10 Media Concentration, Economics, and Regulation

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Issues of media concentration have been debated by social observers for much of the second half of the twentieth century, and assertions that concentration is occurring have dominated much of the discussion about change in media and communications systems in recent years. These debates begin with the assumption that the creation of large communications conglomerates has produced and is continuing to produce concentration and is limiting the abilities of individuals to receive information and ideas domestically and worldwide.[1]

Recognition of the problems of media concentration has arisen from the understanding that economic, as well as social, controls constrain and influence media, just as significantly as governmental/political controls do.[2] These issues have become especially salient as changes in public policies throughout the developed world have ended traditional public service broadcasting monopolies by creating parallel commercial broadcasting. Only large companies, however, have the financial resources to establish new video media. That fact, coupled with mergers in print media and the emergence of large media conglomerates, have created significant concerns about economic constraints on news, information, and opinion. These changes follow on the heels of social, economic, and cultural shifts that have reduced the political and social focus of many print media and led to increasing commercialization of all media.

The import of media competition and concentration varies from country to country and region to region depending upon culture, politics, and the traditional role of the media in political and social processes. The effects of the contemporary media environment in a nation such as the United States (where a commercial media system has been the dominant paradigm for two hundred years) can be expected to be less traumatic than in a nation such as Sweden (where a political press system and a public service broadcasting system have been the tradition). The responses to such changes can be expected to vary and will be dictated by social, political, and economic traditions—as well as the political will—of those nations.[3]

The size of acquisitions and mergers involving well-known media companies is illustrative of the continued development of large media institutions. These mergers have attracted a great deal of attention and sparked significant debate in recent years. In the United States, Time Warner Inc.'s $7.6 billion purchase of Turner Broadcasting Systems Inc. in 1996 created the largest media firm in the world with strong cable distribution, programming, and print divisions. Walt Disney Company's $19 billion acquisition of Capital Cities/ABC Inc. in 1995 created the second largest media conglomerate, with extraordinary strengths in programming, broadcasting, and cablecasting. Viacom Inc.'s $9.9 billion purchase of Paramount Pictures in 1994 brought together a major cable and video firm with a premier television and film producer, and its $8.4 billion acquisition of Blockbuster that year brought in video and audio retail outlets and additional film library resources.

Elsewhere in the world similar acquisitions by media giants have taken place as well. Australia's News Corp. (especially well known in the United States for Fox Network and the Twentieth Century Fox studio) purchased Asia's largest satellite broadcasting system, Star TV, and entered ventures in North America and Latin America to provide service there in addition to its existing European operations. In France, Havas has increased its hold in cable services and production by solidifying its position as the largest shareholder in Canal+. Germany's Kirsch Group has purchased programming libraries worldwide and has become Europe's largest holder for film and television rights. It now owns rights to more than 15,000 feature films and 50,000 hours of TV programming. Conrad Black's acquisition of Southam in Canada in 1996 gave his company, Hollinger Inc., control of two-thirds of the newspapers in that country.

The creation of such large firms should give us all serious reason for concern. However, those who uncritically accept the argument that concentration is rampant and is diminishing sources of news, opinions, and entertainment, embrace a distorted view of concentration that ignores changes in media and communications systems and in the number of operators. By uncritically accepting the simplified view, they miss the complexities of the issue and the broader effects of the creation of large-scale commercialized communications systems and media.

This chapter will explore the nature of the concentration resulting from acquisitions and mergers and the reasons for it. It also will discuss trends in concentration, regulatory problems surrounding their development, and their effects on the type and content of information and entertainment.

The Nature and Issues of Concentration

When discussing "media concentration" it is necessary to truly understand the term and to keep in mind why it should be a real concern. This perspective helps us to focus on the real problems and to identify solutions without being side-tracked by simplistic rhetoric or unrealistic proposals.

Media concentration is not the mere creation of large companies. Although concentration can create large companies, the two are not synonymous. Large firms can exist in highly competitive and relatively unconcentrated industries and markets, and small firms can exist in monopolistic and concentrated industries and markets. Developments in the communications field should not concern us merely because we are witnessing the emergence of larger companies. Although they are highly visible, the largest media conglomerates are small- and mid-sized compared with major manufacturing and retailing companies. In 1996, for example, large communications firms such as Walt Disney Co. and Viacom had revenues of $18.7 billion and $12 billion respectively, compared with $158 billion for General Motors and $93.6 billion for Wal-Mart.

Clearly, however, communications firms have been highly involved in the largest acquisition and merger activities of the past two decades. One-third of the largest corporate mergers from 1980 to 1995 (adjusted for constant dollars) involved communications firms (see Table 10-1). It must be noted, however, that none of the communications mergers is in the top ten list. The largest communications merger is approximately one-third the size of the largest corporate merger overall.

Large size does not necessarily guarantee the survival of a media firm.[4] Size can empower as well as constrain a manager's actions. It can provide strength and economies of scale, but it also can make enterprises difficult to manage and cause inertia or slow response when change is needed. Size can create greater dependence on outside capital or vulnerability to rapid economic changes. As a result, size alone is not a reason for concern.

Changes in ownership of communications firms are often pointed to as evidence of concentration. But ownership changes are not synonymous with concentration and are not in and of themselves evidence of a diminution in quality or diversity. Different forms of ownership create both excellent and poor media content and employment situations. The determinant of excellence is not the ownership but the management of the firms and their behavior. Ownership changes alone, then, should not be the primary reason for concern.

