THE BUSINESS OF MASS MEDIA

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Media Economics and the Global Marketplace

In the economic history of electronic—and now digital—media, one key business strategy for enterprising technology companies and distribution services has been to transition into the content and storytelling business. In the 1920s, RCA, which pioneered commercial radio technology, started purchasing phonograph companies and radio stations—both content creators. Fast-forward to 1987—the Japanese electronics giant Sony paid $2 billion for CBS Records (renaming it Sony Music in 1991), and in 1989 Sony also acquired a major movie studio, Columbia Pictures, for $3.4 billion. In 2000, AOL, then the preeminent dial-up Internet company, also opted to take a chance on content creation and, for $164 billion, bought Time Warner—the world's biggest media company at the time. However, because AOL underestimated the growth of broadband and wireless technology and fell behind in those areas, the merger went sour and Time Warner's own executives eventually took charge and spun off AOL as a separate company in 2009. To rehabilitate itself, AOL got back into the content game in 2011, buying the popular Internet newspaper *Huffington Post* for $315 million.[1]

Another technology company looking to rehabilitate itself with new media content is Yahoo! While many of its earlier Internet peers had already moved into the content business—Google bought YouTube, Microsoft developed Xbox and streaming media, Amazon publishes books and streaming media, and Apple distributes music and develops app downloads—Yahoo! (with the exception of its purchase of Flickr in 2005) had not offered much more than its own mostly aggregated content like Yahoo! Sports and Yahoo! News (Facebook's content is provided by its users.) In 2013 Yahoo! bought the fast-growing Tumblr blog service for $1.1 billion in an effort to stake a claim in the social media content business. Given the media world's history of other bad mergers, Yahoo! promised "not to screw it up" and reassured Tumblr's mostly young users that it would not ruin their experience as it seeks to bring advertising to the service's more than 100 million blogs.[2] Tumblr, as one of the most popular mobile apps, will also give Yahoo! content that is popular on mobile screens.[3]

Cable TV—for many years just a distributor of old network reruns and Hollywood movies—has also gotten into the business of developing its own content over the last few years, creating award-winning programs like *The Sopranos, Mad Men, Dexter,* and *The Closer*. More recently, Netflix is another media distributor entering the content creation business. Netflix, like cable TV in the early days, made its mark distributing old TV shows and Hollywood films—by sending DVDs through the mail and, later, by shifting its distribution system to streaming old TV programs and movies. In 2013 it premiered *House of Cards*, an original one-hour "political drama" starring Kevin Spacey. Just like a traditional TV network would, Netflix ordered twenty-six episodes of its new TV series.[4] The company also ordered new episodes of the cult comedy series *Arrested Development*.

In the end, compelling narratives are what attract people to media—whether in the form of books or blogs, magazines or movies, TV shows or talk radio. People make sense of their experiences and articulate their values through narratives. And so "the story" of media economics today is—as it has always been—the telling and selling of stories.

"Google has been spending a lot of time and some significant money trying to help traditional media businesses stay in business, in part because Google does not want its search engines to crawl across a wasteland of machine-generated info-spam and amateur content with limited allure."

DAVID CARR, *NEW YORK TIMES*, 2011

THE MEDIA TAKEOVERS, MULTIPLE MERGERS, AND CORPORATE CONSOLIDATION over the last two decades have made our modern world very distinct from that of earlier generations–at least in economic terms. What's at the heart of this "Brave New Media World" is a media landscape that has been forever altered by the emergence of the Internet and a "changing of the guard" from traditional media giants like News Corp. and Time Warner to new digital giants like Amazon, Apple, Facebook, Google, and Microsoft. As the Yahoo! and Netflix ventures demonstrate, the Internet is marked by shifting and unpredictable terrain. In usurping the classified ads of newspapers and altering distribution for music, movies, and TV programs, the Internet has forced almost all media businesses to rethink not only the content they provide but the entire economic structure within which our capitalist media system operates.

In this chapter, we examine the economic impact of business strategies on various media. We will:

- Explore the issues and tensions that are a part of the current media economy
- Examine the rise of the Information Age, distinguished by flexible, specialized, and global markets
- Investigate the breakdown of economic borders, focusing on media consolidation, corporate mergers, synergy, deregulation, and the emergence of an economic global village
- Address ethical and social issues in media economics, investigating the limits of antitrust laws, the concept of consumer control, and the threat of cultural imperialism
- Examine the rise of new digital media conglomerates
- Consider the impact of media consolidation on democracy and on the diversity of the marketplace

As you read through this chapter, think about the different media you use on a daily basis. What media products or content did you consume over the past week? Do you know who owns them? How important is it to know this? Do you consume popular culture or read news from other countries? Why or why not? For more questions to help you understand the role of media economics in our lives, see "Questioning the Media" in the Chapter Review.

Analyzing the Media Economy

Given the sprawling scope of the mass media, the study of their economic conditions poses a number of complicated questions. For example, does the government need to play a stronger role in determining who owns the mass media and what kinds of media products are manufactured? Or should the government step back and let competition and market forces dictate what happens to mass media industries? Should citizen groups play a larger part in demanding that media organizations help maintain the quality of social and cultural life? Does the influence of American popular culture worldwide smother or encourage the growth of democracy and local cultures? Does the increasing concentration of economic power in the hands of several international corporations too severely restrict the number of players and voices in the media?

Answers to such questions span the economic and social spectrums. On the one hand, critics express concerns about the increasing power and reach of large media conglomerates. On the other hand, many free-market advocates maintain that as long as these structures ensure efficient operation and generous profits, they measure up as quality media organizations. In order to probe these issues fully, we need to understand key economic concepts across two broad areas: media structure and media performance.[5]

OPRAH WINFREY has built a remarkable media empire over the course of her long career. From book publishing to filmmaking and television, where she got her start, Oprah has established an expansive sphere of influence. Yet after launching cable TV network *OWN* in 2011, an acronym named for Winfrey herself, the modern-day media mogul has faced multiple challenges, including lackluster ratings and employee layoffs.

The Structure of the Media Industry

In most media industries, three common structures characterize the economics of the business: monopoly, oligopoly, and limited competition.

A **monopoly** occurs when a single firm dominates production and distribution in a particular industry, either nationally or locally. For example, at the national level, AT&T ran a rare government-approved-and-regulated monopoly–the telephone business–for more than a hundred years until its breakup in the mid-1980s. In a suit brought by the Justice Department and twenty states, software giant Microsoft was accused of monopolistic practices for controlling more than 80 percent of computer operating systems worldwide and was ordered to split into two separate companies. Microsoft, however, appealed and in 2002 agreed to a court settlement that imposed restrictions only on its business dealings with personal computer makers but left the company intact.

On the local level, monopoly situations have been more plentiful, occurring in any city that has only one newspaper or one cable company. While the federal government has encouraged owner diversity since the 1970s by prohibiting a newspaper from operating a broadcast or cable company in the same city, many individual local media monopolies have been purchased by national and international firms. For instance, Cox Communications has acquired nearly thirty cable monopoly systems–including those in San Diego, Oklahoma City, and Cleveland–clustered in nineteen states and serving more than six million customers. Likewise, in the newspaper business, chain operators like Gannett own hundreds of newspapers, most of which constitute a newspaper monopoly in their communities.

Media Economics and the Global Marketplace

Sherman Antitrust Act
Congress passes an act in 1890 that outlaws monopoly practices and corporate trusts that fix prices (p. 455).

Clayton Antitrust Act
Congress strengthens antitrust law in 1914 by prohibiting companies from selling only to dealers who agree to reject rival products (p. 455).

Busting the Big Boys
In 1911, the federal government uses antimonopoly laws to break up both American Tobacco Co. and Rockefeller's Standard Oil Co. into smaller firms (p. 455).

Disney Founded in Hollywood
The future media conglomerate begins as a small animation studio in 1928 (p. 462).

1880 • 1900 • 1920 • 1930 •

In an **oligopoly**, just a few firms dominate an industry. For example, the book-publishing and feature-film businesses are both oligopolies. Each has five or six major players that control the majority of the production and distribution in the industry. After the completion of the Universal-EMI merger in 2012, the production and distribution of the world's music is now controlled by just three international corporations–Warner Music (United States), Sony (Japan), and Universal (France). Usually conducting business only in response to one another, such companies face little economic competition from small independent firms. Oligopolies often add new ideas and product lines by purchasing successful independent companies.

