

At the Seventy-eighth Annual Meeting of the American Economic Association, December 28, 1965, Dr. David M. Blank, Chief Economist and Director of Economic Analysis, Columbia Broadcasting System, Inc., presented a paper on two recurrent demands addressed to commercial television: one has been for more significant and more diversified programming; the other for more choice within the existing framework of program offerings. Because I think you may find Dr. Blank's assessment of these demands to be both fresh and provocative, I take pleasure in sending you this copy of his paper.

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The Quest for Quantity and Diversity in Television Programming

Paper Delivered at the
Seventy-eighth Annual Meeting of the
American Economic Association
December 28, 1965

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From its beginnings, commercial television has been subject to a wide variety of demands relating to performance. It has been able to satisfy many of them. But two demands persist, and they have been a chronic source of tension because they are, in large part, in conflict with one another.

One demand has been for more "serious" programming of high quality. In general discussion this demand has often been described as a demand for more "diversified" programming. It is based on the view that an insufficient fraction of television time has been devoted to programs that edify, challenge, or uplift, i.e., to serious drama, serious music, ballet, art, etc. Conversely, it is held that too much television time is given over to programs that merely amuse or entertain.

The other demand is for still greater "choice" within the existing framework of program offerings by creating additional television channels. In brief, more of the same on more channels.

The conventional answer to the demand for more "serious" programming has been that the public chooses its programs freely and that broadcasters simply respond to consumer choice. That is, the public gets the kind of programming it desires. This answer has drawn three kinds of criticism.

The first—at the most naïve level—is based on the claim that television programming has simply not met the desires of the bulk of the American public; in other words, that the broadcasters have simply misunderstood consumer demands.

The second is that while commercial television programming may satisfy a majority of the public, a large minority of the American public is vastly dissatisfied.

The third—and more sophisticated—is that, while a majority of the public may be satisfied with television fare, they are not really very satisfied. In fact, the peculiarities of this particular market, it has been argued, are such that competition leads not to optimum response to consumer desires but rather to the acceptance by the consumer of a kind of second best. As a consequence, so the argument goes, only a small minority of television viewers are really getting what they most want.

Nearly all of this discussion has been conducted on a theoretical level and, I must in all honesty add, on a largely introspective basis. Theory and introspection have their proper place in economic analysis, but at some point they must be tested by the actual reactions of the marketplace. There has always been an enormous quantity of data on audience reactions in the form of survey (or “ratings”) information, but some of the critics have not been willing to accept this information as authoritative. I shall refer to some of these data later. However, in the last several years, a substantial volume of actual market experience has accumulated which sheds new and, I think, persuasive light on this whole question. To my knowledge, none of the critics of commercial television programming have referred to these new data. The purpose of this paper is not to engage simply in further debate on the quality or purpose of television programming but rather to bring the evidence of the marketplace to bear on this question. Presumably economists, if not others, will pay heed to it.

The first criticism—that broadcasters have been completely mistaken in their view of what the public wants—is basically the same as one that Tibor Scitovsky made at a session of these meetings in 1961 about the current functioning of free markets. At that time he argued that there is an inherent bias in the workings of the competitive market process against so-called minority needs and tastes and that, in fact, the increasing importance of scale economies has resulted in “a tendency of producers in an increasing number of fields to play safe and not to risk imaginative innovations in the new products, services and publications they put on the market...”¹ Indeed, Scitovsky indicated that, at worst, this tendency “can lead to a serious misreading of the public taste and the imposition of a mythical majority taste that, in fact, few people have.”² As a prime example of such a misreading, he cited the auto industry’s insistence that the public yearned for larger and more powerful cars, a view, he claimed, that was exposed as erroneous by foreign competition.

In fact, of course, as we know from the experience of the past four years, Professor Scitovsky’s own view of the public’s desires, colored no doubt by his own attitude toward size and power of cars, has proved to be largely erroneous, and any preference by the public for small cars has proved to be mostly a passing fancy, a view advanced by William Baumol at the same 1961 meeting.

