

Ownership (1): Concentration, Conglomerate and Corporate Power, 1980-2010

The following table shows the percentage of ownership of the 100 largest corporations in the United States, by industry, in 1980 and 2010. The table shows that the concentration of ownership has increased significantly since 1980, particularly in the financial services and technology industries. The table also shows that the ownership of these corporations is becoming increasingly concentrated among a few large institutional investors, such as pension funds and mutual funds.

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This chapter and the next examine changes in the ownership, structure and size of the cultural industries, and also the related IT and telecommunications sectors, in the new business and policy environment that emerged from the changes discussed in Part Two. They are guided by the following questions, introduced in Chapter 4 (see Table 4.1). The first two primarily concern the *extent* of change; the others focus on how to *evaluate* developments.

- To what extent has the twenty-first century seen recognisably new and distinct forms of ownership and structure?
- To what extent have the cultural industries become increasingly important in national economies and global business?
- How can we understand the role of the large IT and telecommunications corporations in relation to the cultural industries?
- What are the effects of the above changes on the effects of cultural production on wider society?
- How can recent changes be understood in relation to the historical commodification of culture?

I begin by discussing some key evidence concerning the degree to which a few businesses dominate cultural production, and why this matters. I then proceed to discuss the remarkable growth in the size and scope of large cultural industry corporations in the 1980s and 1990s, in an atmosphere of fevered optimism about the business potential of the sector. I show how an oligopoly of vast multinational cultural industry corporations came to dominate cultural production and circulation in North America and Europe, and to a lesser extent in Asia. I then show how a group of IT corporations began to emerge in the new century. These mega-corporations came to have a huge influence over the cultural industries, and over communication and culture in the contemporary world. During this period, individual cultural industry corporations struggled, and lost some power to the emerging IT giants – but the central fact that the cultural industries were dominated by vast, powerful corporations did not go away.

The following four sections then examine trends in how large corporations across the cultural industries and related sectors pursue market domination – and thereby greater economic, political and cultural influence – via conglomeration and vertical integration (the terms were introduced in Chapter 2 and are explained again below). There is no doubt about the increasing presence of very large companies in cultural markets, but these behemoths are surprisingly varied in how they approach the business of making money out of culture. Some of these complexities are explored in these sections, including the new webs of ownership and alliance emerging from the entry of IT and telecoms corporations into cultural industry territory.

I then go on to examine the question of whether or not the cultural industries are becoming more central to global business and national economies. I discuss the flood of reports discussing the size of the creative and cultural industries that have appeared in recent years. It does appear that, in general, there have been increases in cultural industry activity slightly above rates of increase in gross domestic product (GDP), even as some cultural industries struggled in the 2000s. Nevertheless, the cultural industries remain relatively marginal in global business (and this suggests that claims that the economy is becoming ‘culturalised’ need to be treated with scepticism). The final section takes a step back to locate the above trends in the broader historical context. It therefore considers the growth of the cultural industries as a manifestation of the continuing commodification of culture, and examines the implications of understanding growth in this way.

8.1 Ownership concentration matters – but power is the real issue

Debates about market concentration – the extent to which an industry or sector is dominated by the largest businesses – have been central not only in political economy research on the cultural industries, but also in some pluralist communications scholarship and mainstream economics approaches.

Good historically and nationally comparative statistics on market concentration have been hard to find. Instead, we often have to rely on snapshots of particular times and these need to be treated with caution. We should not underestimate the problems involved in agreeing on reliable measures of market concentration for the same period (see Iosifidis, 1997). For example, one issue, among many others, is whether or not different divisions of the same corporation – which, at least in principle, compete with each other – should be counted as competitors.¹ Such problems and ambiguities mean that the way in which ownership concentration has been conceptualised by some political economy leftists has been vulnerable to attack

¹ Even more difficult to prove via reliable statistics is that increased levels of market concentration lead to reduced levels of diversity of output (see Horwitz, 2005; Noam, 2009; and Chapter 15 of this book).

from the right and the political centre. Compaine and Gomery (2000), for example, were able to amass a vast body of statistics, questioning polemical portrayals of never-ending concentration. Their approach was in many ways more nuanced than the simplistic analysis to be found in some well-intentioned media activist websites, based on understandable concerns about concentrations of power but frequently showing little understanding of business operations.

In recent years this scholarly work has been extended, with efforts to find a more consistent research methodology in order to make assessments that might inform democratic debate. Eli Noam (2009) painstakingly examined trends in ownership concentration in the USA between the 1980s and the late 2000s. In order to analyse ownership concentration in the media, he rightly looked across various sectors, claiming that trends in media ownership could be understood only in relation to developments in telecommunications, information technology and the internet (a claim that also underlies the present book). He therefore analysed over 100 industries across what he calls 'the information sector' as a whole, compiling data from many different sources, including Securities and Exchange Commission and Federal Communications Commission filings, studies by consultants, financial analysts and so on. Among Noam's conclusions were the following:

- The concentration of the information sector as a whole declined after 1984, partly as a result of the break-up of the AT&T monopoly in telecommunications in that year, but it increased after 1992.
- Concentration of ownership in the media sector (the core of the cultural industries as defined in this book) increased markedly, especially during the period following the US Telecommunications Act of 1996.
- However, the average concentration of the media sector was at a much lower level than the rest of the information sector, and was 'unconcentrated' by the legal standards of the US government's Antitrust Merger Guidelines.²
- The internet was highly concentrated in terms of ownership.
- The cultural (media) industries are mainly owned not by famous moguls but by *institutional investors* – rising from 40 per cent in 1984 to 57 per cent in 2008. Each institutional investor owns only a small amount of any one firm, but the largest investors have stakes in many firms.

Following the publication of his 2009 book, Noam led a team of international collaborators who then analysed ownership concentration internationally, the results

² Noam recognised controversies over whether the same standards should be applied to the media/cultural industries as to other forms of industry – i.e., that the effects of even lower levels of concentration might be greater, because of the problems associated with corporate ownership power of key sources of society's information and entertainment.

of which have been published in a 1400-page tome, *Who Owns the World's Media?* (Noam et al., 2016) This book has many aims, including comparisons between levels of concentration in different industries, different sectors and different countries, and, very importantly, over time – focusing on the period between 2000 and 2013. Noam and his collaborators consider numerous possible definitions of concentration. Noam et al., (2016: 8–10) report the following major findings (among many others).

For what Noam calls content media industries (essentially, the cultural industries) and for those distributing it over network ‘platforms’ (part of the IT sector as I define it in this book – see section 1.3.1; I discuss and clarify the confusing and difficult concept of ‘platform’ in Box 8.1 below) there have been high levels of ownership concentration. For ‘content media industries’, the average figure for the proportion of the market taken up by the biggest four companies was 67 per cent; for ‘platform media industries’ it was 88 per cent.

However, the gap between these two sets of industries was declining. Content media have become more concentrated, but the concentration of platform companies has declined, while remaining very high, and the same is true of telecoms. Figure 8.1 (from Noam et al., 2016) shows this pattern using the Herfindahl–Hirschman Index (HHI), the most commonly used and most widely accepted measure of industry ownership concentration.

The top 30 *institutional investors* own about 10 to 20 per cent (depending on different assumptions about revenues and the value of assets) of the major media companies, while the top 30 individual owners (who gain a great deal more academic and media attention) hold 8 to 16 per cent. The top governmental owners own 13 per cent, and by far the world’s largest owner of media, whether counted in terms of revenue or attention time (two key definers of concentration), is the government of China.

‘The top 90 owners thus account for 30–50 per cent of the world’s major media assets’ (Noam et al., 2016: 10) – and remember here that the definition of media is extremely inclusive.

Noam provides important information, and in doing so transcends the simplifications of many sources that purport to deal with questions of concentration and ownership. Cultural industries (and other related industries) may become more or less concentrated over time, and Noam provides clear evidence that concentration can grow or diminish, even in a time when corporations are increasingly important.

The problem is that such detailed analysis of media concentration may actually take us away from some of the most fundamental normative questions regarding the activities of large corporations in society, and the way in which production is organised according to certain institutional forms. Nicholas Garnham (2004: 100) has observed that ‘the critique of concentration per se is more of a liberal than a left critique’. For Garnham, ‘the mass media are by their very nature, for better or worse, the products of economies of scale and scope and thus are by their very nature concentrated’. The ‘per se’ in Garnham’s words is significant: market concentration is important as a fact, *but mainly because it leads us on to other connected issues.*

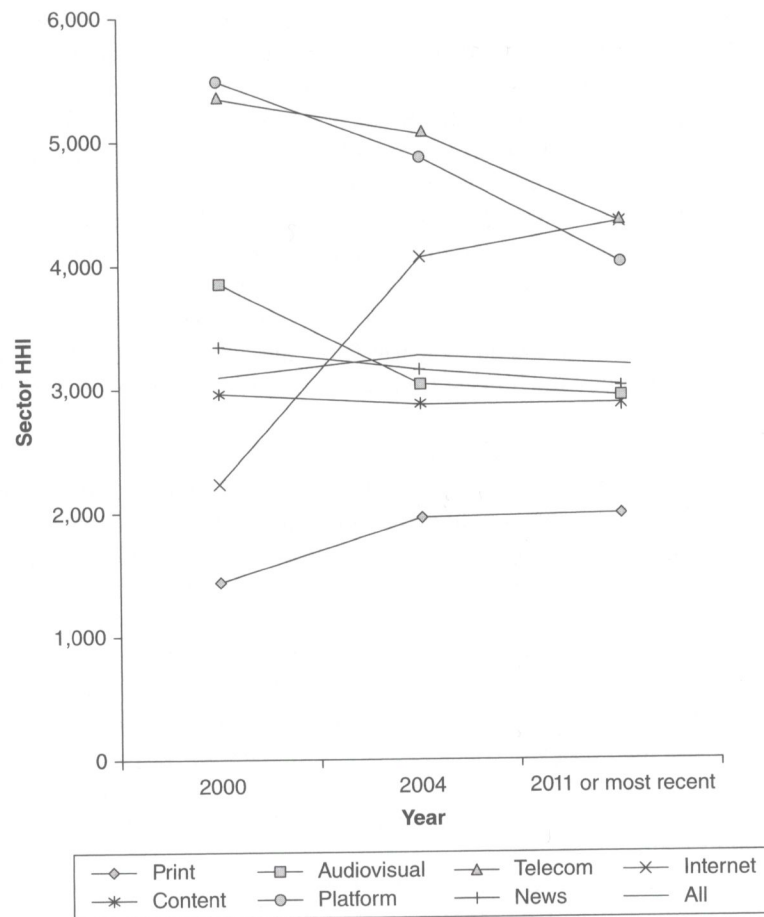


Figure 8.1 Changes in ownership concentration in various industrial sectors, 2000–2012

Source: Noam et al. (2016) *Who Owns the World's Media*, Graph 37.1, p.1244. Used with permission of Oxford University Press, Inc.

What are these issues? C. Edwin Baker (2007: 205) points out that a ‘partial dissent’ from the critique of concentration commonly to be found in some political economy perspectives ‘might describe the central problem of a democratic media as not the specifics of ownership but the market forces that are the main determinant of media content’.³

³ Consistent with this broader view, political economy regulation expert Robert Horwitz (2005: 181) noted that curbs on ownership are not likely to be very effective in controlling corporate power, though for Horwitz they undoubtedly have their place as part of aspirations to a ‘mixed media system’ governed by principles of social justice, equality and complex democracy. Policies to limit certain forms of concentration can act as curbs on the worst abuses of corporate power in certain situations, and key political economy researchers such as Des Freedman and Robert McChesney have been energetic media activists as well as accomplished authors.

However, that does not mean that ownership concentration is insignificant in itself, and Baker provides three reasons for opposing ownership concentration:

- in order to achieve a more democratic distribution of communication power;
- in order to provide a set of democratic safeguards against abuses of economic, political and cultural power;
- and in order to get the media into the hands of people who are likely to provide high-quality products.

So a critique of market concentration really does matter – but mainly because of its potential contribution to larger debates – about distribution and abuses of *power*, and about the quality of cultural products. Analysis of patterns of ownership is necessary but insufficient for an understanding of such power. Also required is consideration of what happens *within* and *between* firms. Beyond statistics about ownership, important as they are, we need analysis of when and how the powers of ownership are mobilised, and the degree to which such operations serve the interests of owners. That task is undertaken in Chapter 12.

BOX 8.1 THE CONCEPT OF THE PLATFORM

Platform is a term that has been more and more widely used to describe the products of the IT giants. In computing, this term tends to be used in a rather specific way to refer to 'systems that can be reprogrammed and therefore customized by outside developers – users – and in that way, adapted to countless needs and niches' (Helmond, 2015: 3, quoting a 2007 blog post by Netscape founder Marc Andreessen). However, the term has been very much extended beyond its original use in computing and now more commonly refers to, in the words of media researcher Tarleton Gillespie (2018: 254), 'sites and services that host, organize, and circulate users' shared content or social exchanges for them, without having produced or commissioned (the majority of) that content' while also referring to a layer 'beneath' such hosting, organising and circulation: 'an infrastructure for processing that data (content, traces, patterns of social relations) for customer service and for profit'.

Gillespie gives the following examples: 'Facebook, YouTube, Twitter, Tumblr, Pinterest, Google+, Instagram, and Snapchat ... but also Google Search and Bing, Apple App Store and Google Play, Medium and Blogger, Foursquare and Nextdoor, Tinder and Grindr, Etsy and Kickstarter, Whisper and Yik Yak'. Social media and search are clearly central to this more recent usage of the term, and concerns about platforms relate to concerns about how the IT industries represent

(Continued)

a powerful new presence in contemporary communication – including but by no means confined to their effects on the cultural industries.

In an earlier, widely cited article, Gillespie emphasised the way in which the term platform was being mobilised by 'prominent digital intermediaries' (or IT businesses, as I am calling them here) such as YouTube. Their aim in using the term for their own products, he cautioned, was 'to strike a regulatory sweet spot between legislative protections that benefit them and obligations that do not, and to lay out a cultural imaginary within which their service makes sense' (Gillespie, 2010: 348). Gillespie was clear that the term itself was not so much the issue as the way in which the discourse of the platform obfuscates the operations and obligations of technology companies by offering 'a comforting sense of technical neutrality and progressive openness' (p. 360). For example, calling YouTube a platform positions it as 'a facilitator that does not pick favorites, with no ulterior motive other than to make available this tidal wave of UGC [user-generated content]'. For Gillespie, this 'not only elides the presence of advertisers and commercial media producers, it serves as a key term in seeking those businesses and making plain how YouTube can host their content too' (p. 359).

Gillespie's perceptive comments did little to stop the burgeoning use of 'platform' by journalists, business people and academics. There have even been recent moves to claim that there now exists an academic field known as 'platform studies' (Plantin et al., 2016), seemingly comprised of academics who have sought to analyse games, social media and content-sharing sites and who have used the term. The notion of 'platform studies' will no doubt have been entrenched among many academic researchers by the publication of Nick Srnicek's concise book *Platform Capitalism* (2016), the clever title of which hints that capitalism is now centred on platforms.⁴ In fact 'platform capitalism' is not a concept that Srnicek's book develops. Instead the central theme of the book is really the 'digital economy': 'those businesses that increasingly rely upon information technology, data, and the internet for their business models' (p. 4). As many businesses fall into this very wide definition, the term 'digital economy' risks becoming excessively amorphous. The book conforms closely to a genre of writing that has been around since the debates about 'information society' (see Box 5.1) but with the concept of information now replaced by the new buzzword 'data'. Srnicek skilfully embeds the IT or 'tech sector' in a long-term account of the development of capitalism, but when it comes to more recent changes, his analysis is limited by its fetishisation of the concept of the digital. While digitalisation undoubtedly makes information,

⁴ See also Pasquale (2016). In an era when academics, like many cultural workers, have to battle hard for attention amidst an abundance of information, many have taken to coining concepts such as 'X capitalism', 'the X economy', 'the X society', 'X studies', 'X culture' or 'the X self', where X is a word that has a ring of contemporaneity and, better still, technological mystery ('algorithm' or 'algorithmic' for example). Often the resulting work isn't very illuminating; occasionally it is.

knowledge and communication more abundantly and speedily available to businesses, there remain many other non-technological factors that will determine how information, knowledge and communication are used within and outside such businesses. Srnicek's book also oversells its case that the digital economy has become a new 'infrastructure' for capital, by exaggerating the degree to which 'data' is, or will be, central to capitalism. In doing so, the book does not distance itself sufficiently from the recent hype about *big data* (see section 11.4).

