, 1960). Stuart focuses exclusively on television's impact on and the competitive adjustments of radio and the movies, giving no attention to printed media or to the movies' reactions to *radio.* Although he makes no attempt to relate his findings to the policy on joint media ownership, or to evaluate the qualitative implications of intermedia competition, his thorough treatment of matters sketched here more briefly deserves very careful study. It should be noted, finally, that the general pattern he discovers from a more refined and detailed analysis than I have undertaken is similar to the pattern presented here, pp. 127–32, 146–51, 156–63, and, with some minor exceptions, roughly consistent with the findings recorded there.

29. A useful, recent collection of such surveys is Bogart, *The Age of Television* (New York: Frederick Ungar, 1956).

30. One illustrative study, more systematic than many, is summarized in Sweester, "Home Television and Behavior," *Pub. Opin. Quart., 19* (Spring 1955), 79–84. Listed in order of the largest percentage of

people who reduced time spent on specific activities after television was installed were: radio listening (91.1% of 1,052 people interviewed reduced this activity), movie-going (53.9% of those interviewed reduced time spent), sleeping (40.4% did so), reading (36.9% did so), visiting friends (26.1% did so), attending sports events (15.8% did so), working at hobbies (9% did so), and going to dances and parties (8.8% did so). The reason that these percentages exceed 100% is because many people, as would be expected, reduced time spent on more than one activity.

31. Here a correlation analysis was undertaken to explain the levels of newspaper circulation per thousand people in 27 television cities (X-1), in terms of levels of per capita retail sales, the best available estimate of buying income for cities (X-2), and TV sets per ten thousand people (X-3). The partial correlation coefficients were $r_{12.3} = .237$ and $r_{13.2} = .323$, revealing no television deterrent whatsoever, and only a weak role of per capita retail sales in explaining levels of circulation.

32. Here a rank correlation coefficient was computed measuring the concordance between 26 television cities ranked according to the percentage change, between 1948 and 1951, in daily newspaper circulation (X-1), and the percentage growth in TV sets per ten thousand people (X-3). To ascertain the possible role of income we computed a second coefficient between X-1 above, and rankings according to levels of per capita retail sales in 1948 (X-2). Cities ranked first were cities with the largest circulation decline (X-1), the largest growth of TV sets (X-3), and the lowest level of retail sales (X-2). The two rank correlation coefficients were $rho_{1.3} = -.129$, which showed no evidence whatsoever of a television deterrent, and $rho_{1.2} = .690$, which showed a substantial concordance between retail sales and newspaper circulation rankings.

33. Another rank correlation coefficient was computed between rankings according to average levels of newspaper circulation per thousand people in 26 TV cities, 1948 and 1954 (X-1), and average levels of television homes per thousand homes weighted by the number of stations operating in each year. Cities with the lowest circulation ranks and highest TV set density ranks were each ranked first. The resulting

value for $rho_{1.3}$ was .139, which provides no significant evidence that TV set density may have reduced newspaper circulation.

34. The continued role of television as a deterrent to radio's growth has been established by Stuart in his analysis of variations in the percentage changes in per capita broadcast revenues, 48 states, 1948–1956 (X-1), the ratio of television stations to radio stations, 1956 (X-2), and the proportion of time sales originating in the radio networks (X-3). Correlation coefficients computed are $R_{1.23} = .71$, $r_{12.3} = -.65$, and $r_{13.2} = -.76$. (See Stuart, *op. cit.*, Table VI-8.) From these findings one may infer the dual role of television's growth and of the decline of national radio networks as deterrents to the growth of *all* standard broadcast revenues (including local and national non-network). The statistical results are impressive even though no attempt was made, in computing the ratio of TV stations to radio stations (X-2), to distinguish between TV stations operating in the Ultra High Frequency and Very High Frequency bands, or between standard broadcast stations operating, with varying power and for varying hours, on so-called local, regional, and clear channels. However, the results relate to *all* standard broadcast revenues and reveal nothing of television's *differential* impact on *regional* as opposed to national networks, or on radio stations in different class-time-power categories. Yet my analysis of average broadcast income per station, by community size, by eight categories of authorized power, transmission hours, and channel type, reveals an indisputable pattern of *differential* profitability as late as 1952, the last year that the FCC published such detailed income-revenue data. Indeed the same pattern appears also in 1958, on a *nationwide* basis, not only in per station income data but in data on ratios of broadcast income to revenues and of broadcast income to net tangible broadcast property. (See also table in Ch. I, note 24.) Finally, the relative buoyancy in the profits of *regional* networks and their stations is more than clear from Table 35 below. In short, although Stuart's analysis clearly demonstrates television's role as a deterrent, it is still conceivable that certain segments of the radio industry, *enjoying special license privileges,* may have weathered the storm more successfully than others. The relative success of re-

gional radio networks may reflect still other factors. (See below, p. 165.)

35. Stuart reached this conclusion in his unpublished M.A. thesis, *Television's Competitive Impact on the Movies* (New York: Columbia University Library, 1951), from a test wherein he sought to explain levels of per capita motion-picture theater receipts in 48 states, 1948 (X-1), in terms of levels of per capita income (X-2), and levels of television sets per movie theater (X-3). The computed correlation coefficients were: $R_{1.23} = .790$, $r_{12.3} = 700$, and $r_{13.2} = .230$, which reveal a significant covariation between movie receipts and income levels when TV sets per theater are held constant, but no television deterrent whatsoever when income levels are held constant (*ibid.*, pp. 20–6).

36. Here I computed a rank correlation coefficient for 26 TV cities, ranked according to the number of movie theaters operating in 1948, divided by the number operating in 1953, and ranking first the city with the greatest decline in theaters (X-1). Cities were also ranked according to the ratio of TV families to total families, weighted by the number of TV stations operating, 1953, with the city with the highest TV set density ranked first (X-3). The rank correlation coefficient was −.541, suggesting that television's counterattraction was a factor in the disappearance of motion-picture theaters in the period 1948–1953. (See Appendix.)

37. From a multiple correlation analysis of per capita motion-picture theater receipts (X-1), per capita personal income (X-2), and per cent of homes with television sets (X-3), in 48 states, 1954, Stuart computes the following significant coefficients: $R_{1.23} = .78$, $r_{12.3} = .76$, and $r_{13.2} = -.75$. In other words, the negative covariation between X-3 and X-1, holding X-2 constant, clearly supports the hypothesis that television has made extensive inroads on the motion-picture industry in the country as a whole. It is also clear that income levels play an equally important role in explaining levels of per capita motion-picture receipts, after due allowance for the role of TV set density. (See Stuart, *The Effects of Television on the Motion Picture and Radio Industries*, Table III-5.)

38. Compare the tests summarized above in notes 35–37, with those summarized in Ch. II, notes 29–32.

39. See citations in Ch. I, note 13.

40. See U.S. Dept. of Commerce, *Television As an Advertising Medium* (Washington: U.S. Government Printing Office, 1950), p. 1. The Report gave three reasons to support its general conclusion: "(a) . . . [T]he characteristic upward trend in the ratio of leisure hours to work hours will increase. . . . (b) Families . . . will probably accept television not as a replacement but as an addition . . . [to fill their leisure hours]. (c) Television, as an advertising medium, will create new desires and needs and . . . will help industry move a far greater volume of goods than ever before. As a result, advertising budgets should increase all along the line." This thesis really subsumes only that national income grows rapidly. For if income grows rapidly enough, there seems no reason why a stable or even a falling ratio of total advertising outlays to national income could not be consistent with the view that television was bringing a substantial amount of new money into advertising. In that case, we need not face the question of whether the country can stand diverting more than, say, 2.7% of its national income to advertising, the amount so devoted just before World War II.

CHAPTER SIX

COMPETITION IN PRICE AND QUALITY

OF WHAT SIGNIFICANCE ARE THE ADJUSTMENTS in price and quality that the "diversification policy" appears to encourage older media to make in meeting the challenge of their newer rivals? So far as such competitive adjustments stabilize the revenues of the older media, they may increase the resources of newspapers or broadcast stations for research, reporting, and the preparation of news and comment, as seen in Chapter IV. They may also improve the ability of all media to resist group pressures and to avoid the need to debase standards of taste and morals to widen their audiences, along lines sketched in Chapter V. Financial stability of separately owned media, in its own right, would tend further to facilitate the accuracy, fairness, balance, and thoroughness of the media as a whole. But adjustments in price and quality may affect standards of performance more directly, as we shall now see.

Price adjustments include adjustments in the prices charged to advertisers to reach any given number of people, prices charged to consumers for the media products they buy directly, and factor prices, which the media in turn pay for the productive services they need. Not all media compete in each category of price, the main exception here being that radio and television "sell" their program output to consumers at a zero price and that motion-picture producers and exhibitors sell almost no services directly in the advertiser.

This may help in part to explain the importance of quality competition among the mass media, in the form of a variety of techniques used to differentiate the products in question. But price competition may also be negligible because the substitutability of different media in the eyes of consumers and advertisers is smaller than is generally presumed by laymen. Such at any rate is the assumption widely held in advertising circles and supported by at least some systematic research.[1] Quality adjustments, for the most part, include modifications of media content and format.

My concern is not simply with whether price-quality competition is leading to the survival of, and a new division of labor between, rival media today. Chapter V has already indicated the sense in which this is probably true. The further question raised below, and only partly answered in the light of inadequate data, is whether the competitive adjustments that have occurred, or seem likely to occur, would enhance or worsen the performance of the media in terms of their diversity, balance, fairness, and thoroughness.

The review of trade materials that follows no more than sketches what must be done to get a truly definitive answer to this question. The direct qualitative impact of price-quality competition eludes precise measurement here. Nonetheless, the chapter does make a start in this direction. It also tries to elaborate on the techniques whereby the several media vary their products to minimize one another's competitive inroads and should therefore be related back to the views expounded in earlier chapters.[2] At any rate, the argument throughout this book, and especially the proposals which follow in Chapter VII, stand almost as well *without* the additional points made here, as with them. For as seen in Chapter III, the "salutary" qualitative adjustments of competing media are only one of several major benefits of the Commission's "diversification policy."

THE ADJUSTMENTS: PRICE COMPETITION

Radio and Newspapers

Did radio induce the newspapers to make cost-price adjustments during the 1930's in attempting to hold their relative market shares? So far as such adjustments acted to limit radio's inroads one could say that they helped maintain the quality of newspaper output along lines already sketched in Chapters IV and V. But there is no conclusive evidence that significant price adjustments occurred. On the contrary, newspaper advertising rates remained relatively stable during the depression years, despite a sharp drop in their advertising linage and advertising revenues in the period 1929–1933, and again in the years 1937–1938 (see Table 27), and despite the downward adjustments in wholesale and consumer goods prices. Indeed the space rates of *evening* newspapers actually *rose* during the worst years, and Sunday rates rose even more sharply over the whole period.

One might expect any significant, direct, competitive impact by radio to induce newspapers to reduce their space rates. The absence of such adjustments may merely reflect the fact that the two media were not as good substitutes for the advertiser as some people have contended and that radio was a growing new service in the 1930's, shifting the demand curves of existing products. In such a case, price adjustments alone would fail to cushion newspapers against a fall in national income. The point is simply that there is no evidence that price adjustments helped stabilize newspaper revenues or newspaper quality during the depression period.

TABLE 27 Comparison of Daily- and Sunday-Newspaper Milline Rates, Advertising Linage, and Advertising Expenditures, 1929–1941 (1929 = 100)

	Milline rates *			*Newspaper advertising*	
	Morning	*Evening*	*Sunday*	*Linage*	*Expenditures*
1929	100	100	100	100	100
1930	99	102	105	87	85
1931	101	105	110	77	76
1932	101	110	112	61	60
1933	104	114	114	56	55
1934	101	111	113	62	61
1935	101	110	114	66	64
1936	101	110	114	73	71
1937	98	108	112	74	73
1938	101	110	120	65	63
1939	96	110	133	66	64
1940	93	106	130	67	66
1941	87	96	126	69	68

* Milline rates are the costs-per-agate line of reaching one-million circulation (i.e., a milline is one-million times rate per line divided by circulation).

SOURCE: C. V. Kinter, *Journ. Q.*, *24* (June 1947), 123. Reprinted by permission.

Television, Newspapers, and Radio

Television may conceivably induce revenue-stabilizing cost-price adjustments in radio and newspapers and thereby act to enhance the quality of media output, provided that these adjustments reflect improved managerial efficiency rather than cutbacks in vital facilities and personnel. Indeed, radio time rates, especially the nighttime rates, have been reduced several times since the spring of 1951,[3] but except for occasional comments in the trade press, there is so far no clear evidence that newspaper publishers have felt television's pressures in this regard.[4] On the contrary,

Table 28 shows that during 1956 some 40% of 1565 daily newspapers actually raised their milline line rates an average of 11.8%, with only two newspapers reporting cuts. This contrasts vividly with radio where, of 411 stations changing their one-hour–one-time rates in 1956, some two thirds reduced them; and where, of 477 stations changing their one-minute–one-time rates, almost one half were reductions.

TABLE 28 Rate Changes by Daily Newspapers, Standard-Broadcast Stations and Television Stations, 1955–1956

	Number reporting	*Number which increased rates*	*Number which decreased rates*	*Range of increases (Percentages)*		*Range of decreases (Percentages)*		*Average of changes (Percentages)*
				Low	*High*	*Low*	*High*	
Daily Newspapers								
Line Rates								
1955	1475	520	3	3.1	33.3	2.3	10.0	+12.0
1956	1565	628	2	1.7	50.0	10.0	24.4	+11.7
Radio Stations								
One-Hour–One-Time Rates								
1955	2794	119	310	1.4	109.2	3.1	70.0	−13.2
1956	2794	152	259	1.2	150.0	.1	72.2	−5.4
One-Minute–One-Time Rates								
1955	2794	184	321	.5	150.0	3.7	82.4	−5.6
1956	2794	243	234	.7	468.0	.8	60.0	+6.1
Television Stations								
One-Hour–One-Time Rates								
1955	447	213	8	5.8	100.0	12.5	50.0	+23.8
1956	447	218	9	4.3	166.7	14.3	60.0	+22.3
One-Minute–One-Time Rates								
1955	447	233	11	6.7	166.7	10.0	50.0	+28.9
1956	447	239	12	4.2	300.0	14.3	72.0	+27.9

SOURCE: *Editor and Publisher, 90* (Jan. 19, 1957), 17. Reprinted by permission.

