

9.3 The Economics of Plurality: Europe and the USA Compared

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The economic bases of broadcasting and media policy in Europe and the United States have differed for more than eight decades. Although some elements of media policy and availability are now converging on both sides of the Atlantic, the deep-seated economic bases of the policies continue to create differences between the approaches.

Fundamentally, there are no differences in overarching policy goals for broadcasting. There is a common belief that broadcast content should reflect the concerns and aspirations of the people, improve them, inform them so they may take part in social and political processes, build national cohesiveness and identity, and be inclusive, portraying all groups in society and allowing them to represent themselves. Nevertheless, the means for pursuing those pluralistic goals have differed unmistakably between Europe and the US and these dissimilarities result from economic aspects of the policies.

This chapter succinctly explores how economic policy differences have affected the structure, ownership, financing and content-provision for broadcasting and the implications of these decisions on issues of pluralism.

Broadcast structure choices

The essential economic policy question confronting regulators when broadcasting emerged in the 1920s was whether the industry should be a monopoly or be competitive. Policy-makers on both sides of the Atlantic had limited previous experience with communications policies, so they extended the policy trajectories that had been established for previous public communications industries: postal services, telegraph services and telephone services. In both the US and Europe, these had traditionally been seen as natural monopolies and thus broadcast policies veered toward the monopoly approach. Policy-makers argue that spectrum scarcity promoted monopolies that required control.

It must also be recognised that the initial uses of broadcasting were maritime and military and that the initial policies for wireless communication in most nations were made by authorities who perceived needs to control broadcasting for public safety and defence purposes. During the period in which experimental, maritime and military uses of radio emerged on both sides of the Atlantic, policies were relatively similar with control vested in the Admiralty, Navy or other military authorities. However, when civilian purposes emerged, significant policy differences began to materialise.

European governments accepted the idea of monopoly and determined that operations would be in the hands of the state or

state-related institutions, whereas the US government decided that limited monopoly would be placed in private hands. Europeans forged two distinct paths, state broadcasting and Public Service Broadcasting (PSB), through quasi-governmental corporations. These decisions were based on the nature of government, philosophical ideas and historical precedents. Where authoritarian governments existed in Europe, state radio broadcasting emerged; where democratic governments were found, public service radio broadcasting became the norm. As the political and economic settings of Europe changed in the twentieth century, fascist and military governments fell and state broadcasters in former communist states were transformed into public service broadcasters (Lowe and Jauert 2005; Nissen 2006).

Americans also constructed policy based on the nature of its government and historical precedents. Policy followed the private broadcasting path. The US choice was influenced by the nature of its political philosophy and government structure. Power was decentralised into the states rather than located in the federal government. Because a general public distrust of centralised federal power existed, there was acceptance that radio should be privately operated, with initial grants of limited monopolistic rights to encourage private investments, as had previously been the policy with railways, telegraph and telephone services (Barnow 1966; Slotten 2000).

The second structural question facing European and American policy-makers was the level at which broadcasting should be operated. European nations accepted the idea that stations should be operated at a nationwide level, whereas locally oriented, local operations were established in the US. This localism principle is one of the significant differences between broadcast policies across the Atlantic. It was implemented on the theory that local stations should be established in as many localities as possible. The US choice was partly to ensure plurality by giving voice to local communities, partly to ensure that private broadcasting would not be controlled by a few national commercial entities, and partly because of geographic pragmatism. In 1920 the US had a population two and a half times larger than the UK, spread over an area thirty-five times larger. It had 2,787 incorporated cities and towns, 400 with populations over 25,000, and the 100 largest cities combined were the home of less than one-third of the US population (United States 1921). There was no technology available that could facilitate national broadcasting across the continent to serve a population so geographically widespread.

When television appeared, the fundamental structural policy approaches adopted for radio were extended to the visual medium by policy-makers in both the US and Europe.

Beginning in the 1960s, European policy-makers began accepting the need for more localism and began to make provision for community radio and regional and local radio stations. As public

service and state television grew, regulators in many nations established regional broadcast windows and regional channels to serve more local needs. The development of this concept of European localism was influenced by the local model found in the US and in the pattern set for PSB in Germany when occupation forces re-established print and broadcast media after the Second World War.

These structural elements are important to issues of pluralism for two reasons. First, the greater the number of broadcasters that exists, the more likely they will provide diverse and pluralistic content. Second, the more local content that is produced, the more likely it is to be diverse and pluralistic.