Sometimes called *monopolistic competition*, **limited competition** characterizes a media market with many producers and sellers but only a few products within a particular category.[6] For instance, hundreds of independently owned radio stations operate in the United States. Most of these commercial stations, however, feature a limited number of formats–such as country, classic rock, or contemporary hits. Because commercial broadcast radio is now a difficult market to enter–requiring an FCC license and major capital investment–most stations play only one of the few formats that attract sizable audiences. Under these circumstances, fans of blues, alternative country, or classical music may not be able to find a radio station that matches their interests. Given the high start-up costs of launching a commercial business in any media industry, companies offering alternative products are becoming rare in the twenty-first century.

The Performance of Media Organizations

In analyzing the behavior and performance of media companies, economists pay attention to a number of elements–from how media make money to how they set prices and live up to society's expectations. In addition, many corporations now adapt their practices to new Internet standards. For example, most large regional newspapers from 2009 to 2011 had lost a high percentage of classified ad revenue to Internet companies and were adjusting to the losses by downsizing staff; printing on fewer days of the week; and in some cases declaring bankruptcy, closing down, or moving to an online-only edition.

"Communities across America are suffering through a crisis that could leave a dramatically diminished version of democracy in its wake. . . . In a nutshell, media corporations, after running journalism into the ground, have determined that news gathering and reporting are not profit-making propositions. So they're jumping ship."

JOHN NICHOLS AND ROBERT McCHESNEY, *THE NATION*, 2009

Celler-Kefauver Act
In 1950, corporate mergers and joint ventures that reduce competition are limited (p. 455).

Disney Buys ABC
The 1995 deal is approved despite concerns that ABC News will pull its punches in coverage of Disney's empire (p. 457).

EchoStar-DirecTV Merger Blocked
The FCC moves to block a deal in 2002 that would have created a Direct Broadcast Satellite (DBS) monopoly (p. 472).

AOL buys the *Huffington Post*
Looking to expand in content creation, AOL acquires the *Huffington Post* for $315 million in 2011 (p. 457).

1950 • 1970 • 1990 • 2010 • 2020

GATT Established
The General Agreement on Tariffs and Trade is established in 1947, opening an era of increasing globalization. The NAFTA agreement in 1994 and the WTO in 1995 further encourage trade and the export of certain jobs (p. 462).

GE Buys NBC
The 1985 merger sets off a wave of media consolidation (p. 457).

AOL Merges with Time Warner
Time Warner, already the largest media corporation, becomes even larger in 2001 with the addition of AOL, the largest Internet service provider (p. 457).

Yahoo! buys Tumblr
In 2013, Yahoo! stakes its social media claim by buying the popular blogging site (p. 449).

Collecting Revenue

The media collect revenues in two ways: through direct and indirect payments. **Direct payment** involves media products supported primarily by consumers, who pay directly for a book, a CD, a movie, or an Internet or cable TV service. **Indirect payment** involves media products supported primarily by advertisers, who pay for the quantity or quality of audience members that a particular medium delivers. Over-the-air radio and TV broadcasting, daily newspapers, magazines, and most Web sites rely on indirect payments for the majority of their revenue.

Through direct payments, consumers communicate their preferences immediately. Through the indirect payments of advertising, "the client is the advertiser, not the viewer or listener or reader."[7] Advertisers, in turn, seek media channels that persuade customers to acquire new products or switch brand loyalties. Many forms of mass media, of course, generate revenue both directly and indirectly, including newspapers, magazines, online services, and cable systems, which charge subscription fees in addition to selling commercial time or space to advertisers.

Commercial Strategies and Social Expectations

When evaluating the media, economists also look at other elements of the commercial process, including program or product costs, price setting, marketing strategies, and regulatory practices. For instance, marketers and media economists determine how high a local newspaper can raise its weekly price before enough disgruntled readers drop their subscriptions and offset the profits made from the price increase. Or, as in 1996, critics and government agencies began reviewing the inflated price of CDs. They demonstrated that the **economies of scale** principle—the practice of increasing production levels to reduce the cost for each product—should have driven down the price of a CD in the same way that the price of videotapes dropped in the 1980s. Yet it wasn't until October 2003 that any of the major recording companies dropped its CD prices. At that time, Universal, trying to generate consumer demand in the face of illegal file-sharing of music, cut the recommended retail price of music CDs by a third—to $12.98 each (by 2013 the price had dropped to $9–$13, roughly the same price to download an entire album on sites like iTunes).

Economists, media critics, and consumer organizations have also asked the mass media to meet certain performance criteria. Some key expectations of media organizations include introducing new technologies to the marketplace, making media products and services available to people of all economic classes, facilitating free expression and robust political discussion, acting as public watchdogs over wrongdoing, monitoring society in times of crisis, playing a positive role in education, and maintaining the quality of culture.[8]

Although media industries live up to some of these expectations better than to others, economic analyses permit consumers and citizens to examine the instances when the mass media fall short. For example, when corporate executives trim news budgets or fire news personnel, or use one reporter to do multiple versions of a story for TV, radio, newspaper, and the Internet, such decisions ultimately reduce the total number of different news stories that cover a crucial topic and may jeopardize the role of journalists as watchdogs of society.

"Had anyone in 1975 predicted that the two oldest and most famous corporate producers and marketers of American recorded music [the RCA and CBS labels] would end up in the hands of German printers and publishers [Bertelsmann] and Japanese physicists and electronic engineers [Sony], the reaction in the industry would have been astonishment."

BARNET AND CAVANAGH, *GLOBAL DREAMS*, 1994

The Transition to an Information Economy

The first half of the twentieth century emphasized mass production, the rise of manufacturing plants, and the intense rivalry of U.S.-based businesses competing against products from other nations. By the 1990s, however, car parts for both Japanese- and American-based firms were being manufactured in plants all over the world. The transition to this new cooperative global economy actually began taking shape back in the 1950s—a period in which the machines that drove the Industrial Age changed gears for the new Information Age. With offices displacing factories as major work sites, centralized mass production declined and often gave way to internationalized, decentralized, and lower-paid service work.

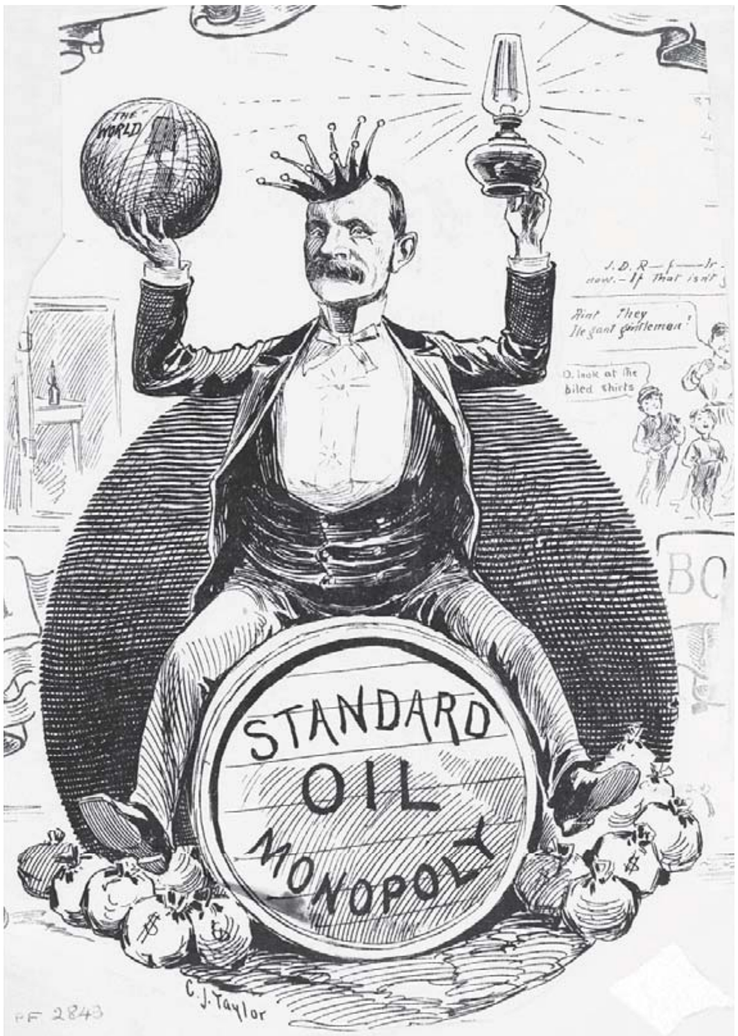
As part of the shift to an information-based economy, various mass media industries began marketing music, movies, television programs, and computer software on a global level. The emphasis on mass production shifted to the cultivation of specialized niche markets. In the 1960s, serious national media consolidation began, escalating into the global media mergers that have continued since the 1980s.