Nonetheless, it should also be noted that the 239 television stations that reported changes in one-hour–one-time rates were, with a few exceptions, reporting not only increases but increases averaging some 30%—almost three times the average of newspaper rate increases. Without a careful market-by-market analysis, it is impossible to tell how frequently the newspaper's *relative* rate level may have fallen vis-à-vis television, or what effect if any this might have had on revenues. Perhaps the clearest point in the table is the widespread radio rate reductions noted.

Similar to these findings are those of a recent study by McCann-Erickson, Inc., summarized in Table 29. Thus, in the period 1950–

TABLE 29 Percentage Changes in Advertising Rates by Type of Medium, 1950–1958

Medium	*Cost-per-thousand* *	*Basic rates*
Magazines	30	54
Newspapers	33	42
Business papers	37	65
Outdoor	7	53
Network TV (Evening)	—18	367
National Nonnetwork TV (Evening)	—19	450
Network Radio	8	—43
National Nonnetwork Radio (Daytime)	34	—13

* Cost-per-thousand rates in radio and television are estimated here as the advertiser's costs per thousand viewers or listeners reached by a typical program, or spot announcement, on a typical line-up of stations. They are derived from data on set ownership in various markets, the proportion of sets in a typical station's area tuned in to a program, and the average number of people watching or listening to each set. On the other hand, cost-per-thousand for the printed media is estimated as advertising space costs per gross circulation, with no attempt to consider the number of readers per copy sold, the number of readers who "note" a particular advertisement, or the number who recall 50% or more of it afterward. But the analysis of rates of change really side-steps the problem of comparability in techniques used to measure cost-per-thousand for different media.

SOURCE: McCann-Erickson, Inc., *The Turning of the Tide,* Publication No. 3 of the Marketing Communications Workshop (New York, 1958), pp. 20–1. Reprinted by permission.

1958, "basic" advertising rates, which refer to charges for specific units of radio-TV time or newspaper space, show marked increases for television, smaller increases for newspapers, and visible declines in radio. On the other hand, the estimated cost of selling to a thousand people rose in all media but television where it actually fell despite sharp increases in basic advertising rates.

In other words, notwithstanding *decreases* in basic network and national nonnetwork radio rates of 43% and 13% respectively, advertisers using them actually had to spend *more* to reach a thousand people with a given message in 1958 than in 1950. This clearly reflects radio's deteriorating competitive position and contrasts with television, which cost the advertiser 18% *less,* even though basic rates per time unit had soared some 400% during the period. The printed media, finally, cost him more too, though not so much more as might have been expected from increases in their basic rates.*

In a general way, then, newspapers appear to have held their own vis-à-vis television better than radio did, though not so well as magazines and business papers. But the printed media, according to these data, executed no visible rate cuts toward this end. Whereas *radio's* substantial rate cuts in the field of national (as opposed to local) advertising apparently *failed* to help it weather television's onslaughts. In neither case then does intermedia rate competition clearly appear so to have bolstered revenues as to enhance media quality by strengthening management's ability to resist outside pressures or otherwise.

* Such intermedia comparisons of costs to reach a thousand people have been hotly debated by newspaper officials who challenge the comparability of printed and electronic media in terms used by the television networks. (See *Printer's Ink, 256* [August 17, 1956], 56–7.) Employing other standards, the newspapers claim their own superiority in cost-per-thousand. (See *Editor and Publisher, 91* [March 1, 1958], 14.) The advertiser's difficulties in comparing cost-per-thousand data for different media are well known. (See *Broadcasting,* April 13, 1959, p. 34; also *Network Report,* pp. 173–5.) Because Table 29 records *percentage changes* only, however, these problems do not arise.

Television and the Movies

Television's challenge to the motion-picture industry appears to have induced some visible cost adjustments, with varying results.[5] By August 1950, the cost of making the average motion picture was reported down 25% to 30% from the 1947 cost, and it was claimed that these cost reductions were executed without impairing film quality. One important saving arose from shooting the films more quickly, which meant more intensive rehearsals and preparation ahead of time. Major studios cut shooting time some 30% below the peak of 1946; the average Paramount picture took only 41 camera-days to make in 1949 as compared with 55 days in 1946. Hollywood has also reduced its wage bill, uses less lavish sets and more original stories, and pays less for scenario material. Stars and executives now share profits in many cases; actors, writers, directors, and technicians are paid on a per-picture rather than a flat-salary basis.

Cost reductions seem to be helping movie producers maintain their net income, and in this regard they help moviedom stand up against outside pressure groups. On the other hand, the spreading of studio overhead over a larger number of films, the cutting of rehearsal and shooting time, and the reduction of technical staff *may harm* film quality. The only hope here lies in the example of European producers, who have long known the secret of making superior pictures on low budgets. Perhaps Hollywood's economy drive will eventually eliminate lavish sets and elaborate costuming and put a greater premium on simple backgrounds and significant content.

THE ADJUSTMENTS: QUALITY COMPETITION

So much for price competition. The *qualitative* adjustments of competing media are of greater interest to my argument even though the problems of measurement are really more perplexing on other grounds. The materials reviewed next—unorthodox for the economist—can do little more than illustrate the kind of matter that needs to be explored more fully.

Newspapers Adjust to Radio and Television

It is theoretically possible that newspapers might turn to sensationalism, banner headlines, crime, and sex in order to hold their readers' attention against the counterattraction of radio and television. Certainly if publishers feared a fall in circulation, they would be tempted to experiment in some fashion to forestall it. But available historical studies of newspaper contents give no report on trends in sensationalism and distortion or vulgarity as such, let alone any indication of whether radio and television competition might in some way be responsible for possible deterioration.[6] Even the mere existence of such an unsalutary adjustment cannot now be ascertained.

On the other hand, data on column space devoted to different categories—news features, editorials, etc.—reveal several relevant facts. Comparing the years 1910, 1920, 1930, and 1940, Frank L. Mott found: (1) the percentage of nonadvertising space devoted to different categories of news and features remained largely the same—reflecting trends in public taste; (2) marked increases occurred in space devoted to sports, comics, and to picture news in general. (See Table 30.) In other words, entertainment materials grew by leaps and bounds. It is not inconceivable that the publishers' growing concern with entertaining their readers, as well as informing them, arose from their fear of radio and television competition or what they believed to be such competition. Indeed, there has at least been talk recently of meeting television competition by tailoring Sunday issues and magazine sections to a more leisurely pace and by supplying lighter-veined, more pleasant, and less serious editorial content. We also know that financial pressures of many sorts since 1940 have led daily newspapers to increase the

TABLE 30 Average Number of Columns Given Certain Categories of Content in Each Issue in Ten Leading Metropolitan Newspapers at the Beginnings of Four Decade Years, with Proportions in Decimals on the Base of Total Nonadvertising Space

	1910		*1920*		*1930*		*1940*	
	Cols.	*Prop.*	*Cols.*	*Prop.*	*Cols.*	*Prop.*	*Cols.*	*Prop.*
Foreign News and Features	2.4	.031	6.2	.088	6.8	.048	14.0	.079
Washington News	4.7	.061	5.0	.071	5.7	.040	10.6	.060
Columns Dealing with Public Affairs			.4	.006	1.0	.007	2.5	.014
Original Editorials	3.0	.039	2.8	.040	3.0	.021	3.1	.018
Business, Financial, Marine, Etc.	16.0	.211	11.4	.160	53.2	.375	56.6	.320
Sports	7.1	.094	10.4	.146	18.2	.128	20.9	.118
Society	1.4	.019	1.8	.026	4.5	.032	6.4	.036
Women's Interests	1.1	.015	1.4	.020	2.3	.016	6.7	.038
Theater, Movies, Books, Arts, Etc.	2.2	.029	2.2	.031	4.4	.033	7.4	.042
Radio Announcements and News					2.5	.018	2.5	.014
Comic Strips and Jingles	.8	.010	2.0	.028	5.1	.036	10.8	.061
Illustration (Excluding Comics)	4.0	.054	4.0	.057	8.5	.060	19.8	.112
Total		.563		.663		.814		.912
Unaccounted for *		.437		.337		.186		.088

* An unaccounted-for category of nonadvertising space remained after the columns were totalled. Table appears to have traced certain major categories of newspaper nonadvertising content, but not *all* such categories.

SOURCE: Mott, "Trends in Newspaper Contents," *Annals of the Amer. Acad. of Pol. and Soc. Sci., 219* (Jan. 1942), 61. Reprinted by permission.

proportion of their space devoted to advertising copy, while holding relatively constant the absolute number of news columns. Thus, Tables 31 and 32 show clearly that, in 180 dailies studied, regardless of the average size of an issue, the percentage of total space devoted to news fell between 1941 and 1955. Also, in 1955, the

TABLE 31 Newspaper Space Devoted to News and Advertising, by Size of Newspaper, 1941 and 1955

Average issue size		*Average number of news columns*		*Average number of advertising columns*		*Per cent columns 3 and 4 are of column 2*	
Pages (1)	*Columns (2)*	*1941 (3)*	*1955 (4)*	*1941 (5)*	*1955 (6)*	*1941 (7)*	*1955 (8)*
20	160	94	76	66	84	59	48
30	240	130	95	110	145	54	40
40	320	166	114	154	206	52	36
50	400	202	133	198	267	51	33
60	480	238	147	242	333	50	31

SOURCE: Based on tables in Donnahue, "Space Control by Newspapers," *Journ. Q., 33* (Summer 1956), 280, 283. Reprinted by permission.

TABLE 32 Columns and Per Cent of News and Advertising Content in 180 Daily Newspapers, 1941 and 1955

		News	*Advertising*	*Total*
Columns	1941	110	85	195
	1955	105	168	273
Per cent	1941	56	44	100
	1955	37	63	100

SOURCE: Donnahue, "Space Control by Newspapers," *Journ. Q., 33* (Summer 1956), 282. Reprinted by permission.

percentage of space given to news fell more rapidly as issue size grew than it did in 1941.

The precise relevance of such trends to a press more comprehensive in its coverage is not entirely clear. But it has been said that the greater need for news and commentary in the complexities of today's world really requires *more* news columns and therefore should at least result in a constant (not a declining) share of total space. Furthermore, although there is no clear evidence that this adjustment has been directly induced by radio-TV competition, such competition might play an indirect role insofar as it acts to increase the financial pressures resulting from rising newsprint costs.

Actually, however, the newspaper publisher's adjustment to radio and television seems thus far to have taken more salutary lines. First, after some hesitation and misunderstanding in the 1930's, publishers have generally come to view program logs and frequent commentary on radio programs as important parts of their newspapers. Today radio-TV logs and radio-TV columns are both standard stock for most newspapers.* Of course the carrying of program logs per se would seem to have little effect one way or the other on press quality. But the advent of newspaper columnists criticizing radio and television programs (as well as motion pictures), and of radio and television critiques of the press, promote the adequacy of our mass media. Indeed, such are the developments called for by the Commission on Freedom of the Press to keep open the channels of discussion on controversial matters and to further the interpretation of different racial and occupational groups in society to one another.

Second, the fact that radio competition has pressed newspapers to cover details of newsworthy events and to give fuller commentaries, leaving bulletins to radio, seems to make for a greater "comprehensiveness" of coverage. Of relevance here are the marked increases in column space devoted since 1910 to foreign news and features, Washington news, and the smaller increases in editorials and special columns on public affairs. (See Table 30.) Perhaps the most important trend is the marked shrinkage of general news and general features as newspapers became functionally specialized. Special sections on labor, sports, theater, and foreign affairs have

* So are movie timetables and special columns on the latest motion-picture features.

become the rule.* Further improvements in "comprehensiveness" may occur when newspapers change their techniques to write detailed commentaries for audiences that have *seen* an event on television.

For example, it is said that people seeing the Army-McCarthy hearings on television would not wish to read a blow-by-blow news account the next day; but that they might still enjoy a newspaper commentary or analysis—an *evaluation* of what happened. Of course, news and feature-writing techniques will differ when newspaper readers for the most part have *seen* the event reported. Reporters will be able to take for granted a fairly intimate knowledge on their readers' part of the details of newsworthy events. Their whole manner of writing, what they stress, what they need not mention, will be affected by widespread television ownership.[7]

The *immediate* "good" and "bad" effects of such quality adjustments are not the whole story. Wherever changes in newspaper techniques and content succeed in bolstering newspaper circulation and advertising revenues, they strengthen the publisher's ability to resist overt pressures and avoid the need to widen his audiences through sensationalism, and they further increase his resources for technical improvements. In effect, moreover, quality competition *has* apparently helped newspapers to hold their own against radio, and, although it is still too early to judge, most evidence suggests the same will be true in the case of television today.

Radio Adjusts to Television

The pressure to bolster its advertising revenues in the face of television competition has already led radio to lower its standards of acceptable advertising copy. For example, network officials have lifted the barriers on laxative advertisements, and they have even

* This is apparent upon study of Table 30, which estimates the number of column-inches going to different categories of news, features, and so on, 1910–1940, in 10 leading metropolitan dailies. The 16 special categories analyzed there account for 56.3% of total nonadvertising space in 1910 and 91.2% in 1940. (Also see ANPA, *Continuing Studies of Newspaper Reading.*)

allowed commercial sponsorship of religious programs, generally carried as public service features. We should also bear in mind that as the big national networks divert substantial production outlays to television their radio offerings may well suffer from inadequate resources as a consequence.

