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# The Future of the BBC

Dieter Helm

New College, Oxford

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# Some Questions

- Why is broadcasting different?
- What are the market failures?
- What are the range of second best options?
- How good has policy been so far?
- What might happen to the BBC?
- What should happen to the BBC?



# Why is Broadcasting different?

- Information is - in economics - special (not a pure commodity)
- Broadcasting is a public good
- Independence is vital for democracy (another public good)

⇒ Can't allow vested interests to capture main media

⇒ Can't expect market to produce optimal outcomes



# What are the Market Failures?

- Multiple externalities
  - Scale economies and channels
  - Public good ( $MC \rightarrow 0$ )
  - Demand side problems  
etc, etc, etc...
- 
- And lots of government failures too



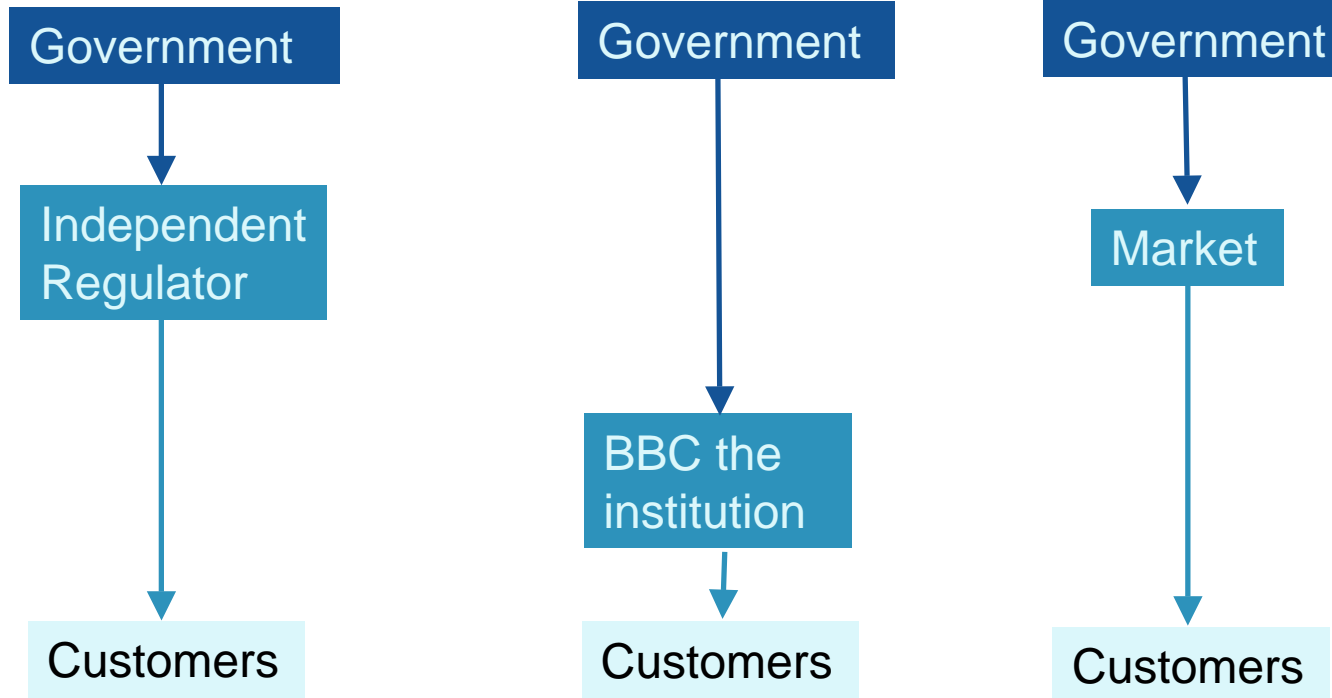


# What is the Range of Second-best Options?

- The Criteria:
  - The fixed costs need to be recovered - some form of revenue collection
  - the mechanism needs to ensure independence



# The Independence Argument



# Options

- Advertising
- Club membership fee
- Subsidy (direct and indirect)



# How Good has Policy been so far?

- BBC widely regarded around the world as a great success
- Others try to copy it
- Value for money very high

and entry has been continuous and is now wide open

- Other media not so happy an outcome
- High concentration, highly personalised
- Independence undermined elsewhere
- Costs of rivals expensive





# What might happen to the BBC?

- The TV set no longer the location of a licence

But...

- Not rocket science to think of an alternative

- The licence fee hard to justify for those who don't join the club (what is the club?)

But...

- Other options have their drawbacks too



# What should happen to the BBC?

- An extraordinary British invention which should not be accidentally abolished - or left to wither away
- Licence fee as a club membership fee has a lot going for it
- Not impossible to find a charging base

→ Licence fee has lots of problems, but less than the other options

→ Democratic value of independence



# For Information



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