Ownership approaches

European policy-makers were able to avoid questions of private ownership for many years by maintaining public service and state broadcasting monopolies in radio and television. Because broadcasting was initially based on private ownership in the US, however, questions of ownership and its effects on pluralism immediately arose.

In order to contend with those issues, US policy promoted local ownership and multiplicity of ownership through limitations on the number of stations any party could hold. This policy widely diffused the ownership of broadcasting stations. In order to increase plurality in the local system, additional policies promoted increasing the number of stations in each local market to the extent possible without harming the fundamental financial strength of pre-existing broadcasters. When private ownership was ultimately permitted in Europe, however, regulatory schemes unintentionally limited the ability to promote pluralism through ownership by severely restricting the number of private broadcasters. That choice – combined with national broadcasting orientation – created a few large private channels held by a limited number of owners. As a result – despite liberalisation of broadcasting ownership regulations in the US in recent years – concentration of broadcast station ownership is far higher in European nations than in the United States.

The limitations on private terrestrial broadcasting in Europe led commercial entities to seek other means of reaching audiences – most notably satellite distribution. In many cases these activities began in domestic policy vacuums and almost everywhere fell outside the authority of broadcast regulators. Skirting broadcast policy promoted the development of firms such as BSkyB, RTL and Canal+ in major nations, and smaller operators in smaller nations. Because of costs involved in developing and operating non-terrestrial operations, the developments created one or two mammoth firms in the largest European nations, which then began expanding throughout Europe and acquiring the domestic operators in smaller nations. Although this process added a few domestic players, it created significant barriers to entry to new operators, produced powerful competitors to public service broadcasters, and led regulators to protect public service channels by limiting increases in terrestrial channels.

In some locations, non-governmental organisations such as foundations and educational institutions have been permitted to operate broadcasting stations, and the content provided is typically beyond that provided by public service and commercial broadcasters. From the earliest days of broadcasting, for example, the US has had non-commercial radio and television broadcasters operated by universities, high schools and not-for-profit organisations.

Financing decisions

Regardless of the structure of broadcasting or the ownership of stations, financial resources must be available or they cannot operate. The two primary means for providing these resources are market or public funding. The choice between the two is significant because it determines whether services are provided either free to the public or paid for by them.¹ Public funding may be tax funded through national, regional or local governments or by mandatory licence fees. Market funding is primarily advertising funding and conditional access fees for cable and satellite content.

If one considers the financing of public service broadcasters in Europe, one finds that the importance of income sources vary widely (Figure 1). In practice, some broadcasters are well funded, some adequately funded and some are underfunded. Public service broadcasters in Germany, Italy and the UK are relatively well funded, for example, but broadcasters in nations such as Hungary, Lithuania and Portugal are relatively poorly funded. Some broadcasters such as the SVT in Sweden and the BBC are free from reliance on advertising funding; whereas others such as RTVE in Spain and TVP in Poland are heavily dependent upon it (Picard 2005 and 2006). It must be recognised that advertising funding plays a major role in financing many public service broadcasters (Figure 2).

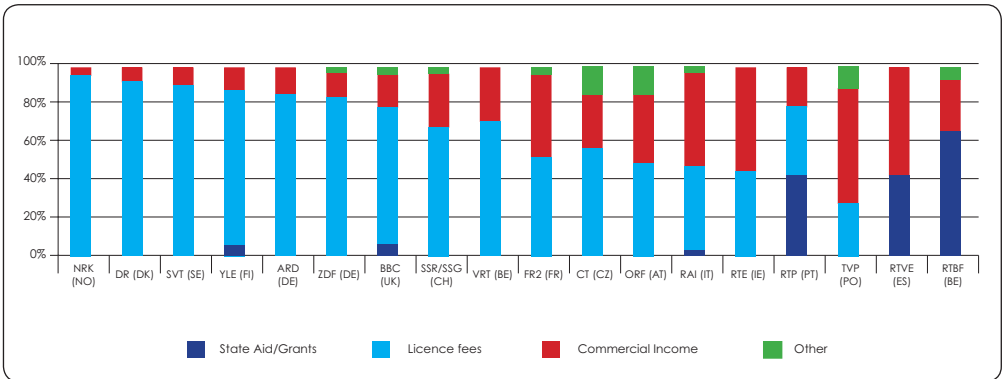


Figure 1: Sources of Funding for Selected Public Service Broadcasters. Data Source: European Audiovisual Observatory, 2007.