But there are two sides to the story. A priori, television might be expected to force radio to turn more often to crime shows, westerns, variety and quiz shows in the battle for public attention; yet there is little evidence that this has been happening. On the contrary, there is some evidence that the proportion of national radio network programs devoted to classical music, news, and commentary has risen during the past ten years at the same time that the proportion of total broadcast time devoted to variety music, situation comedy, Westerns, quiz and audience participation shows has fallen.

Harold Fellows, late president of the National Association of Broadcasters, recently described the adjustments of radio and television to each other during the past decade as follows:

> There emerged a new lexicon in radiobroadcasting—music and news stations, . . . good music stations, sports stations and the like. The variety shows, the amateur hours, the daily serials (to a large extent) and other familiar program formats disappeared from the radio networks and nationally released transcribed programs went with them.
>
> Certain things, programwise, that had been done well in radio could be done superbly in television: such things as variety programs, drama, comedy, quizzes, audience participation programs and extravagant musical productions, running the gamut from Dixieland through popular, concert and symphony to the opera. Television left for radio a more limited field of programming: music, news, sports, weather, discussion, and certain special features in farm and home programming.
>
> In this evolution, radio did not initiate these changes; it adjusted to them through necessity—through the necessity of building a local, and frequently specialized, program service that would support the continuing interest of the public.[8]

The complementary nature of radio and television had been set forth along very similar lines three years earlier, in 1957, by the Canadian Royal Commission on Broadcasting. In their *Report,* television was seen, both in theory and in fact, to excel in "all forms of drama, variety shows, opera and ballet, musical comedy, sports events, and . . . children's programmes," whereas radio was found to do better with fine music, commentary on public affairs, newscasts, and with special programs geared to the automobile driver, the shopkeeper, the kitchen, the bedroom, and to remote rural areas still without television service.[9]

The qualitative implications of such a division of labor would be hard to draw even if one could demonstrate that radio's program structure is primarily a response to television competition, a test that has not been undertaken. But radio's adjustments do seem to make for greater over-all balance and diversity in broadcast program fare. Nor has such a pattern been entirely unexpected. Ten years ago, Charles A. Siepmann predicted much of it in his argument that television's high costs would lead it to concentrate on mass audiences in crowded urban centers, leaving radio with an opportunity of finding profits, more than hitherto, in gearing its programing to rural markets[10] and to neglected minority tastes within the urban centers as well.[11]

Indeed, notwithstanding the absence of really conclusive evidence, it would seem plausible that radio (and the movies too) may now profit by exploring such specialized audiences as foreign-language groups and cultural and political minorities. At least, certain organizational changes in radio broadcasting since television's rise may facilitate the exercise of greater discretion and initiative by local broadcasters and also help open up prime time in the major markets to local radio advertisers. I have in mind the relative and absolute decline in the number of standard-broadcast stations with national network affiliations in recent years, and the abandonment, by all radio networks, of any requirement that advertisers order some minimum line-up of prescribed stations, or spend some minimum sum on the network as a whole.

As already noted, some observers believe that the predicted adjustments have got well under way, with a wider, enriched program fare for all.[12] In further, mild support of this view, there is surely growing evidence in the trade press that radio programs aimed at farm groups, foreign-language groups, special members of the family, and listeners interested in local as opposed to general politics, news, sports, road conditions, school arrangements, and so on may well have showed marked increases in audiences and advertising revenues in recent years.[13] Further evidence of such trends appears in testimony at the FCC's recent inquiry into radio-TV network programing.[14]

In this regard, also, several program innovations of the radio networks can serve to illustrate the sort of changes that television's challenge may well induce. During the past few years there have been new programs not only to report news but to place it in a meaningful context; a talent workshop in which television can develop new stars; weekend, integrated series of news programs and features. To cite one case only, the National Broadcasting Company has devised shows like *Conversation,* where prominent figures from the arts and sciences exchange views informally, and *Biographies in Sound,* with hour-long profiles of well-known people. The program called *Monitor* illustrates a fresh attempt at experimentation with continuous, flexible programing of an informal and leisurely sort aimed at an audience over the whole week. It includes continuous spot news, special events as they happen, comedy, sports, music, and interviews.[15]

NBC's *Monitor,* its integrated daily program *Weekday,* the Mutual Broadcasting System's *Companionate Radio,* and the American Broadcasting Company's year-long experiment, *New Sounds,* illustrate what has been called the "magazine concept" in broadcasting. One important characteristic of this programing is that several levels of taste are mixed on the program—making it more likely that "less sophisticated people" will continually sample "excellence of a level within upward reach." That is, there is a "flexibility of appeal . . . and . . . the likelihood of relaxed exposure to cultural patterns of a level higher than those presently accepted." [16] Also pertinent to the quality of such programing is the fact that each participating advertiser sponsors only a small portion of the whole show and that editorial control remains with the networks.[17] For my thesis here, the interesting point is not so much the new, higher levels of public taste that may be reached, as the greater diversification and over-all balance that result.

Perhaps the most vivid evidence regarding radio's possible new role appears in recent adjustments of the Mutual Broadcasting System—the only national radio network that owns no radio-TV stations and has no television counterpart. Illustrative of changes now in process, according to MBS testimony before the FCC, are its replacement, two years ago, of two daily mystery serials with (award-winning) public affairs and documentary programs—*Capital Assignment* and *The World Today;* its trebling of newscasts since 1956; its extensive coverage of weekly Presidential press conferences and of occasional Congressional hearings; and its new daily farm program.[18]

The Movies Adjust to Television

The "specialized audience" argument has also been extended to the movies. Once again one might expect Hollywood to descend to cheap love themes, sex, and crime to hold its audiences in the face of television's challenge, just as movie producers did in 1919 to ward off a depression. Yet the movies have large, untapped audiences—what Siepmann has called the "mature in age . . . and culture." Many of Hollywood's shortcomings are said to arise from her stereotyped pictures of life, her catering to adolescent audiences and to the moral taboos of church and family. Other well-known criticisms are the industry's oversimplified, inaccurate presentation of historical themes, its stereotypes of love, beauty, success, and different racial types; its response to the desires of mass audiences in overemphasizing themes that involve love, fame, and money and in making pictures wherein the bulk of characters satisfy all their wishes.

Let "specialized audiences" become the target, it has been contended, and the frankness of legitimate theater may eventually be attained. The balance and diversity of tastes and values promoted might also improve. Once more, in mild support of this thesis are some recent developments which suggest, to a limited degree, that it is more than wishful thinking. Thus several leading motion-picture executives have advised the industry to curtail the production of "class B" films. As early as 1950, Samuel Goldwyn urged the production of pictures directly for television and also *the raising of quality to hold motion-picture audiences.* A year earlier, Paul Raibourn of Paramount Pictures, Inc. foresaw the gradual reduction of "class B" films in the face of television competition. Film critics have in fact subsequently observed a marked improvement in the quality of motion pictures and wondered whether television competition is not a partial cause. In addition, there have been reports that "class A" films are best able to hold movie audiences in television cities throughout the country. In short, many columnists and critics have noted improvements in form and content of a sort that may also mean greater artistic merit.

The fact that "class A" films should withstand television competition, whereas more lavish Hollywood spectacles and drab "grade B" fare are less able to do so is at least mildly suggestive that the tastes and values to which the movies cater may become more diversified and less one-sided in the present rivalry and that the higher standards here may counterbalance the lower standards on some television programs.[19] Indeed, although the $200,000,000-worth of pre-1948 features and shorts released to television by the major studios by mid-1958 included some first-rate classics, many items were "grade B," sold in "packages" along with those of higher quality. To spread their costs, station owners must play such films frequently, debasing television's output on that score, but also perhaps indirectly sparking theater owners to seek out even more vigorously the best of recent films for *exhibition in theaters*.

Recent developments in magazines also deserve brief mention. There is some evidence consistent with the hypothesis that here, too, as with newspapers, radio, and movies, the adjustment to television is by improving rather than debasing standards and content. At least one statistical study reveals that "highbrow" magazines have more than doubled their circulation since the war, with the most intellectual types leading. On the other hand, the general circulation or "middlebrow" magazines grew by only one-half; those catering to the least-educated element remained the same; and a final group, which included many romance and picture magazines, actually declined in circulation by one-quarter.[20]

In brief, the adjustments to radio and television may prove to be more salutary than harmful. This result would run contrary to the view presented in Chapters I and V that competition for mass audiences debases standards of taste, and one wonders whether the explanation is not related in some way to the fact that the basic appeals of these media are so different. Perhaps fierce competition between several radio stations or between several motion-picture theaters—*intramedium* competition—would lower standards of taste and culture as often claimed.

But the specialized-audience thesis has by no means been established beyond question and there are important obstacles to solvent art theaters.[21] To say nothing of the fact that adjustments to television have recently become more spectacular and feature such new techniques as three-dimensional movies on giant-sized screens—epic sweep replacing more intimate and simpler settings.[22] Cinemascope, Cinerama, and stereophonic sound are other similar innovations.

Theater Owners Adjust to Television

One adjustment of theater owners to television has been their attempt to integrate the new medium into their conventional offerings. This is a case of product variation wherein the product—motion-picture presentations—is modified by adding to it the chance to see special attractions on television screens, much as audiences have hitherto seen vaudeville or heard well-known dance orchestras. Theater television has already stabilized moviedom's income in specific instances. When regular television carried such outstanding events as Truman's speech on Korea, the Kefauver hearings, or the Louis-Charles fight, the records show that movie houses *with* theater television held their receipts much more effectively than those without. Indeed, this is not surprising in view of the distinctive appeals of movie-going in a theater and television viewed in the home.

The growing importance of theater television through 1952 and its apparent decline thereafter are clear in the following table.

Another important development is the spectacular growth in the number of "drive-in" movie theaters—more than fivefold between

TABLE 33 Theaters with Television Equipment, 1950–1958

	Number theaters	*Investment (000 omitted)*	*Number of cities*	*Number of states*	*Seating capacity (thousands of seats)*
1950	14	$ 500	9	7	39.3
1952	102	2,700	57	28	173.5
1954	95	1,710	54	28	252.8
1955	79		43	26	184.4
1957	77		46	28	
1958	65		37	23	

SOURCE: *Film Daily Yearbook*, 1951–1959.

1948 and 1958, during which years ordinary four-wall theaters actually declined in number some 36%. Census data record comparable changes in gross receipts between 1948 and 1954. (See Table 34.)

TABLE 34 Number of Four-Wall Motion-Picture Theaters and Number of Drive-In Theaters, 1948–1958

	Four-Wall Theaters		*Drive-In Theaters*	
	Establishments	*Receipts (000 omitted)*	*Establishments*	*Receipts (000 omitted)*
1948*	17,689	1,566,890	820	46,838
1954*	14,716	1,179,371	3,775	227,780
1958†	11,300		4,700	

* Bureau of the Census figures.
† *Film Daily Yearbook,* 1959.

How Adjustments Affect the Revenues of Older Media

The adjustments just sketched seem to strengthen the hands of older media in dealing with their new rivals and thus seem to increase their ability to resist outside pressure groups. But it is hard to say *how* effective they have been. The newspaper publisher's comeback against radio and his ability to stand up against television were most suggestive, as seen in Chapter V. On the other hand, analysis there also indicated that adjustments of the movies and radio to television may well be less successful financially. Perhaps here differences in appeals are less fundamental than in the newspaper case.

Regarding the effectiveness of radio's adjustments in stabilizing her revenues, one additional word is in order. Particularly noteworthy since the rise of television, especially since 1954, is the impressive buoyancy of *regional* network profits in the face of the equally spectacular collapse of *national* network profits. Indeed the inability of radio networks to compete with television on a national basis has been surprisingly *offset* in recent years by the industry's success on a regional and local level, where program adjustments appear to be more effective. The result is a modest recovery of the industry as a whole (Table 35).

One overriding factor that may limit the financial effectiveness of adjustments by older media to television today is the ratio of total advertising expenditures to national income. Since 1947, this has averaged about 2.5%—compared to a minimal estimate of 2.96% for 1935 and an average of some 2.8% for 1935–1939. (See Chart V.) A serious question is how much of our national income can go to advertising without straining the economy. In 1958, the ratio stood almost where it was in 1935, at 2.78% (though still below the 1920's). The chances for successful adjust-

TABLE 35 **Standard-Broadcast Profit Rates, 1952–1957** *(ratios × 100)*

	1957	*1956*	*1954*	*1952*
4 National Networks and Their Stations				
*Income: Gross Revenues	—2.0	—.7	8.9	10.7
Income: Net Tangible Property	—19.2	—5.9	75.0	79.5
3 Regional Networks and Their Stations				
Income: Gross Revenues	23.9	18.2	15.8	20.6
Income: Net Tangible Property	269.3	140.0	97.6	867.5
All Other Stations				
Income: Gross Revenues	12.3	11.9	9.3	13.2
Income: Net Tangible Property	35.5	34.8	25.5	36.2
Industry Total				
Income: Gross Revenues	10.5	10.2	9.3	12.8
Income: Net Tangible Property	33.8	33.2	29.2	40.5

* Broadcast income before federal income tax.

SOURCE: Based on data from Federal Communications Commission.

ments by older advertising media would seem weakened unless much of television's support comes from a rapidly expanding *total* of advertising revenues.* This is *possible* where national income rises more rapidly than total advertising, provided that income rises rapidly enough; but it is more likely where growth rates are equal or favor advertising. Even the movies might face intensified competition when available advertising revenues for television reach a ceiling.

Social Significance of the Adjustments

Cost reductions would reduce quality if they entailed reductions in research and technical staff. On the other hand, if lavish sets are eliminated, reliance on well-known stars and expensive stories lessened, and greater emphasis placed on meaningful themes and simple settings, perhaps better, and not worse, products will be produced on small budgets.

