Peer Review

Study 5: Station Ownership and the Provision and Consumption of Radio News

by Joel Waldfogel

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April 27, 2011

Summary

Study 5 provides empirical evidence regarding the availability of broadcast radio news stations and the impact of ownership on news provision. It further emphasizes the extent of substitutability among news stations from the consumer's perspective. Professor Waldfogel makes use of publicly available data describing the programming characteristics, ownership, and ratings of radio stations in the 300 largest metropolitan areas in the US during 2005, 2007, and 2009. He uses clear, descriptive econometric and statistical methods to describe the relationships in the data.

The analysis shows that news radio stations, especially commercial stations, are available in almost all markets, regardless of size. Most markets support multiple stations, which provide distinct programming from the audience's perspective. The presence of a large owner in a local radio news market does not increase news provision. However, the evidence regarding the effect of local market concentration is less clear. Waldfogel does not find a relationship between newspaper ownership and news provision or listening.

Evaluation and Comments

1) Professor Waldfogel's methods and assumptions are reasonable and technically correct. He discusses the lack of a major policy change during this time period that would enable him to make more causal statements about the impact of ownership on news provision. He is appropriately conservative in not making further assumptions, though they might allow him to reach stronger conclusions.

I would also like to point out that the relationships (or lack thereof) in this data do not imply that the same would hold out of sample. In other words, a significant change in ownership patterns could change the observed relationships.

2) The methodology and assumptions are consistent with accepted theory and econometric practices in the field of empirical economics. Waldfogel makes use of methods used in his previous, well-regarded research to address the Commission's questions. For example, in showing that most radio listeners do not find commercial and public news stations to be substitutable, he uses classical music and jazz stations as comparison groups.

The primary weakness I find regarding the methodology is in his evaluation of the effect of local market concentration. On page 13, he discusses the results in Table 5. Column (1) suggests that there are fewer news varieties in markets with more radio owners, controlling for the number of stations in the market. This result goes away in Column (2) where he controls for market fixed effects. Table 5a is not discussed in the body of the study. It's Column (2) reveals a positive relationship between the number of local radio owners and the number of news stations. In light of these results, Waldfogel is correct to describe the impact of local concentration on news provision as ambiguous. However, it warrants further examination.

He does not present results employing the standard measure of market concentration, the Herfindahl-Hirschman Index ("HHI"). Because many group owners have disproportionately large market shares, the HHI would provide additional information about and variation in concentration levels across markets when compared to the number of owners. Recall that in Chipty's 2007 Media Ownership Study 5, the local concentration, as measured by the HHI, was associated with less time devoted to news programming during certain times of day.[1] It would be nice to see if a consistent result were present in this data.

Another unexplored issue in the study is the relationship between newspaper ownership and the number of news stations in a market. If costs may be shared between a newspaper and a radio station, there may be more news stations in a city with cross-ownership. The regressions presented in Table 8 do not test for such a relationship.

3) The data used in Study 5 are reasonable and of sufficient quality to establish that the US broadcast radio industry provides news programming to all but a few metropolitan areas. It is also sufficient to show that additional stations are valued by consumers, as shown by the result that news stations are not highly substitutable. The effects of ownership are more difficult to discern in this data because there is little change over time in ownership patterns. While it would be beyond the scope of this study, an ideal data set would contain measures of the quantity and quality news programming at the station level.

4) The six conclusions summarized by Professor Waldfogel on the final page of the study clearly follow from the analysis.

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[1] See Table 18, FCC Media Ownership Study #5: Station Ownership and Programming in Radio by Tasneem Chipty, June 2007.