Regulation of Television Broadcasting

How Costly Is the "Public Interest"?

Robert W. Crandall

As viewers of American television flip across their dials in search of something they would like to see, they are silently mocked by seventy-five or more channel demarcations where their sets do not respond. Instead of many choices of program, they must reconcile themselves to three, four, or perhaps five.

Sometimes they must wonder why. If asked, they are likely to blame the limitation on technical problems: there are not enough channels available, so the government has to allocate a minimum number to each community. The explanation sounds reasonable, and it is the one that has been encouraged—or at least not discouraged—by the Federal Communications Commission (FCC).

The real reason has little if anything to do with electronic phenomena—with either a shortage of channels or, as some would have it, the inherent inferiority of UHF. Rather, the limitation exists because of the FCC's desire to make sure that viewers are offered a big dollop of edification with each swallow of entertainment no matter how edifying the edification or how entertaining the entertainment.

I do not intend to discuss program quality or whether federal regulation of the television industry is necessary or desirable. My objectives are far more limited. They are (1) to explore the rationale underlying the FCC's policy for regulating commercial television broadcasting and (2) to examine whether that policy has been effective, regardless of the merits of those objectives.

I address the first point by showing how the FCC's policy for allocating channels has restrained competition, fostered monopoly profits in broadcasting, and provided the means for subsidizing "merit" programming—programming that is regarded as worthwhile by the FCC but that would not be provided by the station on the basis of its audience appeal. This merit programming consists of local and national news and public affairs, along with almost anything else (in addition to news) that is locally produced.

I address the second point by assessing the extent to which the FCC's merit programming policies yield nonentertainment programming costs roughly corresponding to the monopoly profits brought about by the limitation on the number of stations. To do this I will analyze the costs of different kinds of programming. Essentially my analysis represents the first attempt to measure the degree to which the FCC extracts a quid pro quo—costs incurred by broadcasters for merit programs in return for benefits that go along with restricting the number of stations and providing a more limited choice of programs.

Interpreting the "Public Interest"

Were profit maximization sufficient to ensure that stations served the "public interest," the commission's only role would be to enforce spectrum property rights. Once such rights were defined, broadcasters could bid for them

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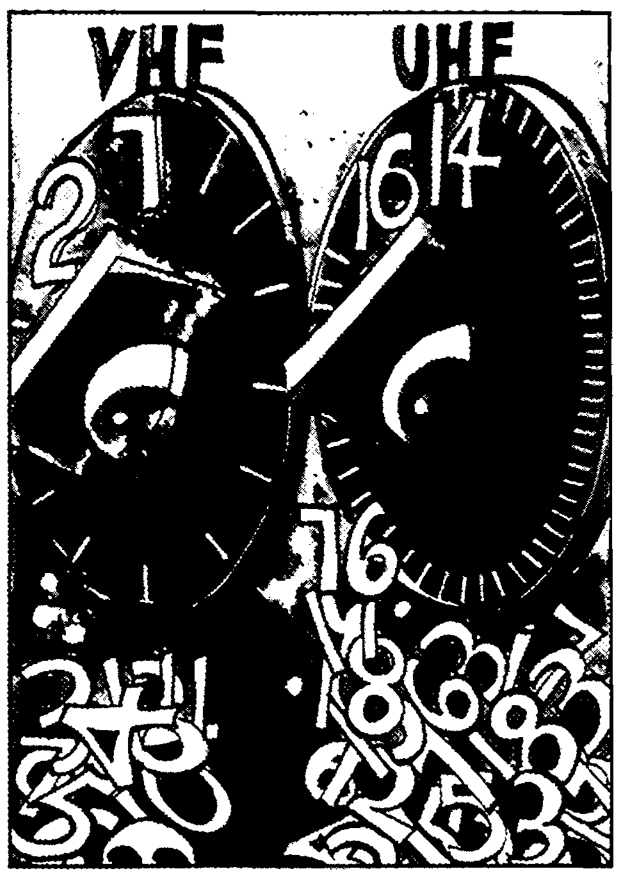
and offer any programming that they believed to be profit-maximizing. Clearly, the FCC has not interpreted the 1934 Communications Act in the limited way this would suggest. Television station licensees are evaluated on the basis of their record in serving a wide range of individual interests, in reporting local, national and world events, and in examining the many issues facing (or presumably facing) their viewers. In other words, a station's performance is assessed by the FCC according to measures of the quantity and quality of its nonentertainment programming in general and local programming in particular.