There is overwhelming evidence that the view that television completely mistakes its audience is also fallacious. Of all the entertainment and information media today, television has the broadest appeal to the largest number of people. About 93 percent of the families in the United States own television sets. The average television family watches television for five hours or more per day, and has done so for roughly a decade. About 60 percent of all television sets are in use during peak evening hours. There is not more than a 10 percent variation from the national average when families are classified by income or education of head-of-

* For Notes, refer to pages 14 and 15.

household and when one measures the amount of viewing by each such class. Similarly, the distribution of the nighttime television audience, in terms of age and sex, is not substantially different from the distribution of the population in television homes.³

If these data suggest mass disenchantment with the offerings of the television medium, I hesitate to envisage the amount of viewing that would occur if broadcasters were better able to meet consumer demands!

The second and third criticisms of television programming—that numbers of viewers are seriously dissatisfied with the product offered them—presumably apply to large numbers of people and must involve substantial amounts of dissatisfaction, for no one expects any industry to satisfy every whim of every consumer. And presumably, too, the burdens imposed by the unique relationship between time and television programming are not part of this complaint. By this I mean that in television, unlike nearly all other entertainment and information media, a viewer has to be ready to view a program when it is broadcast, not when it might be convenient for the viewer. If he is a viewer who prefers minority fare, he has to be willing to rearrange his life to take advantage of such programs when they are available.

Among those holding the view that the television market mechanism leaves a major segment (albeit a minority) of viewers largely unsatisfied, are Professor Scitovsky and some members of the Federal Communications Commission. Also included, at the margin, perhaps should be Peter Wiles who in a recent article in *The Economic Journal*⁴ outlined a model of the American television industry in which he assumed that 10 percent of the audience currently watching mass entertainment programs really prefers programs with more intellectual content. This 10 percent, he felt, is richer and willing to pay much higher prices for its more specialized programming than the rest of the public.

The other hypothesis, namely, that most people are somewhat dissatisfied, that is, they are not normally able to view programs they would prefer but accept typical television programming as simply better than nothing, is strongly advocated by Jerome Rothenberg.⁵ Peter Steiner advanced a similar hypothesis for radio broadcasting over a decade ago.⁶ Rothenberg suggests that the following is “a not implausible characterization” of viewers’ preferences:

“...the first and other high choices of most people represent rather special...types of programs.... Each group that agrees on its high choices will probably be small, and the high choices of any one such group will probably be ranked rather low by most other groups. The only types of programs which will be ranked in middling positions by most groups will be relatively undifferentiated types: neither especially interesting nor uninteresting; non-controversial;...a lowest common denominator. Yet...these latter types of programs can outdraw the high choices of any group, and by substantial numbers.”⁷

To this structure of viewers’ preferences, Rothenberg joins the probability of there being only a few television stations in any area and of the fact that the financing of television programs is done by advertisers, who seek mass audiences,⁸ rather than by viewers. He concludes that “nothing whatever in the foregoing guarantees...[that] the result [will be] programming for majority taste.”⁹

Large amounts of evidence on the actual preferences of the public can be derived from the pay television experiments of recent years. Pay television, it will be noted, has been developed and promoted on the ground that it can provide the “serious” programming of high quality that audiences have been presumed to be missing in commercial television. As you may know, there have been three major tests of pay television since 1960.¹⁰ One was sponsored from 1960 to 1965 by International Telemeter, a subsidiary of Paramount Pictures, in a suburb of Toronto. One

was sponsored in Los Angeles and San Francisco in 1964 by a new corporation, STV, specifically set up for the purpose of entering the pay television business. And a third, sponsored by RKO-General, beginning in 1962 and still in existence, is based upon equipment developed by Zenith, in Hartford. The first and second of these operations involved distribution of programs to subscribers by cable. The third involved the use of a television station to broadcast pay television programs over the air to subscribers. The first two systems are not now in operation. The Hartford system is still operating.