Criticism of the media by one another seems directly in the public interest and, limited as it is, may be the most desirable adjustment from the community's viewpoint. For example, newspaper columnists analyze and evaluate the aesthetic worth and social significance of radio and television programing and comment frequently on governmental policy and the broadcaster's attitude toward it. On the other hand, such programs as *CBS Views the News* have appraised the performance of newspapers in past years.† More recently, the Fund for the Republic experimented with a series of TV programs which criticized and evaluated the newspaper's role in our society and its coverage of certain key events.[23] Greater comprehensiveness of coverage of important issues is a further by-product of the newspaper's shift to more commentary and evaluation.

* Or unless such nonadvertising funds as subscription fees play a sizable role.

† New plans for comparable, weekly programs have been announced by CBS officials. (See *Broadcasting*, March 21, 1960, p. 50.)

So far as movies and radio seek out minority tastes hitherto neglected, different groups in society may be interpreted to each other in a more balanced and realistic manner. The question is whether radio and the movies will come to grips more effectively with vital issues and problems of social adjustment, as some writers hope, now that triviality and stereotypes are no longer a sure road to profits. Insofar as theater television bolsters revenues, it enables theater owners to withstand pressure groups like the Legion of Decency. But if the new device continues to be profitable, it may gradually be substituted for motion pictures and thereby prevent the public from enjoying the more significant films that Hollywood has begun to produce to stabilize its revenues.

Most of the quality adjustments sketched here seem in line with the standard of a diversified-media output discussed in Chapter I. Of greater importance, moreover, is the absence of convincing evidence that quality competition has seriously intensified triviality, sensationalism, trends toward crime, sex, horror, etc., at least among the older media that do the adjusting. It is surely not unknown for newspapers, radio, and the movies to lower their standards in seeking increased revenues. Yet well-known critics of the mass media who are more than sensitive to the dangers of commercialism in the arts and letters note no such debasement of taste and no increased lopsidedness in this regard when different media compete with each other. Perhaps the different nature of their basic appeals can explain the phenomenon; but this requires far more research and transcends the scope of this book.

CONCLUSION

To sum up, the FCC's "diversification policy" would seem to operate in the aid of inducing the adjustments in price and quality described in this chapter and, through these adjustments, possibly to improve the performance of the media as a whole.

In the short run, the policy may well aggravate the media's sensitivity to organized groups, reduce their resources for preparation of content, and press them to debase standards in order to widen their audiences. But in newspaper publishing, long-run adjustments in price and quality seem to have helped that printed medium to hold its own. And though television's sharp blows to radio and the movies may well continue, there is some evidence that here, too, competitive adjustments may eventually help stabilize selected segments of the older media. Indeed many (though not all) adjustments that older media have made to their newer rivals appear to enhance the adequacy of the media as a whole. Lastly, economic stability of media would facilitate the realization of certain theoretical benefits of separate ownership relative to a diversified media output and to the functions it performs.

In this last connection, the "diversification policy" must be considered in the context of the First Amendment. Originally the latter sought to promote freedom of expression by protecting the individual speaker or transmitter from governmental restrictions. Section 326 of the Communications Act reiterates the traditional proscription against government censorship. But freedom from governmental restraint does not sanction private restraint. Freedom of media *from* governmental censorship does not mean freedom *to* suppress, distort, or block the dissemination of news and comment. Congress made this clear in Section 315 of the Communications Act, requiring equal time for all political candidates if *any* free time were given. The positive social basis for the "diversification policy" is similar—the prevention of private restraints on the flow of ideas.

It follows that the FCC would do well to reconsider the effectiveness of its present procedures and explore ways of improving them. Chapter VII will examine this area in some detail.

NOTES

1. See *Network Report,* pp. 170–5.

2. For example, see above, pp. 62, 120, 124–25, 131–33.

3. Successive rate cuts were reported starting in 1951. See *Broadcasting,* April 23, 1951, pp. 15, 60, 90–1; April 30, 1951, pp. 23, 34, 36; May 7, 1951, p. 23.

4. Newspapers were reported to be considering space rate cuts in *Broadcasting,* April 23, 1951, p. 36, and again in *Editor and Publisher, 86* (Jan. 31, 1953), 34.

5. See Merrill, Lynch, Pierce, Fenner and Beane, *Radio, Television and Motion Pictures,* August 25, 1950.

6. For instance, see *Report of the Royal Commission Investigating the Press* (London: His Majesty's Stationery Office, 1949), pp. 238–67; also Mott, "Trends in Newspaper Contents," in Schramm (ed.), *Mass Communications* (Urbana: University of Illinois Press, 1949), pp. 337–45. Yet see *Editor and Publisher, 88* (Jan. 15, 1955), 13 ("Loss of excitement in newspapers deplored"), wherein newspapers are urged to become more exciting and less erudite to meet the challenge of radio and television.

7. See *Editor and Publisher, 87* (May 29, 1954), 12 ("Brisk writing, sharp reporting needed with television"); *87* (April 10, 1954), 12 ("Let us stick to news; television can't compete"); *89* (Aug. 4, 1956), 55–6 ("Television makes the writer keep both eyes on the ball"); *88* (Aug. 20, 1955), 26 ("TV deficient in covering news events"); *89* (April 7, 1956), 38 ("Better paper holds readers despite price"); *87* (Jan. 30, 1954), 49 ("Sports editors size up television's effects on pages").

8. FCC, Docket No. 12782 *(Study of Radio-TV Network Broadcasting),* pp. 3056–7. For related supporting evidence, see Exhibit D in Fellows' prepared testimony, a review of trends in radio programing in Washington, D.C., 1940–1960. Also see Bogart, *The Age of Tele-*

vision (New York: Frederick Ungar, 1956), pp. 47–50, 110–3; also Ohara, "Comparative Preferences of Radio-TV Programs," *Sociology and Social Research, 37* (May 1953), 305–11.

9. See *Report of the Royal Commission on Broadcasting* (Ottawa: Queen's Printer, 1957), I, 205–8. An analysis of actual programing reveals, in a general way, that such adjustments have got under way and, on the whole, make for greater over-all balance between the two media (*ibid.,* Vol. II: *Programme Analysis,* pp. 46–9).

10. Siepmann, *Radio, Television and Society* (New York: Oxford University Press, 1950), pp. 43–4.

11. *Ibid.,* pp. 343–8. Also see Seldes, *The Great Audience* (New York: Viking, 1950), pp. 181–91. For a case study of one station, see *Broadcasting,* Feb. 2, 1953, pp. 80–2.

12. In addition to Fellows' statement cited above, see Van Horne, "Radio Grows Up," *Theater Arts, 36* (May 1952), 36–7, 98–9; and pertinent analysis in Mall, "The Place of Programming Philosophy in Competitive Radio Today," *Journal of Broadcasting, I* (Winter 1956–57), 21–32.

13. See *Barron's, 34* (Feb. 22, 1954), 13, 15 ("Broadcasters go local to meet television competition"). *Broadcasting* published its first detailed, annual listing of the quantity of foreign-language programing, by language and by station, in the 1956 *Yearbook.* A listing of Negro programing also appeared for the first time in that issue. For a recent survey of where and when the radio listener listens to radio in the television era, by time of day, by room at home, and by place outside of home, see report by Alfred Politz Research Inc., summarized in *Broadcasting* (Feb. 24, 1958), pp. 130–4, especially chart on p. 134 ("Radio: Who Listens?").

14. See FCC, Docket No. 12782, pp. 263–6 (Roy Battles), 870, 883, 885, 888–9 (Sydney W. Head), 2709 (W. Theodore Pierson), 3644–6 (Robert Hurleigh). For quite a different, *critical* account of radio's "deterioration" in the face of TV competition, see *ibid.,* pp. 1843–60 (Morris S. Novik).

15. For factual details and commentary, see Hughes, "Monitor Revives Network Radio," *Sales Management, 75* (Aug. 15, 1955), 98–101; "Radio Steps Up Flexibility," *Printer's Ink, 250* (March 11, 1955), 31. On related adjustments of radio to television, see account of Westinghouse's attempt to invigorate nighttime radio with "lateral programing," whereby a similar type program is carried at the same time for several nights in a row (*Broadcasting,* June 24, 1957, p. 82; July 8, 1957, pp. 98–103). Note also the American Broadcasting Company's program adjustments at about the same time (*Broadcasting,* May 27, 1957, p. 56; June 3, 1957, p. 46).

16. See pertinent analysis and evaluation in Hazard, "Weaver's Magazine Concept," *Quarterly, 10* (Summer 1956), 416–32.

17. See the special emphasis given this point in FCC, Docket No. 12782, pp. 506–8 (testimony of C. Terence Clyne, McCann-Erickson, Inc.).

18. FCC, Docket No. 12782, pp. 3642–7.

19. For more recent evidence that the movies are improving their output and reducing "grade B" and "grade C" production, see the illuminating analysis in Jones, "The Language of Our Time," *Quarterly, 9* (Winter 1955), 167–79. Also see Lincoln, "Comeback of the Movies," *Fortune, 51* (Feb. 1955), 127–31; Rawson, "Foreign Films Showing New Strength at Box-Office," *Barron's, 35* (May 16, 1955), 5–6; and Hopkins, "Box-Office Upturn," *Barron's, 36* (March 5, 1956), 11. On a somewhat analogous development in the 1930's, when empty theaters drove the movies to experiment with documentaries, see Bauer, "In the Cool of the Evening," *Theater Arts, 35* (Sept. 1951), 32–3, 87.

20. Bogart, "Magazines Since the Rise of Television," *Journ. Q., 33* (Spring 1956), 153–66.

21. For a well-knit statement of obstacles to solvent "art theaters," see Mayer, "Hollywood Verdict: Gilt but Not Guilty," *Saturday Review, 36* (Oct. 31, 1953), 11–2, 43–6.

22. On the nature of such adjustments, with some mention also of the economic pressures leading to them, see Macgowan, "The Screen's 'New Look,' " *Quarterly, 11* (Winter 1956), 109–30.

23. In his testimony before the FCC, Frank Kelly, vice-president of the Fund for the Republic, looked to a vigorous criticism of the media by one another for a vital check on their quality and social performance. (See FCC, Docket No. 12782, pp. 2614–5.)

CHAPTER SEVEN

BROADCAST REGULATORY POLICY

NEWSPAPER AND MOVIE APPLICATIONS for radio-TV stations are now screened under procedures first formulated after the lengthy Newspaper-Radio Hearings in 1941. The famous "diversification policy" that emerged at the time held that in competitive cases, when two or more candidates apply for the same outlet and when "other things are equal," the license should go to the nonnewspaper or to the candidate with no other media affiliations. Notwithstanding the clear enunciation of this policy, subsequent Commission action has resulted in a substantial growth in the number of cross-channel affiliations in the standard-broadcast, frequency-modulation, and television bands.

The pattern of Commission decisions in these cases has been threefold. Nonnewspapers have been preferred, with strong judicial support, to equally qualified newspapers to promote diversity of expression.[1] But newspapers with satisfactory legal technical, and financial qualifications have never been denied licenses on grounds of newspaper ownership alone when they were sole applicants.[2] Finally, when other things were *not* equal, newspapers have been

preferred to nonnewspapers. Sometimes the newspaper won on
a) grounds of superior resources and experience.[3] In other cases, civic-minded, locally resident newspaper publishers, aware of their
b) community needs, have won even when they would thereby operate the only radio station in town.[4] Still others have won because they showed greater initiative in approaching and organizing local talent and in formulating program plans, and because they resided in communities with little or no service compared to the communities the rival candidates proposed to serve.[5]

The Commission's present "diversification policy" is actually one touchstone among many that it uses in granting licenses and permits. Besides diversification and the minimum legal, financial, and technical qualifications that *all* applicants must possess, other criteria used to choose between equally qualified candidates for the same frequency are local ownership, integration of ownership and management, participation in civic activities, past broadcast performance, program balance, broadcast experience, relative likelihood of achieving proposals as shown by the contacts made with local groups and similar efforts, and carefulness of planning.

In short, technical characteristics of radio and television are said to require some control of entry not needed in other industries or in other media, and the regulatory doctrine that has emerged is premised partly on the view that licenses must be rationed because applicants often exceed available frequencies (and implicitly, because broadcast rights are awarded gratis and not sold). Beyond this, the free grant of broadcast privileges is said to justify, in return, an informal requirement for some service in the "public interest." These major premises of regulatory policy help explain the formulation of numerous administrative criteria now used in specific cases.[6]

To justify continuation of the present policy of free broadcast grants, administered in an often expensive and time-consuming way, the community has a right to know the effects of existing licensing practice on industry performance. This is true especially when radio-TV licensing proceedings cost the public and the applicant millions of dollars annually and when rights to use broadcast frequencies are bestowed gratis. Unless the criteria by which broadcast licensees are selected are meaningful in substantive social terms, one might well want to explore the alternate procedure of auctioning the frequencies for limited periods to the highest qualified bidders.[7] This at least would spare the public and the applicant useless outlays and long delays and recover for the community substantial sums now appropriated by the licensee when he sells his station at a sum far in excess of its physical value. These sums could then be funneled into other mechanisms for promoting an enhanced broadcast service (*e.g.*, grants-in-aid for educational stations, public subsidies for the beleaguered Ultra High Frequency television stations or for public-service programs over commercial stations, tax reductions to facilitate new entry and greater ownership diversification).

In the above context, this book has set forth the bases and probable effects of a single licensing criterion. Earlier chapters have found, briefly, that intermedia competition is unlikely to disrupt the resources of older media seriously in the long run, or to cut off needed supplies of venture capital from the new. Several residual theoretical benefits may therefore remain. First was the avoidance of such deliberate abuses of power by cross-channel enterprises as the retarded development of units of a rival medium operated as subsidiaries, the use of affiliations as coercive weapons, the injection of a newspaper's editorial position into the content of a radio-TV station. Second was the greater diversity of output that results from different owners whose outlooks and perspectives differ as different individuals. Third were the salutary adjustments of different media to each other, adjustments that seemed more vigorous when the media were separately owned and competitive.