The real reasons for concern about media concentration are not mere size or ownership but because concentration can harm consumers, harm other

Table 10-1. The Thirty-six Largest Mergers and Acquisitions, 1980–1995

Rank	Merged companies[a]	Amount adjusted to 1995 dollars (in billions)	Year
1	Gulf Oil and Standard Oil	$61.4	1984
2	Getty Oil and Texaco	$46.3	1984
3	Conoco-Dupont	$44.7	1981
4	RJR Nabisco-Kohlberg Kravis Roberts	$36.4	1989
5	Marathon Oil-US Steel	$34.0	1982
6	Texas Gulf-Elf Aquitaine	$30.0	1981
7	Farmers Group-B.A.T. Industries	$29.4	1988
8	Sterling Drug-Eastman Kodak	$28.9	1988
9	Superior Oil-Mobil Oil	$26.1	1984
10	Beatrice-BCI Holdings	$24.5	1986
11	General Foods-Philip Morris	$24.0	1985
12	Shell Oil-Royal Dutch Shell	$24.0	1985
13	Safeway Stores-SSI Holdings	$21.3	1986
14	**McCaw Cellular-AT&T**	$19.5	1994
15	**CC/ABC-Disney**	$18.8	1995
16	Pillsbury-Grand Metropolitan	$17.5	1989
17	Kraft-Philip Morris	$16.9	1988
18	**Warner Communications-Time**	$16.8	1989
19	Marion Labs-Dow Chemical	$16.2	1989
20	Squibb-Bristol Meyers	$14.4	1989
21	Standard Oil-British Petroleum	$14.1	1987
22	**US West Cellular-AirTouch Cellular**	$13.9	1994
23	**Nynex Cellular-Bell Atlantic**	$13.0	1995
24	NCR-AT&T	$10.7	1991
25	**MCA-Matshushita**	$10.0	1991
26	**Paramount-Viacom**	$ 9.9	1994
27	Chase Manhattan-Chemical Bank	$ 9.9	1995
28	American Cyanamid-American Home Products	$ 9.9	1994
29	SmithKline Beckham-Beecham Group	$ 9.4	1989
30	**Blockbuster-Viacom**	$ 8.2	1994
31	Federated Dept. Stores-Campeau	$ 8.2	1988
32	Marion Merrill-Dow Chemical	$ 7.1	1995
33	**Turner Broadcasting-Time Warner**	$ 6.9	1995
34	Scott Paper-Kimberly Clark	$ 6.8	1995
35	**MCA-Seagram**	$ 5.7	1995
36	**CBS-Westinghouse Electric**	$ 5.0	1995

[a] Communications firms are shown in bold face.
Source: The author.

media, and harm society as a whole. Concentration can harm consumers by producing higher prices, fewer choices, and poorer service. Concentration can harm other media when it gives dominant firms control over resources needed by smaller firms. Concentration provides greater strength that can be used by one company against another in competitive situations. Concentration can produce harm to society by creating less diversity and raising the prospect of

political, social, and cultural control. Damage caused by these concentration problems should be the focus of our attention and concerns.

Part of the difficulty in discussing media concentration results from the term being imprecisely used. This often leads to confusion and difficulties when debates on concentration take place. It is important to distinguish between two uses of the term: 1) concentration of ownership and 2) concentration in the purely economic sense.

Concentration of ownership typically is explored by considering the number of media units or the percentage of ownership held by dominant firms in a province or nation, or regionally or globally. This use of the term tends to be by individuals concerned with social and cultural effects. Knight-Ridder Inc.'s $1.65 billion acquisition of the *Ft. Worth Star-Telegram*, *Kansas City Star*, and two other papers from the Walt Disney Co. in 1997 increased the number of daily newspapers owned by Knight-Ridder to forty-two and is an example of concentration of ownership. Concentration of ownership also tends to have economic effects when it reaches about 25 to 30 percent in a given industry. In recent years many observers have assumed that the development of large media firms and the extensive acquisition and merger activity are necessarily producing concentration of ownership.

The second type of concentration—concentration in the strictly economic sense—defines a clear geographic market. At issue is the degree of market power any firm or group of firms has in that market. In media terms this is typically a city and its surrounding market area, but a larger geographic market can at times become the focus. The Knight-Ridder purchase of the *Ft. Worth Star-Telegram* did not increase the firm's market power in the region because it did not own other newspapers or related media properties in that local market.

There is a relationship between the two concepts, but they are not synonymous. The first is useful for analysis of trends in ownership and for understanding the scope of companies' operations and potential for influencing discourse. The second is important for the application of antitrust laws, which rely upon economic measures of harm from monopoly power.

Causes of Concentration

Many observers cite explicit financial gain as the rationale for acquisitions and concentration: internal pressures, decisions, and desires are ignored. This presents a highly distorted view of the source of concentration and realistic public policy responses to it.

Much acquisition activity occurs for managerial reasons other than financial gain. It may be deliberately sought by managers to take advantage of beneficial tax laws; to gain economies of scale, scope, and distribution; to reduce risk; to control the sources of their needed resources; and to try to reduce fluctuations in income and profit and obtain financial stability. In other cases acquisition activity is driven by fear, ego, and avarice.

Ego and avarice have driven some media barons to create communication empires. Fear has also been a motivating factor particularly in recent years as company managers have faced uncertain futures because of technological developments and their potential effects on traditional communications media.[5]

Changes in technology and in the number of media competitors have reduced average audience size—a significant impetus for the development of firms owning multiple media units. These changes have profoundly affected media firms accustomed to large audiences and high profits. In the United States, for example, prime-time network shows could count on one-quarter to one-third of the audience three decades ago, but today are lucky to pull 10 to 12 percent because audiences are watching scores of other channels and networks. Advertisers, not willing to squander their money on network shows with declining audiences, are spreading shares of their advertising budgets more widely as audiences diminish. As a result, individual programs and media units produce lower profits than in years past.

Eager to hang onto audiences and increase the profitability of firms, media managers have taken numerous actions. They have reduced the cost of content, produced content that is designed to increase audience interest, attacked government regulations that increase the costs of their operations by requiring unprofitable or less profitable programming or other content, sought advantages from operating multiple units of the same media, moved into new media and communications operations, and opposed government regulations that constrain such ventures.

Company analysts in investment houses use growth in the size of firms and in the size of revenues and profit as primary measures of success. Their views have been embraced by the managers of commercial communication enterprises, especially those of public companies. In order to appear to be successful managers, these individuals must either make the firm increase in size or increase its cash flow and returns.

Another factor promoting mergers and acquisitions in communications industries worldwide is the general lack of research and development by major companies. Most technical, system, and programming innovations in the communications fields in the past twenty years have come from small companies. In many cases these small firms were then purchased by larger firms to obtain access to those innovations.

Because of nearly constant news of large acquisitions, mergers, and joint ventures over the past few years, it is easy to think that giant communications firms are being created with tentacles reaching into every communications sector worldwide. In order to help understand these developments, many critics have created and used "maps" showing the divisions, subsidiaries, and other investments of the top firms as evidence of concentration of ownership in the media industries.[6] Although these maps and other listings of the holdings of major media firms show the breadth of the companies' activities, they should not be accepted uncritically.