The pay television operations have provided a wide array of program fare for their subscribers. These include recent motion pictures, special entertainment productions (including Broadway and off-Broadway plays, opera, ballet, concerts and recitals, variety, night club and cabaret acts), educational features, and sporting events not broadcast by commercial television.¹¹ If there were vast dissatisfaction with commercial television, one would perhaps expect one or more of these pay television operations to have produced evidence of substantial consumer demand. Or, to put it another way, one might expect sufficient numbers of people to have subscribed and to have paid sufficient sums to make it evident that pay television is viable. In fact, however, all the available evidence indicates that not one of the systems has been able to combine a sufficiently high proportion of subscribers with a sufficiently high level of per-subscriber weekly payments to make the thought of direct entrance into pay television very attractive to entrepreneurs. In the Toronto area, in 1962 when almost half of the families of the wired area were subscribers to the pay television system, weekly revenues averaged much less than a dollar a week.¹² At this level of saturation, such revenues are, in my view, clearly insufficient to support a viable, wired pay television system.¹³

In 1964, after the weekly minimum had been substantially raised, saturation of the wired area dropped to less than 15 percent and

per-family revenues rose to only a little over a dollar per week. This again is insufficient, in my view, to support a wired system.

In Los Angeles, during the period when the pay television system was in operation, saturation in the wired area averaged a little less than one-third and per-family weekly revenues, a little more than a dollar.¹⁴ In San Francisco, during the same period, saturation averaged about 20 percent and per-family weekly revenues, a little more than a dollar. This combination of saturation and revenue augured poorly for the pay television operation, even before the California vote that banned pay television in that state. [The courts have since declared the banning unconstitutional.]

In Hartford, per-family weekly revenues approach two dollars,¹⁵ but only with a minute fraction of the Hartford area subscribing (less than 4 percent). Whether Hartford could hold to this level of per-family revenues as it expanded its saturation is highly questionable, and an operation at this level is so marginal as to be of little competitive consequence in the broadcasting industry and afford little indication of consumer dissatisfaction with free television programming.

At any rate, the evidence from these three enterprises does not support the view that there are substantial profits to be earned by firms catering to the alleged desire of the public for more diversified program fare. This is a major reason why the rush of entrepreneurs of several years ago to invest in pay television systems has now largely vanished.

But, it may be suggested, it is unfair to compare the public's response to free program fare with its response to programs for which it has to pay. Perhaps, if both types of programs were made available at equal prices, the public's desire for "serious" programs and high quality would become more apparent. Pay television provides evidence on this score as well. The subscribers to each of the pay television systems were a selected group, indeed a

self-selected group. They include, one would imagine, the bulk of those who felt the need of additional types of program fare not now provided by commercial television. They certainly consist of families above average in income; thus, 58 percent of the Hartford subscribers, 62 percent of the Los Angeles subscribers, and 83 percent of San Francisco subscribers had family incomes of seven thousand dollars or more, as against only 40 percent for the United States as a whole.¹⁶ These subscribers have been offered, it will be remembered, a vast array of programs, ranging, for example, from "Lolita" to programs entitled "Meet Your Federal Government" and "Artisans of Florence," all the way from New York Rangers hockey games to "Tchin Tchin" and an evening with Joan Sutherland.¹⁷ What did these viewers choose to watch out of this array of programs?¹⁸ In Hartford, the highest-rated program in the first two years of operation was that important cultural event—the Liston-Clay prizefight. No less than 83 percent of all subscribers viewed this stirring program.

The next to the lowest-rated program, out of the 599 separate programs offered, you will be interested to learn, was entitled, "You and the Economy," in which several professors of economics from neighboring institutions participated. This program was able to induce literally only one subscriber out of 4717 to watch its performance!¹⁹

More seriously, the average cumulative rating per-feature for motion pictures shown in Hartford was 20; that is, an average of 20 percent of total subscribers watched each film shown. The average rating of athletic events was almost 10. The average rating of specials (plays, opera, ballet, concerts, etc.) was 8.7. The average rating of educational features was less than 1.

In Los Angeles, the average rating of baseball games was 12; in San Francisco, 13. The average rating of U.S. movies was 11 in Los Angeles; 6 in San Francisco.²⁰

The average rating of specials in Los Angeles was 3; in San Francisco, 2. The average rating of educational programs was 1 in Los Angeles, and 1 in San Francisco.

In terms of total expenditures by subscribers, 84 percent of all revenues in Hartford were derived from motion pictures.²¹ Another 11 percent came from sports. Less than 5 percent came from specials and educational features. In Los Angeles, films accounted for 39 percent of all revenues, and sports for an additional 44 percent. Only 18 percent was received from specials and educational features.²² In San Francisco, the figures were quite similar.