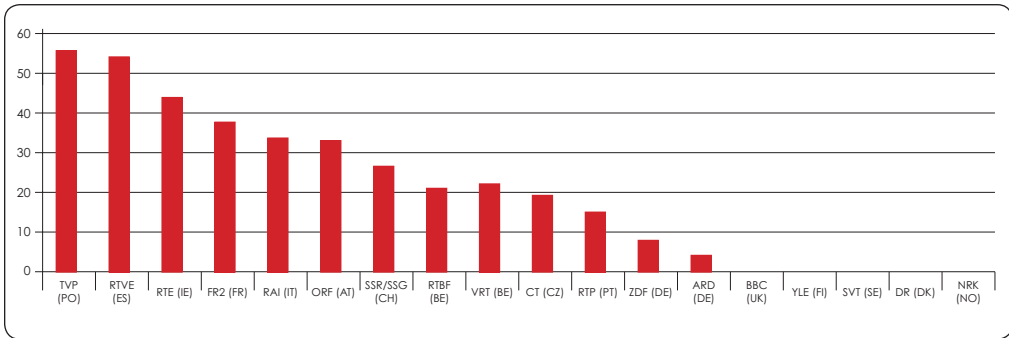


Figure 2: Advertising Funding as a Percentage of Total Income of Selected Public Service Broadcasters. Data Source: European Audiovisual Observatory, 2007.

As a whole, public service television broadcasters account for two-thirds of the income of all broadcasters in Europe (European Commission 2005). By comparison, public television in the United States accounts for only 4% of total broadcasting revenue.

Licence fee financing has been seen by many as a means of ensuring pluralism because it links those who pay for broadcasting and the broadcasters. The public, it is argued, will require the broadcaster to provide representative and pluralistic content. This link is tenuous. Many public service broadcasters have poor records in attending to or embracing their audiences (Picard 2005 and 2006). Broadcasters argue that licence fees free them from government and corporate influence, but they also free them audience influence as well. Some broadcasters have shown tendencies to produce the kinds of programming they want to produce rather than the kinds of programming the audience wants them to produce. Advertising funding, of course, can link broadcasters too closely to the interests of advertisers rather than to the audience or public service ideals. Direct funding, such as conditional access fees, is the closest financial gauge and it is notable that the most innovative, provocative and thought-provoking programming on US television in recent years has come primarily from audience-funded cable channels such as HBO, Showtime and Comedy Central. Programming from these sources is increasingly being purchased by European public service broadcasters for primetime use. This type of funding is difficult in many smaller nations, of course, because 5 to 10 million consumers must purchase subscriptions and only a limited number from the total population will be willing to do so. The limited acceptance of pan-European broadcasting because of linguistic and other cultural issues makes it difficult to aggregate consumers across the continent either.

Content provision and accountability

Significant elements in any assessment of pluralism involve the sources, quality and range of content provided. The more providers of content available, the more likely it is that the quality and range will be beneficial.

In the United States, broadcast content was initially locally produced, but a system soon developed in which locally produced programming was combined with daily programming from a few major national providers. First in radio, and then in television, contractually created networks of stations developed in which independent local stations purchase a national package of primetime programmes from a central provider who sells advertising nationally. The stations also create local programming and purchase additional materials for independent producers and syndicators. This bottom-up structure is one of the distinct characteristics of US broadcasting compared to European broadcast systems.

Although the commercial US system is excellent at providing general entertainment, concern grew over its effectiveness in providing a broader range of radio and television programming emphasising education, culture and social service that were less profitable for commercial broadcasters (Engelman 1996). Discontent of social observers, regulators and legislators coalesced around a Carnegie Commission on Educational Television report (1967) that called for the creation of public television and governmental funding to create a significant competitor to commercial television.

The Public Broadcasting Act of 1967 set up the mechanisms for public broadcasting, but without financial support necessary to be a government-funded direct competitor to the commercial firms. It established public television to provide content that the commercial terrestrial networks ignored or only weakly provided – especially educational programming and quality children's, science/nature and arts programmes. It was also recognised that radio could serve significant public purposes and made provisions to develop a parallel public radio system (Bullert 1997).

