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Berry, Steven T.; Waldfogel, Joel, "Public Radio in the U.S.: Does it Correct Market Failure or Cannibalize Commercial Stations?", *Journal of Public Economics*, Vol. 71 (2), p 189-211, February 1999.

In finding this article, I searched the EconLit database for articles pertaining to jazz and found, to my utter indignation, merely seven articles, none of which truly pertained to the style of music that invokes happiness in me every day. However, this article, which explores the relationships between commercial and public radio stations, struck me as I remembered the public jazz station that I listened to in high school. Narrowing down my search, then, became fairly easy as I was intrigued by the propositions made by the article's description. I was already on my way to discovering the effects of public entry into commercial markets, not to mention the implications of government cutbacks on funding to public stations.

In a world of increasingly diverse styles and forms of music, a naturally increased need and demand for variety on the radio places pressure on the market to meet these demands. Steven Berry and Joel Waldfogel search for areas of underprovision and examine the role of public stations in the market, all the while attempting to determine whether or not substitutability exists between public and commercial stations. The displacement of a commercial station by a public station implies similarity in format (i.e. the musical and organizational aspects of each station) and thus redundancy on the market. Berry and Waldfogel do not propose to find a better method of allocating public and commercial radio services within the numerous markets in the U.S., but, rather, they intend only to question the efficiency of the current coexistence of public and commercial jazz and classical radio stations and to propose further research of the market. This article relates to a number of topics that have been covered this semester, including supply and demand, market entry, and maximizing utility. Thus, the article demonstrates the practical application of these concepts while, at the same time, pertaining to the subject matter at hand.

After having gathered statistics from several sources about 165 markets nationwide, 88 of which include public radio stations, Berry and Waldfogel systematically examine their data, beginning with an investigation of the relationship between market size and format presence. Finding that the presence of more formats, and therefore of a wider variety of music, correlates with the size of the market, they conclude that a sufficient level of population is necessary for a commercial station to attract enough listeners to cover the costs of programming with advertising revenue. They also hypothesize that, on a superficial level, "public provision rises slowly across market sizes until the top quintile, when it falls, perhaps because of the prevalence of commercial provision" (196). Leaving this aside for the time being, Berry and Waldfogel find that greater product variety, that is, the number of formats available, corresponds to more listeners and thus a greater amount of utility for the public and the market.

The less substitutability that exists between public and commercial stations, the more efficiency a market has in supplying diverse formats. An estimate of the amount of substitutability may be indirectly inferred

from the extent to which stations with similar formats draw the same listeners. Commercial listening, Berry and Waldfogel observe, declines as the number of public radio stations increases; however, this negative relationship is only significant in classical music. In addition, public station revenue declines in both jazz and classical formats as the number of commercial stations increases, but, again, only significantly in the case of classical stations. Thus, substitutability appears to exist between commercial and public classical stations. Indeed, Berry and Waldfogel note many direct similarities between the playlists of public and commercial stations, and if these stations are playing precisely the same music, they are doubtlessly substitutable. Further confirmation of this substitutability rests in the crowding out of commercial stations by public stations. According to this article, in large markets, each public classical station causes a reduction of up to 0.5 commercial classical stations in each market. A similarly negative reduction rate exists, to a lesser extent, for jazz stations. Viewing markets in this way, the hypothetical absence of public stations would result in a commercial response covering a bulk of classical stations and a few jazz stations in larger markets. Concluding their study, Berry and Waldfogel admit that the exact value of certain stations to listeners is not taken into account and that much further study is necessary to find exact and conclusive evidence of the hypotheses they bring to light. However, they assert, some commercial displacement of public classical and jazz stations would reduce public and government funding that could possibly be going to "waste" presently.

This article was indubitably well written, the information clearly set out and postulated with care. The authors were careful to inform the reader of the possible pitfalls of the evidence and used (mostly) ample means to counter those misinterpretations with logic and skill. Given the clear and convincing nature of this article's prose and evidence, the rather superficial analysis of public and commercial jazz stations both confused and disturbed me. As an avid jazz fan aware of the content of both commercial and public jazz stations and the differences between them, I take great issue with the conclusions yielded by Waldfogel and Berry. Commercial jazz stations generally air "smooth jazz," which blends the improvisational aspects common to all "jazz" with easy listening music to form a music most commonly heard in the nation's supermarkets, department stores, and elevators. Public jazz stations, on the other hand, generally play a musician-oriented "traditional" jazz based on standard repertoire and various styles such as swing, bebop, cool, and hard bop dating anywhere from the 1920s to present. This jazz, as opposed to smooth jazz, attracts an audience comprising aficionados, professional or aspiring musicians, and other lovers of this traditional African-American music, an audience willing and ready to support a small public radio station in need of funds. Having visited many of the metropolitan areas evaluated in the top quintiles of this article's data, I assure you that not one of these areas, with the possible exception of New York City, includes a commercial jazz station whose format contains the traditional style of jazz mentioned above. In addition to this, traditional jazz statistically comprises a mere 2-3% of the nation's music sales, a percentage of the population too small, by the standards mentioned in this article, to support a commercial station's costs. Thus, any similarities between public and commercial jazz stations are few and far between. Berry and Waldfogel, claiming to have found "evidence of substitutability of commercial and public programming in jazz" (209), make an unfounded and reckless conclusion. Furthermore, they negate this conclusion at several points earlier in the

article and only support it with the weak and indirect evidence of a mild displacement of public stations by commercial stations in large markets, evidence drawn merely from the decrease in commercial listening congruent with the increase of public stations. While many possible conclusions may be drawn from this evidence, Berry and Waldfogel seem to have drawn a specific conclusion conveniently consistent with their evidence in classical music. Any study of the playlists of commercial and public jazz stations around the country will certainly reveal evidence negating such a conclusion. Despite this drawback to their conclusions, Berry and Waldfogel thoroughly presented their evidence and brought many aspects of public and commercial radio to light, thus presenting a topic that merits further research.