In other words, at fairly comparable prices for all offerings, 80 to 90 percent or more of all subscribers' expenditures was directed to motion pictures and sports.²³ Surely this is not the picture of an audience yearning for diversified fare! Indeed, if there is an unsatisfied minority, these data suggest it has been a minority demanding more motion pictures and sports, rather than more serious drama and exciting chess games.

The second demand on commercial television to which I referred earlier has been for additional stations or, to put it another way, for additional signals in the many communities which are served by fewer than three stations and therefore are unable to receive full three-network service. Without detailing the history of this area of conflict, I can summarize by saying that there have been two separate problems. In some larger markets, where three or more stations could be supported, the FCC allocations did not or could not provide for three or more equally competitive facilities. In smaller markets, three or more stations have never been able to be supported, regardless of FCC allocations.

There is a long history of efforts to resolve both the basic difficulties—UHF assignments, de-intermixture, drop-ins, the all-chan-

nel receiver, networks' special sales plans for small markets, etc. But a recent and rapidly expanding phenomenon bears witness to the intensity of desire of the American people for more choice within current programming.

If one looks around the television industry for the great new success story of the last half-decade, it is clear that it must be CATV. CATV is an acronym for community antenna television systems, which are enterprises that bring into a community signals from distant television stations and distribute these signals locally through the use of cable. At the end of 1964, there were about 1400 CATV systems in the United States, with about 1.4 million subscribers. Subscriptions to community antenna systems have been growing at the rate of 15 percent per year in recent years.²⁴ Entry into this market has been growing rapidly; more systems started in 1964 than in any prior year and 1965 showed even greater activity.²⁵

What does CATV generally provide? Initially it offered commercial television signals in areas where it was difficult to receive any at all or where only a single station could be received.²⁶ Now we are getting evidence that even where families can get two network signals, they are willing to make initial payments and to incur a continuing monthly charge of \$4.50-\$5.00 in order to get service from the third network. Thus, a tabulation of CATV systems that have started operating in the last nine months shows that at least 15 percent are instances in which a third network service was essentially what was being provided by CATV.²⁷

The second and third networks, and the independent stations carried on CATV systems, of course, provide not "serious" programming in the sense in which this term has been used in this paper but rather further choice within the more restricted entertainment universe of commercial television. Apparently for this kind of choice, which I have here termed an increase in the "quantity"

of television signals, rather than an increase in "diversity," a sufficient fraction of the public is willing to spend sufficient sums of money to help create a profitable and rapidly growing new industry.

Indeed, when a CATV system wishes to upgrade its offerings, it increases the numbers of channels its cable system can offer and brings in not just three but a larger number of outside commercial stations.²⁸ The programming of such stations is largely duplicative except for some variety in motion pictures during the early and late evening and in sports and syndicated fare.

In other words, judging by the experience of the last half-decade, the public appears to have been in favor of an increased quantity of signals providing similar kinds of fare, not of more "serious" program fare.

The market tests have not been perfect, and plausible hypotheses might perhaps be invented that would explain away the public's response. But I think that the weight of the evidence is substantial and that our conclusion must be that the public has opted for a substantial preponderance of entertainment programming²⁹ of the kind now being broadcast. Their desires have been for more such, particularly more movies and sports, and the evidence to show that there are large numbers of people eager for other kinds of programming is difficult to find.

The views expressed in this paper are, of course, those of the author and do not necessarily reflect the views of CBS.

