



## The myths of encroaching global media ownership

**Benjamin M. Compaine**

*Media conglomerates are not as powerful as they seem, for even corporations must respect the discipline of the market. A diverse media reflects the plurality of publics in modern society. This is democracy in action.*

**I**s corporate media ownership leading to a dangerous, undemocratic concentration of power and editorial control? In my view it is not. The democracy of the marketplace may be flawed but it is, if anything, getting better, not worse. The first question that must be addressed to fully discuss media ownership and its consequences is: what are the empirical *facts*?

I try to report these in my book, *Who Owns the Media? Competition and Concentration in the Mass Media*.

Take Robert McChesney's opening statement and the very basis for his thesis – that there are fewer and larger companies controlling more and more. This is wrong. Certainly a casual reading of the headlines would lead to this assumption. The merger of Time with Warner and then with America Online got headlines. But the incremental growth of smaller companies from the bottom does not make headlines. Nor do break-ups and divestitures usually get front-page treatment. Nor do the arrival of new players or the shrinkage of old players.

In 1986 there was a list of the fifty largest media companies and there is still a list of the top fifty. And the current fifty account for little more of the total of media pie today than in 1986. In 1986, for example, CBS, Inc. was the largest media company in the US, with sizeable interests in broadcasting, magazine and book publishing. In the following decade it sold off its magazines, divested its book publishing, and was not even among the ten largest US media companies by the time it agreed to be acquired by Viacom. Conversely, Bertelsmann, though a major player in Germany in 1986, was barely visible in the US. By 1997 it was the third largest player in the US. Companies such as Amazon.com, Books-A-Million, Comcast and C-Net were nowhere to be found on a list of the largest media companies in 1980. Others, such as Allied Artists, Macmillan, and Playboy Enterprises either folded or grew so slowly as to fall out of the top ranks. It is a dynamic industry.

**More channels, more choice – and more owners**

Overall, an index of economic concentration of the fifty largest media industry players, where



one thousand is the bottom range of oligopolistic tendencies, stood at two hundred and sixty-eight in the US in 1997, up only marginally from two hundred and six in 1986. That was before AOL and Time Warner or CBS and Viacom merged, but it was also before Ziff broke itself up or Thomson, the owner of more newspapers than any other company in North America, sold off most of its holdings to several established as well as newer players.

There is also the reality that “getting bigger” needs context. Because all developed economies grow, enterprises that grow larger are often simply staying still in relative terms. Or the growth looks less weighty than it would in absolute terms. For example, measured by revenue, Gannett was the largest US newspaper publisher in 1986, its sales accounting for 3.3% of all media revenue that year. In 1997, helped by major acquisitions, its revenue had grown 69%. But the US economy had grown by 86%, leaving Gannett behind. And the media industry had grown by 188%, making a “bigger” Gannett “smaller,” with under 2% of total media revenue. There are many similar stories.

There is no doubt that some sectors of the media industry are more concentrated than ten or twenty years earlier – but with little economic or social impact. There are fewer newspaper publishers in the US, but then again the newspaper industry has been contracting in size for decades, and faces far more competition from other media than in its heyday early in the twentieth century. Circulation has fallen steadily, as has its share of advertising. One can’t expect a dying industry to do anything but consolidate.

On the other hand, the broadcasting industry in the US, as much of Europe, has become far

more competitive. This may not seem evident at first glance, but it is absolutely true. From the 1950s to 1986 US households had access to only three commercial networks. In 1986 News Corp took the risk of putting together a fourth network where others had failed. It was aided by two regulatory decisions that would seem counter-intuitive in promoting competition: a single firm was permitted to own twelve instead of the previous limit of seven local broadcast licenses. This allowed News Corp. to assemble a core of stations in larger markets that gave it a viable start in ensuring a base of an audience.

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The Federal Communications Commission also waived a regulation that prohibited TV networks from owning its programming. The original regulation was supposed to foster competition, but was fatal to the economics of a fledgling network. News Corp bought 20<sup>th</sup> Century Fox. With these two pieces in place, the Fox network was the first new and successful

alternative to the Big 3 in thirty years. It also showed the way for three other large media players to start two networks. Today there are six commercial broadcast networks controlled by five corporate owners.