Such benefits act to implement the "public's right to hear all views," a value in turn desired largely to promote an accurate, fair, balanced, and thorough presentation of facts and commentary. Therefore, they were worth study because accuracy, fairness, balance, and thoroughness are widely esteemed today as values in their own right and as instrumental to a wider range of ends implicit in democratic socio-political processes.

The present chapter will conclude with a review of existing procedures in cross-channel cases and a critique of several ways to strengthen them.

Ranked in the order of importance, nonbroadcast media have entered radio and television as sole applicants for permits to build new stations, as buyers of existing stations or of construction permits, and as successful contestants in comparative hearings where they were favored over applicants without other media interests. In the case of television, research shows that 72 of 139 stations in which newspapers held a majority stock interest in February 1958 had been built by the publishers with permits they secured in uncontested grants, as sole applicants.[8] Another 10 stations were built with permits won at comparative hearings where newspapers were favored over applicants without media interests. Finally, 57 of 139 stations had been bought from other broadcasters. Although no similar detailed study has been made for standard-broadcast stations, the breakdown is probably similar.

The crucial role of transfers can be demonstrated further. The tie-in between television group owners and nonbroadcast media in the leading markets has already been mentioned.[9] Besides this, my analysis of the number of TV stations acquired by nonbroadcast media in 187 major transfers during the period 1949–1958 (summarized in Table 36) reveals similarly that nonbroadcast media acquired, on balance, some 26 TV stations without newspaper or theater affiliations over and above the 19 stations that they sold to buyers without such affiliations.

Finally, I have compiled original data of a more detailed sort in

TABLE 36 Role of Television-Station Transfers in Cross-Channel Affiliation, 1949–1958

	No. of TV Stations
Total Stations Transferred and Sold	187
Number Acquired by Newspapers from Nonbroadcast Media (7)	42
Number Sold by Newspapers to Nonbroadcast Media (5)	19
Number Acquired by Motion Picture Companies from Nonbroadcast Media (4)	14
Number Sold by Motion Picture Companies to Nonbroadcast Media (2)	7

SOURCE: Based on transfer data in *Television Factbook* (Spring-Summer 1958), 308–315.

hopes of throwing light not only on the extent of entry into radio and television by nonbroadcast media and group owners in general, but also on the kinds of stations they tend to acquire. In regard to television, for example, Table 37 summarizes findings on two classes of stations—those which operate in the profitable Very High Frequency band, and in the unprofitable Ultra High Frequency band. Clearly, group owners, theaters, and newspapers play a relatively larger role in VHF than in UHF. Also they tend to *acquire* relatively more VHF than UHF stations.

More specifically, Table 37 shows that: (1) more than one fourth (28%) of television stations operating on August 1, 1959, had been bought, rather than built, by their owners; (2) group owners, newspapers, and theaters tend to acquire an even higher proportion of their stations than other enterprises do (36%), and so do group owners when examined alone (40%); (3) relatively more of the valuable VHF stations than of the less valuable UHF stations are now owned by group owners, newspapers, and theaters;

TABLE 37 Number and Proportion of VHF and UHF Television Stations Acquired by Present Owners, by Whether Owner Is Group, Newspaper, or Theater Owner, August 1, 1959

	VHF	*UHF*	*Total*
1 **Total Stations**	439	79	518
2 **Total Acquired** *	124	21	145
Row 2/Row 1	28.2	26.6	28.0
3 **Owned by Group Owners, Newspapers and Theaters** †	302	45	347
Row 3/Row 1	68.7	57.0	67.0
4 **Acquired**	111	14	125
Row 4/Row 3	36.8	31.1	36.0
5 **Owned by Group Owners** ‡	239	39	278
Row 5/Row 1	54.4	49.3	53.8
6 **Acquired**	98	13	111
Row 6/Row 5	41.0	33.0	40.0

* Stations were bought rather than built by present owners.

† Includes all newspaper- and theater-owned stations, whether or not group-owned, plus group-owned stations.

‡ Includes all group-owned stations, whether or not also newspaper- or theater-owned.

SOURCE: Computed by author from data compiled from *Broadcasting Yearbook,* 1959. See Appendix.

(4) the above licensees have also acquired, rather than built, relatively more VHF than UHF stations.

Turning next to radio, my concluding analysis in Table 38 shows: (1) about one half of all standard-broadcast stations are owned by licensees who have bought rather than built them; (2) this is also true, roughly, of stations run by group owners, newspapers, and theaters; (3) proportionally more high-powered (50-kilowatt) stations than low-powered (250-watt) stations have been bought or built by their present owners, irrespective of whether they are group owners, newspapers, theaters, or otherwise; (4) the percentage of newspaper-affiliated 50-kilowatt stations acquired by their present owners exceeds the comparable percentage for group-owned stations as a class. Indeed, still further analysis shows that in the 50-kilowatt-station class, 17 (33%) of 52 group-owned radio stations operating in 1959 *were also* newspaper-affiliated and that a full 13 (76%) of these 17 stations had been acquired rather than built by their present owners. Likewise, 4 of the 5 group-owned stations tied to theatrical interests were acquired rather than built by present ownership.

In short, group owners, newspapers, and theatrical interests have apparently built or acquired relatively more of the choicest high-

TABLE 38 Number and Percentage of Standard-Broadcast Stations Acquired by Present Owners, for Two Classes of Stations, by Whether Owner is Group, Newspaper, or Theater Owner, August 1, 1959

	50-kilowatt stations *	*250-watt stations* †	*Others*	*Total*
Total Stations	93	1101	2107	3301
Acquired ‡	59	560	938	1557
Per cent	64.1	50.9	44.5	47.2
Group Owned §	52	211	513	776
Acquired	36	98	273	407
Per cent	69.2	46.4	53.2	52.4
Newspaper Owned	25	153	263	441
Acquired	20	66	112	198
Per cent	80.0	43.1	42.6	44.9
Theater Owned	6		8	14
Acquired	5		7	12

* Includes all stations, fulltime or parttime, which are authorized to use 50 kilowatts power, day or night, and covered by source materials used.

† Includes fulltime and parttime stations using 250 watts power, and all stations using less than 250 watts, as covered by source materials.

‡ Stations were bought by present owners, rather than built.

§ Includes stations owned by newspapers and theaters.

SOURCE: Computed by author from data compiled from *Broadcasting Yearbook*, 1959. See Appendix below.

power radio stations than the lower powered ones, just as they have tended to build or acquire relatively more of the valuable VHF than the less valuable UHF stations, in television. Such evidence, I believe, further underlines the importance of examining with care the Commission's policies on initial grants, transfers, and renewals, wholly apart from the sheer *quantitative importance* of the joint-ownership problem.

At any rate, it is probably safe to say that a good majority of the 814 radio-TV stations affiliated with nonbroadcast media on August 1, 1959, had acquired that status by grants awarded when the nonbroadcast media were sole applicants; that a substantial minority resulted from transfers, ordinarily subject to almost automatic Commission approval; that a small fraction resulted from grants made at comparative hearings at which nonbroadcast media were favored over competing applicants; and that none resulted from renewal contests in which the past experience and performance of existing licensees weigh heavily in their favor.

Assuming that the "diversification policy" is worth more vigorous implementation for reasons set forth in earlier chapters, the question now arises as to how this can best be done. Several recent proposals to cope with multiple-station ownership provide a good springboard for analyzing the cross-channel problem too. Each proposal envisions a larger scope for the Commission's *ad hoc* adjudicatory function, primarily through a wider use of comparative proceedings. But the probable costs and benefits, in terms of other regulatory objectives, deserve careful study, if only to avoid needless conflict between the Commission's procompetitive and corrective functions and the danger of damaging both simultaneously.

COMPETITIVE APPLICATIONS FOR NEW BROADCAST GRANTS

It has been contended that there would be less concentration of ownership today if the Commission had weighed the diversification factor more heavily in choosing between competing applicants, even short of the multiple-ownership ceiling on stations. For when "other things are not equal," preference has often gone to concentrated applicants with extensive resources, wide experience, and superior program plans. Critics note that concentrated applicants have been favored even in areas already served by other outlets and where there was really no great urgency for additional experienced broadcasters.[10]

To cope with this problem, it is said, the Commission should simply weigh "diversification" more heavily, within the present framework of laws and rules, and place the burden of proof more squarely on the concentrated applicant.[11] A decade ago, the Commission once seemed on the verge of going even further and actually encouraging the filing of competing applications for new broadcast grants, thereby providing more frequently a comparative forum for screening.[12]

Although my research fails to demonstrate that diversification should always outweigh all other factors, it does suggest that non-broadcast media, no less than multiple owners, should bear the burden of proof in contests for new grants. The Commission should at least make them aware of the peculiar problems their candidacy raises by requiring them to refute possible dangers, such as abuses of power, discussed above.[13] Furthermore, if the diversification standard means anything at all, the time to strike is surely *before* substantial investments are made and not afterward, at renewals, when the existing licensee inevitably gains powerful advantages over any contestant.

Nonetheless a stronger general presumption for diversification may encounter serious doctrinal barriers, and these underline the importance of examining new evidence on the policy's public-interest aspects periodically. It is well known that the Commission denies having any fixed scale of priorities as to the relative importance of some 15 factors (including newspaper ownership, local residence, integration of ownership and management) which figure at comparative hearings.[14] Nor, may the Commission, even if it so desired, simply add up the factors numerically in reaching a decision.[15] The weight it gives to any single factor, or group of factors, depends on the peculiar issues of each case.[16] Indeed, although "diversification" may tip the balance when "other things are equal," it may also be overridden for cause.[17]

Wholly aside from the above, moreover, the small number of contested cases makes one wonder whether this approach really strikes at the heart of the matter—unless, of course, the Commission can effectively increase the number of competitive cases. But any such attempt would have serious by-products of its own, and one should be quite realistic about them. Comparative proceedings intensify the risks that candidates face and retard the rate, if not the volume, of entry. So long as the hearings' complexities and time-consuming character serve to place new technology in hands best able to use it for the public interest, the social benefits may outweigh the slower economic growth of the industry. But when the screening process itself breeds uncertainty because of an irreducible core of inconsistencies, the risk element is aggravated with no compensatory selection of superior candidates. Indeed, the expense of such proceedings is best borne by the very applicants one is trying to discourage here; for only wealthy candidates, able to prosecute their candidacies to the bitter end, are likely to initiate proceedings in the first place. Smaller candidates, without outside media holdings, may be forced to withdraw midway or may be bought off. At the least, this suggests the need to look elsewhere for a satisfactory solution.

DIVERSIFICATION BY MEANS OF DELAYED AUTHORIZATION

Because so large a majority of multiple owners and nonbroadcast media have entered radio and television by securing permits as sole applicants in uncontested cases (or by the withdrawal of competing applicants), any effective brake on the movement must be applied here. A recent and powerful argument for tightening the procedures has been made at this point.

At present, when the Commission has to choose between applicants each of whom has extensive media holdings, it feels compelled to select the one doing the *least* harm to diversification. The rejection of both candidates to await an unaffiliated newcomer has apparently never been considered, even in areas with existing service.[18] Furthermore, the Commission has never denied a sole application from a concentrated applicant, provided that he meets the prescribed minimum standards.[19] Priority in both cases goes to rapid authorization, regardless of the impact on diversification or local ownership. The key issue is well stated as follows:

> [T]he FCC has generally failed to give proper weight to diversification as an *affirmative* element in the establishment and application of a "public interest" standard. . . . [It] has not considered whether the need for present authorization is outweighed by other factors and whether the public interest dictates rejection of all the concentrated applicants. Similarly, in passing upon the request of a sole applicant . . . , the FCC has not evaluated whether diversification as a positive goal would be fostered or injured by the grant. Nor has the Commission policy shown sensitivity to the fact that an initial grant ensures virtually perpetual enfranchisement. . . . [T]hat such a negative diversification policy is totally inimical to the public interest . . . is certain. For entry into this vital new medium for disseminating news, entertainment and opinion is far more limited by technical obstacles than was entry into radio. . . .[20]

My research supports this thesis, though only in part. Surely delayed authorization to promote future diversification of ownership and output is least controversial where markets are already blanketed with one or more services. Here the rejection of all candidates would deprive the community of neither its only service nor of a valuable stimulus to set sales and advertising revenues, which might help support new services in the future. Channels temporarily unoccupied in such cases may be a small price to pay for encouraging new blood in the field and for promoting competition between different media. Indeed, a modest loss of service and a limited blockading of entry did not stop the Commission from reserving 20 of 90 frequency-modulation channels and 258 TV channels exclusively for educational use.[21] To be sure, the diversification of perspectives and output in those earlier cases may have looked more promising than does any version of the same policy applied to nonbroadcast media today. And analogies can be deceptive. But the question at issue is not dissimilar: Will the proposed restraint on entry into radio and television by nonbroadcast media (as by commercial media in the former instances), more than justify itself by ultimately diversifying the output that results?