It is pointless to resist the widespread usage of the term 'platform' – it is clearly here to stay in spite of the confusing discrepancies and clashes between different uses of the term. We should bear in mind Gillespie's important warnings about the concept and how it has been understood and used. We should value a recent strand of critical research that directs our attention towards the original more specific computing definition of platform, and to how social media corporations such as Facebook extend themselves into other online spaces via application programming interfaces (APIs). Anne Helmond usefully explains, for example, how Facebook is more than a social media 'site': it employs its extensions into the web to format data to fit its economic interests 'through the commodification of user activities and web and app content' (Helmond, 2014: 8). But for most people interested in communication, culture and media, the concept of platform is important mainly because of the huge importance of those services and applications that are widely known as platforms to the new cultural ecosystem of the twenty-first century. Such 'platforms' are becoming vital ways in which communication is mediated, alongside more longstanding technological forms such as television, cinema, newspapers, recordings and so on. Their complexity and opacity present new challenges for those who wish to understand modern life, and their centrality indicates the vast power of the new IT mega-corporations discussed in sections 8.4 and 9.1 below.

8.2 Why corporations matter

There is another key issue that is often blurred with the issues of concentration of ownership discussed above, but that needs separate consideration: the role of large cultural corporations in modern societies and in cultural production (see section 4.3 for definitions and discussion of the rise of corporations). Ownership concentration (or market concentration), to recap, is about the degree to which a market or industry is dominated by the largest businesses, usually expressed as a percentage. This only partially addresses the issue to which corporations, individually and collectively, exercise power, and about when that power – understood in economic, political and cultural terms – might be deemed to be excessive.

↳ We can identify four intertwined ways in which large corporations matter. First, influence on policy and regulation: because of the enormous resources at their disposal, combined with their legal requirement to serve the interests of their owners

above other interests (such as democracy, or the common good), corporations may individually and collectively seek to influence public policy and regulation in ways that are harmful to those who do not have ownership of, or privileged positions within, the corporation. There are numerous examples from various industries (see Bakan, 2003, among other sources), including the cultural industries (e.g., the discussion of copyright in section 6.10).

Influence on the prevailing quality of products: because corporate forms of production are now the main way in which many products come to us, and because of the legal requirement for corporations to serve the interests of owners above other interests, the quality of products might be compromised unless the activities of corporations are carefully regulated. This potentially is of great import when it comes to cultural products, with their capacity to shape society and culture (see Chapter 1). But such necessary democratic oversight and regulation might be very limited, as a result of the lobbying activities of corporations (see previous point).

Influence on prevailing labour conditions: how corporations organise and manage labour tends to set the tone for the rest of society, and because of the legal requirement to serve the interests of owners above other interests, this might in some cases compromise the quality of people's working lives, unless the activities of corporations are carefully regulated (see previous points).

Mutual reinforcement of power: it is common in contemporary capitalism for members of the governing body of a corporation to serve on multiple other such bodies and this leads to a situation in which corporations in different industries and sectors may mutually reinforce each other's power and that of the elites that own and control them, thus extending corporate power, and elite power generally.

All the above potential effects can be found in the actions of cultural industry corporations, and of corporations in other sectors. Note that in each case the problems might *derive* from the corporate form, so that we can consider the corporate form in relation to, and in comparison with, alternative modes of ownership and control.

In this respect, I want to point to the importance of recent work by Rodney Benson (2016) on how different 'institutional forms of media ownership' might or might not serve democracy. What Benson shows is that corporations need to be understood in relation to two other main types of ownership form, notably a) privately held companies (i.e., those owned by individuals, groups of individuals or families, and not available for part purchase via stock markets, as corporations are), and b) public media and civil society media (those owned and funded by religious, non-profit associations and foundations, including public service media).

Benson assesses these three forms of ownership by comparing how they pursue four broad 'modes of ownership power'. These are as follows:

- Business instrumentalism: 'the strategic use of a media outlet to achieve owners' short-term or long-term profit goals, either by publicizing or failing to publicize events or topics related to one's own business concerns or those of one's competitors' (pp. 30–31).

- Political instrumentalism: ‘overt or covert attempts to use a media outlet to promote or attack politicians, social movements and/or issues of special concern to the owners’ (p. 31).
- Public service commitment: ‘when owners make choices to support journalistic professional excellence even when it has no clear economic upside and may even entail a potentially dangerous downside, such as loss of readers or lawsuits’ (p. 31).
- Audience adjustment: ‘maximizing the most efficient reach to a designated target audience in order to maximize revenues’ (p. 31).

All of these modes of ownership power can have both positive and negative dimensions (even public service commitment can be ‘paternalist’) – with the exception of business instrumentalism, which is fairly straightforwardly negative. Modes do not simply map onto organisations – the same organisation can switch between different modes.

Drawing on a variety of secondary sources, Benson provides evidence that, across different nations, public media and civil society media (those owned and funded by religious, non-profit associations and foundations) offer greater public service commitment and ‘better’ kinds of political instrumentalism than commercial media. He also reports a number of studies that suggest publicly traded media (i.e., corporations) tend to be more prone to cost-cutting and reducing public service orientation and commitment than privately held companies. Both public corporations *and* private companies often show high levels of business instrumentalism, and private companies tend to engage *more* in political instrumentalism.

Benson’s main point is that while organisations pursue their interests in a great variety of ways, their strategies are not random: they ‘tend to favour some types of action over others’. What all this shows that *mode of ownership matters, not ownership concentration*. Benson is concerned mainly with news, but his model potentially has implications too for the quality of product offered by entertainment industries.

Having clarified why the increasing presence, scope and *power* of corporations in the cultural industries matter, I now trace some significant changes regarding ownership and concentration in the sector.

8.3 The emergence of cultural mega-corporations, 1980–2005

One of the most important transitions from the market professional era of cultural production to the complex professional era in the early twentieth century involved the increasing presence of large corporations in cultural markets (see Chapter 4). This was the period, for example, when the Hollywood studios emerged as major

international cultural presences. This long-term trend towards larger corporations continued in the post-war period, but significantly intensified in the 1980s and 1990s, as marketisation and internationalisation offered new degrees of reward for corporations that could exert market dominance – and for their owners and executives. A small number of transnational cultural industry corporations came to have enormous power, not quite globally, but across much of the developed world. However, by the early 2000s a new generation of corporate giants was developing, based in the IT sector. These companies, and the IT sector as a whole, was to provide major challenges to the cultural industries, especially in the first decade of the twenty-first century.

The increasing size and conglomeration of cultural industry companies were part of a trend towards more and larger mergers and acquisitions in *all* industries, which quickened during the 1980s in response to the Long Downturn, but then exploded in the late 1990s and again in the mid-2000s. Even before this period, however, the 1980s represented a key period for integration and conglomeration in the cultural industries. There were 4900 mergers in the USA between 1968 and 1973, but there were over 3300 corporate acquisitions in 1986 alone (Greco, 1995: 229–30). This was the period of marketisation in broadcasting policy in the USA, and two of the three great broadcasting networks (CBS and NBC) changed hands via huge deals in 1985–1986. Following the Wall Street Crash of October 1987, the US House of Representatives eliminated certain tax breaks that encouraged acquisitions. As a result, mergers in general substantially decreased in the USA in the following years (Greco, 1995: 230). But this did not prevent a series of spectacular international mergers affecting the cultural industries at the turn of the 1980s/1990s, among the most notable of which were as follows:

- Consumer electronics company Sony purchased CBS Records in 1988 (US\$2 billion) and Columbia Pictures Entertainment (US\$3.4 billion) in 1989.
- Time-Life and Warner Communications merged in 1989, in the form of a ‘friendly’ US\$14.9 billion buyout by Time-Life.
- In 1990, following the Sony/CBS deal, another consumer electronics giant, Matsushita (which later changed its name to Panasonic), purchased MCA, a music talent agency that had become a media conglomerate, for US\$6.8 billion.

These mergers partly reflected a growing sense on the part of executives, consultants, academics and gurus that the best way to deliver profits to investors was by combining business interests that might mutually reinforce each other (see section 8.5 on conglomeration).

The 1990s then saw an eruption of mergers in industry as a whole. For example, 1997 saw the highest ever figures for mergers and acquisitions in the USA up to that point – US\$912 billion worth of deals (*Business Week*, 30 March 1998: 47).

This wave of mergers was partly a result of the availability of huge amounts of capital, as rich institutions and individuals grew richer and sought out ever more investment outlets for their funds, in a world ‘awash with surplus liquidity’, to quote the International Monetary Fund (Harvey, 2010: 34) Capitalism entered a whole new stage of the financialisation that had been unleashed by the Long Downturn (see Chapter 5). Capital was invested less in firms that might produce tangible goods, and more in the (sometimes) higher-return business of speculation on assets such as company stocks and shares, bonds, property, and new products such as ‘derivatives’ (financial goods whose value depends on that of some underlying assets such as oil or property).

Merger mania was further fuelled by a significant recovery in the US economy, and to a lesser extent in European economies too, from 1995 onwards. Finally, the Long Downturn discussed in Chapter 5 seemed to be ending. There was rapid growth in GDP, labour productivity and investment. Even real wages went up – though inequality continued to increase. In fact, a great deal of this growth was based on what even in 2000 the Marxist historian Robert Brenner (2000: 5) called ‘the greatest financial bubble in American history’, as equity prices lost touch with reality, and household, corporate and financial debt all reached record levels, permitting an explosion in consumption. In the short term, however, the 1990s recovery fuelled business and investor ‘confidence’, and led to increased investment and merger activity, further powered by capital gains tax cuts introduced by the US Congress in 1997.

Investors saw immense profit potential in telecommunications, information technology and cultural industries in the wake of the privatisation, marketisation and deregulation of the 1980s. Figure 8.2 tracks the value of worldwide mergers and acquisitions for all industries between 1984 and 2008, as well as for the IT, telecoms and media sectors.⁵ Note the bulges in the late 1990s and mid-2000s.

An ‘asset price bubble’, where the economic value attached to assets such as stocks, bonds, property and land systematically outstrips the objective worth of those assets, developed in IT and telecommunications, and this came to be known as the ‘dot.com boom’ or ‘dot.com bubble’ (see Brenner, 2003). It culminated in the ill-fated merger between internet service provider AOL (America Online) and media giant Time Warner, announced in January 2000: a moment of millennial madness. In telecommunications, the so-called US recovery combined with the marketising US Telecommunications Act of 1996 (see section 6.10) to bring about frenetic investment and merger activity in the telecommunications sector (Sterling et al., 2010: 288–301). Although the term ‘dot.com bubble’ is widely used for the events of the 1990s, this involved telecoms just as much as the IT sector – and the bankruptcy of the telecoms giant Worldcom in 2002 stands alongside

⁵ Recall that the definition of the cultural industries offered in Chapter 1 of this book centres on the media, though it is not confined to them.

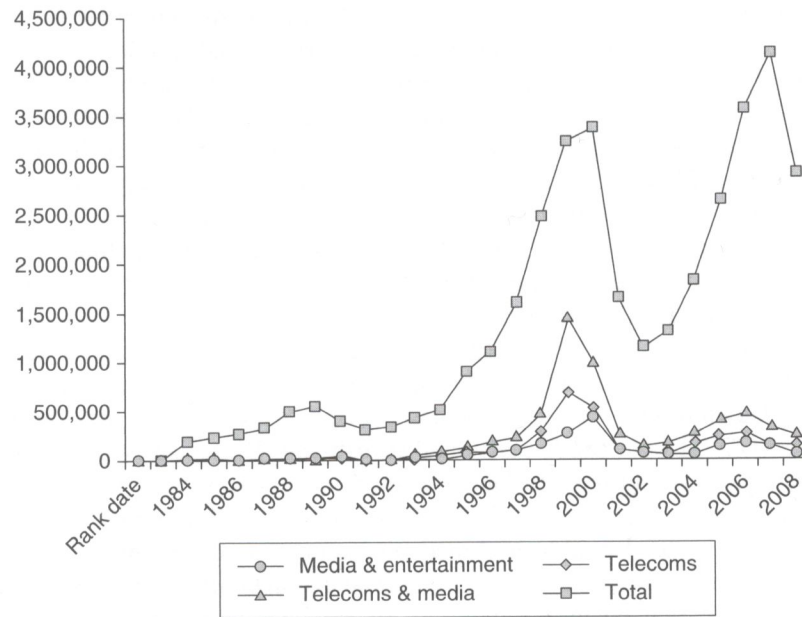


Figure 8.2 Worldwide mergers and acquisitions in the media and telecoms industries, 1984–2008 (millions, US\$)

Source: Thomson Reuters (2009), from Winseck (2011a: 14).

that of the energy company Enron as an example of American capitalism at its most criminally venal at the turn of the millennium.⁶

The recovery also helped to fuel increases in the advertising spending that was central to profitability in many cultural industry businesses. This encouraged mergers and acquisitions in the cultural industries, but so did claims made by politicians, intellectuals, journalists and others that the world – or at least the most developed parts of it – was becoming a global ‘information society’ and that a ‘global information superhighway’ was going to be developed.

Between 1992 and 2000, the biggest media corporations were involved in hundreds of mergers and acquisitions. Bertelsmann, for example, took part in 249 as an acquirer and 137 as a seller or target (Chan-Olmsted and Chang, 2003: 223). Greco (1996: 5) reported that there were 557 media business acquisitions between 1990 and 1995 – an amount that was only just short of the entire total of such deals between 1960 and 1989. Particularly significant were two waves of mega-acquisition in 1994–1995 and in 1999–2000. According to one source (Sánchez-Tabernero and Carvajal, 2002: 7), in 2000, 40 per cent of the mergers and takeovers of companies on a global scale

⁶ ‘The telecoms bust is some ten times bigger than the better-known dot.com crash: the rise and fall of telecoms may indeed qualify as the largest bubble in history’ (‘The great telecoms crash’, *The Economist*, 18 July 2002). They hadn’t seen anything yet.

Table 8.1 Some major cultural industry mergers and acquisitions of the 1990s

Date	Acquiring firm	Acquired firm (new name in brackets)	Price (US\$ billions)	Strategic motivation
1994	Viacom	Paramount Communications	8.0	Conglomeration across publishing, film, broadcasting, cable, theme parks
1994	Viacom	Blockbuster	8.5	Distribution control
1995	Disney	Capital Cities/ABC	19.0	Vertical integration and control of content creation
1995	Time Warner	Turner Broadcasting	7.4	Vertical integration and conglomerate/synergy
1995	Seagram	MCA (Universal)	5.7	General conglomerate moves into diversified media
1995	Westinghouse	CBS	5.4	General conglomerate moves into broadcasting
1998	Seagram	PolyGram	10.6	Recording market share plus European film interests
1998	AT&T*	TCI (including Liberty Media)*	48.0**	Telecoms and media convergence
1999	Viacom	CBS	22.0	Media conglomerate consolidates broadcasting power
2000	Vivendi	Seagram/Universal	35.0	Very diversified European leisure conglomerate diversifies further
2000	AOL*	Time Warner* (AOL Time Warner)	128.0**	Internet service provider merges with media conglomerate

Key:

* a merger

** evaluation of new merged company rather than price.

Note: Prices and values are based on reports at the time that the merger or acquisition was announced, except for AOL Time Warner, which was evaluated at US\$350 billion in January 2000.

(worth US\$3.5 trillion) took place in the telecoms, IT and media sectors. Some of the main 1990s mergers are summarised in Table 8.1.