From the point of view of the media consumer, then, there is more choice on television. In addition, nearly every household in the US that so desires subscribes to either cable or satellite services, providing them with scores of programming choices from dozens of owners.

### **The internet effect**

Nor should the Internet glibly be written off as a promise unfulfilled. At this writing, the Internet as a commercial medium for a mass audience is barely seven years old. Only in 1994 did Netscape launch the first commercially promoted user-friendly browser. It was even later that AOL opened itself to the Internet,



completely undermining the proprietary online model that had been central to the business model it shared with CompuServe and Prodigy.

So the Internet today is analogous in both maturity of content and format as was radio in roughly 1928, or television in about 1952. They evolved mightily in all dimensions and the Internet will as well. But rather than seeing the glass as half empty today, it is half – if not more – filled. Certainly the incumbent media companies are going to want to be involved. Not

to would be derelict in their fiduciary duties to the employees and stockholders (see below). But the Internet is and will remain a low cost conduit of all manners of players. There's an old adage – “freedom of the press is available only to anyone who owns one.” The alternative was often the sound of one's voice at Hyde Park Corner or flyers handed out at a rally. Make no mistake: an advocate of a cause with a dial-up Internet connection and 10mb of

space for a Web site on a server cannot easily challenge Disney for audience attention. But as Matt Drudge proved in “breaking” the Monica Lewinsky affair, an individual or small group has access to the world and, with a little work and less money, can actually find an audience. As has historically been true, news or information of real value has a way of getting picked by the mainstream media.

In cumulative small ways the Internet is having a large impact. Less than a decade ago the number of AM or FM radio signals an individual could receive varied from under a half dozen in rural towns to perhaps forty to fifty stations in the largest cities in the US. They provided a variety of news, talk and public affairs and a limited range of culture primarily in the form of music. Today, anyone with an Internet connection and appliance (in the form of a PC or dedicated Internet radio) has access to thousands of programmers. Some are the same

old players – Disney, Infinity, the old government-run stations in much of the world. But there is a plethora of newer, Internet-only options. They have not had to invest in government-sanctioned licenses and generally have no limits on their speech (depending on where domiciled) short of outright pornography and slander. Down the road wireless Internet connects will add to its mobility.

Realguide.com provides links to 2500 real time audio streams from around the world. Many are

over-the-air stations. The single jazz or classical music station in one market is now supplemented by over one hundred and thirty jazz and nearly one hundred classical others globally. While the vast majority is in English, eighty-two are in Spanish, sixty-three in German, even nine in Icelandic. The audiences, as measured in the US, are heaviest for those stations that are Internet-only. The

NetRadio group outdraws stations owned by Disney and other traditional broadcasters. This suggests that the Internet-only broadcasters are doing a better job of understanding their audiences and/or promoting themselves.

### **The restraint of the market**

The notion of the rise of a handful of all-powerful transnational media giants is also vastly overstated. There is only one truly global media enterprise, Australia's News Corporation. In the past decade Germany's Bertelsmann has expanded beyond its European base to North America. And that's it. The substantial global presence of all others is primarily the output of the same Hollywood studios that have distributed their films globally for decades. Nothing new there. Some owners and names have changed: Universal has gone from MCA (US) to Matsushita (Japan) to Seagrams (Canada) to Vivendi (France). But in each case

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the principal media holding of each owner has been little more than this studio. AOL Time-Warner receives only one-fifth of its revenue from outside the US – and that primarily from Warner Bros. Disney, Viacom and Sony also owe most of their non-North America media revenue to films, a non-event in terms of change over the past few decades.

The number of media companies is only part of the picture. Who actually owns and controls the companies? How do editorial, pricing and programming decisions get made? For the most part, ownership of the media, especially in the US, is extremely democratic. Most of the largest media companies are publicly owned. Through their pension funds teachers in California own parts of Dow Jones and Viacom. The owners of Fidelity's mutual funds had a vested interest in nine per cent of CBS and eight per cent of AOL in 1998. Although these large institutions tend to vote their shares for management's proposals, the media companies have a legal obligation to consider the best interest of their stockholders. When a steel worker or payroll clerk retires, their well-being is directly affected by the financial decisions of their pension funds and investments.