The structure of PSB in the US mirrors that of commercial broadcasting. It is built on a base of independent local stations that become affiliates of and purchase programming from a central provider – thus creating a nationwide network of stations. This central provider creates a good deal of material but local stations are free to produce their own, and some join together to market and provide their material to other local stations. This increases the sources of material and increases the likelihood that content will be pluralistic. PSB has developed effectively as providers of quality supplementary programming that offers broader content than found on commercial broadcasting; however, it still lacks the breadth and strength found in most European public service broadcasters. Public television averages a 1.4 primetime rating, higher than all but one basic cable channel (USA), but behind five leading terrestrial channels (ABC, CBS, CW, Fox and NBC).

The American content-provision pattern differs from Europe where the primary content providers have historically been large public service broadcasters who produced content for their own use. The monopolistic characteristics of public service broadcasters created limitations on the availability of domestic and European content. These limitations created demands from the public and political representatives across Europe to increase the number of channels to provide more choice and diversity, essential elements of pluralism.

Initially, policy-makers responded by increasing the number of channels operated by the dominant public service broadcaster and then – as in the UK – created additional public service broadcasters or commercially funded operators constrained with significant public service obligations. Later some nations authorised commercial channels with limited service obligations. Many of the incumbent public service firms initially resisted establishing any additional channels of their own, and then opposed the entry of new public service channels and commercial channels.

Despite the ultimate entry of new types of broadcasters, public service firms in most nations still strongly controlled domestic content production because of the costs of production and because they controlled the limited production facilities available. Recognising this situation as a problem for plurality and economic growth, one of the key provisions of the European Commission's Television without Frontiers Directive was forged in an attempt to build independent production capabilities that would create a market for European content (European Commission 1989). This was done by stipulating minimum levels of content that would have to be acquired from independent producers as a means of promoting economic growth and reducing the amount of syndicated material obtained from outside the EU.

Conclusions

The economic policy choices have produced differences in the media environments of Europe and the US, and some important lessons.

First, the localism and competition policies of the US have produced far more broadcasters and content producers than all of Europe combined. Audiences in the US are served by 13,000 domestic radio stations, 1,750 domestic television stations, three primary and two secondary domestic television networks, 250 cable/satellite channels, and 300 satellite-delivered radio channels. This system provides programming in dozens of languages, programming aimed at minority groups, and regional and local services unparalleled in Europe.

Second, differences in content between leading US and domestic broadcasters in European nations make it clear that commercial broadcasting on its own accord will not provide audiences with sufficient high-quality public affairs, children's, science/nature,

documentary and educational programmes. If these are desired, commercial broadcasters must either be mandated to provide them – and sufficient oversight provided to ensure compliance – or given incentives to provide them, or they will have to be provided by non-commercial broadcasters.

The third lesson is that whichever type of broadcaster is dominant, incumbents will have advantages in terms of habitual use and audience loyalty. This makes it more difficult for newcomers to gain equal status in the minds of audiences in the short- to mid-term. Thus, the three television networks first established in the US remain the strongest, and the public service broadcasters in most European nations remain their dominant broadcasters.

The fourth lesson is that if PSB is to have broad, direct social impact, it cannot be marginalised and serve only smaller audiences. Regular daily and weekly contact with general audiences is necessary, and that requires a broad and balanced schedule of programmes representing different genres and tastes.

There are no simple formulistic policy responses that will ensure plurality in a broadcasting system comprised of both public service and commercial broadcasters. Each nation has unique size and population characteristics, as well as cultural and identity needs that must be serviced. However, it appears that optimal results can be achieved if public service broadcasters are equal or stronger competitors in broadcasting, if public service broadcasters are equal competitors in all other media activities in which commercial broadcasters engage, and if both public service and commercial broadcaster provide a range of programming that appeals to both general and niche audiences.

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Endnote

1. In this case 'free to the public' means there is no direct payment to receive services, but the author recognises that free commercial broadcasting exists through indirect payments of higher prices on goods to pay for the cost of advertising.

The Price of Plurality

Choice, Diversity and
Broadcasting Institutions
in the Digital Age

Edited by

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**REUTERS
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FOR THE STUDY
OF JOURNALISM

Published by
Reuters Institute for the Study of Journalism
Department of Politics and International Relations
University of Oxford
13 Norham Gardens
Oxford, OX2 6PS
reuters.institute@politics.ox.ac.uk

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ISBN 978-0-95-588890-8

Edited by Tim Gardam and David A. L. Levy
Cover design by Robin Roberts-Gant
Layout and Print by Oxuniprint

Produced in association with
Ofcom
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