8.4 2000 onwards: the IT mega-corporations emerge, (some) cultural industry corporations begin to struggle

Partly as a result of mergers and acquisitions of the kind discussed in the last section, a new generation of global multimedia mega-corporations had come to dominate the revenues gained from global cultural industry markets by the late 1990s. These were very much bigger companies than those that had previously dominated particular

cultural industries, such as film or television or newspapers. Their reach across different cultural industries gave them considerable potential influence on government policy and on the very nature of cultural production itself. The biggest companies were also increasingly international and this too enhanced their lobbying clout.

As we saw above, the frenetic merger activity of the 1990s was interrupted when the 'dot.com' telecoms and IT asset bubble burst in 2000–2001, but within a short space of time, the economies of North America and Europe seemed to recover. That recovery turned out to be largely based on an even bigger bubble, this time based on over-valuation of property and financial derivatives, rather than on 'new economy' equity (stocks and shares). The bursting of that second bubble led to the massive financial crash of 2007–2008 and a subsequent economic crisis across much of the world, and I will explore the consequences of this crash for the cultural industries below. In this new world, from the chaos of the IT industries in the 1990s a group of IT mega-corporations emerged. The most directly relevant for our concerns are those at 'layer 3' in the model presented in Box 8.2. In terms of market dominance, many have pointed to the towering presence of GAFA (or sometimes GAFAM) – Google, Apple, Facebook, Amazon (and sometimes Microsoft).⁷ The degree to which these corporations globally dominate the sectors for which they are best known is truly remarkable. As is shown in Tables 8.2 and 8.3, the global domination by Google of the crucial function of search is not diminishing; in fact it is increasing.

Table 8.2 Market share of the four main search engine companies (% , 2011)

	Global	Europe	North America	Asia
Google	82.35	94.81	79.18	73.20
Yahoo	6.69	1.57	9.01	9.84
Bing	3.79	2.33	9.09	2.16
Baidu	5.12	0.00	0.00	12.23

Source: Netmarketshare, 2011. Search engine market share October 2011. <http://www.netmarketshare.com/search-engine-market-share.aspx?qprid=4&qpcustomd=0>

Table 8.3 Market share of the four main search engine companies (% , 2017)

	Global	Europe	North America	Asia	Africa
Google	91.79	91.85	89.66	91.69	95.47
Bing	2.75	3.66	6.38	0.92	1.99
Baidu	1.66	0.00	0.07	3.44	0.11
Yahoo	1.61	1.13	3.02	1.25	2.13

Source: <http://gs.statcounter.com/search-engine-market-share>

⁷ A variant on this acronym, FAANG (Facebook, Apple, Amazon, Netflix, Google), rather bizarrely includes Netflix alongside the IT giants, and excludes the much bigger and more powerful Microsoft.

These companies are indeed significant. But we should not neglect the Chinese IT corporations that emerged a little later, such as Tencent, Alibaba and Baidu, nor a level of somewhat smaller but still vast and multinational IT content and platform corporations, smaller than the corporations that make up the GAFAM oligopoly, but still powerful.

BOX 8.2 UNDERSTANDING THE IT AND TELECOMMUNICATION INDUSTRIES: A LAYER MODEL

There is no agreement or accepted model of how to delineate the world of information and communication technologies (ICTs) or the industries that are the basis of them. There are various accounts of 'tiers' and 'layers'. Fransman (2010) provided what he calls an 'ecosystem layer model' of the 'information and communication technology (ICT) ecosystem', consisting of six 'layers'. Putting aside the rights and wrongs of the 'ecosystem' metaphor, this is a helpful way to understand the ICT system, and interdependencies within it. In a 2014 paper, Fransman presents a simplified model of three interacting layers, as follows:

1. **ICT equipment providers** who create the elements that make up ICT networks: microprocessors, memory, plus telecoms equipment, hardware and system software. Major firms include Intel and Cisco (both Silicon Valley, USA), Microsoft (USA), Ericsson (Sweden), NEC (Japan), Huawei (China).
2. **Network operators** who string these elements together in order to make networks; includes internet service providers, telecoms operators, cable operators, satellite operators, and broadcasters. Major firms include BT (UK), France Telecom (France), Vodafone (UK), AT&T (USA), and China Telecom and China Mobile (China). This section is highly concentrated.
3. **Providers who create platforms, 'content', services and applications** that run over the networks provided by the network operators, including navigation (browsers), search. It is here that some of the best-known IT corporations operate, and it is here where the IT industries interact most with the cultural industries: Google, Amazon, Facebook and eBay, along with Chinese giants such as Tencent.

Presented in this way, this simplified model inevitably obscures significant complexities; Fransman emphasised in his book the importance of analysing the changing interactions between the different levels. Dwayne Winseck (2017) has outlined the building and ownership of the global internet infrastructure upon which

(Continued)

so much contemporary communication, and therefore culture, depends: 99 per cent of all international internet traffic passes through 356 submarine fibre optic cables. A key group of new telecommunications corporations operating these fibre optic cable systems, little known outside the industry, have emerged: Level 3 (now part of US telecoms giant CenturyLink), Global Cloud Xchange and Tata (the latter two are both owned by Indian parent companies). Winseck also discusses the increasing importance of content delivery networks (CDNs), which provide 'complex software to match incoming requests for content to the "best" server for meeting each end-user request' (Stocker et al., 2017: 1004). Here the main players include telecoms and internet giants Amazon, Akamai, China Cache, Level 3, Verizon, Limelight and Highwinds. Another key element is constituted by internet exchange points (IXPs), where internet service providers and CDNs exchange their data – often run by non-profit organisations. The complexity of these ecosystems and the variety of players involved shows that the idea that the GAFAM oligopoly 'own' or 'run' the internet is absurd. However, Google, Facebook and Microsoft have increasingly built cable systems to serve their own needs, often in alliance with other corporations; and the diversity of the interests involved should not mask that the global internet infrastructure, now potentially fragmenting into multiple internets – a 'federated internet' in Eli Noam's words – is fundamentally reliant on these vast corporations, the international nature of which makes them extremely difficult to monitor and regulate.

As confidence recovered, the 2000s saw a continuation of the earlier merger mania, but now with the (layer 3) IT corporations at the centre of the action. Once the communications sector started to bounce back from its turn-of-the-century implosion, massive telecoms mergers revived. See Table 8.4 for instances of important mergers in the 2000s. Google and Microsoft, for example, both made significant acquisitions of companies that have enabled them to gain information about users for advertisers – DoubleClick and aQuantive respectively. This reflected competition over advertising between established players in the cultural industries and new entrants from the IT world – a phenomenon that would later have major effects on cultural industries, as I discuss in Chapters 10 and 11. Note too how the AT&T takeover of BellSouth in 2006 dwarfed the IT and cultural industry-related deals – a reminder of the size, scope and importance of telecoms as an industry upon which those other industries depend.

Another major development in the twenty-first century was the rise of giant Chinese telecommunications and IT corporations. Chinese cultural industries are mainly state enterprises, such as China Central Television and People's Daily Group (newspapers), the China Film production company and Huaxia Film Distribution company, though there are significant non-state businesses in film and publishing, such as Huayi Brothers in the dynamic film sector (Hang, 2016).

Three vast state corporations dominate wired and wireless telecommunications: China Telecom, China Mobile and China Unicom, the latter also providing internet access. In internet ‘platforms’, services and content, however (layer 3 in the model in Box 8.2), it is non-state businesses that dominate in China. The most notable are as follows:

- Alibaba: centred on e-commerce, and dealing with more transactions than eBay and Amazon combined;
- Tencent: social media and online games
- Baidu: focused on search in a market in which Google is not permitted to compete.⁸

While these corporations gain most of their revenues from the services indicated, they are less specialised than US internet corporations. Tencent has a very large stake in JD.com, an e-commerce company, and seeks to challenge Alibaba. These Chinese internet giants are increasingly active outside of China, with Alibaba investing in online payments and Tencent making significant investment in games; it was involved in a massive purchase of a Finnish games company, Supercell, in 2016. Meanwhile, further away from the cultural industries, non-state Chinese tech corporations increasingly lead the way in drones and transport services; Didi is now a major challenger to Uber, for example.

The growing size of these vast companies is part of a global trend across business as a whole. As *The Economist* newspaper has pointed out,⁹ in the 1980s and 1990s many management gurus were pointing to the ‘demise of size’ as some giant corporations were broken up during an era when entrepreneurial start-ups seem to be challenging prevailing business models.¹⁰ But by the second decade of the twenty-first century, it was clear that domination of the global economy by vast corporations had never gone away. According to the research consultancy McKinsey

⁸ Baidu’s growth has begun to stall as online advertising has shifted from search to social media. This paragraph draws on ‘China’s internet giants go global’, *The Economist*, 20 April 2017.

⁹ ‘The rise of the superstars’, 17 September 2016. All the figures quoted in this paragraph are from that article.

¹⁰ The most notable company to be broken up was the ‘old’ AT&T. The AT&T telecoms monopoly, headquartered in New York, consisted of a group of companies known as the Bell System, named after Alexander Graham Bell, who founded AT&T’s predecessor company in 1877. In 1984, the AT&T monopoly was divided into numerous smaller regional companies, known as ‘Baby Bells’ (see Chapter 4) though a rump long-distance telecoms company remained, still called AT&T. One of the Baby Bells, Southwestern Bell, gradually acquired some of the others, and eventually in 2005 took over AT&T itself and took on the name. The ‘new’ company then grew further, so that it once again became one of the largest telecoms corporations in the world, but now headquartered in Texas rather than New York.

Table 8.4 Some major cultural industry-related mergers and acquisitions of the 2000s

2002	Comcast	AT&T Broadband	47.5	Cable company expands via acquisition
2003	General Electric/NBC	Vivendi Universal (NBC Universal)	5.5	'Merger' between two media giants, but with NBC by far the dominant partner
2003	Sony*	BMG (Sony- BMG)	Not known	Music arms of two 'majors' merge; Sony eventually bought out Bertelsmann's stake
2004–5	Sony	MGM	4.9	Massive acquisition of back catalogue; cable company
2006	Disney	Pixar	7.4	Studio buys production company with strong affiliations to it
2006	AT&T Inc.	BellSouth Corp	67	This deal followed SBC's acquisition of AT&T in 2005 (the latter's name was adopted). The later deal allowed for increased bundling of wireless and fixed-line telephony with television and broadband services.
2006	Google	YouTube	1.6	A relatively small acquisition, but of great symbolic import, signalling Google's entry into the cultural industries
2006	Comcast	Adelphia Cable	17.6	Significant consolidation of the US cable broadcasting industry, also involving subscriber swap with Time Warner Cable
2007	News Corporation Inc.	Dow Jones & Company Inc.	5.6	Murdoch's controversial purchase of the <i>Wall Street Journal</i>
2007	Google	DoubleClick	3.1	Google purchased internet advertising services company
2007	Microsoft Corporation	aQuantive	5.7	Microsoft purchased a Seattle advertising company as it sought to compete with Google's acquisition of DoubleClick
2008	Vivendi*	Activision	18.8**	A merger of Vivendi's games division with top US games publisher
2010	Comcast	NBC Universal	13.75	Cable broadcasting giant purchases media conglomerate – an extremely significant and controversial consolidation (see below)
2010	Walt Disney	Marvel	4.24	Disney buys comics division, acquiring various brands, characters etc.

Key:

* a merger

** evaluation of new merged company rather than price.

Global Institute, 10 per cent of the world's public companies generate 80 per cent of all profits, and firms with more than US\$1 billion in revenue account for nearly 60 per cent of all global revenue. The 'quest for size' has meant that mergers and acquisitions have continued apace. In 1990 there were 11,500 mergers and acquisitions per year, with a combined value equivalent to 2 per cent of global GDP. In the period from 2008 onwards, the figure was 30,000 per year, equivalent to 3 per cent of global GDP. This phenomenon, *The Economist* has noted, was particularly apparent in 'the knowledge economy', with a handful of Silicon Valley giants 'enjoying market shares and profit margins not seen since the robber barons'. Some worrying actual and potential consequences of the rise of these giants are summarised at the end of the next chapter, in the context of a discussion of the problems of digital culture as a whole.

8.5 Conglomeration: from synergy to 'convergence'

I now examine two processes essential to understanding the growth of cultural industry corporations, and also of firms in neighbouring sectors such as IT and telecommunications: conglomeration and vertical integration.

As we saw in Chapter 4, a key feature of the complex professional era of cultural production, especially from the 1960s onwards, was conglomeration. This continued into the 2000s. Conglomeration takes very tangled forms in the cultural industries as well as in other sectors. Chan-Olmsted and Chang (2003) compared the remarkable number of sub-divisions in the biggest cultural industry corporations of the early twenty-first century (see Table 8.5). They also demonstrated that companies vary considerably in the degree to which they diversify across different sectors and in the number of entities under their control (see also Fitzgerald, 2012).

Corporate strategy with regard to conglomeration in the cultural industries altered in significant ways. In the early years of the complex professional period, most cultural businesses were privately owned entities operating in one industry, rather than publicly listed corporations straddling different ones. Newspapers, for example, often principally belonged to and were operated by moguls, and mainly confined themselves to that one industry. Much the same was true of the Hollywood film studios. In the 1960s and 1970s, as we saw in Chapter 4, non-cultural industry conglomerates began to buy into the cultural industries as a form of diversification, for example the purchase of book publishers and record companies by manufacturing giants (such as electrical engineering company Thorn's purchase of EMI in 1979) or the buying of film studios by oil, insurance and even funeral services companies in the late 1960s (see Gomery, 2005).

The late 1980s and early 1990s saw a shift. A fashionable business concept of the time was *synergy*. This was originally a medical term, referring to how two elements (such as two drugs or two muscles) might work together to produce a result greater than the sum of the two parts. The idea behind the metaphor was that the different

Table 8.5 Conglomeration in the Magnificent Seven, c. 2003

Diversification Measures	Vivendi			AOL Time			News Corporation
	Universal	Bertelsmann*	Sony	Warner	Disney	Viacom	
Extent of diversification							
Number of business units** (ranking)	316(2)	531(1)	150(4)	190(3)	113(5)	30(7)	71(6)
Number of SIC sectors involved (ranking)	80(1)	29(4)	32(3)	28(5)	15(7)	17(6)	
Directions of diversification							
BSD (ranking)	30(1)	Na	13(4)	18(2)	16(3)	8(6)	9(5)
MNSD (ranking)	2.67(1)	Na	2.46(2)	1.83(5)	1.75(6)	1.88(4)	1.89(3)
Overall ranking***	1	2	4	3	5	7	6

Note: SIC = Standard Industrial Classification; BSD = Broad Spectrum Diversity; MNSD = Mean Narrow Spectrum Diversity.

* Because of the lack of specific SIC codes for the Germany-based Bertelsmann, a proxy system was used to measure its product diversity consistent with the SIC measure used for other conglomerates. Drawing on Bertelsmann's annual reports, its list of divisions (e.g., television group) was treated as the two-digit SIC group and its subdivided sets of businesses under each division (e.g., pay-TV) as unique SIC codes. Over 500 business units were reviewed to derive the proxy measures. Because of the proxy system, it was not possible to calculate the BSD and MNSD for Bertelsmann. However, because of the extensiveness of Bertelsmann's business units and as its sectors were comparable to those of other conglomerates, except for Vivendi, it is still considered number two in the overall ranking assessment.

** A business unit is a subsidiary business entity of a parent company (e.g., MTV as a business unit of Viacom).

*** The overall rankings are based on the averages of BSD, MNSD and business unit/sector rankings.

Source: Chan-Olmsted and Chang (2003: 221).

parts of a corporation should relate to each other in such a manner as to provide cross-promotion and cross-selling opportunities, so that sales would exceed what was possible when divisions acted separately. As the popularity of such ideas spread from business schools and management gurus and into corporations, conglomerates began to specialise again, rather than spreading themselves across a range of often unrelated activities (though some more general companies continued to do this, especially those involving financial investment). This time, however, the specialisation tended to be not just in one activity, such as film or radio – as in the pre-diversification era of the early twentieth century, but in a set of related ones.¹¹

The form of conglomeration that received the most publicity in the late 1980s was the purchase of media producers by consumer electronics companies (so-called hardware/software synergy).¹² Sony's purchases of CBS Records and Columbia Pictures Entertainment in 1988 and 1989 respectively were widely assumed to represent the future shape of cultural industry corporate strategy. The idea was that Sony would be able to use prestigious US rock music and cinema to help persuade consumers to buy new consumer technologies, such as the CD, and then utilise their dominance in hardware to sell more cultural products.