When one closely examines the results of the activities that create concentration, single firms with operations everywhere are not most noticeable. Rather one can see specific movements into a few fields that make strategic sense for firms. Although initial acquisitions may give broad ownership, branches that do not support the strategic goals are often divested later on.

Understanding the business strategies and decisions of different communications companies is critical to understanding the acquisitions and mergers in the industry. Media companies tend to follow specific goals in their operations, pursuing strategies that emphasize ownership in operations in one medium (focusing on newspaper ownership, for example) or many media (pursuing ownership of broadcasting and print media). Simultaneously, they pursue strategies that emphasize domestic operations or move the firms into transnational and global communications operations.[7] Not every firm pursues the same strategy, and not every firm behaves in the same manner. Understanding differences between the strategies is critical when trying to interpret the meaning and effects of media acquisitions.

The results of some of the strategies can be seen across communications industries, where general patterns of acquisitions, expansion, and joint ventures are beginning to emerge. Major film and television production companies are globalizing their operations to increase production. One example is MCA Television Group's $1.5 billion agreement in 1997 with the popular German channel RTL (owned by Compagnie Luxembourgeoise de Telediffusion) for the coproduction of two dozen broadcast series. In addition owners of film and television rights are seeking to increase their holdings in that area. Metro-Goldwyn-Mayer doubled its film library with a $573 million purchase of more than 2,200 films from Metromedia International in 1997.

Cable system companies are acquiring film and television libraries, cable networks, and production studios, as is seen in Viacom's 1994 purchase of Paramount studios. Television networks and station owners are expanding the scope of their operations by buying into and creating cable networks, as did Fox Broadcasting Co. when it acquired one-third ownership of the Golf Channel in 1996 for $50 million. Newspaper companies are moving primarily into book publishing and electronic services that complement their information orientations. For example, the Times Mirror Co. has acquired professional and business book publishers, including Shepard's, the nation's leading legal citation service, in 1996.

One reason for the growth of large firms has been their desire to reduce risks from operations in only one sector of the media economy. Many firms use diversification to smooth sales and profit fluctuations, to stimulate growth faster than if they concentrated on a single product or service, and to ensure that performance is not dependent on the economic cycles of one location or industry.[8] During different business cycles "different branches of trade and different sections of the country are found to be the chief sets of activity, the chief sources of stress, and the chief sufferers."[9] A conglomerate that is heavily invested in newspapers may choose to diversify into cable systems, which are less affected by fluctuations in advertising sales. A firm whose media holdings are primarily in the Northeast United States may purchase outlets in the Southeast, which has a different economic base and is affected differently by business cycles.

In short, companies that begin in one media operation often diversify into other media operations so that they are not as dependent upon advertising or not as affected by depressions or recessions in their initial communications industry.

Amount of Concentration

During the 1990s, concentration of ownership in communications industries and economic concentration have not increased significantly in the United States. Skeptics' initial reaction may well be: "How is it possible to have the large amount of cross ownership, horizontal and vertical integration, and joint ventures without creating more concentration?" The answer is that the communications industries are not the same size they were and that the electronic and entertainment industries, especially, are far more competitive and less concentrated today than they were twenty-five years ago.

In the past the three television networks controlled up to 90 percent of the audience each night. Today, even combining their ownership of cable networks, the figure often reaches only 50 to 60 percent each night. The remainder of the audience has shifted to broadcast and cable networks and independent stations, operated by other firms.

The motion picture studio system, which tightly controlled production and film employment at mid-century, has broken down, giving rise to independent production companies that have loosened some of the control of Hollywood. And the entertainment industry as a whole is far less an American industry than it used to be, with growing imports—especially on cable television—from Canada, Europe, and Australia, and large numbers of coproductions with foreign producers. Because of such changes, the dominant hold of large American enterprises on domestic and global media markets is eroding.[10]

The newspaper industry is one area where concentration of ownership has been clearly evident over the past twenty-five years because of the growth of group ownership. The results of this concentration are mixed and not universally harmful for newspapers.[11] This concentration of ownership, however, has led to monopolies in the local marketplace for ideas.

Economic concentration (the creation of market power) has increased very slightly in the electronic distribution industries (television stations, radio stations, and cable systems). In the content production and packaging industry segments, however, concentration has declined. It has been reduced in book publishing, consumer magazines, film production, and television and cable networks.[12] Cross-segment activity is clearly increasing, but there is at present no efficient method of measuring it as economic concentration, so developments in that arena are unclear.

Compared with other Western nations, the United States tends to have less ownership concentration in communications industries. In the United States, the largest newspaper group has only about 10 percent of circulation, the top radio station owner has about 3 percent of commercial stations, the top TV networks each attract an average of less than 20 percent of viewers at any one time, and the largest cable system operator serves about 20 percent of households. In France the largest newspaper group has about 25 percent of newspaper circulation. In Canada the largest radio station owner has 8 percent of the commercial stations. In Sweden the top private television network gains about 45 percent of viewers at any one time. In Finland the largest cable system operator has about 75 percent of the households.

The relatively lower levels of concentration in the United States are attributable to geographic, economic, and technological factors as well as regulatory and legal factors. Broadcasting and telecommunications have typically been government or public service monopolies, but—in the developed world at least—those monopolies have been broken. New providers of news, information, and entertainment have introduced increasing competition.

Changes in regulation and technology have created the opportunity for many new firms to provide communications systems and content. Even with that change, however, the big companies and players still dominate media industries, although not to the degree they once did. It would be wrong to assume that the new players are bringing significantly different or new approaches to the industries. They have, in fact, similar motives and practices based on profit and commercial orientation.

Even though concentration per se is less than it once was, significant problems result from the highly commercialized communication systems. Increasingly, they are abandoning any social-service or public-service orientation. The deliberate integration of their operations in different media sectors is greatly affecting culture, politics, and society. The commercialized system places controls and pressures on communications that are as problematic as those caused by monopoly. It creates difficulties involving access to media, limits viewpoints outside the mainstream, and significantly curtails programming and other content that are designed to address social needs rather than commercial pressures.

