The Business of Media

Corporate Media and the Public Interest

David Croteau | William Hoynes

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To the hard-working citizen activists
who promote the public interest by
creating independent media and holding
corporate media accountable

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Croteau and Hoynes are the coauthors of *By Invitation Only: How the Media Limit Political Debate* and *Media/Society: Industries, Images, and Audiences,* recently published in a second edition by Pine Forge Press.

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Contents

Part III

Neglecting the Public Interest: Media Conglomerates and the Public Sphere

List of Exhibits

Preface

As we begin the 21st century, the media industry is in the midst of rapid change. A wave of corporate mergers and the emergence of new digital technologies are transforming the media landscape. We are witnessing the rise of media conglomerates of unprecedented size and, at the same time, a dramatic increase in the sheer volume of media content. More than ever, citizens are immersed in a media-saturated world.

It is precisely because the media surround us that it is often difficult to get perspective on their development. We need to step away from the headlines about the latest mergers or newest technologies to put the industry in perspective. We need to examine, instead, the basic dynamics that underlie the changing media industry and the possible influence these changes are having on society. *The Business of Media* tries to do just that.

Elsewhere, we have written more broadly from a sociological perspective about the interaction between the mass media and society.[1] Here, we focus in more depth on the changing media industry. In particular, we are concerned with the tension between the media industry's insatiable quest for profits and a democratic society's need for a media system that serves the public interest. As we explore that tension, we review the history of the industry and its evolving technologies, examine how the structure and business strategies of the industry are changing, and consider the potential influence the new media industry is having on society. We also look at how policy and citizen action can help to create media that contribute to a more vibrant public sphere.

More specifically, *The Business of Media* pursues three main goals. First, in Part I of the book, we provide a framework and historical context for considering the media industry. Drawing from both social and economic theory, we sketch out two conceptual frameworks for analyzing and evaluating media: a market model and a public sphere model. These two models direct us to very different sets of questions about the media, but each is useful to consider. The principles of the market model are helpful in understanding the rationale for industry actions. Most popular commentary about the media industry begins from market model assumptions. The public sphere model, however, introduces social issues into the discussion by highlighting the public interest role of the mass media. This framework is especially useful in evaluating the influences of the media on society. Before moving on to the next part of the book, we provide a brief overview of the media business in the 20th century.

In Part II of the book, we describe the major media industry trends, focusing on developments in the last decade. We map out the structural organization of the industry and show how it has changed in recent years. We then suggest how these structural changes have enabled media conglomerates to pursue a new set of strategies in their attempt to enhance profits, contain costs, and reduce risk. The focus of Part II is on issues and concerns from a market model perspective, although we also consider how the public sphere model would interpret the key features of the newly restructured industry.

In Part III, we use the public sphere model to provide a critical analysis of the contemporary media business. In particular, we assess the impact of the recent changes in the industry on media content and on social and political life. We argue that, in its expansive pursuit of profits, the highly concentrated media industry often fails to serve the public interest. We conclude by exploring how policy and citizen activism can help produce media that are more responsive to the needs of citizens in a diverse democratic society.

This book differs in several ways from others that cover similar territory. First, we take seriously the basic features of market systems while discussing these ideas in a way that is accessible to readers with little background in economics. Second, we use competing theoretical frameworks—the market model and the public sphere model—to highlight different aspects of the media industry. Third, we are critical of our current media system from a public interest perspective, but our serious consideration of market dynamics allows us to avoid an overly simplistic critique.

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The New Media Industry and an Old Dilemma

In important respects, the business of media is unique. Unlike other industries, the media deal in ideas, information, and culture. They inform and entertain us, influencing how we understand ourselves and our world, as well as how we spend our leisure time. Because they play such significant political and cultural roles, the media hold a unique position in democratic societies that value free and creative expression, independent thought, and diverse perspectives. Indeed, in recognition of this public interest role, the only business specifically protected by the U.S. Constitution is the "free press."

In other ways, the business of media is like all other businesses. Nearly all major media companies are commercial corporations, whose primary function is creating profits for owners or stockholders. The yardstick by which the business performance of media companies is measured by investors has little to do with public interest concerns about creativity, independent thought, and diversity. Instead, it has everything to do with sales, advertising revenue, and profits.

Thus, we face a great dilemma in assessing the changing business of media and its significance for democratic societies. Which of these yardsticks—profits or public interest—should we use in measuring media's performance? Can both missions be simultaneously accomplished or are they mutually exclusive goals? Does achieving one mission necessarily ensure the other? These are the basic quandaries that frame our discussion of the media business.

And what a business it is! As we begin a new century, the media industry is exploding in both economic and social significance, expanding into every facet of our lives. Giant media conglomerates are seemingly on an endless hunt for mergers and acquisitions. New technologies are helping to transform the 21st-century media industry into something quite different from its predecessors. While these changes suggest exciting possibilities, they also raise troubling questions about ownership and control of information, about concentration of power, about the responsiveness of media to an increasingly diverse society, about the future of journalism, and about the relationship between media and citizens. These questions, too, are at the heart of our discussion.

New Century, New Media

The new century began with a bang. On January 10, 2000, America Online Inc. (AOL) announced it would buy Time Warner Inc. creating a media giant of unprecedented size.[1] The $166 billion deal was the biggest corporate merger ever. It was four times as big as Viacom's $38 billion acquisition of CBS in the fall of 1999, which at that time had been the largest media merger ever. (It is a safe bet that by the time you read this book, there will have been more major media mergers, perhaps even larger than the AOL Time Warner deal.)

In 1989, a $14.1 billion merger [$19.4 billion in constant 2000 dollars[2]] between Time Inc. and Warner Communications Inc. had created the world's largest media and entertainment company, Time Warner. By the late 1990s, after acquiring Turner Communications in 1995, Time Warner's holdings included many well-known names in cable (CNN, HBO, TNT), magazines (*Time, People, Sports Illustrated*), movies (Warner Bros.), music (Warner music group), television (WB), and sports (Atlanta Braves, World Championship Wrestling). Both Time and Warner were founded in 1922 and each company had been a mainstay of the media industry through the remainder of the 20th century. Now the media giant of the late 20th century was being gobbled up by a leader in the 21st-century Internet world.

Compared with Time Warner, AOL was a new kid on the block. But like the Internet itself, AOL had grown quickly to include 20 million subscribers, becoming the world's largest Internet service provider. AOL was founded in 1985, and it had expanded through Internet-related acquisitions (e.g., CompuServe, Netscape) in the 1990s. By the turn of the century, however, its stock value had surged to such a degree that it had the capital to buy the much larger Time Warner. With just $4.8 billion in annual revenue, AOL was buying Time Warner, a company with annual revenues more than five times as large ($26.8 billion).

Wall Street loved AOL for two basic reasons. First, it was a leader in the rapidly emerging world of Internet-based media. While no one was quite sure where the Internet rocket ship was going, investors knew they had to find a seat on board if they were to remain players in the next century's media industry. Bucking the trend in Internet companies, AOL became a leader by being neither flashy nor cutting edge. Instead, it attracted millions of subscribers by making the confusing jungle of the Internet simpler and less intimidating for technologically unsophisticated first-time users. Second, Wall Street loved AOL because subscribers provided the company with a steady revenue stream and major profits. The reality was that, at the time, AOL was among the very few Internet companies turning *any* profit. Most dot-com firms—even the best known and highly valued—were attracting investments based on potential future earnings. Their stocks were risky and subject to roller-coaster variations. AOL was making good money, *now.* Despite its much smaller size, in 1998 it generated net profits ($762 million) that were four times as large as Time Warner's ($168 million).

The AOL Time Warner merger was the fusion of 20th- and 21st-century media. Time Warner now had access to a powerful Internet platform for reaching people online. AOL could now offer well-known Time Warner brand name products to its subscribers, making its service even more attractive. For example, on the Internet, AOL promotes CNN. On television, CNN promotes AOL. The massive new conglomerate, AOL Time Warner, not only owns dozens and dozens of major media properties, it also is involved in an intricate maze of joint ventures with many of its "competitors," including Advance Publications, US West, MediaOne, Microsoft, and many more.

AOL Time Warner represents one example of the new breed of media conglomerate. Bigger, diversified, global, and powerful, the emerging media giants are the embodiment of broader industry trends. If we focus only on the particulars of the latest giant deal, we risk missing the larger dynamics they represent. But when we step back from the trees and assess the forest, we find astonishing changes with deep implications.

- Aided by technological changes, the number of media outlets and media products is growing at an astonishing rate.
- People are spending more time and money consuming media products.
- Media corporations are getting much larger, often by merging with competitors.
- Most media companies are now part of even bigger conglomerates that are involved in a wide range of nonmedia businesses.
- Aided by technological innovations, media corporations are diversifying the range of media products they produce, resulting in the decline in distinct media industries (e.g., publishing, television, radio, etc.) and the emergence of a more integrated multimedia industry.
- Increasingly, new media ventures are joint efforts between two or more major media conglomerates.
- The number of media corporations that own and control the bulk of all media products is shrinking.

These developments, which we will explore throughout this book, largely can be explained by looking at the economics of the media industry. But to understand their significance, we must broaden our perspective to include political and social questions associated with the public interest.

In some ways, these changes in the media parallel changes in other industries. Banking, for example, has seen a similar process of consolidation and concentration in recent years. The mass media changes also have historical precedents. More than one observer has made a comparison between our high-technology information age and that of the industrial "Gilded Age" of a century ago. Then, it was the concentration of ownership in oil, railroads, and steel that accounted for the fortunes of "robber barons" such as Rockefeller, Vanderbilt, and Carnegie. In that period, a declining agrarian economy and an emerging industrial one served as the foundation for new business empires. Collusion, price-fixing, the concentration of power, and the sometimes ruthless treatment of employees by these massive industrial trusts eventually led to government regulation in the name of the public interest.

In recent decades, the declining industrial economy has been accompanied by an emerging information-based economy that includes a vast media sector. This has been the foundation for new business empires. While some monopolies in the telecommunication (AT&T) and computer industry (Microsoft) have faced the attention of regulators, in general, political forces have favored deregulation, allowing for mergers and conglomeration on a scale not seen since the original robber barons. In these respects, then, what is happening in the media industry is not unlike what has happened in other segments of the economy in the past.

However, when these changes occur in the media industry, they hold special significance for democratic societies. Having to pay more for steel because just a few companies dominate its production is a major economic problem. Having just a few companies dominate the production and mass distribution of ideas, culture, and information raises broader and far more significant concerns and dilemmas.

Media in a Democratic Society

The business of media in a totalitarian state is fairly simple. Power is concentrated in the hands of a few—namely, the government. The media are owned and controlled by those in power. The government is likely to use the media to promote culture and information that is consistent with its goals and to exclude dissenting views. Regular citizens watching, reading, or listening to the media are subjected to a steady stream of material that more or less reflects the interests and opinions of the ruling party.

In democratic societies, a free press and independent media are entrusted with a different and more complicated role. First, rather than serving as a propaganda machine for those in power, media are expected to reflect the range of creative visions and ideas that constitute a society's vibrant culture. Especially in a multicultural society such as the United States, mass media are the screens on which diverse images can be projected for all to see. Through entertainment, arts, and public affairs programming, the media allow us to learn about the history, culture, and experiences of people different from ourselves, while also reflecting our own interests and identity in their images and content. This doesn't have to take the form of a dour civics lesson. Entertainment of all sorts—even music videos, sports, or comedy—is part of how we understand each other and our world.

Second, the media also have the special task of providing independent information to citizens. Ideally, they are watchdogs of our freedoms, informing citizens about current events and debates, and alerting us to potential abuses of power. In this context, a free press is a means by which the public interest is served. It is not an end unto itself. Believers in democracy argue that the robust discussion, debate, and expression of thought that a free press facilitates is more likely to lead to just and competent social and political decisions. The alternative is an authoritarian society, which few people would find appealing. That is why independent media and freedom of the press is so highly valued and why the media play such a unique role in serving the public interest.

But as we have noted, the grand mission of a free press coexists with the industry's more pedestrian function: to make a profit. A simple example crystallizes this tension. Anyone turning on the evening news is confronted with two simultaneous realities. The first is evident from the beginning of the broadcast. Theme music rises, computer-generated graphics slide across the screen, and the camera pans the "newsroom" set, settling on the perfectly coifed celebrity anchor. Show time! This is the news as entertainment and spectacle. Dramatic images of bloody victims, flaming wreckage, and somber-faced politicians fill the screen. These are interspersed with brightly colored, high-energy commercials selling everything from deodorant to automobiles.

Welcome to media for profit, where the fundamental principle is to attract an audience to sell to advertisers. Even though you didn't pay anything to watch this network news broadcast, you are part of the large economic process that underlies such programs. You are the target of advertisers who hope to sell you their products. They speak to you as a consumer. They invite you to solve individual problems and improve your personal life by buying something. The market model of media is based on the ability of a network to deliver audiences to these advertisers. The more people who watch a program, the higher the price the networks can charge for ad time. Lost audiences mean lost profits. The success of a program is largely measured in rating points among desirable demographics: those people to whom the advertisers want to speak. What sells is good. In essence, this is the market model of media. With some variation, it applies to all types of media.

However, the evening news still contains the vestiges of another model of media: the public sphere model. This was the model invoked by your junior high school teachers when they encouraged you to read a newspaper or watch the news so you would be informed about current events. You see hints of the public sphere model in the occasional "in-depth" story or series on a recurring social problem or policy debate. Here, the fundamental principle is that to act as responsible citizens, people need information about the issues and events occurring in their world. This is news as education and public service. Journalists, commentators, and analysts speak to you as a citizen. They invite you to learn about the public issues that face society and perhaps improve your community by acting on this knowledge—in the voting booth, in your community, and beyond. This model of media is based, not on ratings and profits, but on the ability to serve the impossible-to-quantify "public interest." An informed citizenry is assumed to be better for democracy than an ignorant one. What helps people to better understand their condition, their communities, and their world is valuable—whether or not it turns a profit. It provides essential cultural resources for responsible citizens. In essence, this is the public sphere model of media.

However, what is in the public interest may not be in the corporate interest. The major corporations that own the mass media—and are often involved in many other lines of business—may not want certain embarrassing stories to be publicized very widely. They may not want to encourage critical examination of their business practices or the effects their products have on communities or the environment. They may not want stories or programs that offend their advertisers or interfere with the advertising "pitch." And they may want to avoid stories on subjects they deem "unpopular." Their ownership of the media gives them the potential to influence how a story is—or is not—covered. If the story affects the media industry as a whole, there may be widespread interest in *not* covering it. While media are supposed to be a watchdog of government, who serves as a watchdog of corporate media? This is only one of the dilemmas facing our current media system.

Other aspects of this dilemma may not be as dramatic as conflict of interest concerns, but are more routine and pervasive. A program on "The World's Bloodiest Serial Killers" might do well in terms of ratings, but its value in terms of the public interest is dubious at best. Does such a program glorify violence, perhaps encouraging some less-stable people to act similarly? What's the cumulative effect for society of airing countless hours of bloody violence as "entertainment?" How do we weigh the profitability of such programs against their possible negative social impacts?

Finally, the most fundamental dilemma may be that in the media world, entertainment is generally more profitable than information. Bottom-line pressure usually steers media content away from serious substance that challenges people, to light entertainment that is familiar and comforting. While such programming may be profitable, it usually makes little contribution to a more vibrant civic culture.

All of these quandaries are really variations on one recurring theme: the tension between profits and the public interest. There is nothing new about this basic dilemma; colonial printers publishing early newspapers made money from the trade. However, the media that the authors of the First Amendment knew were radically different creatures from the ones we have today. Not only have new types of media been introduced, but the nature of media owners and producers, and the scale of their operations has changed dramatically as well. The media conglomerates of today are unprecedented in human history. How these companies operate has been rapidly changing with the rise of Internet technology, conglomeration, integration, and globalization.

Plan for the Book

This book examines recent changes in the media industry in light of their potential impact on society. In particular, it shows how we can understand recent changes by looking at the business of media through the "market model." It also shows how these changes and their impacts can be considered by using a different yardstick, a "public sphere" model of media.

Ours is not a simplistic tale of good versus evil. It is an honest attempt to grapple with the real dilemmas that face us with 21st-century media. Our technological capabilities offer unprecedented opportunities for the creation and wide distribution of more information than has ever been available before in human history. But it is our social values, political decisions, and citizen demands that ultimately determine how this burgeoning technology will be used. But ours is also not a pedantic exercise intent on balancing "on the one hand" with "on the other hand." We have grave concerns about the current direction of the media industry and we argue that public interest goals should be taken more seriously than they now are. We make our case for this position while showing how much of the current debate about the future of media is really a debate about what standards should be applied in evaluating media performance.

Part I of this book introduces the underlying theoretical and historical context for our study of the media business. In chapter 1, we take a closer look at the two competing frameworks that can be used to evaluate the business of media; what we call the "market model" and the "public sphere model" of media. We use these models throughout the book to explore both the market logic at work in the media industry and to make sense of the broader consequences of recent developments in the media industry. In chapter 2, we provide a brief history of the rise of the media industry in the 20th century and examine the evolution of media policy in the United States.

In Part II, we examine the current state of the media business, with a focus on the market-oriented logic behind the recent changes in the industry. In chapter 3, we look at the recent trends in media ownership and structure, focusing on growth, integration, globalization, and ownership concentration. Chapter 4 focuses on the strategies of the new media giants, examining the current business practices that have accompanied the recent structural changes in the industry. These strategies include the pursuit of synergy, branding, product specialization, and joint ventures.

In Part III, we employ the public sphere framework to more critically examine the social, political, and cultural significance of the emergence of the new media conglomerates. Chapter 5 looks at the ways that current business strategies of the media giants shape the content of our mass media, paying particular attention to homogenization, trivialization, commercialization, and censorship. In chapter 6, we examine the influence of the media business on politics and society. Here we focus on the omnipresence of advertising, the segmentation of the public, and the political activities of the major media companies. Finally, in chapter 7 we take a critical look at the future of both the media industry and media policy, and explore some ways that our media might more effectively serve the public interest.

PART ONE

PROFITS AND THE PUBLIC INTEREST
Theoretical and Historical Context

Chapter One

Media, Markets, and the Public Sphere

This book is an introduction to the business of media. In it, we do three things. First, we sketch out some of the major changes that have occurred in the media industry in recent years. Second, we examine *why* these changes have occurred. Finally, we provide an assessment of these changes. The first of these tasks requires only that we review the public record on the media industry. While there is certainly room for debate about what aspects of the changing industry ought to be highlighted, most of the basic patterns we discuss are well known and widely recognized by industry insiders and observers. But how can we explain these changes? Why are they occurring? How can we judge the significance of these changes? Are they generally positive or negative developments? Should we be concerned or pleased about the direction in which mass media are headed? Those sorts of questions and assessments require that we have a framework from which to examine the media.

Evaluating the changes in the media industry is complex, however, because there are competing and very different frameworks from which to analyze the mass media. In part, this is why there is so much disagreement in evaluations of the media; people are using different standards to judge what they see. The two perspectives we employ in this book can be referred to as the *market model* of media and the *public sphere model* of media. The former, which is the dominant framework within the media industry, is a widely familiar economic perspective that assesses the mass media using the universal currency of business success: profits. We call it the market model because, to varying degrees, assumptions about how "free markets" operate form the core of this perspective. As with other industries, the media are conceptualized as primarily competitors in this marketplace.

The public sphere perspective is a less familiar one, so we take much more space here describing its elements. From this perspective, the media are defined as central elements of a healthy public sphere—the "space" within which ideas, opinions, and views freely circulate. Here, rather than profits, it is the more elusive "public interest" that serves as the yardstick against which media changes are measured.

Both frameworks are useful in better understanding the media. The media, for the most part, are made up of commercial, profit-seeking businesses. Media companies issue stock, compete for larger market share, develop new products, watch costs, look for opportunities to expand, and engage in all the other activities that constitute regular business practice. In various ways, owners, investors, employees, and audiences all experience the consequences of these business decisions. In most cases, media activities can be explained using the basic concepts that make up the market model. The market model, then, is especially useful in understanding why media companies behave the way they do. It is the framework to which most business people refer in explaining their actions.

But there are serious limitations to the market model of media; businesses cannot be judged by profitability alone. Society has an interest in how industries perform that goes far beyond profits. Labor laws, environmental protections, and antifraud measures, for example, are all ways that society puts limits on business practices in the name of the public interest—even at the expense of profits. This holds true for the media industry as well. Even the largest and most powerful media conglomerates must operate within a dynamic framework of social and political constraints that, in the name of the public interest, shape how businesses work. In particular, it is widely recognized that a vibrant public sphere is essential to the operation of a healthy democracy. The media play a crucial role in helping to create such a vibrant public sphere.

Understanding and assessing the media business requires us to explore both the underlying economic dynamics of the media industry and the extra-economic role that is played by the mass media in a democratic society. This chapter introduces the basics of both the market and public sphere models and suggests the value of extending our analytic framework beyond the bottom line to include service to the public interest as a core component in our assessment of the contemporary media industry.

The Market Model

The market model suggests that society's needs can best be met through a relatively unregulated process of exchange based on the dynamics of supply and demand. This model treats the media like all other goods and services. It argues that as long as competitive conditions exist, businesses pursuing profits will meet people's needs. As a result, advocates of this model generally call for private, unregulated ownership of the media. It is consumers in the marketplace, not government regulators, who will ultimately force companies to behave in a way that best serves the public.

The Advantages of Markets

The market model promotes the use of unregulated markets for the delivery of goods and services. For these markets to function properly, there must be a sufficient number of suppliers of a good. No single supplier or small group of suppliers should be able to artificially influence market dynamics. That would undermine the whole premise of a competitive market-based economy. Assuming that there is sufficient competition, markets offer a number of overlapping advantages.

Markets promote efficiency. Without the cumbersome bureaucracies associated with centralized planning, markets tend to promote efficiency. Because they are constantly trying to increase profits, companies must develop new ways to deliver goods and services at the lowest cost. This encourages efficiency on the part of producers and ensures low prices for consumers.

These efficiencies are lost when standardized models are implemented or vast regulatory procedures are established. They are also lost if competition is inadequate, because there is no longer an incentive to reduce costs. For consumers, uncompetitive markets tend to produce artificially high prices. There is no incentive for producers to keep prices attractive, because consumers have nowhere else to go. As a result, suppliers are able to set prices independent of market forces, gouging captive customers and undermining the basic supply/demand balance that characterizes healthy markets.

Markets promote responsiveness. Markets operate on the principle of supply and demand. As a result, they are responsive to what people want. In the marketplace, price serves as the key indicator of supply and demand. When demand goes up, price goes up until an increase in supply restores equilibrium. The increase in supply materializes because companies, seeing the profits to be made, either enter the market or expand their already existing production to meet the increase in demand. When demand goes down, price drops to allow for the sale of surplus supply. In both cases, producers are responding to consumer demand as a result of basic market dynamics.

Markets promote flexibility. Not only do companies in market-based economies respond to what consumers want or do not want, but also the absence of centralized planning and control allows them to quickly adapt to the new supply/demand balance. Thus, companies operating in market-based economies must be flexible in how they are organized and in what they produce so that they can respond to new market conditions. Again, competition is essential here because flexible response is necessary only if competitors exist to take customers away from unresponsive producers.

Markets promote innovation. In market-based economies, many different producers experiment with new products and services. The incentive of big profits promotes innovation as companies try to develop new products that will capture a larger market share. This constant experimentation with new products, services, and production processes results in a very dynamic and innovative industry. A lack of competition tends to discourage innovation. For example, spending money on research and development of new products to better meet market demands is unnecessary if a producer does not have to worry about competitors introducing the "better mousetrap." In the media industry, lack of competition can lead to an unwillingness to take risks in producing innovative new projects. Instead, imitation of past successes is likely to be the key business strategy employed. As a result, lack of competition usually means fewer choices for consumers. The limited diversity and innovation that results from restricted competition can have negative impacts on the vibrancy of a society's culture and can undermine the "marketplace of ideas" so fundamental to a democratic society.

Markets can deliver media like any other product. All of the features of markets described above are applicable to the mass media. Market model advocates argue that like any other producer of products, if the media industry is left unregulated, it will respond to consumer demand, develop innovative new products, and remain flexible and efficient. By treating media products like any other products, consumers can enjoy the benefits of market dynamics.

Market Structures and Types of Competition

The benefits of markets, as noted, occur only when there is robust competition. How do we know for sure that sufficient competition exists? One way is to examine the market structure in any given industry.

Market structure refers to the economic characteristics of particular markets, including things such as the level of ownership concentration, the amount of product differentiation, the types of entry barriers facing new competitors, and the extent of vertical and horizontal integration. Two of the key factors in assessing market structure are the number of firms supplying a product and the level of differentiation between products being offered. Exhibit 1.1 shows in simplified form how these two dimensions can be mapped out into different market structures. Of course, this typology is meant only to suggest some key variables to consider. Real-world markets fall along a more complex continuum than is presented here. Still, such a framework can be helpful when discussing the media and markets. Multiple firms do not necessarily ensure diversity in products. One or a few firms do not necessarily mean homogenized products.

Homogenized monopolies (A) are the least desirable from a market perspective because they are uncompetitive and give consumers limited or no choices in products. To keep our example simple, imagine the lone one-screen movie theater in an isolated community and you begin to see the problems with homogenized monopolies. Consumers have no product choice. A single movie is offered each week and they must either take it or leave it—and they have no accessible competing theater to which they can take their business.

Diverse monopolies (B) offer some advantage because they at least give consumers a wider variety of choices even though there are

Exhibit 1.1 Types of Market Structures

	Number of Supplying Firms	
Level of Product Diversity	***One or a Few***	***Many***
Low	A. Homogenized Monopoly	C. Homogenized Competition
High	B. Diverse Monopoly	D. Diverse Competition

only one or a few companies owning those options. In this example, perhaps our single screen theater becomes a multiplex, simultaneously offering half a dozen different movies. From a consumer perspective, this is certainly an improvement because there are now more choices, but it still presents serious problems. For example, because ownership is concentrated, the theater's owner has no incentive to keep ticket or concession prices low. Without competition, the owner is free to push prices as high as the market will bear—and because there is no alternative, consumers are likely to pay artificially inflated prices.

Homogenized competition (C) presents its own set of problems. Imagine a number of competing theaters all showing mainstream Hollywood action-adventure films. The broad appeal of such films may be sufficient to meet the business needs of the competing theaters. Many people may well be satisfied with the limited range of movie fare. But for others, the differences between Arnold Schwarzenegger and Sylvester Stallone may be no difference at all. The products being offered may be plentiful and affordable, but—partly because they are aimed at the broad mainstream audience—they do not come close to representing the diversity of movie tastes among the public. Increased volume of media products does not ensure increased diversity in products. This problem was neatly encapsulated in a song by musician Bruce Springsteen when he lamented that cable television had "57 Channels and Nothing On." Finally, diverse competition (D) is usually the market ideal. Here, numerous sellers offer a wide range of products from which consumers can choose. A significant number of independently owned theaters might compete with similar theaters, while at the same time targeting audiences spread widely across the range of public tastes and interests. Each would offer something distinctive, but enough overlap with competitors would exist so that consumers would have clear alternatives.

Our theater examples are artificially simple. The real world offers more complexity than is suggested here. But these examples illustrate basic dynamics that, as we will see, are easy to forget amid the cacophony of contemporary media environments. They also illustrate that the market model is capable of addressing issues of diversity—a central concern of the public interest model.

It should be noted that, with a few exceptions, pure competition does not exist in the real world. Pure competition exists only when many different companies offer exactly the same product. (Some commodity markets, such as wheat or soybeans, can be said to exhibit characteristics of pure competition.) At best, markets achieve what is called *monopolistic* competition. That is, many firms offer similar, but not identical, products. (The term can be confusing: each company has a "monopoly" over its particular product, but the products are so similar that they are in direct "competition" with each other.)

Because from a market model, competition is widely viewed as the core of a healthy media industry, federal communications regulatory policy has centered on the amount of competition that exists in the industry and on the ability of potential competitors to enter the market. As we will later see, the Hollywood studio system was broken up in the 1940s because it interfered with competition. The original NBC broadcast monopoly was broken up for the same reason. In such cases, government intervention occurred precisely because of belief in the market model. As we will see, recent changes suggest that some aspects of the media industry are becoming uncompetitive as a result of concentrated ownership patterns, undermining the potential benefits of markets. Some critics call for more government intervention to restore competition to the media industry. Others, however, point to burgeoning technological developments as evidence that the media market is more competitive than ever, rejecting the need for more regulation.

The Public Sphere Model

The public sphere model suggests that society's needs cannot be met entirely through the market system. Because the market is based on consumer purchasing power, it behaves quite differently from the democratic ideal of "one person, one vote." In addition, the public sphere model argues that there are some societal needs that simply cannot be met via the market's supply and demand dynamic. It also contends that since it is vital to a robust democracy, media content cannot be treated as merely another product. Therefore, profitability cannot be the sole indicator of a healthy media industry. Instead, other public interest criteria—such as diversity and substance—are used in the public sphere model to assess the performance of media. From this perspective, government plays a useful and necessary role in ensuring that the media meet the needs of citizens, not just consumers.

The Concept of the Public Sphere

According to the public sphere model, media are more than simply profit-making components of large conglomerates. Instead, they are our primary information sources and storytellers. As such, the mass media have become the core of a crucial democratic site that social theorists refer to as the public sphere.

The concept of the public sphere is associated with the German sociologist Jurgen Habermas, whose classic study *The Structural Transformation of the Public Sphere* described the importance of a vibrant public sphere for democratic societies.[1] Building on Habermas's work, a growing body of literature has argued that the principal way that mass media can contribute to democratic processes is by helping to cultivate social spaces for public dialogue.[2]

This model posits an open mass media system that is widely accessible. It argues that information should circulate freely, without government intervention to restrict the flow of ideas. Ownership and control of mass media outlets should be broad and diversified, with many small owners instead of a few large ones. Ideally, some media channels would be publicly accessible for citizens to communicate with each other. If a strong democracy requires citizen participation, that participation is made meaningful by ongoing, wide-ranging public discourse, to which the mass media can contribute immeasurably.

Fundamentally, the public sphere model views people as citizens rather than consumers. Furthermore, it contends that mass media should "serve" these citizens, rather than "target" potential consumers. Murdock, for example, suggests three important ways that communication systems are central for the constitution of citizenship.

> First, in order for people to exercise their full rights as citizens, they must have access to the information, advice, and analysis that will enable them to know what their personal rights are and allow them to pursue them effectively. Second, they must have access to the broadest possible range of information, interpretation, and debate on areas that involve public political choices, and they must be able to use communications facilities in order to register criticism and propose alternative courses of action. And third, they must be able to recognize themselves and their aspirations in the range of representations on offer within the central communications sectors and be able to contribute to developing and extending these representations.[3]

Thus, for participatory democracy to function, citizens must learn how to take part and they must have access to the resources necessary for meaningful participation. From a public sphere perspective, the potential contribution of media to such a democracy is in the work of creating and sustaining a citizenry that is prepared for participation in public life. It is a task for which markets are ill suited.

The Limits of Markets

In 1997, business journalist Robert Kuttner wrote a book subtitled *The Virtues and Limits of Markets.*[4] As we have seen, the market model suggests that by pursuing profits, media firms simultaneously meet the needs of the audience. Thus, the virtues of market dynamics will satisfy the public interest. However, the public sphere model of media, shows the potential conflict between profit making and serving the public interest and, more generally, the significant limitations of markets.

Markets are undemocratic. Markets work by a "one-dollar, one-vote" mechanism. Thus, despite rhetoric to the contrary, markets are inconsistent with democratic assumptions. In markets, profits are the measure of success and money is the measure of clout. The more money you have, the more influence you have in the marketplace.

Success in the marketplace can be translated into more influence on that market (sometimes by changing the rules in your favor), thus perpetuating a cycle whereby the rich tend to get richer and the poor (those who have been unsuccessful in the market) get poorer. This is contradictory to the basic democratic ideal that individuals have inherent and equal worth that justifies their basic rights ("All men are created equal . . . and are born with certain inalienable rights"). The values of their bank accounts should not enter into the equation. In terms of media, we have historically valued free expression as the core of a broader commitment to democratic deliberation. In this public sphere, citizens are equals, even if they have extremely different consumer power. However, because markets operate on a fundamentally different set of rules, there is good reason to be skeptical of the ability of market oriented media to satisfy crucial democratic needs.

Markets reproduce inequality. Because markets are based on money, they tend to reproduce the inequality that exists in society. Rather than being an even playing field where individuals compete, players enter the market with widely unequal resources. The playing field is tilted in favor of those who already have advantages. An individual who enjoys the privileges of inherited wealth, elite education, or privileged social contacts has distinct advantages in the market. When it comes to media, those parties with significant resources may own or disproportionately influence media content, while those with only modest means have little or no influence on what is produced. Media, therefore, may tend to reflect the views and interests of those with wealth and power, while neglecting the views and interests of others.

Markets are amoral. Markets make no judgment about what is bought and sold. They do not distinguish between products that might be good for society versus ones that might be harmful. The market is designed to supply whatever there is a demand for. The market does not prevent the production and sale of child pornography, crack cocaine, snuff films, or rocket launchers. It is society, through its government regulatory agencies, that must make such judgments. For nearly 250 years, the United States had an efficient market system that dealt in the acquisition and sale of human beings. There was nothing inherent in market theory that guarded against slavery. It took massive government intervention to change those practices.

Markets do not necessarily meet social needs. There are some needs that are distinctly social and unlikely to be met by the privatized market. Early fire protection, for example, used to be a market-based service available only to those who could afford to pay. If you could not afford the services of the private fire departments, you were on your own in case of a fire. It quickly became apparent, however, that the private market-based solution was no solution at all. In urban areas, fires could spread rapidly, regardless of which homeowners could afford fire protection. Public fire departments were established to address this social problem.

There are a whole host of services that societies deem important to provide to their citizens—regardless of market forces. State supported public education, for example, is an attempt to provide citizens with access to a fundamental resource, regardless of their ability to pay. (Even recent calls for more market oriented school "choice" depend on government funds to function.) In the United States, the range of such services—for example, limited public education, the right of an accused to legal counsel, and emergency health care for the indigent—is relatively narrow. In Canadian and European societies, the range of publicly available services, such as national health care, childcare, and extensive public higher education, is much broader. Often, these are services for society's most vulnerable and least powerful citizens. Poor people, children, the mentally ill, and the physically disabled are just some of the many people who often are not well served by market structures. In addition, workers, consumers, minorities, and other groups in society depend on the intervention of government to help create a more level economic playing field. In fact, society depends on an extensive infrastructure of nonprofit, nonmarket institutions to meet social needs and to aid and support those whose needs cannot be met in the marketplace.

In many societies, the services provided outside of the commercial marketplace include public broadcasting and other media operations. (The United States has only a limited version of such services.) The rationale for public media is the same as with public education or health care: it is an invaluable resource that should be available to citizens regardless of their ability to pay, and the market does an inadequate job of meeting this need.

Markets do not necessarily meet democratic needs. Market forces and democratic goals may diverge as much as they coincide. Even relatively competitive media industries can, and often do, provide products that ill serve a democratic citizenry. Because of their inexpensive production costs and relative popularity among consumers, market forces might lead to the production of an ever growing stream of light entertainment, pornography, or "news" about titillating scandals. Indeed, it might make very good business sense for virtually all major media companies to produce programs, films, books, and other materials that are geared toward grabbing and holding the attention of consumers by shocking or pandering to them. Or media companies might target their products—whether it be news or contemporary music—at very narrow demographic groups, with the assumption that different groups have distinct interests and tastes.

In these cases, even if the media market is quite competitive, there is a good chance that what would be classified as market "success" would produce a kind of political and cultural failure. In the first instance, the proliferation of light and titillating entertainment supplants substantive information, educational media, or challenging cultural presentations, all of which are likely to have more value to democratic processes than to corporate media companies. In the second instance, highly targeted media can reinforce existing prejudices, help to widen the gap between different people, or contribute to a fragmented society in which people interact primarily with those in the same demographic market. Again, success in reaching a target audience may stifle meaningful democratic deliberation among equal (but different) citizens.

Both examples illustrate how crude market oriented media systems do not allow for any distinction between people's roles as consumers, which are private and individual, and their roles as citizens, which are public and collective. This is why market oriented media have a tendency to produce economic benefits while simultaneously creating (or at least helping to sustain) democratic deficits.

Of course, noting the shortcomings of markets is not an endorsement of a media system that is centrally organized and government run. State media systems may be even more harmful to democratic processes than market-driven systems, providing even less support for vibrant discourse and meaningfully free expression. Instead, by exploring the limitations of market-driven media, the public sphere model highlights the civic importance of mass media. In doing so, it argues that media cannot be treated as just another consumer product.

Why Media Are Different from Other Industries

One of the core assumptions that underlies the support of a privately owned, commercial media system is the notion that the media industry is just like other industries and media products are the same as other consumer products. Mark Fowler, Federal Communications Commission (FCC) chair during the Reagan administration, made this argument most famously when he declared that "television is just another appliance. It's a toaster with pictures."[5] Supporters of Fowler's position ask, if we permit the laws of supply and demand to determine the price and availability of toasters, why should we do anything different with the media industries? From this perspective, market dynamics will give consumers the media products they desire. Producers, responding to what's popular (or in demand), will supply media that audiences have demonstrated (with their attention, money, or both) that they want. In this scenario, excessive regulation only disrupts these market processes by interfering with industry efforts to satisfy audience wants.

This kind of market model of media is rooted in the assumption that, as Fowler put it, media are simple appliances. This is only half of the argument, however. The market model also assumes that citizens are, most fundamentally, *consumers,* who have a potential interest in purchasing the mass media/consumer products that are available. On the face of it, these assumptions—that the media supply goods for consumers—may seem reasonable, even quite obvious. Certainly, an important feature of the media world is consumption. We may buy a CD, book, or magazine in the same shopping trip in which we buy a new item of clothing or household cleanser. In short, we do consume media, many of us to the tune of substantial sums of money.

However, there are three primary reasons the media industry is different from other industries, making the market model analysis inappropriate. First, the central role of advertising in some forms of media creates unique market relationships that must be taken into account when assessing the media. In some respects, the media market is *not* responsive to audiences. Second, and more important, media cannot be considered as merely a product to be used by consumers. Instead, as the public sphere model suggests, media are resources for citizens with important informational, educational, and integrative functions. Third, the unique role that media play in a democracy is reflected in the legal protections the media enjoy in the United States. We consider each of these in more detail below.

Advertising and the Media

One reason the media industry is different from other industries is its unique market situation. Most businesses sell products or services to buyers. The market model is based on this traditional buyer-seller relationship. Media businesses, however , operate in what is called a "dual product" market. They simultaneously sell two completely different types of "products" to two completely different sets of buyers. As Albarran succinctly puts it, "First, they produce the media products (newspapers, TV programs, etc.) that are marketed and sold to consumers. Second, they provide access to consumers (readers, viewers) that is sold to advertisers."[6]

The balance between consumer revenue and advertiser revenue varies by media type. Books, for example, are similar to other products in that the individual consumer provides nearly all the revenue for publishers. Broadcast television and radio, at the other extreme, are free to consumers and rely entirely on advertisers for revenue. Other forms of media have dual revenue streams but usually rely mostly on advertisers. For print media, subscriptions and newsstand sales account for only about one-third of newspaper and magazine revenue, while advertisers make up the bulk of revenue. As the Internet develops, most sites are following the broadcast model of providing free content that is financed by advertising.

Individual consumers are aware of the first of these two markets. We are used to paying for cable television, CDs, magazines, and other items. Here, we are in the traditional consumer role of buying a product for ourselves. However, it is less obvious that in the second media market, *we* are the products being sold; advertisers are buying our attention. As a result, the value of audiences goes well beyond the direct revenues they provide to media companies. Instead, audiences are important because they can be sold to advertisers. In essence, then, media content is often a kind of bait, intended to lure the audiences that are the valuable commodities for sale. The result is a market in which media companies need audiences but receive most of their revenue from advertisers, who may be interested in only very specific segments of the public.

This unique "dual-product" market status has significant implications when assessing the claim that unregulated markets respond to and satisfy the needs of consumers. In reality, to varying degrees, the consumers that media companies are responding to are advertisers, not the people who read, watch, or listen to the media. So, for example, some television programs with relatively low ratings are renewed while more popular shows are canceled. If television networks simply responded to what viewers watched, this would never happen. It does happen, however, because the networks are really responding to advertisers, not viewers. If a program with modest ratings reaches a demographic group that is especially attractive to advertisers, it may be renewed in favor of a program with higher overall ratings but with demographics that are less appealing to advertisers. Higher-income viewers, for example, are more appealing than lower-income viewers because they are more likely to afford the advertisers' products. Advertisers also have a strong preference for younger audiences, and are relatively uninterested in citizens over the age of 50. Unlike a democratic "one person, one vote" dynamic, markets are explicitly tilted in favor of those with more money who are likely to spend it.

Thus, even if we accept the claim that markets are responsive to buyers, we see that in the media marketplace these "buyers" are often advertisers, not the general public. This certainly challenges the belief that the unregulated marketplace adequately responds to the public's needs.

Media as Citizen Resources

The media industry differs from other industries in a second important respect. Because the mass media produce cultural and political goods that have different purposes from many other goods, the public sphere model conceptualizes media as citizen resources, not simple consumer products. Media can, and sometimes do, help provide citizens with what they need to be active participants in social and political life. In contemporary society, the mass media are central to processes of deliberation, education, and social integration.

Media are the primary suppliers of information to citizens, both about current events and long-standing issues. They inform for both individual decision making and, equally important, public deliberation. The health of our political discourse depends to a large degree on the quality of the information that the mass media circulate.

Media do more than simply inform citizens; they are also, in varying ways, informal educators. Media, often in entertainment formats, can provide us with a window onto our history, the experiences of others, and the views of people with whom we may never come into contact. In more formal ways, media can be educational, bringing learning opportunities to children and adults, probing complex intellectual or spiritual questions, and giving us the background and context to understand the contemporary world. (Indeed, even those who are most critical of the mass media—those who cry for censorship of what they consider to be inappropriate or offensive content—assume a powerful educational role for the mass media but fear that media "teach" the "wrong" lessons.)

In addition to their informational and educational functions, the mass media have the potential to promote social integration by bringing people together across geographic or social boundaries. In doing so, they can help constitute a shared identity based on the common reference points or beliefs that bind citizens to the society they collectively inhabit. Especially in a large, highly differentiated country such as the United States, mass media can enrich public life by promoting the notion that public dialogue matters and by providing spaces where people can both see parts of their own experience and be exposed to ideas, experiences, and cultures that they do not encounter in their day-to-day lives.

Because the mass media are important contributors to these educative, deliberative, and integrative processes, it is inadequate to conceptualize media simply through the language of consumption. Instead, by focusing on the ways that mass media are linked to the question of citizenship, we can see that the market model is far too narrow, because it neglects the cultural and political significance of the mass media. And by insisting on analysis of the "rational" individual—what individual consumers, in the aggregate, choose—the market model obscures the social meaning of mass media. In the end, the fundamentally democratic role of the mass media is undermined if we conceptualize media in terms of mere consumption.

The Unique Legal Status of Media

Because democracy and the ideal of free expression have long been linked in the political culture of the United States, the media industry continues to occupy a distinctive place in the American imagination. As part of a larger commitment to free speech and free expression, Americans generally consider a "free press" to be an essential requirement of a democratic society. But belief in the value of free expression is more than a cultural tradition; it is codified in laws.

The media industry is different from other industries because it enjoys special legal protection. The First Amendment to the Constitution states that "Congress shall make no law . . . abridging the freedom of speech, or of the press." The First Amendment gives the press a special status, protected from government regulation, because of its important role in informing the citizenry. Of course, such protections do not give members of the press license to violate the law. If news organizations engage in unlawful activities (e.g., theft) in their reporting, they can be prosecuted. And news outlets that knowingly publish false and harmful information can be sued for libel. In fact, some corporations now view libel suits as a potentially expensive threat they can deploy to try to intimidate investigative reporters. Even so, criminal and libel laws do not permit the government to prevent publication—to engage in "prior restraint"—of any specific material, even if reporters may face legal action later.

In contrast to the print media, broadcasters have not traditionally enjoyed such broad First Amendment rights. Because they use the public airwaves and rely upon a government licensing system to allocate space and direct traffic on the limited electromagnetic spectrum, the courts have permitted government regulation of television and radio. The rationale for such regulations is that they serve the public interest, which broadcast law has historically identified as a central obligation of broadcasters who are granted licenses. Even here, however, the courts have concluded that broadcasters have substantial First Amendment rights. Government cannot define the specific content of broadcasts, although laws can require the presence of certain types of programs (e.g., children's or public affairs programs) intended to serve the public interest. Even though politicians routinely criticize television executives for broadcasting excessive sex and violence, government officials do not introduce legislation that regulates television content, because such a law would almost certainly be invalidated by the courts as a violation of the First Amendment. As we will see, debates about regulation of media almost always acknowledge the cultural and legal significance of the First Amendment rights of the media.

The Tradition of Civic Responsibility

While the principal players in the media industry have always been profit oriented, it has long been recognized that profit seeking must be balanced by recognition of the civic role of news, public affairs, and to a lesser extent, entertainment media. Until recently, this broad public purpose of media was widely, if not universally, accepted.

The civic responsibility of the media has been most firmly entrenched in the print media. As the code of ethics for the Society of Professional Journalists notes,

> Public enlightenment is the forerunner of justice and the foundation of democracy. The duty of the journalist is to further those ends by seeking truth and providing a fair and comprehensive account of events and issues. Conscientious journalists from all media and specialties strive to serve the public with thoroughness and honesty.[7]

Similarly, the Statement of Principles of the American Society of Newspaper Editors says,

> The First Amendment, protecting freedom of expression from abridgment by any law, guarantees to the people through their press a constitutional right, and thereby places on newspaper people a particular responsibility. The primary purpose of gathering and distributing news and opinion is to serve the general welfare by informing the people and enabling them to make judgments on the issues of the time. The American press was made free not just to inform or just to serve as a forum for debate but also to bring an independent scrutiny to bear on the forces of power in the society, including the conduct of official power at all levels of government.[8]

Thus, newspapers and many magazines have long touted the special responsibility of the press to inform and educate citizens.

Broadcasters, too, recognize their role in serving the public. The Radio-Television News Directors Association's Code of Broadcast News Ethics begins with the observation that "the responsibility of radio and television journalists is to gather and report information of importance and interest to the public accurately, honestly, and impartially."[9] Because broadcasters transmit signals through the public airwaves, all forms of broadcasting have been viewed, at least in part, as a public service. In fact, regulations on radio and television stations in the United States obligate them to serve the "public interest, convenience, and necessity,"[10] although, as we will see, the specific meaning of this kind of public service has long been contested.

Other media forms, too, have been closely associated with the American ideals of free speech. Films and music, for example, have been widely recognized as providing a forum for the expression of a wide range of stories, concerns, and emotions. In this sense, they also can be understood as providing a type of public service.

Profit seeking and public service are not either/or propositions. Instead, the civic responsibilities of media have historically been met within the framework of commercial business. While this has always included incidents and trends that have put the pursuit of profits above the public interest, there is a strong history of attempting to balance the two. However, as the media industry grew and consolidated in the 1980s, that delicate balance shifted even further in favor of pursuing greater profits over concern for public service. Even though it has been marginalized in recent years by a growing concern for profits within the media industry, the public service role of the media is still recognized and invoked, especially by the professional associations that represent the journalists who work for the major media.

The Public Interest

If the media industry is different, in important respects, from other industries, the underlying conceptual reason is that media outlets have a distinctive relationship with the public. Rather than simply supplying consumer goods in a free market context, media in a democratic society are expected to serve the public interest. But it is no small task to define what the public interest means or how our mass media can serve in this capacity. In fact, critics often find it easier to identify what is *not* in the public interest—too much violence in television or news that is too crime focused, for example—than to explain what serving the public interests entails.

Market enthusiasts, on the other hand, can point to a straightforward definition of the public interest by inverting the term: the public interest becomes what the public is interested in. From this perspective, those media that are popular, by definition, serve the public interest. However, by defining the public interest as what is sufficiently popular (and profitable), the strict market model effectively dismisses the broader cultural and political significance of media.

If we take seriously that media are more than simply a growing industry but are important components of a democratic society, we need to pay attention to what it means for media to serve the public interest. To be sure, there are no easy answers. Sixty-five years of broadcast regulation has demonstrated the dynamic nature of defining the public interest. Instead of identifying a timeless and rigid set of guidelines, which would not be likely to withstand changing cultural norms or the emergence of new technologies, what we need is a framework to define the parameters of what it means for media to serve the public interest.

Promoting Diversity, Avoiding Homogeneity

The mass media serve the public interest to the extent that they portray the diversity of experiences and ideas in a given society. Only through exposure to a wide range of perspectives can citizens begin to truly understand their society and make informed decisions. Mainstream ideas and the views of those in power have a variety of avenues through which they can be expressed, including the mass media. The media, however, must serve the public interest by also regularly including ideas that are outside the boundaries of the established consensus. In this way, the mass media become a place where old ideas can be scrutinized and where new ideas can emerge and be debated. With a focus on diversity that welcomes disagreement and dissent, mass media can make a significant contribution to democratic public life.

In the context of a large and complex media system, diversity has several meanings. At the most general level, a healthy public sphere is nourished by a mass media system that provides a diverse menu of media fare. Citizens should have a wide range of options in both content and format. Television systems, for example, should provide different kinds of programming and provide viewers with choices among substantively different alternatives. Book publishers and music labels should offer a wide range of types of books and music, giving citizens choices that include the traditional and the innovative, the currently popular and the less known.

On a more specific level, the public interest is enhanced by a media system that presents a diversity of views and stories, giving citizens a multiperspectival and multicultural window on their world. Diversity in this sense refers not only to differences in race, class, and gender but also to substantive political or ideological differences. It does little good to have more women and minorities as political commentators, for example, if all they do is repeat well-worn assumptions that had previously come from white men. Among the diverse media fare, citizens should have access both to people and views that they find similar and to people and views that are very different from their own. In addition, a vibrant public sphere is nurtured not only by media products that are considered "serious" but also by media that give citizens pure diversion and the opportunity for enjoyment. A diverse media system offers media that are serious, challenging, and issue oriented; media that are fun and entertaining; and much that is both informative and entertaining at the same time.

Until recently, advocates of a public interest approach have focused almost exclusively on the importance of news media for public life. That is because the information provided in the news is so obviously a central requirement for an active citizenry. However, it is a mistake to see news as the only media form that contributes to democracy. Other types of media play important roles as well. Internet Web sites, talk radio programs, and television talk shows all facilitate public dialogue about current issues. Books can contribute to and spur public discussion. Even films and music can participate in and stimulate public debate about significant ideas and issues.