By the mid-1990s, however, such hardware/software synergies were widely viewed as failures. Certain commentators have explained this apparent lack of success by referring to the different production cultures needed to produce consumer electronics on the one hand and music/films/TV programmes on the other. Some of these accounts were convincing (Negus, 1997), but some press versions bordered on racism: the implication was that the Japanese were incapable of producing entertainment and could only produce efficient machines. When hardware/software mergers were deemed to have failed, the electronics companies began to sell off their media properties and to form alliances and joint ventures with media producers on particular projects.

The late 1990s and 2000s saw somewhat different developments in conglomeration. In the merger mania of this period (see Table 8.1, above), telecommunications companies made some efforts to enter into cultural industries, mainly via the purchase of cable subscription companies which were an important part of the vast US broadcasting market. AT&T's 1998 takeover of cable group TCI, including the Liberty Media Group, was a prime example of this. More significant still, as already indicated, was the entry of a new generation of IT giants. Microsoft, the leading IT

¹¹ Very diverse general conglomerates continue to be a feature of the South East Asian business landscape. Some North American general conglomerates, such as General Electric, thrived in the late 1990s and early 2000s.

¹² Such hardware/software synergies were not unprecedented by any means. The Dutch consumer electronics group Philips had its own record division (PolyGram) for decades until it sold it to Seagram in 1995. The networks in the USA were also founded on such synergies as NBC, for example, was part of the communications conglomerate RCA, which made radio equipment.

corporation of the 1990s along with chip designer and manufacturer Intel, made various rather clumsy efforts to enter into content creation, following Microsoft founder and then CEO Bill Gates' premature declaration that 'content is king' in 1995 (see Wu, 2017: 255). The merger of AOL with Time Warner in 1999 was greeted as the harbinger of this type of 'convergent' conglomeration, but proved to be something of a disaster, saddling the new company with enormous levels of debt. More notable in the longer term were purchases by Google and Microsoft of games divisions, and most significant of all, companies providing advertising and market information such as DoubleClick and aQuantive. The business models of these purchased companies were centred on the gathering of data about users, which could then be sold on; in that respect, they were not really cultural industry businesses, in the sense of being involved in the production and/or circulation of texts/content (see the discussion of definitions in Chapter 1 of this book). Nevertheless, they foreshadowed the increasing centrality of data to all businesses, including the IT and cultural industry sectors (see Chapter 11). Microsoft's main cultural industry interest remains the production of games for its Xbox. In this sense, its ownership of a whole series of 'first-party' games developers recalls the ownership by electronics manufacturers of record companies.¹³ In both cases, the idea was to provide texts/content for their hardware.

The most significant early intervention by IT companies into the cultural industries was the purchase of YouTube by Google in 2006. As Ken Auletta pointed out, like the television networks, 'YouTube publishes content produced by others and sells advertising. The more consumers linger on YouTube, the more pages they view, and the more page views, the more YouTube's ads rise' (Auletta, 2010: 154). In their provision of search, Google did not have any particular interest in the destinations of users, but with YouTube they did. This was to result in a battle between Google and cultural industries, most publicly with the US corporation Viacom. This clash was not as novel as many claimed in the heat of early millennium IT hype. Conflicts between video cassette recorder (VCR) manufacturers and film studios raged for a decade from the mid-1970s onwards. And what Google recognised in its purchase of YouTube was a longstanding reality: that power in culture and communication inheres in the control of distribution or circulation (see Chapter 2). The most crucial fact about Google's takeover of YouTube was that corporations were now operating across the IT and cultural sectors, and this was especially significant given Google's massive eminence in the vital search market.

These changing trends in conglomeration are reminders that cultural industry corporations are both powerful and yet also operate in a highly uncertain environment. As Christopher Anderson (2007: 280) has elegantly pointed out, both the business

¹³ For example, Dutch consumer electronic giant Philips' ownership of PolyGram Records in the 1970s (and before that Phonogram Records), or Microsoft's licensing agreements with 'third party' games developers.

press and critical media analysts are sometimes guilty of overestimating the seamlessness of the process of concentration and conglomeration:

In the publicity that surrounds high-profile mergers and acquisitions – not to mention the fears of media critics – conglomerates perform with orchestral grace, each distinct business blended in concert under the baton of a charismatic chief executive. The reality is quite different: companies brought together by investment capital are frequently torn asunder; mergers that make sense on paper dissolve once people from different professional backgrounds lock horns over strategic decisions.

In line with this realistic appraisal, a number of analysts (e.g., Jin, 2011) have pointed out that many notable companies turned to ‘de-convergence’ as a strategy in the wake of the 2008 crisis, focusing on a few core business areas and selling off other areas of their operations. This was because media conglomeration, especially forms associated with ‘convergence’, met with a number of problems. Communication and media mergers and acquisitions involving a minimum of 5 per cent of stock declined significantly from an all-time high of 858 deals in the year 2000 to 444 in 2005, and had only recovered to 569 by 2009 (Jin, 2011). Shares in one prominent merged corporation, Viacom-CBS, halved in value in the two years from 2003 to 2005. Sumner Redstone, principal owner of Viacom and CBS via his National Amusements corporation and celebrated in the fawning US business media as a master deal-maker, proclaimed in 2005 that synergy was in its death throes. But Viacom-CBS and other struggling giants such as Time Warner were not alone in de-converging. Drawing on a comprehensive trawl of industry reports, Jin showed that, alongside continuing merger activity, there was a huge number of spin-offs and split-offs in the media industries. The peak actually preceded the 2008 financial crisis, with 442 such spin-off and split-off deals in 2005, but there were strikingly high numbers in the late 2000s too. Fitzgerald (2012) attributed some of the trend towards spinning off in the biggest conglomerates to financialisation. Increasing pressures from institutional investors to produce high returns for shareholders resulted in a shift away from big, transformative deals aimed at dominating a sector and towards producing higher profits in the shorter term. Time Warner sold Warner Music Group in 2003, its book publishing operations in 2006 and AOL in 2008, and is now no longer the world’s biggest cultural industry corporation by revenue, a position it had occupied for some years.

Nevertheless, conglomeration remains a feature of the cultural industry landscape. And crucially, it continues to be linked to a potential increase in the scope and power of individual cultural industry corporations, in that the same corporation can have stakes in many different forms of communication. So there are undoubtedly reasons to be concerned about the rise of cultural industry conglomerates. One is that the lobbying power of the corporations (see the earlier discussion of why large corporations matter) grows as they increasingly operate in a number of different sectors. A second is that conglomeration has effects on content, by allowing

the corporations to cross-promote their own products, often putting commerce ahead of creativity. One notorious case was the way in which News International's newspapers in the UK promoted the services operated by a satellite broadcaster in which it owned a significant stake, BSkyB, in the late 1990s. This case has been analysed in impressive detail by Jonathan Hardy (2010), who shows that much of this cross-promotion took place in sections of newspapers that would normally fall outside the attention of critical analysis – supplements, reviews and listings of 'critics' choices'. Such cross-selling reinforces the power of the oligopolies dominating the cultural industries and promotes commercial imperatives at the expense of artistic values (in fiction and entertainment) and objectivity, independence and professionalism (in journalism).¹⁴

8.6 Vertical integration

Another key element of how businesses in the cultural industries seek to make a profit and control risk is vertical integration. The imperative towards vertical integration is strong in the cultural industries because of the centrality of circulation. To recap from Chapter 2, circulation is vital because of the need to control relationships with fickle audiences and create artificial scarcity for cultural products with 'public good' characteristics. That is why so many of the core cultural industries have been dominated by an oligopoly of vertically integrated companies.

A key instance of vertical integration in the cultural industries in the boom period of the 1990s was the vast US television system, where there was a strong shift towards vertical integration in the television industry. While classical European PSB organisations had been vertically integrated right through to the 1990s, it is striking that the more marketised broadcasting system in the USA aimed to discourage such integration, at least in the 1970s and 1980s. With the trend towards marketisation in US government policy, however, the disintegration taking place among European broadcasters was reversed in the USA, and vertical reintegration combined with conglomeration to create a newly powerful oligopoly – at least temporarily (see Box 8.3).

BOX 8.3 VERTICAL INTEGRATION IN US TELEVISION

The US television system for many decades represented a remarkable case of the power of vertical integration. Government attempts to combat network power did not last long and soon gave way to an era of integration combined with conglomeration.

¹⁴ Chapter 15 addresses effects of various changes, including ownership, on the quality and diversity of content.

A relatively stable system of television production had come to prevail by the 1960s. Dozens of independent producers made programmes for the TV networks (NBC, CBS, ABC). These programmes were made mainly in Hollywood studios owned by the major film companies. The 'independents', which actually included film majors such as Warner Bros, could make huge profits from their later 'syndication' of successful programmes – re-runs on local television stations affiliated to the networks – and from overseas sales. But the networks were extremely dominant in this system. They financed most but not all of the programme costs, determined what was shown and what was not, directly influenced programme content, decided how shows would be scheduled and promoted, and 'participated' in the profits generated through syndication and sales.

By the late 1960s a political consensus had emerged that network power needed to be curbed. The Federal Communications Commission introduced Financial Interest and Syndication Rules ('the Fin-Syn Rules') in 1970. Television networks could not own shares in their primetime programming (except news and sport). This led to what many regarded as a golden era of independent production (Lotz, 2007: 86). But by the 1980s, faced with competition from cable and new networks such as Fox, the big networks argued that such rules should be removed: these were eventually relaxed in 1991 and eliminated by 1995. This action was followed by further 'deregulation' in the Telecommunications Act of 1996, which removed controls on ownership of local television and radio stations.

The elimination of Fin-Syn destroyed independent producers (Curtin and Shattuc, 2009; Lotz, 2014). The networks regained ownership of 40 per cent of their primetime schedules by 1995, and 75 per cent of them by 2000 (Holt, 2003). Crucially, vertical integration was integrally connected to the conglomeration that, as we have already seen elsewhere in this chapter, had swept through the cultural industries in the 1980s and 1990s. Building on affiliations created in the 1960s and 1970s (such as NBC's links with Universal Studios, and Disney with ABC), networks in the USA were increasingly part of the same media and leisure corporations as the major Hollywood studios. Consequently, they turned to these sibling companies for most of their productions. Such integration was apparent further 'downstream' too. Not only were companies such as Columbia (today belonging to Sony) buying up cinemas, the film and television studios were also now owned by the same companies that had purchased the other major outlets for films – broadcast and cable television, and video and DVD rental networks. Disney owned ABC, plus numerous cable networks; News Corporation owned Fox and had launched a new television network of the same name in the mid-1980s; Viacom owned Paramount Studios and the fledgling network UPN and, in 1999, bought the CBS network that had created it as a spin-off in the early 1970s; Time Warner dominated cable networks and, as a result of its purchase of Ted Turner's

(Continued)

company TNT in 1997, also owned the key cable channels. The late 1990s were boom times for these vertically integrated conglomerates.

However, longer-term developments were complex. Station ownership deregulation gave rise to new radio conglomerates, notably the notorious Clear Channel, with some significant impacts on quality and diversity (Klinenberg, 2007). The networks faced increasing competition from cable and the internet. Audience shares and eventually advertising revenues plummeted. Increasingly powerful stars and their agents demanded ever-higher fees. Chasing younger audiences and cheaper costs, the networks turned to low-cost reality television programming in the 2000s, often made by independent producers.¹⁵ But as Amanda Lotz shows, in fact the conglomerates maintained a great deal of their hold on US television. Nine content companies controlled about 90 per cent of professionally produced US television content in 2013 (Lotz, 2016: chapter 3): six of them were the old conglomerates that formed in the 1990s – Disney, Fox, Time Warner, Comcast/NBC Universal, CBS and Viacom; the other three were Discovery, Scripps and AMC. These companies could leverage rich fees from cable and satellite operators – and such fees replaced advertising fees very nicely. When the internet became an increasing way in which consumers accessed television, it looked as though power would shift away from the television conglomerates. But in spite of the arrival of Netflix and Amazon, who entered content production from 2011 onwards, the conglomerates retained their vertical integration grip, and it was the cable channels that suffered as viewers migrated from cable to internet, not the cable service providers (who had become internet service providers) or the content producers. The new generation of internet-distributed portals that look set to play an increasingly central role in US television own a considerable amount of the content distributed by the portal,' writes Lotz (2016: chapter 3). These 'portals' depend on being able to offer a substantial library or catalogue; they are, in other words, dependent on the ownership of intellectual property as well as the means of distribution/circulation. Balancing hits against misses, a central dynamic of the cultural industries as outlined in Chapter 2 of this book, is fundamental here. Vertical integration is, it seems, for the time being, very much here to stay in the US television business.

However, there was also plenty of movement *away* from vertical integration in the cultural industries from the 1990s onwards, notably in the rise of independent television production in Europe. This was driven mainly by two processes. First,

¹⁵ For some this would indicate a decline in quality, but as Michael Curtin and Jane Shattuc (2009) show, the success of 'quality' cable shows aimed at wealthier, more educated demographic groups also spawned some adventurous developments in the scripted fiction that had been the mainstay of US network television from the mid-1950s to the early 2000s (we examine this boom in quality television in Chapter 10).

PSB organisations dealt with budget cuts by subcontracting production out to independent producers, and second, policymakers wanted to encourage growth in the independent sector by measures such as setting quotas for how much production had to be outsourced. This led many commentators to talk about a new era of post-Fordist television, involving flexible working arrangements and networks of interdependent firms rather than monolithic organisations (Lash and Urry, 1994: chapter 5; see also Robins and Cornford, 1992, for a more sceptical account). Whether this resulted in greater creative autonomy for programme-makers or not is another matter. Added to this the independent producers often became involved in highly conventional, routinised production. No longer grassroots organisations, many had links to finance capitalism through venture capital and private equity funding.

The recording industry provides a further illustration of some of the complexities regarding integration and disintegration in the digital age. For decades, the major companies were vertically integrated. They owned pressing and distribution facilities and contracted musicians to record for them. However, the big record companies ('the majors') rarely attempted to own retail outlets – in part because of the complexity and multiplicity of the markets for music. In addition, the relationship with independent production is more complex in the music industry than in any other industry (see section 9.1.2 on small companies below). In the early 2000s, however, the pressing and distribution of hard copies (CDs, vinyl records) diminished in importance, with the rise of digital technologies, and the majors began to lose control of circulation, mainly to new entrants from the IT industries – notably Apple's iTunes from 2001–2003, and then later from around 2012 the streaming services. Eventually, the record companies made some belated attempts to re-establish control of circulation – for example, by setting up a music video site, Vevo. This demonstrates how tenuous control can be even for large corporations in the cultural industries. Whether this has really led to any kind of democratisation, or enhancement of musical experience, is another matter. Digital purchases were quicker, and more convenient, but the pleasures of record and CD shopping largely disappeared and the prices charged for individual tracks on iTunes were remarkably high. On the other hand, the prices of CDs in the 1990s were even more outrageous. (See section 11.1 for a further discussion of changes in the recording industry, in particular the rise of streaming.)

Vertical integration is best seen, then, not as a constant process – whereby the cultural industries have become more and more vertically integrated over time – but as something that is historically variable for different industries in different places. Changes in government policy, the arrival of new technologies and new business fashions can all bring about shifts either towards or away from vertical integration. Nevertheless, it remains a significant factor in the market and media power of the major cultural industry corporations.

* * *

This chapter has discussed the first of two phases of change in the size and power of cultural industry corporations, as well as discussing why this size and power matter. In the 1980s and 1990s, vast and growing multinational cultural industry corporations towered over the terrain of cultural production. Their growth was encouraged by the policy changes outlined in Part Three, along with a related perception among business investors that the cultural industries represented a good opportunity for high returns (though this began to change in the second half of the first decade of the twenty-first century). Various waves of mergers and acquisitions enabled this growth. The next chapter addresses the ‘second phase’.

