

Comments on: “Television in a Digital Age: What Role for Public Service Broadcasting?” By Shaun P. Hargreaves Heap

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With the move from analogue to digital television dramatically reducing the entry barriers in the industry, it is timely to review the case for Public Service Broadcasting. This paper argues that the case remains a strong one. Even a large number of private television providers, it claims, will provide too little information, too many programmes with negative external effects, and too few "horizon-stretching" programmes. Moreover they will engage in too little innovation and will be plagued by the inefficiencies endemic in monopolistically competitive industries. The arguments are presented in the context of the British Broadcasting Corporation (BBC) whose contract ("charter") with the UK government is due for renewal soon.

It seems to me that the arguments for public provision are much stronger in the case of news and current affairs programmes. Under-provision of information imposes costs on almost everyone, both as consumers and citizens, and inadequate coverage of dissenting views is a clear index of an erosion of democratic norms. We have to be careful not to claim too much for television. The same arguments could be adduced in support of a state-supported quality newspaper. And it is worth recalling that the biggest media-related controversies in 2004 in both the UK and U.S. were not prompted by television, but rather arose from the coverage of the case for invading Iraq by BBC radio and by "quality" newspapers such as the *New York Times* respectively. Nevertheless, the immediacy of television news and the high fixed costs of providing a comprehensive and credible television coverage of current affairs, make a strong case for public provision, provided its independence from political interference can be guaranteed.

What about programmes other than news and current affairs? Here, the claim to horizon stretching can perhaps be justified for "non-fiction" programmes, or for adaptations of classics. But the paper casts its net more widely, since the only specific examples given in the case of the BBC are *Blackadder* (a comedy series) and *Eastenders* (a soap). Such programmes may meet other criteria proposed in the paper, exhibiting a high level of innovation and providing the public good of common cultural references. But it is not clear that private provision fails these tests: with due allowance for differences in genre, they are equally well passed by such U.S. programmes as *Sex and the City* and *The Sopranos*. Possibly the most vibrant cultural reference in modern societies (using "cultural" in a broad sense) is provided by sports programmes, on which the BBC spends a significant proportion of its budget. It is not clear to me that there is a specific public service case for this.

The paper is on stronger ground in identifying the problem with private provision as the presence of high fixed costs that make market failure likely. Here the appropriate model of market structure is probably not the symmetrically differentiated large-group case of Dixit and Stiglitz but rather the Hotelling vision of horizontal product differentiation. If tastes are distributed along a line from those who prefer "opera" to those who prefer "sport", then, with a small number of firms, consumers at the extremes will not be catered for. If, in addition, sports-lovers have higher

aggregate income, then providers are likely to neglect the unfortunate opera-lovers altogether. Finally, add to this horizontal model a vertical dimension, whereby the stations which supply only sports risk losing market share unless the quality of their product matches that of a sole publicly-funded and high-quality opera provider. This kind of model can I believe rationalise the view (corroborated by evidence from many countries) that high-quality public provision raises overall welfare as well as increasing the quality of all stations and the diversity of the whole spectrum.

If the case for public provision is accepted, then as in any state-funded firm it is essential to devise performance measures. The paper proposes two new measures: a measure of relative audience diversity as a way of capturing horizon stretching, and the variance of audience share across programmes as an indicator of risk-taking. I must confess to being unconvinced by both. The first measure would militate against innovative programmes that appeal only to niche groups. The second would discriminate against innovative producers who have a string of successes. It would also encourage strategic behaviour, whereby one sure-fire hit was accompanied by some intentional flops (although this could backfire, as in the hilariously tasteless movie *The Producers*). More generally, both measures risk falling foul of Goodhart's Law (as restated by Marilyn Strathern): "When a measure becomes a target, it ceases to be a good measure."

Overall, the paper takes a benign view of the BBC. Its bottom line is that the present institutional arrangements should be carried over unchanged (apart from extra performance requirements) into the digital age. This ignores a range of issues, such as the regressive financing system (in effect a lump-sum tax) and the risk that a well-funded but ratings-driven BBC will devote excessive resources to popular programmes at the expense of its public broadcasting mission (a source of criticism of BBC management even before the Iraqi war controversy). Yet despite these problems the BBC is an exceptionally successful institution, the envy of the civilised world. So, on the specific policy issue of BBC charter renewal, the author is preaching to the converted, though I fear that he is unlikely to persuade those whose prejudices for whatever reason run in the opposite direction.