ANTITRUST REGULATION
During the late 1800s, John D. Rockefeller Sr., considered the richest businessman in the world, controlled more than 90 percent of the U.S. oil refining business. But antitrust regulations were used in 1911 to bust Rockefeller's powerful Standard Oil into more than thirty separate companies. He later hired PR guru Ivy Lee to refashion his negative image as a greedy corporate mogul.

Deregulation Trumps Regulation

During the rise of industry in the nineteenth century, entrepreneurs such as John D. Rockefeller in oil, Cornelius Vanderbilt in shipping and railroads, and Andrew Carnegie in steel created monopolies in their respective industries. In 1890, Congress passed the Sherman Antitrust Act, outlawing the monopoly practices and corporate trusts that often fixed prices to force competitors out of business. In 1911, the government used this act to break up both the American Tobacco Company and Rockefeller's Standard Oil Company, which was divided into thirty smaller competing firms.

In 1914, Congress passed the Clayton Antitrust Act, prohibiting manufacturers from selling only to dealers and contractors who agreed to reject the products of business rivals. The Celler-Kefauver Act of 1950 further strengthened antitrust rules by limiting any corporate mergers and joint ventures that reduced competition. Today, these laws are enforced by the Federal Trade Commission and the antitrust division of the Department of Justice.



The Escalation of Deregulation

Until the banking, credit, and mortgage crises erupted in fall 2008, government regulation had often been denounced as a barrier to the more flexible flow of capital. Although the administration of President Carter (1977–81) actually initiated deregulation, under President Reagan (1981–89) most controls on business were drastically weakened. Deregulation led to easier mergers, corporate diversifications, and increased tendencies in some sectors toward oligopolies (especially in airlines, energy, communications, and finance).[9] This deregulation and decline of government oversight sometimes led to severe consequences, such as the collapse of Enron in 2001, the fraud cases at telecommunications firm WorldCom and cable company Adelphia in 2005, and the widespread financial crises that began in 2008 and set off a worldwide recession.

In the broadcast industry, the Telecommunications Act of 1996 (under President Clinton) lifted most restrictions on how many radio and TV stations one corporation could own. As a result, radio and television ownership became increasingly consolidated. The 1996 act further welcomed the seven powerful regional telephone companies, known as Baby Bells (resulting from the mid-1980s breakup of the AT&T telephone monopoly), into the cable TV business. In addition, cable operators regained the right to freely raise their rates and were authorized to compete in the local telephone business. At the time, some economists thought the new competition would lower consumer prices. Others predicted more mergers and an oligopoly in which a few mega-corporations would control most of the wires entering a home and dictate pricing.

As it turned out, part of each prediction occurred. The price of basic cable service more than doubled between 1996 and 2012, from $24.48 to $61.63 per month.[10] At the same time, the cost of a monthly telephone landline increased only about 20 percent, in part because a growing percentage of households replaced their landlines with mobile phones. Increasingly, companies like Comcast and AT&T try to corner all of the key communications systems by "bundling" multiple services—including digital cable television, high-speed Internet, home telephone, and wireless.

Deregulation Continues Today

Since the 1980s, a spirit of deregulation and special exemptions has guided communication legislation. For example, in 1995, despite complaints from NBC, Rupert Murdoch's Australian company News Corp. received a special dispensation from the FCC and Congress allowing the firm to continue owning and operating the Fox network and a number of local TV stations. The Murdoch decision ran counter to government decisions made after World War I. At that time, the government feared outside owners and thus limited foreign investment in U.S. broadcast operations to 20 percent. To make things easier, Murdoch became a U.S. citizen, and in 2004 News Corp. moved its headquarters to the United States, where the company was doing about 80 percent of its business.

FCC rules were further relaxed in late 2007, when the agency modified the newspaper-broadcast cross-ownership rule, allowing a company located in a Top 20 market to own one TV station and one newspaper as long as there were at least eight TV stations in the market. Previously, a company could not own a newspaper and a broadcast outlet—either a TV or radio station—in the same market (although if a media company had such cross-ownership prior to the early 1970s, the FCC usually granted waivers to let it stand). Murdoch had already been granted a permanent waiver from the FCC to own the *New York Post* and the New York TV station WNYW. So the FCC actually restructured the cross-ownership rule to accommodate News Corp. (In 2006, when News Corp. bought the New York-based *Wall Street Journal*, the FCC declared that the *Journal* was a national newspaper, not a local one that fell under the cross-ownership rule.) In 2011, the FCC voted to allow the same company to own a TV station and a newspaper in a Top 20 market. But in 2012, the Supreme Court let a lower court ruling stand that blocked the FCC's deregulation of cross-ownership, so the rules still exist.

"Big is bad if it stifles competition . . . but big is good if it produces quality programs."

MICHAEL EISNER, THEN-CEO, DISNEY, 1995

The deregulation movement favored by administrations from Reagan through Clinton to George W. Bush returned media economics to nineteenth-century principles, which suggested that markets can take care of themselves with little government intervention. In this context, one of the ironies in broadcast history is that more than eighty years ago commercial radio broadcasters demanded government regulation to control technical interference and amateur competition. By the mid-1990s, however, the original reasons given for regulation no longer applied. With new cable channels, DBS, and the Internet, broadcasting was no longer considered a scarce resource—once a major rationale for regulation as well as government funding of noncommercial and educational stations.

"It's a small world, after all."

THEME SONG, DISNEY THEME PARKS

Media Powerhouses: Consolidation, Partnerships, and Mergers

The antitrust laws of the twentieth century, despite their strength, have been unevenly applied, especially in terms of the media. When International Telephone & Telegraph (ITT) tried to acquire ABC in the 1960s, loud protests and government investigations sank the deal. But in the

MEDIA PARTNERSHIPS like the one between NBC and Microsoft, which resulted in the creation of MSNBC, are one of the ways media conglomerates work together to consolidate power. Here Rachel Maddow prepares for her political talk show on MSNBC.

mid-1980s, as the Justice Department broke up AT&T's century-old monopoly—creating telephone competition—the government at the same time was also authorizing a number of mass media mergers that consolidated power in the hands of a few large companies. For example, when General Electric purchased RCA/NBC in the 1980s, the FTC, the FCC, and the Justice Department found few problems. Then, in 1996, computer giant Microsoft partnered with NBC to create a CNN alternative, MSNBC: a twenty-four-hour news channel available on both cable and the Internet.

In 1995, Disney acquired ABC for $19 billion. To ensure its rank as the world's largest media conglomerate, Time Warner countered and bought Turner Broadcasting in 1995 for $7.5 billion. In 2001, AOL acquired Time Warner for $106 billion—the largest media merger in history at the time. For a time the company was called AOL Time Warner. However, when the online giant saw its subscription service decline in the face of new high-speed broadband services from cable firms, the company went back to the Time Warner name and spun off AOL in 2009. Time Warner's failed venture in the volatile world of the Internet proved disastrous. The companies together were valued at $350 billion in 2000 but only at $50 billion in 2010. After suffering losses of over $700 million in 2010, AOL in 2011 bought the *Huffington Post,* a popular news and analysis Web site, for $315 million in an attempt to reverse its decline.

Also in 2001, the federal government approved a $72 billion deal uniting AT&T's cable division with Comcast, creating a cable company twice the size of its nearest competitor. (AT&T quickly left the merger, selling its cable holdings to Comcast for $47 billion late in 2001.) In 2009, Comcast struck a deal with GE to purchase a majority stake in NBC Universal, stirring up antitrust complaints from some consumer groups. In 2010, Congress began hearings on whether uniting a major cable company and a major broadcasting network under a single owner would decrease healthy competition between cable and broadcast TV and would hurt consumers. In 2011, the FCC approved the deal. In 2012, Comcast, as NBC's new owner, bought out Microsoft's share of MSNBC.

Until the 1980s, antitrust rules attempted to ensure diversity of ownership among competing businesses. Sometimes this happened, as in the breakup of AT&T, and sometimes it did not, as in the cases of local newspaper and cable monopolies and the mergers listed above. What has

"In antitrust, as in many other areas involving economic regulation, there is a general perception today that businesses have slipped the traces of public control and that unregulated market forces will not ensure a just, or even efficient, economy."

HARRY FIRST, DIRECTOR, TRADE REGULATION PROGRAM, NYU, 2008

occurred consistently, though, is that media competition has been usurped by media consolidation. Today, the same anticompetitive mind-set exists that once allowed a few utility and railroad companies to control their industries in the days before antitrust laws.

Most media companies have skirted monopoly charges by purchasing diverse types of mass media rather than trying to control just one medium. For example, Disney, rather than trying to dominate one area, provides programming to TV, cable, and movie theaters. In 1995, then-Disney CEO Michael Eisner defended the company's practices, arguing that as long as large companies remain dedicated to quality—and as long as Disney did not try to buy the phone lines and TV cables running into homes—such mergers benefit America.