Not surprisingly, the commission has begun to require that stations tabulate the amount of merit programming of all types that is offered during an annual sample of seven days chosen at random. It has also begun to collect and publish these tabulations for all stations, with this information becoming part of the license renewal process every three years. In addition, each station must somehow ascertain its community's programming needs and design its offerings of local news and public affairs to meet them. This process is supposed to make local station managers more responsive to the concerns of their communities.

It is important to emphasize that FCC regulation of television broadcasting is aimed primarily at the *station* licensee. Each network owns five stations, all VHF[1] and all in major markets. Each of these stations and the network as licensee (but not as a network per se) are subject to the same regulation and license renewal procedure as any of the network's 200 or more other affiliates. Though networks are not subject to licensing proceedings except as station owners, the FCC does have an effect on the quantity and quality of network programming. For instance, a 1970 decision to restrict the amount of entertainment programs that may be offered during prime viewing hours was based on the commission's view that stations should be encouraged to select programs from a wide universe of program suppliers. The result of this rule has been to substitute game shows (which are relatively cheap) for more expensive programs offered by the networks. One may note also the recent informal and apparently illegal "family hour" limitation of sex and violence during evening hours negotiated with the networks but formally directed at the *stations'* programming activities. To the extent that a station's programming decision is simply to connect or not connect to a network feed from New York, the policies aimed at affecting station program quality or quantity are also, in fact, aimed at the network.

Monopoly, Cross Subsidy, and FCC Leverage

In 1952, when the FCC announced its final VHF-UHF television plan, it reaffirmed ("grandfathered") the existing VHF allocations, mostly to avoid confronting the owners with a loss of franchise value. Because of this decision and also because of a generally "populist" philosophy, the commission dispersed VHF channels across the country in such a manner that only 30 percent of all television homes can receive four or more commercial VHF stations "off the air" (meaning without some inter-



[1] VHF (very high-frequency transmission) accounts for twelve of the eighty-two channel numbers appearing on the TV dials. UHF (ultra high-frequency transmission) accounts for the other seventy.

mediary such as cable), and less than 15 percent can receive five or more. Markets like Boston, Cleveland, Cincinnati, Baltimore, Philadelphia, and Atlanta were given only three commercial VHF stations so that Hartford, Toledo, Columbus (Ohio), Lancaster (Pennsylvania), Chattanooga, and Macon (Georgia) could have one or more.

While another 30 percent of television homes can receive a fourth commercial television service—through the UHF band—and many other markets have unused UHF allocations, the inferiority of UHF stations when competing with VHF stations in the same market limits such actual or potential competition. UHF signals are not as easily received and are much more difficult to tune in on the average household set. Thus, the commission has, through its allocations plan, created substantial monopoly power in television broadcasting—monopoly power which is by no means inevitable, given the available spectrum and the technology that can be applied to use it. Far more competition would have been technically feasible and still would be.

One way to permit the growth of competition would be to permit television signals to be broadcast over a much wider spectrum than the FCC allows. Another would be to reallocate the eighty-two channels now designated for television so as to give each major market perhaps as many as ten or twelve equivalent, competing stations. Smaller markets could then be accommodated with cable television or translators.

All proposals to increase competition, however, have been rejected outright or simply not acted upon. One of these, made by the Dumont network in 1948, was to centralize VHF allocations in the larger cities, giving five or more channels to each, and to use UHF to serve the smaller outlying markets. Another recent proposal would have increased the number of VHF outlets by reducing the geographical distance between selected stations. A third would have reduced the "intermixture" of VHF and UHF channels so as to increase the number of effectively competing commercial stations in each market. This could be done by giving VHF to some cities and UHF to others nearby. The effective use of UHF would of course greatly increase the number of stations that each market could have. (The twelve channels in the present VHF band support over 500 commercial stations, while seventy channels in the UHF band support fewer than 200 commercial stations.) In any case, the practical effect of the allocations plan has been to provide the FCC with considerable leverage for requiring licensees to cross-subsidize programs that the commissioners believe reflect the "public interest."