Regulation of Concentration

The U.S. government regulates print media and electronic media differently. The U.S. Constitution limits government regulation of print media, and only laws and regulations that apply to all businesses or individuals are permitted. Thus, the government cannot make special laws regarding print media ownership and concentration. It can, however, create specific laws and policies for electronic media, and has done so to varying degrees since it began regulating broadcasting at the beginning of this century. During the past two decades, important policy shifts in the United States have come in the areas of electronic and telecommunication regulation.

In the United States national communications policies are created by the Congress and regulatory agencies, most notably the Federal Communications Commission and the Federal Trade Commission. When there are conflicts

between the Congress and regulatory agencies, or allegations that the policies or developments in the industries violate other laws or the Constitution, courts make decisions regarding the conflicts and charges.

The development of telecommunications and electronic media in the United States differs from that in other Western nations: U.S. media have been commercial since their inception. This is because of geographic and demographic distribution factors and the absence of a strong federal government with significant taxing ability during the early development of modern media and policy. Unlike other nations such as the United Kingdom, Germany, and France, the United States had a weak federal government in the first half of the twentieth century. The United States lacked resources because it did not have the ability to tax citizens until 1913, which reduced its ability to fund and operate a telephone or public broadcasting system even if it had desired to do so. Therefore, U.S. government policy typically established private monopolies or oligopolies in telecommunications and broadcasting as a means of inducing investment.

As a result, economic concentration and, in some cases, concentration of ownership were evident in these industries from their beginning. Twenty years ago, however, the government, with the backing of both major political parties, began efforts to reduce the power of that concentration and introduce more competition. In the process traditional monopolies in telecommunications were ended, and the government began significantly altering its regulation of broadcasting and cable services.

Four principles traditionally guided regulation of electronic media: 1) protecting military and intelligence interests in electronic communications; 2) protecting financial investments of existing firms; 3) locating media in as many cities as possible; and 4) increasing the media units in each market to the extent that existing firms' survival is not threatened.

The first principle stemmed from the development of broadcast communication for naval use and its initial regulation in the United States by naval authorities. The second principle stemmed from the lobbying by early communication firms for regulation that reduced risk in investing in radio and then television. The third principle emerged from the desire to create localism in electronic media to ensure that local and not merely national interests were served. The final principle was based on the belief that competition was good for both the economic market and the market for ideas.

These principles formed the foundation of electronic communication regulation for most of the twentieth century. During the past two decades, how-

ever, they have changed markedly as the approach to regulation changed. Today, four contemporary principles are apparent: 1) protecting military and intelligence interests in electronic communications; 2) increasing competition among existing firms; 3) allowing the market to determine where and what services are provided; and 4) allowing the market to determine the number of media units available in each market.

When the lists of traditional and contemporary principles of regulation are compared, the increasing reliance on the market to make choices and the rejection of government as the arbitrator of what services should be provided where become immediately evident. The policy changes loosened government control and protectionism of existing firms and helped spur the increase in media outlets that have reduced concentration levels.

Those developments led to sweeping policy changes in the Telecommunications Act of 1996. The new law permits local telephone operating companies to provide long-distance service when they face competition in the local market; permits long-distance firms to offer local services in competitive markets; permits phone companies to offer video services but prohibits them from buying cable systems in their markets; permits cable firms to provide local phone services; permits broadcasters to own TV stations that reach 35 percent of all viewers (up from 25 percent); and permits a party to own no more than five radio stations in a market of fourteen or fewer stations or eight in a market of forty-five or more stations. Local TV-newspaper-cable system crossownership prohibitions may be reviewed on a case-by-case basis.[13]

The Telecommunications Act was primarily intended to introduce more competition into telephone and cable services and to rationalize separate regulations by different regulatory agencies, the Congress, and the courts. It has allowed some mergers and acquisitions not previously permitted, but the degree to which this increased concentration will be offset by the increased competition is unclear at this time.

Although the trends in policy are toward less government control, they do not exempt mergers and acquisitions from antitrust concerns. The Department of Justice's Antitrust Division has already moved against a merger that brought 53 percent of the radio advertising market in one city into the hands of one owner and is moving against several others, including one that will put ownership of seventeen radio stations in Orlando in the hands of only three firms. The actions are forcing divestiture of radio stations where the acquisition is considered to be anticompetitive.

The Federal Communications Commission has always scrutinized mergers involving sales of broadcasting stations because of its policy regarding multi-

ple ownership and market limits. The sale of Capital Cities/ABC Inc. to Walt Disney Co., for example, was permitted only after the company was forced to sell either the CC/ABC television stations or the Disney television stations in cities where it would own both after the acquisition.

Because the size of most mergers and acquisitions in the communications industries in the United States today is above thresholds requiring scrutiny, most are subject to review by government antitrust authorities. If they believe laws are violated, they can rescind the sale or merger or require actions to eliminate the antitrust concerns.

The Federal Trade Commission also has antitrust enforcement duties. It delayed the proposed merger of Time Warner and Turner Broadcasting Systems from moving to shareholders until an agreement was reached that limited the influence of Tele-Communications Inc. (a minority owner of Turner Broadcasting Systems) on Time Warner, one of its major competitors.

One of the biggest problems in regulating large media companies results from the subtle erosion and alteration of public policies and interests to suit the purposes, conveniences, and interests of the conglomerates. This is not to say that radio, television, cable, satellite, and other telecommunications firms have always been happy with regulations promulgated, only that in the long term regulators have been generally more supportive of industry interests than public interests.

This should not be surprising because regulation of electronic media industries was spawned by major companies such as RCA and Westinghouse at the beginning of this century, when they sought regulation to protect their investments. Since that time most regulation has been strongly influenced by and supportive of the interests of those regulated.

Communications firms do not have a monolithic approach to regulation. Not all the firms and their media share the same interests simultaneously. Because of differences in their structures and properties, they sometimes diverge in terms of what policies are important. For example, "a conglomerate heavily involved in export industries will not share the same view of tariffs as a conglomerate invested primarily in domestic manufacturing. Even within conglomerates, the interests of various components may clash."[14] Because leading communications firms have separate divisions for print and electronic media, and their economic and public policy interests often differ dramatically, there can be and are conflicts within companies. These divisions are exacerbated even further when a firm owns communications and noncommunications properties.