So far as intermedia competition acts to diversify output in a positive and desirable way, as noted earlier, evidence thereon should be given appropriate weight in any judgment on delayed authorization. But there are serious obstacles to a policy of delays. The Commission clearly feels itself unable to deny grants to sole applicants, or to competing applicants, simply because of affiliations with nonbroadcast media. In *Stahlman v. FCC*,[22] the Court of Appeals of the District of Columbia ruled that the licensing power "should not be extended by implication to embrace a ban of newspapers as such, for in that case it would follow that the power to exclude exists also as to schools and churches; and if to these, the interdict might be applied wherever the Commission chose to apply it."[23]

Moreover this judgment was apparently not modified in *Mansfield Journal Co. v. FCC*,[24] though the same Court supported a Commission denial of an uncontested application for a new radio grant on grounds that the newspaper's record of past restrictive practices raised the threat that it would use a station to block the freest dissemination of ideas. Here, however, the argument was couched wholly in terms of the *Journal's* "character," and therefore seems limited in its implications.[25]

On the other hand, the Commission does presumably have the power to reject a sole applicant or two competing applicants in markets where concentration is already high and where, in addition, the applicants are multiple owners with extensive holdings in nonbroadcast media too. Yet even here one serious obstacle may be the strong doctrinal barriers against using the licensing power to protect the revenues of *existing* broadcasters. In other words, even if the policy was otherwise legal and desirable, would it be consistent with the Commission's procompetitive function as narrowly viewed to entrench existing licensees in different markets *today* in hopes of reaping the benefits of intermedia competition *tomorrow*?

The powerful proscription in *FCC v. Sanders Bros. Radio Station* [26] against protecting licensees from the competition of new stations is well known. The Commission's professed commitment to competition and the freest entry consistent with engineering standards is no less vivid.[27] Perhaps the most explicit of recent Commission pronouncements against its power to restrict entry is that in *Southeastern Enterprises,* where it disclaimed any authority even to "*consider* the adverse effects of legal competition upon service to the public. . . ." [28]

Although this position has been sharply criticized [29] and subsequently overruled in *Carroll Broadcasting Co. v. FCC,*[30] the Commission's reluctance to restrain entry continues. Thus, in the recent *Michels* case,[31] an existing broadcaster, WMBO, Inc., protested against a proposed grant to Herbert P. Michels on grounds that the market in Auburn, New York, could not support two standard (AM) stations simultaneously and that all program service in the community would deteriorate as a consequence. The Commission observed that the *Carroll* decision required it to hear evidence on the point. But then, in an ingenious stroke, it concluded that the protestant's license should be called up for renewal (though far from expiration) so that a comparative hearing could be held to decide whether, if market support *were* deficient as alleged, the new grantee (Michels) or the protestant (WMBO, Inc.) was best fit to serve the "public interest." [32] No similar protests have been lodged since then.

In short, in view of its traditional procompetitive function, the Commission might well be reluctant to restrain the entry of concentrated nonbroadcast media in hopes of diversifying ownership at a later date. This is so unless, of course, the probable impact on program service clearly and unmistakably justified, in noneconomic terms, the enhancement of market power of the existing licensees. Or unless competition was viewed in *inter*media as well as *intra*-medium terms. The trouble here, however, is that delayed authorization *does* unmistakably support someone's revenues today, whereas the ultimate effects on program service, in the event of new entry later, is less tangible and probably defies precise measurement.[33] On the other hand, the FCC's power to encourage competition between broadcast and nonbroadcast media is undoubtedly less extensive than the comparable power of the Interstate Commerce Commission or Federal Power Commission to encourage competition between different forms of transportation or energy sources.

CAN RENEWAL PROCEDURES BE TIGHTENED?

In view of the present occupancy of the choicest broadcast channels and the marked technical limitations on further entry anywhere in the most lucrative markets, the future pattern of station ownership will depend increasingly upon license renewals and transfers. Here Commission policies on diversification and the like may conceivably be subverted or further implemented.

The Commission's legal power to displace broadcasters when their license comes up for renewal every three years is indisputable if the public interest warrants it. That licenses grant no property rights, are limited in duration, are subject to revocation, and need not be renewed has been stated clearly in early debates leading to passage of the Radio Act of 1927,[34] in the act itself, in the Communications Act of 1934,[35] and in numerous Court dicta.[36]

In view of such facts, one might, *a priori,* expect that license renewals would be frequently contested. But this is hardly the case. In the period 1952–1957, only 3 of 456 television-station renewal applications were set for a formal hearing; in no case was an existing licensee displaced on grounds of diversification or anything else.[37]

Possibly, license renewals are contested so rarely because the Commission weighs as determinative the existing licensee's past performance and experience, provided that he has continued to meet Commission rules and minimum standards.[38] The Supreme Court acknowledged the great practical difficulties of tightening renewal proceedings when, in *Ashbacker Radio Corp. v. FCC*, Justice Douglas ruled:

> As the Fetzer application has been granted, petitioner, therefore, is presently in the same position as a newcomer who seeks to displace an established broadcaster. . . . *Legal theory is one thing. But the practicalities are different.* For we are told how difficult it is for a newcomer to make the comparative showing necessary to displace an established licensee.[39]

Nonetheless, it has been proposed that renewal procedures be tightened, not, to be sure, by placing the burden of proof on multiple owners, but by considering the "diversification factor," among others, more explicitly, especially when the licensee's performance has been "marginal" on any count.[40]

Such a proposal would clearly affect nonbroadcast media when they are also multiple owners. The question, however, is whether any truly effective diversification of ownership can be achieved this way without producing uncertainties that would block the very incentives for heavy program investments and long-run experimentation—actually the end in view. Fearful that mere *promises* of their rivals might displace them, notwithstanding their adequate past performance and greater experience, existing broadcasters might be seriously demoralized. Yet unless there is a real possibility of winning their licenses, why would anyone want to go through the expense of contesting a renewal in the first place?

The grave practical difficulties here have led many to speak of *de facto* perpetual enfranchisement. It is hard to say whether a longer license term and accelerated amortization or direct compensation arrangements would help put teeth into renewal procedures.[41] Perhaps the most that can be expected is a better use of renewal proceedings to remind licensees of their public service responsibilities. Surely if the avoidance of renewal contests spurs nonbroadcast media with multiple-station holdings to do a superior job, something will have been gained. Aside from a few spectacular revocation actions or failures to renew, one neglected way to spur the broadcaster to greater efforts would be to publish lists of licensees whose renewal applications are "marginal" and have been deferred for further study. Such deferrals have grown substantially in recent years, and some 300 broadcast licenses were in that category on June 1, 1959. Deferred renewals are not now formally publicized, and failures to renew are rare. But advertisers apparently look askance at the status, and the broadcaster therefore fears a loss of bargaining power relative to rivals in the same market.

TRANSFER PROCEDURES

Perhaps the most spectacular loophole in present procedures appears in the treatment of transfer applications.[42] Unlike the regulations governing the licensing of new stations or license renewals, according to which comparative proceedings can theoretically be used to select the "best" candidate, Section 310(b) of the Communications Act, prevents the Commission from handling transfers in a similar way. Comparative proceedings simply cannot be held in the screening of transfer applications.

Multiple owners or outsiders from other areas frequently try to persuade local residents without other media holdings to withdraw their applications for new grants in order to eliminate the diversification criterion from the screening.[43] But should this be impossible and should the concentrated applicant actually lose to the newcomer, the former may then approach the winner with an attractive offer to buy stock or purchase the outlet outright.[44] So long as the transferee meets the Commission's minimum requirements, approval is virtually automatic. Thus has FCC's most rigorous context for screening been frequently sidestepped.

This loophole in transfer procedures has figured extensively in the growth of cross-channel affiliation as well as multiple ownership. To cope with the situation, it has been proposed to amend Section 310(b) of the Communications Act to allow the Commission to require compulsory hearings on all transfers, or at least to consider alternative buyers and to select the one best qualified to serve in the "public interest."[45] A modified version of this procedure could easily be applied to cross-channel cases, also.

Moreover, critics of present transfer procedures go even further and urge that prospective sellers be required to announce their plans to sell beforehand and then publicize, for 90 days, the first *bona fide* bid they find "acceptable." Under this scheme, all bids would be converted into cash and anyone meeting the *first* acceptable bid could enter the competition. The Commission, and not the seller, would then select the transferee, with heavy presumptions in favor of diversification and local ownership.[46]

Although such legal changes appear attractive at first glance and have recently received weighty sponsorship, several deficiencies that might render them useless deserve careful study. At least some of the smaller, unaffiliated buyers now entering radio and television through the transfer route would surely be frightened off by the expense and delays of comparative proceedings.[47] To be sure, the requirement that sales prices be expressed in cash terms would theoretically avoid those complicated transactions that may have prevented the filing of more than six competitive bids amongst the 1,000 transfer applications received by the Commission between 1946 and 1949 when a similar procedure was used. But short of a rule forcing broadcasters to sell the whole station or nothing at all, it might be extremely difficult to stop transfers of small amounts of stock over long periods to circumvent the procedure.

Lastly, even if 100% sales in cash *were* the rule, it is hard to see how the procedure could work unless the first "acceptable" price-bid frozen by the Commission was at the going market level or, better still, substantially below it. Otherwise, most potential competitors for the license would necessarily be excluded. The procedure's success would actually depend upon the *buyer's ability* to predict the equilibrium price (and so to offer one equal to or below it), and the *seller's inability* to predict equilibrium price or to recognize a bid *above* it or to wait for such a bid if he did recognize one. If a wealthy buyer, through ignorance, should offer a price *far above* the market level, and if the seller should recognize and accept it, other transferors might well be priced out of the picture. Indeed, fearful of being forced into a comparative hearing with an unaffiliated newcomer or local resident, a big multiple owner with other media holdings might actually *prefer* to offer a price far above the market level simply to discourage any such candidate from meeting the bid. Moreover, just because the procedure actually precludes the ordinary trial-and-error adjustments of a free market, it might induce the big buyer to *start* with a higher price than he otherwise would offer. This would be more likely the greater the risk he ran in prosecuting his candidacy through a comparative hearing. These rather special problems throw at least some doubt on the general economic feasibility of the scheme.

RULE-MAKING AND THE AD HOC APPROACH: NEED FOR A RE-EVALUATION

The difficulties that beset these proposals are impressive, whereas the probable gains in ownership diversification are surely limited. By extending the Commission's use of comparative proceedings, moreover, each proposal in effect enlarges the role of *ad hoc* judicial decisions in licensing practice. Without entirely discounting the value of such an enlarged judicial function, the problems reviewed above raise the specter that *both* procompetitive and corrective functions may be weakened simultaneously. At the least this suggests a need to explore the possibilities of formulating a *rule* on nonbroadcast media to supplement, if not to replace, the Commission's general policy statement of 1944.[48]

The need for considering a new rule is further indicated by one final set of problems aggravated by excessive reliance on the *ad hoc* method, namely, *ex parte* pressures. The time consuming character of comparative proceedings has already been noted. When combined with the great economic value of the privileges being conferred gratis, the vagueness of the standards used to choose between equally qualified candidates, and the Commission's necessary reliance on staff for crucial legwork in areas where rule-making and adjudication shade off imperceptibly into one another, it is not surprising that so many applicants try to influence decisions by pulling strings in Congress, by subtle, long-run contacts with Commissioners, or even by bribery.[49] The larger the judicial function in licensing, the greater the probable delays in reaching final decisions. The longer the waiting line in application processing, the greater the temptation for candidates to cut corners in any way they can.[50] Indeed, the more complex the decisions and the more valuable the economic privileges given away, the greater is the suspicion of unsuccessful candidates about the fairness of the proceedings. This in turn produces renewed calls for "judicialization" in addition to further reductions in Commission discretion in handling applications, further delays in processing and rendering decisions, and a building up of new pressures for corner-cutting—all in a vicious circle.[51]

Before taking any new, far-reaching step in that unfortunate direction, it would be well to consider the probable consequences with care. The treatment of nonbroadcast media, though a small part of licensing procedure, serves to illustrate the basic issues at stake throughout. Whether the evidence that this book presents really indicates that it is now time to consider a new rule governing the nonbroadcast media depends further on whether we agree with the following propositions.[52]

1. Rules are preferable to *ad hoc* decisions or general policy statements for reliability and predictability in agency behavior as well as for business efficiency and stability.

2. Rule-making and the use of rules are more economical of Commission and industry resources than the *ad hoc* method with its endless litigation.

3. There is now sufficient expertise on cross-channel affiliation, gathered from frequent *ad hoc* decisions, to warrant formulation of a rule.

4. Rule-making gives a greater opportunity for all interested parties to present their views than does the *ad hoc* method the use of which usually means few parties and few issues. The Commission also has fuller access to its staff.

5. Rules are more easily contested and adjudicated than *ad hoc* decisions, because the vagueness and complexity of criteria employed in individual cases may induce greater reluctance by licensees to ascertain legality.

6. Even in complex cases of varying factual character, when *ad hoc* decisions are often preferable, rules *can* be formulated which, though they do not predict specific agency actions, will "unmistakably [inform] the public of the agency's basis in the particular problem." [53]

If the above propositions are accepted in a general way, regulators and legislators may want to pause before moving further along the road of "judicialization." This book might then be viewed as suggesting that a new Commission rule-making proceeding [54] is needed to consider whether or not it would be in the "public interest" to (1) set lower over-all limits on multiple ownership of radio and television stations by nonbroadcast media than by other licensees; (2) set still lower multiple-ownership limits on nonbroadcast media in the top 25 markets, even if this requires divestiture; (3) require nonbroadcast media, among others, to operate any radio or television station for a full license period before applying for others; (4) place heavy presumptions against the renewal of licenses held by nonbroadcast media in situations designated as "local communications monopolies," when unaffiliated applicants come forth to contest them, after these licenses have been held a specified number of license terms.[55]

Such stipulations would be intended largely to supplement the present policy on cross-channel affiliation. They would constitute a compromise between the present exclusive reliance on *ad hoc* decisions and an absolute prohibition of all cross-channel affiliation and strike the sort of balance envisioned by Chafee in 1941.[56] The underlying question is really whether such a rule would not economize the Commission's adjudicatory role and thereby reduce conflicts between its procompetitive policy and a strengthened corrective function.

CONCLUSION

Broadcast regulators who administer the Communications Act of 1934 operate almost wholly through what may be called "corrective" entry control. This is to be distinguished from "protective" entry control, say in the transport field, which mainly purports, in the first instance, to insulate regulated firms from competition and to help them amortize their investments. It should be distinguished further from the direct regulation of rates and profits, a function that broadcast regulators are not empowered to perform.