Media do not have to be explicitly "informational" to engage with public issues. We encounter public life through the stories we hear, tell, and experience. Today, it is our media, both new and old, that are our preeminent storytellers. As a result, forms of media that we classify as "entertainment," can play an important role in public life through the stories that they circulate.

The flip side of diversity is homogeneity. As we will see later, market forces tend to promote homogenous media products, as firms attempt to reach broad mainstream audiences. The "formula" system behind many Hollywood movies and the standardized formats adopted by most local news broadcasts are just two examples of homogenized media. However, this homogenization strategy tends to squelch media that are offbeat or idiosyncratic because they do not have a broad appeal. In effect, it helps undermine diversity. Serving the public interest requires a media system that is innovative and diverse in both substance and style. From the profit oriented market model perspective, this kind of approach is risky. From a public interest oriented public sphere perspective, this kind of approach is essential.

Substance and Innovation without Elitism

The mass media also serve the public interest to the extent that they provide citizens with substantive information and innovative entertainment. A diverse array of formulaic "fluff" is no diversity at all. The public sphere model acknowledges that what people "want" may not always be the same as what they "need." Mass media need to be spaces that inform, engage, challenge, and entertain citizens. While providing such substance and innovation, media must avoid propagating elitism.

Media must be willing to devote the space, time, and resources to informing the public about substantive issues, providing a wide range of perspectives. They must find new and engaging ways to communicate this information. In doing so, they must directly speak to the apathy and cynicism of many Americans. For example, in national elections, roughly half of all eligible voters stay away from the polls. The nonparticipation rate is even higher for state and local elections. Yet most media stick to well-worn horse race election coverage, inadvertently contributing to the alienation many people feel from political life. Media that truly served the public interest would use such events to substantively examine the challenges facing our democracy. Who are these nonvoters? Why have they stayed away from the polls? What do these nonvoters think about the political process? Why do they so often see the choice of candidates as no choice at all? Why do other democracies have much higher voter turnout? Can we learn something from these other democracies?

Seriously and regularly addressing such questions would be a step toward including the views of many who are now left out of the Tweedledee/Tweedledum election process. It would also begin to spark more debate and discussion about how to revitalize our democracy and make it more inclusive. That would be a key element of substantive coverage.

In entertainment media, innovation and risk taking—including promoting fresh perspectives, developing new formats, and welcoming controversy—are part of what it means to serve the public interest. Because such efforts can be financially risky, market-driven media are loath to regularly take such an approach. In addition, mainstream media advocates point to the millions of people who pack movie theaters, buy CDs, and watch television shows as evidence that they are already giving the people what they want. In fact, market enthusiasts have effectively painted public interest advocates as elitists who think they know the public's interests better than the public does.

Public sphere advocates need to take such charges seriously, in part because some critiques of commercial media *can* be elitist. The potential danger in the market model is that only what is widely popular is considered valuable, leaving out important contributions that are out of the mainstream. The potential danger in the public sphere model is that only what is approved by the elite is considered valuable, leaving out important contributions that are broadly popular. For example, according to Ien Ang, public service broadcasting in Britain was long considered to be a benevolent, but paternalistic, effort to promote and preserve the "best" of British culture.[11] While there is certainly value in nurturing aspects of culture that are not widely popular, such efforts must avoid paternalism by focusing on inclusive diversity, rather than the promotion of more rarefied definitions of "quality" media.

We must also remember that the public sphere approach to media is only elitist if we assume that popular desire is born and not made. But we know that popular tastes are shaped, for example, by a media industry that sometimes spends more on advertising and promoting a film than on making it. In fact, many decisions are made by the powerful media industry elite that greatly influence the range of media to which we are regularly exposed. Before the public ever gets to choose, record companies pick which of their bands will and will not receive support with major promotional campaigns. Television network executives can, in essence, decide the fate of a program by whether it is placed in a popular time slot or relegated to the scheduling equivalent of Siberia. In its own way, then, the commercial media industry—and the advertisers who support it—imposes its own preferences onto the public. Is this, too, a form of elitism?

By focusing on the importance of the public interest, public sphere advocates are underscoring the value of extra-economic goals such as diversity, substance, and innovation. Citizens need both information and entertainment, but on both counts, they need to have the opportunity to see their own experiences reflected and to be challenged by others. In short, when we talk about the public interest, we are identifying the media system as one of the key arenas in which citizens are constituted, are informed, and can deliberate.

Conflicting Logics

The two approaches we have been exploring—the market and the public sphere models—provide different lenses for seeing and evaluating recent changes in the media industry. While the market model frames a great deal of public discourse about the media industry, and is the only language with any currency in the media business itself, whenever critics or citizens complain about the performance of mass media, public sphere concerns are likely to be present.

Exhibit 1.2 summarizes some of the principal differences between these two approaches, demonstrating that the market and public sphere frameworks provide distinct perspectives on fundamental media questions.

One of the most telling differences between these two approaches is their divergent ways of envisioning the audience. The market model views the audience as a market of consumers both of media products and of the goods and services presented in the accompanying advertising. "Diversity" from this perspective is primarily a strategy for targeting particular demographic market groups. In the public sphere model, the audience is not conceived as a market, nor are individual members of the audience seen simply as consumers. Instead, the audience is perceived as a public, who, according to Ien Ang, should be "reformed, educated, informed as well

Exhibit 1.2 Summary of Media Models

	Market Model	***Public Sphere Model***
How are media conceptualized?	Private companies selling products	Public resources serving the public
What is the primary purpose of the media?	Generate profits for owners and stockholders	Promote active citizenship via information, education, and social integration
How are audiences addressed?	As consumers	As citizens
What are the media encouraging people to do?	Enjoy themselves, view ads, and buy products	Learn about their world and be active citizens
What is in the public interest?	Whatever is popular	Diverse, substantive, and innovative content, even if not always popular
What is the role of diversity and innovation?	Innovation can be a threat to profitable, standardized formulas. Diversity can be a strategy for reaching new niche markets	Innovation is central to engaging citizens. Diversity is central to media's mission of representing the range of the public's views and tastes
How is regulation perceived?	Mostly seen as interfering with market processes	Useful tool in protecting the public interest
To whom are media ultimately accountable?	Owners and shareholders	The public and government representatives
How is success measured?	Profits	Serving the public interest

as entertained—in short, 'served'—presumably to enable them to better perform their democratic rights and duties."[12]

The market model view of the audience is certainly the predominant, perhaps the only serious, perspective within the media industry. For example, the so-called educational news program *Channel One,* which provides a 12-minute newscast (with two minutes of ads) to more than eight million school children each day, uses the language of the public sphere model in telling school administrators that it is interested in promoting active citizenship. But in its promotional material directed at potential advertisers, *Channel One* boasts about its unique ability to provide a "direct pipeline" to a highly coveted teen market. From the market model, audiences are valued solely for their potential purchasing power, because what matters most is whether people purchase media products (books, records, movie tickets, etc.) and make themselves available to the advertisers who pay for access to our attention (television, radio, magazines, etc.). As a result, those who lack significant purchasing power, especially the poor, are of little interest to the media industry.

Even in noncommercial media explicitly identified as a nonprofit public service, it can be difficult to escape the market mentality. In recent years, public television in the United States has responded to the growth of cable and satellite television by identifying more aggressive promotion as a key to future success. Although there are crucial differences between public and commercial television, public television still operates squarely within a market framework. The audience, while smaller than its commercial counterparts, is ultimately little more than an attractive market because it is more upscale than the network audience and has great buying power. In a new twist, public broadcasters have identified the PBS brand as a potentially valuable commodity and are developing new promotional strategies and a new revenue stream that focuses on merchandise, particularly for children, derived from PBS programs.

The media's role in facilitating democracy and encouraging citizenship has always been in tension with its status as a profit making industry. Mediating between these two has been the government, whose regulations (or lack thereof) have fundamentally shaped the environment within which the media operate. The next chapter reviews this regulatory environment and explores how media policy has changed with the explosion of mass media.

Chapter Two

The Rise and (De)Regulation of the Media Industry

The media and entertainment industry is among the fastest growing sectors of the American economy, producing an expanding variety of products that are ubiquitous in our everyday lives. The history of media's growth and the interplay between the business of media and the regulation of media are the subjects of this chapter. We can give only a brief sketch of this complex history, but it provides some context for our later discussion of more recent changes. We begin with a case study as one example of the growth of media companies, the evolution of the media industry, and the central role regulators have played at key moments in media history.

The Changing Business of Media and Regulation: The Case of ABC and Disney[1]

In recent years, the business barons from Hollywood and Wall Street have gathered annually for an exclusive retreat in Idaho's Sun Valley hosted by investment banker Herbert A. Allen Jr. The heads of large media conglomerates, communications companies, and major investors, such as billionaires Ted Turner, Bill Gates, and Warren Buffett, meet and discuss business in what *Newsweek* magazine described as an "annual mogulfest" that was always "packed wallet to wallet." A *Washington Post* reporter quipped that at these events, "The sports of choice are golf, tennis and rearranging the pieces of the entertainment industry."

At Allen's 1995 retreat, Disney CEO Michael Eisner bumped into billionaire investor Warren Buffet—who owned 13% of Capital Cities/ABC. Out of the blue, Eisner asked if Disney might be able to buy Cap Cities. "I just spit it out," Eisner later recalled. Buffet was interested, and he invited Eisner to a picnic with Cap Cities/ABC chief Tom Murphy to discuss the issue. With that, the stage was set for what, up to that point, was the biggest media acquisition in history. The key players in this effort had previously discussed possible deals, but the chance meeting at that elite retreat triggered a week and a half of highly secret negotiations that quickly resulted in an agreement. The announcement of the megadeal stunned the business and media world and sent both Cap Cites/ABC and Disney stock soaring. In one day, Warren Buffet's investments increased in value by nearly half a *billion* dollars.

No one was more surprised by the whole deal than the host of ABC's *Good Morning America,*Charles Gibson. Twenty-five minutes after going on the air, Gibson learned through his earpiece from his producer that Disney had bought the network. Within the hour, Gibson was interviewing Eisner and Murphy on the $19 billion deal. When the enthusiastic Murphy asked Gibson if he were not proud about joining the Disney family, the visibly uncomfortable host tried a joke. "I never thought I'd work for a guy named Mickey," he said, referring to Disney's cartoon icon. Murphy did not laugh. The awkwardness continued later when in a closed-circuit news conference shown to ABC employees, ABC's evening news anchor, Peter Jennings, asked Eisner and Murphy whether "the sheer concentration of power, too much being held by too few hands" was good for the public.

Many concerns about Disney's takeover took the form of Mickey Mouse jokes. Editorial cartoons appeared showing ABC news anchor Peter Jennings and *Nightline* host Ted Koppel wearing Mickey Mouse ears. An illustration of Mickey Mouse in a three-piece business suit smoking a big cigar accompanied a national newsmagazine's story about the deal. Invoking the famous tag line from TV's old *Mickey Mouse Club,* ABC journalist Jeff Greenfield joked that maybe the network's slogan would become "AB—See ya real soon."

Jokes aside, the Disney/Capital Cities/ABC deal was an example of the rapidly changing nature of media ownership in the late 20th century. This deal was also an example of the recent tendency of federal regulators to allow consolidation in the media industry to advance relatively unchecked. Finally, despite regulator approval, this deal raised serious concerns about media consolidation, as suggested by Gibson's awkward exchange and Jennings' question.

When Cap Cities chief Tom Murphy was asked in the wake of the Disney deal about his proudest achievement, he readily acknowledged, "Money is how I've always kept score." That is what worries so many people. If money and profits are the only scorecards by which we measure the media industry—the "market model" approach—then the public interest concerns at the heart of the "public sphere" approach are left out in the cold. For example, there is often concern about the level of commitment that profit-oriented executives of entertainment conglomerates have for news divisions that historically have had a more public-interest orientation.

While much of the media's most dramatic growth and change took place in the late 20th century, industry change and the questions it raises about the relationship between media and society go back much further. Buried in the history of the companies involved in the Disney deal is the story of a rapidly growing industry and the shifting terrain upon which the profits versus public interest debates have taken place. At various times, changing technologies, evolving political preferences, and varying social norms have contributed to one side or the other increasing its influence.

The Rise and Assimilation of ABC[2]

The genealogy of ABC can be traced back to the Radio Corporation of America (RCA) (see Exhibit 2.1). RCA had been created in 1919 as a joint venture by Westinghouse, General Electric, AT&T, and United Fruit. Because it owned the patents on key radio technology, RCA had a virtual monopoly on that medium. RCA launched the National Broadcasting Company (NBC) which had two separate networks, known by the names "Red" and "Blue." However, in 1941, the courts found that RCA's broadcast monopoly violated antitrust laws. To promote competition in the newly emerging television medium, the FCC ordered NBC to sell one of its networks. In 1943, conservative businessman Edward Noble (inventor of Life Savers candy) bought the "Blue" network for $8 million [$78.7 million in constant 2000 dollars] and renamed it the American Broadcasting Company (ABC). Out of an antimonopoly action, then, ABC was born. (Subse-

Exhibit 2.1 Key Moments in ABC's Corporate History

1919	Radio Corporation of America (RCA) created as joint venture by Westinghouse, General Electric, AT&T, and United Fruit. RCA later launches two radio networks, known as "Red" and "Blue."
1941	FCC rules that RCA must sell one of its networks; RCA sues to block FCC order, but court rules RCA's broadcast monopoly violates antitrust laws.
1943	"Blue" network is sold and renamed the American Broadcasting Company.
1948	Supreme Court rules against Hollywood studio monopoly.
1953	In compliance with Court ruling, Paramount sells its theater chain which then merges with ABC network.
1954	ABC launches joint ventures with Walt Disney to build "Disneyland" and create television program of the same name.
1966	International Telephone and Telegraph (ITT) attempt to take over ABC is abandoned after concerns over conflict of interest.
1985	Capital Cities buys ABC for $3.5 billion, leading to major cuts in ABC's news division.
1995	Disney buys Capital Cities/ABC for $19 billion.

quent references to mergers and acquisition values note the constant 2000 dollar value in brackets.)

Meanwhile, the Supreme Court ruled in 1948 that the ownership of movie studios, distribution networks, and theaters by a single company also constituted an illegal monopoly. We discuss this case further below. To comply with the ruling, Paramount sold its theater chain. In 1953, this newly independent theater chain merged with the then-struggling ABC network. The ABC/Paramount merger raised new concerns. Two FCC commissioners voted against approving the merger because they felt the new company would again be a "monopolistic multimedia economic power." But the merger was approved.

A year later, ABC launched a joint venture with Walt Disney. ABC guaranteed 4.5 million dollars' [$28.5 million] worth of Disney loans and invested in a one-third ownership of a new Anaheim, California, theme park to be called "Disneyland." In exchange, Disney provided the network with a new, one-hour weekly TV program of the same title and gave ABC access to its 600-title library of animated feature films. The agreement was unusual at the time because movie studios resisted showing their material on television for fear that it would undermine the movie business. Disney, however, used the national television network platform to present a hodgepodge of animal documentaries, edited versions of Disney movies, and frequent "behind-the-scenes" features that blatantly promoted the Disneyland theme park and various studio projects. ABC also gave Disney a minute at the end of each Disney program to promote its latest film.

Concern about concentrated media power was raised again in 1966 when International Telephone and Telegraph (ITT)—a major conglomerate with a vast portfolio of international holdings—attempted to take over ABC. This time, the major concern was that the news division could be used to support the financial interests of ITT's many business efforts, an obvious conflict of interest. By a slim four to three vote, the FCC approved the merger. The majority of FCC commissioners argued that ITT's ownership of ABC would pose no more threats to journalistic integrity than RCA's ownership of NBC. But Commissioner Nicholas Johnson responded that "to say that because RCA owned NBC, ITT must be allowed to acquire ABC, is to say that things are so bad there is no point in doing anything to stop them from getting worse." Invoking the interest of ABC's journalistic independence, the Justice Department asked the U.S. Court of Appeals to block the impending merger. Daunted by the likelihood of protracted litigation, ITT withdrew from the deal.

By the mid-1980s, cable television was emerging as a major competitor to broadcast television, and the political climate had changed significantly. Part of the Reagan administration's agenda was to *de*-regulate businesses and the media were no exception. Newly relaxed ownership rules and a sympathetic political environment resulted in all three TV networks changing hands with little concern from regulators. In 1985, it was announced that Capital Cities would buy ABC in a $3.5 billion deal [$5.5 billion]. The purchase was possible only because of the recent easing of regulations that allowed a network to own 12 television stations instead of the previous limit of seven. After the buyout, corporate pressure quickly forced the ABC news division to cut costs and become profitable like the entertainment divisions. By 1987, about 300 news staffers had lost their jobs—one-fifth of the entire news division. After ownership changed at NBC and CBS, a similar orientation toward enhancing profits also occurred at those news divisions.

The deregulatory environment still ruled in 1995 when Disney—another company with a web of holdings—bought Cap Cities/ABC for a startling $19 billion [$21.2 billion] in what was then the largest buyout in U.S. media history, and the second largest in all of U.S. business history. Investor Warren Buffet publicly boasted that the deal was a "merger of the No. 1 content company with the No. 1 distribution company." In another era, this would have been the very definition of a monopoly. This time, antimonopoly concern from regulators was nowhere to be found.

Instead, Congress was at the time making plans to again *ease* the restrictions on the number of media outlets a single company could own. While most politicians did not appear to be concerned about the mergers, consumer advocates were. Gene Kimmelman, codirector of the Consumers Union, noted, "The marketplace is receiving a green light from Congress to consolidate in a manner that is dangerous to the development of multimedia competition." Regulators, however, did not share this concern.

Since its acquisition of Capital Cities/ABC, Disney has continued to expand and is a global media giant. In addition to its vast empire of Disney and ABC brands, its holdings in entertainment, sports, and news include some of the best known names in the world, including Touchstone Pictures, A&E, ESPN, NHL's Mighty Ducks of Anaheim, ABC's *World News Tonight,* and *Nightline.*

As the history of ABC and Disney shows, growth, mergers, joint ventures, and debates about ownership issues are nothing new in the media business. But as this history also shows, concerns about the impact of profit seeking on the public interest are also long-standing. To better understand both, it is useful to look more closely at the growth of the media industry, its shifting response to new technologies, and the evolving efforts to regulate it.

The Growth of Media

There are various ways to gauge the growth of the media industry during the 20th century. One simple way is to catalogue the emergence of new forms of media during that time: movies, radio, television, computers, videocassette recorders, communication satellites, and all forms of digital media are 20th century media. As new media technologies developed, media products proliferated, adding to a growing menu of media options.

Another important sign of the growth of the media industry is the remarkable expansion in the range of the places where we consume media. The printed word, in the form of newspapers or books, has long been portable. You can read just about anywhere that the lighting is adequate and whenever you do not require your eyes for other activities. Early forms of other media usually required the consumer to go to a special place to use it. People went to the theater to watch a film. They sat in their living rooms to listen to gramophones or to the early, large radio consoles. Later, they did the same with television. By the late 1980s, the bulky home computer was providing early glimpses of the Internet and other digitally based media.

But in the development of each medium, portability was eventually introduced, allowing for the expansion of media into many other social spaces. The radio left the living room to become commonplace in other parts of the house and in automobiles. Eight-track and cassette tape players, too, became common equipment in cars, eventually to be displaced by compact disk (CD) players. Portable media equipment, such as the transistor radio, the "Walkman" tape player, and digital music players such as the MP3 "Rio" meant that people could listen to music just about anywhere—while riding the bus or subway, working out at the gym, or walking in the park. Televisions became much smaller, entering bedrooms, kitchens, and other areas of the house. TV screens also went public, appearing routinely in airports, bars, banks, classrooms, and other locations, while tiny portable screens began appearing on camping expeditions, beach trips, and other outings. Television even became optional equipment in minivans and some automobiles. With videotape and digital videodisks, movies could go anywhere television screens were available. The office personal computer has given many workers routine access to the Internet. But home or office PCs are being supplemented with laptop computers and a host of smaller, more portable computer devices that can access the Internet and perform other computer functions. In effect, the opportunities for media consumption have expanded dramatically and become fluid, entering all social spaces and becoming an intimate part of our daily lives.

With this expansion has come growth in the circulation of various forms of media. Daily newspaper circulation grew from 41 million in

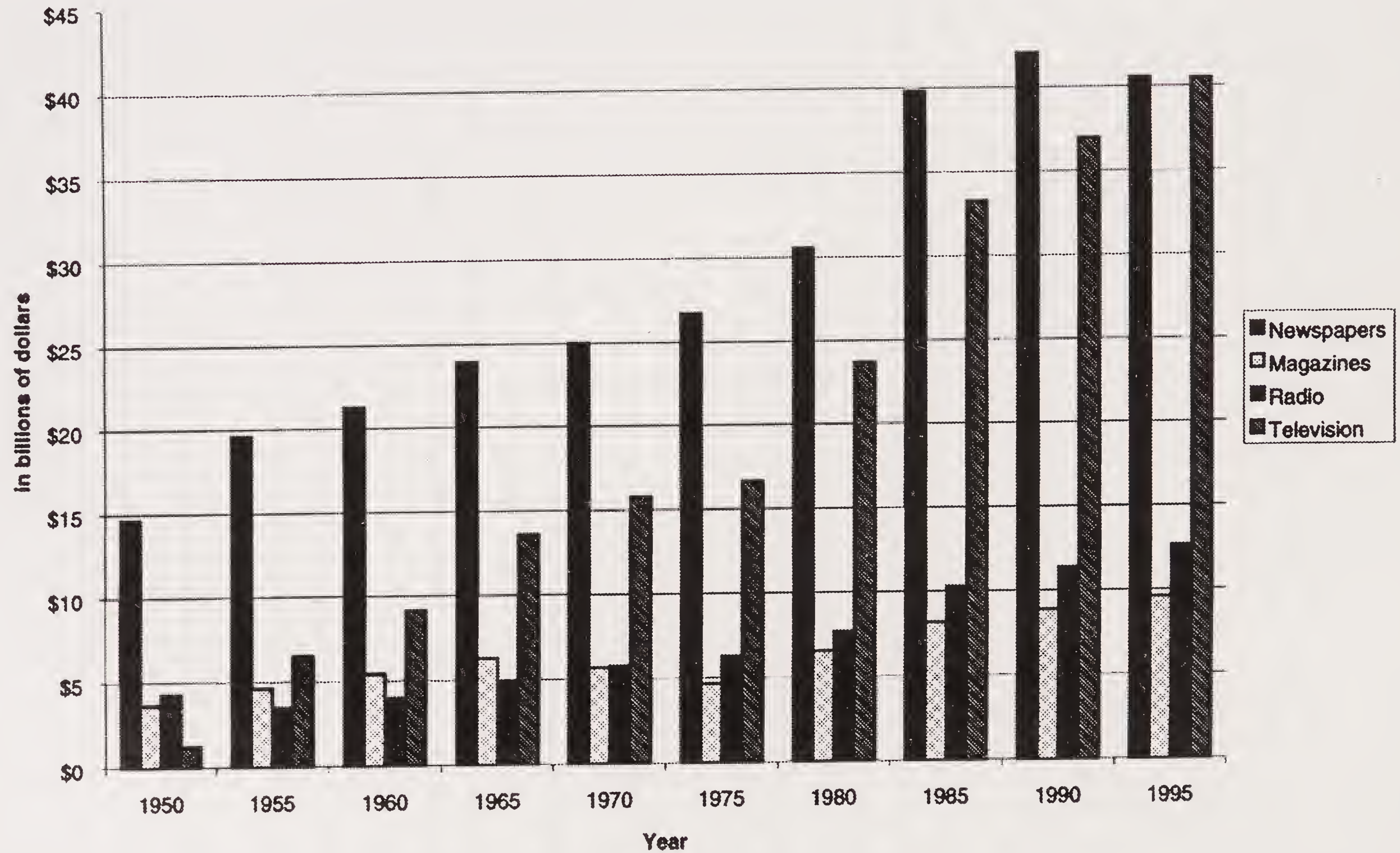
1940 to more than 62 million in 1990, before declining slightly to 57 million in 1997 in the face of new forms of electronic competition.[3] The number of books published rose from 91,514 during the 1940s to 510,286 during the 1980s.[4] Box office receipts at movie theaters grew from $1.3 billion in 1950 [$9.2 billion] to more than $58 billion in 1995 [$64.8 billion]. The number of cable television subscribers increased from 650,000 in 1960 to more than 60 million by 1995. The sales of recorded music grew from $2.4 billion in 1975 [$7.6 billion] to more than $12 billion in 1995 [$13.4 billion].[5] And the sales of prerecorded videocassettes to U.S. dealers rose from 3 million units in 1980 to more than 700 million in 1998.[6] With the exception of the newspaper industry—where consolidation has led to a declining number of papers, although circulation has remained relatively stable and ad revenues have increased—the distribution, revenues, and audience size of other sectors of the media industry expanded dramatically in the last half of the 20th century.

Finally, there is plenty of economic data that demonstrate the growth of the media industry during the 20th century. Perhaps the most dramatic growth has been in the size of the advertising industry. Between 1950 and 1995, the total amount spent on advertising in the United States—in constant 2000 dollars—increased from $40.3 billion to more than $178.7 billion.[7] Advertising revenue increased substantially in all of the four largest ad-supported media—newspapers, radio, television, and magazines (see Exhibit 2.2). By far, the largest increases were in the television industry, with the most dramatic growth occurring between 1975 and 1985 (after the initial introduction of television) in ad revenues across all four media.

We can also see the growth of the mass media in the United States by looking at the continuing expansion of the media industry as an employer. This may be one of the more underappreciated signs of the expanding media/entertainment sector. Not only are media becoming major export items, but the expanding media business, both new and old media, have become an important source of employment, especially as the manufacturing sector continues to contract. Exhibit 2.3 shows the number of employees in five sectors of the media industry between 1970 and 1996.

All of this growth in the media has had major social and political implications, in addition to economic significance. The omnipresence of the mass media is a very recent phenomenon that has literally changed how we live and how we learn about the world beyond our

Exhibit 2.2 Advertising Revenue, 1950-1995 in constant 2000 dollars



SOURCE: U.S. Bureau of the Census, *Statistical Abstract of the United States* (for the years shown).

Exhibit 2.3 Media Industry Employment, 1970-1996 (number of jobs, in thousands)

Year	*News-papers*	*Maga-zines*	*Books*	*Radio/ Broad-cast TV*	*Movies*	*Cable TV*
1970	373	75	101	138	204	NA
1980	423	88	101	198	216	NA
1990	474	129	121	234	408	126
1996	441	130	122	244	526	175

SOURCE: U.S. Bureau of the Census, *Statistical Abstract of the United States* (for the years shown).

immediate experience. The very fact that "round-the-clock" media seem so unremarkable is an important sign of how much the media industry has influenced us. At the same time, however, social and political factors have affected the economic development of the media industry. The sociology of media highlights this two-way interaction between media and society.[8]

The Evolution of Media

The interplay of media and society has been shaped significantly by the emergence of new technologies. As the media industry grew through the 20th century, it also evolved to incorporate and adapt to new forms of media. Thus, while many of the underlying questions about the relationship between for-profit media and a vibrant public sphere cut across historical periods, the business strategies of media corporations have been rooted in a specific historical context and technological climate. What follows is a brief overview of this evolution.

Newspapers and Press Barons

Critics of today's media conglomerates often appear nostalgic for some past time when short-term, bottom-line pressures were not such a powerful force in the media world. In fact, an implicit underpinning of contemporary press criticism seems to be the image of a news media less focused on attracting an audience and more geared toward informing the public. Critics of newer forms of electronic media, from television onward, often identify the era when print was the dominant medium as the model of a public service media system.[9]

It would be a mistake, however, to assume that profit pressures on media content are a new or even recent development. Such pressures have shaped mass media at least since the development of a popular commercial press in the 19th century. Instead of drawing a clear dividing line between the "serious" news of a past, print oriented era and the "soft" news of the present, image oriented era, we need to see how business strategies within the media industry have evolved as media conglomerates grew and new technologies emerged. In doing so, we must also pay attention to the historically unique and medium-specific ways that profit orientation has influenced media companies.

The newspaper industry has long been shaped by business dynamics that stress audience size and advertiser satisfaction. In fact, we would have to go back a long way, to the partisan press in the early 19th century, to find news that was not shaped by such business concerns. During the era of the partisan press, when newspapers were run primarily by political parties, the news was linked to broader political goals, rather than to economic ones. News content was aimed at achieving these political goals. But, as media historian Gerald Baldasty has shown, the press moved toward a commercial model in the second half of the 19th century, as the emphasis shifted away from political information and persuasion and toward profit making. The result of commercialization, according to Baldasty, was the beginnings of news that needed to entertain readers—the precursor of the often lamented tendency of today's mass media to attract a large audience by programming toward the lowest common denominator.[10] With a profit orientation, it mattered less what the media content was, as long as it translated into profits.

As the news became a commercial entity in the late 19th century, newspapers began to develop new strategies to attract readers. No longer did newspaper owners assume that they were printing political information for the party faithful. Instead, the new commercial press sought to sell papers to a broad public and turn that large circulation into revenue by selling space in the newspaper to advertisers wanting to reach a mass audience. In order to reach this mass audience, newspapers broadened the types of stories they covered, moving away from a strict focus on politics to include regular coverage of such areas as sports, entertainment, and fashion. Such coverage not only enhanced the appeal of the newspaper to new groups of potential readers, it also helped to attract new advertisers trying to promote products in related areas. Even today, when newspapers add new sections—on technology or home improvement, for example—it is a good bet that the driving force behind the expansion is the opportunity to bring in new advertisers.

As the commercial news industry grew in the late 19th century, the newspaper business became increasingly competitive. When William Randolph Hearst bought the *New York Journal* in 1895, New York became the focus of a long-standing competition for readers between Hearst's newspaper and Joseph Pulitzer's *New York World*. Pulitzer, who took over the small-circulation *World* in 1883, increased circulation tenfold in his first year by filling the paper with a combination of sensational human interest stories, juicy headlines, and illustrations, along with hard-edged stories and editorials that focused on social injustices. This "new journalism" was widely copied at the time, and proved to be a formula for significantly boosting circulation. When Hearst arrived on the scene, the circulation wars heated up, as both the *World* and the *Journal* made efforts to outflank each other. The result was a turn toward an even more sensational version of the news, full of inflammatory headlines and garish pictures, with stories that focused on sex and scandal.

This style, dubbed "yellow journalism" (and the precursor of today's "tabloid" news) was most visible during the months leading up to the Spanish American War in 1898. Led by Hearst's reporters, many newspapers were full of sensational stories of atrocities committed by the Spanish in Cuba. Hearst, a proponent of American military involvement, encouraged intervention with dramatic stories of injustice in Cuba. While the stories made for good newspaper copy, they were often of questionable veracity. In a now famous incident, after hearing that his reporter and illustrator planned to leave Cuba because the situation was so quiet, Hearst cabled his staff in Havana with the message: "Please remain. You furnish the pictures and I'll furnish the war."[11]

By 1908, Hearst owned nine newspapers (including three in New York and two in Chicago) and a major wire service, giving him a burgeoning newspaper empire, which would grow into the multimedia Hearst Corporation. At Hearst's papers, sensational stories and political influence went hand in hand. In addition to his reporting about the conflict in Cuba, Hearst used his papers and their sensational style to criticize political corruption and attack his political enemies.

Hearst papers regularly vilified President William McKinley and railed against the large corporate "trusts." Perhaps most of all, Hearst's papers supported his many campaigns for public office, including a successful run for Congress and unsuccessful bids to become Mayor of New York City, Governor of New York State, and President of the United States. Throughout all these campaigns, Hearst used his newspapers to attack his opponents, promote his own name and stature, and cover issues in ways favorable to his campaign. Ultimately, Hearst was not nearly as successful a political candidate as he was a businessman. But, Hearst remained a high-profile figure with political influence, largely because his newspaper empire gave him a national platform that was rare for his day.[12]

For Hearst, media ownership was an avenue into politics. Even when he did not hold office, he wielded influence through his crusading and sensational newspapers. Hearst's complex role as journalist, businessman, and politician shows both the business dynamics that push news toward entertainment and the political questions raised by the growth of media conglomerates.

Radio and the Rise of Corporate Media

In the early years of the 20th century, a struggle for control of radio, and over the definition of its proper use brought corporate interests, the U.S. military, and amateur operators into conflict. Corporate interests, including the American Marconi Company, owned by the man who had demonstrated the use of his "wireless" at the 1899 America's Cup in New York City, sought private control of the airwaves to use them for profit. The U.S. Navy sought government control of the airwaves to use them for official purposes, especially during wartime. And amateur radio enthusiasts, known as "radio boys" in the years before 1920, saw the airwaves as a form of public property to be used by citizens to communicate with each other.

Before 1920, corporate "wireless" operators saw radio as a form of point-to-point communication. At the same time, amateurs were beginning to listen to radio for pleasure and were experimenting with broadcasting music and information. Radio changed dramatically in 1920 when a Pittsburgh department store, in hopes of increasing sales of their radio equipment, ran a local newspaper advertisement for a musical program broadcast by amateur Frank Conrad. Shortly thereafter, Westinghouse, one of the major manufacturers of radio sets, began financing Conrad's station as a means of selling its radios. Radio manufacturers and department stores quickly jumped into the business of broadcasting by setting up stations to stimulate sales of radio sets. In 1922, with radio listening becoming a popular activity, telephone company AT&T established WEAF in New York and began selling airtime in what was called "toll broadcasting," the precursor to sponsored programming and broadcast advertising. The broadcast model, with an emerging mass audience and programming financed by the sale of airtime, was now in place.[13]

Even as the broadcast model emerged, however, the organization of the new broadcast industry was still up for grabs.[14] Who would have access to the airwaves and under what conditions? What role would the government play in regulating the medium? In the wake of World War I, the U.S. government was concerned that foreign business interests led by Marconi would dominate the radio business. In response, it incorporated RCA (the Radio Corporation of America) with the help of AT&T, Westinghouse, and General Electric. As the debate over how to organize the emergent radio industry evolved in the 1920s, the corporate players and their allies in government argued that a profit based, commercial radio industry was best suited to serve the national interest.

They made their case by contrasting their preferred model of a corporate organized broadcasting system with an industry either dominated by "foreign interests" or radio run by the government. A radio industry led by American corporations would not be a threat to the nation, they argued, nor would it permit excessive government control of information.

In the early 1920s, then U.S. Secretary of Commerce Herbert Hoover organized a series of conferences to explore the future of radio with various parties interested in the emerging industry. These conferences affirmed the notion that a corporate-led, commercial radio industry would best represent the general interest of the American public. The alternatives included reserving radio spectra for nonprofit use by amateurs and community groups. However, this was rejected as a system that would be oriented toward "special interests."

The result of these conferences was the Radio Act of 1927, which created the Federal Radio Commission (the precursor to the FCC), with the principal task of granting federal licenses allowing stations to broadcast over the airwaves. This new licensing system, which gave licenses to for-profit broadcasters, established what became our commercial broadcasting system.

But with technology evolving rapidly, this system was not cemented in 1927. Over the next several years, debate ensued about how and why nonprofits, such as educational groups, would be excluded in this new broadcasting industry. The underlying question in this debate was that if radio is such a powerful medium, shouldn't it be used for something other than programming to a mass audience and selling commercial products? The debate continued into the early 1930s, as broadcast reformers tried to carve out space for noncommercial uses of the airwaves, challenging the increasingly powerful radio industry. As late as 1935, Senator Robert Wagner introduced legislation that would have made all previous radio licenses null and void, while setting aside 25% of all the top AM frequencies for educational institutions. This would reopen the question of whether or not broadcasting in the United States should be organized on commercial lines. But Wagner's bill was doomed because of lobbying from the National Association of Broadcasters, the primary organization representing the interests of commercial broadcasters. By 1935, the contours of the commercial broadcasting industry were firmly established. It was only in the late 1990s that community access to radio was again seriously debated. However, this new discussion was limited to licensing low-power radio stations to community groups to help fill the voids left by commercial radio. The National Association of Broadcasters again lobbied heavily against this idea.

By supporting new radio programs to stimulate sales of their hardware, then turning to advertising so that they could generate revenue from broadcasting (not just manufacturing), corporate broadcasters in the 1920s ultimately defined the underlying strategy of the industry that would predominate for nearly a half century. However, this commercial model of broadcasting did not just appear out of thin air, nor was it inevitable. The commercial model is no more "natural" than the very different model of state-organized broadcast systems—based on Britain's BBC—that emerged throughout most of Europe. In those countries, government, not corporations, played the central role in developing radio. Even in the United States, it took more than 20 years for the advertising-supported, for-profit radio industry to develop. This period included intense debate about the social implications and political ramifications of this newly emerging technology. It also saw a struggle between different sectors of society as the new ground rules were debated. The process of defining radio was a social one—not just an economic one—establishing rules for the functioning of the emerging radio markets. In this case, commercial interests clearly were the victors over the concerns of other citizens.

The Television Era

Television arrived on the scene in the late 1940s and became a household staple faster than any other home appliance had done previously. By 1960, almost 90% of American households had television sets, making television a central part of American life. Following the commercial model that had been shaped 25 years earlier by radio, the television industry—dominated by the same companies as radio—relied on the same program and revenue strategies that radio used so successfully in earlier decades.

The limited channel capacity and the significant investment capital required to produce television programming meant that the radio networks were in the best position—financially, technically, professionally, and politically—to exploit the new medium. As a result, until the late 1970s, television was dominated by three major networks (ABC, NBC, and CBS) with roots in the radio industry. As with radio, these television networks produced programs for a mass audience and sold the attention of these audiences to advertisers at a premium.

Throughout the 1960s and 1970s, the television networks regularly attracted larger audiences than any other form of media, with tens of millions of households tuned in to network programming each night. In order to meet profit expectations, network executives tried to schedule programs that would attract large audiences. To do so, they generally selected shows that were safe so as not to offend any significant portion of the potential audience. Because all three major networks were competing for shares of the mass mainstream audience, they followed similar business strategies that led them to develop very similar programs. In many respects, television of this period was a homogenized monopoly, with just three networks offering viewers little product diversity. The sameness of so much network television was no accident; it was the result of the underlying commercial logic of an industry focused on mass audiences.

Network television's success at garnering such large audiences made it the preferred destination for most national advertisers. After all, where else could advertisers reach such a sizable audience with visually attractive sales pitches? With advertisers providing virtually all of the revenue for the networks, television fast became more of an entertainment and marketing medium than a public service medium. Although critics regularly invoked the language of the Communications Act of 1934, which required broadcast stations to serve "the public interest, convenience, and necessity," the networks had little interest in developing programs that were oriented toward public service. News could bring prestige to the networks, but it was not seen as profitable. Similarly, there was little interest in quality children's programming. And perhaps most important, virtually all programming was bland and inoffensive so as not to drive away audiences or advertisers.

FCC Chair Newton Minow's famous 1961 speech to the National Association of Broadcasters made this point quite clearly. Minow criticized broadcasters for offering audiences a "vast wasteland" of programming and argued that commercial broadcasters were squandering the "public's airwaves."[15] Network television was a good forum for advertisers, entertaining diversion for viewers, and a source of large profits for the networks and affiliate stations. From a market model perspective, it was a success. But as Minow's comments pointed out, the commercial television industry did little to contribute to a vibrant public sphere.

Coexisting with Television

There can be little doubt that network television was the dominant medium of the second half of the 20th century. Even as the networks lost audience share in the 1980s and 1990s, network television continued to attract the largest media audiences and, therefore, continued to be an attractive medium for advertisers. When television rapidly became the dominant form of mass media in the United States, executives in other media industries were forced to develop new strategies to survive.

The challenge for the radio, film, newspaper, and magazine industries was to figure out how to coexist with television, which was eroding the size and attentiveness of their audiences. If television was a "movie theater in the home" or a "radio with pictures"—two of the early characterizations of the medium—then why would people go to the movies or turn on the radio? And with television's seductive visual presence and no cover price, leaders in the print media worried that television would lure audiences away from reading.

But television did not destroy its rivals. Instead, it supplanted them, becoming the center of a multifaceted media industry. The older forms of media survived, but had to change in the new climate. Market dynamics shaped this transition, as pretelevision media looked for strategies to increase revenues and cut costs. Older media found ways to respond to their increasing marginalization and were able to prosper economically. These developments were indicative of both the voracious appetite among Americans for mass media and of the complementarity of the different media. Both were lessons that would propel a new wave of conglomeration in the 1980s and 1990s. But just as important, the survival of older forms of media demonstrates the limits of the mass audience approach of network television, which left large segments of the population available to be targeted both by new media products and advertisers.

Radio Survives

Radio survived the shift toward television by focusing on the youth market and, with the help of technological developments, becoming a local instead of national medium. Radio could not effectively compete directly with television for a national mass audience. Television sets rapidly took the place of radios in the family living room and popular radio programs and personalities quickly moved to television. In response, the radio industry changed formats in an effort to coexist with television. Radio stations moved away from the old staples of network serials and variety shows. In fact, fewer local stations were airing *any* network programs. Instead of the traditional family entertainment fare, local radio stations focused more programming on music. New technologies, including advances in sound recording and the licensing of the FM portion of the spectrum in the 1950s, gave broadcast music a much clearer sound. At the same time, new and smaller radio sets were also becoming easier to manufacture and more affordable for the public.

As the radio moved out of the living room, households were likely to purchase smaller sets for their kitchens or bedrooms and car radios became standard. As a result, radio survived the introduction of television by developing new formats that encouraged listeners to turn the radio on "in the background" while they did other things, something that was more difficult to do with a visual medium such as television. With the medium's new role, radio programmers looked for low-cost fare that did not require the undivided attention of the audience. Thus, they replaced the celebrity host with the local deejay and substituted recorded music for costly original productions.

Perhaps most important, with television looking toward a mass audience defined largely in family terms, radio began to focus on the youth audience. Up to this time, many mass media firms had done little to target specific segments of the audience.

Indeed, the sheer size of the audience was the key to financial success. Radio, however, moved—at first tentatively in the 1950s and more boldly in the 1960s and beyond—to view teenaged music listeners as their bread and butter. Historian James Baughman argues that it was television's success with the adult audience that forced local radio stations to seek out a new audience. It led local radio to attend to audience "subgroups."[16]

Even as radio moved from the center to the periphery in American life, the strategic decisions of radio station managers and the advertisers who supported them opened a new chapter in the media business. Because more media were competing for audience attention and advertising revenue, audiences that previously had been defined as too small to be important were now reconsidered. Youth had not been worth targeting when a broader mass audience was available. But with little chance of profiting with such a mass audience strategy because of television's appeal, radio focused on young people as a distinct audience segment, and began programming rock 'n' roll music aimed at the youth market.

In retrospect, this was just the beginning, and the radio executives who moved toward this targeted approach were likely motivated by necessity, not by a vision of a new media world. By the 1980s and 1990s, however, with new audience measurement techniques available and the mass audience fragmenting much more, target marketing and segment programming would become the norm. But the origins of this trend should be seen clearly: efforts to appeal to audience subgroups did not arise from a public-spirited commitment to serving all sectors of the audience. It was market logic at work. The youth market was not fully tapped, either as a media audience or as an advertising target, and radio's focus on youth was an effort to exploit that untapped market. In the 1980s, cable's MTV would follow similar logic. In short, radio's early move toward youth audiences was the result of a business strategy in a medium that was trying to survive in the face of television's dominance.

Print Media Adapt

Print media also faced new challenges in the television era. As television grew more popular and moved to the center of American culture, the newspaper and magazine industries faced a twin threat. Readers were spending more time with their eyes on the screen instead of the page, and national advertisers, convinced that audiences were headed toward television, were moving their campaigns to network television.

But the rise of television did not spell the end of the print media. Even after the introduction of television, newspapers retained their role as the major providers of local news. But with growing competition for advertisers and a population that was moving to the suburbs, the urban newspaper business began to change. The steady decline of the two-paper town began in the 1950s, as a growing number of urban papers closed and suburban papers emerged. Facing threats to circulation, many newspapers cultivated a middle- or upper-middle-class readership and began developing new advertising-friendly sections, trends that would only increase in the 1980s and 1990s. Gannett's launching of *USA Today* in 1982—a paper with bite-sized news stories and plenty of colorful photos and graphics sold in a vending box that resembled a television set—was indicative of the ways that newspapers began to imitate the style and format of television.

The threat to magazines, many of which competed directly with television for national advertisers, was even more severe. Much like the radio industry, the magazine industry retooled and adapted to the new media environment. As magazines changed, economic necessities were the key factors shaping their evolution. In the 1950s, industry leaders began to transform their products to survive in an era when they would be a secondary medium in the shadow of television.

The magazine industry followed a strategy similar to radio, moving from the general interest national magazine to the specialized magazine with a demographically targeted audience. One indication of change in the magazine industry was the financial failure of several high circulation national magazines. Between 1969 and 1972, three of the most widely read magazines in the country—the *Saturday Evening Post, Life,* and *Look*—all folded. While each of these weekly magazines had more than 6 million readers, they maintained such high circulation figures by charging very low subscription rates, counting on advertising revenues to stay afloat. As national advertisers shifted their attention—and their dollars—toward television, the national magazines who offered general interest fare to a mass audience (just what television was offering) quickly lost ground with advertisers.

Advertisers, in fact, deserted these national magazines before readers did. Despite continuing popularity among readers, the economics of the magazine industry led to the shutdown of these widely read publications. This is a classic example of the unique dynamics involved in the "dual-product" market within which media firms operate. In this case, even though magazines were able to attract a large readership, it was abandonment by advertisers that led to the demise of these publications. The market was responding to the "customer" who really mattered: advertisers.

With television dominating the national media scene, particularly in the eyes of advertisers, the magazine industry turned toward specialized publications for niche markets. Such targeted publications—for young women or sports fans or nature lovers—could succeed in financial terms with smaller circulations because they attracted specialized advertising that was directed at the target audience. Advertisers interested in reaching demographically specific audience segments (by age, gender, region, etc.) or readers with a passion for a specific set of activities (sports, cooking, etc.) were perfect matches for the new specialized magazines. These new magazines, that began to populate the newsstands beginning in the 1960s, provided a high profile alternative for advertisers who did not want, or could not afford, the national marketing campaigns that were the domain of network television.

Another way that the magazine industry responded to the ascendancy of television was by focusing attention on television itself. The success of *TV Guide,* launched in 1953, showed that magazines about television were popular with both audiences and advertisers. Over time, television and the more general world of celebrities and entertainment would become a staple of magazine content. In this way, the magazine industry helped to promote the television and movie industries, while simultaneously attracting readers because of their interest in television and movies. This prefigured the growing trend of "synergy" that would later drive the media industry toward horizontal integration, a subject we explore in later chapters.

Movies Evolve

For the movie industry, the rise of television presented an immediate and rather dramatic challenge. With television providing a version of a movie theater in the home, movie audiences had less incentive to go out for visual entertainment. Indeed, as television became a fixture in the American home in the 1950s, the movie industry struggled with severe economic problems. The number of theatergoers declined; theaters in less populated areas closed; and the movie business began to lose its place in the cultural center.

Despite such economic woes, the movie industry, just like the other pretelevision media, survived the crisis brought on by the change in the media landscape. To do so, the movie industry developed new approaches to the business of movie making. Driven by efforts to keep costs down and maximize revenues, two of these strategies helped to set the stage for the growth of the multimedia conglomerates of the 1990s.

First, to cut costs, the major movie studios started to produce fewer movies. Faced with a decline in audience size and with even loyal moviegoers attending movies less frequently, decreasing the number of new releases was an effort to bring the supply of movies in line with demand. Although the 1950s were a time of significant industry contraction with a major cut in the number of employees in the movie business, the idea was not just to scale back the industry. Instead, as the strategy evolved, it was directed toward producing films that would be "bigger" and more glamorous than the programs available on the small television screen. Of course, such big films could be very expensive to produce and promote, but if they hit a chord with the public, these movies could return very large revenues. Thus, the cultural phenomenon of the "blockbuster" was born.

Blockbuster films are expensive, high-profile movies that, when successful, can return enough profit to cover the losses from dozens of other, less popular films. The late 1990s saw a renewed interest in "smaller," relatively cheap films that defied studio formulas but attracted substantial audiences. Still, blockbusters are the center of the business strategy of the major movie companies.

The production and marketing of blockbuster films has come a long way since the 1960s. But the roots of the blockbuster can be seen in the way that the movie industry adapted to the rise of its new cousin and competitor, television. The effort to define going to the movies as a festive and important cultural activity worth leaving home for, coupled with the strategy of trying to strategically focus the public's attention on a smaller number of motion pictures, helped produce a distinctive brand of movie making that emphasized an early version of the blockbuster.

Second, instead of simply competing in what was a losing battle, Hollywood developed strategies for working with television. Because the networks sought to fill their airtime with visually oriented entertainment, the industry that had been producing such fare for the big screen was an excellent partner. After initially refusing to provide programs for television for fear that this would further erode theater audience, the film companies shifted gears when it became clear that television had become the dominant medium. By the late 1950s, Hollywood studios were the leading producers of prime time network television programming, demonstrating the compatibility between these two rival industries.

So the movie industry became a supplier of programming for the dominant medium of the time, giving Hollywood a revenue stream that would complement its traditional box office receipts. Then, when the VCR became a household staple in the 1980s, video sales and rentals provided the movie business with a third major revenue stream. Perhaps most important, this supplier-broadcaster relationship between film and television was an early sign of the economic fit between television networks and movie companies. With broadcasters seeking to assert control over program production and movie studios looking for outlets to distribute and promote their products, from a market model perspective, the integration of the two industries made increasing economic sense.

Setting the Stage for the Contemporary Media Industry

By the 1980s, many of the basic contours of the contemporary media industry were in place. The mass audience was fragmenting and more media were focusing on specific target audiences. The spread of cable television and a heightened emphasis among advertisers on the importance of demographics only enhanced this process of specialized media content and segmented media markets. In addition, with the audience continuing to fragment, the emphasis on the big hit—blockbusters, bestsellers, platinum records—only increased. With so many media competing for audience attention, and one major success potentially meaning the difference between profit and loss on the annual ledger sheet, hits and their accompanying stars were emerging as driving forces in the media industry.[17]

Finally, with an increasing focus on the complementarity of the different media, especially the benefits of promotional efforts across different media, the seeds of a new type of conglomeration were ready to grow. Earlier media conglomeration had seen efforts to build companies that controlled production and distribution within a single medium. By the 1980s, the stage was set for the new conglomerates that owned and operated production, manufacturing, and distribution across the range of different media industries.