Even when such differences exist, corporate management will attempt to use and co-opt public policies in ways that provide the best overall situation

for the firm. The success of industry in co-opting regulation is largely attributable to well-funded industry associations and lobbyists and legions of communications company attorneys taking part in legislative and regulatory processes and hearings. In contrast, broader social concerns have been represented by small, underfunded public interest groups and only a few active legislators and regulators.

To promote their interests, some media firms maintain close personal contacts with friendly political figures and support them financially. One media company head who has adroitly used political connections to overcome regulatory obstacles is News Corp. chairman Rupert Murdoch. He maintained close ties with British prime minister Margaret Thatcher and U.S. president Ronald Reagan and solidified relations with House Speaker Newt Gingrich through a legal $4 million advance on the book outlining the Speaker's political vision. Although the advance was modified and returned after a blast of public outrage, the relationship between the two remained.

Others who have blatantly used political connections to promote their goals include Fininvest chairman Silvio Berlusconi. His close relations with Italian prime minister Bettino Craxi allowed him to skirt Italian broadcasting regulations and develop a media empire that ultimately helped him win Craxi's job. In other nations, elites like Berlusconi and those he represented have been able to interweave state-controlled media with their political interests in a partisan fashion to disseminate their ideas, and exclude or diminish those of others, in what Splichal has called the "Italianization of the media."[15]

President Bill Clinton's supporters within the television and motion picture industry have reportedly influenced his decisions regarding communications policies. Significant relationships with Marcy Carsey, Tom Werner, Linda Bloodworth-Thomason, Harry Thomason, Steven Spielberg, and others on which he has depended for fund raising have brought their arguments and points of views directly to the White House.

Communications firms and organizations continually target regulations aimed at halting or controlling media concentration. After the broadcast, cable, and telecommunications industries succeeded in loosening regulations by winning passage of the Telecommunications Act of 1996, the Newspaper Association of America (NAA), which represents the interests of large media firms and newspapers, followed suit. It urged the Federal Communications Commission in 1997 to repeal regulations that prohibited simultaneous ownership of newspapers and broadcast stations in the same market, calling them "anachronistic" because of growing competition in media. "It is unnecessary, discriminatory and unjustifiable to continue to impose this selective cross-ownership restriction on newspapers," said David Brown, NAA general counsel.[16]

As firms enter global markets where cultures, political structures, and regulations differ, conflicts over content occur. How firms respond provides insight into the values of companies and their willingness to comply with regulations in different countries.

In hopes of currying favor and beneficial policies, firms begin developing contacts and friendships with political figures in nations where they do business or wish to do business. When conflicts over content occur, some firms are willing to behave amorally or immorally to ensure that their relationships and interests are protected.

Perhaps nowhere have these problems been more evident in recent years than in China. Many conflicts have arisen between communications firms and the Chinese government. After it was purchased by Rupert Murdoch's News Corp., the Star TV North satellite broadcast dropped BBC World Television because of complaints by China concerning a documentary the British service had produced about Mao Tse Tung. China was also displeased with BBC coverage of Hong Kong and other issues related to China. The Walt Disney Co. ran into difficulties as well. In 1996 the Chinese government threatened Disney's business operations in China if it released Martin Scorsese's film *Kundun* about the life of the Dalai Lama. The firm responded in conciliatory tones, de-emphasizing its role in the film and noting its legal obligations to continue distribution.

In other cases, firms pursue different policies in different locations. Strong opposition to concentration, content, or performance policies in one nation or region may be dropped in another location in order to benefit from operations there.

European Union and domestic European laws require a majority of European production. These laws have provoked angry outcries from U.S. motion picture, television, and cable industries. However, to gain access to those markets, U.S. companies are now altering their operations. NBC, for example, began European production of news and public affairs programming to meet the content requirements when it purchased SuperChannel and gained access to much of the wealthy European market. The Disney Channel, which wished to enter the attractive French market, gave up its objections to European Union laws by agreeing to produce 40 percent French content when it began distribution in that country in 1997.

These developments show that large firms can be induced to follow regulations they dislike if regulators are willing to establish and enforce content and

other regulations. But the ability to fashion workable policies to halt media consolidation and preserve media that provide pluralism and diverse voices even in Europe has been limited by internal disagreements and antiregulatory forces.[17] In addition, barriers to entry have made it difficult for new entrants in newspaper markets.[18]

Concentration and Content

Just as state-owned media convey the interests of the state, privately owned media disseminate the interests of their owners and of the media themselves. The content of privately owned media nearly universally and continually convey pro-business, antiregulatory biases. Given that such media in developed societies operate in capitalist environments that are promoting laissez-faire capitalism or capitalism with only minor constraints, the private-enterprise-oriented biases of these companies can hardly be unexpected.

When it comes to political and social issues, biases favoring lower unemployment, lower taxes, and crime control are generally evident in private media, as they are in developed societies as a whole. On most issues commercial media—anxious not to unduly antagonize their audiences or advertisers—typically avoid being seen as highly supportive of one policy or another. They tend to be centrist and amoral in their coverage and portrayals, but often portray progressive biases favoring clean environment, individual freedom, and justice.

Portrayals and coverage by media firms are often convoluted when it comes to issues involving workers. Although they have a progressive bias toward good working conditions, reasonable salaries and benefits, and workers' rights, self interests come into play when they face issues of employment and benefit costs and union activity. As a result they often have an antiunion bias in coverage and are suspicious of government policies regarding salaries, benefits, and working conditions.

Among the main problems associated with concentration and commercialization are the use of media for the political purposes of their corporate owners, the homogenization of news and emphasis placed on mainstream voices, crosspromotion of communication products and services, and the increasing reliance on celebrity even in news and public affairs.

Use of Media to Promote Political Positions of Firms

As government has spent a great deal of effort wrestling with regulations regarding media in recent years, associations and coalitions funded by media companies have lobbied feverishly to promote the interests of the private commercial firms. Media associations—especially the National Cable Television Association and the National Association of Broadcasters—have produced campaigns and even advertisements supporting their policy interests. These have been distributed nationwide for their members to broadcast and cablecast on their stations and systems. The ads urge support for the associations' positions and ask viewers to contact Congress and the FCC with that support.