By "corrective" entry control I refer to those licensing and allocation decisions through which the FCC has tried ostensibly to promote a structure of ownership and control, a geographic distribution of facilities, and a behavior of broadcast licensees, that would, in turn, operate to promote a balanced and diversified program service, responsive to local needs and to minority as well as majority interests.

The Commission's policy on cross-channel ownership, like other licensing criteria applied exclusively at comparative hearings, has exercised only a minor influence on the industry's actual structure.

More important, perhaps, may have been its indirect effects on the *conduct* of licensees affiliated with other media. For it has at least made them more aware than they would otherwise be of dangers that sometimes arise in joint enterprises.

My aim in this book has been to examine the bases, objectives, and consequences of the policy in question and to set forth a case for strengthening it. Economic analysis has been used to challenge the validity of important assumptions widely held by the policy's influential opponents. If my evidence is accepted as reason to initiate a new rule-making proceeding,* the final result, as suggested, might be to help strengthen the policy's direct impact on industry structure (by keeping more nonbroadcast media out) as well as its indirect effect on the conduct of affiliated licensees.

NOTES

1. See *McClatchy Broadcasting Co. v. FCC,* 239 F. 2d 15, 18 (D.C. Cir. 1956); *cert. denied,* 353 U.S. 918 (1957); *Tampa Times Co. v. FCC,* 230 F. 2d 224, 227 (D.C. Cir. 1956); *Scripps-Howard Radio Co. v. FCC,* 189 F. 2d 677, 683 (D.C. Cir.), *cert. denied,* 342 U.S. 830 (1951).

2. *Stahlman v. FCC,* 126 F. 2d 124, 127 (D.C. Cir. 1942); WHDH, Inc., 22 FCC 761, 879 (1957).

3. WHDH, Inc., 22 FCC 761, 861–862, 866–867, 877 (1957); Travelers Broadcasting Corp., 12 Radio Reg. 689 (1956); Biscayne Television Corp., 11 Radio Reg. 1113 (1956).

4. Stephen R. Rintoul, 11 FCC 108, 111 (1945).

* At this writing, Congressman Emmanuel Celler has just raised the whole matter squarely by introducing legislation to amend the Clayton Act "to prohibit the concentration of control of a substantial portion of the television and radio broadcasting facilities and . . . of the news publications in any section of the country. . . ." (See H.R. 9486, 84th Cong., 2d Sess., Jan. 11, 1960.)

5. Hanford Publishing Co., 3 Radio Reg. 1281 (1947).

6. Broadcast regulatory standards are expounded and analyzed at length in *Network Report*, Ch. III; Warner, *Radio and Television Law* (Washington: Bender and Co., 1948); and Edelman, *The Licensing of Radio Services in the United States, 1927 to 1947* (Urbana: University of Illinois Press, 1950). For a briefer commentary and review, see my "Social Aspects of FCC's Broadcast Licensing Standards," in Levin (ed.), *Business Organization and Public Policy* (New York: Rinehart and Co., 1958), pp. 480–94.

7. These "alternatives" are by no means mutually exclusive. I have recently launched a study of an auction scheme on a Brookings research grant and hope to publish the results in a later volume.

8. "Number of TV Stations in which Daily Newspapers Have a Majority Interest or More, February 1958," FCC-mimeo #58231. In 17 of these grants, the newspapers won permits *after competing applicants withdrew* from the comparative hearings.

9. See above, pp. 5–6, 40.

10. Note, "Diversification and the Public Interest," *Yale L. J., 66* (Jan. 1957), 375–8.

11. *Ibid.*, pp. 394–5. For a proposal that comparable presumptions be established to favor unaffiliated local residents over absentee multiple owners in comparative proceedings, see *Network Report*, pp. 593, 659–60 (recommendation no. 28).

12. See FCC, *Notice of Proposed Rule Making in Re: Revision of Procedures Relating to the Handling of Broadcast Applications* (FCC 49–195; #31593, 31954, Feb. 23, 1949). The Commission considered here a ruling that all applicants for construction permits, transfers, modifications, and renewals be required to advertise certain portions of their applications for a specified period after it had been accepted for filing.

13. See above, Ch. III.

14. See Senate Committee on Interstate and Foreign Commerce, *Hearings on S. Res. 13 and S. Res. 163 (Television Inquiry)*, 84th Cong., 2d Sess. (1956), pp. 979–81. Also see Note, "The Criteria Em-

ployed by the FCC in Granting Mutually Exclusive Applications for Television Facilities," *Geo. L. J., 45* (Winter 1956–1957), 265–81; *Network Report,* pp. 61–64.

15. *Scripps-Howard Radio Co. v. FCC,* 189 F. 2d 677 (D.C. Cir.) *(dictum), cert. denied,* 342 U.S. 830 (1951).

16. WHDH Inc., 22 FCC 761, 858–859 (1957).

17. *McClatchy Newspapers, Inc. v. FCC,* 239 F. 2d 15, 18 (D.C. Cir.) *(dictum), aff'd on rehearing,* 239 F. 2d 19 (D.C. Cir. 1956), *cert. denied* 353 U.S. 918 (1957).

18. Note, "Diversification and the Public Interest," *Yale L. J., 66* (Jan. 1957), 373–9.

19. *Ibid.,* pp. 382–3.

20. *Ibid.,* pp. 369–70.

21. On the channel reservation for educational FM stations, see FCC, *Report of Proposed Allocation from 25,000 Kilocycles to 30,000,000 Kilocycles* (1945), p. 77. On the educational television channel reservation, see FCC, *Sixth Report and Order In Re: Dockets 8736 et al.* (FCC 52–294, #74219, April 14, 1952), pars. 33–62.

22. 126 F. 2d 124 (D.C. Cir. 1942).

23. *Ibid.,* 127.

24. 180 F. 2d 28 (D.C. Cir. 1950).

25. Compare with hopes for broader implications in Note, "Newspaper-Radio Joint Ownership," *Yale L. J., 59* (June 1950), 1347–50.

26. 309 U.S. 470, 474–475 (1940).

27. FCC, *Report on Chain Broadcasting* (1941), pp. 46–7, 88–9; *Network Report,* pp. 64–105.

28. Southeastern Enterprises, 22 FCC, 614 (1957), reaffirmed in Iredell Broadcasting Co., 23 FCC 79 (1957). Italics mine. In Kaiser Hawaiian Village Radio, Inc., 22 FCC 941 (1957), the Commission declared that even if it had *legal authority* to consider economic effects

of new entry, it would not do so there as a matter of policy (*ibid.*, 942 [*dictum*]).

29. Note, "Economic Injury in FCC Licensing: The Public Interest Ignored," *Yale L. J., 67* (Nov. 1957), 135–50.

30. 258 F. 2d 440 (D.C. Cir. 1958).

31. *Memorandum Opinion and Order in Re Appl. by Herbert P. Michels (WAUB)*, No. 61687 (FCC Aug. 5, 1958).

32. *Ibid.*, p. 4. The case is still pending.

33. The Commission's belief that the effects of new station entry on the quality of broadcast service are unpredictable is well known and underlies its continued reluctance to exclude new competitors. (Voice of Cullman, 6 Radio Reg. 164, 169–170 [1950]; American Southern Broadcasters, 11 Radio Reg. 1054 [1955]; Southeastern Enterprises, 22 FCC 605, 617 [1957] [concurring opinion].) Compare with the case *for* Commission restraints on new entry into VHF television, to protect individual UHF stations, the better to promote the development of a nationwide, competitive system (see Note, "Economic Injury in FCC Licensing: The Public Interest Ignored," *Yale L. J., 67* [Nov. 1957], 144–50). Compare also with the contention that the "public-interest standard" may sometimes supersede the Commission's procompetitive function and thereby justify denial of a license application (*ibid.*, 139–40; *Yankee Network, Inc. v. FCC*, 107 F. 2d 212, 223 [D.C. Cir. 1939]; Note, "Antitrust Immunity in the Communications Industries," *Va. L. Rev., 44* [Nov. 1958], 1131–3).

34. The early controversy over an appropriate license term centered on how to prevent the development of property rights in the airwaves without, at the same time, killing the incentives for needed private investment. For a revealing discussion of the issues, leading to passage of the Radio Act of 1927, see 68 *Cong. Rec.* 2869–82, 3025–39, 4109–14, 4118–55.

35. Section 11-A of the Radio Act of 1927 provides: "The station license shall not vest in the licensee any right . . . in the use of the frequencies . . . designated in the license beyond the term thereof.

. . ." Likewise Section 304 of the Communications Act states: "No station license shall be granted . . . until the applicant therefor shall have signed a waiver of any claim to use of any particular frequency . . . as against the regulatory power of the U.S. because of the previous use of the same. . . ."

36. See, *e.g., FCC v. Sanders Bros. Radio Station,* 309 U.S. 470, 475–6 (1940). Some of the most striking uses of Commission power to refuse to renew licenses, notwithstanding the scrapping of valuable investments, actually occurred in the late 1920's, when the Federal Radio Commission sought to reduce electrical interference and to redistribute broadcast facilities geographically on a more equitable basis. Strong judicial support for Commission action is apparent in *General Elec. Co. v. Federal Radio Commission,* 31 F. 2d 630 (D.C. Cir.), *cert. granted,* 280 U.S. 537 (1929), *cert. dismissed,* 281 U.S. 464 (1930); *United States v. American Bond & Mortgage Co.,* 31 F. 2d 448 (N.D. Ill. 1929), *aff'd,* 52 F. 2d 318 (7th Cir. 1931), *cert. denied,* 285 U.S. 558 (1932); *White v. Federal Radio Commission,* 29 F. 2d 113 (N.D. Ill. 1928), *cert. dismissed,* 282 U.S. 367 (1931).

37. *Network Report,* 164, n. 82. The case which came closest to such displacement was Hearst Radio, Inc. (WBAL), 6 Radio Reg. 994 (1954).

38. For instance, see interesting exchange in Senate Committee on Interstate and Foreign Commerce, *Hearings on S. 1973,* 81st Cong., 1st Sess. (1949), pp. 120–2. On the view that broadcasters gain "business equities," if not property rights, in operating their stations, and that these must be considered at renewal time, subject to Court review, see Warner, *Radio and Television Law* (Washington, D.C.: Bender and Co., 1948), p. 720; also Segal and Warner, " 'Ownership' of Broadcasting 'Frequencies,' " *Rocky Mt. L. Rev., 19* (Feb. 1947), 111–22.

39. 326 U.S. 327, 331–333 (1945). Italics mine.

40. *Network Report,* p. 660 (recommendation No. 29).

41. Right now broadcasters have *in practice* what amounts to an unlimited tenure. If their *legal* tenure were lengthened, the Commission

might conceivably be able to turn down licenses at renewal without as serious economic effects as if it were otherwise. British experience, with a different organizational arrangement, may also be helpful here. There, the Independent Television Authority, which owns and operates all commercial television transmitters, is licensed for a ten-year period. But most programing is produced by program contractors under contractual arrangements limited to shorter periods.

42. This loophole is well described in Note, "Radio and Television Station Transfers: Adequacy of Supervision under the Federal Communications Act," *Ind. L. J., 30* (Spring 1955), 351–65. Also see Note, "Diversification and the Public Interest," *Yale L. J., 66* (Jan. 1957), 386–91.

43. See *Hearings Pursuant to H.R. 99 on Independent Regulatory Commissions Before House Subcommittee on Legislative Oversight,* 85th Cong., 2d Sess., pp. 2971–7 (1958), wherein appears a tabulation entitled "Comparative TV Cases in Which Competing Applications Were Dismissed Because of Merger or Other Agreements." The Commission has been censured for failing to penalize such actions. (See Clarksburg Publishing Co. v. FCC, 225 F. 2d 511, 519–522 [D.C. Cir. 1955].)

44. Thorough documentation of this point appears in *Hearings Pursuant to H.R. 99,* above, n. 43, pp. 2910–27. For illustrative cases: Aladdin Radio and Television, Inc. 9 Radio Reg. 1 (1953) (original grant), 10 Radio Reg. 773 (1954) (approving transfer); Denver Television Co., 10 Radio Reg. 771 (1954) (denial of petition for revocation and reinstatement); *Enterprise Co. v. FCC,* 231 F. 2d 708 (D.C. Cir. 1955).

45. See House Subcommittee on Legislative Oversight, *Half a Century of Regulation of Broadcasting,* 85th Cong. 2d Sess. (1958), pp. 165–66; *Report on Independent Regulatory Commissions,* H. Rept. No. 2711, 85th Cong. 2d Sess. (1959), p. 11.

46. *Network Report,* pp. 594–5.

47. See above, pp. 54–55, 182.

48. The need for a new rule has been stated (or implied) several times since the policy was adopted in 1944, but without effect. See *Hearings on S. 1333 Before the Senate Comm. on Interstate and Foreign Commerce,* 80th Cong., 1st Sess. 567, 583 (1947); Note, "Newspaper-Radio Joint Ownership," *Yale L. J., 59* (June 1950), 1348–50. Equally pertinent, however, is the fact that Congress has thus far chosen not to amend the Communications Act to prevent discrimination against newspapers as radio-television licensees, notwithstanding powerful pressures towards that end. See *Hearings on Miscellaneous Bills to Amend the Communications Act of 1934 Before the Senate Comm. on Interstate and Foreign Commerce,* 84th Cong., 2d Sess. 88–100, 209–35, 326–48 (1956); *Hearings on S. 1973 Before a Subcommittee of the Senate Comm. on Interstate and Foreign Commerce,* 80th Cong., 1st Sess. 209, 434 (1947).

49. This phenomenon closely resembles the problems encountered by commodity rationing boards and allocation authorities during wartime. It explains why most economists prefer to rely on an impersonal pricing mechanism to distribute commodities wherever possible and consistent with widely accepted welfare standards.