Media Policy and the Public Interest

As the media industry has grown and changed during the 20th century, the definition of what kind of a media industry best serves the public interest has also evolved. Media policy, largely implemented by federal regulators, is a key factor that shapes the business strategies within the media industry. The effort to define the public interest and to craft and enforce rules that protect it, play an important role in shaping the direction of the media system we have. As we have seen, the regulatory climate of the day led to the breakup of some early conglomerates; RCA was forced to sell one of its networks, which became ABC. Conversely, the *de*regulatory climate of the 1980s and 1990s helped spur the growth of new and bigger conglomerates.

In Whose Interest?

Media policy, the body of laws and regulations that influence the shape of the media world, is often misunderstood. In fact, with the First Amendment's guarantee of freedom of the press providing the foundation for government media relations in the United States, discussions of media policy often begin and end with an argument that government should maintain a "hands off" attitude when it comes to the mass media.

However, the situation is far more complex than whether or not the government should intervene. As we saw earlier in this chapter, the commercial model of broadcasting—the advertising-sponsored, corporate-owned television and radio system that we know so well—emerged from government policies that defined the public interest in a particular way and awarded broadcast licenses to profit-seeking owners. The government, in effect, created and regulated an industry in such a way as to protect the interest of commercial broadcasters. Alternative models that were proposed, like the public service approach developed in Britain or a nonprofit model supported by educational groups, would have required a different set of media policies, protecting the interests of a different group of interested parties. In either case, government intervention would have been necessary.

Our commercial media system, therefore, relies upon many different forms of government intervention to exist. For example, government policy that makes advertising costs tax deductible is a crucial part of what makes advertising oriented media—newspapers, magazines, television, radio—financially viable. Special postal rates facilitate subscription-based media. Copyright law serves the interests of just about all media by making it illegal to repackage and sell, for example, books or videos without permission of the copyright holder. In short, the media industry relies upon a complex set of laws and regulations that help to define both the playing field and the rules of the game. Rather than *whether* or not the government should intervene, the real issue is *how* the government should intervene.

Antitrust Law

Among the various policy tools that the government has employed in its regulation of industry is the Sherman Antitrust Act. The Sherman Act, originally the basis for breaking up industrial monopolies such as Standard Oil in the early 20th century, is intended to protect the public from the power and control of the major owners in highly concentrated industries. When a small number of owners control a particular industry, they can exercise inordinate power in determining distribution, prices, and the development of new products or related industries. In short, the Sherman Act makes monopoly ownership unlawful if it harms the public, gives monopoly owners an unfair advantage in other industries, or restrains new competition.

The specific meanings and uses of antitrust law have been debated throughout the 20th century. Policymakers and legal scholars face complex questions about the definition of monopoly, what is harmful to the public, and what makes for an unfair advantage. Antitrust is best understood on a case-by-case basis, because each effort to use antitrust law must include a specific argument as to why a particular industry structure is illegal. In addition, antitrust actions require political will, because the targets are generally powerful and successful corporations. As a result, it can be difficult to make generalizations about the legal status of corporate monopolies. The highly concentrated media industry, at times, has been defined as acceptable and, at other times, has been the subject of legal challenges.

Perhaps the best known antitrust action in the media industry was the 1940s breakup of the motion picture monopoly. At the time, a round of media mergers had left the movie industry dominated by five major companies that produced, distributed, and exhibited films across the nation—Fox, RKO (Radio-Keith-Orpheum), Warner Brothers, Loew's, and Paramount. These five companies produced most of the popular films of the time and owned large theater chains, mainly in the most populated metropolitan areas. As a result, the U.S. Justice Department argued that this ownership structure gave the five majors inordinate control over the industry. In particular, the Justice Department argued that the control of both production (movies) and exhibition (theaters), allowed the majors to inflate prices for films, made it virtually impossible for independent producers to gain access to movie theaters, and gave the majors the power to force independently owned theaters to show smaller, less popular films along with the hits. Neither small studios nor independent theaters could effectively compete with the major Hollywood studios, with vertically integrated structures that gave them enormous competitive advantages.

In 1948, the U.S. Supreme Court ruled that the major movie companies were indeed exercising illegal control over the industry and that the ownership of movie studios, distribution networks, and theaters by a single company constituted an illegal monopoly. The Court agreed with the Justice Department argument that the integrated ownership arrangement greatly reduced competition, threatening the First Amendment rights of citizens to have access to diverse ideas. The court ordered the majors to sell their theater chains and outlawed various trade practices that the studios had used to thwart independent producers. As a result of the ruling, the five majors divested themselves of various elements of their entertainment empires. This successful antitrust action had a dramatic impact on the motion picture industry, prying open a space in the film business for smaller producers and foreign films and giving movie theaters more independence.

The antitrust action that broke up what was called the Hollywood Studio System had a lasting impact on the media business, leading to long-standing concern among regulators and policymakers about vertical integration within the media industry. For example, in the 1970s and 1980s, in an effort to prevent a monopoly of television production and exhibition, the television networks were forbidden from owning the programs they broadcast. By the 1990s, however, in a climate of deregulation, movie studios were back in the business of owning distribution channels (both movie theaters and television networks), and the television networks were permitted to produce and own their programming.

In the late 1990s, the antitrust suit against Microsoft Corporation—a computer software company now increasingly involved in media ventures—raised new questions about monopoly within the rapidly changing media industry. The Justice Department argued that Microsoft had illegally used its monopoly of computer operating systems (Windows) to strong-arm others in the industry in ways that limited innovation and harmed consumers, and to gain an unfair advantage in the development of Internet oriented technologies. In particular, the government argued that the "bundling" of Microsoft's program Internet Explorer, which is used to browse the World Wide Web, with its Windows operating system, illegally restrained the development of web browsing software and other Internet oriented applications. The decision in April, 2000, by Judge Thomas Penfield Jackson indicated that Microsoft had, indeed, violated antitrust law, and the Justice Department called for a breakup of the media/software giant. The Microsoft case is likely to stand as a kind of landmark of antitrust law for the information age.

Serving the Public Interest

Beyond antitrust actions to break up monopolies, media policy has been shaped by twists and turns in the definition of how best to serve the public interest. Since the initial Communications Act of 1934, which created the Federal Communications Commission, companies awarded broadcast licenses have been required to serve "the public interest, convenience and necessity." The meaning of the public interest and the strategies for protecting it have been the subject of much debate. Beneath the competing rhetoric, serving the public interest has largely been associated with a vibrant media system that is open to various points of view and forms of expression.

Policymakers have, in large measure, based the rationale for media policy on the need for *competition* and *diversity* within the media industry. However, even these terms are often the subject of intense debate: how much competition? Among whom? What kind of diversity? How best to promote diversity? Also, it is not always clear that both competition and diversity can be promoted by the same policies. In fact, in highly concentrated industries such as television or motion pictures, competition for the mass audience has historically led to imitation instead of innovation.

One series of policies has been defensive in nature. These policies try to prevent any single owner from controlling too large a slice of the media pie. For example, long-standing regulations have limited the number and reach of television and radio stations that any one company can own. And one owner cannot generally own a television station and a daily newspaper in the same city. This attempt to prevent monopoly can be justified from either a market or a public sphere perspective. From a market perspective, the lack of competition associated with monopolies undermines the various benefits provided by markets. From a public sphere perspective, monopolies are not likely to lead to diverse and independent media content. These defensive policies were historically driven by the goal of preventing media companies from controlling information and imagery too much or holding too much local market power. In sum, media policies governing ownership structures have been based on the assumption that a competitive media environment, resulting in many voices, best serves the public interest.

Other policies have tried to promote diversity more proactively. Rather than relying on competition, at times policymakers have implemented regulations with diversity as a principal goal. For example, the Fairness Doctrine, in effect from 1949 to 1987, required television stations to include "different opposing positions on public issues of interest and importance."[18] The Newspaper Preservation Act of 1970 permitted joint ownership and/or operation of daily newspapers in the same market in an effort to stop the decline of multinewspaper towns. And in 1996, the FCC adopted new rules requiring television networks to broadcast at least three hours per week of educational children's programming.

Media companies have historically opposed all such regulations, arguing that such policies are intrusive, costly, and ultimately harmful to a public that is served by for-profit businesses operating in line with audience desires. As we will see, this view has become increasingly prevalent, even among policymakers, at a time when deregulation of the media and most other industries has been on the rise.

Deregulation and the Market

In the 1980s, policymakers in the Reagan Administration argued that most regulation of the media industry was, in fact, not in the public interest. Led by Reagan's FCC Chair Mark Fowler, whose metaphor of the television as a toaster-with-pictures captured the idea that the media industry was no different from any other industry, media policy in the 1980s emphasized the market model as a means for serving the public interest. From this perspective, the public interest could only be defined as what interests the public, as indicated by the media that are most popular.

This deregulatory approach is based on the market assumption that supply and demand is the only appropriate way to evaluate the public interest. Those media that serve some public interest are profitable and therefore survive; those media that do not serve the public interest eventually fail because they do not satisfy a significantly large enough constituency. From this perspective, there is very little need for a proactive media policy, because the market is essentially self-regulating. The public interest is served by unregulated, profit-seeking media aiming to satisfy public desires.

This kind of market approach to media policy pays little or no attention to policy goals that may not be economic in nature. There is little room for social goals such as diverse expression, a media environment that is informational and not purely entertainment oriented, or media for largely underserved publics. In the 1980s and 1990s, a wide range of media regulations were either loosened or lifted altogether. The Fairness Doctrine was abolished in 1987; the 1970 FCC regulations concerning financial interest and syndication ("fin-syn" rules) that prevented television networks from owning their own programming were lifted in 1993; policies limiting ownership of radio and television stations were relaxed in the 1980s and

1990s. And more generally, federal regulators adopted a more relaxed attitude toward enforcing existing regulations. Broadcast station license renewals became a formality, as regulators opted not to regularly evaluate whether licensees served the public interest. And, while the Children's Television Act was enacted in 1990, the Federal Communications Commission did little to enforce it, allowing stations to claim that old cartoons such as *The Jetsons* and *The Flintstones* were educational programming. It was only after educators and media advocacy groups mobilized a public campaign that new FCC rules requiring three hours each week of educational programming were instituted in 1996.

Perhaps more important, the market model equates cultural worth with economic success; that which is profitable is valuable and cultural goals that are not profitable are ultimately not worth achieving. When the market model drives media policy, the core agenda for policymakers revolves around how to "free" media companies from regulations so that they can pursue, most vigorously, their profit-maximizing strategies. Ultimately, in the deregulated media industry, it is business strategy, with its focus on attracting audiences and exploiting new markets, that furnishes the language of media policy.

By the mid-1990s, new digital technologies were rapidly evolving; the media industry was expanding; the major media conglomerates were continuing to grow; and more than a decade of market oriented media policy had helped to move the dominant definition of the public interest toward a deregulatory stance. Major media and telecommunication companies, however, remained dissatisfied with a media policy that, despite recent deregulation, was still organized around the 1934 Communications Act. To move the media business into the digital age, exploiting the new technologies and developing innovative products, the major media companies argued for a wholesale rewriting of the laws and regulations that guide U.S. media policy.

With media industry lobbyists working hard on Capitol Hill and media companies providing large campaign contributions to both political parties, the stage was set for the most far-reaching media legislation in 50 years, the Telecommunications Act of 1996.[19] This act has already spurred major changes in the media industry and promises to escalate the rhetorical conflation of the public interest with economic success. In the next two chapters, we explore recent changes in media industry structure and strategies. These changes set the stage for the creation of the Telecommunications Act and, in turn, more changes were hastened by its passage.

PART TWO

INDUSTRY STRUCTURE AND CORPORATE STRATEGY

Explaining the Rise of Media Conglomerates

Chapter Three

The New Media Giants
Changing Industry Structure

In September of 1999, Viacom announced its merger with CBS.[1] The huge deal combined CBS's television network, its 15 TV stations, more than 160 radio stations, and several Internet sites with Viacom's well-known cable channels (e.g., MTV, Nickelodeon, Showtime, TNN), 19 television stations, movie and television production (Paramount Pictures, UPN), publishing (Simon & Schuster), theme parks, and more. The $38 billion merger was bigger than any previous deal between two media companies. In fact, it was almost double the size of the previous record. The 1995 record-setting deal in which Disney acquired Capital Cities/ABC had been worth $19 billion [$21.2 billion].

While the size of the Viacom/CBS deal was unprecedented, the basic dynamic underlying the merger was not. Since the mid-1980s, major media companies had been engaged in a feeding frenzy, swallowing up other media firms to form ever larger conglomerates. Including the Viacom/CBS merger, the 1990s alone saw well over $300 billion in major media deals. So rather than being unique, the Viacom/CBS announcement was just another example—and certainly not the last—of the mergers that transformed the industry toward the end of the 20th century.

These deals not only changed the media industry playing field, but also sometimes made it difficult to figure out who, exactly, were the players. While media mergers and acquisitions occurred primarily between media companies, some nonmedia companies also ventured into this lucrative market. In 1985, manufacturing giant General Electric bought RCA—owners of the NBC broadcast network. Westinghouse—producer of everything from household appliances to components for nuclear reactors—bought CBS in 1995. Three years later, the combined company dropped the Westinghouse name in favor of CBS Corporation and then proceeded to sell off the manufacturing parts of the conglomerate—in essence splitting back into two companies. Seagram's, best known for its alcoholic beverages and Tropicana orange juice, became a major media company, buying MCA in 1995 (now Universal Studios), Polygram records in 1998, and others. Microsoft, the software behemoth, also began investing in traditional media companies such as cable company Comcast, as well as Internet sites, and entering into a vast number of other media deals. Most important, traditional telecommunications firms also became central media players. In fact, at the time of the Viacom/CBS merger, the only media deals that had been larger were the ones in which phone company giant AT&T acquired two cable companies, TCI (for $48 billion in 1998) and MediaOne (for $54 billion in 1999), a sign of the coming integration of telephony, cable television, and Internet access.

Making Sense of Mergers

As we saw in the previous chapter, at various points in history antimonopoly concerns have resulted in the dismantling of media conglomerates. In more recent years, facilitated by an increasingly lax regulatory environment, major media companies have been buying and merging with other companies to create ever larger media conglomerates, all of which are now global in their activities. A decade and a half of such mergers have rapidly transformed the organizational structure and ownership pattern of the media industry. In the process, the dilemmas associated with the market and public sphere models of media have been dramatically highlighted.

From a market perspective, industry changes such as the Viacom/CBS deal can be understood as the rational actions of media corporations attempting to maximize sales, create efficiencies in production, and position themselves strategically to face potential competitors. Despite the growth in media conglomerates, many observers believe the profusion of media outlets made possible by recent technological developments—especially cable and the Internet—makes the threat of monopolistic misbehavior by these media giants highly unlikely. How can we talk about monopolies, they ask, when we have moved from a system of three television networks to one that will soon boast 500+ channels? How can a handful of companies monopolize the decentralized Internet? The media industry as a whole has grown, they also note, and the larger media companies simply reflect the expansion of this field.

But the public sphere perspective directs us to a different set of concerns. Growth in the number of media outlets, for example, does not necessarily ensure content that serves the public interest. Centralized corporate ownership of vast media holdings raises the possibility of stifling diverse expression and raises important questions about the powerful role of media in a democratic society. Even with new media outlets, it is still a handful of media giants who dominate what we see, hear, and read. The expansion of new media technologies have only strengthened, not undermined, the power and influence of new media conglomerates.

To assess the utility of these competing interpretations, we must first familiarize ourselves with the recent changes in the industry. This chapter describes these structural changes. Drawing primarily from the market approach to media, the next chapter examines the common industry practices that have emerged as a result of these structural changes. In chapters 5 and 6, we draw primarily from the public sphere approach to assess the impact of these industry changes on media content and on broader social and political life.

Structural Trends in the Media Industry

The basic structural trends in the media industry have been characterized in recent years by four broad developments.

1. *Growth.* Mergers and buyouts have made media corporations bigger than ever.
2. *Integration.* The new media giants have integrated either horizontally by moving into multiple forms of media such as film, publishing, radio, and so on, or vertically by owning different stages of production and distribution, or both.
3. *Globalization.* To varying degrees, the major media conglomerates have become global entities, marketing their wares worldwide.

4. *Concentration of Ownership.* As major players acquire more media holdings, the ownership of mainstream media has become increasingly concentrated.

Some of these phenomena are overlapping or interrelated developments. However, to describe the specifics of these developments, we examine each separately.

Growth

The last decades of the 20th century will be remembered as ones of expansive media growth. Not only was the number of media outlets available to the public via cable, satellite, and the Internet greater than ever, but the media companies themselves were growing at an unprecedented pace. In 1983, the largest media merger to date had been when the Gannett newspaper chain bought Combined Communications Corporation—owner of billboards, newspapers, and broadcast stations—for $340 million [$581 million]. Even when the value of that deal is adjusted for inflation, 1999's $38 billion Viacom-CBS deal was more than 65 times as big.

This enormous growth in conglomeration was largely fueled by a belief in the various benefits to be had from being big. Larger size meant more available capital to finance increasingly expensive media projects. Size was also associated with efficiencies of scale. But most important, integrated media conglomerates can exploit the "synergy" created by many outlets in multiple media. *Synergy* refers to the dynamic in which components of a company work together to produce benefits that would be impossible for a single, separately operated unit of the company. In the corporate dreams of media giants, synergy occurs when, for example, a magazine writes about an author, whose book is converted into a movie (the CD soundtrack of which is played on radio stations), which becomes the basis for a television series, which has its own Web site and computer games. Packaging a single idea across all these various media allows corporations to generate multiple revenue streams from a single concept. To do this, however, media companies had to expand to unprecedented size.

Ironically, as the scale of corporate growth increased, concern with regulating potential media monopolies virtually disappeared from mainstream political discourse. As a result, the big media players have—with sometimes stunning frequency—been merging with or buying out other big media players (see Exhibit 3.1).

(text continues on page 79)

Exhibit 3.1 Select Media Mergers and Acquisitions of $1 Billion (current) or More (1984-2000)

Year	The Deal	Value (in billions $) Current dollars	Constant 2000 dollars
1985	Rupert Murdoch's News Corp. (newspapers, television in Australia, Britain, US) buys Metromedia (six television stations) as the launching pad for his new Fox network	$1.6	$2.5
	Turner Broadcasting buys MGM/United Artists (keeping MGM's library of 3,000 films but selling off the rest for $.8 billion)	1.5	2.4
	General Electric buys RCA (owners of NBC network)	6.4	10.1
	Capital Cities (backed by investor Warren Buffett) buys the much larger ABC television network	3.5	5.5
1986	National Amusements (movie theaters) buys Viacom	3.4	5.3
1987	Sony buys CBS Records	2	3
1989	Time Inc. merges with Warner Communications	14.1	19.4
	Sony acquires control of Columbia Pictures and TriStar movie studios	4.8	6.6
1990	Matsushita Electric Industrial Co. buys MCA (Universal Studios, Geffen Records, Motown)	6.6	8.6
1993	US West buys a quarter share of Time Warner	2.5	2.9
	Viacom buys Paramount Communications (Universal Studios, Geffen Records, New York Knicks, publishing)	8.3	9.8
	Viacom buys Blockbuster	4.9	5.8
	TCI re-purchases Liberty Media, which it had spun off earlier (in prelude to failed Bell Atlantic takeover)	3.5	4.1

continued

Exhibit 3.1 Continued

Year	*The Deal*	*Value (in billions $)*	
		Current dollars	***Constant 2000 dollars***
1994	Cox Cable buys Times Mirror Cable	2.3	2.6
	US West buys Wometco & Georgia Cable TV	1.2	1.4
1995	Telecommunications Act of 1996 introduced in Congress		
	Gannett buys Multimedia Inc.	2.3	2.6
	Time Warner buys Houston Industries	2.5	2.8
	Time Warner buys Cablevision Industries	2.7	3
	Seagram's (beverages) buys 80% of MCA from Matsushita, renames it Universal Studios	5.7	6.4
	MCI buys 10% share of NewsCorp	2	2.2
	Westinghouse Corporation buys CBS (three years later, Westinghouse changes the company name to CBS Corporation)	5.4	6
	Walt Disney Co. buys Capital Cities/ABC	19	21.2
	Time Warner buys Turner Communications	8.5	9.5
	TCI buys Viacom's cable TV system	2.3	2.6
1996	Telecommunications Act of 1996 passed		
	Westinghouse (CBS) buys Infinity Broadcasting (radio stations)	4.9	5.3
	NewsCorp buys New World Communications Group, Inc.	3.6	3.9
	US West buys controlling interest in Continental Cablevision	10.8	11.7
	A. H. Belo Corporation buys Providence Journal Company (16 TV stations plus major newspapers)	1.5	1.6
	Tribune Company buys Renaissance Communications (TV stations)	1.1	1.2

Exhibit 3.1 Continued

Year	*The Deal*	*Value (in billions $)* Current dollars	Constant 2000 dollars
1997	Microsoft buys an 11.5% stake in Comcast Corp.	1.1	1.1
	Reed Elsevier and Wolters Kluwer merge (print/electronic publishing/ databases; Lexis/Nexis)	7.8	8.3
	News Corp. buys international Family Entertainment (Family Channel and MTM Entertainment TV production)	1.9	2
	TCI buys one-third of Cablevision Systems	1.1	1.2
	Westinghouse-CBS buys American Radio Systems	2.6	2.8
	Westinghouse-CBS acquires Gaylord, owners of Country Music TV and The Nashville Network	1.6	1.7
1998	AT&T buys TCI (Tele-Communications, Inc)	53.6	56
	Bertelsmann buys Random House/Alfred A. Knopf/Crown Publishing	1.3	1.4
	AOL (America On Line) buys Netscape (Internet browser)	4.2	4.4
	Seagram buys Polygram (music)	15.1	15.8
1999	DirectTV (Hughes Electronics) buys PrimeStar	1.8	1.8
	Charter Communications buys Bresnan Communications (cable)	3.1	3.2
	AT&T buys MediaOne	54	55.2
	@Home Corp. buys Excite (Internet company)	6.7	6.8
	Columbia House (owned by Time Warner and Sony) merges with online retailer CDNow	2	2

continued

Exhibit 3.1 Continued

Year	*The Deal*	*Value (in billions $)*	
		Current dollars	*Constant 2000 dollars*
	CBS buys King World (syndicated television programs)	2.5	2.6
	Yahoo! buys GeoCities Inc. (Internet company)	4.7	4.8
	Yahoo! buys broadcast.com	5.7	5.8
	VNU (Dutch publisher) acquires Nielsen Media Research	2.7	2.8
	CBS (via subsidiary, Infinity Broadcasting) buys Outdoor Systems (billboards)	6.5	6.6
	Viacom announces merger with CBS	38	38.9
	Cox Communications buys cable assets of Gannett Co.	2.7	2.8
	Cox Communications buys TCA Cable TV Inc.	3.3	3.4
	Cox Communications buys Media General Inc.	1.4	1.4
	Clear Channel Communications buys AMFM Inc.	23	23.5
2000+	America Online (AOL) acquires Time Warner in biggest media deal to date	166	166
	Tribune Company buys Times Mirror Company	6.5	6.5
	Telefonica of Spain acquires Lycos, the Internet portal; as part of deal, Telefonica establishes a partnership with Bertelsmann	12.5	12.5
	Gannett acquires Central Newspapers, owners of six dailies, including the *Arizona Republic* and the *The Indianapolis Star.*	2.6	2.6

continued

Exhibit 3.1 Continued

Year	*The Deal*	*Value (in billions $)* Current dollars	*Value (in billions $)* Constant 2000 dollars
	Vivendi, a French pay-TV and telecommunication company, buys Seagram (Universal, Polygram)	34	34
	NewsCorp (Fox) buys 10 television stations from Chris-Craft Industries	5.4	5.4

SOURCE: Media accounts.

NOTE: Most dates refer to the announcement of the deal. Many deals were not finalized until the following year. Constant dollar adjustments are based on the Bureau of Labor Statistics' Consumer Price Index and were developed using the American Institute for Economic Research's online cost-of-living calculator (www.aier.org/cgi-aier/colcalculator.cgi).

Constant dollar values should be considered approximate.

To better understand these mergers and acquisitions, it is informative to take a closer look at one example, the Viacom/CBS deal mentioned earlier.

The Viacom/CBS Merger

CBS was created in 1928 and has long been a major broadcaster with a strong radio and television presence. Through much of its history, it was popularly associated with its news programming, especially with Edward R. Murrow and Walter Cronkite, who were among the preeminent journalists of their day.

CBS dominated network broadcasting through much of the 1960s. In 1963, CBS owned nine of the top ten prime time shows, and all ten of the top ten daytime shows. In its heyday, it was known as the "Tiffany Network" because of its quality programming. In the mid-1980s, the network went into decline after being taken over by Loew's, which instituted cuts in the CBS news division as one way to increase profits. Ten years after the Loew's takeover, CBS was sold again, this time to the Westinghouse Corporation, an electrical hardware manufacturer that changed its name to CBS Corporation.

Viacom is a much younger company. In 1970, the FCC introduced new regulations requiring networks to purchase their programs from independent producers. The rules meant that networks could not own their new programs and could not sell the rights to air reruns of their old programs—a process known as "syndication." The goal, according to the FCC, was "to limit network control over television programming and thereby encourage the development of a diversity of programs through diverse sources of program services."[2] This became known as the "financial interest and syndication" rules, or "fin-syn" for short. Viacom was created in 1971 as a spin-off of CBS to comply with these new FCC regulations. To sell the syndication rights to its old programs, such as *I Love Lucy* and *The Andy Griffith Show,* CBS was required to create a new corporate entity, separate from the network. Thus, Viacom was born.

In 1986, National Amusements, a movie theater chain headed by Sumner Redstone, purchased Viacom for $3.4 billion [$5.3 billion], keeping the name for the new company. Viacom grew quickly, purchasing other media enterprises. Most notably, in 1993, it bought Paramount for $8.3 billion [$9.8 billion] and Blockbuster Video for $4.9 billion [$5.8 billion]. From a stepchild of CBS, Viacom had become a media giant in its own right. In 1999 the circle was completed as Viacom returned to purchase its former parent, CBS, for $38 billion, creating a new Viacom that was estimated to be worth over $70 billion.

So what happened? Why was a much smaller media company broken up in 1971 because of fear of monopoly, while a much larger company was allowed to keep growing by acquisitions in 1999? The explanatory equation is something like this: technology + politics = deregulation. It was the combination of changing communications technology, coupled with a conservative shift in national politics, that led to major deregulation of the media industry. This deregulation, in turn, allowed media corporations to expand rapidly, almost exponentially.

Changing Technology

New technology is one key element facilitating industry changes. When CBS was forced to spin off Viacom in 1971, television viewers usually were limited to relatively few options, that is, the national broadcast networks (ABC, CBS, and NBC), public television, and perhaps one or two local independent stations. By the end of the century, there were six national broadcast networks of varying sizes (including Fox, WB, UPN), a virtually countless number of cable channels, and "direct TV" satellite options. Media corporations argued that many ownership regulations were no longer needed in this world of proliferating media outlets.

If television offered abundant choices, critics of regulation contended, then the Internet was virtually limitless in its offerings. In its early days, especially, the Internet was seen even by many critics of mainstream media as an antidote to big media. Because of the apparently low cost of entry and virtually no-cost distribution, it was thought to be a way to level the playing field between large media conglomerates and smaller independent producers. This, too, was a part of the argument against regulation of big media.

But while technology has undoubtedly changed the face of mass media, some of these changes amount to less than they first appear. For example, while changes in television technology are ushering in the era of the 500-channel universe, these new options—unlike traditional broadcast television—are expensive alternatives that many Americans cannot afford. At the end of the century, nearly a third of American households had no cable service at all and another third had only basic cable. Expensive premium channels, pay-per-view selections, and other options remained unaffordable to most families.

Also, more channels have not necessarily meant more diversity. Instead, many of the cable options simply air either reruns of broadcast programs or provide a certain type of previously existing programming (sports, music videos, etc.), 24 hours a day. *More* content does not necessarily mean *different* content.

The Internet, too, has shown signs of becoming dominated by major media giants. For a short period of time, many major media companies were not heavily involved in Internet ventures. As a result, there was a brief window of opportunity for new companies to get established. However, as this first stage of the industry passed, a second consolidation stage took place.

Two major types of players were driving this consolidation stage. First, as successful new Internet companies saw the value of their stock rise, they often tried to solidify that value by buying something tangible with the money—often other media firms. That way, when stock prices on overvalued Internet companies fell—as they inevitably did—these companies still had valuable, although more traditional, media assets. Second, after small ventures began showing how the Internet might be used for commerce, major media players stepped in and either bought smaller companies or forced them to merge to remain in business. Thus, established companies used their resources to buy their way into the expanding Internet market. In the first half of 1999 alone, there were more than 650 Internet mergers and acquisitions valued at over $37 billion.[3] This number was more than three times greater than the number of deals made in the first six months of 1998.

These large scale companies make it difficult for new companies to compete independently. The once relatively low startup costs of running a significant World Wide Web site—originally touted as a central reason for the Internet's revolutionary character—now routinely exceeds $1 million.[4] As a result, media companies with major capital to invest now dominate the most popular sites on the World Wide Web.[5]

The Politics of Deregulation

If technology provided the tracks upon which deregulation was able to ride, then conservative, pro-business politics was the engine that propelled it along. The relaxation of key regulations was absolutely essential for the rapid expansion of media conglomerates.

Earlier antimonopoly regulation sometimes prevented the growth of major media conglomerates—or even required their dismantling. As we saw in chapter 2, the Justice Department's breakup of the Hollywood studios was one example of reaction to a single media company owning the means of producing, distributing, and exhibiting media products. The "fin-syn" regulations, too, were implemented to prevent control of production and distribution from resting in the hands of a single company.

In recent years, however, overall growth in media outlets and a more conservative, pro-business political environment has contributed to the significant relaxation of ownership regulations.

The 1980s was a period of deregulation that affected many different industries, including the media. Regulatory agencies—in this case the FCC—became staffed by appointees who shared many of the basic pro-business and antiregulatory sentiments of the Reagan administration. This shift gave a green light to the first round of media mergers in the mid-1980s. In 1988, Time Inc.'s annual report to stockholders stated flatly that "by the mid-1990s, the media entertainment industry will consist of a handful of vertically integrated worldwide giants. Time Inc. will be one of them."[6]

Simultaneously, with the growth of larger media companies, the number of media outlets expanded, especially in the areas of cable and satellite television. These new technologies were a key reason that, in 1993, a U.S. District Court ruled that broadcast networks should no longer be subject to many of the fin-syn regulations. Previously, television networks acquired programming from outside producers who continued to own the programs. However, with the elimination of "fin-syn" rules, networks were now free to air their own programming. Increased vertical integration of production and exhibition resulted. For example, in the summer of 1999, Disney formalized its vertical integration in television by merging its television production studios with its ABC network operations. The shift was aimed at controlling costs by encouraging the in-house development and production of programs by Disney/ABC for broadcast on the ABC network.[7] Such integration would have been impossible without changes in the fin-syn regulations.

The shifting regulatory environment encouraged more mergers as companies with production facilities went shopping to buy a broadcast network to air their programs. For example, in its 1999 deal, Viacom—a company with production facilities but not a major network—merged with CBS—a major network without production facilities. Changing regulations were widely seen as encouraging this type of merger. By the beginning of 2000, NBC was the last remaining network not owned by a company with major production facilities. Many analysts believe this makes the network a prime target for a takeover.

The antiregulatory sentiment in government that had escalated under the Republican Reagan and Bush administrations continued into Democrat Bill Clinton's administration. Nowhere was this more clear than in the passage of the wide-ranging 1996 Telecommunications Act. The act had been heavily promoted by the media and telecommunications industries, leading even the *New York Times* to editorialize, "Forty million dollars' worth of lobbying bought telecommunications companies a piece of Senate legislation they could relish. But consumers have less to celebrate." The *Times* went on to argue that the bill's "antiregulatory zeal goes too far, endangering the very competition the bill is supposed to create."[8]

But antiregulation ruled the day and among the many provisions of the Act were those that relaxed the rules governing the number of media outlets a single company may own. (See Exhibit 3.2.) While the Telecommunications Act was promoted using a market approach that emphasized more competition, the changes actually helped to fuel a new wave of media mergers and acquisitions.

Patricia Aufderheide notes that "in the months following the act, mergers and buyouts multiplied. In 1997 alone, $154 billion [$163 billion] in media and telecommunication deals was recorded in the following categories, according to Paul Kagan Associates research, telephone, $90 [b]illion; radio, $8.3 billion; TV station deals, $9.3 billion; and entertainment and media networks, $22 billion."[9]

One of the act's provisions called for a review of certain ownership restrictions and, as a result, the FCC announced another round of deregulation in the summer of 1999. This time, the FCC eased restrictions on the number of local radio and television stations a single company could own. The FCC eliminated regulations restricting companies to one local TV station in a market. Now companies are allowed to own two stations, as long as at least eight other competitors are in the same market and one of the company's two stations is not among the market's top four. Other conditions too, such as a failing station, can be used to justify multiple station ownership. In a reflection of the convergence of media forms, another regulatory change now allows for a single company to own two TV stations and six radio stations in a market as long as there are at least 20 competitors among all media—cable, newspapers, and other broadcast stations.[10]

Consumer advocates bemoaned the changes, arguing that they once again would lead to more media outlets in fewer hands. But media executives had something to cheer about. Lowell "Bud" Paxon, owner of PAX TV greeted the changes by saying, "I can't wait to have a glass of champagne and toast the FCC!" Barry Diller, chairman and CEO of USA Networks observed, "This is a real significant step. . . . This is going to change things."[11]

He was right. Less than a month after these new FCC regulatory changes, Viacom and CBS announced their plans to merge—a deal that would have been impossible before the relaxation of FCC regulations. Even with the new rules, the new Viacom would violate existing regulations. For example, its television stations could reach into 41% of American households, but the FCC cap was 35%. In addition, it owned both the CBS network and had a 50% stake in the

Exhibit 3.2 Select Ownership Rules Changes in the 1996 Telecommunications Act

The 1996 Telecommunications Act eased restrictions on media ownership, leading to larger media companies and more concentration of ownership.

Previous Rules	***New Rule Changes***
	National television
A single entity: Can own up to 12 stations nationwide or Can own stations reaching up to 25% of U.S. TV households.	No limit on number of stations Station reach increased to 35% of U.S. TV households.
	Local television
A single entity: Can own only one station in a market.	Telecom Act called for review. In 1999, FCC announced it would allow multiple station ownership in a single market under certain circumstances.
	National radio
A single entity: Can own up to 20 FM and 20 AM stations	No limit on station ownership.
	Local radio
A single entity: Cannot own, operate, or control more than two AM and two FM stations in a market. Audience share of co-owned stations cannot exceed 25%.	Ownership adjusted by market size: In markets with 45+ stations, a single entity cannot own more than 8 stations total and no more than 5 in the same service (AM or FM) . . . with 30 to 44 stations; 7 total, 5 same service . . . with 15-29 stations; 6 total, 3 same service (but no more than 50% of the stations in the market) . . . with 14 or fewer; 5 total, 3 same service (but no more than 50% of the stations in the market) Limits may be waived if the FCC rules it will increase the total number of stations in operation

UPN network, but FCC regulations prevent a network owner from having an ownership interest in another network. Finally, Viacom's ownership of numerous radio and television stations violated ownership limitation rules in a half dozen markets. Upon approval of the deal, the FCC gave Viacom time to comply with such regulations.[12] Some observers, however, believed that the FCC might change some of these limits by the time the compliance period expired.

So the growth in media conglomerates has been fueled, in part, by the changing regulatory environment. In the years when public interest concerns about monopolies were preeminent, media companies were constrained in their ability to grow unchecked. However, with the rise of more media outlets via new technology, the conservative shift toward business deregulation starting in the Reagan administration, and the media industry's lobbying clout, media corporations have been relatively unencumbered in their ability to grow.

Thus, as the 20th century came to a close, a loose regulatory environment allowed Viacom and CBS to create a new media giant. As announced, the 1999 merger created a Viacom that

- was the nation's largest owner of TV stations,
- was the nation's largest owner of radio stations,
- controlled the nation's largest cable network group,
- controlled the nation's largest billboard company,
- was the world's largest seller of advertising with estimated sales of $11 billion—nearly twice that of second-place News Corp. ($5.8 billion), and more than double its next two competitors (Disney's $5.1 billion and Time Warner's $3.8 billion).

In an earlier era, such concentrated market power would likely have been met by regulatory roadblocks. In this new era of deregulation, it is likely that the deal will be followed in the coming years by further industry consolidation and even larger deals.

Integration

Media empires are nothing new. As we saw in chapter 2, William Randolph Hearst built a powerful newspaper empire that wielded considerable political clout. However, the scale of the contemporary conglomerates is unprecedented. The pinnacle of the Hearst empire during his lifetime would be just a small part of today's megamedia corporations. In fact, the Hearst empire lives on in the form of a multimedia conglomerate many times the size of anything that existed when Hearst was alive. The Hearst Corporation Web site now touts the company as "one of the world's largest diversified communications companies, with interests in newspaper, magazine, book, and business publishing; television and radio broadcasting; cable network programming; newspaper features distribution; television production and distribution; and new media activities."[13] Having long outgrown the newspaper empire of its founder, the company's holdings by early 2000 included 7 radio stations, 26 television stations, nearly two dozen magazines and magazine distributors, and 16 business-to-business publications, in addition to more than 30 daily or weekly newspapers.

Beyond sheer scale, one of the key differences in today's media companies is the wide variety of media they comprise . Hearst owned newspapers. Today's media giants are likely to be involved in almost all aspects of the media: publishing, television, film, music, the Internet, and more. Again, turning to our case of Viacom, we can easily see the extensive integration that is a part of such a media company. A simplified listing of Viacom holdings is presented in Exhibit 3.3. These holdings are separated into two columns to show the assets that Viacom and CBS each brought to their 1999 merger. Of course, with the exceptions noted above resulting from FCC restrictions, most assets in both columns became part of the new, post-merger Viacom.

Even a simplified profile, such as Viacom's in Exhibit 3.3, may at first seem like a tangled maze of companies. A conglomerate by definition consists of many diverse companies. But we can better understand the relationships among individual companies by considering the idea of horizontal and vertical integration.

Horizontal Integration

A media corporation that is horizontally integrated owns many different types of media products. Viacom is clearly a horizontally integrated conglomerate because it owns, among other things, properties in broadcast and cable television, film, radio, and the Internet—all different types of media.

(Text continues on page 92)

Exhibit 3.3 Simplified Listing of Viacom Holdings (after merger with CBS[a])

Original Viacom Holdings	***CBS Holdings***
Television Broadcast Networks and Stations	
UPN (United Paramount Network), a joint venture with BHC Communications	CBS Television (15 television stations, 212 affiliates)
Paramount Stations Group (19 television stations)	
Cable Television	
MTV (Music Television)	TNN (The Nashville Network)
Nickelodeon	CMT (Country Music Television)
TV Land	CBS Eye on People
VH1	CBS TeleNoticias—Spanish-language news
Comedy Central (joint venture with Time Warner)	Home Team Sports Channel (majority owner)—regional sports network
Showtime Networks	Midwest Sports Channel (majority owner)—Minneapolis area sports network
SET Pay-per-view	Group W Network Services—technology services for the cable and broadcast industries
Showtime	
Showtime en Espanol	
Showtime Extreme	
Sundance Channel (joint venture with Robert Redford and Polygram)	
The Movie Channel	
FLIX	
All News Channel (joint venture with Hubbard Broadcasting)	
The Paramount Channel (United Kingdom)	
Viacom Interactive Services	

Exhibit 3.3 Continued

Original Viacom Holdings	*CBS Holdings*
Radio	
	Infinity Broadcasting—160+ radio stations Westwood One (equity interest)—radio network syndicated program/producer Metro Networks
Film and Television Production/Distribution	
Paramount Pictures (2,500+ film library) Paramount Television Paramount Home Video CIC Video (joint venture) Viacom Productions MTV Films MTV Productions Nickelodeon Studios Nickelodeon Movies Wilshire Court Productions Spelling Entertainment Group (80% ownership) Spelling Films Spelling Television Republic Entertainment Big Ticket Television Worldvision Enterprises Hamilton Projects United International Pictures (joint venture with Universal)	CBS Productions EYEMARK—marketing and production of syndicated programming King World Productions—first-run television syndication (e.g., *Jeopardy, Wheel of Fortune*)

continued

Exhibit 3.3 Continued

Original Viacom Holdings	***CBS Holdings***
Publishing	
Anne Schwartz Books	
Archway Paperbacks and Minstrel Books	
Lisa Drew Books	
Fireside	
The Free Press	
MTV Books	
Nickelodeon Books	
Simon & Schuster—including Consumer Group, Audio Books, Children's Publishing, Interaction, Libros en Español	
Pocket Books	
Scribner	
Star Trek	
Touchstone	
Washington Square Press	
Music	
Famous Music (copyright holders of more than 100,000 songs)	
Internet	
	CBS.com
	CBSSportsLine.com
	CBSMarketWatch.com (joint venture with Data Broadcasting Corporation) ThirdAge

Exhibit 3.3 Continued

Original Viacom Holdings	*CBS Holdings*
Theaters	
Paramount Theaters	
Famous Players (Canada)	
United Cinemas International (joint venture with Universal)—more than 90 theaters in Asia, Europe, and South America	
Retail, Theme Parks, Other	
Blockbuster Video	TDI Worldwide—outdoor advertising
Blockbuster Music	Outdoor Systems
Viacom Entertainment Stores	
Paramount Theme Parks: Carowinds (Charlotte, NC), Great America (Santa Clara, CA), Kings Dominion (Richmond, VA), Kings Island (Cincinnati, OH), Canada's Wonderland (Toronto, ON), Raging Waters (San Jose, CA), Star Trek: The Experience (Las Vegas, NV)	
Viacom Consumer Products Famous Music	
Star Trek Franchise	

SOURCE: Company web sites (www.viacom.com and www.cbs.com), *Columbia Journalism Review* (www.cjr.org/owners), and media accounts.

a. This merger was approved in May, 2000. Viacom is required to sell some of its assets within one year to comply with FCC rules. However, it is likely that some of these rules will be revised, allowing Viacom to retain almost all of the pieces of the company in this exhibit.

Companies integrate horizontally for two general reasons. First, as we will see in more detail in the next chapter, some companies believe that they can use their diverse holdings to better market and promote their media products. Owning properties across media allows one type of media (e.g., CBS Sports) to promote and work with another type of media (e.g., CBSSportsLine.com). Viacom's ownership of the *Star Trek* franchise, to use another example, has allowed it to develop and promote a variety of products that cut across media, including several television series, films, books, computer games, and even a theme park. The result of such efforts, corporate executives hope, is a company that exploits its synergy potential by becoming greater than the sum of its parts.

This sort of integration can be seen every time Hollywood releases a major summer blockbuster. The movie is usually accompanied by a soundtrack CD and music video, related publishing ventures (books, calendars, etc.), an Internet site (often with audio or video clips of the film), and television specials exploring the "making of" the movie, not to mention the countless movie T-shirts, paraphernalia, and fast-food chain promotional tie-ins. In the hands of an integrated media conglomerate, what was once a film release now becomes an integrated media campaign of enormous proportions.

The second development encouraging integration has involved technological change. It used to be that each medium was a distinct entity. Text-based products were distributed on paper (magazines, books, newspapers). Music and other audio products were available on vinyl records or magnetic tapes (reel-to-reel, cassette, 8-tracks). Video products were either shown as films in a theater or were available on videocassettes for home use. The radio and television broadcast media used analog signals to make audio and video widely available without actually physically distributing their media products. Each medium, therefore, had its own distinct format and media companies tended to focus on their one specific media specialty.

All that has changed with the coming of the digital age. Digital data—the 1s and 0s that make up binary code—are the backbone of contemporary media products. With the transformation of text, audio, and visual media into digital data, the technological platforms that underlie different media forms have converged, blurring the lines between once-distinct media.

One visible example of convergence is the compact disk. This single digital data storage device can be used for text, audio, video, or all three simultaneously. Its introduction—along with other types of digital data storage devices—has changed the nature of media. The personal computer is another symbol of change. It can be used to create and read text documents; show static and animated graphics; listen to audio CDs or digital music files; play CD computer games that combine audio, video, and text; watch digital videos; access and print photos taken with a digital camera; and surf the Internet, among other things. All this is possible because of the common digital foundation now available for various media.

But the significance of digital data extends way beyond CDs and computers. Now, the digital platform encompasses all forms of media. Television and radio broadcast signals are being digitized and analog signals phased out. Newspapers exist in digital form on the Internet, and their paper versions are often printed in plants that download the paper's content in digital form from satellites. This allows for simultaneous publication in many cities of national papers such as *USA Today.* Filmless digital movie theaters are beginning to appear, where movies, digitally downloaded via the Internet, are shown on a sophisticated computerized projector.

The convergence of media products has meant that media businesses have also converged. The common digital foundation of contemporary media has made it easier for companies to create products in different media. For example, it was a relatively small step for newspapers—with content already produced on computers in digital form—to develop online World Wide Web sites and upload newspaper articles to it. Thus, newspaper publishers have become Internet companies. In fact, many media have embraced the Internet as a close digital cousin of what they already do. The music industry, to use another example, has responded to the proliferation of bootlegged digital music files (MP3, Napster, etc.) by developing its own systems to deliver music via the Web to consumers—for a fee, of course.

Furthermore, convergence has eroded the walls between what used to be three distinct industries: media, telecommunications, and computers. Recently, major cable TV companies began entering the phone service business and offering cable-based Internet access. "Baby Bells" and long-distance phone companies are getting involved in video delivery and Internet access. Computer software firms are teaming up with cable companies to create various "smart boxes" that facilitate delivery of cable-based media and communications services. Integration, therefore, involves even companies outside of the traditional media industry, making it more difficult than ever to mark clear boundaries.

Vertical Integration

While horizontal integration involves owning and offering different types of media products, vertical integration involves owning assets involved in the production, distribution, exhibition, and sale of a single type of media product. In the media industry, vertical integration tends to be more limited than horizontal integration, but it can still play a significant role. For some time, there has been a widespread belief that "content is king." That is, the rise of the Internet and cable television in particular, has led to an explosion in outlets available to deliver media products. Consequently, owning the media content that is to be distributed via these channels is widely believed to be more valuable than owning the channels themselves. However, with the elimination of most fin-syn rules, interest in vertical integration has resurfaced, enabling broadcast networks to once again produce and exhibit their own programs.

Viacom's vertical integration can be seen, for example, in the fact that it owns film production and distribution companies (e.g., Paramount Pictures) and multiple venues to exhibit these films. These venues include theater chains to show first-run films (e.g., Famous Players and United Cinemas International theater chains) and a video store chain to distribute the movie once it is available on videocassette for rental (Blockbuster Video). Viacom also owns premium cable channels (e.g., Showtime, The Movie Channel), basic cable channels (e.g., Comedy Central), and a broadcast network (CBS), all to air a film after its rental life is over. Thus, when Viacom produces a movie, it is assured of multiple venues for exhibition.

By understanding the basic idea of integration, we can see why many industry observers saw the Viacom/CBS deal as a logical one. First, CBS was the owner of one of the premier exhibition spaces: the CBS network, one of the "Big Four" television networks. However, it did not have major program production facilities, nor was it positioned to take advantage of the elimination of most "fin-syn" regulations. Viacom, however, was very strong in production but owned only a 50% stake in a very small broadcast network, UPN. It did not, therefore, have a premier venue for broadcasting. Bringing Viacom and CBS together created a new company with much better vertical integration.

The merger also dramatically enhanced the company's horizontal integration. In many ways, the strengths of one company complemented the weakness of the other. CBS's primary strengths in television broadcasting, radio, outdoor advertising, and the Internet were all areas of weakness for Viacom. In turn, Viacom's strengths in film, cable television, and publishing filled gaps in the CBS holdings.

Mergers and acquisitions, therefore, are often carried out to bolster a company's holdings in an attempt to become more strongly integrated, either horizontally, vertically, or both. The numerous mergers that have left an industry dominated by large companies have also produced an industry where the major players are highly integrated.

At first glance, the average person may be unaware of these trends that have reshaped the media industry. It is usually difficult to discern that apparently diverse media products are, in fact, all owned by a single company. Take television, for example. If you surf the television universe, you might come across a local CBS affiliate, MTV, Comedy Central, Nickelodeon, Showtime, a UPN affiliate, VH-1, The Movie Channel, The Nashville Network, and your local team on Home Team Sports. It is virtually impossible for the casual viewer to realize that all of these are actually owned—wholly or in part—by Viacom. It is even less likely that average viewers connect the owner of all these stations with the owner of their local theme park, movie theater, and radio stations. But again, one company could own them all: Viacom. However, Viacom is not unique in this regard. The same phenomenon is true of other collections of disparate media outlets that are owned by the other media giants.

Globalization

Growth in the size and integration of companies has been accompanied by another development: the globalization of media conglomerates. More and more, major media players are targeting the global marketplace to sell their products.

There are three basic reasons for this strategy. First, domestic markets are saturated with media products, so many media companies see international markets as the key to future growth. Media corporations want to be well positioned to tap these developing markets.

Second, media giants are often in a position to effectively compete with—and even dominate—the local media in other countries. These corporations can draw on their enormous capital resources to produce expensive media products, such as Hollywood blockbuster movies, which are beyond the capability of local media. Media giants can also adapt already successful products for new markets, again reaping the rewards of expanding markets in these areas.

Third, by distributing existing media products to foreign markets, media companies are able to tap a lucrative source of revenue at virtually no additional cost. For example, a movie shown in just one country costs the same to make as a movie distributed globally. Once the tens of millions of dollars involved in producing a major motion picture are spent, successful foreign distribution of the resulting film can spell the difference between profit and loss. As a result, current decision making as to whether a script becomes a major film routinely includes considerations of its potential for success in foreign markets. Action and adventure films translate well, for example, because they have limited dialogue, simple plots, and rely heavily on special effects and action sequences. Sexy stars, explosions, and violence travel easily to other cultures. Comedies, however, are often risky because humor does not always translate well across cultural boundaries.

We can see examples of globalization strategies in the case of Viacom. In our listing of Viacom's holdings (Exhibit 3.3) we greatly simplified the chart for clarity. However, hidden behind some of those assets are what amount to mini-global empires. For example, MTV is a popular Viacom cable channel reaching over 70 million U.S. households.[14] It originated as a venue for record companies to show music videos to advertise their artists' latest releases. Over time, MTV has added a stable of regular series (e.g., *The Real World, Road Rules, Beavis and Butthead*), specials (e.g., *MTV's House of Style*) and events (e.g., *MTV Video Music Awards, MTV's Spring Break*), all aimed at the lucrative teen and young adult market.