But Eisner's position raises questions: How is the quality of cultural products determined? If companies cannot make money on quality products, what happens? If ABC News cannot make a substantial profit, should Disney's managers cut back their national or international news staff? What are the potential effects of such layoffs on the public mission of news media and consequently on our political system? How should the government and citizens respond?

Business Tendencies in Media Industries

In addition to the consolidation trend, a number of other factors characterize the economics of mass media businesses. These are general trends or tendencies that cut across most business sectors and demonstrate how contemporary global economies operate.

Flexible Markets and the Decline of Labor Unions

Today's information culture is characterized by what business executives call flexibility—a tendency to emphasize "the new, the fleeting . . . and the contingent in modern life, rather than the more solid values implanted" during Henry Ford's day, when relatively stable mass production drove mass consumption.[11] The new elastic economy features the expansion of the service sector (most notably in health care, banking, real estate, fast food, Internet ventures, and computer software) and the need to serve individual consumer preferences. This type of economy has relied on cheap labor—sometimes exploiting poor workers in sweatshops—and on quick, high-volume sales to offset the costs of making so many niche products for specialized markets.

Given that 80 to 90 percent of new consumer and media products typically fail, a flexible economy has demanded rapid product development and efficient market research. Companies need to score a few hits to offset investments in failed products. For instance, during the peak summer movie season, studios premiere dozens of new feature films, such as *Iron Man 3*, *Man of Steel*, and *World War Z* in 2013. A few are hits but many more miss, and studios hope to recoup their losses via merchandising tie-ins and DVD rentals and sales. Similarly, TV networks introduce scores of new programs each year but quickly replace those that fail to attract a large audience or the "right" kind of affluent viewers. This flexible media system, of course, heavily favors large companies with greater access to capital over small businesses that cannot easily absorb the losses incurred from failed products.

The era of flexible markets also coincided with the decline in the number of workers who belong to labor unions. Having made strong gains on behalf of workers after World War II, labor unions, at their peak in 1955, represented 35 percent of U.S. workers. Then, manufacturers and other large industries began to look for ways to cut the rising cost of labor. With the shift to an information economy, many jobs, such as making computers, CD players, TV sets, VCRs, and DVDs, were exported to avoid the high price of U.S. unionized labor. (Today, in fact, many of the technical and customer support services for these kinds of product lines are outsourced to nations like India.) As large companies bought up small companies across national boundaries, commerce developed rapidly at the global level. According to the U.S. Department of Labor, union membership fell to 20.1 percent in 1983 and 11.8 percent in 2011, the lowest rate in more than seventy years.

Downsizing and the Wage Gap

With the apparent advantage to large companies in this flexible age, who is disadvantaged? From the beginning of the recession in December 2007 through 2009, the United States lost more than 8.4 million jobs (affecting 6.1 percent of all employers), creating the highest unemployment contraction since the Great Depression.[12] This phenomenon of layoffs—in both good times and bad—is characteristic of corporate "downsizing," which is supposed to make companies more flexible (in terms of their commitment to their workforce) and more profitable.

This trend, spurred by government deregulation and a decline in worker protections, means that many employees today scramble for jobs, often working two or three part-time positions. Increasingly, the available positions have substandard pay. In 2011, the National Employment Law Project reported "more than one in four private sector jobs (26 percent) were low-wage positions paying less than $10 per hour."[13] This translates to a salary of about $20,000 a year or less. And, the "flexible" economy keeps moving in that direction. The U.S. Bureau of Labor Statistics estimated in 2012 that 70 percent of the leading growth occupations for the next decade are low-wage ones.[14] In the news media, the emergence of online news sites, blogs, and other ventures (e.g., the *Huffington Post* or *Politico*) has led to the "downsizing" of traditional newsrooms—95 of the top 100 newspapers cut staff between 2006 and 2010. Layoffs and buyouts in newsrooms mean there are fewer reporters and editors to develop new ideas and innovative techniques to compete with the online news vendors, although in some cases the new online media have created opportunities for displaced news workers.

The main beneficiaries of downsizing, especially in the 1990s, had been corporate CEOs—many of whom had overseen the layoffs. The 2008 Nobel economist and *New York Times* columnist Paul Krugman reported on the growing gap between CEOs and average workers, stating that back in 1950 corporate CEOs earned about twenty-five times the average worker's pay. Between 1970 and 2000, however, "the average annual salary in America, expressed in 1998 dollars (that is, adjusted for inflation), rose from $32,522 in 1970 to $35,864 in 1999. . . . Over the same period, however . . . the average real annual compensation of the top 100 CEOs went from $1.3 million—39 times the pay of an average worker—to $37.5 million, more than 1,000 times the pay of ordinary workers."[15] The major economic recessions of the 2000s have lessened the wage gap between CEOs and the average worker, but the gap was still significant enough to be an issue that spurred the Occupy Wall Street protests in 2011. Even as most big businesses had recovered from the recession and experienced record profits by 2011, their low-wage workers' wages still suffered. For example, at the top fifty low-wage employers, including Target, McDonald's, Panera, Macy's, and Abercrombie & Fitch, the highest paid executives earned an average of $9.4 million a year. At that rate, they earned about $4,520 an hour, an amount it would take more than six hundred minimum wage employees to earn in the same time period.[16] (See Table 13.1, "How Many Workers Can You Hire for the Price of One CEO?")

Economics, Hegemony, and Storytelling

To understand why our society hasn't (until recently) participated in much public discussion about wealth disparity and salary gaps, it is helpful to understand the concept of *hegemony*. The word *hegemony* has roots in ancient Greek, but in the 1920s and 1930s Italian philosopher and activist Antonio Gramsci worked out a modern understanding of *hegemony*: how a ruling class in a society maintains its power—not simply by military or police force but more commonly by citizens' consent and deference to power. He explained that people who are without power—the disenfranchised, the poor, the disaffected, the unemployed, exploited workers—do not routinely rise up against those in power because "the rule of one class over another does not depend on economic or physical power alone but rather on persuading the ruled to accept the system of beliefs of the ruling class and to share their social, cultural, and moral values."[17] **Hegemony**,

Company	CEO Compensation (annual)	Entry-Level Compensation (per hour/annual)	One CEO =
The Walt Disney Company	$29 million	$10/hour; $26,000/year (Disneyland Hotel housekeeper)	1,115 employees
Cablevision	$15–17 million	$13/hour; $33,800/year (customer service representative)	505 employees
Time Warner Cable	$15.9 million	$20/hour; $52,000/year (cable installer)	423 employees
Starbucks	$9.9 million	$9/hour; $23,400/year (entry-level barista)	423 employees
Walmart	$8.5 million	$9.75/hour; $25,350/year (starting sales associate)	335 employees
Nike	$7.3 million	$9/hour; $23,400/year (starting sales associate, NY)	311 employees

TABLE 13.1

HOW MANY WORKERS CAN YOU HIRE FOR THE PRICE OF ONE CEO?

Source: Douglas McIntyre, "How Many Workers Can You Hire for the Price of One CEO?," July 7, 2010, http://www.dailyfinance.com/story/how-many-workers-can-you-hire-for-the-price-of-one-ceo/19540733/.

then, is the acceptance of the dominant values in a culture by those who are subordinate to those who hold economic and political power.

How then does this process actually work in our society? How do lobbyists, the rich, and our powerful two-party political system convince regular citizens that they should go along with the status quo? Edward Bernays, one of the founders of modern public relations (see Chapter 12), wrote in his 1947 article "The Engineering of Consent" that companies and rulers couldn't lead people—or get them to do what the ruling class wanted—until the people consented to what those companies or rulers were trying to do, whether it was convincing the public to support women smoking cigarettes or to go to war. To pull this off, Bernays would convert a client's goals into "common sense"; that is, he tried to convince consumers and citizens that his clients' interests were the "natural" or normal way things worked.

So if companies or politicians convinced consumers and voters that the interests of the powerful were common sense and therefore normal or natural, they also created an atmosphere and context in which there was less chance for challenge and criticism. Common sense, after all, repels self-scrutiny ("that's just plain common sense—end of discussion"). In this case, status quo values and "conventional wisdom" (e.g., hard work and religious belief are rewarded with economic success) and political arrangements (e.g., the traditional two-party system serves democracy best) become taken for granted as normal and natural ways to organize and see the world.

To argue that a particular view or value is common sense is often an effective strategy for stopping conversation and debate. Yet common sense is socially and symbolically constructed and shifts over time. For example, it was once common sense that the world was flat and that people who were not property-owning white males shouldn't be allowed to vote. Common sense is particularly powerful because it contains no analytical strategies for criticizing elite or dominant points of view and therefore certifies class, race, or sexual orientation divisions or mainstream political views as natural and given.