At times, to avoid engendering interest or opposition, media do not find it beneficial to widely cover and disseminate public policy proposals and legislation. This was the case with the Telecommunications Act of 1996; most coverage was buried in the business news pages, and the political and public interest elements were not well explored.[19] This also occurred on passage of the Newspaper Preservation Act in 1970 and efforts to amend it to even further benefit monopolist newspapers.[20]

Homogenization of Information and Ideas

In terms of news, dominant ideologies governing the definition of news and how it should be covered create the opportunities for the creation of economies of scale in the collection and distribution of news. As a result, commercial firms designed to collect news and information and then sell it to media have developed, providing services to any media that will buy. These news and feature syndicates now provide the bulk of materials of newspapers and magazines, although many readers presume that their favorite publications produce their own materials.

There are also an increasing number of firms linking print, broadcast, online, and other properties in the production of information programming. In doing so, they exchange information and/or stories and cooperate or coordinate coverage to avoid duplication of labor. The end result is that fewer journalistic or other observers cast an eye on events, and the coverage is similar in print and on television.

Since its merger with Time Warner, for example, Turner's Cable News Network (CNN) has blended material from Time Warner's publications with the cable network. It initially began by creating a CNN/*Sports Illustrated* sports news segment on CNN and then created "Impact," which joins the work of CNN and *Time* magazine journalists. In 1996 CNN carried a previously prepared *Time* Man of the Year Special on the weekend the magazine's man of the year was announced, thus exploiting the ownership of CNN by Time Warner Co.

When fewer independent eyes are needed to view domestic and international events, fewer journalists are needed and bureaus are closed. At its extreme the buying or rereporting of news and information leads journalists and media personalities to interview each other and rely on each other as sources rather than act as reporters of information. Ultimately, rumors and gossip are reported by major media because lesser media reported them first.

These types of interactions between media firms have an unfortunate result: a large proportion of news and information comes from the same sources. It is merely packaged and reused by various media, creating a homogenization of material. Even when major commercialized media create their own material, they do so with the same ideologies of news and information. Thus, the perspectives and breadth of coverage are limited.

Even financially strong commercialized media companies fear the controversial. Stories that may offend audiences are ignored in favor of those that are more acceptable and entertaining. Stories that are costly to cover are generally ignored. When stories being covered create financial risks, even large firms may back away. Eager to settle a lawsuit brought by Philip Morris, ABC News apologized to the tobacco manufacturer for ABC's report alleging that Philip Morris had manipulated nicotine levels in cigarettes. Although the journalists who wrote the story stood by it and tobacco critics supported the allegations, the network—which was contemporaneously seeking to merge with Walt Disney Co.—decided that defending a lawsuit by Philip Morris had become too costly and that it risked a large judgment, so it backed away from the story.[21]

Commercialized mainstream media do not behave much better in the area of opinion and ideas. Newspapers acquired by groups typically eschew partisan positions out of fear of offending readers and advertisers, particularly if the views are out of the mainstream or on highly controversial subjects such as abortion, the death penalty, or immigration. As a result they tend to express the accepted political viewpoints of columnists provided by feature services. Thus, a William Raspberry (liberal) will be supposedly balanced by a Cal Thomas (rightist) and an Alexander Cockburn (leftist) will be presumably countered by a George Will (conservative).

In reality, the spectrum of views provided by the major commercial media firms is rather limited because terms such as "the left" and "the right" are often loosely utilized. "The left" today is represented in most mainstream media by, at best, a liberal, and "the right" is represented by the conservative branch of the Republican Party. Media groups thus promote dominant or acceptable frameworks of society and politics by focusing on political debates among

easily accessible political figures and dominant organizations while generally ignoring political concerns outside those familiar parameters. This indexing of opinion limits the range of debate compared with opinions throughout the society.[22]

Political reality for citizens is created by mediated communications, and most of what is communicated through media are "fantasies" contrived by politicians and interest groups that wish to manipulate opinion. Media convey these fantasies in ways designed to make a profit. For these reasons, webs of media influence are created that produce a distorted picture of politics, a picture intended to entertain, reassure, and manipulate by providing more style than substance.[23]

This problem is compounded by highly market-driven approaches to television and print news. Information is selected that entertains and diverts rather than analyzes significant issues and problems in society. News that "sells" becomes an overriding concern, and extensive efforts are made to find and convey news in ways that support financial goals of companies.[24]

In news of politics, this emphasis on ratings leads to a scandal-driven, destructive style of journalism in which minor issues are blown out of proportion at the expense of coverage of more meaningful but less provocative issues. News of politics thus emphasizes sensational politics: scandals, conflicts, mud-slinging, allegations, and investigations that produce little results.

The problem also manifests itself in televised political talk shows, which have played a significant role in reducing much political discourse to extreme rhetoric, partisanship for the sake of conflict, and incivility. In pursuit of ratings, shows such as "Crossfire" and "McLaughlin Group" pit parties against each other in what often degenerates into shouting matches. Exchanging verbal blows rather than the exchange and discussion of ideas is paramount. These self-serving approaches to news and discourse ultimately result in public distrust and resentment of both politics and media.

Cross-promotion of Media Products and Services

One of the increasingly obvious content effects of conglomerates is crosspromotions of products and services. Since it created the MSNBC channel and on-line service with Microsoft, for example, NBC has regularly promoted the channel and service on its Nightly News and other news and public affairs programming. Dan Rather regularly ends "CBS Evening News" with a live promotion for an upcoming "48 Hours" program. If done daily, this promotion is the equivalent of six hours of programming annually.

In 1996 Walt Disney Co. used ABC television network's TGI Friday shows to crosspromote its newly released film *101 Dalmatians.* Although the effects of conglomerates on entertainment clearly raise concerns about cultural hegemony, they are not our focus here. Because this book is about politics, this chapter examines the effects of conglomerates on news, public affairs, and other information content that influences perceptions of the world, the nation, and political and social debates and issues.

A related type of crosspromotion occurs when companies use journalists from one medium in another. For example, cameras going live to the newspaper newsroom to get a report on the main story or stories from the paper. Similarly, correspondents for television increasingly are being used as commentators for television shows. ABC's "This Week," for example, features Sam Donaldson and other ABC correspondents providing interpretation and commentary on news that they report upon on news shows.