Recommended and further reading

As discussed above, Eli M. Noam has made huge advances in debates and evidence about the media with his *Media Ownership and Concentration in America* (2009) and *Who Owns the World's Media?* (2016), the latter based on a major international collaboration. But when it comes to questions of power, democracy and justice, the most sophisticated critical treatment of conceptual issues is still C. Edwin Baker's *Media Concentration and Democracy* (2007). Also helpful are the contributions in Ronald Rice's collection *Media Ownership: Research and Regulation* (2008).

Scott Fitzgerald's *Corporations and Cultural Industries* (2012) is an accomplished application of political economy theory and business analysis to three major corporations, and Jonathan Hardy's *Cross-Media Promotion* (2010) is a valuable study of some of the consequences of conglomeration. On developments in specific industries, the US television industry has been well served, with books by Amanda Lotz (*The Television Will Be Revolutionized*, 2nd edition 2014) and Michael Curtin and Jane Shattuc (*The American Television Industry*, 2009); see also the suggestions for further reading at the end of Chapter 11. As with much of the research on television, these works do not systematically relate the television industry to other media industries. Jennifer Holt's *Empires of Entertainment* (2011) provides a lucid and informative account of the growth in corporate power in the US film and television industries in the 1980s and 1990s. Charles Chi-Wai Cheung's *Media Power in Hong Kong* (2016) rigorously explains how Hong Kong's ‘hyper-marketised’ and oligopolistic media system was created by British colonialism, and made even worse when control passed to China, and with what consequences. A bracing introduction to the heated debates about media ownership can be found in the web journal *openDemocracy*, initiated by articles by Robert McChesney and Benjamin Compaine in 2001–2002. All the contributions can be accessed via the website at www.opendemocracy.net. Inevitably, they're outdated, but they indicate some of the key issues at stake.

The best way to keep in touch with international developments in the ever-changing patterns of ownership of the cultural industries and related industries such as IT and telecommunications is by reading business publications and their associated websites, such as the *Financial Times*, the entertainment trade paper *Variety* and, following more conservative approaches, the *Wall Street Journal* and *The Economist*, plus more specialist sites and newsletters such as *Music Business International* and *Broadband TV News*.

9

Ownership (2):
Concentration,
Conglomeration and
Corporate Power,
2010 onwards

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9.1 Interacting mega-corporations in four sectors

From about 2000 onwards, various technological innovations introduced by the IT sector, notably devices that allowed easy copying and sharing of digital files, began to erode the traditional bases of cultural industry businesses (Chapters 10 and 11 discuss these and other innovations, and their effects on individual industries, in more detail). As a result, from the early 2000s onwards, the cultural industries began to be seen by business analysts and investors as especially vulnerable to disruption, in a period of pronounced technological and cultural change. Prominent failures at the turn of the century, such as the bankruptcy of the German media giant Kirch in 2002, reinforced this perception. It also became clear that heavy debt burdens had been bequeathed by the very deals that created some of the new giant corporations of the 1990s and turn of the century. This was particularly true of Time Warner in the wake of its famous merger with AOL.

If the cultural industries were already beleaguered in the early 2000s, things got much worse with the global economic recession triggered by the financial crisis of 2007–2009. Inevitably, given the severity of the recession, there were significant failures, such as the Tribune Company news group (Chicago) in 2008 and the Canadian cable conglomerate Canwest in 2009. As we have already seen in the previous chapter, this led to some de-merger and de-conglomeration activity (Fitzgerald, 2012; Jin, 2011). For Dwayne Winseck (2011a), these problems were not simply attributable to the arrival of the internet, or to the migration of advertising expenditure from ‘old’ to ‘new’ media – a shift that in any case, as we shall see in Chapters 10 and 11, has often been slower and more complex than much media coverage has suggested. Instead, according to Winseck, these problems reflected a short-term, cyclical decline in advertising caused by the economic downturn, and by the two waves of mergers discussed above. Winseck saw the crisis of the 2000s as the accumulated results of two waves of consolidation and the *financialisation* of the media. Merger mania was partly a product of ‘the extraordinary growth in the size of the financial sector and financial assets relative to the industrial and other sectors of the economy’ over previous years, especially since the mid-1990s (Winseck, 2011b: 143).

Whether or not Winseck's analysis is correct, it is undoubtedly the case that, alongside some de-conglomeration, there was still considerable conglomeration and integration through mergers and acquisitions, even in the midst of crisis, as growing corporations made the most of low interest rates for borrowing and the low stock prices of companies they sought to purchase (stock prices being low as a result of severe recession). Although the cultural industries faced an extremely challenging set of conditions, cultural mega-corporations as a whole did not diminish significantly in importance or power, even if some corporations disappeared in some sectors. It is worth remembering that even in the boom times from the 1940s to the 2000s, cultural corporations faced high levels of risk. Dealing with challenging and turbulent conditions was part of ordinary cultural industry business. Furthermore, as we shall see below, the size of the economic pie available to cultural industries continued to grow, even as IT companies increasingly competed for it. So, in spite of the increasing problems faced by the sector, particularly in the first decade of the twenty-first century, a group of massive cultural industry corporations continued to exert considerable influence on culture and society, and they were joined by IT mega-corporations, and by telecommunications giants, increasingly unleashed by 'deregulatory' shifts in policy.

The names and structures of the mega-corporations change regularly, as further mergers, acquisitions and sell-offs take place. Nevertheless, because of their potential importance for culture, communication and business, it is worth knowing their names and something about their operations – including the different ways in which they use their corporate power. Table 9.1 lists the seven biggest cultural industry businesses, as they stood in late 2011, based on figures for fiscal years ending in 2011. Manuel Castells (2008: 74) dubbed these companies 'the

Table 9.1 The 'Magnificent Seven' cultural industry corporations, 2011

Company	Revenue
Vivendi	38.5
Walt Disney	38.1
Comcast	37.9
News Corporation	32.8
Time Warner	26.9
Sony	23.1
Bertelsmann	22.3

This list ranks the biggest companies by revenue gained from cultural industry activities, as defined in this book, as they stood in 2011. Revenue is in US\$ billions for fiscal years ending in 2011. The figure for Sony was for its games, music and films divisions; most of its revenues come from its much larger consumer electronics sales. See Table 9.2 for further details of the companies involved.

Source: Company reports.

Magnificent Seven'.¹ These seven corporations had a significant presence in both North America and Europe, the world's two largest continental cultural industry markets. Only Rupert Murdoch's News Corporation had a significant market share across cultural industries in more than two continents (North America, Europe and Asia/Australasia). So the 'global' scope of the biggest corporations is often exaggerated. Nevertheless, the Magnificent Seven were involved in cultural products that reach hundreds of millions of people across dozens of countries. Each had annual revenues of over US\$20 billion from their cultural industry activities.

In Chapter 1 I identified three neighbouring sectors as most relevant to the development of the cultural industries: IT, telecommunications and consumer electronics; see section 1.3.1). As relations between the four sectors have grown more complex, it has become even more difficult in recent years, and perhaps less important, to isolate a separate list of the biggest cultural industry companies in such a way that detaches a corporation's cultural and media industry interests from its other interests. Entering 'the world's biggest media companies' into a search engine will produce a rather bewildering variety of rankings, each using different methods. Some sources base their rankings on revenue, some (such as the *Forbes* Global 2000) on a combination of revenues, profits, assets and market value. The approach I have taken here to naming the most significant corporations for understanding the cultural industries is to take the Fortune Global 500, the list of the world's largest publicly listed companies by revenue, and to indicate the sector to which they primarily belong, and in each case to indicate through a brief description their relation to the cultural industries, and their activities there. See Table 9.2.

What can we learn from this table?

- ✕ Corporations with substantial cultural industry interests, relative to their other interests, are smaller, compared to those in the three other 'neighbouring' sectors: IT or 'tech'; telecommunications; and consumer electronics (see Chapter 1 of this book for discussion of definitions of these sectors).
- ✕ The IT and telecommunications giants now constitute some of the very largest businesses in the world by revenue. All the members of the GAFAM oligopoly apart from Facebook are in the top 100 global corporations.

On the whole, the biggest cultural industry corporations are shrinking relative to those from the other sector, as the 'magnificent seven' have shrunk to just four cultural industry/media corporations in the top 500 global companies by revenue.

The sheer size of *all* these corporations nevertheless is remarkable. Apple's revenues are greater than the gross national product of Portugal. Comcast's is bigger than that of the Dominican Republic.

¹ Named, of course, after the classic western released in 1960. Castells was naturally fully aware that the magnificence of this oligopoly was one of size and scope rather than its contribution to culture or human life. The identity of the actual seven corporations changed a little between the publication of Castells' book and 2011, but seven companies still stood out as dominant.

Table 9.2 The place of cultural industry and IT businesses in the world's largest corporations

Numbers indicate ranking in the Fortune Global 500 List for 2017 (based on company reports for fiscal years ending in 2017). Figures are in US\$ millions and refer to revenue. The list only includes publicly 'listed' corporations – i.e., those companies whose shares can be bought on stock exchanges; it therefore excludes many state-owned enterprises and all private companies, i.e., those not listed on stock exchanges.

Italics indicate those companies that generate most of their revenues from cultural industry activities, as defined in Chapter 1 of this book.

1 Wal-Mart Stores 485,873 (no cultural industry interests – included for sake of comparison)

2 State Grid 315,199 (ditto – this is the Chinese state electricity company)

9 Apple 215,639 Apple designs and markets computers, software and consumer electronics goods. Following the launch of the iPod in 2001 and the iTunes Store in 2003 it became a major player in the cultural industries, especially the recorded music industry. But the iTunes Store accounted for only a tiny proportion of its revenues. The iPhone and iPad have made it a major player in consumer electronics. It was briefly involved in content production, when it owned the animated film company Pixar, which it sold to Walt Disney in 2006, but unlike other IT giants, has shown no interest in returning to that domain.

15 Samsung Electronics 173,957 The biggest consumer electronics corporation in the world, and a major part of its parent company, the South Korean general conglomerate, Samsung. It is the world's biggest manufacturer of smartphones and televisions, and therefore a key basis for how the cultural industries get their products to audiences. It also manufactures semiconductor chips, memory and hard drives.

19 AT&T 163,786 The biggest telecommunications corporation in the world by revenue. A number of telecommunications giants dwarf the biggest cultural industry companies, including US wireless company Verizon (number 32 in this list), NTT (the Japanese telecoms corporation, privatised in 1985; number 50) plus two Chinese behemoths: China Mobile (47) and China Telecom (133). AT&T has been notably active in the cultural industries in recent years, creating its own AT&T Entertainment Group. In 2011, as part of a long-term strategy to enter into media markets, they bought the leading provider of pay-TV in the US, Latin America and the Caribbean, DirecTV, in a huge US\$48 billion deal. At the time of writing they are seeking regulatory approval for an even bigger merger, with Time Warner (see 371st position below), signalling a highly significant move into content or cultural production.

26 Amazon 135,987 Amazon has grown rapidly from its origins in one of the first significant interventions by an IT business into the cultural industries, when it effectively destroyed the book retail business (and more importantly the cherished experience of buying books from bookstores) in about ten years, to become the world's biggest e-commerce provider, and now the world's largest provider of cloud computing, via its AWS (Amazon Web Services) subsidiary. Much of its success comes from its mastery of collecting, storing and analysing data about its users.

(Continued)

Table 9.1 (Continued)

-
- **65 Alphabet 90,272** The parent company of Google, created in a major corporate restructuring in 2015, in order to reassure shareholders concerned about Google's commitment to its core business in the wake of its long-term research and development projects on driverless cars and wearable computers. The core business involves selling advertising to people using its search engine and the world's leading video streaming service, YouTube. Via its effects on advertising revenue, Alphabet/Google has had, and continues to have, massive influence on the cultural industries. But it is a tech company through and through, founded on engineering principles. YouTube is likely to become more and more involved in content production, however. Again, as for Amazon, data collection and analysis has been fundamental.
- 69 Microsoft 85,220** Microsoft makes most of its revenue from software and cloud computing, and has only one significant cultural industry interest: producing games for the Xbox.
- 79 Comcast 80,403** This is the biggest cultural industry and media corporation in the world at time of writing (though see below on Disney), but cultural production is only part of its business. Comcast built its empire on providing cable television infrastructure in the USA, and its acquisition of AT&T's broadband concerns in 2001 made it a major internet service provider. Its acquisition of NBC-Universal in 2011 made it a major force in cultural production, through its ownership of the Universal film studio, the NBC television network, a host of cable channels and theme parks. It is controlled by the Roberts family of Philadelphia. See section 9.4.
- 105 Sony 70,170** Sony has ten main divisions, including one each for music and films, but consumer electronics – including mobile phone and television manufacture and marketing – forms by far the major part of its income. Other major corporations centred on consumer electronics include Siemens (66th on the Global Fortune 500) and Panasonic (110th).
- 161 The Walt Disney Company 55,632** Surely Disney is still the world's best-known cultural industry business? It not only controls the famous film studio (i.e., film production and distribution), it also operates US broadcasting network ABC, multiple cable companies, musical theatre franchises, a very significant children's book publishing company, and of course a set of famous theme parks. Since 2009, it has owned Marvel Comics and the valuable intellectual property associated with them. In 2017, Disney bought 21st Century Fox (see 396 below) and this will probably make Disney the biggest cultural industry corporation in the world.
- 371 Time Warner 29,318** Time Warner shrunk considerably following the disastrous merger with AOL of 2000. It has three main divisions: HBO, Turner Broadcasting and Warner Bros, spanning cable television provision with major and highly prestigious content production businesses. AT&T and Time Warner agreed a deal in 2016 for the telecom giant to buy Time Warner for US\$108.7 billion, approved in 2018 but still under appeal as this book went to press.
- 393 Facebook 27,638** A social media corporation, whose revenues are based on data collection, analysis and sale. Facebook looks set to expand into content production, via its TV initiative.
-

396 21st Century Fox 27,326 The core of the media empire of Rupert Murdoch and his family. The Murdochs split their media interests into two in 2013, separating out their enormously influential and controversial newspaper interests (News Corp) from their other media interests (under 21C Fox). Disney agreed to buy 21C Fox in 2017 for US\$52.4 billion.

478 Tencent, 22,900 A Chinese social media, games and online payments giant (see section 8.4) which appeared on the Fortune Global 500 for the first time in 2017, along with e-commerce titan, Alibaba (at 462 in the Fortune Global 500).

9.1.1 The second tier

Below the first tier of vast cultural industry corporations discussed above sits a 'second tier' (Herman and McChesney, 1997: 53) of regional or national giants, consisting of dozens of companies with revenues in excess of US\$1 billion per year from cultural industry operations, which have an enormous impact within their own national bases, and sometimes across a particular region. Apart from a small number of Latin American and Australian concerns, most are based in North America, Europe, China or Japan, but Asian companies are increasingly becoming present – a fact discussed further in Chapter 14. Even below these two tiers of global giants, there are many other companies exerting a sizeable influence on particular markets.

Concentrating only on the largest corporations and most famous names can distract attention from the huge importance, in particular nations and regions, of this wider range of large corporations. Here are three examples.

Grupo Clarín is an Argentinian corporation with annual revenues of US\$3 billion in 2015 and might seem relatively small compared with those of the corporations listed in Table 9.2. But it runs Argentina's leading newspaper and newsprint supplier, and has significant holdings in broadcasting, internet access and cable, and wields an extraordinary amount of power in Argentina, where it was involved in a series of disputes with the centre-left governments of Presidents Nestor and Cristina Kirchner between 2003 and 2015. Because of the country's economic and cultural position in the Southern Cone of the Americas, Clarín has considerable power and influence in Uruguay and Paraguay as well. It is dominated, like many second-tier cultural industry giants with an interest in news media, by a particular family, the Nobles.