To buy uncritically into concepts presented as common sense inadvertently serves to maintain such concepts as natural, shutting down discussions about the ways in which economic divisions or political hierarchies are *not* natural and given. So when Democratic and Republican candidates run for office, the stories they tell about themselves espouse their connection to Middle American common sense and "down home" virtues—for example, a photo of Mitt Romney eating a Subway sandwich or a video of Barack Obama playing basketball in a small Indiana high school gym. These ties to ordinary commonsense values and experience connect the powerful to the everyday, making their interests and ours seem to be seamless.

To understand how hegemony works as a process, let's examine how common sense is practically and symbolically transmitted. Here it is crucial to understand the central importance of storytelling to culture. The narrative–as the dominant symbolic way we make sense of experience and articulate our values–is often a vehicle for delivering "common sense." Therefore, ideas, values, and beliefs can be carried in our mainstream stories, the stories we tell and find in daily conversations, in the local paper, in political ads, on the evening news, or in books, magazines, movies, favorite TV shows, and online. The narrative, then, is the normal and familiar structure that aids in converting ideas, values, and beliefs to common sense–normalizing them into "just the way things are."

AMERICAN DREAM STORIES are distributed through our media. This is especially true of early television shows in the 1950s and 1960s like *The Donna Reed Show*, which idealized the American nuclear family as central to the American Dream.

The reason that common narratives "work" is that they identify with a culture's dominant values; "Middle American" virtues include allegiances to family, honesty, hard work, religion, capitalism, health, democracy, moderation, loyalty, fairness, authenticity, modesty, and so forth. These kinds of Middle American virtues are the ones that our politicians most frequently align themselves with in the political ads that tell their stories. These virtues lie at the heart of powerful American Dream stories that for centuries now have told us that if we work hard and practice such values, we will triumph and be successful. Hollywood, too, distributes these shared narratives, celebrating characters and heroes who are loyal, honest, and hardworking. Through this process, the media (and the powerful companies that control them) provide the commonsense narratives that keep the economic status quo relatively unchallenged and leave little room for alternatives.

In the end, hegemony helps explain why we occasionally support economic plans and structures that may not be in our best interest. We may do this out of altruism, as when wealthy people or companies favor higher taxes because of a sense of obligation to support those who are less fortunate. But more often, the American Dream story is so powerful in our media and popular culture that many of us believe that we have an equal chance of becoming rich and therefore successful and happy. So why do anything to disturb the economic structures that the dream is built upon? In fact, in many versions of our American Dream story–from Hollywood films to political ads–the government often plays the role of villain, seeking to raise our taxes or undermine rugged individualism and hard work. Pitted against the government in these stories, the protagonist is the "little guy" at odds with burdensome regulation and bureaucratic oversight. However, many of these stories are produced and distributed by large media corporations and political leaders who rely on the rest of us to consent to the American Dream narrative to keep their privileged place in the status quo and reinforce this "commonsense" story as the way the world works.

Specialization, Global Markets, and Convergence

In today's complex and often turbulent economic environment, global firms have sought greater profits by moving labor to less economically developed countries that need jobs but have poor health and safety regulations for workers. The continuous outsourcing of many U.S. jobs and the breakdown of global economic borders accompanied this transformation. Bolstered by the passage of GATT (General Agreement on Tariffs and Trade) in 1947, the signing of NAFTA (North American Free Trade Agreement) in 1994, and the formation of the WTO (World Trade Organization, which succeeded GATT in 1995), global cooperation fostered transnational media corporations and business deals across international terrain.

But in many cases this global expansion by U.S. companies ran counter to America's early-twentieth-century vision of itself. Henry Ford, for example, followed his wife's suggestion to lower prices so workers could afford Ford cars. In many countries today, however, most workers cannot even afford the stereo equipment and TV sets they are making primarily for U.S. and European markets.

The Rise of Specialization and Synergy

The new globalism coincided with the rise of specialization. The magazine, radio, and cable industries sought specialized markets both in the United States and overseas, in part to counter television's mass appeal. By the 1980s, however, even television—confronted with the growing popularity of home video and cable—began niche marketing, targeting affluent eighteen- to thirty-four-year-old viewers, whose buying habits are not as stable or predictable as those of older consumers. Younger and older audiences, abandoned by the networks, were sought by other media outlets and advertisers. Magazines such as *Seventeen* and *AARP The Magazine* now flourish. Cable channels such as Nickelodeon and the Cartoon Network serve the under-eighteen market, while A&E and Lifetime address viewers over age fifty and female; in addition, cable channel BET targets young African Americans, helping to define them as a consumer group. (See "Case Study: Minority and Female Media Ownership: Why Does It Matter?" on pages 464–465.)

Beyond specialization, though, what really distinguishes current media economics is the extension of **synergy** to international levels. *Synergy* typically refers to the promotion and sale of different versions of a media product across the various subsidiaries of a media conglomerate (e.g., a Time Warner HBO cable special about "the making of" a Warner Brothers movie reviewed in *Time* magazine). However, it also refers to global companies like Sony buying up popular culture—in this case, movie studios and record labels—to play on its various electronic products. Today, synergy is the default business mode of most media companies.

Disney: A Postmodern Media Conglomerate

To understand the contemporary story of media economics and synergy, we need only examine the transformation of Disney from a struggling cartoon creator to one of the world's largest media conglomerates.

The Early Years

After Walt Disney's first cartoon company, Laugh-O-Gram, went bankrupt in 1922, Disney moved to Hollywood and found his niche. He created Mickey Mouse (originally named Mortimer) for the first sound cartoons in the late 1920s and developed the first feature-length cartoon, *Snow White and the Seven Dwarfs*, completed in 1937.

For much of the twentieth century, the Disney company set the standard for popular cartoons and children's culture. The *Silly Symphonies* series (1929–39) established the studio's reputation for high-quality hand-drawn cartoons. Although Disney remained a minor studio, *Fantasia* and *Pinocchio*—the two top-grossing films of 1940—each made more than $40 million. Nonetheless, the studio barely broke even because cartoon projects took time—four years for *Snow White*—and commanded the company's entire attention.

Around the time of the demise of the cartoon film short in movie theaters, Disney expanded into other areas, with its first nature documentary short, *Seal Island* (1949); its first live-action feature, *Treasure Island* (1950); and its first feature documentary, *The Living Desert* (1953).

Disney was also among the first film studios to embrace television, launching a long-running prime-time show in 1954. Then, in 1955, Disneyland opened in Southern California. Eventually, Disney's theme parks would produce the bulk of the studio's revenues. (Walt Disney World in Orlando, Florida, began operation in 1971.)

In 1953, Disney started Buena Vista, a distribution company. This was the first step in making the studio into a major player. The company also began exploiting the power of its early cartoon features. *Snow White*, for example, was successfully rereleased in theaters to new generations of children before eventually going to videocassette and much later to DVD.

Global Expansion

The death of Walt Disney in 1966 triggered a period of decline for the studio. But in 1984 a new management team, led by Michael Eisner, initiated a turnaround. The newly created Touchstone movie division reinvented the live-action cartoon for adults as well as for children in *Who Framed Roger Rabbit* (1988). A string of hand-drawn animated hits followed, including *The Little Mermaid* (1989), *Beauty and the Beast* (1991), *The Lion King* (1994), *Mulan* (1998), and *Lilo + Stitch* (2002). In a partnership with Pixar Animation Studios, Disney also distributed a string of computer-animated blockbusters, including *Toy Story* (1995), *Monsters, Inc.* (2001), *Finding Nemo* (2003), *The Incredibles* (2004), *Up* (2009), and *Toy Story 3* (2010).

Disney also came to epitomize the synergistic possibilities of media consolidation. It can produce an animated feature for both theatrical release and DVD distribution. With its ABC network (purchased in 1995), it can promote Disney movies and television shows on programs like *Good Morning America*. A book version can be released through Disney's publishing arm, Hyperion, and "the-making-of" versions can appear on cable's Disney Channel or ABC Family. Characters can become attractions at Disney's theme parks, which themselves have spawned Hollywood movies such as the lucrative *Pirates of the Caribbean* franchise.

Throughout the 1990s, Disney continued to find new sources of revenue in both entertainment and distribution. Through its purchase of ABC, Disney also became the owner of the cable sports channels ESPN and ESPN2, and later expanded the brand with ESPNews, ESPN Classic, and ESPNU channels; *ESPN The Magazine*; ESPN Radio; and ESPN.com. In New York City, Disney renovated several theaters and launched versions of *Beauty and the Beast, The Lion King*, and *Spider-Man* as successful Broadway musicals.