Reliance on Celebrities

The use of journalists and pundits from newspapers, news magazines, and political magazines on political talk shows and roundtables is becoming more common. The chance to be a television celebrity has seduced many Washington journalists and commentators, according to some observers, because it leads to large speaking fees. Often they become more concerned with cultivating a marketable image and approach to news than in providing serious journalistic coverage.[25]

Journalists who succeed in transforming themselves from faceless figures into recognizable celebrity figures begin by making likable and noncontroversial appearances on talk shows. They then are able to gain speaking fees of $10,000 to $50,000 by making appearances at world affairs councils, major chambers of commerce, and trade associations representing all kinds of industries. Such speaking engagements are less likely for journalists or pundits who cover highly controversial stories or whose stories or opinions offend readers or viewers. It is thus in the interest of some journalists and commentators to avoid topics or stances that may interfere with their earning abilities.

Concentration and Democratic Participation

Political theorists and media scholars recognize that preconditions for the establishment and preservation of democratic governance include freedom of expression for individuals and groups with divergent views. Through an airing

of such views, citizens will be able to choose the most meritorious, and society will be advanced. This is one of the basic tenets of democracy.

In the realm of media theory and policy, this concept has been manifest in the idea of media plurality. Multiple media outlets provide the opportunity for diverse voices to be heard and for ideas to circulate. The number of views about a particular event and the amount of information that units of each medium can carry are already limited by time and space constraints. Without plurality, the number of voices heard are further restricted. Although the existence of multiple media outlets makes it theoretically possible for more views and opinions to be communicated, the mere existence of media plurality does not ensure message pluralism—that is, diversity of viewpoints. Most studies of media content have shown that different units of a medium and different media tend to provide relatively similar content, programming, and views because of commercial concerns, the adoption of standard industry norms and business practices, and dependence on a few similar sources of news and opinion.

Because of these problems it does not matter greatly if a television station is owned by a large conglomerate such as Time Warner or by a smaller—but similarly motivated—media firm such as A.H. Belo Corp. In both cases the operations of the station, programming, and news choices will be decided on generally similar bases. The answer to such problems is not merely anticartel laws and regulations limiting ownership, but policies and regulations that encourage additional competing media and (because of the homogenization problems) provide for access to nonmainstream voices and alternative means of coverage of social and political issues.

In the United States and most of the developed world, the first goal of establishing additional competing media has been and continues to be accomplished. Much of the world has had a history of state-related telecommunications and broadcasting supplemented by a commercial and party press. The primary commercial media in many countries were magazines. In Europe and some other developed nations, government monopolies in broadcasting and telecommunications were broken in the 1980s and 1990s, and they are now being supplemented by commercial systems subject to the same pressures as those seen in the United States.

The United States never had governmental monopolies, but the government supported monopolies in telecommunications and also limited competition to protect the investment of broadcasting companies. As in European nations, those monopolies and protections were diminished in the 1980s and 1990s.

The developments of additional competing media, however, has led to new forms of private ownership and commercial operation, which tend to follow the same practices that have limited the marketplace of ideas. This is especially true where the deregulation and increasing commercialization of media and communications systems have been accompanied by the growth of large firms serving domestic and foreign markets worldwide. In their growth, these firms have bought up family-owned media and smaller enterprises.

These changes in media ownership and communications systems cannot be universally condemned because they have created both more and less opportunity for political discourse and action. Changes in technology and deregulation have resulted in increasing numbers of broadcast stations, cable and satellite distribution systems, and broadcast and cable/satellite networks in the United States and throughout the world in the past decade.

These media changes, along with telecommunications developments that have made possible wide diffusion of fax, e-mail, and related Internet services, have created more opportunities and means for communications. At the same time, they have resulted in communications to smaller audiences and fewer individuals than were reached by traditional mass media. Increased media channels and targeting of messages have fragmented audiences. Consequently, fewer persons use each channel at any one time.

As this chapter has shown, observers of media tend to confuse concentration with commercialization and the private interests of media firms. The reason for many of the complaints about media operations is not fewer owners of few media, but rather more commercial firms operating for profit. In media that produce the largest audiences, commercial pressures dominate decisions. At the same time, such media are subjected to fewer and fewer regulatory requirements and oversight. Consequently, they overtly act in their own self interest and behave in ways designed to generate large audiences with little regard for social or cultural effects.

No nation has perfect mechanisms to respond to media concentration and commercialization. Each faces unique sets of circumstances and has different abilities to respond through legal and policy channels. Concentration can be seriously addressed only when governments have a vision for the national, provincial, and local communications markets. They must be vigilant in their efforts to halt and reduce concentration and limit the harmful effects of a commercial media structure. Nations can pursue these goals by passing antitrust and other policy initiatives that limit or reverse concentration, by reducing barriers to entry of new competitors, and by promoting content not determined

by commercial needs alone. For best effects, the initiatives to control concentration, promote new competition, and counter commercialism should operate simultaneously.

Private media companies, like all corporations, exist primarily to serve the economic self-interest of their owners. When that self-interest is at stake, the companies cannot be expected to remain guardians of social interests. It is up to society through government to guard against the types of harm that media concentration and commercialism produce.

Some communications executives argue that concentration is necessary for their firms to compete domestically and internationally. This argument is sophistry, but it is being heard often as media and communication products and services are privatized around the world. The argument is erroneous for two very important reasons.

First, competitive ability is not merely a function of size but of the overall management and structure of the firm. This is not to say that size is unimportant, because it can provide resources and economies of scale that are useful. But those resources and economies can be achieved even without concentration by diversification.

Second, executives who argue that concentration is necessary for competitiveness ignore the limits on concentration that nearly all the firms with whom they wish to compete have faced and continue to face in their home countries and in many other countries where they operate.

The voices heard in communications policy debates in the United States and elsewhere are predominantly those of communications firms. It is increasingly important for advocacy groups and other social organizations to become involved by monitoring concentration and commercialism, and by seeking regulations that control the behavior of firms in ways that ensure that social and cultural interests are not harmed. The use of public policies and antitrust laws to protect or respond to harm must be increased. Unfortunately, most nations are not setting into place policies that adequately protect against abuses, nor are they countering those problems with positive measures.