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The commission does not assert that it has deliberately contrived a channel scarcity in most markets, nor does it admit that it has deliberately created monopoly profits for some commercial programs. Nevertheless, whenever a change in the system is suggested—whether by means of spectrum reallocation or greater latitude for cable television service—the commission accedes to arguments that greater competition would be contrary to the public interest because it would reduce discretionary revenues used to subsidize merit programming. Thus in fact the policy is one of offering the quid pro quo: a limit to competition among broadcasters offering entertainment in return for a commitment to offer presumably unprofitable programs that are deemed to be of greater social value.

This policy of cross-subsidization is familiar to students of public regulation. It has often been employed in the fields of transportation and telephone communications, with dubious results. Rarely does a regulatory commission have evidence that the policy actually works. But since it does not have contrary evidence either (or chooses to disbelieve any that it has), it listens sympathetically to existing franchise holders who argue that admitting new entrants would destroy the cross-subsidization cherished by the regulators. However the FCC has not even sought evidence to support its view, or even the data from which evidence could be assembled.

The Cost of Merit Programming: Theory

It is not immediately obvious that, other things being equal, a broadcaster's profits should vary inversely with the amount of news and public affairs programs offered. Merit programs may cost no more to produce than other programs. If scheduling a substantial number of these programs makes license renewal easier, the station may well be pleased to do it.

On the other hand, offering more merit programming could reduce profits—either from decreases in revenues or from increases in programming costs. If news and public affairs are less popular with viewers than entertainment programs but require outlays as great or nearly as great, they will produce, at their broadcasting hour, a revenue loss to the station. However, since the size of the *total* viewing audience in a market at any hour is virtually fixed, one station's sacrifice is another's gain. Thus, if all stations in a market should offer the same mix of news and public affairs and popular entertainment, the total audience for each station should be unaffected over time, even if news and public affairs suffer greatly in competition with other programs.

Analyzing the precise effects of the requirement for lower-audience merit programming is even more difficult than this reasoning suggests. During some periods, such as early or late evening, all stations may be offering news programs in some markets, and in these cases the evidence suggests that few, if any, viewers are lost. During other periods, two or three stations may be offering network or local news while an "independent" (non-network affiliate) station shows an old motion picture or network rerun. In this case, there is a distinct tendency for the stations offering news to lose viewers to the independent. Since public affairs programs and certain local programming will usually be run opposite at least one entertainment program on a rival channel, these programs will usually drive viewers away, leaving the broadcaster with a smaller audience for the merit program—and perhaps, because of viewer inertia, even during succeeding hours. But, as we noted, if all stations offer the same proportion of merit programs, each will experience its share of temporary viewer loss, and the relative position of the stations will be unaffected.

Given that viewers tend to switch channels rather than turning their sets off, it follows that the FCC's policy of requiring programming in the "public interest" could affect total broadcaster profits only if it affected the cost per viewer hour delivered to advertisers. This might occur if news and public affairs programs were more expensive to produce *per viewer attracted to them* than the entertainment programs they displace. But even if they were, total program costs per viewer for all broadcasters might not be raised because of the effect of merit programming upon the audience for competing programs at the same hour. A simple example will illustrate this effect.

What a network will pay for a program will depend on what it expects to be able to charge for commercial time. Suppose that a network paid $2 million for the rights to exhibit *Jaws* during prime time. It might have calculated that it could sell twenty minutes of commercial time during the exhibition of this film at, say, $150,000 per minute, assuming average competition from the other networks' programs during the time the film is shown. Faced with this awesome competition, a rival network might choose to offer a public affairs program that provides, say, a detailed look at air bags for automobiles. Once this sacrifice is announced, the network offering *Jaws* will raise its asking price of commercial minutes in the film to perhaps $175,000 per minute (if it has not yet sold all of the time). Can the film company that sold the rights to *Jaws* now raise its price? The answer is "no" because program contracts are signed considerably in advance of exhibition—often as much as two or three years—without any provision for escalation if the audience is larger than anticipated.