Televisa is a Mexican giant (US\$5.24 billion in 2015) which dominates the Mexican media landscape to a remarkable degree through its longstanding control of terrestrial broadcasting, enabled by its longstanding connections with PRI (the Institutional Revolutionary Party), the political party that ran Mexico for 70 years until 2000, and again from 2012 – though this did not prevent it from experiencing considerable financial problems related to excessive debt. Even beyond the era of the one-party state, it has used its power to cultivate deals with other political parties (Gómez, 2016). It has holdings across a very wide range of media and cultural interests, including cable and satellite television services, publishing and football, and exports a great deal of content, including

Basis

its famous *telenovelas*. Again, a vastly wealthy family is at the heart of this company (the Azcárragas), who vie with an even richer tycoon, the extraordinarily powerful magnate Carlos Slim (who owns the América Móvil telecoms company, along with a great deal more of the Mexican economy) for control over the Mexican communication landscape, not to mention its football. This is a duopoly of oligarchs.

The Sun Group, a private company owned by the Indian billionaire Kalanithi Maran, dominates media in Southern India, controlling dozens of radio and television channels, magazines and newspapers, a cable network, satellite, and a major cricket team.² The company also reaches much of the world's considerable Indian diaspora. Maran has close personal and family links with political power in the vast Indian state of Tamil Nadu.

These are just three examples, but there are dozens more around the world. The point is that we need to look at both the first and second tiers of corporations in order to gain a true sense of the expanded role of large cultural industry corporations and their owners within nation states and regions, not just the biggest media and IT giants.

9.1.2 The continuing presence of small companies

We saw in Chapter 4 that independent producers proliferated – and became important to debates about cultural production – even as large corporations became dominant in the cultural industries in the middle of the twentieth century. As cultural corporations became bigger and more dominant, small companies continued to boom in number. According to one analyst, 80 per cent of the Hollywood film industry in the 1990s was made up of companies with four employees or fewer (Jack Kyser, cited by Magder and Burston, 2002). Even during the period when the book industry was involved in successive waves of mergers and acquisitions, the number of book companies active in the USA increased from 993 in 1960 to 2298 in 1987, according to Department of Commerce figures (Greco, 1996: 234).

The continued importance of small companies can partly be explained by the factors analysed in Chapter 4 – that is, the conception stage of making cultural products remains small scale and *relatively* inexpensive compared to other elements of production and circulation; it still takes place in relatively autonomous conditions. However, there are other factors more specific to the period since 1980 that may account for the still-prevalent role of small companies:

- ✦ • *The onset of new media technologies brought about by the combined factors of government marketisation policy and intensified business interest in leisure and culture.* This has created new types of cultural industry and, before industries 'mature', there is often more room for manoeuvre for independents than is possible in established industries. An interesting example of a new cultural industry

² If you think the latter is trivial, you do not understand the importance of cricket in India.

that enabled some independents to flourish was computer games (see Chapter 11). However, the introduction of new technologies is also a product – and in turn a cause – of a proliferation of new subsectors within longer-established industries. For example, as live performances by successful rock acts became increasingly important from the 1970s onwards, a host of new companies have sprung up providing technical and other forms of support, including not only amplification specialists, but also lighting and set designers and so on.

- ✂ • *The rise of a discourse of entrepreneurialism in the economy as a whole* (Keat and Abercrombie, 1991), discussed in Chapter 7 in relation to ‘creative industries’ policies.
- ✂ • *Venture capital has become more readily available to small- and medium-sized cultural businesses* as culture has become increasingly recognised as a promising way to make a return on investments.
- ✂ • *Dominant vertically integrated companies have seen some disintegration.* As we have seen, this has occurred in industries such as television. The breaking-up of public service monopolies not only created an independent production sector in many European countries, but also created many ancillary and technical support companies, from film and television catering specialists to companies that rent out editing suites and personnel.
- ✂ • *There has been an increasing emphasis in cultural industry companies on marketing.* As a result, there are also scores of design studios, independent advertising agencies, public relations businesses and the like aimed at servicing companies that are increasingly willing to pay more to market their goods and services in innovative ways. What is more, in this way, actors, performers and other symbol creators can subsidise their other work, which they may feel is their ‘real’ work. This has happened for a long time, but now more than ever.

Perspectives that focus on conglomeration, integration and the increasing size of the cultural industry corporations (such as many accounts from the Schiller-McChesney tradition of political economy) often understate the significance of small companies. Such companies may account for small levels of market share, but they are vital in terms of the numbers of people they employ and their potential to foster – or at least act as a conduit for – innovation. This, along with other factors, has meant that a strong ethical and aesthetic value has been attached to institutional independence in the cultural industries, not only by producers but also by audiences.

This is particularly apparent in the recording industry (and in film too – indie cinema is discussed in Chapter 15). A key factor within many music genres has been a discourse of independence among musicians, fans and journalists that has allowed independent record companies, in some exceptional cases, to serve as the centres of commercial networks that together form something of an alternative to prevailing systems of cultural production and consumption.

For Jason Toynbee (2000: 19–25), the particular importance attached to independent production in popular music derives from a longstanding history of ‘institutional autonomy’ that cuts against the efforts of large companies to make profits out of music. This autonomy is based on the dispersed, decentralised nature of music-making. It means that not only do companies cede control of production to symbol makers (as in all cultural industries), but there is also a tendency towards ‘spatially dispersed production in small units’ (rock groups, swing bands) and ‘a strong continuity between production and consumption’ in musical subcultures (Toynbee, 2000: 1). Audiences and performers come together in ‘proto-markets’, which are only partially commodified, and where there is a great deal of resentment towards the industry and ‘selling out’. The possibility of institutional autonomy and the high value attached to it in musical subcultures means that spaces have been created where alternative arrangements for the management and marketing of creativity can be tried out. I discuss an important example of such an ‘alternative’ dynamic in a later chapter (see Box 13.2 on the post-punk intervention).

However, this does not mean that small companies are not vulnerable to the power of large corporations, especially at certain moments of regulatory and technological change. Take, for example, the case of a Syracuse, New York, radio station, WRDS, which catered mainly to that industrial city’s African-American population (Klinenberg, 2007: 58–60). Following the introduction of the US Telecommunications Act in 1996, in the words of station owner Robert Short Jnr, ‘[t]he playing field changed right beneath our feet. I was competing against some big companies before, but it was a relatively fair battle because they couldn’t monopolize the whole advertising pie. Clear Channel moved in and took over seven stations’ (Klinenberg, 2007: 60) – a result of the withdrawal of Federation Communications Commission (FCC) rules limiting the number of stations that one company could own in any particular market. Clear Channel’s operating costs were extremely low, because they combined the stations together and, by using standardised ‘voice-tracking’ DJ links, spread their costs across different stations. This allowed them to offer special advertising packages to big customers, and to pay for bigger and better sales teams. But Clear Channel also benefited from conglomeration and vertical integration, owning billboards, venues and talent booking agencies.

Short and his partners sold the station in 2000, and it was converted away from the ‘urban music’ format (namely, music appealing to African-Americans). What this case shows is that even a relatively decentralised form of cultural expression such as music is not immune to the centralising tendencies of cultural industries, especially when government favours deregulation over intervention that would protect smaller and non-profit companies.³ We return to these issues in discussing debates over the

³ Klinenberg (2007) also discussed the effects of marketising government policy on the US radio industry – including how the homogenisation of content resulted in a massive increase in National Public Radio’s audience in the decade following the US Telecommunications Act of 1996 as listeners sought more reliable and nourishing alternatives. See Ahlqvist and Fisher (2000) for a discussion of the standardisation of music radio formats in the face of technological change and ownership changes.

supposedly decentralising effects of digital networks on cultural industries in the next two chapters.

9.2 Evolving forms of interdependence, inter-firm networks and alliances

Smaller companies, then, are vulnerable to the strategies of larger corporations. They also increasingly exist in relations of **interdependence** with larger companies, linked to them in complex networks of licensing, financing and distribution.

One of the most important ways in which corporations changed their organisational structures in the late twentieth century, in nearly all major areas of business, is that they increasingly subcontracted to small- and medium-sized firms (see Chapter 5 on organisational innovation in the wake of the Long Downturn). These smaller firms were potentially more dynamic and able to innovate than the large conglomerates, but they became more and more involved in close relationships with the corporations that subcontract to them.

Such webs of interdependence have a long history in the cultural industries. In film, as the Hollywood corporations lost their control over production in the 1950s, new, independent production companies entered the market to cater for specialist products, but the Hollywood studios still acted as distributors and financiers of independently produced films (see Aksoy and Robins, 1992). Even in an era in the recording industry when 'majors' and 'independents' were seen by fans, musicians and critics as polar opposites, in truth they were often linked in licensing, financing and distribution deals. Such arrangements, whereby small and large companies form interdependent webs, became increasingly prevalent in the 1980s and extended into new areas of the cultural industries, most significantly in European broadcasting, where traditionally production had been handled 'in-house' by large state and public service broadcasters (Robins and Cornford, 1992).

There are rewards for both corporations and small companies in such systems of inter-firm networking. For the corporations, acting as distributors and financiers of independent producers is an extension of what they already do – acting as distributors and financiers of their own semi-autonomous divisions. A large multidivisional corporation might get a lower cut of revenues from a text produced by an independent company than from the sales of a text created within one of their own divisions, but the arrangement means that they can get independent companies to bear some of the risks associated with the difficult business of managing symbolic creativity. What is more, symbol creators might well *feel* as though they are more autonomous of commercial pressures, especially in those cultural industries and genres where there is a mistrust of corporate bureaucracies, such as rock or indie film-making or certain kinds of games.

This makes interdependence sound very rosy. However, in the eyes of many commentators, increasing levels of interdependence in the cultural industries meant the end of an era when independents could provide an alternative to the majors – another

sign of corporate takeover. (This is an issue discussed further in the account of indie cinema in Chapter 15.) Many forms of inter-firm networking involve links between very large companies in different industries and, increasingly, in different sectors. These give rise to strategic alliances between corporations, not as happens in traditional cartel arrangements but on the basis of specific projects. Such 'alliance capitalism' has been a feature of a very wide range of businesses in recent decades. It is especially relevant, noted Manuel Castells (1996: 162–4), in high-tech sectors, where research and development costs are extremely high. Castells saw the self-sufficient corporation as more and more a thing of the past.

Cultural industry companies of course compete with each other, but at the same time, they operate complex webs of joint ventures and ownership. As connections between telecoms, IT and cultural industries first emerged in the 1990s, Ken Auletta (1997: 225) listed a number of reasons for such alliances with potential rivals:

- To avoid competition.
- To save money and share risks.
- To buy a seat on a rival's board.
- To create a safety net, as technological innovation makes for increasing uncertainty.
- To make links with foreign companies to avoid 'arousing the ire of local governments'.

The interconnections between the first and second tiers of corporations discussed earlier are almost impossible to encapsulate neatly. One of the best attempts at doing so was printed in *The New Yorker* in 1997 (Auletta, 1997) and was reproduced in earlier versions of this book. It showed the 'web of collaboration' between six of the most powerful cultural industry corporations in the world at the time, plus Microsoft, and listed some of the many joint ventures between them. In the changing world of the cultural industries this diagram is now a historical document, but it gave a good sense of how closely intermeshed major cultural industry companies were in terms of joint ventures and ownership. Auletta (1997) described such links as an American version of *keiretsu* – the 'ancient Japanese custom of co-opting the competition' by creating structures of collaboration with rivals. Others have described such arrangements as 'co-opetition' (Murdock, 2000: 48) rather than competition. As Auletta (1997: 226) suggested, such alliances had implications for texts, because if companies are tied to each other they may fail to address or report on controversies concerning other companies. Whether this is the case or not, such webs of collaboration have undoubtedly helped to further reinforce the economic, political and cultural power of the biggest corporations and entrench the way that they do business.

In the 2000s a new set of interdependent alliances arose, between cultural industries and internet-related IT companies: a whole new level of 'co-opetition'.

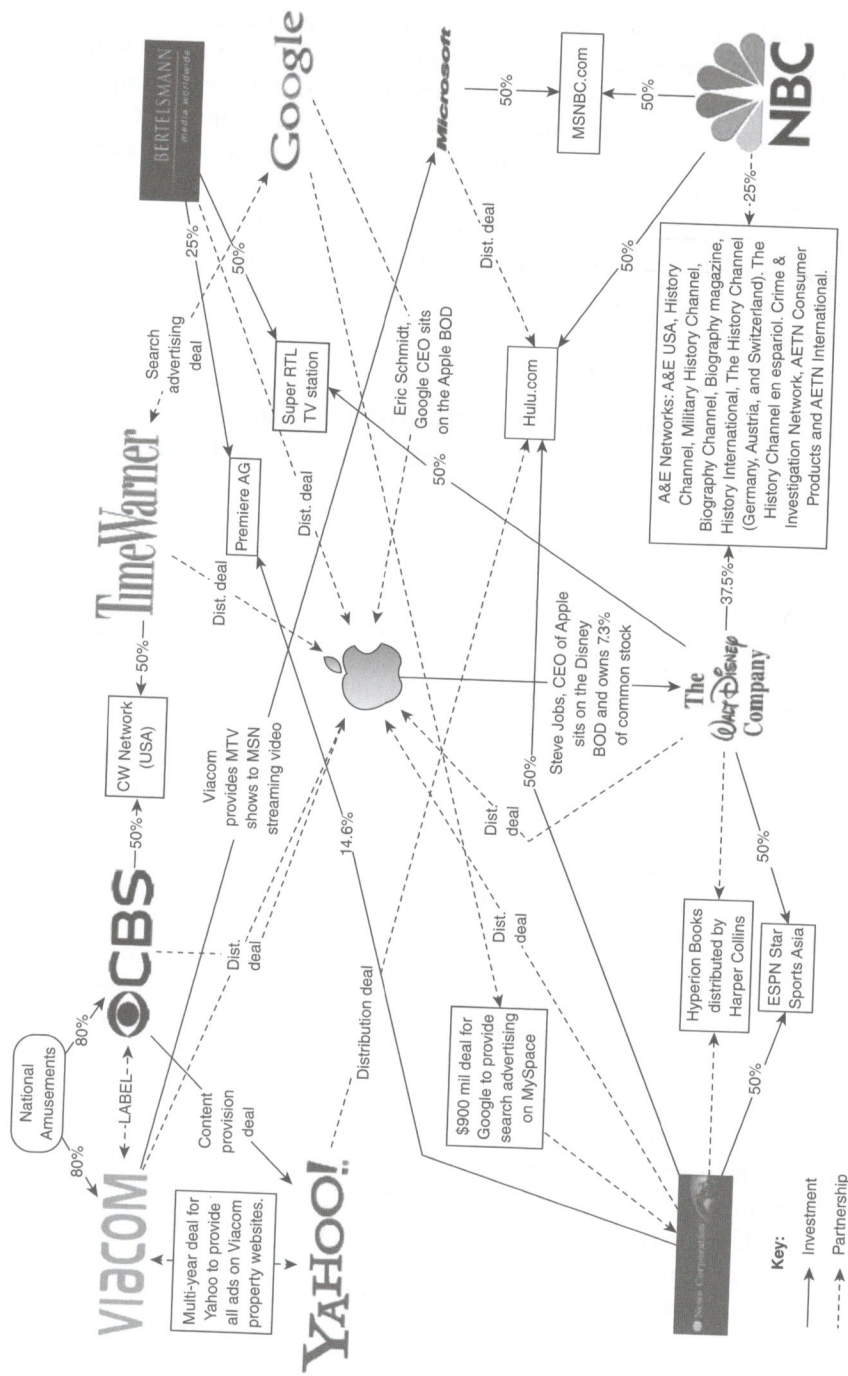


Figure 9.1 Key interlockings between multinational media and diversified internet corporations
 *Please note that this diagram represents key partnerships and cross-investments. It is not exhaustive.
 The relationships were current as of February 2008.

