The Daily Dish

Moving Media Ownership to the 21st Century

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Eakinomics: Moving Media Ownership to the 21st Century

The last major Federal Communications Commission (FCC) rulemaking on broadcast/media ownership rules took place in 1975 — that is, before I graduated from high school, before the Internet, and before the birth of public policy maven Taylor Swift. It was a different world.

TV stations affiliated with the three national broadcast networks were at the peak of their popularity in 1970, drawing 95 percent of the prime-time audience. Nearly 80 percent of the adult population read newspapers on the average weekday. The importance of cross-ownership of television and newspapers was exemplified by the fact that "Nixon's resentment of the Washington Post was so intense, recordings from the Oval Office show, that he and his aides plotted an unusual form of regulatory retaliation: forcing the Post to give up the TV and radio stations it owned in Washington, D.C., and Florida by blocking the renewal of its broadcast licenses."

The world has radically changed. Newspaper circulation peaked in the early 1970s at about 63 million daily readers. It has since taken a dive to about 35 million daily subscribers. Along with circulation, advertising revenues have also run off the cliff. In 2006, newspapers were taking in around $49 billion in revenue from advertising. By 2016, that number had fallen to just $18 billion. Network television was deeply challenged by the cable revolution, and both, in turn, by streaming services. The opportunities to access news are radically different in 2017.

There has been a comparable revolution in how analysts think about cross-ownership of media outlets. The 1970s rules were predicated on mechanical principles. The revolution since then, aptly known as the Chicago revolution, injected basic economics into the public policy debate. As a result, many outright bans fell out of favor, giving way to a more nuanced understanding known as rule of reason. While the law of antitrust has shifted and the economics profession has changed as well, this part of telecom law has not.

In light of these developments, it should hardly be surprising that FCC Chairman Pai laid out a plan to update media ownership rules. Among other things, the new rules: (a) eliminated the Newspaper/Broadcast Cross-Ownership Rule, limiting the ability of a single company to own both a radio station and newspaper in the same market; (b) eliminated the Radio/Television Cross-Ownership Rule, limiting the ability of a single company to own both a radio station and a TV station in the same market; and (c) revised the Local Television Ownership Rule, eliminating the Eight-Voices Test (i.e., have eight independent stations) and instead replaced it with a case-by-case review to better reflect the competitive conditions in local markets.

The FCC initiative is a long overdue modernization of the rules that govern media competition. The world has changed; the FCC is right to change along with it.