MTV describes itself in publicity material as having an environment that is "unpredictable and irreverent, reflecting the cutting edge spirit of rock n' roll that is the heart of its programming." In reality, MTV is a well-developed commercial formula that Viacom has exported globally, by making small adjustments to account for local tastes. In fact, MTV is really a global collection of MTVs (see Exhibit 3.4). Together, these MTV channels are available in more than 300

Exhibit 3.4 The Global Reach of MTV (Music Television)

Company	*Territory*	*Language*
MTV Networks Asia		
MTV India	India, Sri Lanka, Bangladesh, Nepal, Pakistan	English, Hindi
MTV Japan (licensing agreement)	Japan	Japanese
MTV Mandarin (joint venture with Polygram)	Brunei, certain provinces in China, South Korea, Philippines, Singapore, Taiwan	Mandarin
MTV Southeast Asia (joint venture with Polygram)	Brunei, Thailand, Singapore, Philippines, Indonesia, Malaysia, Vietnam, Hong Kong, South Korea, Papua New Guinea	English
MTV Australia (licensing agreement)	Australia	English
MTV Brasil (joint venture with Abril S.A.)	Brazil	Portuguese
MTV Networks Europe		
MTV	United Kingdom, Ireland	English
MTV Central	Austria, Germany, Switzerland	German
MTV Europe	Belgium, France, Greece, Israel, Romania and 30 other territories, including some in the former Soviet Union, the Middle East, Egypt, Faroe Islands, Liechtenstein, Malta, Moldova	English
MTV Nordic	Sweden, Denmark, Norway, Finland	English
MTV Southern	Italy	Italian
MTV Networks Latin America		
Northern Feed	Bolivia, Caribbean, Central America, Colombia, Ecuador, Mexico, United States (select Hispanic markets), Venezuela	Spanish

continued

Exhibit 3.4 Continued

Company	*Territory*	*Language*
Southern Feed	Argentina, Brazil, Chile, Paraguay, Peru, Uruguay	Spanish
MTV Russia	Russia (select cities)	Russian

SOURCE: http://www.viacom.com (accessed September 27, 1999) and Viacom 1998 Annual Report.

NOTE: Viacom's international MTV ventures are summarized by company name, territories where each is available, and the languages in which they are broadcast.

million households in 82 countries. That, Viacom says, makes MTV the most widely distributed network. In the world. More than three-quarters of the households that receive MTV are *outside* of the United States.

Viacom's global ventures do not end with MTV. Virtually every aspect of its media business has a global component. Examples include the following specifics.

- Major motion pictures are routinely distributed internationally and many, such as Paramount's *Forrest Gump* and *Mission Impossible,* earn more money for Viacom internationally than they do in the United States.
- Famous Players Theatres Canada operates more than 660 screens in more than 100 locations. United Cinemas International—a joint venture with Universal—operates more than 90 theaters in Asia, Europe, and South America.
- Paramount International Television distributes more than 2,600 series and movies internationally.
- Blockbuster Video operates 6,000 stores in 27 different countries.
- Publisher Simon & Schuster has international operations in both the United Kingdom and Australia and sells books in dozens of countries.
- Nickelodeon distributes its children's programming in more than 100 countries and, much like MTV, operates its own cable channels across the globe. These include Nickelodeon Latin America,

Nickelodeon in the Nordic Region, Nickelodeon Turkey, Nickelodeon U.K., Nickelodeon Australia, and the Nickelodeon Global Network. Nickelodeon even has theme parks in Australia and other locations.

- Viacom's production companies license and coproduce programs based on U.S. hits to be sold in international markets. These include *Entertainment Tonight/China,* a 50-minute Mandarin-language series produced in cooperation with the Chinese government, and other national versions of the *Entertainment Tonight* series that appear in the United Kingdom, Germany, and other countries.

International revenues are making up an increasingly large percentage of the income of such companies as Viacom, Disney, Time Warner, and News Corp. As a result, all major media conglomerates are now global players, representing a major shift in industry structure.

Concentration of Ownership

While individual media companies grow, integrate, and pursue global strategies, ownership in the media industry as a whole becomes more concentrated in the hands of these new media giants. There is considerable debate about the significance of this trend but the trend itself is clear.

The concentration of media ownership is a phenomenon that applies to the industry as a whole, rather than to a single media conglomerate. The fact that media conglomerates are getting larger does not necessarily mean that ownership is becoming more concentrated. Growth in media companies may just be a sign that the industry as a whole is expanding—as it certainly has in recent years. The real question is whether the revenues of the industry as a whole are being channeled to just a handful of companies.

When researchers analyze ownership patterns in any industry, they often measure concentration by determining the percentage of total revenue in an industry segment going to the top four and the top eight companies. These numbers are referred to as the "concentration ratio," or "CR," of an industry. CR4, then, refers to the ratio of revenue going to the top four companies in an industry. CR8 is a calculation of the same ratio for the top eight companies. A common threshold for declaring an industry highly concentrated is if the top four companies control 50% or more of the industry's revenue or if the top eight companies control 75% or more.

One such analysis of media industries by Albarran and Dimmick found that, using the CR4 ratio, every segment of the media industry in 1994 was highly concentrated except for newspapers, book publishers, consumer magazines, and a residual category referred to as "miscellaneous communications." On the CR8 scale, cable systems joined these four market segments in being the only ones not considered highly concentrated.[15]

Ben Bagdikian is another researcher whose work on the ownership of media has revealed increased concentration. In various editions of his *The Media Monopoly,* Bagdikian has tracked the number of firms that control the majority of all media products. This number has been declining dramatically in the last 15 years. He notes that in recent years, "a small number of the country's largest industrial corporations has acquired more public communications power—including ownership of the news—than any private businesses have ever before possessed in world history."[16] In the fifth edition of his book, he reports that in 1996, just 10 media companies dominated the entire mass communication industry. With recent high profile mergers, this figure continues to decline.

Within each sector of the industry, a few large companies dominate smaller competitors.

- Two companies—Borders/Walden and Barnes & Noble—account for one-third of all retail book sales in the United States.[17]
- Five movie companies—Disney's Buena Vista, News Corporation's Fox, Time Warner's Warner Bros., Viacom's Paramount, and Sony—dominate that industry, accounting for more than 75% of the domestic box office in the summer of 1998.[18]
- Five companies—Seagram's Universal, Sony, Time Warner, Bertelsmann, and EMI—distribute 95% of all music carried by record stores in the United States.
- Television continues to be dominated by four major networks—Disney's ABC, Viacom's CBS, News Corporation's Fox, and General Electric's NBC. Several new fledgling networks have entered the field but are not yet major competitors—WB (Time Warner), UPN (Viacom), USA, and PAX.

Even in the newspaper industry, which has historically been considered among the least concentrated of media segments on the national level, Bagdikian notes that "At the end of World War II . . . 80 percent of the daily newspapers in the United States were independently owned, but by 1989 the proportion was reversed, with 80 percent owned by corporate chains."[19] And, on the local level, the newspaper industry consists mostly of local monopolies, with only a handful of cities maintaining more than one daily paper in 2000.

The highly concentrated nature of the media industry exists, in large part, because of the relaxation of ownership regulations discussed earlier in this chapter. The 1996 Telecommunications Act not only allowed companies to get bigger, it also allowed companies to dominate a larger share of the industry, thus increasing ownership concentration. Patricia Aufderheide writes that with the introduction and passage of the law,

> Total TV and station sales almost doubled between 1995 and 1996. The biggest short-range prize was radio, where national concentration limits had been lifted entirely. Virtually overnight, an industry marked by relative diversity of ownership and formats, and low advertising rates, became highly concentrated. Within a year and a half, more than a quarter of U.S. radio stations had been sold at least once. Radio stock prices rose 80 percent in 1997, reflecting the new market power of group owners. The FCC calculated that two years after the Act the number of owners of radio stations had declined nearly 12 percent, while the number of commercial radio stations had increased 2.5 percent.[20]

Radio ownership went the way of other media outlets and became concentrated in the hands of major corporate chains.

It is clear that some forms of media are more concentrated than others and that the level of ownership concentration can change. For example, in the 1970s, the three major television networks collectively had more than a 90% share of all television viewers—and thus, the associated advertising revenue. Television was enormously concentrated. (A program's "rating" is basically the percent of *all* television households that are watching a program. Its "share" is the percentage of television sets *in use* that are tuned to the program.) By 1999, the share of prime time television viewers who tuned in to the four major networks usually hovered just above 50%. Networks still dominate, but the playing field has changed considerably. Cable television has become—collectively—a major competitor for the networks, even though no single cable channel comes anywhere near generating the ratings that even the lowest rated of the four major broadcast networks receives. A modestly rated program on network television often gets twice the audience that the very highest rated cable programs receive.

One of the reasons for variable concentration between media segments is the cost of entry. Publishing a magazine requires considerably less funding than launching a television network, to take just one example. As a result, large, big-budget media such as movies and television tend to be much more concentrated than lower-cost media, such as various forms of publishing and radio.

However, as Aufderheide's observations about radio ownership suggest, low entry cost is not always a deterrent to concentrated ownership. One reason is that some forms of media still face conditions of scarcity. While there is no limit to the number of newspapers that might compete in a city, there is a practical limit on the number of broadcast television and radio stations that a location can accommodate because of the narrowness of the electromagnetic spectrum used to send broadcast signals. The FCC regulates broadcast licenses and assigns a spot on the radio or television dial to licensed broadcasters to prevent interference from overlapping signals. While digital broadcasting compresses the amount of space needed to send a signal, and thus allows for more signals in the same electromagnetic spectrum, populated areas still do not have enough space to meet interest and demand. The bottom line is that there are not enough broadcast slots to go around. Industry segments without this limitation are less likely to be concentrated.

Interpreting Structural Changes

The media industry, then, has been undergoing significant changes in recent decades as companies have grown, integrated, and become global players. There is little debate about these basic trends. However, the significance of these trends is a subject of intense debate. Market advocates see these structural changes as the normal evolution of a growing and maturing industry. But the public sphere framework reminds us that media cannot be treated simply as any other industry. Furthermore, it raises serious questions about what these structural changes mean for diversity and independence in content and for the power of newly emerging media corporations.

The Market Perspective

From the perspective of the market model, the media industry is one that has enjoyed enormous growth in recent years. With that growth has come a repositioning of major players, the introduction of some significant new players, and an evolution in the basic terrain of the industry. This perspective tends to see this growth as a logical outcome in an industry that has become more integrated across media and more global in scope. To operate effectively in such a new environment, media corporations must develop new business strategies (to be discussed in the next chapter) and draw on the large capital resources available only to major global corporations. The structural changes of growth, integration, and globalization are merely the signs of companies positioning themselves to operate in this new media world. The concentration of media ownership, on the other hand, is the natural byproduct of a maturing industry, as young startups and older, underperforming firms are consolidated into the business plans of mature but innovative companies.

The rapid growth in media outlets, the constant shifts in consumer tastes, and the ever-changing terrain of the industry itself makes any apparent domination of the industry by a few companies an illusion. No one can control such a vast and constantly evolving industry. Companies such as America Online (AOL), who have become major players in the industry, did not exist a few years ago, while old media standards, such as ABC, were long ago incorporated into newly consolidated media companies. Change is built into the market and no company can really dominate the marketplace.

Market advocates note that we should not be nostalgic about the media era gone by. In reality, as recently as the mid-1970s, the media landscape was much more sparsely populated than it is today and consumers had far fewer choices, on the whole. Compared with this earlier period, market advocates point out, we have a cornucopia of media outlets and products available to us.

It is true that more communities had competing daily newspapers than today, but often the quality of those smaller local papers was mediocre at best. In contrast, today's papers may be local monopolies and part of larger chains, but by drawing on the resources of their owners, they are able to produce a higher-quality product. Also, consumers have many more options for news—especially with cable television and the Internet—than they ever did in the days of more competing daily papers, making local newspaper monopolies less significant.

In the 1970s, many communities had only small local bookstores with very limited inventory and choice. Today, more and more communities have "superstore" booksellers with thousands of diverse selections of books and magazines. Rather than killing the old print medium, the Internet has been a shot in the arm for book sales as online retailers such as Amazon.com offer hundreds of thousands of titles for sale at the click of a mouse. This has made books and other media products more widely available than ever.

In the 1970s, local movie theaters were beginning to feature more multiscreen offerings, but these were limited compared to what is available today. Video rentals were not readily available because VCRs were still primitive in those days. Today, more multiplex theaters bring more options to moviegoers, while VCRs are in 85% of homes and a wide array of videos is readily available for low-cost renting. DVDs, too, have entered the media landscape.

Radio was admittedly more diverse in terms of regional preferences years ago, but it is not clear whether a broader range of music was readily available to listeners then. Today, radio has become largely a chain-owned affair with new standards of professionalism and high production values. In addition, online streaming offers the potential of greater musical variety to listeners.

Most striking, 90% of the prime time television audience in the mid-1970s was watching just three television networks. Cable television was not really an alternative because it was largely used to transmit the "big three" broadcast networks to homes where reception was difficult. Satellite television, of course, was unheard of. Today, three new broadcast networks have joined the older "big three." Nearly three-quarters of U.S. homes have cable, delivering an average of almost 60 channels. Satellite television, with hundreds of channels, is expanding and by 2000, was in more than 10% of homes.

Finally, the vast universe of the Internet is becoming available to more and more people at work and home, opening up unprecedented avenues for news, entertainment, and commerce via the printed word or streaming audio-video.

In light of these rapid changes, as we have seen, market advocates have called for more deregulation of the industry to spur increased competition. Because of digitization, companies in fields that were previously separate can now compete with each other if regulations are lifted. On the delivery side, telephone companies, for example, can now offer Internet access as well, while cable companies can enter the telephone and Internet businesses. On the content side, companies that had traditionally been focused in one medium can now branch out to work in films, television, print, Internet, and other media. All of this, market advocates contend, means more choices and better media for the consumer; a regulatory system created in a far different era is obsolete in this new dynamic media environment.

Questioning the Market: Revisiting the Public Sphere Approach

Although the market approach may celebrate the new media environment, there are questions that this focus on markets and profits effectively obscures. The public sphere perspective suggests that the technological change and growth in the number of media outlets should not be accepted as an unequivocal benefit, especially if these outlets are linked to a growing concentration in media ownership.

The introduction of new media has never ensured quality content. History has shown that the great potential of new media forms has often been subverted for purely commercial purposes. Both radio and television, at various points, were touted as having profound educational and civic potential. That potential was never reached. Cable television has, in many ways, simply reproduced the formats and formulas of broadcast television. Because it is not covered by the same content rules that regulate broadcast television, cable has had more leeway to air raunchy, violent, and sensational entertainment. This type of entertainment could be seen in everything from adult oriented cable movies to the funny, but foul-mouthed, animated prepubescent offerings of *South Park*. Cable's vast wasteland was perhaps epitomized by its most highly rated programs in the late 1990s: professional wrestling. The popularity of such cable programming pressured broadcast television to seek increasingly wild and aggressive programs, leading many parents to despair about the lack of appropriate entertainment and educational television for their children.

More wasted potential seems to have plagued the growth of the Internet. Early discussion of the "information superhighway" was quickly supplanted by a focus on e-commerce. Here, too, adult oriented sites proved to be very popular. While there may be more media outlets, we need to examine what these channels are delivering.

A concern for the health of the public sphere leads us to argue that media outlets are only truly beneficial if they serve the public interest by delivering content that is genuinely diverse and substantive. Early indications were that, to the contrary, much of cable television was delivering more of the same commercial fare that characterized broadcast television. Why could not some of these many channels be used to deliver innovative, diverse, and inclusive public affairs programming? Or alternative visions from independent filmmakers and other artists? Or programming that specifically spoke to the common challenges we face as a society? Instead, the fragmentary nature of the cable television world might even be exacerbating cultural divisions in society, as segregated programming targets separate demographic groups based on age, gender, class, and race. The Internet, too, has been being used by major media companies primarily to sell products to consumers and to promote other media ventures, little of which added significantly to a vibrant public sphere.

Finally, the blurring of boundaries between media coupled with calls for deregulation raise the specter of fully integrated, multinational media giants that can simultaneously dominate multiple media. Old monopoly criteria seem incapable of dealing with this new market reality. Despite the fact that it was promoted as a means of increasing competition, the 1996 Telecommunications Act has resulted in renewed consolidation in the media industry. Despite this continuing consolidation, market advocates still talk about the new "competition," and policymakers seem unwilling to examine the significance of an emerging media monopoly owned by a few giant firms.

Part of the problem is that the recent waves of media mergers have often brought together companies that have not been direct competitors in the past. So, for example, a phone company buys a cable company or an Internet provider buys a multimedia conglomerate. Using traditional market theory, antitrust law has had to show that a proposed merger would substantially reduce competition and that this reduced competition would enable combined companies to increase prices. But as one *Wall Street Journal* reporter put it, "It is tough to show that rivalry could suffer where none exists, as with a merger between companies that have never competed against each other."[21] Recent mergers were often across forms of media, but they nonetheless raise troubling questions. While it was difficult for such deals to be challenged based on the traditional criteria of monopolies, who was to say that the blurring lines between cable, telephone, and Internet, for example, could not be exploited by just a few companies who would dominate all three?

On the content side, market theory promised diversity from an unregulated market, but the reality seems to be quite different, as the same old media content is being sold in new packaging and underserved communities continue to be marginalized. Little that is fresh or independent seems to come from the new media giants. This, coupled with the growth in the sheer size of these corporations, raises the disturbing specter of concentrated corporate power capable of stifling diverse expression and exerting significant political power.

Thus, while the structural changes in the media industry are apparent, what these changes mean is not at all settled. Advocates of a market approach to media, the most visible perspectives in the public debate, see growth as positive evidence of a vibrant industry. But from a public sphere perspective, it is clear that we need to look beyond economic criteria to assess the new media giants. Instead, we need to ask, what have the media corporations done with their newly acquired resources? What strategies have they pursued in this new media environment? Those are the sorts of questions that we examine in the next chapter.

Chapter Four

Strategies of the New Media Giants

The structural trends described in chapter 3 were made possible by a lax regulatory environment and changing technologies. But structural change is a means, not an end, for major media firms. Media companies grew, became more integrated, and developed a global presence to more effectively carry out some basic business strategies. Those strategies are the subject of this chapter.

Major media corporations pursue these strategies to accomplish three general goals. First, media giants seek to *maximize profits*. This simple truth is the heart of any analysis of business strategy within the media industry. Structural changes have facilitated the use of new strategies that place a premium on profits. For example, different segments of the media industry have historically had significantly different profit margins. Publishing has never been as lucrative as television, for instance. However, with conglomeration, companies that once operated in only certain segments of the media industry are now owned by a single media conglomerate. These new giants look to exploit the benefits of synergy that result from their vast holdings—a topic to be explored later in this chapter. As once-distinct media companies have been transformed into collaborative divisions of single corporate conglomerates, one effect has been increased pressure to improve profitability. What might have been a respectable profit margin in a particular segment of the industry may now be unacceptable when compared against other divisions of the company.

Second, some of the structural changes have enabled companies to *reduce costs* by improving efficiency and streamlining departments. Efficiency can improve when conglomerates more fully utilize and combine assets into an integrated media strategy. Also, announcements of mergers and acquisitions are often accompanied shortly thereafter by layoffs, as redundant personnel are cut after the consolidation of key functions. Keeping costs low, relative to revenue generated, is a central goal of any for-profit business, including media companies.

Third, conglomeration has enabled companies to pursue various business strategies geared to *reducing risk.* In seeking to ensure continued profits, companies often try to control the environment in which they operate by reducing uncertainty and minimizing expensive competition. By doing so, they can better ensure lower costs and higher profits.

One or more of these three general goals lies behind all of the specific strategies discussed in this chapter. These strategies are usually not immediately obvious to the public. Primarily, what we see and hear from the media industry concerns their products, not their tactics. So, we begin our discussion of corporate media strategies by briefly looking at an example of a familiar media form—a movie—which is the result of several key strategies used in the contemporary media industry.

The Case of *Titanic*

In current dollars, *Titanic* was the highest-grossing film of the 20th century.[1] At the time of its creation, the movie cost a staggering $200 million to make—just over $1 million for each minute of screen time. However, by early 2000, its box office revenue had surpassed $2 *billion* worldwide, including more than $600 million in North America alone. But that was just the beginning. Television sales brought in another $30 million. The sale of 25 million copies of the movie's soundtrack album took in more than $400 million. Videotape sales worldwide were approaching another $700 million.[2]

With those kinds of sales, profits were enormous. The film was a coproduction of two media giants, News Corporation (through its Twentieth Century Fox studio) and Viacom (owner of Paramount Pictures). News Corporation is estimated to have made nearly half a *billion* dollars in profit from *Titanic* while Viacom's profits were more than $300 million.

The film's history was a bit unusual because, by Hollywood blockbuster standards, it did not receive megamarketing prior to its release. There were questions about how well the film would do. The movie was more than three hours long, was initially aimed at adults rather than the lucrative teen market, and—partially to offset its huge special effects budget—it did not feature major stars, although some of the film's actors went on to become stars.

However, the film's immediate popularity had executives seeing dollar signs, and a virtual industry of *Titanic* promotions and merchandise quickly appeared. A Web site (www.titanicproducts.com) was devoted solely to selling officially licensed *Titanic* products.[3] By the time the film was ready to be released on video in September 1998, Paramount Home Video had spent $50 million to advertise it—an amount roughly equivalent to the entire budget of an average Hollywood movie.

The number of *Titanic* products and promotions was enormous.

- For sale were innumerable T-shirts, sweatshirts, tank tops, baseball caps, coffee mugs, and movie posters.
- HarperCollins, owned by News Corp., published the highly successful *James Cameron's Titanic,* a look at the film and its making, written by its director.
- Fox (also owned by News Corp.) broadcast a television special, *Titanic: Breaking New Ground,* which also featured commercials for the movie's soundtrack.
- Sony was licensed to produce the hit soundtrack for the film, creating a rarity: a classical music album at the number one spot in sales. Meanwhile, pop-star diva Celine Dion's own album (also a Sony property) featured the *Titanic* signature song, "My Heart Will Go On," which also sold millions of copies. Dion's song was so popular that, in a partnership with Morley Candy, Sony launched a new series of celebrity chocolates in the shape of the singer's face.[4]
- A new line of Max Factor lipstick colors, "inspired" by the movie, was promoted with television and print advertising, free samples via the mail, nine million brochures distributed door-to-door, and 60,000 *Titanic*-themed in-store displays. In one cross-

promotional effort, consumers who bought the *Titanic* home video and $10 worth of Max Factor cosmetics could receive a free copy of the book, *James Cameron's Titanic.*[5]

- In June 1998, more than 100,000 copies of the video were sold in just one hour on the home shopping channel, QVC. A month later, QVC featured *Titanic* memorabilia, including movie posters and film cels.[6]
- Several computer CD-ROMs appeared, including *Titanic: Adventure Out of Time* and *Titanic: A Voyage of Discovery.*
- *Titanic: A New Musical* was launched on Broadway, spawning its own set of promotional merchandise, including T-shirts, caps, an original Broadway cast CD, posters, lapel pins, and books.

Hundreds of unlicensed products, with tie-ins to the original *Titanic* disaster, emerged as well. They included everything from small lumps of coal from the wreck site of the original ship, to crystals etched with the *Titanic's* likeness, to reproductions of the ship's furniture. Dozens of old books about the disaster were re-released and even the transcripts from congressional hearings on the original disaster were sold. J. Peterman Company, the upscale clothing and accessories retailer, devoted part of its 1997 holiday catalog to replica, prop, and souvenir items related to the movie, including a necklace and Titanic stationery. They even offered a 13-foot anchor for $25,000. The company sold more than $3 million worth of merchandise in its first offering.[7]

Ironically, this movie about 1,500 deaths on a sinking ship sparked a surge in ocean cruises,[8] and two cruise lines announced plans to build full-scale replicas of the *Titanic.*[9] All of the hype and consumerism also stirred considerable backlash, including numerous Web sites devoted to mocking the film and its endless commercial tie-ins. Still, *Titanic* launched a mini-industry of promotional tie-ins that only contributed to the film's transformation into a pop culture phenomenon. It was a fad that media corporations rode all the way to the bank.

Titanic was soon replaced in our memories by a series of more recent Hollywood blockbuster movies. While each film has brought with it unique stories and stars, as a group, blockbusters all represent the end result of a common series of corporate strategies.

Strategies of the New Media Giants

The story of *Titanic* is just one illustration of several key strategies that media giants employ in their pursuit of profits. The scale and sophistication of these efforts has been made possible, in part, by the restructuring of the industry. We now examine some of the business tactics that have emerged as a result of this restructuring. While we discuss various strategies individually, it is clear that these are often overlapping approaches that make up an overall integrated business strategy.

Size Matters: Cost and Economies of Scale

The most obvious change in the media industry's structure has been the growth of the major media companies. While there are notorious difficulties involved in managing such vast global enterprises, companies also enjoy some distinct advantages when they grow to be such large media players.

One advantage is that they can afford to develop more expensive projects because they control or have access to enormous amounts of investment capital. Only a select few companies can afford to put up the incredible $200 million that was needed to make *Titanic*. By 1999, the *average* cost of a single Hollywood film exceeded $50 million.[10] As a result, even the major studios have struggled to cover the escalating costs of production and have searched for new strategies to lower costs and ensure profits. These strategies include coproduction with other media giants to reduce cost and risk, the use of younger actors who command smaller salaries, and the growing practice of paying actors, directors, and writers a share of the profits instead of large up-front salaries. The producers of *Titanic* used all of these methods.

Other very expensive areas of the media business—such as national television networks—are also accessible only to a few megamedia corporations. That means competition in some very lucrative areas of the media business is limited to only a few corporations that develop huge war chests of resources. Such limited competition helps to ensure the profitability of these ventures, despite their enormous costs.

By getting bigger through mergers and acquisitions, today's large media corporations strive to enter this very elite world. Consequently, there tends to be a self-perpetuating cycle that emerges from major movie productions or other very expensive media projects. Only a few media giants can afford to produce and promote these expensive projects. In turn, a successful project can be enormously profitable, thus reinforcing the conglomerate's role as a dominant media corporation.

A second advantage of size is that media giants have the resources to advertise and promote a product with expensive, multifaceted campaigns, a topic examined more fully later in this chapter. For example, the cost of major advertising and promotion often amounts to an additional 50% of a movie's entire production cost. For studios, therefore, it is important to carefully pick and choose the films to receive big-time promotion. Usually, such support goes to films aimed at teens and young adults—the industry's best customers—featuring well-known, box office stars. Studios launching such expensive projects cannot afford to experiment with risky, unproven efforts. Instead, major Hollywood movies tend to follow a few select formulas with records of past success, such as the action-adventure genre. Coupled with stars that are proven box office draws, such formulaic films are the trademark of a "Hollywood" production. In the end, studios hope a big investment, following a proven formula, combined with heavy promotion, results in substantial profits. This strategy is largely unavailable to smaller competitors.

A similar strategy is used in other fields, as well. Publishers have increasingly turned to their own version of the blockbuster strategy, increasingly relying on "big name" authors and books. In recent years, as a direct result of consolidation in the media industry, pressure has increased to make book publishing as profitable as other forms of media. Mark Crispin Miller notes, "For decades, publishers thrived on annual profits of roughly 4%. But as major media conglomerates have bought out these independents, they have come to expect profits comparable to other parts of their media empires—12 to 15%."[11]

To achieve these profit goals, publishers have focused their resources and attention on a few titles they believe may become bestsellers. A handful of celebrity authors receive huge advances, while lesser-known authors receive minimal pay. For example, Clinton advisor Dick Morris (Newhouse) received $2.5 million; General Norman Schwarzkopf (Bertelsmann) received more than $5 million; General Colin Powell got $6.5 million; and former O.J. Simpson friend Paula Barbieri (Time Warner) received a $3.5 million advance. In turn, much like with the movies, publishers try to ensure they recoup these big investments by spending heavily on advertising and promotion for these few "big books."[12] Meanwhile, while focusing on these "big books," some publishers have been known to slash the overall number of books they publish and keep in print, especially reducing the number of "mid-list" books that can be costly to promote but are not likely to become bestsellers, and "serious" titles that reach a more limited readership.

A third advantage of size is that companies can develop economies of scale. Traditionally, economies of scale refers to the fact that the cost of producing individual units of a product (books, CDs, etc.) declines as the volume of sales goes up. The investment in studio time, for example, remains the same whether a CD sells 3,000 copies or a million copies. Even the per-disk cost of actually manufacturing the CD can go down if larger quantities are produced. The bigger the sales, the less per unit the production and manufacturing costs are, because those costs are spread over many more units. That translates into more profit for the media company. This is one advantage of the global strategy pursued by the big media firms. For media conglomerates with the capacity to promote heavily, it is more efficient to develop and support major hits with sales in the millions than it is to produce many products with much smaller sales. Products that reach smaller niche audiences are not likely to be as profitable.

A fourth advantage of size is the ability to withstand short-term losses. Despite following previously successful formulas, the reality is that for every *Titanic,* there are dozens of movies—or books or other media products—that make little or no money. Here too, being bigger is an advantage. Only a major conglomerate can afford to absorb the cost of an expensive media flop and still keep on making movies while they wait for the next megahit. Smaller companies, of course, cannot afford such a capital intensive strategy.

One of the features of the Internet touted by early proponents was that it could overcome all the inherent advantages of size because it eliminated the high cost barrier of entering the media market. With the Internet, the argument went, the cost of entry was very low and small producers could compete on an even playing field with major companies, potentially revolutionizing the media industry. The reality, however, proved to be less than revolutionary. Traditional media players bought out most early promising ventures. As mergers and consolidation reached the Internet in the late 1990s, the early optimism for change faded. The cost of competition with the major media companies rose to millions of dollars and large media firms dominated the Internet's most popular sites.

Jeff Bezos, CEO of online retailer Amazon.com Inc., noted in late 1998 that with the increase in Internet mergers, "What is happening is that people are finally realizing that these Internet businesses are scale businesses." Being large—regardless of the medium—brought with it advantages of economies of scale. Small companies were at a distinct disadvantage when trying to survive in the Internet environment. The cost of promotion and advertising on the cluttered Internet also favored large businesses. As one *Wall Street Journal* report concluded, "Building a brand in crowded Internet markets will require ever larger spending on advertising and marketing."[13] Only the major media players had those sorts of resources and they were showing a decided interest in buying up promising ventures. The Internet, too, became a medium where having deep pockets provided a distinct advantage.

Synergy: Cross-Development and Cross-Promotion

Upon the announcement of Disney's takeover of Cap Cities/ABC, Disney CEO Michael Eisner told the press, "I'm optimistic that one [plus] one adds up to four."[14] What he was alluding to was the concept of *synergy.* Synergy is the idea that separate entities working together can achieve results that none could obtain individually. Or as Eisner's creative mathematics suggested, the whole is greater than the sum of its parts. Maximizing synergy, therefore, is taking advantage of multiple media holdings to develop or promote a single project with many different facets. In this way, media conglomerates seek to maximize the benefits they can obtain from owning many different media firms.

One element of synergy involves developing and packaging a single concept for various media. A children's story, for example, may be packaged as a comic book, movie, soundtrack, television cartoon series, and computer game—each adding to the popularity of the other. By doing this, media conglomerates can take advantage of simultaneous revenue streams, thereby generating as much profit as possible from a single idea. Indeed, new projects are often created specifically because of their potential to exploit synergy in this way. It is now routine for executives from a conglomerate's different divisions to meet specifically to develop ideas that can be used across media. In fact, some companies base executive bonuses in part on how well managers can create ideas that are exploitable in this way.[15] As a result, a book manuscript that might be transformed into a movie, television series, and computer game is likely to be much more attractive to a company than a book that is, well, just a book. The result is that project ideas now often live or die based on how well they can be exploited across media—rather than just how "good" they are on their own terms.

Such thinking has even affected how journalists operate. In a world of synergistic development, the nature of news is being transformed. For example, the editor of the *Chicago Tribune,* a daily newspaper owned by the growing media conglomerate, the Tribune Company, has noted that "I am not the editor of a newspaper. I am the manager of a content company."[16] In this way, news becomes "content" that can be repackaged to fit with and be usable by the other divisions of the company.

A second aspect of synergy involves cross-promotion—promoting a single concept via various media. Turning the notion of artistic creativity on its head, companies now often strive to develop an idea that can be successfully marketed, rather then trying to market an interesting idea. For example, shortly after Disney bought the ABC television network, some of the plots for the network's favorite sitcoms involved the characters vacationing at Disney's theme parks. Thus, Disney used one of its properties, ABC, to promote another of its properties, Disneyland—to the benefit of both, it was hoped. Synergy can be seen most starkly in "blockbuster" media projects that can quickly seem to saturate society. The *Titanic* movie was one example. The Titanic concept was repackaged for the movies, television, magazines, CDs, Internet, computer software, and other media. Through heavy synergy-driven promotion, a simple movie became a multimedia phenomenon, catapulting the film's stars to the celebrity stratosphere. In addition to the many examples cited above, the film's coproducers could take advantage of their other media holdings to help promote the movie relentlessly. Viacom, one of the coproducers, also owns MTV. It therefore could prominently feature a Celine Dion music video related to the movie in MTV's rotation and, in effect, run commercials for the film on MTV. News Corporation, the film's other coproducer, could use its network, Fox, to promote the movie via programming about the making of the film and specials on the real *Titanic*. Or take another movie popular in the mid-1990s, *Forrest Gump*.[17] It was heavily advertised on VH-1 and the UPN network, contributing to the film's successful box office career. When it became available on video, Blockbuster video stores strongly promoted the film. Special posters in the stores announced the film's availability for rental or purchase. The film was promoted via special video segments on the popular television program, *Entertainment Tonight* that were shown on in-store television monitors. Boxes of chocolates—featured prominently in the film—were sold at Blockbuster stores, along with Gump T-shirts, hats, and even a book of sayings from the film, published by Simon & Schuster.

What most customers did not realize was that the entire promotion was the effort of one company to cash in on synergy. The movie was produced by Paramount Pictures, which is owned by Viacom. VH-1 and the UPN network, too, are Viacom properties. The Blockbuster Video chain? Viacom owns it, as well. Viacom's Paramount Studios also produces *Entertainment Tonight*—and Viacom owns Simon & Schuster, which published the Gump book.

Viacom was able to use some of its many media tentacles to generate "buzz" about the film and to promote the movie and its related products across various media. For major media corporations, this is the promise of synergy.

The result is that conglomerates, with their enormous resources and diverse holdings, are economically able to develop and promote projects in ways that smaller competitors simply cannot match. Just spending a lot of money on a project does not ensure that it will be popular and economically successful, but it does mean that it will be given every possible chance to succeed in an otherwise busy and overcrowded media marketplace. Projects without the backing of major media conglomerates do not enjoy such advantages.

Sometimes efforts at synergy can come into conflict with traditional media standards. In 1998, Random House published a book by NBC news anchor Tom Brokaw called, *The Greatest Generation*. The book received extensive promotion on NBC and it was later revealed that the network actually owned 25% of the book. As one observer put it, "The line between synergy and conflict of interest has been blurred before, but NBC's massive promotion of a book it partially owns raises new questions."[18] Those questions, having to do with synergy's elevation of profit above all else, are examined more closely in the next chapter.

Of course, synergy does not always work. When Japanese electronic hardware companies Sony and Matsushita Electric Industrial purchased Columbia Pictures and MCA, respectively, they tried in vain to develop successful cross-promotional strategies. Many industry observers believed such hardware/software synergy efforts were much less likely to succeed than those that focused on various forms of media content rather than on hardware. Thus, the emphasis in the media industry has often been on horizontal, rather than vertical, integration.

But that is not the only problem that can occur when trying to exploit synergy. Another problem is that some recently merged companies have found it difficult to coordinate efforts across various media—book publishing and movie making, for example—that sometimes have vastly different norms of operation and dramatically different industry cultures. Assumptions about the efficiency of synergistic relationships have also been challenged at times. Most often this has occurred when a division of a huge conglomerate is forced to do business with another of the conglomerate's companies, even though the same work might be more efficiently done by an outside company. Still, despite such setbacks, the profits associated with a successful synergy project are a strong inducement for companies to keep trying. There can be little doubt that the next big-budget movie, best-selling book, hit TV series, or smash music CD will be developed into products for various media and marketed using the synergistic possibilities of a media conglomerate.

Branding

Another practice closely associated with synergy and cross-promotion is *branding*. Brand names, of course, are a staple of a consumer society. Whether Kellogg's, Chevrolet, Microsoft, Nike, or a host of other company names, brands have proven to be attractive to consumers overwhelmed with choices in a cluttered marketplace. If a brand is associated with a quality or image that the consumer likes, the consumer tends to choose the branded version of a traditional product or to try a new product from the same brand name. Rather than risk an unknown brand, consumers often use a brand as a shorthand way of making purchase decisions. Brands and brand loyalty also make it more difficult for new competitors to enter a market.

In some markets, products are very interrelated, again promoting brand name loyalty. Such is the case with software, where it is crucial to have compatibility between operating systems and software applications, between different applications, and between PC-based applications and other, non-PC electronic devices. Because these systems, applications, and so on, often use similar conventions, a consumer's familiarity with one company's software may reduce the time necessary to learn how to use other applications from the same company. In such an integrated field, especially, a well-known brand such as Microsoft is an incredibly valuable commodity.

Even in more traditional media fields, companies market their goods with branding in mind. Specifically, branding strategies usually include the following:

1. Distinguishing a product from others via real attributes and/or image creation
2. Maintaining high-profile marketing campaigns highlighting the brand name
3. Repeating the brand image and message across different media

It's easy to see, therefore, how branding relates to synergy and cross-promotion. Branding is a strategy that is available primarily to major media companies. Advertising insiders estimate that creating a new, nationally recognized brand costs from $20 to $40 million in television advertising in the first four months after launch alone.[19]

Media conglomerates, such as Disney, have learned the value of branding. Disney uses its brand name association with wholesome family entertainment to sell all sorts of products. It has theme parks, children's movies, a cable channel, books, Internet sites, toys, and even a cruise line for family vacations, all emblazoned with the Disney brand. Regardless of the content, a new animated movie, for example, enjoys an advantage over competitors if it is a new *Disney* animated movie.

Other branding efforts abound. Disney also owns ESPN, the popular all-sports cable channel, which itself is a popular brand name. The ESPN brand has resulted in cable spin-offs (ESPN-2, ESPN News, ESPN Classic), a publication (*ESPN Magazine*), ESPN radio, retail stores (ESPN-The Store), a Web site (ESPN.com), and sports-themed restaurants (The ESPN Zone).

Or to take another example, *Star Wars* was a popular 1970s science fiction film that became, in effect, a brand name licensed for use on a wide variety of products. The 1999 release of the fourth Star Wars film *Episode One: The Phantom Menace* marked the culmination of nearly a decade of careful marketing by Lucasfilm, the movie's creator, to revive the Star Wars brand that had been popular two decades earlier.[20] In the 1990s, products based on the Star Wars brand included a series of books aimed at adults, a comic book series aimed at kids, a number of computer games, video re-release of the original *Star Wars* film trilogy, theatrical re-release of special editions of the original *Star Wars* trilogy, *Star Wars Kids: The Magazine,* and piles of new "Phantom Menace" toys, accessories, and video games. Remarkably, all of this was done *before* the release of the movie! It was all possible because of the popularity of the Star Wars brand name.

The Internet has proven to be susceptible to the same branding strategies that have marked other media. A few of the Internet's early commercial pioneers, such as Amazon.com, have so far survived and established valuable brand names. But most have been swallowed up by the traditional media conglomerates. The struggle for influence on the Internet often has been a battle of traditional brands. One of the central strategies for large media players in the 1990s was the development of major "portals"—sites that serve as a central hub for multiple Internet services. Smaller independent players were forced to spend extensively to buy up other companies to compete with giants such as Disney.

For example, Disney purchased a $70 million controlling share of Infoseek, a Web search site, and in 1998, launched its "Go Network." In 1999, NBC, owned by General Electric, followed suit, buying Xoom.com and Snap.com, and merging them into a new NBC Internet effort. As a business press report noted at the time, "Xoom.com and Snap.com are not currently top-tier players on the Web. But NBC is betting it can turn the whole stew into something more valuable by slapping on the NBC name and logo throughout NBC Internet and aggressively promoting it on the NBC broadcast network."[21]

Halsey Minor, CEO of CNET—an online news company—described NBC's promotion of Snap.com as "the first big salvo in what I think is going to become a very large marketing war pitting some fairly large media companies" against one another. This competition between media giants will crush many smaller competitors who do not sell out, all or in part, to the large conglomerates. Minor concludes, "It's going to be very, very expensive for those who don't have a partner to compete, given the amount of promotion NBC will be putting behind Snap."[22] Thus, the "competition" for the Internet may well leave a few familiar media giants in control of the most lucrative Internet sites.

There is a dilemma, though, associated with branding. Some companies have become so large that placing their brands on everything they own might easily result in consumer backlash against a media "Big Brother." Imagine, for example, if the Viacom brand name was explicitly used on all of its properties listed in Exhibit 3.3. Or what would happen if *all* of Disney's holdings were labeled with the familiar corporate logo? If consumers were aware of the enormous tentacles of this media conglomerate, Disney's innocent image as a supplier of wholesome family entertainment might become suspect. To avoid this situation, Disney and other major conglomerates, have developed multiple brands that obscure their common ownership. Disney, ESPN, ABC, and the Go.com brands—while all owned by Disney—distinguish these various product lines from each other.

Segmentation and Specialization

Most companies that make consumer products operate in a single market: they produce goods that are sold to consumers. But as we saw in chapter 1, media industries are different because they often operate in a "dual product market." That is, they sell two separate products to two completely different sets of consumers. The first market involves the selling of media content (books, videos, CDs, etc.) to audiences of readers, viewers, and listeners. The second market involves selling the attention of audiences (as measured by ratings, circulation, etc.) to advertisers. Because some media depend so heavily on them for survival, advertisers are by far media's most important customers.

While consumers and advertisers are two separate markets, they are closely related. TV ratings are directly linked to advertising revenue. Attracting a large audience to a television program allows the networks to charge more for advertising time on that program. The bigger ratings numbers translate into more advertising dollars. Some advertisers paid more than $2 million for a 30-second commercial during the 2000 Super Bowl because, in recent years, more than 130 million people watched at least part of the game.

However, ironically, one of the ways that big media conglomerates can take advantage of their size is by thinking small. That is, rather than simply targeting large audiences, media giants are now more likely to use new technologies to develop niche products aimed at specific market segments. In some ways, this strategy contrasts and contradicts the approach of exploiting economies of scale, where massive sales are the goal. Instead, through specialized media products aimed at smaller market segments, companies seek to piece together larger profits.

Niche audiences are important to media companies because they can be sold to advertisers at a premium. When advertisers choose where to place their messages, they are usually interested in reaching fairly large audiences. As a result, they pay more for advertising time on a television program or in a newspaper that has more viewers or readers. But more importantly, advertisers are interested in reaching the "right" audience—those with sufficient income in the demographic group most likely to purchase the advertisers' products. By using specialized media products to segment the audience into specific demographic groups, media companies can more efficiently meet the needs of advertisers. We explore the social impact of this strategy in chapter 6.

Some forms of media, such as magazine publishing, have long had significant niche audiences. As we saw in chapter 2, the magazine industry once had a number of major, general audience publications, such as the *Saturday Evening Post, Look,* and *Life.* But publishers have also offered a wide array of specialized magazines aimed at audiences with particular interests. Business publications, magazines for hobbyists of all sorts, sports magazines, fashion and beauty magazines, and many others have long been part of the industry. These special interest publications became the standard after the general audience magazines failed in the late 1960s and early 1970s.

However, some forms of media have always been wholly aimed at a single large mainstream audience. Television is a good example of an industry that used to rely on this approach almost exclusively. As we have seen, as recently as the 1970s, just three national networks were routinely attracting more than 90% of the viewing audience on any given evening. That meant that the audience for any particular show was more or less diverse, by TV-audience standards. It would include both men and women, people from all racial and class groups, a fairly broad age range, and with a wide variety of interests.

The widespread adoption of cable has significantly changed television marketing. Now the "big four" networks (ABC, CBS, NBC, and Fox) attract about half of the viewing audience—and that is declining. Audiences have instead slowly migrated to cable, with its cacophony of competing channels with relatively low-cost programming usually aimed at niche audiences. Cable delivers channels devoted entirely to sports, movies, cartoons, comedy, music, shopping, home improvement, cooking, golf, and many more. This requires a fundamentally different marketing strategy than the "old" networks used in the past.

The broadcast networks had relied on programming aimed at a large mainstream audience. They tried to develop programming that would appeal broadly, while not being offensive. Cable, on the other hand, often sought to program narrowly, focusing on the interests of demographically specific niche audiences. As a result, cable networks could afford to ignore or even offend some segments of the mainstream audience because they were not part of the audience targeted for the particular program. If you don't own a home or do repairs yourself, HGTV (Home and Garden Television) is unlikely to catch your attention. But that is of little concern to cable channels, because advertisers on HGTV specifically want to reach home-owning, do-it-yourselfers with ads for power tools, gardening accessories, and other home-related products. MTV and BET's sexually suggestive music videos and the adolescent chauvinism of Comedy Central's *The Man Show* are also partially byproducts of this difference in marketing strategy. Cable channels like MTV, BET, and Comedy Central can push the line of industry decency standards and simultaneously appeal to a lucrative teen (and often male) audience because they are not particularly concerned about offending other viewers. Instead, their stock in trade is generating corporate profits by selling teens rebellious "edgy" programming. Other channels are aimed at different lucrative demographic groups, such as the professional women targeted by Lifetime and the more recent Oxygen Media channel.

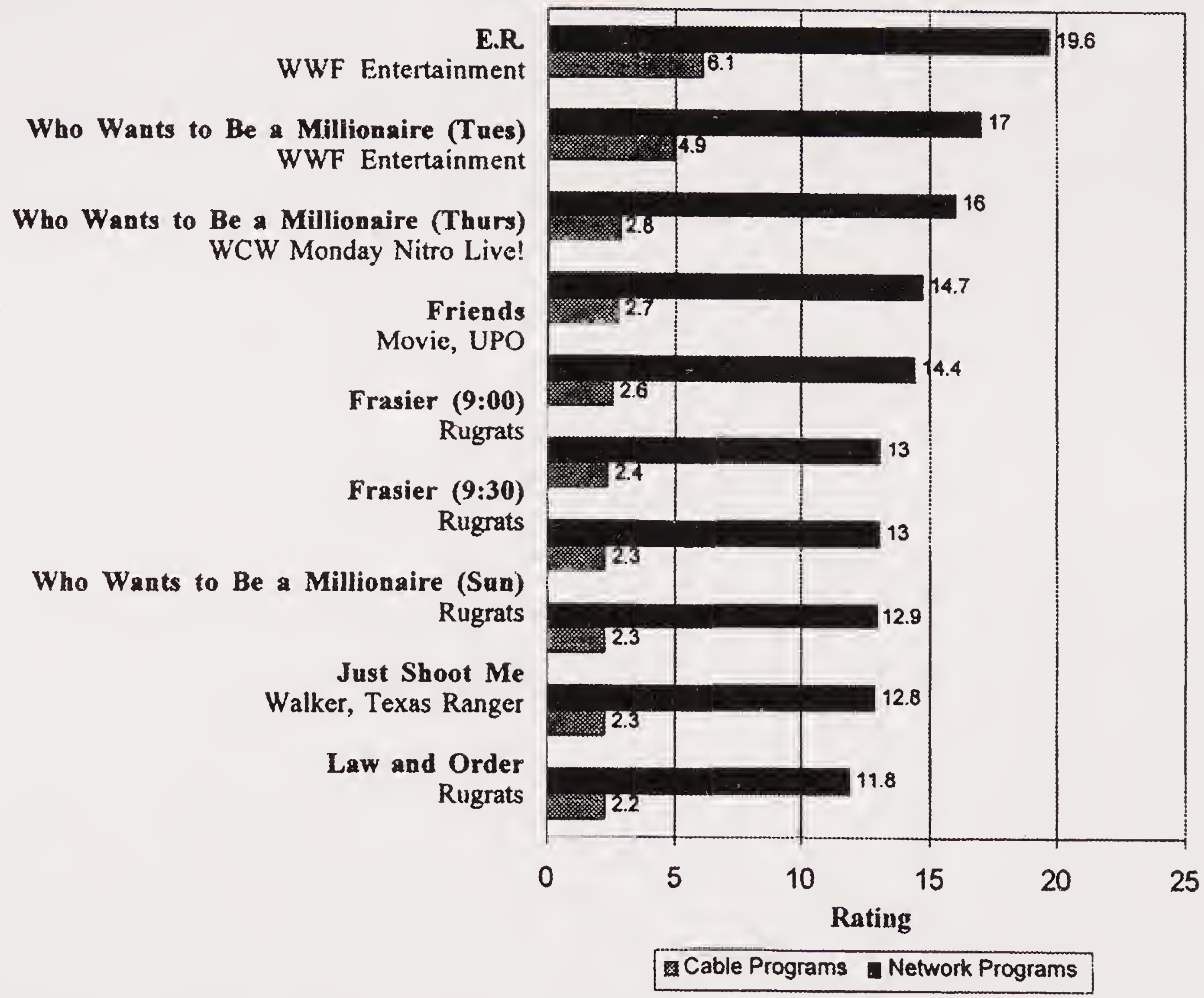
For media companies, the strategy of focusing on specific niche markets can be financially risky because it places all of a company's eggs in one basket, so to speak. If music videos become less popular, and your company's cable channel plays only music videos, you are in trouble. However, the solution to such dangers comes, again, from conglomeration. Major media companies generally do not own *single* cable channels. Instead, they usually own many different channels, either wholly or partially. That way, the media company can profit from specialized niche marketing via any single channel, as well as simultaneously enjoy the security benefits of diversification because of the overall mix of audiences tuning into its collection of holdings. For decades, this has been the situation in the magazine industry, where major media companies own an array of different titles.

Even the mainstream television networks have been affected by this movement in the media business toward audience segmentation. Networks still receive the lion's share of the audience. But, as their viewers have migrated to cable, the networks have tended to focus on desirable demographics in their quest to maintain advertising revenue. They have, to a degree, imitated cable programming and targeted their attention more than ever on the desirable teen and young adult market—with an accompanying increase in violent, sexually suggestive programming, with adult language. Thus, a series of full-page newspaper ads from the Fox network in December 1998 could tout: "Fox. The #1 Network. #1 in Adults 18-49. #1 in Teens."[23] Fox had focused on youth oriented programs and wanted to share with potential advertisers their good news. Viewers over 49, apparently, were not a concern.

Older viewers, in fact, have long been neglected by television programmers interested in the advertising dollars that follow younger viewers. In a dramatic 1996 example of this fact, CBS canceled the longest-running detective drama in TV history, *Murder She Wrote,* despite the fact that it had been receiving solid ratings and was the highest-rated drama series for nine seasons straight. As one industry reporter summarized, "Despite its sterling household numbers, the show was plagued by an inability to draw younger viewers, making it significantly less desirable to advertisers. Although its competitors in the Sunday night time period drew smaller household numbers, ABC and NBC were able to sell the time for more money than CBS, based on more attractive demos [demographics]."[24] This is a good example of how media markets sometimes meet the needs of advertisers, not viewers.