Building on the international appeal of its cartoon features, Disney extended its global reach by opening Tokyo Disney Resort in 1983 and Disneyland Paris in 1991. On the home front, a proposed historical park in Virginia, Disney's America, suffered defeat at the hands of citizens who raised concerns about Disney misinterpreting or romanticizing American history. In 1995, shortly after the company purchased ABC, the news division was criticized for running a flattering profile about Disney on ABC's evening news program.

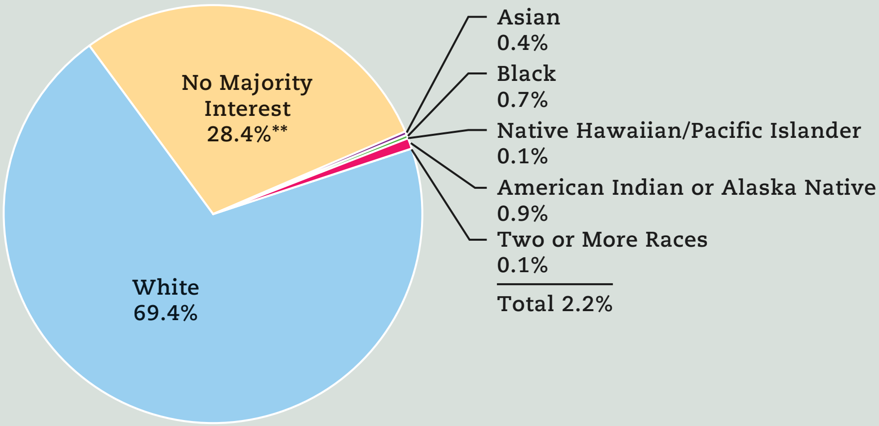
DISNEY HAD BEEN DISTRIBUTING PIXAR'S MOVIES for over ten years when it purchased the computer animation company in 2006. Disney-Pixar puts out a new animated feature roughly every year. Like its predecessors, *Monsters University* (2013) was accompanied by a large-scale marketing and merchandising campaign, with monster toys and goods available in stores nationwide.

CASE STUDY

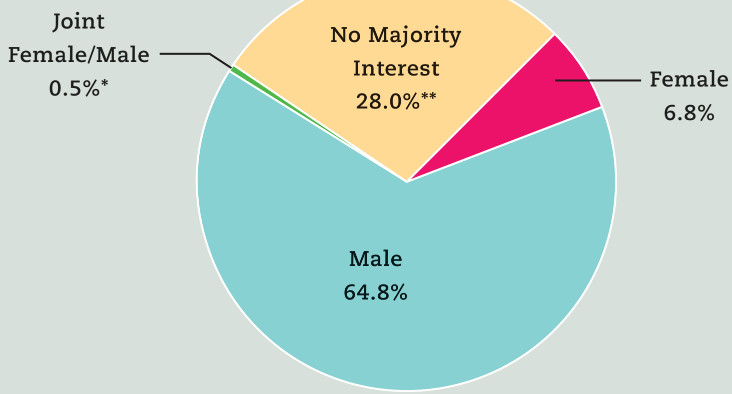
Minority and Female Media Ownership: Why Does It Matter?

The giant merger in 2010 between "Big Network" (NBC) and "Big Cable" (Comcast) signaled a key economic strategy for traditional media industries in the age of the Internet. By claiming that "Big Internet" companies like Google and Amazon (especially as they move into content development) pose enough of a threat to old media, traditional media companies pushed for the dissolution of remaining ownership restrictions. However, the big NBC-Comcast merger also brought to the forefront concerns about diminishing diversity in media ownership. Since the Telecommunications Act of 1996, which made it easier for big media companies to consolidate, minority and female media owners have declined precipitously. For example, the nonpartisan media activist group Free Press found that by 2013, "racial or ethnic minorities currently own 43, or 3.2 percent of all the U.S. full-power commercial broadcast television stations."[1] Critics fear that large media conglomerations and more consolidation will mean even less diversity in media ownership.

Majority Ownership of Full-Power Commercial TV Stations (by Race)



Majority Ownership of Full-Power Commercial TV Stations (by Gender)



Source for all chart data: Federal Communications Commission, "Report on Ownership of Commercial Broadcast Stations," DA 12-1667, November 14, 2012.

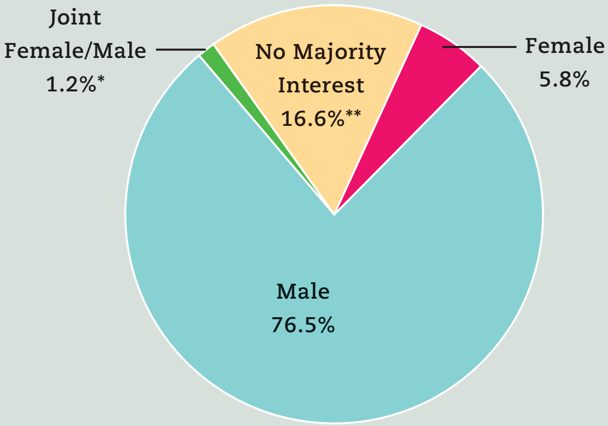
* "Joint female/male" cases are those in which a female and male each control a 50-percent interest in the station.

** "No majority interest" cases are those in which no party owns 50 percent (a majority) or more controlling interest in a station.

Back in the 1970s, the FCC enacted rules that prohibited a single company from owning more than seven AM radio stations, seven FM radio stations, and seven TV stations (called "the 7-7-7 rule"). These restrictions were first put in place to encourage diverse and alternative owners—and, therefore, diverse and alternative viewpoints. However, the rules were relaxed throughout the 1980s, and when almost all ownership restrictions were lifted in 1996, big media companies often bought up smaller radio and TV stations formerly controlled by minority and female owners. For example, by 2013, radio behemoth Clear Channel owned 840 radio stations, Cumulus owned 525, and CBS controlled 126.

In a country in which women constitute slightly more than 50 percent of the population, blacks are about 13 percent of the population, and Hispanics/Latinos are more than 16 percent of the population, television and radio broadcasting ownership diversity in the United States is poor by any measure (see pie charts).

Majority Ownership of Commercial FM Radio Stations (by Gender)



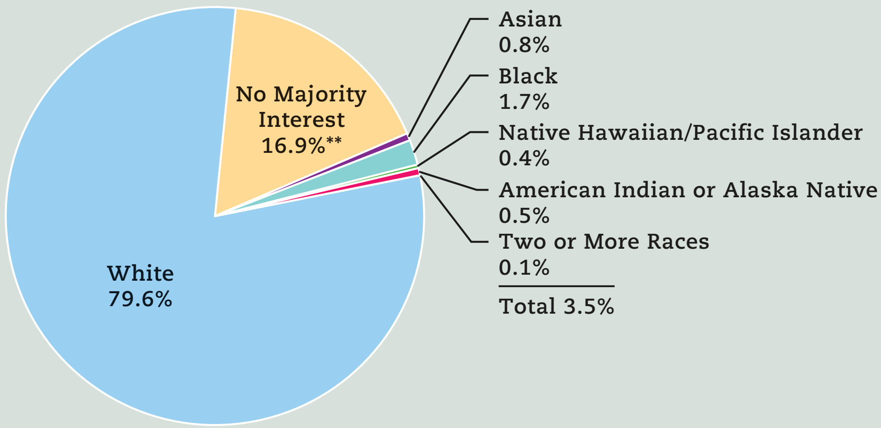
The Free Press, in its formal response to the FCC's 2012 report on ownership, argued that "the level of female and minority ownership in the broadcast marketplace is disproportionately and embarrassingly low," with "a nearly 20 percent decline in the level of minority ownership since 2006."[2] The group criticized the FCC for not taking its obligations to serve the public interest seriously by not fully studying the impact that relaxed ownership rules have on minority and female broadcast station ownership. (In its own calculations, the Free Press found even lower levels of diversity in station ownership.) They contended that large chains have enormous power in the marketplace and ultimately harm minority and female ownership:

> As markets become more concentrated, artificial economies of scale are created. This drives away potential new entrants in favor of existing large chains. Concentration also has the effect of diminishing the ability of existing smaller station groups and single-station owners to compete for both advertising and programming contracts. These effects combine to create immense pressure for smaller owners to sell their stations. And this destructive cycle disproportionately impacts women and minority owners, as they are far more likely to own just a single station in comparison to their white-male and corporate counterparts. Current female and minority owners are driven out of markets; and discrimination in access to deals, capital and equity, combined with the higher barriers to entry created by consolidation, shut out new female and minority owners.[3]

The only means at the FCC's disposal to prevent further erosion of diversity in media are limitations on station ownership, according to the United States Court of Appeals, which ruled in 2011 that the "Commission had failed to consider the effect on minority ownership of the repeal" of ownership restrictions.[4]

The point of diversity in ownership is to increase the variety of voices in the public sphere, which the FCC is required to do as part of its mission in the public interest. Yet, there is continuing pressure applied to the FCC and Congress by large media conglomerates (such as News Corp. and the Tribune Co.) that want to grow even larger, so battle over ownership deregulation continues to be an issue worthy of close public attention.