Finally, this leads to a need to understand what motivates media management decision-making. In 1947, AJ Liebling, a fierce critic of the American press, nonetheless understood that in its very commercialism and profit-seeking the media caters to its audience, not to the political or culture whims of its owners and managers. Liebling wrote, "The American press has never been monolithic, like that of an authoritarian state. One reason is that there is always money to be made in journalism by standing up for the underdog... His wife buys girdles and baking powder and Literary Guild selections, and the

advertiser has to reach her." While stated in impolitic terms by today's correctness, its essence rings true.

That is, the media – certainly in the US and to varying degrees elsewhere – tends to be run not to promote an ideology but to seek profit. To do that, it needs to understand what its audiences expect, what they will respond to. It does tend to make media institutions followers more than leaders. But as a graveyard of entrepreneurs and government regulators with good intentions

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have learned, mass media cannot be sustained only by meaning well. While there may be a role on the edge for some government or other non-commercial media to promote otherwise non-economically viable approaches, the vast majority of media can exist only if it can sustain itself. No newspaper ever folded because of lack of something to write about, but only for a lack of circulation and therefore

advertising. Writers, artists, graphics designers, producers and editors want and need profitable employers to provide livable wages, appropriate equipment, sufficient travel and similar resources.

### **Cultural elitists distort the picture**

This tyranny of the marketplace also means that many media critics and, for lack of a better term, cultural elitists, complain that the public doesn't get what they, the critics, think they *should* get from the media. Should newspapers be more serious, less fluff? With circulation declining as it is, can newspapers afford to cater to a much smaller cadre of readers? Could they then afford any level of quality? Or should we look to the Internet as the vehicle of niche audiences?

That cultural bias of many media critics is evidenced in their view of the Fox Network and the Fox News channel on cable. After years of



lamenting the hegemony and cookie-cutter programming of the three US networks, critics expected that a new network would provide the “quality” programming they wanted for “the people.” News Corp’s Fox did provide a very noticeably different approach in programming – but it was aimed more down-market than the other networks. Fox News, again taking a different approach from CNN and the news operations of the older networks, proclaimed, “We report, you decide.” The critics called it politically conservative. A growing audience found it refreshing. Both Foxes clearly added to the long-desired policy goal of diversity of US programming. If it’s not what the elitists had in mind, well, be careful what one wishes for – it may come to pass.

It is not generally known that in the 1980s VCRs spread in much of Western Europe faster than in the US. This was in contrast to most technologies, from radio to TV, cable, PCs and the Internet, which tend to catch on faster in North America. Why? In most European countries, broadcasting was generally controlled directly or indirectly by government agencies. There were only two or three channels. Viewers were often offered high culture or low production-value programming. Viewership was hence lower than in the US. The VCR was a taste of choice: rent a video and become your own programmer. In the US, where programming was more democratic via the decisions of the marketplace and the remote control device – and where cable was already providing more choice – the VCR was less obviously needed.

The structure of the media is not perfect.

Individual decisions by editors, publishers, and owners are not always those that someone else, with different standards, would make. There are awful policy mistakes made, as when the US Congress supported the lobbying efforts of the broadcasters to be given digital spectrum at no cost. But even that is democracy at work: there were other large constituencies lobbying against the give-away.

In democracies, there is no universal “public interest.” Rather there are numerous and changing “interested publics” which fight battles issue by issue, in legislative corridors, regulatory commission hearings and ultimately at the ballot box. That it is sloppy and imperfect is beside the point. To loosely paraphrase Winston Churchill, it works better than any alternative that’s been tried or proposed. The media, in all its forms, may be increasingly important in our world. But it is not concentrating or becoming any more monopolistic than it was in the twentieth century. Its owners are not cynical manipulators, who undermine the public’s better judgement. Our democracy may be flawed, but it is still in charge, not suborned by the news and programmes produced by the media conglomerates.

**06 November, 2001**

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**Ben Compaine** has been studying information technology and the media industry since the early 1970s. He is currently a senior research affiliate at the Internet and Telecoms Convergence Consortium at M.I.T. His most recent book is *The Digital Divide: Facing a Crisis or Creating a Myth?*