None of the individual cable channels attracts anywhere near the audience numbers that the broadcast networks do (see Exhibit 4.1).

Exhibit 4.1 Top-Ten Rated Network and Cable Programs, Week of April 24-30, 2000



SOURCE: Nielsen ratings reported at www.ultimatetv.com.

NOTE: Each rating point equals approximately 1 million households.

The ratings obtained on the most-watched cable programs would be considered relatively poor by network standards. For example, during the week of April 24 to 30, 2000, the top-rated cable program was *WWF Entertainment*, a wrestling show that aired on USA and received a 6.1 rating. This means that 6.1% of the nation's 99.4 million households was watching this program—about 6.1 million households. The 10th-ranked cable program that week was a rerun of an old network program, *Walker, Texas Ranger*, which received a 2.2 rating. Overall, the top ten cable programs received an average rating of 3.1 during this particular week.

Compare these ratings with those of the broadcast networks, where that week's top rated show was NBC's emergency room drama *ER* with a 19.6 rating. The tenth-ranked program was the CBS drama *Touched by an Angel*, which received an 11.8 rating—nearly double the top-ranked cable program. Overall, the top ten network broadcasts received an average rating of 14.5—more than four times the top ten cable average.[25]

If an advertiser is interested in appearing on a national stage, network television is still unsurpassed in delivering broad audiences. But cable has emerged as an important alternative means of reaching niche audiences.

Specialization and audience segmentation have become part of the newspaper business too. Most daily newspapers in the United States have adopted the strategy of publishing special sections designed to attract advertiser dollars as much as readers. The result is a series of newspaper sections, usually featured on particular days of the week, that highlight the products and services of particular types of advertisers. In addition to the perennial real estate and automobile sections, which are nearly all advertising, most newspapers now have features under headings such as "Lifestyle" or "Weekend" that highlight dining and entertainment to attract advertisers in those industries. Advertisers from the home furnishings, remodeling, and home repair businesses are offered sections with titles such as "At Home" or "Living." Advertisers targeting older readers are sometimes offered sections called "Prime Living" and "Golden Years," aimed at those consumers. "Food" sections are prime territory for ads from grocery stores and gourmet cookware and kitchen supply companies. "Computer and Technology" sections are full of ads from hardware manufacturers, computer stores, and software firms. And the list goes on.

However, new technologies have allowed newspapers to go beyond such strategies and to specialize different editions of the paper to target different types of readers. Publishers most often do this by developing different versions of the paper aimed at people living in different areas. Increasingly, the local daily paper you read is likely to be different if you live in a suburb than if you live in the neighboring city. For example, the *Chicago Tribune* publishes eight differently zoned editions each day. What you see in the newspaper depends on where you live. As a result, people living in the suburbs are unlikely to read much about what is happening in the inner city and vice versa.[26] With this strategy, newspapers are able to entice readers by highlighting very local issues and concerns. In turn, they can sell such readers to advertisers interested in targeting readers in specific areas—especially in the more affluent suburbs.

Newsmagazines have also employed this strategy, producing multiple covers for sale in different parts of the country. If you lived in Minnesota in November 1998, *Time* magazine's election issue cover featured the state's newly elected governor, Jesse Ventura. The rest of the country, however, read *Time*'s other cover story on the fall of Newt Gingrich.[27]

Another way to exploit a niche market is by so-called place-based media. This is media that reaches a particular audience because it is found exclusively at certain locations. *Channel One,* the ad-filled news broadcast aired in many schools, is perhaps the best-known example of this approach. It provides advertisers with a captive audience of teenagers, a demographic group that is lucrative but sometimes hard to reach. Other types of place-based media include a special version of CNN's news service aired on airport television monitors, allowing advertisers to reach travelers; and magazines, filled with health-related advertising, that are distributed solely in doctor's waiting rooms.

The Internet offers advertisers the promise of being the ultimate medium for audience segmentation. Not only is the Internet highly fragmented with niche specialty interests, but a consumer's moves on the Internet can be electronically tracked via "cookies"—placed on a user's computer, allowing a Web site to identify a return visitor. Sites that sell items, such as Amazon.com, can track a user's purchases, enabling customized advertising based on an individual user's past purchases to be presented to that user when he or she next visits the site. Buy a couple of mystery novels at such a site and, on a return visit, you are likely to be greeted by suggestions and advertising for more books in this genre. Thus, this technology allows for marketing based not on a person's demographic characteristics, but on their specific interests and past market behavior. This is the ultimate in niche marketing and it has even been applied to sites that customize news delivery. Users at such sites can see only headlines and information about topics in which they are already interested. Here, too, accompanying advertising is likely to be customized based on these interests. As the explosion of Internet sites continues, and as new television technologies usher in the 500-channel universe, these customized marketing strategies will be employed more widely.

While the particulars vary by medium, the basic dynamic in all of these segmentation and specialization efforts is the same: offer a specialized media product to a particular audience segment to generate more interest from advertisers who want to reach this audience. The result has been an explosion in media products—cable channels, magazines, Internet sites—that obscures for consumers the concentration of media ownership. With so many choices available to consumers, it is usually difficult to realize that, more and more, a select few media giants are controlling these choices.

Diversification

One of the most popular forms of stock market investing is mutual funds. Individuals can invest their money with a fund that maintains a diverse portfolio of stocks in many different companies. These funds offer differing levels of risk. However, one of the reasons mutual funds are attractive to many investors is that their diversification better positions them to ride the ups and downs of particular industries. If the airline industry is doing poorly, to pick one example, not to worry, a mutual fund has investments in many other companies that, it is hoped, are doing better.

Conglomeration is, in some ways, a similar way to pursue risk reduction through diversification. Instead of buying stock in various companies, however, media conglomerates have simply bought the companies themselves. By having interests in many different aspects of the media business, conglomerates are better able to withstand downturns in particular market segments. If the movie business goes into a slump, for example, perhaps revenue from publishing or music recording will take up the slack. In a couple of years, the expansion and contraction of particular markets may shift and movie revenue will be the cash cow that helps support other areas of the conglomerate.

Diversification is closely linked with horizontal integration, which we discussed in chapter 3, so we mention it only briefly here. Diversification is one strategic justification for integration as a structural change. If a corporation such as Viacom, coproducer of *Titanic,* were limited to only producing movies (as is its Paramount Pictures division) it would be taking an enormous risk with such an expensive production. However, as a huge integrated conglomerate, even a massively expensive production like *Titanic* becomes just one of a large number of concurrent projects. Dismal failure with such an investment would certainly hurt, but the continuing revenue streams from other diverse projects would help offset such losses. As we saw in the discussion of corporate size, by having "many irons in the fire," a conglomerate like Viacom can withstand losses on individual projects and maximize the odds of producing huge *Titanic*-like hits from time to time.

Globalization

Globalization, too, was discussed in the previous chapter and is mentioned here briefly. As we noted earlier, to varying degrees, all the major media companies have become global media players. This has meant structural transformations in how the corporations are organized. But it has also produced significant changes in the strategies companies employ to achieve maximum profitability and reduce risk.

One basic change is the increasing reliance by media companies on international revenues. Back in November 1988, Time Inc. chairman, Richard Munro, said, "Every player in the media/entertainment business—at least every smart one—will be trying to do the same thing: to build enterprises that can lay off the risk of increased production costs over as many worldwide distribution systems as possible."[28] Thus, international sales serve as a way of maximizing the economies of scale strategy outlined above.

Six years later, Time had merged with Warner Bros. and the chairman and CEO of the new Time Warner, Gerald Levin, noted that in 1993, the company's publishing, music, and studio divisions generated about 40% of their income from outside of the United States.[29] It was widely expected that within the first few years of the 21st century, Time Warner (now part of AOL Time Warner) would be generating the *majority* of its revenue from outside the United States.

In addition to pursuing basic economies of scale via expanded global markets, media giants have also set their sights on international revenues because market expansion is likely to be greatest in countries outside of the United States. With its already well-developed media markets, the United States continues to be the single most important country in the world in terms of media revenues. But the domestic market is essentially saturated with a virtually endless menu of media products.

Meanwhile, there are portions of the globe where media corporations see much more potential for rapid expansion. For example, News Corporation has probably been the most aggressive in pursuing a global media strategy. Beginning with a base in newspapers in both Australia (where it controls more than two-thirds of all newspaper circulation) and Britain, News Corporation has expanded to all forms of media. Its U.S. holdings include, most notably, the Fox network, more than 20 television stations, Twentieth Century Fox studios, several cable channels (Fox News, FX, Fox Family Channel, etc.), HarperCollins book publishers, and the *New York Post,* among many others. But its global media holdings are far more extensive. It has been especially successful in satellite television services, including British Sky Broadcasting (BSkyB), Asian Star TV, Latin Sky Broadcasting, India Sky Broadcasting, a 30% share of U.S.-based EchoStar, and an 11% share of Japan SkyPerfecTV. News Corporation also owns all or part of 90 different television channels, including Sky TV channels distributed through much of Europe. It has TV and radio stations in the United States, Europe, and India; elsewhere, News Corporation owns publishing companies and other media interests. According to News Corporation's CEO, Rupert Murdoch, the company's satellite systems and television channels now reach more than three-quarters of the earth's population.[30]

News Corporation has also cashed in on the global love of sports by owning valuable broadcast rights to sporting events, sports channels, and even some professional sports teams. Fox first made a big splash as a competitor to the "big three" networks in the United States by obtaining the rights to broadcast NFL football games. The company now owns a regional sports cable channel in the United States (Fox Sports Net), Star Sports (a set of sports channels in Asia), and Fox Sport Noticias in Latin America, among others. News

Corporation's ownership of sports franchises includes the preeminent British First Division soccer club, Manchester United, and half of the Australian National Rugby League. In the United States, it owns the Los Angeles Dodgers baseball team, has minority ownership in both the New York Knicks NBA basketball team and the New York Rangers NHL hockey team, and has an option to purchase 40% of the Los Angeles Kings (NHL) and 10% of the Los Angeles Lakers (NBA).

News Corporation has used these vast holdings to develop a global strategy that reproduces a successful media model around the world. Thus, its satellite television services, along with some of the channels distributed over those services, have become staples in Europe, Latin America, Asia, and elsewhere. News Corporation has also focused much of its attention on areas of the globe that have been less developed in terms of media infrastructure. It is in Asia, India, and Latin America that the company has staked its ground for long-term growth.

News Corporation represents one of the most developed examples of a global media strategy. However, a business approach without borders is now a common characteristic of the new media giants.

Joint Ventures

As mentioned earlier, in pursuing profits, companies try to reduce the amount of risk and uncertainty they face in their business environments. We have already seen various strategies, including diversification, that are used to reduce risk. However, to conduct business, companies depend upon the cooperation of other organizations. They need other companies to supply necessary resources, key personnel, investment capital, technology, and access to distribution channels. If one company has control over a resource that is central for the success of another company, we can say that the second company is dependent on the first.

That is the essence of "resource dependency" theory, commonly used in the study of markets and business practices. The theory posits that to the extent one organization controls resources needed by another organization, it has power over that organization.

Conglomerates seek to reduce the uncertainty associated with doing business in multiorganizational environments. The most direct way to do this is to simply buy the other organizations upon which a company depends. This strategy has often been employed and has resulted in the vertical and horizontal integration discussed in the previous chapter. By buying suppliers and competitors, media giants help to reduce the uncertainty that can arise from competition.

It is not always possible, however, to buy competitors. With the number of media conglomerates continually declining, each merger or acquisition between ever larger conglomerates gets more and more expensive. As a result, the last few remaining conglomerates rely increasingly on strategies of cooperation and joint ventures with their competitors as ways of reducing risk. As media scholar Ben Bagdikian puts it, "Financial news still is full of the sounds of clashes between giants. But the new media leaders compete only over marginal matters: their imperial borders, their courtship of new allies, and their acquisitions of smaller firms. Underneath these skirmishes, they are interlocked in shared financial ownership and a complex of joint ventures."[31]

So, while media conglomerates are competing in some areas, they have simultaneously developed an extraordinary level of collaboration and cooperation. The resulting set of strategic partnerships is often compared to the *keiretsu,* a Japanese business model characterized by informal, collaborative associations between companies in related fields.

The tangled web of collaborative ventures is constantly changing (see Exhibit 4.2). It is perhaps most extensive in movie projects (not included in Exhibit 4.2), cable channels, and Internet ventures. Traditional competitors like Seagram and Viacom end up jointly owning properties like Sundance Channel and United Cinemas International. Meanwhile, Viacom jointly owns the Comedy Central cable channel with Time Warner, which in turn shares ownership of Columbia House music club with Sony. And so it goes. This cooperation, which some argue is more like collusion, has become a staple of the industry.

Even more cooperation and joint ventures occur between the largest of the media conglomerates and some smaller second or third tier media companies. There are several important reasons for this. First, the smaller companies must often turn to larger partners for necessary infusions of capital. By having such deep pockets, the media giants are able to buy into budding projects that smaller firms cannot adequately capitalize. Second, smaller firms must sometimes rely on the media giants for distribution agreements, especially in

Exhibit 4.2 Select Joint Ventures by Some Major Media Companies, 1999

Joint Venture	*AOL Time Warner*	*AT&T/ TCI/ Media One*	*Comcast*	*Disney*	*General Electric/ NBC*	*Hearst Corpor-ation*	*Liberty Media*	*Micro-soft*	*News Corp.*	*Seagram/ Universal*	*Sony*	*Viacom*
United Cinemas International										X		X
Loew's Cineplex Entertainment										X	X	
Warner Bros. Pictures	X	X									X	
Columbia House	X										X	
Music Choice Europe	X								X			
Warner Bros. Television	X	X										
Sundance Channel										X		X
Court TV	X						X					
Comedy Central	X											X
HBO	X	X										
Oxygen Media (cable and Internet)	X			X								
Biography Channel				X	X	X						
History Channel				X	X	X						
A&E Network				X	X	X						
E! Entertainment Television		X	X	X			X					

Exhibit 4.2 Continued

Joint Venture	*AOL Time Warner*	*AT&T/ TCI/ Media One*	*Comcast*	*Disney*	*General Electric/ NBC*	*Hearst Corpor-ation*	*Liberty Media*	*Micro-soft*	*News Corp.*	*Seagram/ Universal*	*Sony*	*Viacom*
CNBC Asia					X		X					
MSNBC (cable and Internet)					X			X				
Fox Sports Net		X							X			
Speedvision			X					X	X			
Outdoor Life			X					X	X			
Road Runner (Internet access)	X	X						X				
MTV Networks Online							X					X
SportsLine USA							X					X
ESPN				X		X						
Lifetime				X		X						
Talk magazine				X		X						
iVillage.com					X		X					
MSNBC.com					X			X				
Excite@Home		X	X									

SOURCE: "The Big Media Road Map," *Brill's Content*, (December, 1999/January, 2000): 99-102.

NOTE: This table lists just a small number of the joint ventures between some of the larger companies. It does not include individual product collaborations (e.g., movies), joint ventures between large and small companies, or the names of other companies involved in some of the joint ventures listed here.

movies and recorded music. The vertical integration of the major media companies gives them control over distribution networks. If smaller independents want to enter national and international markets, they often must sign distribution agreements with the larger companies. Finally, smaller firms enter into joint ownership agreements to stave off—at least temporarily—wholesale takeovers.

Technology has played a role in the rise of collaborative ventures. As digitization and technological convergence have brought telephone, cable, Internet, and software companies into each other's businesses, they often choose to collaborate, rather than compete, on new ventures. Such developments can blur the distinction between media, computer, and telecommunications companies. In perhaps the most high profile of these ventures, software giant Microsoft teamed up with media giant NBC to create both a cable channel (MSNBC) and accompanying Web site (MSNBC.com). But NBC was not alone. All of the television networks, to use one example, have collaborative agreements or joint ventures with Internet companies. As a *Wall Street Journal* reporter summarized in early 1999,

> NBC owned portions of Snap.com (a portal site), Golf.com, iVillage (an online network for women), Autobytel.com (an online car purchasing service). It also had a joint venture with Microsoft for the MSNBC cable channel and Web site. CBS owned a third of Marketwatch.com (a financial news service), 12.5% of SportsLine USA Inc., and a news sharing deal with America Online, Inc. ABC had its own ABC.com and was part of corporate parent Disney's broader Go Network. Fox had its own alliance with Yahoo Inc. in which Fox promoted Yahoo in exchange for advertising on the Yahoo site.[32]

Thus, the "new" media of the Internet have become just as fertile ground for joint ventures as the "old" media.

Beyond Market Strategies: The Specter of Monopolies

In November 1998, Barnes & Noble, the country's largest book retailer, announced it would pay $600 million for the country's largest book wholesale distributor, Ingram Industries, Inc. Compared to many media acquisitions, this one was modest in size, and most of the public had never heard of Ingram. Yet within the publishing industry, the deal drew considerable attention. Ingram was the distributor for many small, independent bookstores as well as Barnes & Noble's major rivals such as Borders and Amazon.com—all of which compete directly with Barnes & Noble's superstores and Web site. When the intended purchase was announced, the American Booksellers Association immediately raised monopoly concerns, asking the Department of Justice and the Federal Trade Commission (FTC) to examine the deal more closely. After its investigation, the FTC staff recommended that the agency block the sale because it would stifle competition. Finally, to avoid a protracted battle, Barnes & Noble withdrew from the deal.[33]

Why did this sale raise such concern? First of all, the retail book market had already seen a great decrease in competition during the previous decade. While in 1990, independent bookstores accounted for nearly a third of all book sales, by 1998, they had lost half of their market share. Instead, giant discount retailers like Wal-Mart and K-Mart sold nearly half of all books bought and a few immense bookstore chains and Internet sites accounted for most of the rest.[34] Within this context, the specter of a single bookstore giant controlling the distribution of books to small, independent stores was very troubling. Such monopolistic control would likely reduce competition and create a vastly uneven playing field that would further handicap small, independent bookstores. For example, Barnes & Noble could use its control of Ingram to offer its own superstores and Web sites favorable pricing and distribution deals that would be unavailable to competitors. The potential for undermining market competition was so blatant in this particular case that regulatory hurdles indirectly derailed the deal.

However, the resolution of this case was an anomaly. The market impact of most media mergers has been less clear-cut and, in recent years, regulators have usually rubber-stamped their approval with little hesitation. On the whole, the lax regulatory environment usually has allowed conglomeration and ownership concentration to proceed virtually unimpeded, creating conditions in which media giants undermine competitive markets.

The Role of Competition and the Threat of Monopolies

As the aborted Barnes & Noble/Ingram deal illustrates, even by the traditional standards of market advocates, the growth in media conglomeration and concentration in ownership present potential threats to the basic functioning of the market. The central threat is a lack of competition. In theory, one of the key ingredients of a well-functioning market is competition. Competition spurs innovation and keeps prices down because consumers have choices and can take their business to a competitor if they find one company is charging too much, not providing the products and services consumers want, or not keeping up with innovations in the field.

In reality, though, businesses do not like competition. In stark contrast to market theory, McAllister notes that

> business, especially big business, abhors competition. When businesses face competitive situations, they face potential economic instability; organizations fight for the same dollars and some might bet more than others. If the situation is really competitive, it might even mean bankruptcy. In competitive situations, economic predictability becomes uncommon for industry. This is why businesses, if permitted, strive to eliminate competition through such means as vertical and horizontal integration, where they can control at least large sectors of the market, if not the entire market.[35]

But such control of a market raises the specter of monopolies. Monopolies threaten basic market dynamics. The lack of competition characteristic of monopolies reduces incentives for companies to operate efficiently, potentially resulting in higher operating costs that are passed on to consumers, who have little or no choice in a monopolistic situation. Producers can also artificially inflate prices and otherwise distort the market because there are no competitors challenging them. Producers have no incentive to invest in research and development or to try risky new ideas because there are no competitors threatening to undercut sales via innovative products. Finally, monopolistic power in a key industry may be translated into political power, a topic we examine later in this chapter.

The Justice Department's antitrust case against Microsoft that began in the late 1990s uncovered one example of how a company's dominance in the marketplace allowed it to pursue practices that were not in the interest of consumers. In particular, Microsoft dominated the personal computer operating system market with its "Windows" product. U.S. District Judge, Thomas Penfield Jackson, found that

> Microsoft enjoys so much power in the market for Intel-compatible PC operating systems that if it wished to exercise this power solely in terms of price, it could charge a price for Windows substantially above that which could be charged in a competitive market. Moreover, it could do so for a significant period of time without losing an unacceptable amount of business to competitors. In other words, Microsoft enjoys monopoly power in the relevant market.[36]

This ability to distort market relations is at the heart of monopolies.

In the Microsoft case, the court described three important characteristics of monopolies that it said were applicable to Microsoft. First, a monopoly has a very large and stable share of the market for a given product. In this case, Microsoft's share of the market for operating systems was 95% or more over a number of years. Second, a high barrier to entry for competitors protects a monopoly's market share. In the Microsoft case, the integrated nature of software and operating systems created a "chicken and egg" problem. No one is likely to buy a different operating system unless there is software available to run on it. But on the other hand, no one would invest in developing software for a new operating system unless there was already a substantial customer base using that operating system. Third, customers do not have a viable alternative to the monopoly's product. Largely because of the "chicken-and-egg" dynamic described above, customers were stuck with Windows whether they liked it or not.

Microsoft was able to use its monopoly position to engage in a variety of unfair business practices. Government charges included the following:

- To restrict further competition, Microsoft made an illegal offer to divide the Internet browser market with Netscape, its major competitor.

- Microsoft tried to eliminate competitors by tying its Explorer browser to its Windows operating system. Because more than 90% of the world's computers already used Windows, this gave Microsoft an unfair advantage.
- Microsoft struck deals with the country's largest online and Internet service providers, requiring that they provide Microsoft Explorer as their exclusive or primary browser.
- Microsoft prohibited computer makers from changing the Windows desktop that featured an icon for Explorer.
- Microsoft used its monopoly power in the operating system market to convince computer companies to limit their use of Netscape.

In all of these cases, and others, Microsoft was accused of using its monopoly status to unfairly reduce competition and control the new Internet browser market. In his "finding of fact," Judge Jackson concluded that

> Microsoft has demonstrated that it will use its prodigious market power and immense profits to harm any firm that insists on pursuing initiatives that could intensify competition against one of Microsoft's core products. Microsoft's past success in hurting such companies and stifling innovation deters investment in technologies and businesses that exhibit the potential to threaten Microsoft. The ultimate result is that some innovations that would truly benefit consumers never occur for the sole reason that they do not coincide with Microsoft's self-interest.[37]

Given these findings, no one was surprised when in April 2000, Microsoft was found guilty of violating antitrust laws. The court ruled that Microsoft's marketing arrangements with other companies were *not* illegal. However, it agreed with the government's charges that Microsoft "maintained its monopoly power by anticompetitive means and attempted to monopolize the Web browser market," and that it unlawfully tied its Web browser to its operating system.[38] Monopolies, then, threaten the operation of markets in a variety of ways and there is good reason for concern that the media industry has taken on monopolistic characteristics.

Reducing Risk by Reducing Competition

From a company's perspective, marketplace competition is a potentially negative thing because it threatens profitability. Instead of constantly facing the threat of competitors who could undermine market share and profits, it is in the interest of companies to stabilize markets so as to reduce such risk. One way to ensure profitability, then, is to *reduce* competition or even achieve monopoly status, as did Microsoft.

Companies, of course, cannot publicly advocate reduced competition and they often resist government regulation or other actions on the basis of free market principles of competition. However, sometimes companies' actions speak louder than their words. As we have seen, some mergers, joint ventures, and other cooperative agreements contribute to a market with reduced competition.

In fact, some forms of media are simple monopolies. In the United States today, all but a handful of local daily newspapers are monopolies. If consumers want a local daily newspaper in most U.S. cities, they have no choice. These papers have the entire market share, thus meeting the first criterion for a monopoly. Second, potential competitors usually face a high barrier to entry into this marketplace because starting a significant daily newspaper from scratch is a capital intensive endeavor with very high risks. Because newspapers are so dependent upon advertisers for revenues, a new competitor must lure advertisers away from a well-established fixture in the community. Many local dailies are now also part of major regional or national newspaper chains. This allows them to pool resources as a cost-saving measure—which would be unavailable to new independent local competitors. Third, for access to in-depth local news, citizens usually have few or no alternatives to the local newspaper. Compared to the depth offered by newspapers, local television and radio usually provide only superficial coverage. As a result of the rise of newspaper chains and concentration of ownership in the newspaper industry then, many local newspapers clearly enjoy monopoly status.

Most cable systems are a sort of monopoly, as well. While satellite dishes increasingly provide an alternative to cable, consumers usually have no choice of providers if they wish to have cable service. This has led to considerable consumer anger over ever increasing cable rates. With only limited government regulation and no effective competition, cable companies have been able to raise rates with little fear of losing customers. In 1993, the country's largest cable company was caught being a bit too candid about its monopoly power. In an internal memo leaked to the press, an executive from TCI (Tele-Communications, Inc.) told company managers to raise their prices via new charges and blame the government, regardless of what customers thought. The memo noted, "We cannot be disuaded [sic] from the charges simply because customers object. It will take a while, but they'll get used to it." Referring to new FCC rules about to take effect, the executive suggested that managers blame the government for the increases—even though the new rules were aimed at *limiting* price increases. He wrote, "The best news of all is, we can blame it on re-regulation and the government now. Let's take advantage of it!"[39]

The convergence of cable, telephone, and Internet technology means that companies in any one of those businesses often can use the same wires or cables to enter the other businesses. At first glance, this may seem to offer the prospect of *more* competition—and indeed, this was the rationale for deregulating these industries. However, the flurry of mergers and acquisitions that has accompanied the deregulation of the telecommunications industry has meant that cable, telephone, and Internet companies have been buying each other up at a rapid rate. When this consolidation process is through, the result is likely to be just a few major players providing all of these services. In the not too distant future, it is likely that many households will rely upon a single company to provide all these media and communications services, opening the door for further market manipulation.

Single monopolies in the model of Microsoft or local newspapers are unusual. More common are markets where there is some, limited, competition. As media corporations pursue merger and acquisition strategies designed to reduce risk and promote synergy, they often create such a situation. As we saw in chapter 4, the growth of media giants through mergers and acquisitions certainly reduced the number of major players in the market, thus decreasing competition. In some cases, it did so by eliminating existing competitors (e.g., Time Warner buying Turner Broadcasting). In other cases, it eliminated potential competitors. The latter occurs when, for example, a company primarily involved in production (such as Viacom or Disney) merges with a company known primarily for its distribution capacity (such as CBS via its television network or Capital Cities via its television network and cable holdings). Such mergers preempt the possibility that Viacom or Disney might develop their own distribution capacity or that CBS or Capital Cities would have substantially expanded their media production. The formation of media giants also makes it more difficult for still existing smaller companies or new entrants to compete—another feature characteristic of monopolies.

The impact of such potentially monopolistic situations has a ripple effect and can be seen in unlikely places. For example, after the restrictions on network ownership of television programs (fin-syn rules) were lifted, television networks could own their programs, raising the possibility of "sweetheart" deals. Take the case of the popular sitcom *Home Improvement.* The show was coproduced by Wind Dancer Productions (headed by the program's star, Tim Allen) and Walt Disney Co., the corporate parent of the ABC network on which the program aired. When the program came up for renewal, Disney gave ABC a favorable deal rather than try to sell the show to the highest bidder on the market. While this was good for ABC and its corporate parent, the smaller Wind Dancer Productions lost potential revenue as a result of this fixed deal. Tim Allen and Wind Dancer Productions sued the Walt Disney Co. and the suit was settled out of court in 1999 under undisclosed terms.

David Duchovny of the *The X-Files* television show filed a similar suit against Twentieth Century Fox, as did Steven Bochco, producer of *NYPD Blue.* In 1998, NBC even tried demanding ownership stakes and perpetual licensing rights for *all* the programs it airs—even those it did not help to create.[40] In all these cases, increased conglomeration distorts the workings of the market to the advantage of media giants and to the disadvantage of smaller players.

The music industry, too, has been charged with using limited competition to keep the prices of CDs artificially high. In 1996, the largest music companies were subject to a class action lawsuit on behalf of consumers. The suit, still pending at this writing, charged that the music companies had conspired to keep prices high, despite the fact that technological advances have made CDs cheaper to produce.[41] After a two-year investigation, the Federal Trade Commission ruled in May 2000 that the five biggest music companies (Time Warner, Sony, Bertelsmann, EMI, and Universal) used illegal marketing techniques to artificially inflate prices and prevent retailers from offering discounts. The FTC estimated that consumers were overcharged by over $500 million during a four-year period.[42]

Reduced competition has also resulted from joint agreements with "competitors," as described above. While not monopolies in the formal sense, such agreements can stabilize markets, limit consumer choice, and create formidable barriers for new competitors who wish to enter the market—all characteristics associated with monopolies. Because most media companies are not formal monopolies, this model of limited competition is the one that reflects most segments of the media industry.

Monopolies in Perspective

A handful of media giants dominate the media marketplace. But is this really a new development? The significance of media monopolies depends, in part, on our frame of reference. First, we must remember that "the media" are not monolithic and trends in one arena may not parallel those in another. Newspapers, as noted, have seen a drastic decline in competition with the rise of newspaper chains that usually enjoy local monopolies. Radio ownership, too, has seen significant concentration, as the limits on the number of stations a single company may own have been lifted. The FCC has attempted to offset this concentration of radio ownership by beginning to license low power radio stations that help meet community needs—a development strongly opposed by the commercial radio industry.

On the other hand, television and the Internet have seen an explosion in growth. From just three major networks and limited local choice, broadcast television, and especially cable, now offer many more channels. As an entirely new form of media, the Internet offers options simply unavailable a generation ago. So have the changes in the media created conditions that seem to reduce competition? Yes, but this impact has varied by medium.

However, we must remember that today's media giants have holdings in many different forms of media. That is one of the key characteristics distinguishing today's media empires from those of earlier eras. It is this unprecedented conglomeration and concentration of ownership that is most disconcerting. The resulting scenario is one in which decreased competition creates market distortions at the same time that consumers—at least temporarily—experience more media options.

Conclusion

The restructuring of the media industry has allowed media conglomerates to pursue a series of strategies aimed at maximizing profits, reducing cost, and minimizing risk. The new media giants have used their size to pursue strategies not generally available to smaller competitors. They can access large amounts of investment capital for expensive projects, heavily advertise and cross-promote their products, generally take advantage of the efficiencies resulting from economies of scale, and absorb significant losses on some projects because a few major hits more than make up for these losses. The integration and globalization of these major firms has allowed them to exploit synergy by packaging content so it is usable in different media, by promoting products across media, and by developing well-known brand names. These firms have used recent technologies of cable and the Internet to target lucrative niche audiences to attract advertisers' dollars. Finally, these media giants have sought to reduce financial risk in various ways, including diversification of holdings and their increased use of joint ventures with "competitors."

Corporate attempts to reduce risk can sometimes slip into strategies that violate basic market principles. In particular, competition is an essential element of healthy markets, but it is in the interests of corporations to reduce risk by limiting the amount of competition they face. This has led to situations in some parts of the media industry where characteristics of monopoly behavior are evident. Thus, even by market standards, the concentration of media ownership presents serious problems.

The concerns raised by the business strategies of media giants are only exacerbated when we use a public interest perspective to examine the social, cultural, and political impact of these tactics. For example, does an emphasis on "big hit" media products squeeze out important, although less profitable, forms of cultural expression? What happens to news organizations absorbed into vast media conglomerates concerned with maximizing profits? Do segmentation and niche marketing spell the end of a cultural common ground? Should joint ventures between an already dwindling number of media giants raise the concern that control of our public ideas, information, and culture are concentrated in too few hands? It is to such difficult questions that we turn our attention in chapters 5 and 6.

PART THREE

NEGLECTING THE PUBLIC INTEREST

Media Conglomerates and the Public Sphere

Chapter Five

How Business Strategy Shapes Media Content

In Part II, we examined how the structure and strategies of the media business have changed in recent years. In market terms, these changes have been beneficial for media companies, insofar as they have produced large profits for these rapidly growing media giants. However, they also have resulted in a concentration of media ownership and a potential loss of competition that is troubling even by market standards.

As we argued in chapter 1, the market approach may be helpful in understanding business dynamics, but profits are just one yardstick for measuring media performance. The public sphere approach identifies a different set of concerns by asking whether changes in the media industry serve the public interest. To consider such a question, our field of vision must widen dramatically beyond just bottom-line concerns to include how changes in the business of media may shape media content and influence society more broadly. In this chapter, we look at how business strategies shape media content; in chapter 6 we assess the influence that changes in the media industry have had on broader social life and politics. In both chapters, we focus on public sphere concerns.

Considering the Public Interest

Before embarking on our discussion of the impact of media changes, it is helpful to review the concept of the "public interest." Denis McQuail reminds us that "as an adjective, the word 'public' indicates what is open rather than closed, what is freely available rather than private in terms of access and ownership, what is collective and held in common rather than what is individual and personal."[1] Thus, the "public sphere" suggests those spaces in society that are open, accessible, shared, collective, and common. Assessing media in terms of their contribution to the "public interest" suggests that media are fundamentally intertwined with matters of the common good rather than just private profit. When we talk of media and the "public interest," we need to look beyond "public service" media, because these usually are limited to publicly owned communications systems. Indeed, public interest standards can be applied to all major media, regardless of ownership structure.

In chapter 1, we noted the considerable disagreement about just what constitutes the public interest. For the purposes of discussing media content, however, we propose that media in the public interest have at least four basic characteristics:

1. *Diversity.* In a democracy, media should reflect the range of views and experiences present in a diverse society. Citizens using the media should be able to find cultural representations and political expressions that are both reflective of their own views and experiences and that diverge considerably from those views and experiences. In contrast, homogenized media lack this range of diversity.

2. *Innovation.* The impressive technological capacities and capital resources of the media industry should be coupled with creativity and innovation in form and content. We should expect our culture and entertainment to be imaginative, fresh, creative, and original, reflecting the vibrancy of our society. In contrast, imitative media rely upon tried and true formulas.

3. *Substance.* Light entertainment is akin to sugary snacks; everyone loves them from time to time, but they do not constitute a healthy diet. A healthy democratic society must have media that include substantive news and entertainment addressing significant issues facing society, presented in an engaging manner that promotes civic participation. In contrast, trivial media focus excessively on sensationalism, celebrity, and similar fare.

4. *Independence.* Citizens of free societies abhor the notion of concentrated power controlling information and culture. Media

> should provide citizens with information and views independent of such concentrated power—either governmental or corporate. In contrast, censored media succumb to economic and ideological pressures to limit the range of issues and perspectives they feature.

Of course, evaluating media on these terms requires subjective interpretations. But so do judgments about freedom, human rights, fairness, justice, and a host of others. Important ideas and values are never simple or clear-cut. However, we must not let the complexity associated with the idea of serving the public interest deter us from doing our best to construct a media system that can achieve this lofty goal.

The reality, however, is that contemporary mass media have often fallen far short of this public interest ideal. Although the media industry employs thousands of talented artists, craftspeople, and other professionals, too often the structural constraints created by the primacy of business concerns have prevented them from meeting their full potential. Instead of media that are diverse, innovative, substantive, and independent, the recent structural and strategic changes in the media industry have too often led to content that is homogenized, imitative, trivial, and constrained. We examine each of these overlapping limitations in the following sections.

A Note on Elitism

One of the dangers in evaluating the media in a public interest framework is that it can easily take on an elitist tone. For some people, talk of media in the public interest invokes visions of dreary offerings of opera and esoteric, intellectual discussions (not that we have anything against intellectual discussions, although we confess that we are not avid opera fans). Such narrow and highbrow programming is not the foundation of public interest media, although it may be part of a diverse media menu.

When we invoke the public interest, we are not suggesting some single vision for the cultural or political content of media. Quite the contrary, we are calling for more inclusion and variety in media's form and content. Nor are we proposing that any centralized, elite group be the judge of media value. Instead, we are calling for more voices and perspectives to be included in our media to reflect a more dynamic range of interpretations of what is important and valuable. Finally, we recognize the importance of media that are sometimes silly and just plain fun. Playfulness is part of the human experience and it should be part of our media fare, as well.

The argument that serving the public interest is elitist is often based on the assumption that our current media system is democratic in giving people what they want. But as we have already seen, media are usually giving *advertisers* what they want and responding to the interests of demographically "desirable" audiences. If anything, this market oriented approach might itself be labeled elitist, because it favors those with more money. Despite the appearance of a large number of options, the business dynamics of media usually limit audience choice to variations on a few profitable formulas developed to meet advertiser needs.

Ultimately, the core principle underlying a public interest approach to media is the radical notion of democracy, because it values widespread, equal, and diverse participation over centralized power and anointed spokespeople. There is no doubt that broader democratic participation in the media is a threat to those who benefit from current economic and social arrangements. However, we believe enhanced participation and a media more oriented toward the public interest are necessary steps for reinvigorating our culture and democracy.

Homogenization and Imitation

A common strategy that parents use to get their young children to eat their vegetables is to give them a choice, broccoli or carrots, for example. But of course the choice is somewhat deceptive because, either way, the menu has already been determined by the parent. You *will* eat your vegetables!

Mainstream media companies do something similar with audiences. Surely audiences are faced with many media choices, but if the options are somehow all similar in some way, then choice is an illusion. Audiences have learned that, ironically, an explosion in the *quantity* of media outlets and products doesn't necessarily mean more diversity or better *quality*. In fact, some media executives readily admit that media outlets are redundant. Speaking about the future of television, then HBO chair Michael Fuchs once acknowledged, "Everyone says 500 channels. . . . Those 500 channels are going to be reconfigured old channels. There'll be eight HBOs, multiplexed. There will be 100 pay-per-views and there will be 10,000 shopping channels!"[2]

The real issue in media choice is the amount of differentiation among various products. Recall from our chapter 1 discussion that two key dimensions of market structures are the number of supplying firms and the level of product diversity (see Exhibit 1.1). We have already seen that the number of firms supplying media products is declining as a result of the concentration of media ownership and the development of joint venture agreements. But there is also reason to suspect that media firms pursuing similar business strategies reduce the level of product diversity. Rather than leaning toward the market ideal of diverse competition, our media system too often tilts in the direction of a homogenized monopoly, with a few giant firms producing remarkably similar media fare.

Homogenization can be the unintentional outcome of companies minimizing risk and maximizing profits. As media giants pursue their synergistic strategies and try to reduce risk, they face limited competition from other media giants. The frequent result is very little innovation and a great deal of imitation. By following tried and true standardized formulas, Hollywood movies, television entertainment, and other types of media have become formulaic and resistant to new ideas. Despite the potential for quick profits, this kind of media is not likely to serve the public interest.

Imitation and Formulas

Homogenization is often the byproduct of imitating previous successes to minimize risk associated with new products while taking advantage of known and profitable trends. For example, major music labels often intentionally sign bands precisely because they are *un*-original; they sound like whatever is "hot" at the time. Rather than risk potential loss with something new, innovative, and untested, companies tend to cash in on the latest wave of whatever is popular. As one *Billboard* article starkly put it, "A&R folks [talent scouts] run in packs, desperate to sign flavor-of-the-month acts, many of whom are just learning how to tune their instruments."[3]

Once signed, however, bands usually have to produce adequate sales almost instantly. The idea of an artist maturing and gradually building a following is not one that short-term, profit-conscious corporations favor. Weak sales for an initial CD often mean the end of the contract. This practice contrasts with what used to happen in the music industry. Promising artists were more often allowed to develop their talents over several years, despite poor sales of their early albums. Some of these artists with poor initial sales, such as Bob Dylan and Bruce Springsteen, eventually achieved both critical acclaim and massive commercial success.

Now, musicians who do succeed face yet another type of homogenizing pressure. A label's attitude toward a successful new artist is usually summed up in two words: "don't change." Companies want artists to repeat their success by creating new music that is similar to their earlier work. This makes it easier to market the band as a predictable commodity. As a result, musicians are usually discouraged from experimenting with new sounds or genre crossing work for fear that this might alienate an already established (and profitable) audience. The results are artists whose catalogues grow stale and repetitious—while their labels' A&R people search for the *next* hot trend.

Finally, in a process similar to that in book publishing described in chapter 4, major labels tend to put big money behind a select few acts that have proven to be popular, shelling out huge multialbum advances and supporting massive promotional tours. Mainstream performers such as Michael Jackson, Madonna, the Rolling Stones, and Aerosmith have enjoyed this royal treatment while most other musicians languish from neglect by the very label that signed them. As a result, audiences tend to hear and learn about the same few mainstream groups.

The homogenization process is similar in other fields. Independent film producer Barbara Maltby argues, "Media mergers in Hollywood are just a step in the progression toward the homogenization of filmmaking. . . . The creative act is merely something that's used to make money. . . . Narrative is information, and Hollywood is in the business of making narratives, and those narratives have a powerful informational impact on us. The more that they are reduced to the most simplistic formulas the more we as a culture are reduced."[4] Peter Bart, editor in chief of *Variety* and a former Paramount Pictures executive, agrees. With conglomeration, he says, "the studios are if anything more risk averse. They are desperate to hedge their bets. It's the nature of bureaucratic self-protection. Every unit of a multinational corporation has to meet its numbers. That pressure is reflected in the kind of pictures that get made. . . . The old-time studio bosses followed their hunches. Today, these green-light decisions are very much a question of committees, focus groups, rule by consensus. Not exactly a recipe for art."[5]

There are artists who consciously choose alternatives to the corporate giants to maintain creative control over their work and avoid this homogenization pressure, such as Ani DiFranco, a folk/rock musician. Despite repeated contract offers from major labels, she has chosen to release her more than a dozen CDs through her own independent label, Righteous Babe Records, which she created in 1990. Such a strategy reduces the potential sales of DiFranco's albums because they do not receive the advertising campaigns and promotional support offered by major labels. However, like other artists who choose this route, she believes her independent efforts are important. "I don't think the music industry is conducive to artistic and social change and growth," she commented in a 1995 interview.

> It does a lot to exploit and homogenize art and artists. In order to challenge the corporate music industry, I feel it necessary to remain outside it. I could be selling a lot more albums. Life could be a lot more cushy. But it's much more interesting to try and hammer out an alternative route without the music industry and maybe be an example for other musicians. You don't have to play ball.[6]

Declining Localism

Homogenization is sometimes related to another phenomenon resulting from the concentration of media ownership: loss of localism in media. Localism has two important elements: local control and local content. The concentration of media ownership has obviously shifted ultimate control of local television stations, newspapers, and radio stations to the corporate headquarters of media conglomerates. To varying degrees, budget and other key strategic decisions—if not outright editorial direction—are made by executives with little or no connection to the local community. In short, control of much local media has migrated to the national corporate offices of a few media giants.

This trend has been particularly dramatic in the newspaper industry. By the late 1990s, only about 300 of the nation's more than 1,500 daily newspapers were independently owned and most of these were very small papers with less than 10,000 circulation. Most dailies, and nearly all major papers, are now part of larger newspaper chains. As one analyst in the *American Journalism Review* concluded, when an independent paper gets bought out by a larger corporation, "some get worse, a few get better, and most get homogenized."[7]

One potential consequence of decline in local control is the loss of local content. Newspaper groups, as noted earlier, sometimes pursue the efficiencies of chain ownership by developing regional news services that feed standardized stories to all of the chain's papers. In this way, a reporter's single story can be used in a number of papers, resulting in significant savings in the cost of gathering and reporting the news, as fewer journalists are needed. In many cases, the more your morning newspaper is made up of such standardized chain content, the less likely it is to cover local news substantively.

Radio, too, has followed suit by consolidating staff and resources for both news and music programming. The result has been the standardization of much commercial broadcasting, leaving little that reflects the unique characteristics of the local community. With radio stations increasingly part of regional or national ownership "groups," it is common practice for radio companies to broadcast the same programming on many stations, regardless of their location.

In 1998, FCC Commissioner Gloria Tristani spoke about the loss of localism to a group of Texas broadcasters. She noted that the 1996 Telecommunications Act had resulted in "an unprecedented wave of consolidation that has dramatically reshaped the radio industry." Such changes, she noted, raise the danger that "consolidation could lead to lots of formats but only one voice." It also risked the loss of localism, which she argued is "the bedrock of our broadcast system." Localism, she noted, "means covering local issues, reporting local news, doing local programming, providing an outlet for local voices." However, as Tristani notes, consolidation often leads to homogenization:

> Eventually, the danger is that with national play lists, nationally syndicated programming, and outsourced news, everything ends up sounding the same. . . . [M]any stations have already been turned into "virtual stations" that have no announcers of their own but just run prerecorded feeds from distant announcers. Sure, costs are down and earnings are up. That makes Wall Street happy. But at what price on Main Street?[8]

The question is an important one. It starkly pits the market values of profits against the public interest value of diversity.

Trivialization and Sensationalism

If homogenization results in media that start to all look alike, what is that look? Rather than being substantive, today's media—especially broadcast media—have become increasingly sensational and trivialized.

Fluff and Stuff Just Short of Snuff

The rule in both entertainment and news is that a certain amount of shock value draws attention—and advertisers. The list of media fare that is cheap to produce and generates considerable audiences and advertiser revenue is lengthy. It includes programs featuring videos of wild animal attacks, tabloid gossip shows, fist-fighting dysfunctional families on daytime talk shows, the sexual scandals of politicians, wrestling thespians in makeup and costumes, "reality" programs featuring accidents and arrests, sensational and bloody crime reports on local news broadcasts, risqué programs pushing the boundaries of sexual explicitness, get-rich-quick game shows, radio "shock jocks," and many others. Sex, violence, spectacle: these sorts of programs are the logical end products of the corporate pursuit of profits. They are relatively cheap to produce and, like an accident on the highway, they predictably draw a regular audience. What these programs lack, however, is any sense of serving a larger public interest by providing substantive content. As media concentration results in more corporate emphasis on bottom-line profits to the detriment of any public service mission, we can expect more such programming reaching new heights of sensationalism.

On television, advertisers who want audiences to be in a relaxed "buying mood" as they watch their commercials usually welcome such "fluff" programming. As Ben Bagdikian has put it, "Serious programs remind the audience that complex human problems are not solved by switching to a new deodorant."[9] The result has been more fluff, more raunch, and more self-proclaimed garbage. In the 1990s, perhaps no other media product exemplified this trend more than daytime talk shows, epitomized by the *Jerry Springer Show.* Repeatedly accused of being phony and staged, Springer's programs often featured dramatic revelations of infidelity followed by a near obligatory fistfight. Springer himself made repeated disclaimers that his show was nothing more than mindless entertainment and he expressed shock that anyone would watch such "garbage." Yet WMAQ in Chicago moved to introduce Springer as a commentator on its once respected evening newscast, blurring the boundary between raunchy entertainment and news. As a result of the move, both anchors of the newscast resigned on principle and the station suffered a significant drop in ratings. The title of a journalism review article about the incident posed the question everyone was asking: "How Low Can TV News Go?"[10]

Springer wasn't alone in the swampy ground of daytime talk shows. In 1994, *The Jenny Jones Show* gained dubious notoriety when one man killed another after being humiliated on the program. He had been surprised on the air by a "secret admirer" who turned out to be another man. When the program was sued over the murder, the host's televised courtroom testimony became fodder for another round of tabloid journalism on *Court TV* and other programs.

Another prominent genre is so-called reality programs popularized by the Fox network. A blend of "real" people and dramatic excess, these programs became a staple of the network's schedule in the 1990s. Some, such as *Cops,* were tightly edited productions subject to the approval of the police departments being filmed, raising concerns that the programming was little more than hourlong commercials for police. Some of the programs were dubbed "shockumentaries" and featured titles such as *When Animals Attack,* and *World's Wildest Police Videos.* Referring to their often explicit depiction of violent and bloody encounters, NBC West Coast President Don Ohlmeyer referred to these shows as "one step short of a snuff film."

While they drew good ratings, these programs eventually alienated advertisers, who did not want to be associated with their increasingly raunchy or gruesome content. By the end of the decade, Fox decided that it had relied too heavily on these shock programs. Peter Chernin, president of News Corp., Fox's corporate parent, compared the network's reliance on the genre to a heroin fix injected whenever Fox needed a boost in the ratings. Feeling the pressure from critics, Fox scrapped its planned *Celebrities Out of Control* and a show featuring the broadcast of an unmanned jet crash in the desert.

But television did not abandon "reality" programming. Fox moved in the direction of what producer Erik Nelson called "deranged game shows." However, one of its early ventures in this direction, *Who Wants to Marry a Millionaire?*, was a fiasco when the "millionaire" in question turned out to be an accused spouse batterer and the "marriage" was clearly done to cash in on the publicity; it was annulled almost immediately. Still, Fox pushed forward with a slew of reality and get-rich-quick game shows.[11]

Predictably, other networks followed the formula. For example, in the summer of 2000, CBS launched the first of its wildly successful *Survivor* series in which contestants faced physical hardships on an island and each week had to vote to eliminate one contestant. The last remaining "survivor" was awarded $1 million. The program became an ugly variation of a prime time soap opera as members of the group lied, schemed, and deceived their way through the dog-eat-dog battle for the money. Not too surprisingly, the two finalists were revealed to have criminal charges against them, one for using a stolen credit card, the other for child abuse.

In a variation on the same theme, CBS's less successful *Big Brother* featured 10 people living in a house full of hidden cameras. Periodically, house members were required to nominate two people to kick out of the home, and viewers voted on who would go. The last person remaining won a cash prize. The series ran an incredible five nights a week for three months and could be seen in real time, 24 hours a day, on the Internet. Other networks offered up a slew of similarly bizarre game and reality show premises.[12]

News Lite: Scandal and Entertainment

While mindless entertainment may be written off as just that, news is supposed to be an oasis protected from sensationalism and trivialization. But as we have seen, this has not always been the case. A century ago the "Yellow Press" of the early media moguls moved journalism into the world of scandal and sensational storytelling in pursuit of a mass audience. Joseph Pulitzer, owner of the *New York World*, told his staff, "Heretofore you have all been living in the parlor and taking baths every day. Now I wish you to understand that, in future, you are all walking down the Bowery."[13] The Bowery—a New York symbol of grimy derelicts and street criminals—was to be the new figurative home of yellow journalism.