Majority Ownership of Commercial FM Radio Stations (by Race)



Despite criticism, little slowed Disney's global expansion. Orbit—a Saudi-owned satellite relay station based in Rome—introduced Disney's twenty-four-hour premium cable channel to twenty-three countries in the Middle East and North Africa in 1997. Disney opened more venues in Asia, with Hong Kong Disneyland Resort in 2005 and Shanghai Disney Resort, which broke ground in 2011. Disney exemplifies the formula for becoming a "great media conglomerate" as defined by the book *Global Dreams*: "Companies able to use visuals to sell sound, movies to sell books, or software to sell hardware would become the winners in the new global commercial order."[18]

Corporate Shake-Ups and Disney Today

Even as Disney grew into the world's No. 2 media conglomerate in the early 2000s, the cartoon pioneer experienced the multiple shocks of a recession, failed films and Internet ventures, and declining theme park attendance.

In 2004, Eisner and Disney refused to distribute Michael Moore's controversial Iraq war documentary *Fahrenheit 9/11*, which Miramax had financed. Eisner's decision was a financial blunder; the movie cost $7 million to make and went on to earn $119 million in U.S. theaters. By 2005, Disney had fallen to No. 5 among movie studios in U.S. box office sales—down from No. 1 in 2003. A divided and unhappy board of directors forced Eisner out in 2005 after twenty-one years as CEO.[19] In 2006, new CEO Robert Iger merged Disney and Pixar and made Pixar and Apple Computer founder and CEO Steve Jobs a Disney board member. In 2009, Disney also signed a long-term deal to distribute movies from Steven Spielberg's DreamWorks Studios. But in 2010, Disney, still reeling from the economic recession, sold Miramax for $660 million to an investor group.

"To the French mind, Disney represents the arrowhead of American cultural assault."

ANTHONY LANE, *NEW YORKER*, 2006

The Pixar deal showed that Disney was ready to embrace the digital age. In an effort to focus on television, movies, and its online initiatives, Disney sold its twenty-two radio stations and the ABC Radio Network to Citadel Broadcasting for $2.7 billion in 2007. Disney also made its movies and TV programs available at Apple's iTunes store and announced it would become a partner with NBC and Fox in the popular video site Hulu.com. In 2009, Disney purchased Marvel Entertainment for $4 billion, bringing Iron Man, Spider-Man, and X-Men into the Disney family; in 2012, they purchased Lucasfilm and with it the rights to the *Star Wars* and Indiana Jones movies and characters. This means that Disney now has access to whole casts of "new" characters—not just for TV programs, feature films, and animated movies but also for its multiple theme parks.

Global Audiences Expand Media Markets

As Disney's story shows, international expansion has allowed media conglomerates some advantages, including secondary markets to earn profits and advance technological innovations. First, as media technologies get cheaper and more portable (think Walkman to iPod), American media proliferate both inside and outside national boundaries. Today, greatly facilitated by the Internet, media products easily reach the eyes and ears of the world. Second, this globalism permits companies that lose money on products at home to profit abroad. Roughly 80 percent of U.S. movies, for instance, do not earn back their costs in U.S. theaters and depend on foreign circulation and home video to make up for losses.

The same is true for the television industry. Consider the 1990s phenomenon *Baywatch*, which went into first-run syndication in 1991 after being canceled by NBC. The program's producers claimed that by the late 1990s, *Baywatch*, a show about the adventures of scantily clad lifeguards who make beaches safer for everyone, was the most-watched program in the world, with more than a billion viewers. The dialogue in the series, like that of action movies, was limited and fairly simple, which made it easy and inexpensive to translate the program into other languages.

In addition, satellite transmission has made North American and European TV available at the global level. Cable services such as CNN and MTV quickly took their national acts to the international stage, and by the twenty-first century CNN and MTV were available in more than two hundred countries. Today, of course, the swapping and streaming of music, TV shows, and movies on the Internet (both legally and illegally) have expanded the global flow of popular culture even further. (See "Media Literacy and the Critical Process: Cultural Imperialism and Movies" on page 468 about the dominance of the American movie industry.)

HBO GO
Acclaimed HBO original programming, including the Golden Globe-nominated series *The Newsroom* and a variety of movies are available online through the company's HBO Go online service—but only to those who already subscribe to the premium channel through their cable company.

The Internet and Convergence Change the Game

For much of their history, media companies have been part of usually discrete or separate industries–that is, the newspaper business stood apart from book publishing, which was different from radio, which was different from the film industry. But the Internet and convergence has changed that–not only by offering a portal to view or read older media forms but also by requiring virtually all older media companies to establish an online presence. Today newspapers, magazines, book publishers, music companies, radio and TV stations, and film studios all have Web sites that offer online versions of their product or Web services that enhance their original media form.

Companies Struggle in the Transition to Digital

However, putting up and locating information on the Internet can be problematic. Traditional broadcast and cable services have challenged sites like Google's YouTube for displaying content that appears online without permission. In 2007, Viacom, owner of MTV and Comedy Central, sued Google and YouTube for $1 billion for the unauthorized posting of more than 150,000 video clips–including episodes of *SpongeBob SquarePants*, *South Park*, *The Daily Show with Jon Stewart*, and *MTV Unplugged*. For its part, Google said YouTube has lived up to the requirements of the 1998 Digital Millennium Copyright Act, noting that "the federal law was intended to protect companies like YouTube as long as they responded properly to content owners' claims of infringement."[20] In response, Viacom noted that Google/YouTube had done "little or nothing" to stop copyright infringement. Viacom's lawyers argued that copyright violations appeared to be central to the Google/YouTube business model: "The availability on the YouTube site of a vast library of the copyrighted works of plaintiffs and others is the cornerstone of [the] defendants' business plan."[21] But in June 2010, a New York federal judge threw out the lawsuit, marking a victory for Google's popular YouTube site. The judge said that under copyright law it would not be fair to hold Web sites liable for merely hosting videos from content providers like Viacom that might be illegally posted, particularly if sites like YouTube promptly take down the videos after being notified. In 2012, though, a federal appeals court overturned the decision, arguing that "a reasonable jury could find that YouTube had actual knowledge or awareness of specific infringing activity on its website." YouTube responded that the lawsuit "is a dispute over a tiny percentage of videos long ago removed from YouTube." The court's decision meant the lawsuit cases were revived and could again be tried in court.[22]

As the Google/YouTube case demonstrates, the Internet's ability to disrupt old business models continues to present challenges for traditional media companies that, like Viacom,

Media Literacy and the Critical Process

Cultural Imperialism and Movies

In the 1920s, the U.S. film industry became the leader of the worldwide film business. The images and stories of American films are well known in nearly every corner of the earth. But with major film production centers in places like India, China, Hong Kong, Japan, South Korea, Mexico, the United Kingdom, Germany, France, Russia, and Nigeria, how much do U.S. films dominate international markets today? Conversely, how often do international films get much attention in the United States?

1 DESCRIPTION. Using international box office revenue listings (www.boxofficemojo.com/intl is a good place to start), compare the recent weekly box office rankings of the United States to those of five other countries. (Your sample could extend across several continents or focus on a specific region, like Southeast Asia.) Limit yourself to the top ten or fifteen films in box office rank. Note where each film is produced (some films are joint productions of studios from two or more countries), and put your results in a table for comparison.

2 ANALYSIS. What patterns emerged in each country's box office rankings? What percentage of films came from the United States? What percentage of films were domestic productions in each country? What percentage of films came from countries other than the United States? In the United States, what percentage of top films originated with studios from other countries?

3 INTERPRETATION. So what do your discoveries mean? Can you make an argument for or against the existence of cultural imperialism by the United States? Are there film industries from other countries that dominate movie theaters in their region of the world? How would you critique the reverse of cultural imperialism, wherein international films from other countries rarely break into the Top 10 box office list? Does this happen in any countries you sampled?