In this hypothetical case, even if the air bags documentary were more expensive than *Jaws* per viewer delivered, the total cost per viewer of all network programs during relevant hours might be no higher than if all three networks offered standard entertainment fare. Hence, while a higher cost per viewer for news and public affairs is a necessary condition for the existence of cross-subsidy, it is not a sufficient condition. There may in fact be corresponding reduced costs per viewer for the programs the viewers choose to watch instead of the merit programs. Only if all news and public affairs were offered at times when other types of programs were unavailable could one assert that the higher cost per viewer for such programs would prove cross-subsidization.

The Cost of Merit Programming: Network Data

In this section, I attempt to determine the network cost per viewer per hour for prime-time entertainment series and for network news and public affairs programming. If there is a substantial added cost to merit programming, there may be a cross-subsidy and we may be able to measure it. If there is little or no added cost, there can be no cross-subsidy.

Unfortunately annual tabulations of network news and public affairs programming are not now published, but each network supplied the author with a complete listing of its 1973 programs, as well as average audience ratings if they were available.[2] Many special (one time only) public affairs programs were not rated by the commercial audience surveys, so ratings were assumed for these programs equal to the average of those special programs that were rated. The results for each network are presented in Table 1, which shows the number of hours of news and public affairs on each network and its average Nielsen rating (the proportion of the nation's television homes viewing the regular and "special" programs, according to sample surveys).

Obviously, some way of distinguishing among programs must be found. For present purposes, the distinctions are dictated by the availability of cost data. Each network submits its estimate of the costs of "news and public affairs" programming annually to the FCC, which publishes an aggregation of these estimates. This aggregate cost estimate is used in my analysis, so that I include as "news and public affairs" all the programs so classified by the networks themselves.

The variance in the number of merit programming hours offered by the networks is striking. ABC lagged behind the other two by a wide margin, though it led in average audience yield. Its slightly better audience performance derived from the fact that it offered fewer programs during marginal time periods, rather than reflecting the performance of ABC's nightly news programs or of its regular public affairs offerings. NBC scheduled the largest number of news and public affairs hours because the *Today* show was classified as being entirely in this category. ABC had not yet begun competing with *Today*.

Since prime-time entertainment series attracted on average 18 percent of the nation's television homes, Table 1 suggests that, on average, network news and public affairs attracted between 40 percent and 50 percent of the audience for prime-time entertainment series in 1973. But how much did these programs cost—both absolutely and in relation to the more popular entertainment series? The individual network data are not available for public disclosure, but reports to the FCC can be used to obtain at least a rough estimate. In 1973, the three networks combined reported that they spent $139,836,000 for the programs included in Table 1, $9,485 per rating point per hour. If prime-time (evening) entertainment programs cost the same per rating point per hour, attracting 18 percent of television households, average costs would come to $170,750 per hour. In 1973, the networks incurred costs of approximately $550,000,000 for prime-time entertainment programs, or slightly more than $180,000 per hour.[3]

Table 1

NEWS AND PUBLIC AFFAIRS PROGRAMMING OF THE THREE NATIONAL TELEVISION NETWORKS, 1973

Network	Total Hours of News and Public Affairs	Average Audience (percent of national television homes)
Regularly scheduled programs		
ABC	234	7.7
CBS	619	6.2
NBC	746	7.2
Specials		
ABC	21	8.7
CBS	210	8.2
NBC	218	8.4

[2] These tabulations and the local-station program logs, described below, were submitted to the author while he was an adviser to Commissioner Glen O. Robinson in 1974–75.

[3] This is an estimate based upon reported total programming costs, data on the cost of new and continuing programs, and conversations with network executives.

On this basis it appears that the networks may actually spend less per viewer for news and public affairs than for entertainment series exhibited during prime time. The comparison is only approximate, however, and should be qualified for two important reasons.