Less known is the fact that the early print media moguls coupled their sensational storytelling with open disdain for concentrated wealth and power. As Madeline Rogers notes,

> The early titans' sympathy for the common people was fueled not only by a desire for circulation and profits, but by a hatred of the excesses of the Gilded Age, which they felt were inimical to the republic. Pulitzer created his own 10 commandments for his *New York World,* which included a promise to "always oppose privileged classes and public plunderers." Hearst was a self-declared enemy of "reactionary interests and predatory corporations"; Patterson, who dedicated his *New York Daily News* to Abraham Lincoln's "common man," was a socialist in his youth.[14]

Times have changed, as the pursuit of profit by today's media moguls is more likely to be coupled with a veneration of "the good life" and a cozy relationship with those in power.

Yellow journalism was only one tradition in the news industry, however. Other news outlets, both print and broadcast, later developed professional norms that committed journalists to providing independent information to serve the public interest. Although carried out within the framework of profit-generating networks, broadcast news was for decades widely considered to be the network's public service contribution. News divisions had to stay within their budgets, but they were not expected to generate significant profits for the corporate owners. Instead, as "loss leaders," respectable news divisions added prestige to the national networks.

All of this began to change with the commercial success of CBS's *60 Minutes.* The newsmagazine program showed corporate executives that public affairs programs in prime time television could be profitable. By the 1980s, the consolidation of media ownership put businesspeople, rather than journalists, in ultimate charge of news divisions. Their primary concern was profits, and this orientation was applied to news as well. Because *60 Minutes* had shown that "news" could make money, the networks all imitated the formula with countless "newsmagazine" shows, most of which failed in both journalistic and commercial terms. Staff and expenses at the network news divisions were cut and pressure to generate higher ratings and profits increased. Soon, this "respectable" branch of the news industry was borrowing strategies from the playbook of yellow journalism.

The expansion in the number of media outlets, coupled with corporate pressure for profits, has pushed today's media—at an ever accelerating pace—toward blending journalism with entertainment. As one reporter at an Illinois daily newspaper puts it, "If a story needs a real investment of time and money, we don't do it anymore." Instead, he says, "In assignment meetings, we dream up 'talker' stories, stuff that will attract attention and get us talked about, tidbits for busy folks who clip items from the paper and stick them on the fridge. . . . Who the hell cares about corruption in city government anyway, much less dying Bosnians?"[15]

Local television news, especially, has developed a reputation for featuring little hard news, almost no investigative news, and lots and lots of entertainment, poignant human interest, sports, and weather. What constitutes "news" at many of these stations consists of little more than crime, accidents, and fires—the latter making for dramatic video from the station's helicopters. "If it bleeds, it leads" has become the informal mantra of such stations. This approach has been promoted by teams of news consultants who are hired by stations to revamp their sets, choose their on-air personalities, poll their audiences, and—most of all—boost their ratings.

But it is not only local news where this change has occurred. Arthur Kent was an NBC news correspondent from 1989 until he left in 1992 after he clashed with the network's weak commitment to hard news. He argues that "the people who constitute the conscience of the broadcast news discipline—working journalists—now have less real influence on the daily news agenda than ever before, and they face harsh treatment from management if they speak out."[16] It is business managers, not journalists, who wield power in today's newsrooms. As we'll see, this has resulted in a situation where journalistic integrity is increasingly undermined by the quest for profits.

The competition between media outlets has led to a slippery slope in terms of standards. When there were fewer media outlets and a smaller news "window," the news stayed more focused on substance. The advent of several 24-hour news channels, the Internet, and more outrageous tabloid journalism has resulted in pressures to include more sensationalism and fluff—even in the traditional news programs. *CBS Evening News* anchor Dan Rather notes:

> Fear runs in every newsroom in the country right now, a lot of different fears, but one fear is common—the fear that if we don't do it, somebody

> else will, and when they do it, they will get a few more readers, a few more listeners, a few more viewers than we do. The Hollywoodization of the news is deep and abiding. It's been one of the more important developments of the last 20 to 25 years, particularly the last 10 to 15, that we run stupid celebrity stories. . . . It has become pervasive, the belief that to be competitive, you must run a certain amount of celebrity news.[17]

The trend toward such entertainment stories has led many to refer to network news as "news lite." This trend has also affected another form of media that has been traditionally associated with more substantive content: book publishing. In 1999, the former head of Pantheon Books, Andre Schiffrin, examined the spring catalogues of three major publishers—HarperCollins, Simon & Schuster, and Random House. He found that out of a list of more than 400 titles, only four books had been published about current political issues. Instead, the list had "an increasing reliance on television and movie tie-ins, seen most dramatically in the launch of HarperEntertainment, which is scheduled to publish 136 books in its first year along the lines of the *Jerry Springer Picture Book*."[18] Here the pursuit of profits through synergistic strategies seems to be edging out the substantive ideas and discussion that would be more valuable to the health of the public sphere.

Media Constraint I: Commercial Interests

The notion of censorship conjures up images of government authorities protecting themselves from criticism by removing objectionable material from media content—the antithesis of a free and independent press that is a pillar of democracy. But censorship, and broader constraints on the media, need not come from government; they can come from other powerful sources. Today, constraints on media in democratic societies are more likely to come from corporations for economic purposes than from governments for purely political purposes. This section and the next focus on how changing media business has resulted in constraints and various forms of media censorship.

The first section examines how the quest for profits has eroded the foundation for independent media by inserting commercial considerations into many different forms of news and information media. The next section, which is closely related, examines censorship and conflicts of interest.

The Disappearing Line between Journalism and Commerce

Instead of developing independent media content, current practices often result in media that are severely constrained. One type of constraint occurs when commercial interests pervade decision making about media content. Although this practice can have a negative impact on the quality of entertainment media, it is especially disturbing when the content is news and information.

Some constraints that result from the primacy of commercial interests are built into the very routines of newsgathering and are certainly not new. Commercial news organizations would like to produce credible news coverage at the lowest possible cost. This leads to practices in which journalists rely on outside sources to feed them stories. Routine news material from government and the private sector efficiently helps news organizations fill their broadcasts and newspapers. Reliance on such sources, however, also means it is more difficult for those outside the corridors of power to gain access to the news media. It also means that news organizations are less likely to pursue costly investigative journalism that requires greater investments of time and resources, with no guarantees of suitable stories at the end. Better to utilize the prearranged press conferences, written press materials, and video press releases that flow from the public relations and information offices of corporations and government agencies.

Thus, the business logic of lowering expenses and increasing profits results in news that is limited in its range of ideas, favoring those entities that have the resources to aid journalists in their work.[19] As such cost-cutting logic is carried to its conclusion, we are likely to see more and more collaborative news efforts, where "competing" media conglomerates pool their newsgathering resources to produce lower-cost news. The result for citizens will be an even smaller number of news providers.

Beyond the economic concerns that underlie newsgathering routines, there are new economic pressures on journalism caused by the recent changes in the media business. In newsrooms, the "church-state wall" refers to the traditional separation between the business side of news and the editorial content. Analogous to the separation of church and state in politics, "the wall" in journalism has long been a sacrosanct element of journalistic integrity. To maintain their credibility with citizens and their integrity as professionals, journalists must remain independent of advertisers' wishes or the strictly business concerns of their employers. That independence is aided by the tradition of "the wall."

In myriad ways, big and small, the recent changes in media have eroded, if not completely dismantled, the protective church-state wall. In its place, a bottom-line mentality has crept into decision making. "When MBAs Rule the Newsroom," as one journalist titled his exposé of these practices, making profits can take precedence over good reporting.[20] The result can be feel-good, watered-down, sensationalized news that may attract readers and audiences, but that leaves citizens with little of substance. Citizens wind up with "news" that serves commercial interests rather than the public interest. Managers are rewarded for increased profitability while journalists are left wondering what has happened to their "profession."

The Case of the *Los Angeles Times*

One of the more dramatic examples of this change in attitude about the wall occurred at the *Los Angeles Times,* beginning in 1997.[21] An economist and former General Mills cereal marketer, Mark Willes, had become chairman and CEO of Times Mirror Company—owner of the *Los Angeles Times.* His controversial cost-cutting measures, which included thousands of layoffs (earning him the nicknames "cereal killer" and "Captain Crunch") and the closing of *New York Newsday,* contributed to dramatic improvements in the financial picture of the company. The value of its stock nearly tripled in just two years and Willes was awarded a $1.35 million bonus in addition to his nearly $800,000 annual salary. In the fall of 1997, Willes named himself publisher of the *Los Angeles Times* and announced that he was dismantling the wall between the paper's business and editorial departments, saying he'd blow it up with a "bazooka" if necessary. Willes contended that the two could work together to help the paper, without allowing advertisers to influence news decisions. Many journalists were skeptical. Petitions protesting the actions circulated in the newsroom and, when that failed, a string of resignations followed.

The new system in place at the *Times* called for collaboration and cooperation between advertising salespeople and journalists to market the paper like any other consumer product. Business managers (referred to as "product managers")—whose responsibility was profitability—were teamed up with the editors of each of the paper's sections—whose responsibility was content—to help develop story ideas and plan long-term strategy. In contrast to the usual practice at newspapers, individual sections now had to account for their profits or losses, with most expected to turn a profit. Targets and goals for revenue and readership were developed. Reader focus groups were also enlisted to help plan the direction of each section. The goal of Willes' plan was to increase the paper's circulation by as much as 50%, attract more advertisers, and increase profits. Those enthusiastic about the changes looked toward creating a more vibrant paper that better met readers' needs. Critics argued it was an open door to business decisions influencing content. Either way, the wall had come tumbling down.

One of the first visible signs of the change at the *Los Angeles Times* was its new Monday "Health" section, based in part on reader surveys and focus groups, along with advertiser interest. Reactions were mixed at best. One observer in the *Columbia Journalism Review* described the new effort as "a bright, photo and graphics laden package of six or eight pages [that] wraps literally dozens of snippets from medical books and journals around two fitness profiles each week—one celebrity and one ordinary person—several advice columns and a lead feature that seems intended to hold readers more with its chatty tone than eye-opening reporting." The author goes on to note that "what's lacking in the section is . . . hard news of the world of health care, from HMOs and managed care to fraud and government action. Also lacking is any sophisticated treatment of new advances in science and medicine. . . . [T]o judge by its content, Health was founded on a very low estimation of the readers' intellect and attention span."[22] The section, however, is designed to attract readers and, more importantly, advertisers who know their message will appear in the context of a light news-you-can-use environment. Early indications were that advertisers loved the new section.

But the elimination of the church-state wall began to produce major embarrassments. Most notably, in October 1999, the *Los Angeles Times* devoted its entire Sunday magazine to stories about the Staples Center, a new sports arena and entertainment venue that was just about to open in downtown Los Angeles. What readers—and even journalists who worked on the stories—were not told was that the *Times* had secretly agreed with the Staples Center to split the advertising profits from that project. After the deal was revealed by another publication, more than 300 *Times* journalists signed a petition protesting this conflict of interest and flagrant breach of basic journalistic independence. Their petition noted they were "appalled by the paper entering into hidden financial partnerships with the subjects we are writing about" and called for an apology to readers and review of all the paper's financial relationships. The *Times* newsroom was in "open revolt"—a term later used by the paper itself to describe the situation.[23]

The revolt by journalists and widespread outrage over the breach of trust led to public apologies from the paper's editor and publisher. It also led the *Times* to launch an internal investigation that culminated six weeks later in an extraordinary 14-page story written by the paper's media critic, David Shaw. He began the lengthy story by putting the controversy in the context of the earlier changes at the *Times,* writing that "for several years, pressures for higher profits had reduced the size of the news staff and the space available for news in the paper. Increasingly, business concerns seemed to be influencing editorial decisions in ways long forbidden at the *Times* and at all respectable big city newspapers." Shaw acknowledged the Staples Center affair constituted a flagrant "conflict of interest and violation of the journalistic principle of editorial independence."

Worse, Shaw's investigation found that many staffers saw the Staples Center controversy as "the very visible and ugly tip of an ethical iceberg of ominous proportions—a boost-the-profits, drive-the-stock-price imperative that threatens to undermine the paper's journalistic quality, integrity, and reputation." The changes under Willes had led to a situation in which, as a managing editor put it, "Money is always the first thing we talk about. The readers are always the last thing we talk about." Even the editor of the paper's book review section was affected. He had been repeatedly encouraged to pay more attention to books with big advertising budgets, such as those in the windows of Barnes & Noble. At the time, the *Times* had a deal with Barnes & Noble. The bookseller paid the newspaper a 6% commission on book sales originating with a buyer clicking on the Barnes & Noble ad on the *Times'* Web site.

The investigation and its revelations led to the adoption of new principles reestablishing some of the traditional separations between the business and content sides of the paper. Shaw, however, ended his investigation on a note of skepticism, asking rhetorically, "Will the guidelines be followed diligently only until profit margins fall again and pressure for new revenue intensifies? Will the heightened sensitivity recede once the Staples Center controversy begins to fade?"

The string of controversies and embarrassments took its toll at the *Times*. By the time of the Staples Center affair, the paper's stock had significantly declined in value in the midst of a booming economy. Willes had used some of the paper's own cash reserves to buy back some of its stock. Willes' efforts left the paper enmeshed in controversy, flush with cash, and struggling to maintain its stock prices. That made it ripe for a takeover. Early in 2000, the Tribune Company—owners of the *Chicago Tribune* and other papers, 22 television stations, four radio stations, and other media—bought the *Los Angeles Times*. Mark Willes, the man who wanted to blow up the wall between the business and editorial departments, was replaced.

The Influence of Commerce Elsewhere

Although the drama at the prestigious *Los Angeles Times* may be better known, it is not a unique story. Newspapers and magazines across the country—big and small—are increasingly blending the responsibilities of business managers with those of newsroom executives. In 1998, the managing editor of the *Free Lance-Star* of Fredericksburg, Virginia, summarized it this way:

> Five or ten years ago, your focus could be pretty much solely on content, and the question always was, "Is this a good story?" Now I have to think, "Is this a story that will connect with my readers' particular lifestyles?" That's marketing, and it's something I never had to think about before.[24]

Journalists themselves are often quite concerned by the subtle—and not so subtle—changes that have taken place at media outlets where turning profits for the corporate parent has become more important than ever. Doug Underwood examined the effect on journalism of bottom-line profit concerns taking priority over journalistic news judgment in his book, *When MBAs Rule the Newsroom.* In it, he writes:

> Reporters . . . note that the character of investigations is changing as well as the atmosphere in the newsroom where they are trying to do their work. It is increasingly difficult, they say, to question authority out in the world when they themselves are being pressured to become loyal corporate soldiers inside their organizations. Michael Wagner, formerly an investigative reporter for the *Detroit Free Press,* says that . . . "the appetite these days is for fairly safe, less controversial, sociological investigative stories. . . . If you look across the country, you see papers doing a great job of covering prisons and juvenile crime and child abuse. But you don't see people asking how Exxon got to be bigger than five or six countries in the world." Or as [Brad] Bailey, formerly of the *Dallas Morning News,* puts it, "Do you see a corporation that's in the business of making money going out and investigating other corporations? I don't."

In this way, the business imperative influencing newsroom decisions can act as a censoring device, leading news organizations to avoid certain types of stories.

In some cases, the blurring of content and marketing is even more extreme. At the *Oregonian,* the advertiser-friendly home and auto sections are simply written by the ad department. The *Denver Post* turns over the production of its skiing, gardening, casino gambling, and other sections to its advertising department. In some cases, reporters are being asked to play more promotional roles. At the *Kansas City Star,* for example, journalists were encouraged to take part in panels and workshops at newspaper-sponsored public forums on personal finance and women's issues. Advertisers and other companies selling products were invited to set up booths at these events. Some journalists feared they were being used to lend credibility or even implicitly endorse the advertisers' products. Their complaints led to the creation of a new ethics committee to review such practices.[25]

Newspapers are not alone in this blurring of information and commerce. In 1996, cable's History Channel—co-owned by Disney, General Electric/NBC, and Hearst—invited major corporations to pay to have themselves profiled on the channel's *Spirit of Enterprise* series. The companies would retain veto power over the programs. DuPont, Boeing, AT&T, and others agreed to the deal, but when the arrangements were leaked and subjected to scathing criticism, the History Channel decided to drop the plans.[26]

In 1999, a CBS-owned Chicago television station, WBBM-TV, rented its journalistic credibility to advertisers by producing a series of commercials for a local hospital. The spots were taped in the style of newscasts and featured the station's former anchor and consumer reporter. The station had previously aired similar, news-style commercials for Hawaiian tourism that featured another former local reporter. That time, the "reporter" even ended the commercial with the station's ID: "I'm Lonnie Lardner for CBS 2 Chicago." Robert Feder, *Chicago Sun-Times* media critic, noted, "The pertinent question no longer is whether such commercials cross the line. The question is whether there is a line anymore."[27]

Even more blatantly, one local television station literally put its journalistic integrity up for sale. WDSI, a Fox station in Chattanooga, Tennessee, faxed a flyer to prominent local businesses offering to produce a series of three "positive" news segments about "your company," lending its "most credible programming for the image of your company." For $15,000 the segments would be aired on their morning, midday, and evening news broadcasts.[28] Even obituaries—long a public service function —are becoming profitable ventures for some newspapers who are now charging readers to run them.[29]

The blurring of the line between information and marketing permeates the Internet world, where a more subtle, but perhaps more pervasive, blend of journalism and commerce has taken place. In a development known as "transaction journalism," information that is presented in a journalistic form is directly connected to the promotion of a commercial product. For example, next to its book reviews, the online edition of the *New York Times* (and other papers including, as we have seen, the *Los Angeles Times*) carries a direct link to an online bookseller, in this case barnesandnoble.com. If a review sparks readers' interest in a book, they can buy the book with just a few clicks of the mouse. The *New York Times* gets a percentage of the book's sale price for having brought the consumer to the barnesandnoble.com site. Because a negative review is unlikely to generate sales, the newspaper now has a financial interest in promoting—rather than just reviewing—a book. Under these circumstances, reviewers are no longer entirely independent voices to which readers can look for guidance.[30]

In 1999, AltaVista became the first major Internet search engine site to offer advertisers the opportunity to have their Web sites listed at the top of search results. Some search sites, such as Goto.com, consist entirely of paid listings.[31] Sites such as Amazon.com sell publishers the right to prominent reviews of their books, something they euphemistically call "supported placement." For various fees, publishers can have their titles described on the Amazon Web site under headings such as "Destined to be Classic," "What We're Reading," or "Our Customers Recommend."[32] Reviewers themselves sometimes work for a percentage of the revenue generated by the books they review on the site, and thus have a financial interest in maximizing sales.[33]

At "cobranded" sites, advertisers partner with a Web site's content provider. The advertiser provides material about its products, which is presented alongside other "independent" information on the site. A Web site that provides information on health issues, for example, might include advertising from a drug manufacturer. That manufacturer's products then are mentioned (presumably in a favorable light) in relevant stories on the site.[34]

In all of these cases, commercial considerations have come to influence or dominate the development of media content.

Media Constraint II: Censorship and Conflicts of Interest

As we have seen, the critique of corporate media ownership is not one of smoke-filled rooms populated with conspirators who are out to control the world. Instead, it is a critique of the market logic as it applies to the world of culture and ideas. Corporate entities pursue profits for their shareholders because that is what they are expected to do. Those who manage such institutions tend to interpret events in the outside world in terms of whether they aid or hinder the company's pursuit of profits. There's nothing necessarily conspiratorial about any of this. It is the logic of the market system.

But the pursuit of profits is not a value-neutral exercise. Regardless of the rationale, the pursuit of profits can have the effect—intended or not—of constraining the range of ideas and voices routinely found in the media. In conducting their business, corporations do not want to promote information or views that contradict their goals. As a result, the views that dominate in corporate media tend to be those that are compatible with a corporate worldview. This is most blatant in news coverage of the economy—where business programs and Wall Street analyses prevail and labor and consumer perspectives are rare—but it also spills over into coverage of a wide range of issues.[35] The bottom line is that placing profits above all else has political implications and places real constraints on media content.

Our discussion of these constraints is loosely organized by the source or nature of constraint, beginning with journalists themselves and moving outward to external sources of pressure. We start by looking at the phenomenon of self-censorship, where journalists and others alter their own behavior for various reasons. Second, we discuss corporate censorship, where managers and executives constrain the efforts of their own employees. Third, we look at conflicts of interest between different portions of single conglomerates, which can result in corporate censorship or self-censorship. Finally, we consider external pressures on media firms from advertisers.

Self-Censorship

Self-censorship occurs when organizational norms or the perception of likely criticism from powerful players leads to changes in media content. In such cases, there is no need for overt intervention to achieve desired results. We use the term here to refer to individual self-censorship. However, it is also possible that what we later term "corporate censorship" is another form of self-censorship because the pressure for change is coming from within the corporation, rather than from outside sources. We treat corporate censorship separately because in those cases, the pressure exerted by someone higher up in the organization's hierarchy often leads to overt conflict rather than internalized self-censorship.

Unless someone later admits to what they have done, self-censorship is virtually impossible to document because it occurs covertly. *Newsweek* columnist Jonathan Alter notes that self-censorship is a subtle process. "In a tight job market, the tendency is to avoid getting yourself or your boss in trouble. So an adjective gets dropped, a story skipped, a punch pulled. . . . It's like that Sherlock Holmes story—the dog that didn't bark. Those clues are hard to find."[36] As Andrew Jay Schwartzman, head of the Media Access Project, puts it, what has changed with growing consolidation is "not a question of misreporting. It's not a question of false reporting. It's a question of not reporting."[37]

There are no dramatic conspiracies here. Journalists want to keep their jobs. Editors know what the company's interests are. Little or nothing needs to be said about what is or is not acceptable in reporting. The smoking guns revealing the impact of corporate influence are few and far between. Instead, it is the cumulative effect of small daily decisions that results in homogenized, corporate-friendly media.

While it is difficult to document, self-censorship in journalism is commonplace. For example, in one study, more than 40% of journalists and news executives surveyed admitted that they had engaged in self-censorship by purposely avoiding newsworthy stories or softening the tone of stories. With media organizations trying to attract more readers and larger audiences, market pressures were most often cited as the reason for such self-censorship. Almost 80% of those surveyed said important stories that are seen as dull are sometimes or often avoided, while just over 50% said important but complex stories are sometimes or often ignored. More than a third of all respondents said news that might hurt the financial interests of a news organization is sometimes or often ignored. More than one-third said they censored themselves because of personal career concerns.[38] The journalists who are most likely to retain their jobs and advance to more influential positions are those who have best internalized these organizational norms of self-censorship.

Corporate Censorship and the Pursuit of Organizational Interests

Corporate censorship involves cases that usually pit organizational interests against individual journalists or public interest principles. The censorship is still imposed from within the media organization, but it is more likely that there will be dissent about such a move. When corporate censorship abrogates journalistic standards and democratic ideals, it is not generally the result of political motivations or aspirations for power (although there are certainly exceptions). In most cases, the cause is the desire to most effectively pursue the primary goal of the corporation: profit making.

For example, in 1995, CBS's *60 Minutes* dropped an interview with an executive of Brown & Williamson Tobacco because the network was afraid of a potential lawsuit. The executive accused the company of hiding the truth about the addictive and harmful effects of tobacco from the public. While the veracity of the story was well-founded, the president of CBS News flatly told the executive producer of the report that "the corporation will not risk its assets on the story."[39] However, news of the cancellation was leaked, creating a firestorm of criticism, resulting in the later airing of the interview. Industry observers noted that, because CBS was said to be up for sale (Westinghouse bought it shortly thereafter), an outstanding lawsuit would have made the network a less attractive property for potential buyers. In addition, the principal owner of CBS at the time was Laurence Tisch—the major stockholder in another tobacco company, Lorillard. This created a potential conflict of interest, a subject to be explored more fully later. Finally, RJR Nabisco and Philip Morris, conglomerates that are both tobacco companies and major food and beverage producers, are among the biggest advertisers on CBS and other television networks.

It certainly would have been in the public interest for CBS to broadcast their story about the deceptive practices of the major tobacco companies. But from a corporate perspective, the possibility of a lawsuit could have threatened future profitability. When faced with a choice between protecting profits and serving the public interest, CBS followed the money. It was not the first time. In an earlier incident of this sort involving ABC's *Day One* newsmagazine, the network actually publicly apologized to Philip Morris, resulting in the discontinuance of a defamation lawsuit.[40] As the producer of the contested *60 Minutes* interview concluded,

> Executives of the network news divisions say that they will report any story of public interest and import without fear or favor, without considering its potential commercial consequences. They say that, but do not believe it. The menu of what stories will be initiated, what enterprise reporting will and will not be done is formed by the networks' commercial interest. The idea of committing resources to do stories that in and of themselves are clearly in the public interest is dead.[41]

Although the *60 Minutes* and *Day One* incidents themselves raise serious concerns, they also suggest the possibility that many other similar decisions have been made without the public ever finding out about them. Such visible cases also increase the likelihood that future journalists will use self-censorship to avoid such controversy.

Despite the fact that many incidents of corporate censorship are unlikely to become public, there are a number of cases that have become part of the public record. These have occurred in many types of media. For example,

• In 1998, one of News Corp.'s publishing holdings, HarperCollins, dropped plans to publish a memoir by Chris Patten, the last English governor of Hong Kong. HarperCollins' top editor, Stuart Profitt, described the book as "the most lucid and intelligent" he had ever read by a politician and he felt sure it would be a bestseller. However, News Corp. was attempting to expand its global satellite TV empire into China, and Patten's book criticized the Chinese government, potentially causing problems for News Corp.'s profitable plans. The head of News Corp., Rupert Murdoch, ordered Profitt to tell Patten his book was not acceptable. Profitt refused and was then suspended from his job.[42]

• Stephen Brill, now editor in chief of *Brill's Content,* had been the founder of *Court TV* and several legal publications, but he sold his portion of the company to the majority owner, Time Warner. After his departure, it was revealed that Brill had written a memorandum to senior Time Warner executives complaining about repeated attempts to limit his editorial freedom. On one occasion, Time Warner executives tried unsuccessfully to get Brill to kill an article critical of an official of the Federal Trade Commission. The reason? The FTC was about to decide whether Time Warner could merge with Turner Broadcasting.[43]

• In 1998, investigative reporters for WTVT, Fox's Tampa Bay affiliate, discovered that—despite promises to the contrary—supermarkets were selling milk produced with rBGH, a synthetic growth hormone developed by Monsanto. Critics of the practice contend that the hormone is indirectly linked with increased risk of cancer in humans. When word of the ongoing investigation reached Monsanto, they sent a letter to the head of Fox News, Roger Ailes. In turn, the reporters' story was postponed and a long series of demanded revisions, cuts, and conferences with lawyers ensued. The reporters say it was clear management was not worried about the accuracy of the story; they were worried about a possible lawsuit. When the reporters resisted story changes that they believed were false and misleading, they were told by the station manager, "We paid $3 billion for these television stations. We will decide what the news is. The news is what we tell you it is." Further discussions about revisions dragged on, with the station even offering to pay the reporters $125,000 to go away and never tell anyone about the dispute. Eventually, with no resolution forthcoming, the reporters were fired.[44]

- Jim Hightower is a Texas populist and rare liberal voice on talk radio's otherwise conservative terrain. His popular radio commentaries feature sharp-tongued critiques of the political system (The political spectrum's not left-to-right, he argued, "it's top-to-bottom, and the vast majority of people aren't even in shouting distance of the economic and political powers at the top") and a satirical sense of humor ("Like NASCAR race drivers or PGA golfers, why not require each of the [presidential] candidates to cover their clothing, briefcases and staff with the logo patches of their corporate sponsors?"). His ideas reached some 1.5 million listeners on 150 stations nationwide. When Disney bought Capital Cities/ABC, the company that owned and distributed Hightower's program via the ABC Radio Networks, it was not amused by Hightower's continued critiques of corporate America and even Disney itself. In September 1995, he criticized ABC for backing down and apologizing to tobacco companies to avoid a lawsuit, noting that ABC "had just merged with the Mickey Mouse empire of Disney, Inc." The next day he was told his program was being dropped by ABC.[45]

- Even satirical treatment of corporate censorship can be subject to corporate censorship. In March 1998, NBC's long-running comedy program, *Saturday Night Live* aired a short cartoon clip inspired by articles on media conglomeration in *The Nation,* an independent liberal journal of opinion. Modeled after *Schoolhouse Rock,* an old Saturday morning feature with catchy tunes about educational topics, the new cartoon poked fun at the concentration of media ownership. The cartoon included corporate logos with octopus tentacles altering the news and endlessly selling products. The song accompanying the cartoon included these lines:

> You mean Disney, Fox, Westinghouse and good ol' GE?
> They own networks from CBS to CNBC
> They can use them to say whatever they please
> And put down the opinions of anyone who disagrees . . .

General Electric, corporate owner of the NBC network on which *Saturday Night Live* airs, was reportedly not amused. When the program was repeated a few months later, the cartoon was removed. The program's executive producer, Lorne Michaels, said it had been deleted because he "didn't think [the cartoon] worked comedically." However, others at the network told reporters that NBC's president and GE officials had been upset.[46]

Among the most disturbing incidents of corporate censorship (or self-censorship) occurred in the months prior to the passage of the 1996 Telecommunications Act, which was discussed in chapter 3. The act, which was the most sweeping change in telecommunications law in more than 50 years, fundamentally altered how the media industry is structured. The media industry lobbied heavily for passage of this act, which, among other things, allowed larger conglomerates to form by removing or relaxing various media ownership limitations.

Yet most Americans knew virtually nothing about the act. That's because there was remarkably little coverage of the proposed legislation. For example, one study found that in the nine months between the introduction of the bill and its passage in February 1996, the three major television networks had only 12 stories about the proposed legislation, totaling just 19.5 minutes of coverage.[47] In addition, much of this limited coverage focused on the introduction of new television content ratings and the V-chip that allowed viewers to block programs with sex and violence. The news largely ignored the bill's dramatic changes in ownership rules that would lead to further concentration of media ownership. Most citizens learned of these provisions only after the act passed.

Conflicts of Interest

The inadequate news coverage of the Telecommunications Act—and some of the examples of corporate censorship discussed above—suggest the existence of a built-in conflict of interest. The major media companies stood to benefit directly from the passage of this act and were instrumental in lobbying for its passage and even crafting some of its language. Reporting fully on the views of critics of this act would have run counter to the economic interests of the industry. The result was woefully inadequate coverage. As Republican Senator John McCain put it while on the floor of the Senate, "You will not see this story on any television or hear it on any radio broadcast because it directly affects them."[48]

Newspapers are not much different. With conglomeration, many print media outlets are owned by corporations that also own television and radio stations, placing them in the same conflict of interest position as their broadcast counterparts. One study examined the newspapers that editorialized about the Telecommunications bill's provision to give digital spectrum licenses to traditional broadcasters. It found that the newspapers with corporate owners that did not receive significant TV revenue editorialized against the bill, while those with corporate owners that *did* receive significant TV revenue editorialized in favor of the giveaway.[49]

The problem of potential conflicts of interest however, extends well beyond legislation or issues dealing directly with the media industry. The fact that media conglomerates are, by definition, involved in many different types of businesses creates the very real possibility of conflicts of interest in a variety of fields. This is especially true when one of the conglomerate's businesses is journalism. The responsibility of journalism to report fully and fairly on events of the day has the potential to clash with the interests of corporate parents to promote their businesses and minimize any negative news about their operations. In addition, because their business interests are so broad and far-reaching, there are very few economic or legislative initiatives that do not affect some part of a media conglomerate.

It's not hard to imagine why major media conglomerates wouldn't want to pursue certain stories. Why should we expect, for example, NBC—owned by General Electric—to aggressively pursue stories critical of its corporate partner, Microsoft? Why should we expect ABC to investigate issues that might be detrimental to the corporate interests of their parent company, Disney? In fact, in a 1998 interview, Disney head Michael Eisner said, "I would prefer ABC not to cover Disney. . . . I think it's inappropriate for Disney to be covered by Disney. . . . [B]y and large, the way to avoid conflict of interest, is to, as best you can, not cover yourself." Within days of this interview, ABC News dropped a *20/20* investigative report about pedophilia and lax security at Walt Disney World. The network said it was not influenced by the fact that the proposed story was about its corporate parent. But the incident exemplified the worst fears about conflicts of interest among the media giants.[50]

Evidence of those fears appears from time to time. In a 1989 incident, the *Today* show aired a segment on defective bolts, but failed to mention that its corporate parent, General Electric, used these bolts in its nuclear reactors; the GE connection was only mentioned later in follow-up after critics pointed out the issue. A 1990 segment on the same program focused on consumer boycotts, but failed to mention that the largest boycott at the time was one aimed at General Electric. In fact, one source interviewed for the story was cautioned by the program's producer not to mention the GE boycott. Subsequently, after public criticism of this incident, NBC has aired stories on GE scandals.[51]

In some cases, corporate "censorship" is not tied to a specific company interest but is instead linked to generalized promotion of a corporate-friendly worldview. For example, one study examined press coverage in the *New York Times* and the *Washington Post* of the debate over the North American Free Trade Agreement (NAFTA) during a four-month period. NAFTA was supported by major corporate interests, but opposed by labor, environmentalists, and others. The study found that despite the unpopularity of NAFTA among the general public, pro-NAFTA sources outnumbered anti-NAFTA sources by three to one and not a single labor union representative was quoted during this period. The newspapers' boards of directors were filled with businesspeople whose companies stood to gain from the passage of NAFTA.[52]

Conflicts of interest can also occur because of the interconnected nature of corporate management. For example, in Liberty Media's 1995 annual report, Peter Barton, the president of its TCI subsidiary, commented on TCI's connections to other companies:

> The six executives at Liberty Media sit on more than 40 corporate boards. Their function is to act not just as watchdogs for our investments but also as relationship managers with our partners. In this way, we can link pieces of our portfolio to create strengthened alliances, new businesses, and shared economics.[53]

This intertwined network of corporate boards raises additional questions about the ultimate independence of news media. For example, the *New York Times* coverage of the debate over health care reform in the mid-1990s tilted heavily in favor of the "managed competition" option, which would have been profitable for larger health care corporations. Other proposals for reform, such as the Canadian-style single-payer program, were either ignored or harshly criticized. Four members of the *Times'* board of directors also sat on the boards of major insurance companies and two were on the boards of pharmaceutical companies.[54] When key individuals in media companies have vested interests in the outcome of public debates because of their connections to other corporations, citizens have a right to question the independence of such media accounts.

Advertiser Influence

So far we have only mentioned efforts to influence coverage that emanate from within media companies. However, in some cases, advertisers have also sought to suppress media content or punish media companies for already published material.

Advertisers have long had substantial influence over what is and is not emphasized in the media. Usually this pressure is fairly subtle and indirect. For example, it has long been media's practice to offer advertisers a "heads up" about editorial content that might reflect badly on the advertiser. Oil companies, for example, generally are given the opportunity to reschedule their ads if the evening news features a story about an oil spill. Airlines are allowed to do the same if there is a plane crash. But more recently, advertisers have begun demanding advance warning of content that might be controversial—whether or not it is related to their industry—so they have the opportunity to remove their ads. For example, Chrysler Corporation—at the time the nation's fourth largest advertiser—informed the magazines in which it advertised that

> It is required that Chrysler Corporation be alerted in advance of any and all editorial content that encompasses sexual, political, social issues or any editorial that might be construed as provocative or offensive. Each and every issue that carries Chrysler advertising requires a written summary outlining major theme/articles appearing in upcoming issues.[55]

Such requirements potentially create a "chilling effect"—and the danger of self-censorship—because they discourage magazines from publishing anything that might result in a loss of advertising revenue.

Sometimes, advertiser pressure is more direct. Back in 1980, *Mother Jones,* an independent liberal magazine, considered publishing a series of articles examining the link between cigarettes and cancer. At the time, the magazine accepted ads from tobacco companies and staff were concerned about the economic repercussions of publishing such a series. To its credit, the magazine went ahead with the series and, as feared, angry tobacco companies pulled their advertising. For a decade and a half after this incident, mainstream publications continued to steer clear of stories too critical of tobacco and continued to receive the industry's substantial ad revenue.

Today, advertiser pressure has, in some ways, actually increased. One survey found that about 30% of journalists and news executives believed self-censorship sometimes or often occurred because of concern about advertisers.[56] The pressure is much worse for investigative reporters. One survey of investigative reporters and editors at commercial television stations found that nearly three-quarters said advertisers had "tried to influence the content" of news at their stations. More than half said advertisers tried to kill news stories. More than two-thirds said advertisers had threatened to withdraw their advertising because of their displeasure with a news story and more than 40% said advertisers actually did withdraw their ads. Fifty-nine percent said there had been "pressure from within" their stations "to not produce news stories that advertisers might find objectionable." Conversely, 56% said they had been pressured from within the station "to produce news stories to please advertisers."[57]

Automobile dealers have often been cited as the most frequent source of advertiser pressure on local media. In one 1996 incident, a well-known consumer reporter, David Horowitz, was fired by his KCBS-TV employer in Los Angeles after advertisers complained about his stories on car safety. According to Horowitz, he was fired only after management first tried to get him to stop his stories by telling him, "I'm concerned about the story not because it's right or wrong, but because it may cost us advertising."[58]

Ironically, in one case, concern about advertisers led television networks to refuse advertising. In 1997, the Media Foundation tried to purchase ad time to promote "Buy Nothing Day," an event meant to bring attention to excessive consumerism and its environmental costs. The networks refused to sell them ad time. CBS wrote that a day without shopping was "in opposition to the current economic policy of the United States." NBC noted, "We don't want to take any advertising that's inimical to our legitimate business interests." Kalle Lasn, of the Media Foundation, found the refusals ironic, noting, "I came from Estonia where you were not allowed to speak up against the government. Here I was in North America, and suddenly I realize you can't speak up against the [corporate] sponsor. There is something fundamentally undemocratic about our public airways."[59]

Conclusion

Changes in media structure and practices have had a significant impact on media content. The quest for profits often leads to media that are homogenized and trivial, while the boundaries between commerce and information are rapidly disappearing. Making profits the first priority also has political implications for what is and isn't routinely included in the media.

We should not romanticize a "golden era" of journalism when reporters were staunchly independent. The reality is that commercial forces have long influenced the profession of journalism and the content of the news. However, the new business of media has resulted in additional direct and indirect pressure to increase profits and protect the company's interests. As media critic Ben Bagdikian puts it,

> The reporting of news has always been a commercial enterprise and this has always created conflicts of interest. But the behavior of the new corporate controllers of public information has produced a higher level of manipulation of news to pursue the owners' other financial and political goals. In the process, there has been a parallel shrinkage of any sense of obligation to serve the noncommercial information needs of public citizenship.[60]

The impact of these recent changes will only become fully apparent as a new generation of writers and reporters comes of age within media conglomerates led by savvy businesspeople—with virtually no experience in journalism or the arts. As one observer noted, "Future leaders of these media companies will be trained under their corporate bosses, who will likely teach them that their responsibility is to the shareholders, not necessarily to the citizenry."[61]

Changes in media content are the most obvious effect of changes in the media industry. However, changes in business structure and strategy have had a wider impact on society. To those effects we now turn.

Chapter Six

How the Media Business Influences Society

The precise impact of media on society is notoriously difficult to establish. Media are pervasive and diffuse, making them virtually impossible to study using experimental methods. The influence of media on society is most likely to be slow and cumulative in nature, making it difficult to study by traditional social science techniques. Still, few would dispute the observation that a society inundated with media is likely to be affected by that media. In fact, despite the complexities involved in studying the relationship between the media and society, a large body of research has documented various media effects.[1]

If we accept that the media influence society (and are in turn influenced by it), then we can understand how significant changes in media structure and practices can alter not only media content, but also the nature of the media's influence on society. In other words, if the media change, their impact is likely to change as well.

We have already looked at the impact of media industry changes on the content of media. This chapter focuses on the impact of these changes on broader social and political life.

Social Influences

In this section, we briefly note some of the ways that media influence society. We are not concerned here with the specific content of the media, but rather with how the media's very presence has influenced how we understand ourselves and our world.

Ubiquity of Commercial Media: All the World's a Sale

It may be that the commercial media's greatest impact on society has been its successful colonization of social space. In a manner unprecedented in human history, our daily lives are saturated with media. Television, radio, magazines, Internet, newspapers, books, and recorded music have taken up an ever-growing amount of our time and attention. In the pursuit of increased profits, the media have expanded dramatically into virtually all arenas of public and private life, bringing with them the commercial imperative that drives the industry.

Commercial media have been the vehicles for the introduction of advertising into virtually every facet of daily life. The media are commercial enterprises in two fundamental ways. First, media content is advertised and sold to consumers as products (e.g., music CDs, magazines, etc.). Second, media are vehicles for more advertising that sells other products (e.g., television commercials, magazine ads, billboards, etc.). Everything, it sometimes seems, is now a product and everything is a potential advertisement.

One of the great myths of mass media is that the media just give the people what they want. Paying attention to audience tastes as measured by ratings and readership is, of course, important for the industry to remain profitable. But audiences have been remarkably persistent in avoiding one aspect of media content: advertising. In this area, the media are clearly *not* giving audiences what they want. Instead, the industry must find new and ingenious ways to load more and more advertising into the daily media diets of resistant consumers.

More than anywhere else, this is occurring on television. Almost 17 minutes of every hour of television broadcasting is devoted to commercials and promotions.[2] Viewers, however, try to avoid ads whenever possible. The remote control gave viewers unprecedented power to avoid commercials. Some television sets are equipped with a picture-in-picture feature or with commercial-detecting capability that allows viewers to automatically avoid commercials. In response, the media and advertising industries have developed new ways of delivering ads to a resistant public. The result has been an onslaught of commercial advertising and media products that seem to know no limits.

Captive Audiences

One technique media companies use is to feed media and ads to audiences who cannot avoid them. This growth in "captive audience" (or "place-based") media is taking place in public spaces where individuals cannot control the flow of media advertising. One of the early efforts at place-based media appeared in middle and high schools, where students have been forced to watch *Channel One,* a television news service complete with advertising, in their classrooms. By the late 1990s, *Channel One* was beaming news into more than 12,000 schools in the United States, with an audience of more than eight million students. Participating schools receive the daily news program along with additional educational video material, television sets for each classroom, two VCRs, and a satellite link. In exchange, schools agree to show *Channel One* to students as a required part of each school day. In this exchange, schools are delivering a highly sought youth audience to *Channel One,* and the attention of these teens is sold to youth-oriented marketers at premium advertising rates.[3]

In addition, corporate ads are showing up in schools on everything from supplemental reading materials to Web sites designed specifically for use in the classroom.

- Companies from Calvin Klein to Nike distribute thousands of book covers—complete with corporate logos—to students.
- Companies sponsor writing contests that extol the virtues of their products. In 1996, Snapple even invited students to write a commercial for the company.
- Some schools play special music broadcasts—complete with 10 minutes of commercials per hour—in their hallways, courtyards, and cafeterias.
- Schools across the country are giving exclusive "pouring rights"—and accompanying advertising—to the soda company that is willing to pay the most.
- Companies sponsor specific curricula featuring their products. For example, Hershey developed the "Chocolate Dream Machine," which offered lessons in math, science, geography, and (ironically) nutrition. Procter & Gamble's entry, "Planet Patrol,"

promotes environmental thinking in this way: you can create less waste by using its Pert Plus combination of shampoo and conditioner.[4]

- One type of high-tech corporate curricula is the "virtual field trip" in which corporations sponsor the voyages of real-world adventurers, create related Web sites for use in schools, and get their corporate messages into the classroom.[5]

Other cases of captive audiences abound. Most airports now prominently feature television sets feeding a stream of news, weather, and advertising. Audiences who have paid to attend a movie are sometimes subjected to several advertisements before the film begins. The magazines and television sets of doctors' waiting rooms have been targeted as a place to feed advertising to captive audiences. The elevators of upscale hotels now routinely feature television sets complete with advertising. Even specialty apparel stores catering to young, fashion-conscious consumers are part of the act. In recent years, record companies have been promoting their artists by providing their music free of charge to music-programming companies who, in turn, supply background music played in apparel stores. The result is "stealth advertising"; the customer isn't even aware of it. In all of these cases, advertisers are able to reach a particular audience (students, travelers, patients, hotel guests, customers, etc.) under conditions where it is difficult to avoid the ad.

Saturation

Another way to make an impression on consumers by advertising is to make ads so conspicuous that audiences cannot possibly miss them. Various exclusive sponsorship deals, for example, ensure that one corporation's ads dominate a television program, sporting event, or other venue. Another approach is called "station domination," in which advertisers saturate the public space at transit stations with their advertising. As one news account summarized, "Pure station domination banishes all competing ads, and passersby can't change a channel or flip a page." For example, a campaign at New York's World Trade Center featured 138 simultaneous ads for the same company. In addition to the usual billboard space, marble walls were covered in ads and ads were embedded in the floor and escalators. As one sales-man of such space enthused, "Literally anywhere anyone would look, they are bombarded [by the ads]. . . . We call it surround sound for the eyes."[6]

Blurring Advertising with Content

Yet another approach used to advertise to reluctant audiences is to merge ads with media content. There are many different variations of this technique. Saturday morning cartoon programs aimed at kids popularized this approach years ago. Toy manufacturers discovered that animated programs based on their toy characters served as half-hour ads for their products. In those days, kids watching *GI Joe, Smurfs, He Man and the Masters of the Universe,* or other cartoons based on toys were, in effect, watching a half-hour commercial for the toys and accessories. MTV, the first music video channel, used a similar approach. Its video programming, featuring popular bands playing their latest releases, was an endless stream of ads promoting new music releases. The content was the ad, and the ad was the content.

A different, although related, approach involves placing advertising or products in the media content so that if a person wants to see the content, they must also see the ad. Perhaps the best example of this strategy can be found in sports. Professional sports in this country have always had a business element. But in recent decades, the merchandising and selling of sports teams and players has reached new heights. An enormous and growing sports merchandising industry sells every conceivable product stamped with team logos. Hats, banners, and jerseys are just the beginning. Now teams license computer mouse pads, watches, cooking aprons, stuffed animals, wallpaper, CDs, memo boards, toys, banks, and much more.

More significantly, however, sports themselves have become opportunities for advertising. Playing surfaces and even players' uniforms are routinely plastered with corporate logos and advertising. Professional auto racing is where this occurs most blatantly. If race fans want to watch a race—either in person or on TV—they are subjected to dozens and dozens of ads covering virtually every inch of the cars and racetrack walls. Hockey, too, has advertising covering most of the boards and parts of the ice. Even the names of stadiums—which used to be reserved to honor the community or local figures—now read like a veritable who's who of corporate advertisers:

- Air Canada Centre (Toronto)
- Busch Stadium (St. Louis)
- Compaq Center (Houston)
- Coors Field (Denver)
- Delta Center (Salt Lake City)
- First Union Center (Philadelphia)
- Fleet Center (Boston)
- General Motors Place (Vancouver)
- MCI Center (Washington, DC)
- Molson Centre (Montreal)
- National Car Rental Center (Miami)
- Staples Center (Los Angeles)
- United Center (Chicago)

Even college sports arenas and stadiums now often have corporate names, and universities make millions annually selling corporate retailers the merchandising rights to their teams.

With digital technology, broadcasters now can maximize advertising revenue by showing television viewers virtual ads during sporting events. These ads appear to be on soccer fields or the walls of baseball fields but are, in fact, electronically generated and visible only to television viewers. The same technology has been used to show a virtual first-down line in football telecasts. (It was also used during the millennium New Year's celebration when, controversially, CBS News electronically replaced the NBC logo on the Times Square "jumbotron" with its own corporate logo.)

Most sports broadcasting is a seamless web of advertising with the name of a corporate sponsor attached to replays, highlights, pregame shows, halftime reports, stars of the game, and even college football bowl names—and that's not counting the "real" commercials. When Fox broadcast the World Series in 1998, it even sprinkled stars from its most popular programs in the stands. During lulls in the game, viewers were treated to more stealth advertising when cameras zoomed in on Calista Flockhart of *Ally McBeal* and Luke Perry of *Beverly Hills 90210*—shows that just happen to be on Fox.

The Internet has followed suit in its interspersing ads directly with content. Most commercial Web sites include "banner ads" and other promotional material that cannot be avoided by visitors to the site. Often online articles are laid out in sections so that the reader is forced to click to numerous pages—each with paid advertising—to finish the story, even if it would otherwise fit in one or two pages. "Pop-up" ads that appear in separate windows are even more intrusive because they require users to click on these windows to close them.

The introduction of no-cost access to the Internet continues this trend. To access the Internet "for free," users subject themselves to advertising that they cannot turn off. Similarly, offers of "free" e-mail or homepages on the Web come with a catch; most have advertising that pops up unsolicited on the screen, and users must provide personal information valuable to advertisers. Every e-mail message also carries an ad for the company providing the "free" service.[7]

Sneak Attack Ads

Another way to reach ad-adverse consumers with corporate logos and advertising is to use unexpected places where ads are not usually found. This "sneak attack" approach has included the following advertising messages:

- Stickers stuck to fruit in the grocery store
- Popcorn bags in movie theaters
- The walls of toilet stalls
- Gas pumps
- The arms that sweep away toppled pins in bowling alleys
- Sidewalks
- The backs of store receipts
- The bottom of golf cups
- Tickets to theaters and sporting events
- Church bulletins

However, this technique may soon lose popularity. With the proliferation of advertising, there are fewer and fewer places where ads are unexpected, so such ads are not as effective.

Product Placement

A more subtle way of integrating advertising with content has been product placement in television and movies. The next time your favorite actor is shown driving off in a Ford automobile, drinking a can of Coca-Cola or using a Macintosh computer, you can be fairly sure that the item's appearance is a paid product placement. To reduce costs, production studios like to use free and authentic props provided by manufacturers. In return for these props and sometimes a substantial advertising fee, manufacturers can display their products and associate them with popular film and television stars. The audience is usually unaware that the movie or television program has become an ad for the featured products. Variations on such deals abound. In 1999, for example, GM obtained first rights to place its vehicles in Warner Bros. films. In exchange, Warner Bros. gave GM the right to use logos of Bugs Bunny on a limited edition "Chevy Venture Warner Bros." minivan. If you bought the van, you also received free Warner Bros. videos and CDs, discount coupons for the studio's retail stores, and movie passes for Warner Bros. films.[8]

New technological convergence promises only to exacerbate the stealth-advertising trend. Someone watching a television drama on digital TV, for example, will simultaneously be watching a commercial for everything on the program. Do you like the sunglasses the police officer is wearing? Find out more about them—and how to buy them—with a quick click. Are you impressed by the car the villain is driving? Click for specs and information. Do you enjoy the music playing in the background? Download the soundtrack song with a couple of clicks. That appears to be the future of commercial media: an endless shopping spree with no boundaries between ads and content.

Another technological development marshaled in the service of stealth advertising is computer-generated product placement. Unlike regular product placement, this variation features only virtual products or ads inserted in a television program or film after production is complete. Similar to virtual ads in sports, this allows advertisers to alter the virtual ad depending on the markets. Audiences in different parts of the country watching the same popular television series could see different product placements, depending on which advertisers in their regions paid for the placement.

