

Comment stems from the fact that it provides an example of the employment of models, constructed for one purpose, in a context where they do not fit, either in assumptions or in facts. Models in principle are useful. In practice, their usefulness is in direct proportion to their appropriateness to the facts and the mores to be analyzed.

## REJOINDER

Professor Smythe's overall objection to the Comment is that facts in the communication industry do not fit the economic theory applied.

He points out first that broadcasting is not the most important use of the radio spectrum. "Surely it is not seriously intended that noncommercial radio users (such as police), the nonbroadcast common carriers (such as radio-telegraph) and the nonbroadcast commercial users (such as the oil industry) should compete with dollar bids against the broadcast users for channel allocations." It certainly is seriously suggested. Such users compete for all other kinds of equipment or else they don't get it. I should think the more interesting question is, Why is it seriously suggested that they shouldn't compete for radio frequencies? If the illusory comfort of free service to government is considered essential, then it would still be possible to treat differently the broadcasting and other segments of the radio spectrum. The result would be that government would be saved from the self-knowledge of what such services cost and, unlike other consumers, would not have to decide whether they were really worth it in comparison with available substitutes.

The next objection is that broadcast frequencies are not isolated technologically from other uses of the radio spectrum. Professor Smythe appears to conclude from the objection that there are peculiar conditions in broadcasting which make it impossible for the rational self-interest of individual participants in the broadcast frequency market to avoid chaos and confusion as it does in other markets. As a result, he is able to conjure up disconcerting possibilities such as interference between different users of the radio spectrum. But the government in maximizing its revenue from frequency channels would inevitably, as any rational entrepreneur, lease them under such conditions as are necessary to avoid conflict between its licensees. In maximizing revenue, it is essential that a landlord avoid chaos or else his tenants move and revenue is not maximized. The landlord of an office building does not permit free access by all tenants to each other's quarters, although within certain limits he permits complete freedom within those quarters.

Professor Smythe's third objection is based on the problem of monopoly in the radio industry. The present "solution" to this problem is a limited amount of regulation by the FCC which does not extend to prices charged and therefore shelters the profits of those who are permitted to enter the industry and stay there. The peculiar nature of the monopoly problem in the radio industry is that there are only a limited number of channels available and if these were allocated on a competitive market, the prices charged might become very high, but this is true also of other communications industries, e.g., the film industry, where the cost of entry is very high because the size of a minimum production unit is large. The movie industry has been accused at times of catering to its class interest in forming public opinion, but in recent years it has been accused much more frequently of indiscriminately employing Communists and fellow-travelers, presumably because they turn out a product which brings in the greatest amount of profit (at least no other reason has been suggested). There is probably little doubt that the film industry would be willing to mold public opinion if it didn't cost too much, but the desire for profit remains a great restraint, too great a restraint, some would say. It is difficult for me to see why the radio industry is different and requires *peculiar* antitrust legislation to protect the public.

The last and, I think, really fundamental objection made by Professor Smythe is that the radio industry is not like the grocery industry because "it should have educational and cultural responsibilities," which can only be enforced by a commission. I for one would take my chances on operating the radio industry like the grocery industry with the hope that those with education and culture in our society will get their hands on a sufficient amount of money to make their needs felt. The existence of certain private universities, colleges, publishing firms and newspapers in this country makes this seem a not too fantastic hope.

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