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First and most important, in 1973 an unusually large number of public affairs programs were unsponsored special events, many of them dealing with the Watergate affair. An inspection of the actual programs indicates that approximately 12.5 percent of the total viewer hours may have been unsponsored or relatively free from commercials. On the other hand, most network news and public affairs programs are broadcast at non-prime hours, during which the networks and local stations insert more commercial minutes of advertising than they do in prime hours. These two factors may cancel one another—that is, the absence of advertising in some may be offset by the greater-than-average amount of advertising in others. Even if they do not cancel out, however, the average cost per viewer of sponsored news and public affairs programs would not rise materially above the $180,000 for entertainment programs. The networks almost certainly do not lose money on entertainment. Therefore, it seems unlikely that news and public affairs are a source of economic losses—so long as advertisers using them pay no less per viewer than they do for entertainment programs.

That the networks do not lose money on news and public affairs might appear surprising, but a reading of recent network activities suggests that network news is indeed profitable, at least at the margin. Each network has been studying the possibility of extending its nightly half hour of news to a full hour, but affiliates' objections have apparently blocked the move. Moreover, the competition at 7:00 A.M., based largely on news and information programming, suggests that the networks believe this programming can be remunerative. Doubtless, some of the public affairs programs in prime-time sacrifice audience, but the numbers would indicate that the overall cost per viewer of public affairs and news is no higher than the cost of prime-time entertainment. Thus, as long as the *total* audience of the three networks at each time period is unaffected by the insertion of news or public affairs programs, their combined profits are unaffected by satisfying the FCC's appetite for merit programming.

The Cost of Merit Programming: Local Station Data

In this section, I offer a fairly strong test of the degree of cross-subsidy at the local station level by comparing the cost per viewer of news, public affairs, and local programs with the same measure for entertainment programs. If the total television audience is unaffected by the extent of merit programming, such a test provides a maximum measure of the degree of cross-subsidy. If one station's sacrifice of news and public affairs programs enhances the audience for rival stations, this net gain should be deducted from the cost of the merit program in establishing the net cost to all broadcasters. On the other hand, if viewers simply turn off their sets in response to the merit program, it is unclear whether total broadcaster profits are raised or lowered, since one cannot know whether a decrease in audience raises the price paid by advertisers per viewer more than it decreases the number of viewers. The commission's policy might reduce total audience—and therefore advertising output—to a level closer to monopoly equilibrium, which would mean that the "cost" to broadcasters (as a group) of the policy of requiring unpopular programming might actually be negative.

Surprisingly, the FCC does not have much in the way of usable data on the extent of local station programming, its audience appeal, or its cost. In order to analyze the economics of local programming, I asked fifty stations, randomly selected from a list of all licensees, to submit their daily program logs for a "sample week" of seven randomly chosen days in 1972–73. Of these fifty stations, thirty-five provided sufficient information to permit identification of local programs from these logs. Audience figures were obtained from a national market research survey of programming in the respective local markets. Wherever audience information was missing, it was estimated on the basis of data for similar programming in the same market at similar times. The same was done for all filmed and taped programming (most of which consisted of reruns of old network series). Since it may be assumed that profit-maximizing decisions generate the prices for the fixed stock of these film-tape programs, they serve as a control group for analyzing the economics of local programming.

For local station programming costs, I followed the FCC practice of assuming that all reported program expenses other than film and tape rentals are assignable to "local" programming. Considering the FCC's stress upon local programming in the license renewal process, it is reasonable to presume that any bias in station reports will be towards allocating the general expenses of station operations to "programming" (which here means local programming). Therefore, conclusions on the cost of local programming are likely to be biased upwards by an unknown amount.

Table 2 provides the summary data for film-tape and other (local) programs by average station outlays per week, total viewing households during the program week, and the average cost per household. Since the "sample week" spanned 1972–73, the cost data were averaged for the 1972 and 1973 calendar years. The audience data were drawn from two sample periods—one in 1972, the other in 1973.

For these stations, local programming appears to be much more expensive per viewer generated than film-tape programs. Obviously, therefore, the stations were not acting as profit maximizers. If they had been, they would either have substituted film-tape for local programming until the incremental costs per viewer were equalized, or they would have reduced total program hours by reducing local offerings. The observed patterns cannot be consistent with profit-maximizing behavior in view of the smaller audiences realized per hour of local programming.