Promos and Brand Names and Ads, Oh My!

It's difficult to overestimate the potential impact of this incessant commercialization. Children's entertainment is one example. Children learn about their world, in part, through play and entertainment. For centuries, children read or heard folktales that simultaneously entertained and taught life's basic lessons. Now, however, for the first time, children's entertainment is primarily—and almost exclusively—aimed at selling them products. Disney characters have replaced folktales. The stories told to children are chosen by corporate executives in part because of those tales' effectiveness in selling related products. From *The Lion King* to *Toy Story* to *Harry Potter,* children's entertainment is about selling. Even when there may be educational stories inherent in the products, the meta-lesson is one about consumption. The Pokemon craze of the late 1990s was perhaps the most blatant example because the whole point of the game was to accumulate different characters.

As Norma Odom Pecora notes of children's entertainment,

> The material culture represented by the media cultivates a way of thinking, consumption and the acquisition of "things" is encouraged, and particular assumptions about the world are promoted. Our children learn to equate happiness with trips to McDonald's. Attending the movies is not a simple experience but an event re-lived through an array of coloring books, computer games, and pajamas. Toys demand less imagination when the generic teddy bear is replaced by a *Lion King* who comes with a history by Disney. . . . The shopping mall is the playground, and the video is the storyteller.[9]

Pecora notes that while marketing to children dates back to the early part of the 20th century, "what has happened more recently is the acceleration of the process and the takeover of all aspects of children's play and imagination. . . . Borders between storytelling and advertising and worldly possessions blur."[10] With a loss of emphasis on public service, and a corresponding growth in appealing to children as consumers, media conglomerates now treat children as just another target demographic for advertisers.

The ubiquity of advertising has cumulatively produced a society in which the commercial imperatives of buying and selling pervade both public and private life. Everything is for sale. Everything is a pitch. Nothing in a society saturated with advertising seems particularly real or authentic. The spokesperson selling perfume, the athlete selling a brand of sneakers, or the politician promoting a social policy all begin to blur in our hypercommercialized world. It all takes on the trappings of the marketplace. It becomes difficult for anyone to operate outside of this commercial space.

The problem is not that we are gullible believers in advertising, just the opposite. Advertising fosters a skeptical or even cynical "buyer beware" view of the world in media-savvy consumers. Advertising engages us with humor, music, sex, and flashy visuals. But, at the same time we know it is not to be believed because, ultimately, advertising has an ulterior motive. Thus, we are likely to develop a skeptical or cynical view of these messages. As a result, in our society saturated with commercial media, speaking of values or beliefs not tied to products and profits can seem quaint and out-of-date.

Yet societies do not function by products alone. They depend on a shared collective vision that articulates the values and beliefs underlying the ideas of a good society. Notions such as justice, responsibility, community, and compassion must be articulated and promoted in society. Yet these crucial ideas have nothing to do with promoting and selling products. As our public spaces and our private lives become more and more places for commercial advertising, we are left with a much narrower public sphere for ongoing and serious discussions and debates about ideas and issues, challenges and goals—the kind of deliberation that is a foundation for a just and productive society.

Audience Fragmentation

As commercial media have proliferated and new technologies have evolved, advertisers have developed new techniques for reaching particular demographic groups. For most of human history, media were marked by scarcity. Books were expensive and difficult to acquire. Radio was limited to a handful of stations. Television emerged in the United States with three major networks dominating the airwaves. The result was that people who read, listened, or watched media often shared a similar cultural experience.

In recent decades, however, industrialized nations have experienced a rapid increase in the number of media outlets. People now have more choices in radio, television, publications, and music than ever before. Much about this expansion has been positive.

However, this cornucopia is somewhat illusory in that it is built on the commonality of commercial media. Despite the proliferation of channels, nearly all of them ultimately do one thing: make money for their owners and advertisers. Indeed, advertisers have driven much media growth in specific directions. The expansion of media outlets, coupled with the advertising emphasis on targeted demographics, has produced an increased specialization in media content. For example, unlike the old television networks that tried to reach a vast, broad audience, today's cable channels are usually "narrowcasting" instead of broadcasting. They are trying to attract very specific audience segments (golfers, young black professionals, investors, etc.) that can then be delivered efficiently to advertisers. The audiences for these specialized cable channels are tiny compared with audiences who watched network programming in its heyday. Audiences, therefore, have become more fragmented. They share less and less of their media experiences. Instead, characteristics such as income, race, age, and gender determine what they are exposed to.

One 1996 study found that in an average week, typical American viewers watch only about one-quarter of the television channels available in their homes. Also, the amount of time spent watching each channel has declined over the years. In 1950, a typical U.S. household watched television for an average of 32.5 hours per week and spent an average of 11.6 hours with each of the available channels. By 1996, total viewing time had jumped to 50 hours per week, but on average only 4.9 hours were spent on each channel.[11]

The result of these trends, according to some observers, is that commercial media are contributing to the fragmentation of society. Joseph Turow, in his book *Breaking Up America,* argues that advertisers and media are creating "the electronic equivalents of gated communities," within which small segments of society essentially talk only among themselves.[12] He notes that there always have been various forms of specialized media that have helped define and affirm the identity of particular segments of society. But at the same time, there also have been what Turow calls "society-making" media that can provide communication bridging various elements of society. Recent trends in advertising, media, and technology, however, have dramatically weakened the status of society-making media, leaving us with more specialized media and a more fragmented society. This, too, is a disquieting trend for the future of our multicultural society.

In an extreme version of pandering to niche audiences, it was revealed in 1999 that the different international versions of Microsoft's *Encarta* multimedia encyclopedia had different—and contradictory—information on many issues. For example, the U.S., U.K., and German editions listed the inventor of the telephone as Alexander Graham Bell. But the Italian edition of the software gave credit to Antonio Meucci, a poor Italian-American candle maker who—according to this version of history—beat Bell by five years.[13] If companies producing supposedly authoritative information such as encyclopedias are comfortable generating multiple versions of history to appeal to different markets, then what is to prevent them from doing the same to court domestic audiences? Will corporations in the future produce different versions of history or current events for different advertising demographics?

Media audiences are not only fragmented by advertisers but also stratified. Newspapers, for example, try to attract affluent readers and sometimes intentionally discourage low-income readers to generate demographics that are more appealing to advertisers. A 1995 report of the Newspaper Association of America made this point clear. "Good business decisions are not always volume driven," it noted. "More is not necessarily better; better is better." That is, the goal of newspapers, according to the report, is not to reach more people, but rather to reach "better" people—those who are of greatest interest to advertisers. The report recommended that papers target readers who do not need a discount to subscribe (i.e., more affluent readers) and suggested eliminating "fringe circulation." The latter term sometimes refers to people who live too far away to be of interest to local advertisers. But it also includes those with low incomes who are unlikely to purchase advertised products.[14]

A Media-Saturated Society: Fish in Water

The changes in the media industry in recent decades have resulted in the colonization of public spaces by commercial media and advertising. Although some dimensions of this expansion still seem unusual to us, younger people raised in such a hypercommercial world are likely to take the presence of such media and advertising for granted.

Like fish in water, we tend to ignore what makes our environment distinctive. In the 21st century, commercial media have come to saturate our social environment. At this rate, it will not be long before the everything-for-sale approach epitomized by commercial media becomes so commonplace that we no longer even take note of it.

Political Influence

In addition to the cultural influences on content described previously and the broader social influences described above, media giants have developed considerable political influence. This influence results from both the impact of the media properties owned by these conglomerates and from industry lobbyists and campaign contributions, that is, behind-the-scenes activities.

Media Corporations and the Political System

Like other corporations (and other interest groups), the media industry relies on lobbying efforts and campaign contributions to promote its agenda (see Exhibit 6.1). Every segment of the media industry has its own lobbying arm—such as the National Association of Broadcasters and the Motion Picture Association of America—which promotes the interests of particular parts of the industry. When the Internet developed into a major new medium, media corporations formed a new, corresponding lobbying group in 1999 called NetCoalition.com. The organization's members are a who's who of the Internet world, including AOL, Amazon.com, eBay, Lycos, Excite@Home, and Yahoo!, Inc. The group's goals include "building user confidence in the Internet through responsible, market-driven policies." In particular, one of the organization's targets was to oppose any potential taxation of Internet commerce.[15]

Although the media industry pools its resources to fund lobbying organizations, individual media giants also wield considerable political clout on their own, fielding their own lobbying staffs and making considerable campaign contributions. The result is that the top 10 media lobbying groups spent an average of well over $2 million in 1998 alone on lobbying and more than half a million dollars each, on average, in campaign contributions. This money was spread around in almost equal proportions to Republicans (52%) and Democrats

Exhibit 6.1 Lobbying and Campaign Activity of Select Media Organizations

Organization	*1998 Lobbying Expenditures*	*Campaign Contributions*[a]	*Percentage to Democrats*	*Percentage to Republicans*
National Assn. of Broadcasters	$5,200,000	$657,892	35%	65%
National Cable Television Assn.	4,800,000	752,518	43%	57%
Time Warner	3,000,000	1,465,396	65%	34%
Walt Disney Co.	2,446,800	1,224,651	59%	41%
CBS Corp.	1,940,000	113,725	26%	73%
Tele-Communications Inc. (TCI)	1,200,000	769,560	44%	56%
Broadcast Music Inc. (BMI)	1,040,000	82,225	37%	63%
Viacom Inc.	1,000,000	473,142	59%	41%
Motion Picture Assn. of America	980,000	161,343	58%	42%
Recording Industry Assn. of America	820,000	224,260	50%	50%
Average	*$2,242,880*	*$592,471*	*48%*	*52%*

SOURCE: Campaign for Responsive Politics, www.opensecrets.org/pubs/lobby98/topind16.htm.

a. Includes individuals, PAC, and soft money to federal campaigns and party committees for 1997-98 as downloaded from the Federal Election Commission on April 1, 1999.

(48%) alike. Such giving to both sides is routine. For example, in the early stages of the 2000 presidential primary campaigns, Viacom contributed substantial sums to *both* sides: $94,150 to Democrat Al Gore and $47,750 to Republican John McCain.[16]

In addition to the direct lobbying and campaign contributions, the media industry holds fundraisers for friendly politicians, hosts receptions at both parties' political conventions, and hires well-connected lobbyists—often fresh out of Congress. For example, two recent Senate majority leaders, Republican Bob Dole and Democrat George Mitchell, both went to work for the lobbying firm of Verner, Liipfert, Bernhard, McPherson, and Hand, which represents NBC and other media companies. In the late 1990s, the Newspaper Association of America, the National Association of Broadcasters, and CBS all had Anthony Podesta on their payrolls representing their interests. Podesta was a major Democratic Party fundraiser and campaign strategist whose brother was Bill Clinton's deputy chief of staff.[17]

The issues on which media lobbyists work may not be front-page news, but they can translate into millions of dollars for corporate media giants. Take the 1998 legislative session, for example. When Walt Disney Co. faced the expiration of its copyright on its Mickey Mouse character, it went to Washington and got the law changed, getting a 20-year extension on all copyrighted works.

Or take the example of cable rates. In some parts of the country, cable rates had shot up 20% in just two years since the deregulation that resulted from the 1996 Telecommunications Act. When consumer complaints threatened to lead to congressional investigations, the National Cable Television Association lobbied hard to make sure that did not happen.

Even the music industry has used its political clout in unexpected ways. The Recording Industry Association of America lobbied for new limitations on who could file for bankruptcy. This association complained that too many performers were using bankruptcy as a way to get out of long-term contracts they had signed before they became famous.[18]

Sometimes, as with the 1996 broadcast spectrum giveaway, a successful lobbying effort can literally mean *billions* of dollars for the media industry. When the prospect of digital television first emerged, the FCC set aside spectrum space to allow broadcasters to simultaneously broadcast in both traditional analog and the newer digital signals during a transition period from the old standard to the new digital format. This would avoid making all existing TV sets immediately obsolete once the new digital signals were used. However, as the digital technology was further developed, engineers discovered that digital signals needed only about one-sixth the amount of spectrum space as the old analog signals. Because the airwaves are a limited public resource, not unlike water, many believed that licenses to use the additional spectrum space would be auctioned off to the highest bidder. Older, less desirable, spectrum space had already sold for over $10 billion and the FCC estimated that this newly available spectrum space would generate upward of $70 *billion.*

The broadcast industry had other plans. They wanted to keep the additional space—for free. Media corporations lobbied successfully to keep *all* the additional spectrum space it had originally been allocated—even though five-sixths of it was no longer needed for its original purpose. Instead, the industry wanted to put six different digital channels into this new space, filling it with multiplexed television and other lucrative commercial content.

Despite limited media coverage about this issue by broadcasters, the spectrum giveaway was an event of stunning proportions. *New York Times* columnist William Safire wrote, "The rip-off is on a scale vaster than dreamed of by yesteryear's robber barons. It's as if each American family is to be taxed $1,000 to enrich the stockholders of Disney, G.E. and Westinghouse. . . . Network news shows that delight in showing waste of thousands of taxpayer dollars fall silent before the giveaway of the spectrum on which they will digitize their shows." Even conservative Republican Senator Bob Dole thought Congress had gone too far, calling it "a big, big corporate welfare project."[19] One broadcast law scholar, Thomas Krattenmaker, called it "the greatest land grab since they lined the wagons up in Oklahoma. At least there, everyone had a chance."[20]

Sometimes the political efforts of media corporations run directly into issues of journalistic ethics. Shortly after General Electric bought NBC, a GE executive announced the company's plans to raise money via a political action committee to promote the company's agenda in Washington. In a memo, the executive noted that "employees who elect not to participate in a giving program of this type should question their own dedication to the company." Some employees saw this as a thinly veiled threat. Only after other media outlets reported on this effort did the president of NBC News announce that news employees would be exempt from contributing.[21]

Media giants use the political system in ways similar to other industries. However, the media industry can influence politics in unique ways as well. At the heart of this media power is the fact that the media have control of the information about public figures. As far back as 1927, people have been concerned about this aspect of the media's power. As one congressman put it at the time, "Publicity is the most powerful weapon that can be wielded in a republic." He warned that if control of the media was concentrated in a few hands, then "woe be to those who dare do differ with them."[22] Seventy years later, former FCC Chair Reed Hundt made essentially the same observation. "TV and newspapers are the gatekeepers of public perception and can make a politician popular or unpopular. . . . Politicians know that in their bones; the only ones who don't are the ones who didn't get elected."[23]

Abuse of this media power is always a potential problem. This is most likely to happen in cases where the financial interests of the industry are at stake. The woefully inadequate coverage of the 1996 Telecommunications Bill is a classic example of media influence by omission. By simply marginalizing a potentially explosive story, the media industry helped pave the way for legislation that was lucrative for the industry. For the most part, the public was none the wiser.

However, with the growth of media empires, there is an opportunity for even more flagrant abuse of media power to influence the political process. Such blatant interference has occurred only in relatively isolated incidents, but in many circles, Rupert Murdoch has come to symbolize this potential threat. As one profile said, "He wields his media as instruments of influence with politicians who can aid him, and savages his competitors in his news columns. If ever someone demonstrated the dangers of mass power being concentrated in few hands, it would be Murdoch."[24] Murdoch is the Australian-born head of News Corp., the largest television network operator in the world. He counts among his holdings dozens of major U.S. media outlets (including the Fox network, HarperCollins publishers, more than 20 television stations, and the *New York Post*), several British Sunday and daily newspapers (including the prestigious *Times* of London), and the biggest network of broadcast satellites in the world. He has gained a reputation as a take-no-prisoners businessman willing to gamble big to expand his empire.

Along the way, Murdoch has also repeatedly used his media holdings to advocate his conservative views and to promote or punish politicians. In 1975, he had his Australian newspapers slant the news so blatantly in favor of his conservative choice for prime minister that Murdoch's own journalists went on strike in protest. His British newspapers played a crucial role in the 1979 election of British conservative Margaret Thatcher as prime minister. One of his papers even used its front page to tout the role it had played in getting Thatcher elected. Later, Thatcher supported Murdoch with troops as he fought to break the labor unions in his paper's printing plants. Murdoch's HarperCollins book publishers later reportedly paid Thatcher over $5 million for her memoirs.

In the United States, Murdoch's *New York Post* successfully threw its support behind Republican Mayors Ed Koch and Rudy Giuliani (whose wife, Donna Hanover, worked as a correspondent for the local Fox TV station). Murdoch also bankrolled new conservative media efforts, including *The Weekly Standard,* a high-profile conservative magazine whose editors are often featured on television public affairs programs. Murdoch's HarperCollins offered sitting U.S. House Speaker Newt Gingrich a $4.5 million book deal. (Gingrich returned the money in response to scathing criticism.) In his largest such effort, Murdoch started a 24-hour news channel, Fox News, and put political conservative Roger Ailes in charge. Ailes, a former media advisor for Ronald Reagan, was also the executive producer of ultraconservative Rush Limbaugh's radio talk show.

The Politics of Content: Antidrug and Pro-military

Another type of political influence occurs when corporate media team up with government to insert certain messages into media content. From the corporate side, this is done primarily for economic reasons; from government's perspective, the commercial media offer a new avenue through which to distribute its messages to the public. Although government and corporate media do not team up often, there are some notable cases.

For example, early in 2000 it was revealed that major television networks had been working with the White House to insert antidrug messages into some prime time programs.[25] The arrangement stemmed from a 1997 deal between the White House and the networks. Because the networks' donations of free public service announcement time had been significantly reduced, the White House Office of National Drug Control Policy committed to buying $1 billion worth of antidrug advertising time over five years. In return, the networks agreed to sell the time to the government for half the regular price. However, as the economy boomed in subsequent years and dot-com companies began buying up more network advertising, the networks were looking for ways to get out of their deal with the White House and sell their ad time at higher rates. White House officials gave the networks the option of putting antidrug messages in their prime time programming as a substitute for their half-price ad deal.

In the agreed-to system, officials in the White House Office of National Drug Control Policy reviewed scripts and advance footage of more than 100 episodes of programs such as *ER, Beverly Hills 90210, The Drew Carey Show, Chicago Hope, 7th Heaven, The Wayans Bros., The Practice,* and *Sports Night.* If the programs were deemed to have sufficient antidrug messages in their plots—or could be altered to conform to government antidrug messages—networks were awarded credit based on a complicated formula that reduced the number of ads the network owed the government. Airtime that would have otherwise been devoted to the government's half-price antidrug ads could then be sold by the networks to regular advertisers at full price. In the two years the program existed, the networks earned approximately $25 million in additional advertising revenue from the arrangement. The deal meant more money for networks, more access for government, and serious questions for viewers left wondering about this new form of collusion. The article that originally reported on the arrangement said it all in its title; it was called "Prime-time Propaganda."

Government-media collaborations are routine and uncontroversial, however, in another part of the media industry, the movies. Again, corporations watching the bottom line turn to a government interested in promoting certain ideas to the public. In this case, the collaboration usually involves the military. In filming war scenes and military movies, the media industry looks to the government for access and equipment that make the film much more realistic—and keep costs down. The price, however, is a close review of the script by government representatives. The government cooperates only when the film portrays the military in a positive light. By doing so, as one observer put it, "The Pentagon gets a promotional bonanza that reaches millions of taxpayers and potential recruits, all of whom see the military in its glory, with heroic soldiers and awesome weapons on display."[26]

The military has been involved in promoting itself through movies for years with its influence peaking during World War II. Beginning with the 1986 hit *Top Gun,* the military's influence in films started growing again. But today's Hollywood operations officers in the military do not wait for filmmakers to come knocking. Instead, they take the initiative by attending Hollywood trade shows and industry workshops, advertising in movie industry publications, and speaking to film students in universities—all at taxpayer expense. They "knock on doors, propose the use of equipment, suggest characters or plotlines, and sometimes even push movie ideas. . . .[T]he military is less concerned with strict accuracy than it is with burnishing its image."[27] Well-known films such as *Armageddon, Air Force One,* and *Saving Private Ryan* received extensive help from the military—after script changes were negotiated. Films that present a critical or unflattering portrayal of the military, however, are not given this assistance.

Even the CIA has gotten into the act by providing support and access for films it believes paint a positive picture of the agency. In 1999 an HBO production, *In the Company of Spies,* starring Tom Berenger and Ron Silver, received the full support of the CIA. The film even premiered at CIA headquarters in Langley, Virginia. Upon approval of the script, the CIA allowed director Tim Matheson to film inside CIA headquarters and even provided 60 off-duty employees to work as extras. The film was not shy about its viewpoint. After the CIA agent predictably saved the day, the actor playing the U.S. president says, "By God, when the Agency is good, it's spectacular. And no one even knows!" But when the CIA created a Hollywood liaison position in 1996, it was determined to let everyone know.[28]

The Special Role of News Media

No discussion of the political impact of the media on society would be complete without mention of the special role of the news media. One of the most revered elements of American democracy is its ideal of a free press, as enshrined in the First Amendment. Because its public service responsibility is so intertwined with the health of democracy itself, the press is the only business explicitly protected by the Constitution.

Despite the fact that, as we have seen, much media content has become trivial and sensational, most citizens still believe the news media should serve the crucial role of informing the public. Even now, when market concerns dominate the media, the profession of journalism still contains a commitment to uphold public interest values. As we saw in chapter 1, every contemporary professional code of ethics for journalists speaks of the primary importance of serving the public.

But American citizens face an interesting dilemma. This society inundated with mass media of all sorts also has extremely low voter turnout, limited knowledge of public affairs, and general disengagement from civic activity. Although it is certainly not the only cause, the media's inattention to its public interest role has contributed to generalized cynicism and alienation.[29] In particular, several of the media's characteristics are often cited for their corrosive effect on the public sphere.

First, the news media tend to focus on dramatic stories, such as scandals, to attract readers and viewers. We know the business rationale for such a focus; a certain amount of sensationalism has proven to be profitable for media companies. When it comes to news, however, this approach is also a recipe for civic disaster. When news is equated with scandal, citizens become tired of the sordid details and tune out political news altogether when it appears to be an endless series of stories about corruption and depravity. News coverage of the 1998 Clinton-Lewinsky scandal and the subsequent impeachment of the president is a prime example of this phenomenon. MSNBC's round-the-clock coverage of the scandal helped to establish an identity for the fledgling 24-hour cable news channel. MSNBC adopted an "All Monica, All the Time" approach to its programming and generated the channel's highest ratings to date and a constant stream of publicity. But there are consequences to such scandal-driven news coverage. Journalists relied heavily on anonymous sources, rushed to get the newest revelations on the air, and featured lots of heated arguments about the scandal.[30] Although audiences tuned in for the titillating revelations, it is no wonder that citizens became increasingly cynical about both the news media and the political system.

Second, the nature of news results in an emphasis on stories that have a "negative" tone. More broadly, the news seems to focus on shocking, disturbing, and sometimes depressing events, such as conflict, crises, and disasters—while rarely giving citizens a sense that there are practical solutions. Although such events are certainly newsworthy, their overemphasis can also lead citizens to despair and pessimism about the possibility of effective change. Susan Moeller argues that the nature of the news media's coverage of international events—focusing on images of pestilence, famine, death, and war—have helped to produce "compassion fatigue" among American citizens. The source of compassion fatigue, according to Moeller, is the news media's formulaic, sensationalistic, and image-driven coverage, which "helps us to feel overstimulated and bored all at once."[31] The result is a growing sense that there is nothing we can do about these faraway crises, which seem to disappear from the news media's radar screen as quickly as they appear. More generally, the news media's tendency to highlight dramatic problems with little context can discourage participation in public life and engagement with current affairs.

Third, the format of the contemporary news media—especially broadcast media—lends itself to coverage of spectacular *events,* not enduring *issues.* Brevity and drama often seem to be the watchwords of media coverage. What readers and, especially, viewers experience is a parade of isolated incidents full of dramatic images. Rarely are people engaged as citizens with a role to play in the unfolding drama. Instead, they are invited merely to watch the spectacle.

Fourth, the media often focus on personalities, not policies. It is easier to deliver drama through the personal lives of public figures or the personal tragedies of victims. Such a human interest approach has a place in journalism, but it has displaced more substantive analysis and examination of public policy and social issues. Coverage of political life often focuses disproportionately on issues of style, while enduring issues such as crime are treated as an endless series of tearful interviews with family members. The key issues of election campaigns or the underlying conditions contributing to crime, for example, require more substantive treatment than most media outlets give them. Again, the potential impact of this type of coverage is to leave citizens poorly equipped for civic participation.

Fifth, the news media's coverage of events tends to be fragmented and episodic with little depth or context. Again, because of the type of media formulas often utilized, news can be little more than a series of isolated events. The news spotlight wanders across the landscape, briefly illuminating certain events before moving on to the next one. The average readers and viewers of such media coverage rarely see substantive, continuing coverage. It becomes almost impossible to understand what any of the fleeting coverage means because news stories contain little or no context about why the events occurred. This is especially true of foreign news. Citizens may have little background information for filling in the picture. As a result, citizens are likely to feel unqualified to take part in discussions of public affairs.

Sixth, the news media often do not address the concerns of average citizens, focusing instead on "insider" politics and economic information for the investor class. Most people who pay no attention to the news media probably do so because what is routinely presented seems to have little relevance to them. Although it may be admirable to educate oneself about current affairs simply to become well-rounded, most people pay the greatest attention to the news when they believe it is relevant to their lives. Because, as we have seen, news media are often interested in reaching only the particular desirable demographic groups that advertisers covet, many news media outlets do little to engage broader groups of citizens or educate them about the significance of civic affairs. The result is likely to be further alienation and disengagement from public life.

Seventh, a great deal of political news focuses on the "game" of politics, highlighting the strategic actions of various public figures. This emphasis on political strategy, calculation, and tactics generally diverts attention from the substance of political actions and policies. The emphasis on the "why" deflects attention from the "what" and, as a consequence, coverage of substantive issues is often neglected. Citizens get the message that politics is a strategic game and that news is the "program" by which to assess the moves of the key players. But the strategic game of politics usually appears removed from the experience of most Americans because it focuses on the efficacy of political tactics and not on the consequences of public policies for citizens. In addition, political news generally employs a "two-sided" approach, covering the regular debates between the Democrats and Republicans. However, by regularly focusing on such "insider" politics—and rarely presenting voices from outside the Washington beltway—citizens may well conclude that these fights are only about "politics" in its most derogatory sense. The routine nature of these ongoing battles between the same two sides may also suggest intractability in the political world and promote a sense of paralysis among citizens about which of the predetermined two sides is preferable. This may well encourage cynicism and apathy, rather than engagement.

In sum, the news media generally address people as consumers and spectators, not active citizens. Except for the anemic get-out-the-vote messages around elections and occasional calls for charitable involvement, the news media do little to foster a commitment to civic participation. News does little to help teach citizens about how government works or why they should care. It rarely spotlights the impact of ordinary citizens in effecting change. It usually does not show concrete opportunities for civic involvement. All of these would be more prominent in a news media that paid closer attention to its public interest role.

The news media cannot be solely—or even primarily—blamed for the discouraging state of civic engagement today, but news has too often been part of the problem, rather than part of the solution. Furthermore, the changing business of media has exacerbated these deleterious aspects of the news media's influence on political life.

Conclusion

Changes in the business of media have had broad effects on society as a whole. The ubiquity of media and advertising has transformed social experiences in daily life. The growing importance of media has given the industry significant political influence and the news media especially has helped influence political culture in our society.

Many of the changes described in this and other chapters paint a picture of a neglected or even endangered public sphere. This situation is not inevitable, but what can be done to revive the public interest role of media? We turn to this important question in the final chapter.

Chapter Seven

Choosing the Future
Citizens, Policy, and the Public Interest

At the dawn of the 21st century, general trends in the media business are clear. Ownership consolidation continues as a handful of global conglomerates merge with or acquire their former competitors. Technology advances, with satellite and broadband promising more media outlets, faster access, and more interaction—all at lower prices. Convergence accelerates, as digitization erases the lines between different media. Commercialism expands, as the industry develops sophisticated advertising techniques that better target consumers and generate record profits. Measured against the standards of only 20 years ago, the scale of this expanding media business seems almost unimaginable.

But there is something missing in all of this. Most of the hubbub about the new media world focuses on the benefits to *consumers,* who will gain from new innovations, lower prices, growth in outlets, and new methods of shopping. With rare exceptions, the discussion of these benefits has little to say about what the new media landscape means for *citizens.* By confining the discussion to costs and benefits for consumers—a useful, but limited, approach—broader questions about community, power, participation, and the public interest are either neglected or reframed so consumers and citizens are defined as one and the same.

However, citizen and consumer are *not* synonyms; they represent different aspects of human experience. Consumers pursue privatized, personal goals by buying various products, services, or experiences. Because of their differing buying power, consumers are not equal. Citizens, on the other hand, are connected to communities and participate in ongoing deliberations that constitute shared civic life. A fundamental assumption of democratic societies—distinguishing them from markets—is that citizens are equal, regardless of their consumer capabilities. In a participatory democracy, citizens do much more than vote in occasional elections. They are involved in the process of debate, compromise, and decision making that affects their communities. To participate effectively in this deliberative process, citizens need access to a wide variety of information and perspectives—both in terms of news and culture. Thus, the mass media play a vital role in providing resources for an active citizenry.

Many recent developments in the media industry have been beneficial to some consumers, especially those who are of greatest interest to advertisers—the young and the prosperous. But developments that deliver benefits for consumers do not, by definition, serve the needs or interests of citizens. The media's growing hypercommercialism, the concentration of media ownership, and the increasing pressure to merge information with entertainment, are all examples of how a consumer-friendly media industry is indifferent to the needs of citizens. The result is a diminished public sphere—the discursive space that is a central component of a democratic society—and a weakened democracy.

In market oriented societies such as the United States, the consumer identity looms very large, often crowding out notions of citizenship. Focusing solely on consumer concerns tends to narrow our vision so we do not even ask larger questions about the impact of the media on the quality of our public lives. But as we have tried to show in this book, these are precisely the questions we need to ask if we are to understand the significance of the media business. These are also the issues to keep in mind in looking at the future of media.

This chapter begins to map out the contours of a media landscape that promotes citizenship and nourishes a healthy public sphere. On the one hand, we have tried to avoid sweeping utopian visions although we do not shy away from ideas that may not be politically viable immediately. On the other hand, we have avoided detailed discussions of policy minutiae while providing a few more detailed examples—especially with public broadcasting. The chapter starts with public policy issues, briefly mentions professional concerns, and concludes with a discussion of some recent citizen activist initiatives.

Regulatory Policy and the Public Interest

Over the years, different media have been subjected to different forms of regulation in the public interest. The First Amendment declares that the government "shall make no law . . . abridging freedom of speech, or of the press" and, as a result, the print media have been largely unregulated. However, public policy has been used to support the print media. The U.S. Post Office, for example, subsidizes some print media via its reduced rate for mailing periodicals.

Broadcast media (television and radio) have been more actively regulated because they utilize a scarce public resource, the airwaves. Since the Communications Act of 1934, the legislation that provided the framework for the development of the media industry in the United States, broadcasters have been required to serve "the public interest, convenience and necessity." Cable television represents yet another type of regulatory target because it does not use the airwaves, but is a local monopoly. It, too, has been subject to various regulations in the public interest, from "must carry" rules for local broadcast channels to price restrictions.

Regardless of the medium, the meaning of the "public interest" has been both contested and dynamic. Now as the digital media evolve, blurring distinctions between each medium, a new task of regulatory policy is to clarify not only what we mean by the public interest, but also to whom such standards apply.

What does it mean to serve the public interest in the new multimedia world? The principal policy document of this new era, the Telecommunications Act of 1996, defines the public interest as competition in the media industry—a definition from a market perspective. The act begins by noting that its purpose is "to promote competition and reduce regulation in order to secure lower prices and higher quality services for American telecommunications consumers and encourage the rapid deployment of new telecommunications technologies."[1] This orientation marks the wholesale adoption of a market framework concerned about "consumers" rather than "citizens." In fact, the word "consumer" appears 24 times in the text of the act. Excluding references to "citizens band radio," the word "citizen" appears only twice, including once in a technical discussion about residency requirements. The only time the word is used in the context that we have used "citizen" in this book is to praise the

Internet. "The rapidly developing array of Internet and other interactive computer services available to individual Americans represent an extraordinary advance in the availability of educational and informational resources to our citizens."

By lifting various ownership restrictions and abolishing regulations that barred companies from participating in multiple sectors of the telecommunications industry (telephone, cable television, Internet), the act was intended to unleash new innovations and lower prices for consumers. With the act's implementation, various entities—telephone companies, cable companies, broadcast networks, film studios, and music labels, among others—were expected to cross into new markets, offering new products and services and developing new technologies and applications.

Instead of unleashing new competition, however, the Telecom Act produced a wave of mergers in the media and telecommunications industries, as the major companies took advantage of the deregulatory environment to preempt new competitors. Ironically, rather than a more competitive communications environment, the Telecom Act helped to strengthen the major media companies, cementing the oligopolistic structure of the industry. Thus, even by market standards, the act has been problematic at best. More important, the increased concentration of media ownership resulting from this approach and the neglect of nonmarket public interest concerns made the Telecom Act a step in the wrong direction.

Part of the reason this act harms the public interest is that the public was never a part of its development. As broadcast historian Robert McChesney has shown, there has been virtually no public participation in media policy making since the early 1930s.[2] The 1996 Telecommunications Act passed without any significant public involvement in the deliberations and with little news coverage of its roots or consequences. Instead of news aimed at stimulating broad public conversation about how best to regulate the emerging media industry, most news media framed the Telecom Act as a business story, largely neglecting the political and cultural significance of this restructuring of media policy.

In this era of multimedia conglomerates, we need to develop policy initiatives that take seriously the role mass media play in fostering citizenship. This process should involve deliberation by broad sectors of society to better understand how citizens view their needs and interests.

Media and Public Policy

The primary mechanism by which citizen interests are protected is through public policy. Our discussion of policy is loosely divided into efforts aimed at media content and those aimed at media access.

Content-Based Regulations

Over the years, many advocacy groups have argued that federal regulations should apply to the content of various media, defining what material promotes or undermines the public interest. This can be very sticky terrain, as long-standing cultural contests about the appropriateness of images become intertwined with regulatory policy. For the most part, the media industry opposes regulation of media content, arguing that this regulation is either unconstitutional, violating First Amendment rights of free expression, or is unnecessary, or both. But media industry opposition to content regulations often accepts the underlying premise that media content and the public interest are connected—indeed, that some media may enhance and others may damage the public interest. Instead of government regulations, however, representatives of the media industry generally argue for self-regulation, whereby private industry "polices" itself.

There are two basic approaches to regulating media content. One approach calls for limits on certain types of content or for restrictions on who has access to certain types of media. Pornography involving children is illegal, for example, as is the sale of pornographic magazines or videos to minors. A second, lesser known, approach calls for the mandatory inclusion of certain types of content. Broadcasters are required to air some children's educational programming, for example. For reasons discussed below, we generally find the first approach troubling, but are generally supportive of initiatives utilizing the second approach.

Restricting Content

Supporters of regulations that limit content want federal regulators to restrict or prohibit certain types of images or language deemed to be harmful or inappropriate. The most obvious examples are media that include sexually explicit content. Ongoing debates exist about when and how media with "obscene" or "indecent" content should be regulated. For example, one component of the Telecommunications Act of 1996, the Communications Decency Act (CDA), outlawed the transmission of sexually explicit and other indecent material on the Internet. In response to a legal challenge by free speech advocates, the Supreme Court ruled the CDA unconstitutional.

Although the court struck down the CDA, efforts to regulate the Internet continue, particularly efforts limiting the availability of sexually explicit materials online. In 1998, President Clinton signed the Child Online Protection Act (COPA), a much narrower version of CDA. COPA required all Internet sites with material deemed "harmful to minors" to institute age confirmation checks (such as credit card registration) to help ensure that only adults are accessing such material. Criminal penalties were established for Web sites that made such material available to minors. However, after the new law was challenged by civil libertarians, a federal judge issued an injunction stopping COPA from taking effect until a full review was conducted of the constitutional status of the new regulation.

Violence in media has also been the focus of efforts to restrict content. Concerns about violence on television, for example, date back to the early days of the medium when it was introduced as a family-friendly technology. As with sexually explicit material, calls to restrict or prohibit violent images on television are generally presented as efforts to protect children.

During the early 1990s, efforts to rid popular culture—particularly children's entertainment—of graphic violence were often met by substantial public support. In 1993, the U.S. Congress took up the issue of violence on television, holding hearings about how best to reduce it. Responding to their sense of the public concern about the level of violence on television, members of Congress used the hearings to tell the television industry that it was time to change. Senator Howard Metzenbaum (D-Ohio), signaling the possibility of new regulations, warned network executives that Congress "would come down heavily on the television industry if you don't do that which is necessary."[3]

Several months after the hearings, new legislation to more strictly control and monitor television violence was introduced in Congress. One bill aimed to "ban the broadcast or cable transmission of violent programming during hours when children make up a substantial share of the audience."[4] Another would have required the FCC to develop regulations to reduce violence on fictional television programs.

Those who didn't comply would have been fined and had their broadcast license renewal jeopardized.[5]

Responding to these new legislative proposals, the television industry took "voluntary" action and new regulations restricting television content were never passed. Instead, the networks began broadcasting warnings prior to programs that contained violence. They also contracted with independent researchers for a multiyear study of the level and types of violence on television, pledging to reduce violent programming.[6]

The Telecommunications Act of 1996 included provisions related to violence in the media. The act required the television industry to develop a program rating system indicating the age-appropriateness of the program content. It also mandated that television manufacturers install the so-called V-chip in new television sets, which enabled the electronic "blocking" of programs classified by the new rating system as violent.

The voluntary actions and new technological fixes were largely aimed at protecting children from materials considered inappropriate, a widely supported public goal. However, content restrictions are a problematic solution to an admittedly difficult situation for two reasons. First, it is virtually impossible for new rules to be drawn so narrowly that they restrict only children's access. Instead, adults are also restricted from viewing or accessing materials that are legal for them to see. This was one of the principal arguments supporting the injunction that prevented the implementation of COPA. Second, defining materials as "violent" or "harmful to children" is a notoriously difficult task requiring judgments laden with contested moral assumptions. For example, is a Web site designed to assist gay teenagers struggling with their sexuality "harmful to children"? Those concerned about sexually explicit materials online would likely define such a site as "harmful," even though it might contain exclusively educational materials. For these and other reasons, regulations to restrict media content almost always create larger problems than they solve.

Promoting Citizenship by Promoting Diversity

Perhaps the most enduring problem with regulations restricting content is that they divert our attention away from regulatory strategies aimed at *promoting citizenship*. Content restrictions are an effort to protect the public interest by preventing or limiting "negative" or "harmful" media content. Instead, we need to develop a media policy that encourages and even requires media content that contributes to a vibrant public sphere.

The media industry has worked hard to fend off regulation, and generally has opposed both content restrictions and content requirements. The financial roots of such opposition are quite simple. The type of material to which proponents of content restrictions object is often among the most profitable for the industry; sex and violence sell. On the other hand, policies requiring a minimum commitment to a specific kind of programming—public affairs or education, for example—can crowd out more profitable media content. (It is interesting, however, that little of the discussion about these issues has focused on the dysfunctional aspects of unregulated markets and their broader implications for society.)

Even though the media industry is likely to oppose them, content requirements can be an effective strategy for making media responsive to public citizenship needs. The deliberative process through which such requirements could be developed would itself be a positive development. Public reflection about the ways that media can contribute to democratic life would be necessary. Dialogue about media's potential role as a citizen resource would be an important step toward enhancing public participation in media policy making and defining a more specific set of goals for what we expect, as citizens, from our media system.

One of the principal ways that media policy can enrich citizenship is by promoting diverse public expression in both entertainment and public affairs. Citizens should have ready access to viewpoints and experiences both similar to and different from their own. In some cases, media content can affirm convictions and beliefs commonly held in society. In this role, mass media can serve as a socializing force promoting important common values and perspectives.

But in other cases, media can serve as a forum for dissent and controversy. In this role, mass media provide an arena where different perspectives can be aired, including those outside the boundaries of the established consensus. By embracing diversity and dissent, a media policy based on content requirements can make a significant contribution to democratic public life. In short, media policy can serve the public interest by helping to build a media system ensuring the availability of a multiplicity of ideas from a variety of perspectives.

The 1998 Report of the Advisory Committee on Public Interest Obligations of Digital Television Broadcasters, generally known as the "Gore Commission," explored some of the ways that broadcasters might serve the public interest.[7] However, the specific recommendations of the Gore Commission were rather tepid. While the commission's final report suggested the importance of identifying "minimum public interest requirements," the commission members did not reach consensus on specific, enforceable policy recommendations. In the end, the commission affirmed that broadcasters in the digital age should be required to serve the public interest, but left the content of those public interest requirements rather vague. With several prominent broadcasters on the commission, including Cochair Leslie Moonves, CEO of CBS Television, it is not surprising that the recommendations lacked specificity. In any case, the commission's final report was generally ignored by the news media and quickly sank into oblivion.

We need to move beyond broad generalizations about "the public interest, convenience, and necessity," which have given broadcasters enormous leeway in crafting their own definitions of their public interest obligations. We can do this only by developing a specific set of public interest requirements—not to restrict expression or dictate its specific content, but to expand and deepen the contribution of media to public life. Such requirements must be enforceable with clear consequences for noncompliance, including consideration when stations seek to renew their broadcast licenses. We suggest four such requirements.

First, advocates of children's television have pursued a strategy based on requiring broadcasters to air a minimum amount of children's educational programming. In 1996, the FCC and broadcasters agreed on the "3-hour rule," by which stations committed to broadcasting at least three hours per week of legitimate, educational television.[8] This commitment should continue. In addition, this model could be extended to public affairs programming. Broadcasters should be required to air a minimum number of hours per week of substantive public affairs programming, focused on current issues of broad public concern. In addition to coverage of national political issues, stations should pay regular attention to issues of local concern and provide access so that various segments of the community can present their views on these issues. Currently, many stations broadcast Public Service Announcements (PSAs), brief ads about social issues, to satisfy a vague requirement to cover public affairs. This is clearly inadequate, as is most local news that focuses on "light" entertainment oriented stories. More specific guidelines requiring a specific commitment to substantive programming reflecting the various perspectives and experiences of local communities would help institutionalize a more citizen oriented policy.

Second, on the cultural and entertainment side of media content, we should consider mandated "public access" time slots during which local, independently produced videos would be aired on television. Such a concept will become increasingly attractive and feasible with the growing affordability of digital video cameras and video editing software. The coming years will bring an unprecedented explosion of creative ventures by independent and amateur filmmakers. Some of these will undoubtedly end up on commercial television as digital versions of *America's Funniest Home Videos* or exploitative "reality" programs. However, a public access requirement, overseen by a board of community representatives, could create a venue for a wide range of serious and entertaining independent material. The Internet is already experimenting with archiving independently produced video and animation.[9] Predictably, such Web sites have often focused on the commercial sale of video projects. Filmmakers are able to upload their creations to these sites and make them available for viewing to anyone who wants to see them. With the growth of broadband, such efforts will expand dramatically. However, for the foreseeable future, television will continue to be unparalleled in its accessibility and its ability to develop a broad audience. We should insist that independent producers have some access to this platform.

Third, another content requirement that might contribute considerably to an enhanced public sphere involves the electoral process. Broadcasters should be required to provide free airtime to political candidates in election years. Because television is the dominant venue for political campaigns, and the cost of campaign advertising has driven up the cost of running for office, the public interest would be served in three ways by requiring broadcasters to provide free airtime. Access to television and radio in even five-minute segments would allow candidates far more time than the 15- or 30-second campaign ad to define their agendas and make their cases. The short sound bite and dramatic image, which drive so much of our political world, could be challenged by more substantive presentations of ideas. In addition, free television time for candidates who meet some minimal threshold requirement of support would begin to open up the political process to those without access to big money. Citizens would be more likely to hear of alternatives to the two dominant political parties, perhaps loosening the stranglehold these parties have on political life. Finally, if the need to raise funds for advertising was dramatically reduced, the cost of running for office might decline as well, reducing the emphasis on fundraising.

Fourth, we should reinstate the Fairness Doctrine. Between 1949 and 1987, the Fairness Doctrine required broadcasters to devote a "reasonable" amount of time to the discussion of community issues and, more important, required "that such programs be designed so that the public has a reasonable opportunity to hear different opposing positions on the public issues of interest and importance in the community."[10] The doctrine did not require equal time for opposing views, but it did prevent broadcasters from continually airing only a single viewpoint. The doctrine was repealed in 1987 by the FCC, which argued that it was no longer needed. In that same year, Congress moved to have the doctrine made a federal law. Enjoying support from conservatives and liberals alike, the bill easily passed the House by a three to one margin and the Senate by a nearly two to one margin, only to be vetoed by President Ronald Reagan. It is an idea, however, that should be revived. As we have shown, the concentration of media ownership and the hypercommercialism of media have made the need for a Fairness Doctrine more necessary than ever.

These public interest requirements are a small part of a larger process of rewriting media policy so major instruments of public communication in our society do more than just entertain and sell us products. And, because the expansive new digital spectrum will permit broadcasters to begin "multiplexing"—each broadcasting on several "channels" instead of just one—there will be plenty of room on the broadcast spectrum for public interest programming. Reaffirming that broadcasters are licensed to serve the public interest and need to do so in specific ways that enhance citizenship and enrich public life is an essential step toward a more democratic and accountable media. But we must also develop policies that encourage broader access to the media.

Access-Oriented Media Policy

Rapid technological changes are creating exciting new possibilities for the future of media. But developments such as digital television multiplexing, high-speed "broadband" Internet access, and the convergence of the Internet and television are being driven primarily by market calculations and profit concerns. There is no doubt that commerce and entertainment will be the dominant uses of the newly evolving media system, but plenty of opportunity exists to develop more public interest oriented uses as well—if only we have the political courage. The emerging multimedia system constitutes perhaps the central arena for public communication in contemporary society. As such, we need a proactive and visionary media policy that will steer new media technologies toward enhancing citizenship. With the new media environment still taking shape, the early 21st century is a critical juncture.

As ownership of the major media narrows, one of the dangers is that our public conversation will grow narrow as well. When the arenas of public discourse are owned and controlled by a select few, this handful of corporate players may supply large amounts of consumer-friendly entertainment in various formats. But, as we have seen, there is good reason for concern about whether such profit-seeking companies will have incentives to sustain the robust information environment that active citizens need. Indeed, strong evidence already exists that corporate media intend to emphasize commercial content at the expense of everything else. In this highly concentrated, but rapidly evolving, media industry, media policies focused on broadening access to channels for public communication can help keep the media system open to a variety of perspectives, not just those that serve the interests of the corporate sector. A media policy oriented toward citizens places the question of access at its center by including regulations that provide space for a multiplicity of perspectives.

Low-Power Radio

One modest development on the access front was the FCC's adoption of new rules in January 2000 to license low-power (or micro) radio stations on the FM band. The newly licensed low-power radio stations (less than 100 watts) are required to be noncommercial and owners of other media are not permitted to operate a low-power radio station. In short, low-power radio enables a new set of voices to be heard on our local radio dials via the development of new community radio stations. This new licensing policy was a long time coming and was instituted over the objections of the commercial broadcasting industry.

Before these new rules were established, many low-power stations operated through the 1990s without licenses. As this "pirate radio" movement grew, these stations represented a local alternative to the corporate media at a time when the consolidation of the radio industry was happening at breakneck speed. In issuing low-power licenses, the FCC instituted a simple and very locally oriented policy that demonstrably enhances public access to the airwaves. However, the FCC 100-watt limit was unnecessarily low, limiting reception to a radius of 3.5 miles at best. The FCC should improve the low-power radio concept by allowing more powerful—up to 1000-watt—stations as well. By focusing on citizens rather than consumers, low-power, noncommercial radio provides a model for using the media to potentially enhance citizenship.

Television

Another avenue for increased access is broadcast television, where digital technology has recently changed the playing field. Digital technology allows for five or six signals to be sent in the space that used to be occupied by one analog signal. This development raises the possibility of many new voices on the scarce public airwaves. But instead of opening the gates to new broadcasters, current broadcast companies were able to maintain control of all the new spectrum space. In a massive corporate giveaway in 1996, the FCC gave broadcasters, for free, licenses to broadcast on the newly accessible digital spectrum. As broadcasters received this giveaway, which by the FCC's own estimates was worth upwards of $70 billion, policymakers neither required nor asked for anything in return.

What will broadcast stations do with their new channels? It is likely they will try to build a new, multiplex television world that contains a variety of new revenue streams, including e-commerce and home shopping programming, pay-per-view options, and plenty of room for advertiser-friendly programs directed at desirable market segments. The new television landscape is likely to be very consumer-friendly, providing new shopping and entertainment options and, at a minimum, a vast expansion in the number of channels. But it is not too late to require that digital broadcasters promote, in specific ways, the interests of citizenship as well.

One way to make the new digital broadcasting world citizen-friendly is to take advantage of the expansion in channel capacity to increase access to the airwaves. Given the value of the licenses television stations received free of charge, it is entirely appropriate to consider strategies for requiring station owners to make one of their multiplexed channels a "public access" channel, available to organizations and individuals in the community. This would be an even better option than simply allocating a few hours of public access time each week. So far, "public access" channels have been limited to cable, reaching only a small audience. Including public access in broadcast television would mean a potentially much larger audience for such programming. This, in turn, could generate more interest in producing better quality programs. Such broadcast public access could include both public affairs programs and independently produced cultural content.

The Internet

Regulatory policy issues have taken a new level of significance with the emergence of online media. With so much hype surrounding the growth of the Internet and with entrepreneurs driving new online ventures forward at breakneck speed, we need to think about how best to harness these new media technologies to enhance citizenship. There are three fundamental issues involved in Internet regulation: universal service, a level playing field for broadband, and the development of civic oriented Internet content.

First, we must work toward universal access to the Internet.[11] The idea of "universal service" has its origins in telephony where public policy initiatives, using a variety of state and federal funding mechanisms, helped achieve wider access to affordable telephone service for rural and low-income households. The concept can be adapted to prevent a hardening of the "digital divide" between those who have access to the new Internet-based technologies and those who do not.

Adopting the rhetoric of public access, some commercial ventures are already offering Internet access free of charge. But they are doing so from a consumer framework. To get "free" access, people must subject themselves to a constant barrage of advertising that often frames their computer screens. Advertisers trying to reach Internet users, many of whom are quite adept at avoiding banner ads, see these free access providers as a means of reaching a captive audience who cannot turn the ads off. In some cases, free access is provided to schools, giving advertisers the extra benefit of reaching the lucrative youth market.