Arsenault and Castells (2008: 713) captured the state of this 'dense web of partnerships, cross-investments, board members, and managers' as it stood in 2008. Their illustration is reproduced as Figure 9.1. They focused on some examples, such as the way in which NBC Universal and News Corporation came together in 2007 to form Hulu as a rival to YouTube, with AOL, MSN, MySpace (owned by News Corp) and Yahoo also providing distribution. But its backers, noted Arsenault and Castells, also formed strategic partnerships with Google, the very company whose hold on the digital video market they were trying to break – notably Google's provision of advertising delivery for News Corp's MySpace social networking site. To construct a similar diagram in today's world of interconnections and competition between the cultural industries, telecommunications, IT and consumer electronics would be even more challenging.

9.3 The 2010s: a new wave of communication policy rolls out – telecoms mega-mergers and anti-tech backlash

The mergers of the 2000s, such as those summarised in Table 8.4, were milestones in the much-discussed idea of 'convergence' between telecoms, IT and cultural industries (see also Chapter 6). By the end of that decade, the IT giants had largely displaced consumer electronics companies as the major deal-makers and forces for change in the cultural industries. They achieved this partly by entering into the 'hardware' domain of consumer electronics: companies such as Apple and Amazon became major global players in consumer electronics, alongside the longstanding giants of that sector, such as Samsung, Panasonic and Sony. From around 2005 onwards, with the widespread international dissemination of third-generation (3G) mobile telephony, the smartphone (the high-powered, internet-connected mobile phone or cellphone) became the key contemporary consumer electronics device. Whereas Sony and Matsushita's takeover of American media giants had grabbed business headlines in the 1980s, it was the IT sector that dominated media coverage of the cultural industries from the early 2000s onwards. Meanwhile, the telecommunications companies continued to be huge enterprises, providing much of the infrastructure upon which the cultural and IT industries have depended, but were much less discussed. The biggest IT companies now match and exceed the telecommunications giants, and are becoming more involved in the provision of infrastructure as their power and revenues grow. Nevertheless, the telecommunications corporations must not be neglected, as they have been in so much journalistic and academic coverage of internet- and media-related issues. They too need to be considered in understanding the emergent configuration of corporate power that crucially shapes cultural production and consumption – including the way in which this has created a new wave of communication and media policy, which I described in Chapter 6 as a 'fifth wave' of marketisation. This new wave

is centred on supporting investment and innovation in broadband with a goal of 'ubiquitous' or maximum connectivity (Bauer, 2014); twentieth-century goals of pushing towards greater equality of access on the part of citizens have diminished in importance. Convenience for consumers and maximising investment opportunities for businesses have become the main priorities, based on a Schumpeterian fetishisation of innovation (Michalis, 2016); see Box 7.2. This is apparent, for example, in the push in European Union policy towards the creation of a 'digital single market'.⁴

The degree to which governments around the world have agreed that their future prosperity depends upon fibre optic broadband is remarkable. Billions of dollars have been spent in subsidising installation. However, there remain very marked tensions in communication policy and regulation, particularly over the degree to which markets can act as a sufficient basis for co-ordinating the new communication systems. In some systems, national and local governments are strongly involved in providing broadband infrastructure; in other systems, such as the USA, politicians and regulators are insistent that commercial providers should make the decisions about where to install and when. There are interesting battles at US state – as opposed to federal – level about the degree to which cities can take responsibility for installation of broadband within their jurisdiction, in order to avoid poorer districts and groups being under-served (Ali, 2017). At the national, federal level, battles rage over mergers involving powerful telecommunications groups and the problem of 'net neutrality'. All these developments are directly related to the way in which immense corporations have been allowed to grow in the US environment, and to problems concerning whether and how the public interest might be served. At the same time, there has been a global backlash against the vast size and profitability of the US tech giants.

In the USA, in the wake of the break-up of the Bell telecommunications monopoly described in Chapter 6, almost equally powerful corporations eventually re-emerged, as a result of regulatory failures and powerful corporate lobbying. AT&T and Verizon became extremely dominant as providers of telephone services, but had shifted to the much more profitable growth area of mobile telephony, and were lobbying – with some success – US states to release them from the obligation to provide telephone service to all within their jurisdiction. In the most populated

⁴ EU regulation remains complex. The cornerstone of European media regulation in this latter phase has been the Audiovisual and Media Services Directive (AVMSD) of 2010, with revisions proposed by the Commission in 2016 and still being debated as this book goes to press, alongside reviews of copyright and telecommunications. Competition and competitiveness are understood in this process as the main goals of regulation, though there are rather weak efforts to protect national forms of cultural production via quotas. How to regulate audio-visual media service providers (such as streaming services) and platforms remain unresolved issues, but it seems certain there will be strong European regulation of the latter. Readers are referred to the ongoing work of researchers such as Maria Michalis and Florian Hoof.

parts of the USA 'cable providers' provided fibre optic cable to people's homes and businesses. From the 1990s onwards this became the main way in which consumers could access a full range of television as well as telephony – for a steep price. It also became the main way in which businesses and consumers could access high-speed internet service. One corporation had emerged in the 2000s as the dominant cable provider, and more or less a monopoly in many of the wealthiest and most populated cities: a Philadelphia company called Comcast, run by the Roberts family. When Comcast moved to take over 'content company' (i.e., cultural industry company) NBC Universal in 2010, it met considerable resistance from advocates of the public interest, who argued that this would give the company excessive power in the emerging information and entertainment infrastructure, because it would allow Comcast to favour its own content over that of rival content providers (Crawford, 2013). Nevertheless, the merger was approved by the Federal Communications Commission in 2011, with only some rather toothless and ineffective provisions regarding competition and the provision of internet services to low-income citizens (McGuigan and Pickard, 2016: 78). Although the Commission refused to allow AT&T to take over its German-owned mobile phone competitor T-Mobile in 2011, it did approve that company's takeover of satellite pay-TV provider, DirecTV, for US\$48 billion in 2014. These massive deals seem small in comparison with AT&T's current (as this book goes to press) attempt to take over Time Warner, a bid worth US\$85.4 billion. If successful, this would give AT&T power to favour its subsidiary company's own content by preventing other distributors from access to it, or making it too expensive for consumers to want those other services.

Such issues about the responsibilities of telecoms corporations in the under-regulated communications environment of the USA fuelled campaigns about the issue of *network neutrality*: the degree to which internet service providers can charge different groups and customers different rates for different services. For defenders of the concept such as Tim Wu, who is credited with coining the concept, this principle underlies the decentralised and open nature of the web – which needs protecting from the actions of the corporations owning 'the pipes' down which the web flows. Proposals by AT&T in 2005 to offer premium fast lane internet services to certain customers met a vigorous response from various anti-corporate groups, on both the left and the right of the political spectrum – in a similar way to late 1990s and early 2000s battles against media conglomeration. Eventually, such campaigning led to the adoption in 2010 of net neutrality provisions by the FCC: bans on discrimination and blocking on the internet (Wu, 2011: 286–8) – though with important exemptions for wireless broadband, which led to wireless/mobile telephony giants AT&T and Verizon supporting the rule. In late 2017, the FCC repealed the net neutrality rules, in a move that favoured the US telecoms corporations over IT companies – both the IT giants and smaller start-ups. In part, this reflected the Trump administration's dislike for the 'liberal' tech sector embraced by his predecessor Obama. That repeal was facing legal challenge as this book went to press.

Meanwhile, during this period the IT and social media giants continued to grow, through an unending process of acquisition. Facebook paid US\$19 billion for WhatsApp in 2014; Microsoft paid US\$ 26.2 billion for LinkedIn in 2016. As we shall see in Chapters 10 and 11, the dominance of these IT companies is beginning to have significant effects on the cultural industries. An important international trend, however, has been a backlash against IT and social media giants, who have previously been subject to only a minimum degree of 'public interest' regulation compared with previous eras of communication policy (Napoli, 2015). These IT giants have gained hugely from achieving dominance in sectors where 'network effects' prevail, that is situations where once a critical mass is achieved, the value to users is increased as new users join the network, thereby increasing dominance. They have been criticised for being too profitable, anti-competitive, damaging democracy by failing to monitor misleading ('fake news') content, and for creating 'filter bubbles' whereby people see only information and entertainment that appeals to the particular social group to which they belong (see section 10.2). The EU fined Google US\$ 2.1 billion in 2017 for abusing its dominance in search by favouring its new online shopping services (Toplensky, 2017) and US\$5 billion in 2018 for tying its Android mobile phone operating system to various software and services it provides, including its App store and search engine. Campaigners and policymakers have begun to advocate breaking up the bigger companies, and the corporations have begun to organise themselves into holding company structures, such as Google's shift to being part of 'Alphabet', perhaps partly in readiness for such moves (*The Economist*, 'Silicon valley, we have a problem', 20 January 2018). Voices from left and right (including Steve Bannon, former advisor to President Trump) are increasingly advocating that social media should be regulated as if they were 'utilities' such as electricity and water because they are so essential to the functioning of modern societies.⁵

9.4 Are the cultural industries getting bigger?

The figures involved in mergers and acquisitions, and the now massive size of revenues accruing to the biggest cultural industry companies, suggest that the cultural industries are an increasingly significant component of global business and therefore of national economies, even if they are dwarfed by their IT sector rivals (and sometimes partners). If this is so, it has potentially important consequences for understanding relationships between economics and culture, as well as between creativity and commerce. Potentially, for example, this new centrality might threaten the relative autonomy, or creative freedom, that has been traditionally ceded to workers involved in making cultural products. It may also quicken commodification, with all its complex consequences. So just how significant are the cultural industries in national, regional and urban economies?

⁵ See Thompson (2010) for an early version of such an argument.

9.4.1 Cultural industries in modern economies

There is no shortage of government-commissioned reports 'mapping' the size of the cultural and creative industries, the rate at which they are growing, and their contribution to national employment and growth. The main ways in which size, growth and significance have been measured are by employment, firm activity (such as revenues), gross value added (GVA) to the economy, and exports (Cunningham and Higgs, 2008). Many of these 'mapping studies' are a product of the policy developments discussed in Part Three, whereby governments, often consumed by information society fever, have seen the cultural industries as new potential sources of employment and national or regional competitive advantage. Some use the term 'creative industries', others stick with 'cultural industries'. As most of these reports are commissioned by government and policy agencies with an interest in presenting the sector as one of great significance and/or growth, there has been a tendency over time for broader definitions to be adopted, for example the increasing use of the concept of a 'creative economy' (Howkins, 2001) or even a 'creative class' (Florida, 2002) rather than creative or cultural industries. A shift to such broader definitions allowed, for example, designers in industries outside the cultural industries to be counted as part of the relevant economic activity.

Here is a sample of the conclusions from some of these reports in the boom period of such studies. (Note the range of terms used here and recall the discussion in Chapter 7 on the motivations behind the shift to the term 'creative' industries.)

- The proportion of employment in Hong Kong in 'the creative sector' grew from 5.0 per cent in 1996 to 5.3 per cent in 2002 (Centre for Cultural Policy Research [CCPR], 2003).
- Between 1998 and 2002, 'cultural employment' grew in Austria by 6 per cent (Kulturdocumentation et al., 2004), and from 1995 to 2000 there was a 49 per cent rise in revenue from cultural industries (KMU Forschung, 2003).
- Employment in creative industries made up 20 per cent of Iceland's labour market in 1991 and 23.4 per cent in 2002 (Einarsson, 2005).
- Between 1996 and 2001, employment in the cultural industries in Australia increased from 167,000 to 190,000 – an average growth rate of 2.62 per cent (Queensland Government, 2005).
- The proportion of Singapore's GDP accounted for by 'copyright industries' rose from 2.0 per cent in 1986 to 2.8 per cent in 2000 (ERC Services Subcommittee, 2002).
- In 2003, creative industries in the UK accounted for 8 per cent of gross value added (GVA) in the economy as a whole – equivalent to £56.5 billion. These industries grew by an average of 6 per cent per annum between 1997 and 2002, compared to growth rates of 3 per cent per annum for the UK economy (DCMS, 2005).

Fascinating stuff. Still awake at the back? Dozens of such reports appeared in the 2000s, as the fashion for the concept of creative industries spread across national, regional and urban governments. For the reasons suggested above – that the point of such reports was to show to Ministries of Finance and other key decision-makers that the creative industries were key areas of economic activity – nearly all of them suggested that the creative industries were indeed important and growing. The problem is, of course, how to define the industries and occupations concerned.

The categories used by the British Department of Culture, Media and Sport in its initial ‘mapping documents’ (DCMS, 1998, 2001) were limited by the lack of fine-grained statistical data concerning industry segments and occupations. Nevertheless, their definitions and methods were, at least initially, adopted widely. As we saw in section 7.2, the ‘UK definition’ included ‘peripheral’ (in the terms I used in Chapter 1) but nevertheless significant industries, such as dance and the visual arts, and also industries as diverse as jewellery, fashion and furniture design. Most significantly of all, it included software (not just ‘leisure software’, or computer games, but also software for business applications). This was done in order to bolster the figures and provide a more powerful alliance around the ‘creative industries’ banner. Developing such software is a very different activity from the pursuits evoked by the use of the term ‘creative’. This concept inevitably connotes a strong artistic-expressive element – the aura of the ‘artist’, which allowed it to be presented as ‘sexy’ for politicians and other policymakers, and yet also attractive for its financial clout (Garnham, 2005).

Other definitions are even broader than the UK model. One used in China included gambling, education, sports, tourism and consultancy services (CCPR, 2003), while in Taiwan, the term ‘cultural creative industries’ was used and included such things as tea houses and wedding photography (CCPR, 2003). Finland’s categorisation included amusement parks, games and recreational services. In each case, definitions were shaped by local political and business interests. A widely cited report on Hong Kong employment, put together by the Centre for Cultural Policy Research at the University of Hong Kong (CCPR, 2003), developed a framework that included statistics by occupations as well as by industry, as other agencies had done. It also counted non-creative employment in the creative industries, and creative employment in industries that fell outside the definition of these industries. So car designers could now be included, for example.⁶

As I explained in section 1.3, I prefer a more restricted definition of the cultural industries, centred on those industries that are chiefly concerned with the social production and dissemination of meaning (see also the Appendix). This is because, as I explained there, my view is that one of the main reasons the cultural industries

⁶ For further discussion of the problems of ‘creative industries’ and ‘creative economy’ statistics, see Galloway and Dunlop (2007) and Tremblay (2011).

matter is that they make and circulate texts. Other definitions may have other motivations, but the point is that when we read figures purporting to show that an entity called 'the cultural industries' or 'the creative industries' has grown, we need to think carefully about what that entity is. It may sound as though a nation or a city has a high proportion of its population employed as musicians, writers, games designers and their ilk, but in fact, such activities are likely to be dwarfed by activities such as computer software, gambling and education, which may well have sneaked into the definition because of political pressures and tensions. (This is not to say that all efforts to 'expand' definitions are aimed simply at legitimating narrow interests; see Box 9.1 for a discussion of 'depth' models of defining cultural industries.)

BOX 9.1 DEPTH VERSUS BREADTH IN DEFINING CULTURAL INDUSTRIES

Cultural geographer Andy Pratt has argued that, when it comes to defining cultural industries, 'depth' is as significant as breadth. This means including those activities that are necessary for cultural outputs to take place, including back- and front-of-house staff in theatres, cinemas and music venues, and those involved in the manufacture of items, archiving and education and training. Pratt (2005: 34) argued that such an approach brings into view a range of institutional structures that has been invisible in much policy.⁷

This is reasonable when considering how interlinked systems of employment are necessary to get cultural products to audiences. However, when such an expanded depth definition is used, we need to bear in mind that most of the work included in this expanded definition has little effect on the form and content of the texts and it is the potential of such texts to have a particular type of influence on society through their symbol-laden content that distinguishes the cultural industries from all others. We should not lose sight of the fact that the making of laptops and tablets is a very different kind of industrial activity from the making of the films and television programmes that we might use these devices to watch.

One possible partial solution to this problem is to try and distinguish in figures between those having *direct* creative input and other workers *associated* with cultural products. However, the data in many countries scarcely support the most general of definitions, let alone these more specific breakdowns.