In their reports to the FCC, the thirty-five stations in the sample described above showed an average of 14.3 hours of local programs per week. My review of the program logs produced a slightly lower estimate—13.1 hours. In part, this difference may have resulted from the fact that I did not count very short local announcements and other minor interruptions which a station might call local programming. On the other hand, I assigned an entire hour to local programming if the show was scheduled for an hour, whereas the reports to the FCC are supposed to omit commercial interruptions in calculating local program minutes. Certainly the fact that my estimate of local program hours is not highly correlated with the official tabulations provided by the stations—indeed the correlation is only 49 percent—suggests considerable variance in the definition of local programming.

The difference in the estimates of local programming is not trivial. In order to analyze the effect of competition, station size, and certain other factors on local program effort, I attempted to carry out regression analysis both on my sample of 35 stations and on a much larger sample of 465 stations. (The latter sample includes only network affiliates and utilizes the official FCC compilations of program hours.) In the larger sample, station revenues appeared to contribute most to explaining the variance in local programming effort, followed by newspaper ownership of the station and the size of the market.

When my estimate of local program hours was used for the sample of thirty-five stations, it turned out that the number of stations in the market was the only characteristic highly correlated with the total number of hours. Moreover, for these thirty-five stations, local programming hours were more highly correlated

Table 2
STATION PROGRAMMING COSTS PER VIEWER, 1972–73
(35-station sample)

	Types of Programs	
	Film-tape (non-local)	Other (local)
Average station outlays per week in 1972–73 (thousands of dollars)	5,860	14,430
Average audiences during sample week (thousands of households × hours)	1,241	560
Average cost per 1,000 households per hour (dollars)	4.72	25.77

Source: FCC Forms 324 and American Research Bureau, *Market Reports*.

with market size than with station revenues. This suggests that competition induces more local program effort, while additional station revenues (for a given market size and degree of competition) have no perceptible effect.

These results cast doubt on the notion that the FCC can stimulate local programming effort by restricting the number of stations in a given market and thereby raising station revenues.

These results cast doubt on the notion that the FCC can stimulate local programming effort by restricting the number of stations in a given market and thereby raising station revenues. Even accepting the results of the regression analysis based upon the larger sample—and making use of the stations' own reports to the FCC—one must conclude that the total amount of local programming is not increased by restricting the number of stations. Other things being equal, a reduction in station revenues generates a reduction in local programing hours which is equal to one-third of the percentage reduction in revenues.[4] Thus, a doubling of stations, which should approximately decrease revenues by one-half, should reduce local programming on each station by one-sixth. But if the number of stations is doubled and local programming effort is five-sixths of its original level per station, total local programming in the market is actually increased. The average outlay per program would fall, but one cannot assert that the fall would necessarily affect program quality. Weather forecasters' salaries might fall, but the accuracy (or the attractiveness) of the meteorological forecast probably would not change—if one assumes that the same (or equivalent) weather forecasters would continue working for lower salaries.

The Quid Pro Quo

It appears that *network* public affairs and news programs are not more costly per viewer than entertainment programs, but that local public affairs and news programs are considerably more expensive than their alternatives (filmed and taped motion pictures and network reruns). One might conclude, therefore, that FCC regulation may succeed in forcing cross-subsidy of merit programming of a local nature from the profits yielded by entertainment programs, but that it has little effect upon the amount of network news and public affairs. Yet, how precise is the FCC quid pro quo for the local stations? Is it necessary to restrict the number of stations to its current level in order to provide each with the revenues to support local programming, or could similar results be obtained from a less restrictive policy?

The estimates in Table 2 suggest that as much as 82 percent of all nonfilm program outlays reported by stations may be sacrifices to the FCC's appetite for local programming effort. Given 1973 total broadcast revenues for licensed stations of $2.06 billion and 1973 nonfilm program expenses of $0.46 billion, the diversion (cross-subsidy) is *at most* 18.3 percent of total broadcast revenues. In other words, if a station could substitute film-tape entertainment programming at the current average cost per viewer for local fare and not lose revenues, income before taxes could rise by 18.3 percent of revenues. Since stations averaged a return (income plus interest) on sales of 24.6 percent before taxes, we might conclude that the FCC's allocations plan would have allowed stations to earn nearly 43 percent on sales before taxes in 1973 if cross-subsidy had not been practiced.