The other cost to many customers of free Internet service providers is the loss of their privacy. In exchange for free access, users agree to allow providers to gather data on their online activities. This information is then used to enhance the providers' ad sales by giving evidence to advertisers of user interests and preferences. Such data can also be sorted and sold to other companies interested in targeting specific populations based on demographics and lifestyle. In these scenarios, Internet access may not require a monthly payment, but neither is it really "free."

As an alternative to this consumer model, we should publicly fund universal access to the Internet. Although universal service to individual homes is unlikely any time soon, public policy initiatives can help make Internet service available to local schools, libraries, and community centers—especially those in low-income neighborhoods. This would open up the possibility of Internet access even to poor households without telephone service, a population overlooked by even the "free" commercial service providers (slightly more than one of every 20 households in the United States does not have a telephone). The Telecommunications Act of 1996 took a step in the right direction by expanding the universal service policy beyond telephones to include the Internet. Now funds can be provided for community institutions to connect to the Internet and other advanced communications networks. Such efforts need to be supported and expanded.

Second, we must ensure that broadband does not result in an unfair advantage for corporate media.[12] Most people still access the Internet via a telephone line. All that is beginning to change, however, as new cable services allow for much faster access. With faster access, data-intensive media—such as high-quality video—become more practical. However, corporate media giants have tried to use their infrastructure ownership to give themselves unfair advantages. For example, in contrast to telephone lines that must be made available to competitors, cable companies are not currently required to make their networks available to competing Internet service providers. This undermines competition by effectively expanding the cable monopoly into a broadband Internet access monopoly as well. Regulations should be changed to require open access to cable lines to promote broadband competition.

Worse, the new broadband platform allows network operators to make distinctions based on content and the origins and destinations of material. This allows networks to potentially give preferential treatment to content they own, while delivering material from competitors or nonprofit organizations at a slower transmission speed. In effect, the "information superhighway" could soon have a fast lane for commercial corporate material and a cluttered slow lane for everybody else. If such developments are allowed to occur, the Internet playing field will be dramatically tipped in favor of corporate producers in general, and cable owners in particular.

In addition, broadband service may come to resemble cable service in that it will be sold in "tiers." Just as basic cable service does not include premium movie channels and other specialized content, tiered broadband access could make some Internet sites available only to customers who pay more. Such a development should not be allowed to occur because it undermines the basic premise of universal access that is the core of the Internet's civic potential.

Third, we must support the development of civic oriented Internet content. The early 1990s metaphor of the "information superhighway"—which suggested that the new media were fundamentally about public access to information—has given way to the dot-com world of e-commerce. There is no turning back on this consumer bonanza; the dot-com genie is out of the bottle and a whole new sector of the economy is now based on a virtual world. We can, however, retain some of the underlying ethos of the information superhighway by creating and nourishing an online civic sector alongside the enormous commercial sector.

Public resources must be made available to nurture civic spaces on the Internet so at least one sector of the online media world is dedicated to strengthening democratic discourse. The major media companies have far more resources than do community groups to spend for the newest software, Web site design, regular content updates, and promotion. Media policy, therefore, needs to focus on developing innovative approaches for promoting civic culture on the Internet. Community organizations should be able to get free, noncommercial Internet space for their Web sites. They should also be eligible for technical assistance and financial support for efforts aimed at promoting civic culture.

Rather than focus on "virtual communities"—connections between people online—these new Internet civic efforts need to support the vitality of existing physical communities. Advocates of "civic networking" are developing policies that utilize the potential of new forms of online communication to strengthen citizen participation at the local level. For example, the nonprofit Center for Civic Networking is dedicated to using the Internet and other telecommunications infrastructure to enhance the public good.[13] These efforts include developing local government Web sites with user-friendly information about municipal statutes and social service agencies. Such sites also include links to a wide range of community organizations, electronic bulletin boards, and discussion groups that provide the opportunity for an ongoing conversation about issues, problems, and policies. Finally, these Web sites also provide information and links to resources on economic and community development. Other initiatives include using interactive multimedia and electronic mail to facilitate communication between citizens and local officials and to open up the local policy-making process by making public meetings, proposals, and documents more accessible to citizens. In short, the new media are potentially powerful tools that can enhance civic engagement. We should use public policy to support such efforts.

Ensuring Diversity: The Problem of Money

As we have seen, one of the primary problems facing noncommercial media initiatives is the lack of funding to compete with commercial ventures. While noncommercial citizen initiatives can never displace better-funded alternatives, there are things that can be done to help support noncommercial alternatives. Public policy initiatives can make access easier for noncommercial media, and they can provide direct support for citizen efforts to use media to enhance public life.

For example, reduced rates for mail delivery of periodicals have long been a useful subsidy to help maintain media diversity. If all publications had to pay first-class mail rates, many smaller magazines and papers would fold. By providing lower rates for such material, the government helps ensure the existence of a range of information. In 1995, however, the U.S. Postal Service suggested postal rate changes that would have limited such subsidies to only those periodicals that were presorted for automatic delivery. The lower rate could not have been used by periodicals going to fewer than 25 addresses in a single zip code as a result. The effect would have been to shift the postal subsidy to publications with higher circulations, lowering their postal rates by 14%. At the same time, it would have been more difficult than ever for smaller publications to survive because their postal rates would have risen by 17%. A compromise was eventually reached that kept the two-tiered system but reduced the gap between the two rates.[14] Although the current postal subsidy aids all print media, efforts should be developed to support noncommercial, independent media with rates that are even further reduced.

Newer media forms require more public support as well. Civic media efforts will not be able to survive in a commercial market environment. Instead, public funds to support television, radio, and Internet content need to be developed or expanded for noncommercial efforts aimed at promoting civic life. These funds should be available for both informational and cultural productions. Some funds are currently available, for example, through the National Endowment for the Arts, but as our media environment expands, more funds need to be targeted specifically at supporting civic media efforts. Such funds are essential to ensuring that civic programming and content is high quality and serves the purpose for which it was designed. Several possible routes to generate such funds are discussed in the section on public broadcasting below.

Antitrust and the Media Monopoly

To improve our chances for a vibrant media system, antitrust laws must be more actively utilized to stem the concentration of media ownership. With the large media conglomerates continuing to merge and grow, the number of major players in the media business continues to shrink. As we have seen, media critic Ben Bagdikian noted in 1997 that just 10 companies now dominate our media landscape, far fewer than the 50 companies that basically controlled the media world when Bagdikian published the first edition of his book *The Media Monopoly* in 1983.[15] With emerging technologies providing new opportunities and posing new challenges for the current media giants, the consolidation of the media industry seems far from over. Bagdikian has argued that with the growing concentration of media ownership, a new "private Ministry of Information" is emerging in the United States. With so few companies owning so much of our news and entertainment fare, the vitality of democratic discourse is in danger. That is why antitrust laws need to be used more actively.

It is true that an explosion in the volume of media outlets has accompanied the consolidation of the media industry. What we have is more media but fewer owners. Or, in different terms, we have more products but fewer voices. As we have seen, the growing concentration of ownership in the media industry makes it far more difficult for new voices to compete for either public attention or investor support. In addition, the conglomerate structure of the media industry provides strong incentives for a continuing "sameness" in media content. The same products are simply repackaged for distribution in a variety of formats. Therefore, despite the increased volume in media, these commercial imperatives pose a threat to the vibrancy of civic culture.

Concentrated ownership also raises the specter of an antidemocratic consolidation of power. Law professor Eben Moglen reminds us that "the connection between antitrust and the defense of democracy is intimate and long-standing, but largely ignored."[16] In other words, antitrust activity is fundamentally about protecting democracy by limiting the consolidation of private power. The original pieces of antitrust legislation—the Sherman Antitrust Act of 1890 and the Clayton Act of 1914—were created only after public outcry about the concentration of business power in oil, steel, railroads, and other basic industries. In today's information society, it is the media giants who loom large in our national cultural and political life. They reach into virtually every American home, are the primary arena where political activity occurs, and use these substantial resources to influence public policy. The unbridled growth in size, scope, and sheer cultural presence of the major media conglomerates is cause for new concern about the health of our democracy.

Already, a handful of media giants wield enormous power in setting the public agenda and defining the terms of legitimate discussion. This is one reason there is so little serious public debate about the relationship between the business of media and the health of democracy. As long as the major media industries provide the primary venues for "media criticism," the public will not have the information it needs to make informed assessments about the role of media in contemporary society. Without such information, it is impossible to develop the political momentum to achieve effective media policies.

When understood in political terms, antitrust is much more than a method for protecting consumers; antitrust is a valuable instrument for enhancing democracy. Vigorous antitrust enforcement can be a powerful tool for halting and even reversing the consolidation of the media industry. And a more proactive antitrust policy can be important in stimulating public discussion about the appropriate role of major corporate media and the development of effective media policy in the new digital age.

Public Policy and Public Broadcasting

More than 30 years after the 1967 Public Broadcasting Act created public broadcasting in the United States, the communications environment has changed dramatically. The era of 500 channels is rapidly approaching; the promise of an interactive multimedia future reverberates throughout policy-making, corporate, and media circles; and the major players—the television networks, cable companies, phone companies, software makers, and program suppliers—are positioning themselves for the convergence of old and "new" media.

In all of this, commercial forces—not the public interest—drive both the growth of new products and their applications. Still, commercial television has found ways to profit from programming that used to be exclusively associated with public television. Public television staples, such as children's educational programs, do-it-yourself shows, and nature programming, are now part of the cable universe.

Public broadcasting has also been changing. In recent years, public financing for the system has stagnated, and public broadcasting increasingly has turned to corporate underwriters and viewer donations to survive. Predictably, the more public broadcasting depended on advertisers and viewers in desirable demographics to survive, the more it began to resemble commercial broadcasting. In short, the expanding commercial media began doing some of what public broadcasting used to do, and public broadcasting began to resemble commercial media.

All of this raises the question of whether or not there is a role for public television in the new digital environment. Some critics suggest that the rise of cable has made public television obsolete. However, far from signaling the obsolescence of public television, we believe the limitations of the new media climate show how important it is to reassert some noncommercial presence on the airwaves. Even with vastly expanded television, advertising and profit considerations will continue to result in limited content dominated by commercial concerns.

Public broadcasting is uniquely positioned to contribute to democracy by providing an alternative to commercial broadcasting. An independent public broadcasting system can broaden the horizons of public discourse by serving as an electronic platform for perspectives, ideas, and cultural presentations that are largely unheard in commercial media. By providing citizens with access to a wide range of ideas, public broadcasting can help prepare citizens to become more active in other arenas of public life.

So far, public television has responded to the new multichannel environment by adopting a market approach. That is, public television has tried to "compete" in the new environment by becoming more commercially oriented. It has tried to survive by attracting larger—and presumably wealthier—audiences for its programming, which has been increasingly tailored to attract audiences. Moreover, it has survived by garnering more corporate dollars in the form of underwriting—a thinly disguised form of advertising. This strategy breaks from any concern about questions of democracy or the public sphere, and instead tries to make the case for public television by demonstrating its commercial viability. The market model assumes that viewers are simply consumers—of both programming and products—and that television, in this case public television, should respond to them as such. Such an approach is misguided and shortsighted.

Instead of adopting a market approach, public television should refocus on those very questions about democracy and the public sphere that the commercial model eschews. By adopting a public model that assumes viewers are citizens, public television can reinvent itself as a system to meet fundamental citizenship needs. In this way, public television could ensure its future in the new media environment by making its own distinctive contribution much clearer. Ultimately, it is a renewed focus on citizenship and difference that can save public television from becoming a kinder and gentler version of commercial television.

Restructuring Public Broadcasting

The emerging market oriented approach in public broadcasting directs our attention away from fundamental questions about media and citizenship. Public television can be a valuable public resource by refocusing on its mission to broadcast programs that nourish citizenship and enhance public discourse. However, public broadcasting needs more than just a renewed commitment to a citizen oriented mission; it must be more adequately funded, better protected from undue pressures, and reorganized to be more accessible and accountable.

Funding

From its inception, advocates of public broadcasting in the United States have sought, heretofore unsuccessfully, to establish a mechanism for independent and permanent funding to better insulate its programming from partisan political and commercial influences. A variety of ideas have been proposed. In 1967, the Carnegie Commission advocated the creation of a federal trust fund based on a manufacturer's excise tax on the sale of television sets.[17] The Communications Act of 1978 proposed that public broadcasting be supported by commercial television spectrum fees. The Communications Transfer Fee Act of 1987 called for the creation of a "Public Broadcasting Trust Fund" to be financed by a 2% tax on the sale price (to be paid by the seller) of the transfer of television and radio licenses. The following year, to ensure more diverse and high-quality programs on public broadcasting, the Working Group for Public Broadcasting advocated a tax of 2% on factory sales of consumer electronic products and broadcast equipment.[18] In 1993, the Twentieth Century Fund called for independent funding for public broadcasting based on a share of spectrum auctions or spectrum usage fees.[19]

Amid all the hype about broadcasting going digital and the accompanying expansion of both channel capacity and revenue sources, both the funding and the mission of public broadcasting have become part of the media policy agenda. In 1998, Rep. Billy Tauzin (R-LA), the chair of the House Subcommittee on Telecommunications, proposed a spectrum fee on commercial broadcasters to fund public broadcasting, in exchange for relief from their public service obligations. And the Gore Commission, in its 1998 report, recommended that Congress "create a trust fund to ensure enhanced and permanent funding for public broadcasting."[20]

The current public broadcasting system operates on a budget of approximately $2 billion, with 75% going to public television and 25% to public radio. In recent years, about 15%, roughly $300 million, has come from the annual congressional appropriation (about

$1.10 annually for each American). In its search for additional revenues, public television leaders have significantly liberalized the guidelines for commercial messages, entered into coproduction agreements with commercial enterprises, and substantially expanded their product merchandising efforts. Developing new, innovative programs for a national audience is increasingly difficult in this fiscal climate. And locally produced programs are increasingly hard to find on public stations because, under the current financial structure, they are too costly.

To support innovative, diverse programming for both national and local audiences, an independent public broadcasting system needs at least $1 billion in insulated annual program funds in addition to current levels of support from state governments and individual subscribers. To make public broadcasting truly independent, we need to restructure its funding along these principles:

1. Remove public broadcasting from dependence on annual congressional appropriation
2. Establish a permanent trust fund with a regular stream of politically insulated funds
3. Prohibit funding from private corporations for the production of programming
4. Finance the public broadcasting system by those commercial interests that profit from the use of the public airwaves

There are several sources in line with these principles that would generate substantial funds for the public broadcasting trust fund.

First, an annual spectrum fee paid by commercial broadcasters would be a reasonable way to guarantee independent funds for public broadcasting. The shift toward digital broadcasting enhances commercial broadcasters' resources for capitalizing on their licenses. It also provides an opportunity to reconsider the responsibilities of those who profit from the commercial use of the airwaves. The Twentieth Century Fund Task Force has estimated that a spectrum fee of 2% on broadcast revenues would produce $1 billion in annual revenue.[21]

Second, a small fee on the transfer of broadcast licenses can provide substantial revenue for a public broadcasting fund. The buying and selling of radio and television licenses is a multibillion dollar business each year. The Telecommunications Act of 1996 has helped to create a very active market in station sales. Based on station sales in excess of $20 billion in each of the years between 1997 and 1999, a 2% tax on the sale price (to be paid by the seller) on the transfer of television and radio licenses would generate at least $400 million per year.[22]

Third, newly available portions of the electromagnetic spectrum for various wireless services are potentially valuable sources of revenue. In the late 1990s, the Federal Communications Commission raised more than $20 billion through spectrum auctions. The value of remaining unsold channels may be as high as $100 billion. A portion of these revenues could provide several billion dollars for public broadcasting.[23]

Fourth, commercial broadcasting generates enormous advertising revenue, which grows each year. Advertisers use the public airwaves to promote their goods and services, spending, for example, more than $60 billion on television and radio in 1998.[24] A 1% tax on broadcast advertising would generate $600 million for the public broadcasting fund; this amount would likely grow by at least 5% annually.

All of these options provide substantial revenues from parties that use the public airwaves to make substantial profits. They provide ample resources for the creation of a public broadcasting trust fund.

Funds from the trust should be used to support the commissioning, producing, and distributing of programs as part of a national service made available to local stations, with a mandate to promote diversity, innovation, and cultural pluralism in programming.

Funding from the trust should also support a permanent, in-house national public television news organization. This unit would produce, commission, acquire and coordinate national news and public affairs programming, including at least one daily in-depth news program, regular issue oriented documentaries, general interest news specials, and special events coverage. In addition, funds should be committed for the production of arts, entertainment, educational, multicultural, and children's programming by public stations and independent producers.

The trust needs to develop a national prime time public television schedule to be offered to local public television stations free of charge. Local stations that aired the national prime time schedule should receive resources for local promotion. In addition, the trust should offer a wide range of additional programs to local stations for broadcast outside of prime time, with an emphasis on programs of interest to persons and groups currently unserved or underserved by commercial television.

To help ensure innovation, the trust should help establish a National Independent Program Laboratory, with a director and its own advisory board of independent producers. The laboratory would commission and develop the works of independent producers, which could be offered to local public broadcasting stations regularly and be considered by the trust for the prime time national schedule.

The trust would also channel a substantial part of its annual distribution directly to local television and radio stations for the purpose of producing and acquiring programs of interest to their specific communities. These funds would encourage local stations to make good on the promise of the local orientation of public broadcasting by presenting news, public affairs, cultural, and children's programs specifically developed to serve their local communities. Currently, few stations produce much local programming; the increased funds for local productions would encourage stations to more effectively serve their localities.

In return for the use of federal funds, local stations would be required to provide access for community programmers and local independent producers. This would enhance the diversity, range of expression, and community orientation of local public television and radio stations.

The new trust needs to be governed by a board that is autonomous and insulated from direct political pressure so that programming on public broadcasting can be independent. Appointments to the board would be guided by a mandate to include substantial diversity. The board should include representatives of the public broadcasting industry, the educational community, the arts, the humanities, and public affairs.

Accountability

Hundreds of local public television and radio stations provide links between the national system and local communities. In return for enhanced funding, a regular stream of quality national programs, and support for local programming, public broadcasting stations should be required to be accountable to the communities they serve.[25]

Stations should report annually to the trust on their accountability and citizen participation efforts. The trust needs to enforce existing FCC regulations requiring widely posted and open board and committee meetings, and easy access to complete public inspection files. There should also be a procedure to identify noncompliance and facilitate compliance or terminate funding.

Local stations should be required to open board membership up to general member election. The nomination process for board elections should be publicized widely and candidates given the opportunity, both on-air and in member publications, to present their candidacy to station members. Provisions should be made to ensure diversity and minimize expense.

Ideally, these elected boards will be representative of the communities that the station serves. A diverse board would make policy discussions broader and more inclusive, better survey the interests of public constituencies, and provide easier access for station promotion efforts.

The Public Telecommunications Financing Act of 1978 required local stations receiving federal funds to establish Community Advisory Boards to ascertain community needs and interests and to communicate those to the stations. At most stations, however, Community Advisory Boards have had little or no input into programming. Public stations should be required to observe the spirit of this longstanding legislative mandate.

Enhancing the opportunities for citizen participation in the life of public television and radio stations, including their governing boards, and providing increased funding for local programming are both required to build a democratic public broadcasting system. Moreover, local stations still need funds for their general operating expenses that are not related to program production and promotion. Local stations with broad-based citizen participation are likely to find substantial support from their local communities for these operating expenses.

Independence

With a long history of political pressure from Congress, the White House, and potential corporate sponsors, a restructured public broadcasting system needs to maintain its independence and integrity. At least three mechanisms can help ensure this autonomy.

First, the trust, in its board appointments and operations, must be independent of the federal government. Once the board is established, its current members will select new members who need not be confirmed by the Senate. An independent board, one that is neither handpicked by nor fearful of the executive and legislative branches of government, is a requirement for an independent public broadcasting system.

Second, while corporations should be permitted to contribute to general station operations, they would be prohibited from funding specific programs, either nationally or locally. New guidelines for acknowledging corporate support need to be developed so no single contributor is connected to any one program.

Third, some public broadcasting programs have generated large revenues by selling related merchandise. These ancillary revenues have been especially lucrative for children's products, but the public broadcasting system has not always received a reasonable share of this income. Public broadcasting programs that generate substantial ancillary revenues should be required to return a large percentage of these profits to the public broadcasting trust.

Rather than imitating their competitors by becoming more entertainment oriented, public broadcasting can engage citizens by developing programming that is both substantive and distinctive, broadening the discourse beyond traditional voices, and making local stations more accessible and democratic. Given the technological and economic forces restructuring the media environment, this is a pivotal moment for media policy in the United States. In the emerging digital age, despite the temptations of commercialization, public broadcasting can be a valuable democratic resource if its leadership takes seriously its founding mission to broadcast programs that include fresh perspectives, expand dialogue, welcome controversy, and serve all segments of the public.

Journalism as a Profession

Journalism is widely considered to be a profession, which means that it has independent standards about good professional practice. As we have noted elsewhere in this book, the various codes of ethics adopted by journalism organizations speak of their public interest role. If the professional integrity of journalists is to be strengthened, the journalistic community needs to become more vocal about the ethical responsibilities that govern their profession. Just as the bottom-line orientation of HMOs must be tempered by the professional autonomy afforded doctors, so too must journalists insist on more independence to do their work within commercial media organizations.

One obvious area in need of attention is the trend toward eliminating the "wall" that separates the business side of news organizations from the content side. Professional journalism associations should actively resist this development. It is unrealistic to expect that individual journalists resisting the commercial pressures within the media today can have much impact. Instead, strengthened professional associations should insist on preserving the public interest function of media.

Second, journalists need to devote more space and time to covering the media's role in society. Obviously, we are not calling for new additions to the endless cross-promotion that already exists. Instead, there is a desperate need for news organizations to routinely give serious attention to issues and developments in the media world as they potentially affect society. There are valuable professional publications, such as the *Columbia Journalism Review,* and efforts, such as the Project for Excellence in Journalism, which provide models for thoughtful, critical, and balanced analyses of the media.[26] However, such work is virtually unknown outside of journalism circles. Thoughtful and critical examinations of the role of media should be much more widely available via television, radio, and newspaper coverage. We should expect the media to scrutinize their own practices as well as they examine those of other institutions.

Finally, journalists need to seriously examine how their reporting intersects with public life, and consider changing what they do to more effectively meet the needs of citizens. Several experiments in "public journalism" (also known as "civic journalism") are beginning to show the potential of such an approach.[27] Public journalism has emerged from a recognition of the symbiotic relationship between democracy and journalism. On the one hand, democracy needs the media to provide citizens with good, independent information to function well. On the other hand, journalism needs a healthy democracy for citizens to pay attention to the news media. Rather than think of themselves as observers removed from civic life, public journalists see part of their role as contributing to the promotion of citizen engagement.

While there have been some serious missteps and poorly conceived efforts in the name of public journalism, there have also been some creative efforts to produce journalism that treats people as citizens, that encourages civic participation, and that tries to contribute to productive public deliberation. Some experiments in public journalism have focused on the issues citizens said most concerned them. Other efforts have shifted toward placing more emphasis on discussing possible solutions—and how citizens can get involved—rather than just focusing on problems. Still other experiments have initiated public deliberations about community issues—both in person and in the press. In constructing media to reinvigorate public life, public journalism is a step in the right direction.

Citizen Activism and Alternative Media

This chapter has tried to describe various ways that our media might be improved to contribute to a more vibrant public life. But in doing so, we confront a chicken-and-egg dilemma. A responsive media system is necessary for active civic engagement, but active citizen engagement is necessary to create a responsive media system. Change in the media system will occur only if pressure is exerted from outside of the system because those with the most influence in today's media benefit from the current structure of the industry. Current policies that stress deregulation and foster the commercialization of public broadcasting are firmly entrenched and are generally beneficial to the large corporate players in the media industry. More generally, a market logic that substitutes profitability and competition for a broader definition of the public interest continues to reign supreme among policymakers and strategically minded media executives. Change, therefore, will occur only when citizens begin to pressure their elected officials and the media themselves.

Such efforts will inevitably generate resistance from an industry whose interests are threatened. The ongoing battle over low-power radio provides a good example of this dynamic. In the 1990s, radio activists faced a bleak situation. The commercial radio industry was increasingly concentrated, homogenized, and unresponsive to community needs. The FCC, too, was unresponsive to the call to license smaller community radio stations. As a result, some radio activists worked outside the system by developing "pirate" stations—unlicensed low-power radio stations that operated illegally. Web sites and informal networks sprang up to support these activists. Such efforts dramatically illustrated the deep need for an alternative to the commercial radio giants.

The FCC became concerned about the proliferation of radio piracy and initiated both a crackdown on illegal broadcasters and a review of the low-power radio issue. After unprecedented citizen response to the idea, the FCC (as described earlier in this chapter) announced in January 2000 that it would license low-power FM radio. Citizen action had led to a policy change.

But that was not the end of the story. Shortly after the FCC's licensing announcement, the National Association of Broadcasters (NAB) launched a major lobbying campaign to stop low-power radio, which broadcasters claimed would interfere with commercial radio signals—despite considerable scientific evidence to the contrary. To show the supposed dangers of the new policy, the NAB even flooded congressional offices with CDs that *simulated* the sounds of radio interference. The lobbying campaign, however, was a smokescreen obscuring the more fundamental economic threat posed by community radio. Broadcasters opposed low-power radio because it was a new competitor for market share and, perhaps more important, an incursion on the corporate domination of radio. In response to the NAB campaign, the House of Representatives voted in April 2000 to dramatically limit the FCC's low-power radio plan. Similar legislation was still pending in the U.S. Senate as of this writing.

The battle over the licensing of low-power radio is illustrative of both the opportunities and obstacles to media policy that is more citizen oriented. On one hand, changes in media policy will not occur without a grassroots movement mobilized for such change. The licensing of low-power radio emerged in response to a movement of community radio activists and their allies who demanded access to the public airwaves. On the other hand, the media industry will resist any changes in policy that encroach on their commercial interests. In fact, the major media companies continue to push for even further deregulation of the industry, lobbying to lift the limited regulations that remained after the Telecommunications Act of 1996. In March 2000, NBC even resigned from the NAB, arguing that the NAB was not aggressive enough in seeking "deregulatory relief" for the television industry.[28]

Social change of any sort always faces opposition from those who benefit from the existing arrangements. Despite the alignment of massive opposition against it, the civil rights movement, to use an obvious example, used citizen pressure and strategic alliances with sympathetic supporters to initiate some significant social change. A clear-eyed assessment of the balance of power in the early 1950s as the movement began might have concluded that such change was impossible, given the powerful forces united against it. But the determination, solidarity, creativity, and vision of movement activists and ordinary citizens made the vision a reality. That promise of democratic participation has propelled many movements for social justice.

As we begin a new century, it is all too easy to conclude that the corporate forces aligned against change will make it impossible to reform the media system. Media activists face an increasingly powerful group of media conglomerates, which have friends in high places and a powerful resource—mass media visibility—to promote their political and economic interests. But those forces will prevail only if citizens fail to join in the effort for change. There is nothing inevitable about the direction of the media industry. Neither the political climate nor the specific set of media policies that currently exist are fixed. As they have done so many times in the past, citizens demanding a more just situation can influence the course of history. The broad public support for the federal government's effort to break Microsoft's monopoly power in the software industry is a sign that citizens are skeptical about the power of the major media companies. More generally, as media companies pursue new strategies for grabbing public attention, many citizens are becoming cynical about celebrity oriented media culture. The question is whether that cynicism can be channeled toward positive efforts for change.

Ultimately, real change in the media landscape comes only from a sustained social movement focused on making the instruments of public communication more democratic. Already, many groups are organizing citizens to remake the media industry, although they are rarely visible in the major corporate media. For example, Citizens for Independent Public Broadcasting (CIPB) is organizing a grassroots movement to make public broadcasting a more independent, diverse, and democratic institution.[29] CIPB is both building a coalition of educators, labor, community groups, and media professionals to demand a more vibrant noncommercial broadcasting system and developing the framework for new legislation to reorganize public broadcasting and free it from stifling political and economic pressures.

The public interest group Commercial Alert has organized a coalition that spans the political spectrum from Ralph Nader to Phyllis Schlafly, to mobilize citizens to fight the increasing commercialization of American society.[30] One of their first targets was the classroom television news program, *Channel One,* which boasts to potential advertisers that it offers a direct pipeline to the hard-to-reach youth audience in schools. The coalition's organizing has helped to generate debate on Capitol Hill, including congressional hearings in 1999, about the commercialization of schools. Commercial Alert also works with other advocacy groups to provide assistance to citizens and parents who oppose *Channel One* in their local school districts.

National media watchdog groups such as Fairness & Accuracy in Reporting (FAIR) and local and regional efforts such as the Rocky Mountain Media Watch also work in various ways to make the existing media industry more accountable to the public.[31] Such groups document and expose current media practices, launch campaigns on specific media issues, and provide citizens with vital information that all too often is left out of mainstream commercial media.

Any effort to restructure the media industry is certainly a long-term project. Media reformers face real obstacles. They do not yet agree on strategy, goals, or the role of media in contemporary society. But most media activists implicitly agree that our mass media should be more than conduits for profit. In the coming years, that common insight will need to coalesce around a comprehensive alternative vision of a democratic media system.

Exercising Choice

Although significant restructuring of our media system is a long-term project, citizens are not powerless in the face of the continually growing media conglomerates. There are simple steps they can take now to improve their media diet.

First, media is not singular in grammatical terms, nor is our vast corporate media singular in their contents. There is a range of quality available in the commercial media and citizens do have some room to maneuver in selecting which media they find helpful and which they want to avoid. While advertisers are often media's primary customers, citizens still have some power to influence media, because the industry often tries to present what they think certain audience segments want. One of the reasons there is more "quality" children's television available today is that the success of children's programs on public television demonstrated there was a significant, and quite upscale, audience for such programs. If citizens demand more diverse or challenging media, it is possible one of the media conglomerates, seeking to cash in on these demands, may be partially responsive.

Even more important, despite domination by media conglomerates, it is still possible to find independent alternative forms of media for news, culture, and entertainment. There has long been a vibrant alternative media sector, consisting largely of publications, which provide ideas and perspectives that are not widely available in the major corporate media. Local free weekly newspapers and national journals of opinion, campus papers and youth 'zines, issue oriented publications about race, sexuality, foreign policy, and the state of the corporate media all provide an alternative window on the world, with different stories and new interpretations of current issues and events. In addition, community and college radio provide a venue for independent music. Pacifica Radio—a listener-supported, community-based radio network of noncommercial stations with such programming as the daily news show *Democracy Now*—provides access to voices that are rarely heard in the major news media.[32]

Most of the independent media do not try to compete directly with the major corporate media; they have comparatively small audiences and little or no advertising. They routinely struggle with their finances and often rely on foundation grants and individual donations to cover their expenses. In short, the alternative media sector is rarely, if ever, driven by profit goals. Instead, alternative media are much closer to the public interest model of media; they exist to circulate ideas and engage citizens.

Often, people accustomed to slick, corporate content do not take alternative or independent media seriously. Ironically, however, the corporate media industry sees great value in independent media. In many respects, college radio remains "alternative," playing "indie" music that cannot be heard on the commercial stations or bought from the big labels. At the same time, college radio also serves as a version of the "minor leagues" in the music industry, from which the next "big leaguers" arise. College radio serves as a kind of development ground for the major music labels, who pay careful attention to what's hot on college radio, attend college music gatherings, and see college radio as a perfect place to recruit future staff.

Weekly community newspapers are also becoming more integrated into the market oriented media world, as the large newspaper chains have identified weekly newspapers as a key arena for building advertising synergies.[33] Owning a big city daily newspaper and a group of weekly papers in the surrounding communities allows newspaper companies to construct attractive package deals for potential advertisers. With so many weekly papers available at no cost to readers, many free weeklies are experiencing significant growth in circulation, becoming even more attractive to advertisers. In the late 1990s, major daily papers, such as the *Cleveland Plain Dealer* and the *Baltimore Sun,* bought more of the weeklies in their areas. By 1999, according to Bissinger, there had been 25 transactions "in which a daily with 100,000 or more in circulation had acquired a group of suburban weeklies with combined circulation of 100,000 or more in the daily's own market."[34]

Even the once iconoclastic alternative press is consolidating into "chains" of weekly papers. New Times Inc. owns a group of eight alternative news weeklies in major cities from Florida to California.[35] Its rival, Village Voice Media, established in January 2000 when a group of investors bought New York's *Village Voice* and seven other papers, owns free weeklies in New York, Los Angeles, Seattle, Cleveland, and Minneapolis. Because many advertisers view the alternative weeklies as a means of reaching young readers, the alternative chains have additional opportunities to garner advertising revenues, along with accompanying pressures to provide ad-friendly content. When the mainstream dailies buy local alternative weeklies, as happened when the Times Mirror Company (owners of the *Hartford Courant*) bought the *Hartford Advocate* in 1999, it raises a larger question about the chaining of the alternative press. Can alternative media survive in a climate that defines "alternative" as simply another youth oriented market niche?

As weekly papers become further integrated into the core of the media business, the growth of the Internet provides new opportunities for the alternative media sector to survive, perhaps even flourish. The Internet dramatically reduces the cost of distributing content because there are no printing or mailing expenses involved. As a result, more and more alternative media—including newspapers and magazines, radio, book publishers, and independent filmmakers—are going online. With the Internet, they can expand the range of materials they provide, include archives of previous volumes or programs, and provide information on how to obtain their offline media. With so much of the alternative media struggling to make ends meet, the Internet may give a needed boost to a sector of media that has heretofore resisted the temptations of the market.

For those who are already connected to alternative media, the Internet provides an important resource. It will become increasingly fast and inexpensive to connect online to alternative media sites, which continue to grow in both number and sophistication. And, because alternative media routinely provide links to other alternative media sites, citizens are likely to find it easier to learn about and connect with the broad range of alternative media heretofore hampered by the costs and logistics of distribution.

But the Internet is not a panacea for alternative media. As the number of Internet sites grows exponentially, it is likely that most alternative sites will be invisible to most citizens, and rarely visited by those who are not familiar with the offline version. Certainly, the world of online media will have a robust alternative sector, but the Internet will not level the playing field. Alternative media will not be directly competing with the major media conglomerates, which have brand name recognition and large promotional budgets. That is why transforming mainstream media continues to be an important goal. Meanwhile, most alternative media are likely to remain independent and somewhat marginal, but their existence continues to make a significant contribution to the public sphere.

So we will continue to rely on corporate media for much of our information and entertainment. Therefore, it is important that we hone our "media literacy" skills. Media literacy is education that teaches critical analysis skills so people can better understand the socially constructed nature of the media they watch, read, and listen to.[36] Media literacy programs teach people how media are constructed, what the conventions of various media are, and how media may influence them. In effect, it helps people arm themselves against the influence of mass media by helping them understand how the media work. It is often said that a media literate person doesn't necessarily know all the answers, but they do know what questions to ask, such as, Who created this message and why? How and why did they choose what to include? What and who were left out?

Different forms of media literacy can be taught to people of all ages. For example, simple analyses of the conventions in commercials can help young children better understand the manipulative distortions often embedded in ads aimed at them. Older children and teens can be taught about production conventions in various media and the sociological significance of various types of media messages. Older teens and adults might be taught about the media industry and the influence of commercial pressures on media content. In countries such as Canada, Australia, and England—where American media products have historically dominated—a course in media literacy is required to graduate from the U.S. equivalent of high school. The decentralized nature of the U.S. school system makes it virtually impossible to nationally mandate such a class, but every school should incorporate media literacy into its curriculum.

Much as literacy—the ability to read and write—is an essential skill for citizens in industrial societies, media literacy is becoming a vital skill for citizens of our information society. Media literacy should not be a replacement for efforts to actually improve the nature of mass media. However, it can help arm citizens against undue influence by the media. Citizens who are better informed about the nature of the mass media are more likely to demand better quality from the media. Also, teaching media literacy often involves having students produce their own media content, so it may encourage the development of independent media.

Not surprisingly, some corporate media players are trying to divert the media literacy movement for their own purposes. Already, *Channel One*—the school-based commercial television news broadcast—is becoming a significant participant in media literacy, arguing that it seeks to help students develop critical reading skills.[37] But this is a very different message from what *Channel One* tells its potential advertisers. Media literacy advocates need to critically appraise such corporate efforts to co-opt their work. Only time will tell whether media literacy programs are able to maintain an independent focus on educating citizens rather than become yet another means of attracting consumers.

The Limits of Media, The Importance of Media

We believe that the mass media have an important role in a democratic society. In this book, we have argued that the corporate commercialism so rampant in today's media has dramatically undermined the potential contribution of the media to our public life. But we conclude by noting that an exclusive emphasis on the media misses a larger dynamic involving other social institutions in our society. In particular, the decline of other mediating institutions has operated concurrently with the rise of media's influence.

Mediating institutions are those organizations that stand between citizens and the powerful elements of society, particularly government and corporations. Church groups, labor unions, consumer organizations, social movement groups, and even political parties all have important roles in a democracy. They serve as places where citizens can gather to deliberate, articulate their views, advocate for their interests, and work for the greater good of society. The commercialization of social life—in which media have played a central part—has transformed citizens' identities into those of consumers. Consuming corporate products, especially mass media products, now takes up an increasing part of people's daily lives. Community meetings and projects are too often replaced by prime time television and surfing the Internet. Corporate media has sapped life from civil society.

The revitalization of civic life, however, will not occur solely—or even primarily—from the restructuring of media. Instead, it will occur only through the broader renewal of a vibrant civic culture. This renewal must include a revitalization of educational institutions, public interest groups, labor organizations, the faith community, and other elements of civic life. Citizens active in such organizations constitute the force for change in the media system.

The media industry cannot be blamed for all of society's ills; neither should it be seen as the primary solution to those problems. However, the transformation of corporate media and the strengthening of independent media are significant parts of a broader project to revitalize civic engagement and public life.

Select Online Resources for Studying the Media Industry, Media Policy, and Media Education

The business of media changes rapidly. Fortunately, the Internet offers a wide variety of Web sites with up-to-date industry information and policy discussions. It also offers a large number of educational and advocacy resources. The following is a selected list of such sites, many of which have links to more sites. The descriptions were adapted from each organization's Web site in May 2000.

Media Policy

American Library Association, Office for Information Technology Policy
www.ala.org/oitp
The Office for Information Technology Policy promotes the development and utilization of electronic access to information to assure the public's right to a free and open information society. The office's staff works to secure information technology policies favorable to library services and full intellectual participation for all the public.

The Benton Foundation
www.benton.org
Bridging the worlds of philanthropy, public policy, and community action, the Benton Foundation seeks to shape the emerging communications environment and to demonstrate the value of communications for solving social problems.

Center for Democracy and Technology

www.cdt.org

The Center for Democracy and Technology promotes democratic values and constitutional liberties in the digital age. With expertise in law, technology, and policy, CDT staff members seek practical solutions to enhance free expression and privacy in global communications technologies. CDT is dedicated to building consensus among all parties interested in the future of the Internet and other new communications media.

Civil Rights Forum on Communications Policy

www.civilrightsforum.org

Communications policy will determine whether all citizens are able to participate effectively in the political process, maintain their privacy, and have access to both the public airwaves and advanced telecommunications services. The Civil Rights Forum on Communications Policy works to bring civil rights organizations and community groups into the debate over the future of our media environment—that environment is the key to the future of the nation.

Committee on Democratic Communications of the National Lawyers Guild

www.nlgcdc.org

The committee was formed in 1987 to look at the applicability of traditional First Amendment concepts in the face of the worldwide monopolization of communications resources by commercial interests and to work for the Right To Communicate as an international human right. Litigation support and policy analysis are the committee's main activities.

Consumer Project on Technology

www.essential.org/cpt

The Consumer Project on Technology was started by Ralph Nader in 1995. Currently, CPT focuses on intellectual property rights and health care, electronic commerce (very broadly defined), and competition policy.

Federal Communications Commission (FCC)

www.fcc.gov

Most of the material available on the FCC Web site is generated by the FCC's major regulatory bureaus and offices. Each bureau and office has its own suite of pages, or "Home Page" within the FCC Web site. In addition to a wealth of information on bureau-specific issues, these home pages contain the primary links to FCC releases such as orders, news releases, public notices, and Notices of Proposed Rule Makings.

Internet Society

www.isoc.org

The Internet Society (ISOC) is a professional membership society with more than 150 organizational and 6,000 individual members in over 100 countries. It provides leadership in addressing issues that confront the future of the Internet and is the organizational home for the groups responsible for Internet infrastructure standards, including the Internet Engineering Task Force (IETF) and the Internet Architecture Board (IAB).

Media Access Project

www.mediaaccess.org

Media Access Project is a 24-year old nonprofit, public interest law firm that promotes the public's First Amendment right to hear and be heard on the electronic media of today and tomorrow.

National Telecommunications and Information Administration

www.ntia.doc.gov

The National Telecommunications and Information Administration (NTIA), an agency of the U.S. Department of Commerce, is the executive branch's principal voice on domestic and international telecommunications and information technology issues. NTIA works to spur innovation, encourage competition, help create jobs, and provide consumers with more choices and better quality telecommunications products and services at lower prices.

United States National Information Infrastructure Virtual Library

www.nii.nist.gov

This site contains resources and links about the National Information Infrastructure (NII), sometimes called the "information superhighway."

Videazimut: Audiovisual Communication for Development and Democracy

www.videazimut.org

Videazimut is an international nongovernmental coalition promoting audiovisual communication for development and democracy. Members are grassroots video producers, media activists, and researchers who share a common commitment to democratic communications.

Media Industry

Broadcasting & Cable Online

www.broadcastingcable.com

Online version of the industry publication *Broadcasting & Cable,* with a daily briefing on developments in the media industry.

Columbia Journalism Review's Who Owns What

www.cjr.org/owners

CJR's web guide to what the major media companies own.

Current On-line

www.current.org

The Web service about public broadcasting, with selected content from *Current,* the biweekly newspaper covering public TV and radio in the United States.

The Industry Standard

www.thestandard.com

Written for senior executives who view the Internet as an opportunity to grow their businesses, *The Industry Standard* delivers sophisticated coverage of the people, the companies, and the business models shaping the Internet economy.

LA Times Company Town

www.latimes.com/business/cotown

News on the media industries from the *Los Angeles Times,* updated daily.

Media Week On-line

www.mediaweek.com

Online version of the industry publication *MediaWeek,* updated daily.

The On-Line NewsHour: Media/Watch

www.pbs.org/newshour/media

The mission of this site is to report and analyze news, trends, issues, and controversies involving the information industries. Covered are developments in every medium, from the mainstream press and television to alternative media, the Internet, political and public affairs advertising, and the like.

Project on Media Ownership

www.mediaownership.org

The Project on Media Ownership is a nonprofit organization affiliated with New York University, dedicated to providing the facts about who owns the media.

Veronis Suhler & Associates

www.veronissuhler.com/internetLib.asp

Veronis Suhler's Internet Research Library contains reliable data and valuable sources for the industry and financial information.

Media Education and Media Advocacy

Adbusters

www.adbusters.org

Adbusters is a global network of artists, writers, students, educators, and entrepreneurs who want to launch the new social activist movement of the information age. To this end, Adbusters Media Foundation publishes *Adbusters* magazine, operates this Web site, and offers its creative services through PowerShift, their advocacy advertising agency.

Alliance for Community Media

www.alliancecm.org

The Alliance for Community Media is committed to assuring everyone's access to electronic media. The Alliance accomplishes this by creating public education, advancing a positive legislative and regulatory environment, building coalitions, and supporting local organizing.

Alliance for Public Technology

ww.apt.org

The Alliance for Public Technology (APT) is a nonprofit, membership organization based in Washington, D.C. Membership is open to all nonprofit organizations and individuals (but not members of the affected industries) concerned with fostering access to affordable and useful information and communication services and technologies by all people.

Center for Civic Networking

www.civic.net/ccn.html

The Center for Civic Networking (CCN) is a nonprofit organization dedicated to applying information infrastructure to the broad public good—particularly by putting information infrastructure to work within local communities to improve delivery of local government services, improve access to information that people need to function as informed citizens, broaden citizen participation in governance, and stimulate economic and community development.

Center for Media Education

www.cme.org

The Center for Media Education (CME) is a national nonprofit organization dedicated to creating a quality electronic media culture for children and youth, their families, and the community. CME's research focuses on the potential—and the peril—for children and youth of the rapidly evolving digital media age.

Citizens for Independent Public Broadcasting

www.cipbonline.org

Citizens for Independent Public Broadcasting is a national membership organization dedicated to putting the public back into public broadcasting so that we can all join in the debate about our nation's future.

Commercial Alert

www.essential.org/alert

Commercial Alert opposes corporate exploitation of children and the excesses of commercialism, advertising, and marketing. This organization encourages people to develop habits of living that are more meaningful than what Madison Avenue is selling, to watch less TV, and spend more time fulfilling their talents and potential.

Community Technology Centers' Network

www.ctcnet.org

Community Technology Centers' Network (CTCNet) envisions a society in which all people are equitably empowered by technology skills and usage. . . . CTCNet brings together agencies and programs that provide opportunities whereby people of all ages who typically lack access to computers and related technologies can learn to use these technologies in an environment that encourages exploration and discovery and, through this experience, develop personal skills and self-confidence.

Computer Professionals for Social Responsibility

www.cpsr.org

Computer Professionals for Social Responsibility (CPSR) is a public interest alliance of computer scientists and others concerned about the impact of computer technology on society. CPSR works to influence decisions regarding the development and use of computers because those decisions have far-reaching consequences and reflect our basic values and priorities.

Electronic Frontier Foundation

www.eff.org

EFF is a nonprofit, nonpartisan organization working in the public interest to protect fundamental civil liberties, including privacy and freedom of expression in the arena of computers and the Internet.

Fairness and Accuracy in Reporting (FAIR)

www.fair.org

FAIR, the national media watch group, has been offering well-documented criticism of media bias and censorship since 1986. FAIR works to invigorate the First Amendment by advocating for greater diversity in the press and by scrutinizing media practices that marginalize public interest, minority, and dissenting viewpoints.

Independent Media Center

www.indymedia.org

The Independent Media Center is a network of collectively run media outlets for the creation of radical, objective, and passionate tellings of the truth.

The Media Channel

www.mediachannel.org

On Media Channel, you find original news, opinions, and reports. You also have access to hundreds of media issues organizations from all points on the globe. These include media watch groups, university journalism departments, professional organizations, anticensorship monitors, and trade publications. This super site is a reading room, a research center, and a meeting place for everyone with an interest in the media.

Media Education Foundation

www.mediaed.org

The Media Education Foundation is a nonprofit, educational organization devoted to media research and production of resources to aid educators and others in fostering analytical media literacy. This organization believes that a media literate citizenry is essential to a vibrant democracy in a diverse and complex society.

Media Space: Project on Global Media and Public Space

www.mediaspace.org

Media Space is a multimedia research and education program developing tools to help people learn and teach about the structures and effects of the commercial media system and to explore alternative approaches. Media Space has information on the concentration of media ownership and the commercialization of public space.

National Institute on Media & the Family

www.mediafamily.org

The institute is a national resource providing educational tools and materials to help parents, teachers, community leaders, and other caring adults understand the impact of the media, so they can make informed choices for children.

NetAction

www.netaction.org

NetAction is a national nonprofit organization dedicated to promoting use of the Internet for effective grassroots citizen action campaigns and to educating the public, policymakers, and the media about technology policy issues.

NewsWatch Canada

newswatch.cprost.sfu.ca

This organization undertakes independent research on the diversity and thoroughness of news coverage in Canada's media, with a focus on identifying blind spots and double standards.

Paper Tiger Television

www.papertiger.org

Paper Tiger Television is a series of programs that analyze and critique issues involving media, culture, and politics. The goal is to provide viewers with a critical understanding of the communications industry. This critical consciousness is necessary for more equitable and democratic control of information resources.

Project Censored

www.projectcensored.org

The primary objective of Project Censored is to explore and publicize the extent of censorship in our society by locating stories about significant issues of which the public should be aware, but is not for one reason or another. The project hopes to stimulate responsible journalists to provide more mass media coverage of those issues and to encourage the general public to demand mass media coverage of those issues or to seek information from other sources. This site features an archive of past "censored" stories.

Radio 4 All

www.radio4all.org

This site is a clearinghouse for the movement to reclaim the airwaves with links to many micro-radio resources, including many local radio projects.

Notes

Preface

1. See David Croteau and William Hoynes, *Media/Society: Industries, Images, and Audiences*, 2nd ed. (Thousand Oaks, CA: Pine Forge Press, 2000).

Introduction

1. This deal is still pending approval at this writing. Descriptions of the deal are from various media accounts, including "AOL and Time Warner to Merge in $166 Billion Stock Deal," *New York Times* (January 10, 2000). Online at www.nytimes.com, accessed January 10, 2000.

2. In discussing the value of older media deals in this book, we usually report both the current value at the time of the deal and the constant dollar value [in brackets], adjusted for inflation, based on the value of the 2000 dollar. Constant dollar adjustments are based on the Bureau of Labor Statistics' Consumer Price Index and were developed using the American Institute for Economic Research's online cost-of-living calculator (www.aier.org/cgi-aier/colcalculator.cgi). Constant dollar values should be considered approximate.

Chapter 1

1. Jurgen Habermas, *The Structural Transformation of the Public Sphere* (Cambridge: MIT Press, 1989/1962).

2. See, for example, Craig Calhoun, ed., *Habermas and the Public Sphere* (Cambridge: MIT Press, 1992); Peter Dahlgren and Colin Sparks, eds., *Communications and Citizenship* (London: Routledge, 1991); Peter Dahlgren, *Television and the Public Sphere* (London: Sage, 1995); Daniel Hallin, *We Keep America on Top of the World* (London: Routledge, 1994); Douglas Kellner, *Television and the Crisis of Democracy* (Boulder, CO: Westview Press, 1990).

3. Graham Murdock, "Citizens, Consumers, and Public Culture," in Michael Skovmand and Kim Christian Schrøder, eds., *Media Cul-*

tures: *Reappraising Transnational Media* (London/New York: Routledge, 1992), pp. 17-41.

4. Robert Kuttner, *Everything for Sale* (New York: Alfred A. Knopf, 1997).

5. Quoted in Cass R. Sunstein, *Free Markets and Social Justice* (New York: Oxford University Press, 1997), p. 167.

6. Alan Albarran, *Media Economics* (Ames: Iowa State University Press, 1996), p. 27.

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Chapter 7

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31. FAIR is online at: www.fair.org. Both authors have worked with FAIR. Rocky Mountain Media Watch is online at: www.bigmedia. org.

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Index

A

F

G

M

R

S

U

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The Business of Media presents the critical, yet careful, analysis of the rapidly changing media industry that students need in order to get behind the headlines and understand our increasingly media-saturated society. The writing is clear and jargon-free, accessible to undergraduates without requiring a background in economics.

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V

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