50. The peculiar difficulties of administering an *ad hoc* policy affecting parties (like newspapers) with great political influence and the power to shape public opinion have been said to support the case for a formal, though flexible, rule of some sort (Docket 6051, pp. 1746–9).

51. A vivid account of the whole process appears in Fischer, "Communications Act Amendments, 1952—An Attempt to Legislate Administrative Fairness," *Law and Cont. Prob., 22* (Autumn 1957), 672–96.

52. The list of propositions that follows is adapted from the vigorous case for rule-making set forth in Baker, "Policy By Rule or Ad Hoc Approach—Which Should it Be?" *Law and Cont. Prob. 22* (Autumn 1957), 660–5, 671. Also see Simons, "Rules versus Authorities in Monetary Policy," *J. of Pol. Econ., 44* (Feb. 1936), 1–30.

53. Baker, *loc. cit.,* p. 661.

54. Beyond this, Congress would do well to re-examine the whole problem before further development of facsimile broadcasting or new

technical changes that open up additional portions of the spectrum for commercial use. Any really extreme move, comparable to the blanket exclusion of railroads from competing water transport or of equipment manufacturers from air and rail transportation, would seem better initiated by Congress than by the Commission.

55. The first three proposals are adapted from amendments of the Commission's multiple ownership rules recommended by the Network Study Committee (*Network Report*, pp. 594–8, 659–60).

56. Docket 6051, pp. 1734–1736, 1741. Subsequently Chafee modified his views and returned to the *ad hoc* approach, notwithstanding its deficiencies (Chafee, *Government and Mass Communications* [Chicago: University of Chicago Press, 1947], II, 661–2). Nonetheless he noted: "This is not a conclusion for all time. Changing facts may call for different policy" (*ibid.*, p. 662).

APPENDIX

SOURCES OF STATISTICAL DATA

Sources For Tests Described in Notes to Chapter II:

Motion picture theaters: The seating capacity of motion-picture theaters in 36 major cities for 1933 and 1939 was computed from individual theater listings in *Film Daily Yearbooks* for those years. Motion-picture-theater receipts for the whole country, and by state, for the years 1933, 1939, 1948, are from the Census of Business.

Sources For Tests Described in Notes to Chapter V:

Newspaper circulation: State-wide data for English-language dailies are from *Editor and Publisher International Yearbooks.* City-wide data were compiled from a summation of "city-zone" circulation figures for all individual newspapers covered by the Audit Bureau of Circulation. Unlike "total" circulation figures, these city-zone figures exclude copies of a newspaper sold in outlying areas. City-zone figures are more comparable than others to city population figures, whereas "city plus retail-trading-zone" figures are only roughly comparable to population data for the Standard Metropolitan Areas. The resulting measures are "aggregate circulation, per issue, of English-language dailies, per thousand people."

Newspaper advertising revenues: State-wide data, in current prices, are for *all* newspapers, not only for dailies or for English-language papers. Census data are available for 1929, 1939, and 1947. Figures for 1940 were estimated. City-wide newspaper advertising data are not available. Hence estimates were computed by weighting the Media Records Inc. advertising linage figures, published annually in *Editor and Publisher* for 23 major cities, by per capita circulation figures of English-language dailies, in those same cities. The resulting measure—"advertising units"—is more appropriate than the raw linage figures, if only because linage is sold at prices that generally reflect circulation size.

Income and retail sales: State-wide per capita income data are from the Bureau of the Census. Because no city-wide income data were available, I used per capita retail sales as a rough measure of income differences. Census data were available for 1929, 1939, and 1948, and figures for other years were estimated from these.

Radio homes per thousand homes: Needed state-wide materials were compiled from the Fifteenth and Sixteenth Decennial Census, *Broadcasting Marketbooks, Broadcasting Yearbooks,* Reports of the Broadcast Measurement Bureau. To estimate city-wide data, we used figures for the county in which the city was located. According to *Broadcasting Marketbook* for 1948, which lists both the county and city figures, the county statistics are a good approximation of the others.

Television homes per thousand homes: City-wide data were computed from the National Broadcasting Company estimates on TV circulation since January 1, 1946. For 1948, television sets-in-use were estimated per 10,000 people, because set ownership was so sparse even in the major centers. Data for the other years were computed per thousand homes.

Motion-picture theaters: The number of motion-picture theaters in 1948 and 1953 were compiled from *Film Daily Yearbooks.*

Sources For Certain Tables:

Table 15: The number of radio communities was computed from the standard-broadcast station directories in *Broadcasting Yearbooks* for 1936, 1940, 1950, and 1958. The number of daily-newspaper communities was from *Standard Rates and Data Service* (Newspaper Sections), except for 1950 figure, derived from newspaper directories in *Editor and Publisher International Yearbook.* Communities where the only newspaper was affiliated with the only standard-broadcast station include cases of minority interest affiliations too. The number of communities was ascertained first, by preparing a list of radio communities with a single standard-broadcast station; second, by checking this list against the list of newspaper-affiliated stations for that year; and finally, by checking the *Editor and Publisher International Yearbook* to see whether more than one daily newspaper operated in these one-station communities. In some cases, there was no daily newspaper in town and a weekly or semi-weekly newspaper ran the station. Such communities were all included in our estimated number of local communications monopolies, even though a few of them had a second weekly paper in operation at the time.

Table 16: By checking the lists of newspaper-affiliated radio stations published in *Broadcasting Yearbooks* for 1940 and 1952, and by checking back to the *Editor and Publisher Yearbooks* for those years, I found 74 cases in which the daily newspapers affiliated with radio stations in 1940 continued to operate *without* such affiliations in 1952 and the stations also continued to operate under new management. This is an estimate of gross transfers. But 10 of these transfers occurred in cities where the newspaper owned a second station, and where the FCC's rule prohibiting dual-station ownership in the same community undoubtedly forced a separation. Hence I used the figure of 64 transfers of newspaper affiliated stations in my chi-square test.

Regarding the number of nonnewspaper transfers, my study of the directories in *Broadcasting Yearbooks* revealed 82 "certain" transfers, 22 cases in which transfer seems "likely," and nine cases in which transfer seems "possible but doubtful." There were also 10 cases in which transfers occurred in cities where the broadcaster had more than one station, and one case where the FCC's multiple-ownership rules may have forced the transfer.

In Table 16, I have lumped together all 113 transfer cases, but subtracted the eleven cases clearly resulting from FCC rules. This left 102 radio-station transfers by nonnewspaper enterprises, between 1940 and 1952, in contrast with the 64 transfers by newspapers. The results recorded and the chi-square value are actually little different from another test in which each "doubtful" case was counted as one third a transfer and each "likely" case counted as two thirds a transfer.

Table 18: By checking the daily-newspaper directories published in *Editor and Publisher International Yearbooks* for 1940 and 1950, I found that 116 of the 1627 newspaper enterprises operating in 1940 failed to appear in the 1950 directory. This estimation of "newspaper suspensions" excludes cases in which newspapers may have started to operate after 1940, but suspended before 1950, and also excludes a few cases in which the owner's death seemed to be the main reason for suspension. Each suspending newspaper, however, was checked against annual lists of newspapers with radio affiliations published in *Editor and Publisher Yearbooks* for the 10 years between 1940 and 1950, and against similar lists in *Broadcasting Yearbooks*. This was done in case some newspaper, which had no radio affiliate in 1940 and which suspended operations before 1950, might have bought or built a radio station somewhere along the way.

Table 20: Data for all nine years were combined because there were so few suspensions in many years and cumulative chi-square analysis was therefore impossible. Thus, "total stations operating, 1934–1942" was a summation of the number of stations in operation each year during the period. The 55 suspensions were esti-

mated from statistics published annually by the Federal Communications Commission in its *Annual Reports,* 1935–1943. This figure was close to the 62 suspensions I computed from materials published in *Broadcasting Yearbook* (1943) and was used here because it was the more conservative estimate for my hypothesis. The suspension of six newspaper-affiliated stations was estimated by matching the names of *all* suspended stations against lists of affiliated stations published annually in *Broadcasting* and *Editor and Publisher Yearbooks,* 1934–1942.

Table 21: Newspaper advertising revenue data used to prepare this table were from the *Census of Manufactures* (1947), for the 1919–1947 figures, and from McCann-Erickson estimates, published annually in *Printer's Ink,* for the years 1948–1958. Magazine advertising receipts for the years 1928–1946 are as estimated by the National Association of Broadcasters and as appear in FCC, *Economic Study of Standard Broadcasting* (1947), p. 98. Subsequent years are from McCann-Erickson. Radio advertising revenues data for 1928–1951 are from *Broadcasting Yearbook* (1952), and data for subsequent years from McCann-Erickson. It was necessary to use more than one statistical source to get this complete series. But the different sources appear to be sufficiently comparable for our purposes, and superior on several counts to the estimates used by the FCC in its 1947 study.

Tables 22 and 23: Newspaper suspensions were derived from lists of suspensions compiled by Royal H. Ray, *Concentration of Ownership and Control in the American Daily Newspaper Industry* (New York: Columbia University Library, 1951). Ray listed suspensions annually, with decade totals, 1909–1948. I computed separate totals for nine selected years and then combined the results for the periods 1929–1933, 1937–1940, and 1941–1943. Separate computations were also made for states where radio homes and per capita income grew or fell more and less rapidly than the median value of growth or decline. Newspaper circulation figures were based on *Editor and Publisher International Yearbooks;* radio homes are from *Broadcasting Yearbooks* and *Marketbooks,* Bureau of the Census, and Broadcast Measurement Bureau.

Tables 6, 37, 38: The basic statistics for these tables were compiled from directories of television and radio stations published in *Broadcasting Yearbook* (1959). Both directories contain information for all operating stations pertaining to original ownership, present ownership, date station commenced operation, date acquired by present owners, power authorization, channel, whether full time or part time, and whether affiliated with, or owned outright by, a group owner, a newspaper or magazine, or a motion-picture theater.

Sources For Certain Charts:

Chart I: All figures refer to standard broadcast stations "on the air" and are therefore larger than the number of stations "licensed" on that date, but smaller than the number of "authorized" stations. Total stations are as reported by *Broadcasting* magazine and refer to the number on the air January 1 of each year, except before 1932, when the month varies. Stations with newspaper affiliations include those with minority as well as majority stock connections. The number of these stations, for the years 1931–1941, are from FCC, Report No. 73100, p. 5 (Summary of Docket 6051). Newspaper-affiliated stations for the years 1945–1959 are based on lists published annually in *Broadcasting Yearbook.* Data for 1942–1944 are from comparable lists in *Editor and Publisher Yearbooks* (in the absence of lists for the *Broadcasting Yearbooks* for these years). Almost no information is available on newspaper-affiliated stations before 1931. But the American Newspaper Publishers Association reported that over 100 newspapers owned radio stations in 1922 (ANPA, *Proceedings* [1924], pp. 185–9). Presumably some of these papers owned more than one station. Figures for 1929 are from *Standard Rates and Data Service* (Radio Section), May 1929, reproduced in full by W. K. Agee in *Cross Channel Ownership of Media,* M.A. Thesis, University of Minnesota, 1949, Appendix G., pp. 162–6.

Chart II: (A) Advertising revenues for all newspapers, daily, weekly, etc., from Bureau of the Census. Reduced to per capita basis and deflated with BLS Index of Wholesale Prices (1926 = 100). (B) Daily newspaper advertising revenues from McCann-Erickson, Inc. Reduced to a per newspaper basis and deflated with a price index for paper, pulp, and allied products (1947–1949 = 100). (C) Disposable income, per capita, 1929–1958, in 1959 prices, from Dept. of Commerce, Dept. of Labor, and Council of Economic Advisers. (D) National Income, 1910–1929 from National Bureau of Economic Research. Reduced to per capita basis and deflated with wholesale price index (1926 = 100). (E) Aggregate circulation of daily newspapers, per issue, from *Editor and Publisher International Yearbooks,* except figures for 1909 and 1914, from Bureau of the Census. (Figures for 1910–1913 are a straight-line estimate based on 1910 and 1914.) (F) Personal consumption expenditures, per capita, 1929–1958, in 1959 prices, from Dept. of Commerce, Dept. of Labor, and Council of Economic Advisers.

Chart V: Figures for 1914–1935, derived from estimates of total advertising expenditures in Borden, *Economic Effects of Advertising* (Homewood, Ill.: Irwin, 1947), p. 57, and from estimates of national income by the National Bureau of Economic Research. Figures for 1935–1958 derived from McCann-Erickson, Inc. and Department of Commerce data. The two figures for 1935 result from differences in the two sources.

Chart VI: Annual personal consumption expenditures, per capita, in 1959 prices, are from Dept. of Commerce, Dept. of Labor, and Council of Economic Advisers. Average weekly motion-picture theater attendance is from *Film Daily Yearbook* (1958), reduced to a per capita basis.

NOTE ON STATISTICAL TESTS

On the mechanics of the chi-square and correlation techniques employed here see any standard statistics textbook; *e.g.*, F. C. Mills, *Statistical Methods* (New York: Holt, 1955), Chs. 15, 18. In this book I have designated all statistically significant chi-square values as such, unless this is clearly obvious from the magnitude of the divergence between the appropriate percentages, which are also included in all the tabulated data.

On the other hand, coefficients of multiple, partial, and rank* correlation are recorded, for the most, with no precise indication of their level of statistical significance. However, this can be ascertained easily by referring to the Table of Significance for Coefficients of Correlation, reprinted in standard textbooks. (See Mills, *op. cit.*, p. 305.) Unless specifically designated as "insignificant" in my footnotes or otherwise, all correlation coefficients may generally be presumed to be significant on the .01 level, though occasionally on the .02 or .05 levels of significance. (See Mills, *op. cit.*, pp. 186–94, 206–34; also discussion above, pp. 93–97.)

* Spearman's coefficient of rank correlation is used throughout.

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