The diversity of concepts and measures that have been used at national and local levels makes comparisons between the presence of the cultural (or creative) industries

⁷The British DCMS has adopted something like this idea for its definition of 'the cultural sector' in more recent documents. The 'creative industries' are considered a subset of this broader sector.

in different countries, regions and cities very difficult. Even if everyone agreed on a single definition of those industries, the fact that each national census body has a different system for classifying industries and occupations would still make meaningful comparison very challenging. So, in order to compare two cities in different countries, account needs to be taken of these different classification methods as well as different definitions of the cultural industries. For this and for other reasons indicated above, reports of facts and figures for the cultural industries should always be 'viewed as indicative rather [than] as categorical' (Power, 2003).

Nevertheless, for all these problems of definition and measurement, one broad trend seems clear from the various, often mind-numbingly tedious, reports. In many places there has been evidence, over a number of years (allowing for cycles, recessions and setbacks), of **increases in cultural industry activity slightly above the rate of increase in gross domestic product.** However, we still need to dispel the idea that such increases reflect a growing presence of glamorous creativity in modern societies. One report estimated that, from 1977 to 2002, the 'communications industry' grew at a compound annual rate of 8.4 per cent, thereby exceeding nominal (that is to say, not adjusted for inflation) GDP growth by 1.6 percentage points (Veronis Suhler Stevenson [VSS], 2003). The segmentation of the communications industry in this report is revealing, however, and more useful in the present context than many reports on the cultural industries, for it suggests just how little of the money spent on communications comes from consumer end-users. When we think of the cultural industries, we might think of, say, the kind of production involved when we watch a drama series on television or download a new song from the internet. But at least

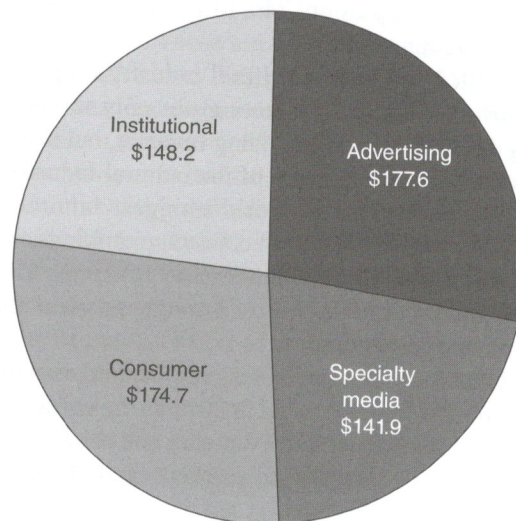



Figure 9.2 Sectors of US communications in the early twenty-first century

Source: Veronis Suhler Stevenson (VSS) (2003: 38).

measured by spending, such activities are dwarfed by advertising, marketing and 'institutional end-user' spending on such things as business information services, professional and training media, trade shows and the like (see Figure 9.2 for one set of figures from early in the twenty-first century; there is little reason to think that the proportions will have changed substantially).

9.4.2 Cultural industries in global business

 The conclusion to be drawn from the preceding section is that the cultural industries – even defined in the relatively narrow way preferred in this book – are becoming more important as a part of national economies than they were in the past. Yet the problems faced by the cultural industries in the twenty-first century make clear that we should not make the leap made by some earlier commentators and suggest that the cultural industries are now at the centre of global business (Lash and Urry, 1994).

One way to approach this is to look at the size of the biggest cultural industry corporations in relation to the size of the biggest corporations in general. Table 9.2, earlier in this chapter, showed the biggest corporations with significant cultural industry interests, along with their rank in the *Fortune* magazine list of the biggest 500 companies in the world by revenue in the year 2017. Historical comparison of the relative sizes of the largest cultural industry corporations is difficult. Companies based on 'services' were only included in the *Fortune* 500 and Global 500 lists from 1995 onwards. However, using the equivalent tables compiled for earlier editions of this book (in 2002, 2007 and 2012) we can discern some interesting points and trends.

Between 2002 and 2007, the key cultural industry corporations all improved their positions: Walt Disney moved up from 174th to 159th, Viacom from 245th to 196th, and Bertelsmann from 299th to 271st.

Between 2007 and 2012, the major cultural industry corporations slipped considerably in their *Fortune* rankings, reflecting not only the declining fortunes of the sector, including a reduction in advertising revenue, but also business analysts' gloomy prognostications about the future of the cultural industries, compared with IT and other sectors. Vivendi, once the world's biggest cultural industry conglomerate by revenue, had slipped to 225th in the *Fortune* rankings, while Time Warner, which squeaked into the global top 100 in the 2007 rankings, has dropped to 363rd in the wake of its policy of divestment, as it sought to clear the enormous debts accumulated in the mega-merger era.

Between 2012 and 2017, there has been less decline in the relative position of cultural industry corporations; Comcast stood in 2017 as the world's largest corporation making most of its revenues from cultural industry activities – though this is largely based on its dominance of US broadband markets (and Disney's takeover of 21st Century Fox may be about to change it).

Even in 2007, with the biggest seven cultural industry corporations (the Magnificent Seven as they were briefly called) riding higher than ever before in the global corporate league table of revenues, the very biggest cultural industry

corporations were dwarfed by the biggest corporations in the world, and this continues to be the case. The giants of automobile production and energy/oil still dominate, capped by US retail monster Wal-Mart (though with vast Chinese corporations now catching up): it would take more than eight Walt Disneys to match its revenue. Likewise Sony's cultural industry activities alone would leave it languishing at the lower end of the Global 500: consumer electronics are the basis of that firm's massive global presence.

The IT giants are now firmly ensconced among the very biggest corporations in the world by revenue, especially Apple, but with Amazon, Alphabet/Google and Microsoft all in the top 100 (Facebook is considerably smaller). These corporations are often ranked even more highly in terms of *market capitalisation* – the value of a company's shares as traded on a stock exchange. But those values can fluctuate considerably over time, and revenue is a much better guide to current size.

Vast telecommunications corporations are also evident in the top 100, with AT&T at number 19. Others include Verizon (ranked 32nd by revenue), China Mobile Communications (47th) and Nippon Telegraph and Telephone Company (NTT, ranked 50th). The big cultural industry corporations of course do not comprise the whole of cultural industry activity, but these figures should put into perspective the idea that these cultural industries are now, or have ever been, part of a global business core. That is a long way from happening.

9.5 Continuing commodification

I have spent some time in this chapter discussing questions concerning conglomeration and concentration and the size of the cultural industries relative to other industries in modern societies. These are vital issues covering the power of cultural producers in modern societies, and they generate a great deal of public debate and numerous policy dilemmas. But we now need to take a step back from these developments and examine them together with the policy changes discussed in Part Three in order to take in a longer-term historical perspective and consider the *growth* of the cultural industries. Central to this growth is the commodification of culture.

In Chapter 4, I outlined why I think that commodification matters. I explained that the most useful analyses of commodification in general see it as an ambivalent process – as both enabling and constraining, simultaneously productive and destructive. Negative aspects of the extension of commodification include an emphasis on private, exclusive ownership and a tendency to produce systems of unrecognised and under-rewarded paid labour.

This is as much the case for cultural production as it is for other sectors. The complex professional era saw a pronounced industrialisation of culture, which accelerated and intensified the slow, uneven process of commodification of culture that had begun many centuries previously. The commodification achieved in the era of growth of the cultural industries, and the formation of huge corporations, remains partial and incomplete (Garnham, 2011). The question we now need to consider is

the one raised in Chapter 4: What are the implications of the *further* commodification of culture that has taken place over the years since the 1980s?

To address this question, we must in turn consider various issues discussed in Chapters 5 to 7 concerning the marketisation of telecommunications and broadcasting and shifts in copyright and cultural policy. These policy shifts can be seen as complex responses to the perceived need on the part of businesses and states to restore growth and political order in the wake of the economic downturn and political and cultural crises facing advanced industrial societies in the 1960s and 1970s (outlined in Chapter 5). They were not concerted responses in that they were based on meetings of some committee of the ruling class. But they were fought for in order to meet particular sets of interests – especially economic ones. Culture was seen as a key opportunity for investment growth. The set of assumptions I called ‘information society discourse’ in Chapter 5 – especially that modern economies and societies (at least previously dominant post-industrial ones) need to focus on knowledge assets – was an essential basis for this. Such discourse, on the part of policymakers, journalists and business analysts, legitimated an acceleration of capital investment in the production of culture, information and knowledge. Culture had been growing steadily as a sector of capitalism throughout the complex professional era, but opportunities for growth were restrained by public ownership and oversight of telecommunications channels and broadcasting. Cultural policy (such as arts policy) was more marginal. But the introduction of information society discourse into this area of public policy from the 1980s onwards, often justified as an attempt to democratise ‘paternalist’ or ‘elitist’ practices, added fuel to the accelerating commodification of culture. The strengthening of copyright law and enforcement across the world – in the form of the TRIPS elements of the WTO agreement of 1995, and various other agreements – has been particularly important as a basis for growth in cultural businesses, which rely fundamentally on ownership, licensing and the exploitation of rights. In the shrinking of the public domain and of fair use-style provisions, we can see the way in which commodification can encroach on public, collective access to resources. Yet at the same time the developments in digital technologies that we will examine in the next two chapters – arguably based on a commodification of sociality itself – have in practice made it *easier* to access cultural resources; and this is another instance of the contradictions involved in commodification.

To recap section 4.3, all societies – by virtue of law and conventions – will draw lines between elements of the world that can be bought and sold and those that can’t (see Frow, 1997). These boundaries are subject to technological change, driven in part by a desire on the part of businesses to accumulate capital. At times, entirely new domains will become available for commodification: Frow, for example, discusses the rise in the trade in human organs. At other times, there will be an increasing encroachment on domains already open to commodification, but relatively protected. This is what has happened with culture over the last 40 years.

So how should we interpret this? There is no need to offer a romantic vision of the superiority of primitive society over capitalist society or imagine that we can return

to a state where we simply make culture together, free of commodity exchange. In fact, such visions and fantasies are themselves a product of modern commodified culture. My view is that we need to recognise the ambivalences involved in capitalist development, resist the more negative aspects of commodification, and seek to develop alternatives.

On what I have called the consumption side (though this involves production, too, in that we draw on our consumption of existing resources to make new things), the extension of the scope and duration of copyright, a necessary underpinning of commodification, has placed undue restrictions on freedom. While some restrictions on freedom are desirable as they are in the interests of the common good, the exclusive ownership of cultural goods has become excessive. Moreover, commodification leads to a situation where cultural experience is increasingly privatised and individualised. Many libertarians and liberals would agree with the view that copyright is now excessively hindering access to culture and offer phenomena such as the open-source software movement and various web-based initiatives as alternatives.

Another negative aspect of commodification concerns labour. Commodification can lead to greater innovation, and the reduction of costs, but in a world where labour sources can often be moved to cheaper locations, such a cost reduction is often achieved through making workers redundant and then employing them in other industries. We shall see how this has begun increasingly to happen in the realm of culture in Chapter 13. When combined with uneven development, as workers are paid different wages in different places, commodification also gives rise to a situation where consumers are cut off from the work that goes into making their products. This is as true of culture as it is of other goods. Just as we might pay scant attention to the labour that goes into the shoes that we wear, we will rarely consider the labour that goes into our cultural products. A complex and globally distributed division of labour means that we are unaware of the work involved in streaming a movie or 'box set' TV show into our homes. Many less well-paid creative and technical workers will be responsible for such products besides the stars whose names appear on the product. Non-commodified or partly commodified cultural labour is likely to be less distant in space and time than the products of the cultural industries. It could even be argued that because so few people are aware of the problems of cultural labour, believing it to be cushy and even glamorous, it is a particularly potent example of the way in which work is not recognised under capitalist commodity production.

There are further implications of the extension of commodification raised by the analysis of corporate growth in this chapter and the last. As the scope for investment in culture grows, corporations grow bigger and come to undertake more and more of the cultural production that people see and hear. They have much greater resources for the vital work of marketing and publicity necessary to make us aware of their products, amidst the tens of thousands of others available. Corporate forms of cultural production thus become the model for

creativity in societies. It is not true to say that alternative and independent forms of production are suppressed. The rise of collaborative forms of peer-to-peer production suggests that there is still a great deal of cultural production in modern societies that does not neatly fall into the category of commodities, to be bought and sold, based on principles of giving and sharing. But, as we shall see in Chapters 10 and 11, these innovations are often drawn into corporate systems of cultural production, in indirect ways.

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This chapter has discussed the second of two phases of change in the size and power of cultural industry corporations. In this second phase, cultural industries faced growing challenges to their business from the IT sector, including a set of new giant corporations, some with their roots in the 1980s personal computer boom (Microsoft and Apple), some of them emerging in the early internet era of the 1990s and early 2000s (e.g., Google and Amazon). Massive cultural industry corporations now co-exist with even vaster IT corporations, sometimes with conflicting interests, sometimes forming alliances. The effects of this uneasy co-existence on particular cultural industries will be discussed in the next chapter.

However, there has also been considerable continuity. Small companies continue to play a key but ultimately subservient role in the cultural industries. The dynamics identified in Chapter 2 continue to drive company strategy, even if the exact form vertical integration and conglomeration take will vary according to the general business fashion. As for market concentration, much depends on how this is defined, but there is no doubt that cultural industry corporations, in general, exert a market domination that maintains their power at worryingly high levels, given their potential influence over society and culture.

As I have shown, the big cultural industry corporations are not in the same league of power and resources as Big Oil, the car industry, the banks, or even the big telecommunications firms. Nevertheless, the growth of the cultural industries has significant implications, because the oligopolistic corporations that inevitably come to dominate capitalist forms of production can mobilise huge resources to campaign on behalf of their interests and put together the kinds of promotional budgets that will allow their texts to gain more attention than any others. This often works against the public interest – for example, when campaigning for changes that will extend the scope of copyright, which will in turn diminish public access to culture. The growth of large corporations also affects prevailing conceptions of how to conduct creativity. The biggest firms often tend to be the most prestigious and will set the standards other businesses will follow as they carry out their work. In the final part of this chapter, I tied these various developments to the longer-term historical picture. The policy developments analysed in Chapters 6 and 7 and the associated corporate growth discussed in Chapters 8 and 9 can be seen as fuelling an ongoing, but accelerating, commodification of culture.

Recommended and further reading

In the wake of the emergence of the IT giants in the first decade of the twenty-first century, the new state of the art in discussion of corporate power in relation to communication has come to be represented by Tim Wu's book *The Master Switch* (2010), a superb history of 'the rise and fall of information empires', which places telecommunications businesses in their rightful place at the centre of the story. His more recent *The Attention Merchants* (2017), also excellent, focuses more on advertising, marketing and PR. On the latest 'fifth wave' of communication policy identified in Chapter 6, a very good collection is *European Media Policy for the Twenty-First Century* (2016), edited by three leading media policy analysts, Seamus Simpson, Manuel Puppis, and Hilde van den Bulck.

Dwayne Winseck's introductory essay to the collection edited by himself and Dal Yong Jin, *The Political Economies of Media* (2011), explores changes in ownership concentration and in relations between cultural industries and neighbouring industries (telecommunications, internet and information technology). Susan Crawford's *Captive Audience* (2013) lucidly explains, with insider knowledge of policy processes, how telecommunications policies have failed US citizens, focusing especially on the Comcast-NBCU and AT&T/T-Mobile mergers mentioned above. Julie Cohen's *Configuring the Networked Self* (2012) is an important book on how human flourishing might best be served by the new information environment of the twenty-first century, using the 'capability approach' of Amartya Sen and Martha Nussbaum. On independents, a recent valuable collection is James Bennett and Nikki Strange's *Media Independence* (2015).

On questions of commodification of culture, see David Harvey's *The Condition of Postmodernity* (1989), Vincent Mosco's *The Political Economy of Communication* (1996, 2nd edition 2009), and John Frow's brilliant essay entitled 'Gift and commodity' (1997). Nicholas Garnham's essay in Janet Wasko, Graham Murdock and Helena Sousa's *The Handbook of Political Economy of Communications* (2011) discusses the troubled and incomplete nature of commodification. A fine essay by Graham Murdock in the same collection updates debates about cultural commodities for the digital era.