

**THE FCC'S  
NEWSPAPER-BROADCAST  
CROSS-OWNERSHIP  
RULE:  
AN ANALYSIS**

BY DOUGLAS GOMERY

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ECONOMIC POLICY INSTITUTE

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Washington, D.C.

## **About the Author**

Douglas Gomery is professor of media economics and history in the College of Journalism at the University of Maryland. His most recent book, *Who Owns the Media?* (with Ben Compaine), won the 2000 Picard Prize for the best media economics book of the year. He has published 10 other books, some 500 articles in scholarly journals and encyclopedias, written a column, "The Economics of Television," for the *American Journalism Review*, and consulted for both the Federal Communications Commission and the Government Accounting Office.

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ECONOMIC POLICY INSTITUTE  
1660 L Street, NW, Suite 1200  
Washington, D.C. 20036

<http://www.epinet.org>

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# Introduction

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In 1975 the Federal Communications Commission initiated the newspaper-broadcast cross-ownership rule, which bars a single company from owning a newspaper and a broadcast station in the same market. The purpose of the rule is to prevent any single corporate entity from becoming too powerful a single voice within a community, and thus the rule seeks to maximize diversity under the conditions dictated by the marketplace. The cross-ownership ban does not prevent a newspaper from owning a broadcast station in another market, and indeed many large newspapers — such as the *New York Times* and the *Washington Post* — own and operate broadcast stations outside their flagship cities (Compaine and Gomery 2000).

Media organizations have largely opposed the rule since its inception, and their prospects for eliminating or limiting it brightened in 1996, when the new Telecommunications Act directed the FCC to continually review all ownership rules. On September 13, 2001, the commission initiated a review of the newspaper-broadcast cross-ownership ban, asking, among other questions, whether the rule continues to be necessary to protect a diversity of viewpoints, whether the Internet and other “new media” have had an impact on the sources of news and information available, and whether joint operation of a newspaper and a broadcast station yield efficiencies and synergies that have public benefits.

Changes in the telecommunications marketplace over the last quarter century, rather than diminishing the usefulness of the newspaper-broadcast cross-ownership rule, have made it more important than ever.

- Since 1975 the number of media outlets has indeed increased, but at the same time, ownership has become more concentrated, and today there is less diversity of opinion — and less diversity of news sources — than in 1975.
- The increased market power of a sharply declining number of corporate voices has led to negative externalities as well, with media

conglomerates stressing profit maximization over concerns of localism and diversity.

- There are synergies between broadcast television and newspaper ownership that are not in the public interest. A local television station owned by a newspaper can simply televise a summary of the paper's content, offering no benefits to the consumer, yet it will still be able to dominate the local political and cultural discourse.

Profit maximization has never been the sole point of U.S. communications policy. Under the Communications Act of 1934, the FCC is charged with allocating spectrum space to maximize "the public interest, convenience, or necessity." The Communications Act and its revisions mandate promotion of the public interest, and thus the encouragement of a diversity of voices so as to promote a vibrant democracy. How best can the commission achieve these goals within the confines of the marketplace?

To this end, we need to abandon the pure free market economic approach that assumes that profit maximization is the paramount goal of a media enterprise. Newspapers and broadcasters are not simple firms reducible to profit-generating equations but rather are large, complex social, cultural, and political institutions, and they need to be analyzed through an institutional economic model that takes into account externalities, both positive and negative, that have an impact on the public welfare.

The newspaper-broadcast cross-ownership rule helps to keep at bay the failure of the marketplace to ensure a variety of voices in news and entertainment. It is as relevant and important now as ever, perhaps more so, and must be retained.

The remainder of this study analyzes the recent history and current status of newspaper and broadcast ownership and concentration, and then goes on to examine the negative implications for the public interest of lifting the ban.