Halting growth in or severe abuses caused by commercial ownership and concentration is not enough to improve the situation. Policies are needed that address the kinds of content provided, ensure access for a broad spectrum of producers and voices, and find ways to allow groups and small firms without great financial resources to become owners or operators of media. Until such changes are made in the status quo, complaints about the contemporary media system will continue.

Notes

1. The debates and problems of concentration are well developed in Ben Bagdikian, *The Media Monopoly*, 3d ed. (Boston: Beacon Press, 1991); Anthony Smith, *The Age of the Behemoths: The Globalization of Mass Media Firms* (New York: Priority Press, 1991); Alfonso Sánchez-Tabernero, *Media Concentration in Europe: Commercial Enterprise and the Public Interest* (London: John Libbey & Co., 1993); and Robert G. Picard et al., eds., *Press Concentration and Monopoly: New Perspectives on Newspaper Ownership and Operation* (Norwood, NJ: Ablex Publishing Corp., 1988).

2. Discussions of how economic issues such as concentration limit discourse are found in Herbert J. Altschull, *Agents of Power: The Media and Public Policy*, 2d ed. (New York: Longman, 1995); and Robert G. Picard, *The Press and the Decline of Democracy: The Democratic Socialist Response in Public Policy* (Westport, Conn.: Greenwood Press, 1985).

3. How these traditions lead to various policy choices is discussed at length in Picard, *The Press.*

4. Even very large communications firms have encountered financial and managerial difficulties that have led to their demise or curtailment. For examples of how this has occurred, see Robert G. Picard, "The Rise and Fall of Communications Empires," *The Journal of Media Economics*, 9, no. 4 (Fall 1996): 23–40.

5. For examples of how and why these have occurred in communications firms, see ibid.

6. Among the better known maps are those produced in conjunction with a project sponsored by *The Nation* to track holdings of media firms. See Mark Crispin Miller, "Free the Media," *The Nation*, June 3, 1996, 9–28.

7. Discussions of these strategies are found in Sánchez-Tabernero, *Media Concentration.*

8. For a discussion of the rationales for diversification, see Robert McGlashan and Timothy Singleton, *Strategic Management* (Columbus, Ohio: Merrill Publishing, 1987): 111–113.

9. Wesley C. Mitchell, *Business Cycles and Their Causes* (Berkeley: University of California Press, 1941): 166–167.

10. The extent to which U.S. companies have declined is well documented in Dan Steinbock, *Triumph and Erosion in the American Media and Entertainment Industries* (Westport, Conn.: Quorum Books, 1995).

11. The best overviews of research on the topic are found in David Pearce Demers, *The Menace of the Corporate Newspaper: Fact or Fiction?* (Ames: Iowa State University Press, 1996); and Picard et al., eds., *Press Concentration.*

12. Contemporary measures of concentration in these industries are found in Alan B. Albarran and John Dimmick, "Concentration and the Economics of Multiformity in the Communication Industries," *Journal of Media Economics*, 9, no. 4 (Fall 1996): 41–50.

13. The Telecommunications Act is Public Law No. 104–104 (1996), 110 Stat. 56 (codified in 47 U.S.C.).

14. Doris A. Graber, *Mass Media and American Politics*, 5th ed. (Washington, D.C.: CQ Press, 1997), 34.

15. Slavko Splichael, *Media Beyond Socialism: Theory and Practice in East-Central Europe* (Boulder, Colo.: Westview Press, 1994).

16. Newspaper Association of America, "NAA Files Comments on Newspaper/Radio Cross-ownership Restriction," press release, February 11, 1997.

17. For discussions of these developments and problems, see Sophia Kaitatzi-Whitlock, "Pluralism and Media Concentration in Europe: Media Policy as Industrial Policy," *European Journal of Communication*, 11, no. 4 (December 1996): 453–483.

18. The significant contributions of barriers to entry to the concentration problem are explored in Colin Sparks, "Concentration and Market Entry in the UK National Daily Press," *European Journal of Communication*, 10, no. 2 (June 1995): 179–206; and Karl Erik Gustafsson, "Government Policies to Reduce Newspaper Entry Barriers," *Journal of Media Economics*, 6, no. 1 (Spring 1993): 37–43.

19. For criticism of the coverage, see Neil Hickey, "So Big: The Telecommunications Act at Year One," *Columbia Journalism Review* (January/February 1997): 23–28.

20. Self interests and slanted coverage in the treatment of these policy debates are documented in John C. Busterna and Robert G. Picard, *Joint Operating Agreements: The Newspaper Preservation Act and Its Application* (Norwood, N.J.: Ablex Publishing Co., 1993).

21. This incident is fully explored in Steve Weinberg, "Smoking Guns: ABC, Philip Morris and the Infamous Apology," *Columbia Journalism Review* (November/December 1995): 29–37.

22. How this occurs is discussed in Robert M. Entman, *Democracy without Citizens: Media and the Decay of American Politics* (New York: Oxford University Press, 1989); and W. Lance Bennett, "Toward a Theory of Press-State Relations in the United States," *Journal of Communication* (1990): 103–125.

23. These processes of distortion are developed in Dan Nimmo and James E. Combs, *Mediated Political Realities*, 2d ed. (New York: Longman, 1990); Kathleen Hall Jamieson and Korlyn Kohrs Campbell, *The Interplay of Influence: Mass Media and their Publics in News, Advertising, Politics*, 2d ed. (Belmont, Calif.: Wadsworth, 1988); and W. Lance Bennett, *News: The Politics of Illusion*, 3d ed. (New York: Longman, 1996).

24. How the emphasis on the market directly affects choices and content is compellingly explored in John McManus, *Market-Driven Journalism: Let the Citizen Beware?* (Thousand Oaks, Calif.: Sage Publications, 1993); Doug Underwood, *When MBAs Rule the Newsroom* (New York: Columbia University Press, 1993); and Philip Gaunt, *Choosing the News: The Profit Factor in News Selection* (Westport, Conn.: Greenwood Press, 1990).

25. This phenomenon has recently been documented in James Fallows, *Breaking the News: How the Media Undermine American Democracy* (New York: Pantheon, 1996).

The Politics of News

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