To translate this arithmetic into a return on capital requires only a measure of the total capital employed by television stations in 1973. The FCC reports that net *tangible* capital employed by television stations in 1973 amounted to $749 million. Since television stations are not investors in grand entertainment projects such as those developed by the networks, only about one-fifth of their capital is intangible.[5] Before

[4] This is the result predicted by the regression equation based on the larger sample.

[5] This estimate is based on my review of balance sheets for new television station licensees. A review of public balance-sheet data for five multiple station owners for 1975–76 generally supports this estimate. These five companies had current assets (including film rights) in excess of current liabilities equal to 6 percent of their total assets less those assets covered by current liabilities. When one deducts "intangibles" —mostly capitalized monopoly franchise rents—from the denominator, the ratio rises to 25 percent. Hence, the estimate of 20 percent appears to be corroborated by historical cost data in licensees' public balance sheets.

taxes, 1973 profits of these stations were $468 million and interest payments were $38 million. Therefore, their before-tax return on all capital employed was 54.1 percent.

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The industry's cost of capital, before income taxes, was about 25 percent in 1973.[6] Thus, television broadcasting earned a healthy 29 percent return on capital above and beyond the cost of attracting it. But without the merit programming requirement, stations might (by my estimate) have earned 95 percent on total investment before taxes, or a 70 percent return above and beyond the cost of attracting the capital. This 70 percent represents the quo—the monopoly profits provided by the lack of competition. The difference between 70 and 29 percent represents the cost of the merit programming—the quid.

This estimate of monopoly profits is at best a minimum one. In addition to the possibility that I have overestimated the cost of local programming, there is also a substantial probability that a large share of the monopoly revenues created by the commission accrue to performers as well as stations. Actors often earn $100,000 per hour of film in a continuing series and local newsmen may earn as much as $100,000 per year—prices greatly in excess of their earnings potentials elsewhere. These large salaries are greatly enhanced by the lack of channel choice in television. Were Johnny Carson or Carroll O'Connor competing with five or six other national programs at the same hour, advertising revenues from their programs would be 50 percent less than their existing levels. As a result, program production companies would bid less for these stars, directors, producers, writers, and other talent.

[6] This assumes a debt-to-equity ratio of 1:2, a stated cost of debt capital of 9 percent, and a before-tax cost of equity capital of 33 percent (or 17 percent after-tax). This cost of equity is the return demanded by current and prospective stockholders: it is what they expect to get in the way of dividends and growth. The estimate is based on a "riskiness" of the television industry derived from the capital-asset pricing model.

Should the FCC attempt to "tax" away the remaining excess profits of television broadcasters—profits its policies have created—by imposing more demanding merit programming requirements? Or should it perhaps entertain ideas of admitting greater entry into television broadcasting, increasing competition and channel choices available to most viewers? The latter course, whether pursued by liberalizing cable television rules, adding new assignments to the allocations table, encouraging satellite-to-home broadcasting, or shifting all television broadcasting to the UHF band, is generally opposed on the grounds that it would endanger the viability of some current or prospective television station somewhere. Roswell (New Mexico) and Hagerstown (Maryland) provide favorite examples. As long as the regulation of television broadcasting is based upon the belief that such very small stations must be nurtured by a uniform national policy, large monopoly profits will be earned by stations in New York, Chicago, and other large markets.

The price of the present regulatory strategy is not measured solely by the magnitude of the monopoly profits and the size of the merit programming cross-subsidy. By restricting competition, the FCC deprives viewers of a variety of alternative programs, which might have substantial value to them or to society. Is this restriction worthwhile? One would have to ask the viewers if they want more choices among mysteries, situation comedies, and movies at the expense of coverage of local politics, garden clubs, and bowling contests. Perhaps someone should. ■

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