Notes

1. Tibor Scitovsky, "On the Principle of Consumers' Sovereignty," *Papers and Proceedings of the Seventy-fourth Annual Meeting of the American Economic Association*, December, 1961, p. 266.
2. *Ibid.*, p. 267.
3. These data are based upon information provided by the A. C. Nielsen Co.
4. Peter J. D. Wiles, "Pilkington and the Theory of Value," *The Economic Journal*, June, 1963.
5. Jerome Rothenberg, "Consumer Sovereignty and the Economics of Television Programming," *Studies in Public Communication*, Autumn, 1962.
6. Peter O. Steiner, "Program Patterns and Preferences and the Workability of Competition in Radio Broadcasting," *Quarterly Journal of Economics*, May, 1952.
7. Rothenberg, *op. cit.*, pp. 48-49.
8. Rothenberg leans heavily on the assumption that there is an immutable law of advertising which indicates that "repetition of ad exposure bears disproportionate sales payoffs..." He deduces from this law that advertisers will prefer to concentrate their commercials in as few programs as possible in order to maximize "the size of the *continuing* audience over the series of programs." In fact, there is no such law. And most advertisers in television today are scheduling their commercials in order to achieve as much reach as possible, rather than as much repetition.
9. *op. cit.*, p. 47.
10. In 1957-1958 there was a fourth test—in Bartlesville, Oklahoma—that was somewhat more limited in scope than the more recent tests. In even earlier years (1951 and 1953-1955), there were several experiments of very short duration in Chicago and Palm Springs.
11. In Hartford 599 programs were shown during the first two years of operation. Of these 432 were feature films (including 18 foreign-language films), 79 were live sports events, 35 were specially produced entertainment features, and 53 were educational features. *Joint Comments of Zenith Radio Corporation and Teco, Inc. in support of Petition for Nation-wide Authorization of Subscription Television*, before the Federal Communications Commission, Docket 11,279, March 10, 1965, pp. 73-82.

In Los Angeles, from July 17 to September 22, 21 percent of all programs shown were feature film (including foreign-language film), 15 percent were baseball games, 19 percent were specials, 33 percent were educational programs, 6 percent were children's programs, and 6 percent were sports films. In San Francisco, from August 14 to October 20, 29 percent of all programs shown were feature film (including foreign-language film), 10 percent were baseball games, 18 percent were specials, 34 percent were educational programs, 4 percent were

children's programs, and 5 percent were sports films. "Study of Consumer Response to Pay TV," Oxtoby-Smith, Inc., August 9, 1965, pp. 25-26.

12. *Ibid.*, p. 20. All of the data on average per-family revenues in Toronto, Los Angeles, and San Francisco were gathered by sample surveys.
13. The major cost elements in a wired pay television system are the distribution cable, the drops to individual homes, the program selector units, programming, and administration. Broadcast pay television omits the first two cost elements but substitutes the costs of operating a station. For wired systems, subscriber saturation in a given area is inversely related to per-family costs, because of the importance of the distribution cable in the total cost picture. Per-family costs in a broadcast pay television system are less seriously affected by variations in saturation.
14. Oxtoby-Smith, *op. cit.*, p. 20.
15. *Joint Comments of Zenith and Teco...*, pp. 31, 84.
16. *Ibid.*, p. 21; Oxtoby-Smith, *op. cit.*, p. 22.
17. *Joint Comments of Zenith and Teco...*, pp. 73-82.
18. The prices charged for programs didn't vary very much among program types. Thus, charge for lectures and educational programs averaged \$.71 per program during the second year of the Hartford operation; charges for feature films averaged \$1.03; and average charges for the remainder of the program types ranged between \$1.37 and \$1.62. *Ibid.*, p. 19.
19. The lowest-rated program was entitled, "Presidential Leadership," and had no viewers at all.
20. Oxtoby-Smith, *op. cit.*, p. 25. Baseball was the only live sport offered in Los Angeles and San Francisco.
21. *Joint Comments of Zenith and Teco...*, p. 19.
22. Oxtoby-Smith, *op. cit.*, p. 25.
23. In Los Angeles and San Francisco, more than half of all programs offered were specials and educational features; less than half were films and sports. In Hartford, about 15 percent were specials and educational features; the remainder, movies and sports.
24. *Economic Analysis of CATV Growth and Impact*, submitted by CBS to the FCC, July 22, 1965, as Exhibit A of Comments Filed in Docket 15,971 and reprinted in *Television Digest*, August 2, 1965.
25. "Reply Comments of Association of Maximum Service Telecasters, Inc.," Docket Nos. 14,895, 15,233, and 15,971, before the Federal Communications Commission, September 17, 1965, Attachment A, p. 5.
26. Because of distance from transmitters or because of terrain problems.
27. *Television Factbook* No. 35 and Addenda. Examples of such systems can be found in Temple, Texas; Stevens Point, Wisconsin; Steubenville, Ohio.
28. Plus an occasional educational station, as well as radio stations.
29. Plus a significant and growing amount of hard news.