4 EVALUATION. Given your interpretation, is cultural dominance by one country a good thing or a bad thing? Consider the potential advantages of creating a "global village" of shared popular culture versus the potential disadvantages of cultural imperialism. Also, is there any potential harm in a country's box office Top 10 list being filled by domestic productions and rarely having international films featured?

5 ENGAGEMENT. Contact your local movie theater (or the headquarters of the chain that owns it). Ask them how they decide which films to screen. If they don't show many international films, ask them why not. Be ready to provide a list of three to five international films released in the United States (see the full list of current U.S. releases at www.boxofficemojo.com) that haven't yet been screened in your theater.

are still uncertain whether this type of Internet exposure actually works as a form of promotion for their content, drawing in new viewers and readers. In addition, these companies are unsure of how to take the next step–getting people who are accustomed to free online content to pay. Some categories of media content do better than others. For example, a 2012 Nielsen survey found that "tablet owners aren't opposed to paying for the media they really want." In the United States, 62 percent of tablet owners had paid for downloading music, while 58 percent paid for books, 51 percent for movies, 41 percent for TV shows and magazines, 27 percent for streaming radio, 22 percent for sports, and only 19 percent for news.[23]

The Rise of the New Digital Media Conglomerates

The digital turn marks a shift in the media environment from the legacy media powerhouses like Time Warner and Disney to the new digital media conglomerates. Five companies reign larger than others in digital media: Amazon, Apple, Facebook, Google, and Microsoft. Each has become powerful for different reasons. Amazon's entrée is that it has grown into the largest e-commerce site in the world. In recent years, Amazon has begun shifting from delivering physical products (e.g., bound books) to distributing digital products (e.g., e-books and downloadable music, movies, television shows, and more), on its digital devices (Kindles). Apple's strength has been creating the technology and the infrastructure to bring any media content to users' fingertips. When many traditional media companies didn't have the means to distribute content online easily, Apple developed the shiny devices (the iPod, iPhone, and iPad) and easy-to-use systems (the iTunes store) to do it, immediately transforming the media industries. Today, Apple has a hand in every media industry, as it offers the premiere platforms of the digital turn. In 2012, Apple became the most valuable company in the world, with shares worth $625.3 billion.

Facebook's strength has been its ability to become central to communication and social media. As Facebook's number of users surpassed one billion worldwide in 2012, the company still struggled to fully leverage those users (and the massive amounts of data they share about themselves) into advertising sales, particularly as its users move to accessing Facebook via mobile phones. Unlike the other four digital companies, Facebook lacks hardware devices to access the Internet and digital media. Google, which draws its huge numbers of users through its search function, has much more successfully translated those users (and the information provided by their search terms) into an advertising business worth more than $42 billion a year. Google is also moving into the same digital media distribution business that Apple and Amazon offer, via its Android phone operating system, Nexus 7 tablet, and Chromebook. Microsoft, one of the wealthiest digital companies in the world, is making the transition from being the top software company (a business that is slowly in decline) to competing in the digital media world with its Bing search engine and devices like its successful Xbox game console and its new Surface tablet. Microsoft also owns Yammer, a business social network, and holds a small ownership share in Facebook.

Given how technologically adept these five digital corporations have proven to be, they still need to provide compelling narratives to attract people (to repeat a point from the beginning of the chapter). All five companies are weak in this regard, as they rely on other companies' media narratives (e.g., the sounds, images, words, and pictures) or the stories that their own users provide (as in Facebook posts or YouTube videos). The history of mass communication suggests that it is the content–the narratives–that are enduring, while the devices and distribution systems are not.

The Digital Age Favors Small, Flexible Start-Up Companies

All of the leading digital companies of today were once small start-ups that emerged at important junctures of the digital age. The earliest, Microsoft and Apple, were established in the mid-1970s, with the rise of the personal computer. Amazon began in 1995 with the popularization of the Web and the beginnings of e-commerce. Google was established in 1998, as search engines became the best way of navigating the Web. And Facebook, starting in 2004, proved to be the best social media site to emerge in the 2000s. For each success story, though, hundreds of other firms failed or flamed out quickly (e.g., MySpace).

Today, the juncture in the digital era is the growing importance of social media and mobile devices. Like in the earlier periods, the strategy for start-up companies is to find a niche market, connect with consumers, and then get big fast, swallowing up or overwhelming competitors. Instagram, Foursquare, Twitter, and Zynga are recent examples of this. The successful start-ups then take two paths–either be acquired by a larger company (e.g., Google buying YouTube, Facebook buying Instagram) or go it alone and try to get even bigger (e.g., Twitter). Either way, success might not last long, especially in an age when people's interests can move on very quickly.

Social Issues in Media Economics

As the Disney-ABC merger demonstrates, recent years have brought a surplus of billion-dollar takeovers and mergers, including those between Time Inc. and Warner Communication, Time Warner and Turner, AOL and Time Warner, UPN and WB, Comcast and NBC Universal, Sirius and XM, Universal Music Group and EMI, and Yahoo! and Tumblr. This mergermania has accompanied stripped-down regulation, which has virtually suspended most ownership limits on media industries. As a result, a number of consumer advocates and citizen groups have raised questions about deregulation and ownership consolidation. Still, the 2008 financial crisis saw many of these megamedia firms overleveraged—that is, not making enough from stock investments to offset the debt they took on to add more companies to their empires. So in 2009, the New York Times Company tried to sell the *Boston Globe*, and Time Warner set AOL adrift. The divestment has continued: The Washington Post Company sold *Newsweek*, Disney unloaded Miramax, and News Corp. spun off its newspaper and publishing divisions.

One longtime critic of media mergers, Ben Bagdikian, author of *The Media Monopoly*, has argued that although there are abundant products in the market—thousands of daily and weekly newspapers, radio and television stations, magazines, and book publishers—only a limited number of companies are in charge of those products.[24] Bagdikian and others fear that this represents a dangerous antidemocratic tendency in which a handful of media moguls wield a disproportionate amount of economic control. (See “Case Study—From Fifty to a Few: The Most Dominant Media Corporations” on page 471.) The News Corp. phone hacking scandal that came to light in 2011 in the United Kingdom illustrates media power gone awry, with corruption involving top company executives, police, and government officials.

The Limits of Antitrust Laws

Although meant to ensure multiple voices and owners, American antitrust laws have been easily subverted since the 1980s as companies expanded by diversifying holdings, merging product lines with other big media firms, and forming local monopolies, especially in newspapers and cable. The resulting consolidation of media owners has limited the number of independent voices in the market and reduced the number of owners who might be able to innovate and challenge established economic powers.

DEMONSTRATORS donned Murdoch masks in protest following revelations about News Corp. employees hacking cell phones and bribing police. The offending publication, *News of the World*, was consequently shuttered in 2011, after 168 years in print.

Diversification

Most media companies diversify among different media products (such as television stations and film studios), never fully dominating a particular media industry. Time Warner, for example, spreads its holdings among its television programming, film, publishing, cable channels, and Internet divisions. However, the media giant really competes with only a few other big companies like Disney, Viacom, and News Corp.

CASE STUDY

From Fifty to a Few: The Most Dominant Media Corporations

When Ben Bagdikian wrote the first edition of *The Media Monopoly*, published in 1983, he warned of the chilling control wielded by the fifty elite corporations that owned most of the U.S. mass media. By the publication of the book's seventh edition in 2004, the number of corporations controlling most of America's daily newspapers, magazines, radio, television, books, and movies had dropped from fifty to five. Today, most of the leading corporations have a high profile in the United States, particularly through ownership of television networks: Time Warner (CW), Disney (ABC), News Corp. (Fox), CBS Corporation (CBS and CW), and Comcast/NBC Universal (NBC).

The creep of consolidation over the past few decades requires us to think differently about how we experience the mass media on a daily basis. Potential conflicts of interest abound. For example, should we trust how NBC News covers Comcast or how ABC News covers Disney? Should we be wary if *Time* magazine hypes a Warner Brothers film? More important, what actions can we take to ensure that the mass media function not just as successful businesses for stockholders but also as a necessary part of our democracy?

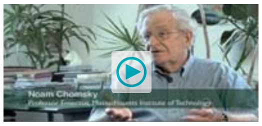
To help you get a better understanding of how our media landscape is changing, look at the table below that lists the Top 10 media companies for 1980, 1997, and 2012. What patterns do you notice? How does this reflect larger trends in the media? For example, seven of the major companies in 1980 were mostly print businesses, but what about in 2012? Most of the large media companies have been profiled here and in Chapters 2 to 10 (illustrating their principal holdings). While the subsidiaries of these companies often change, the charts demonstrate the wide reach of today's large conglomerations. To get a better understanding of how the largest media corporations relate to one another and the larger world, see the folded insert at the beginning of the book.

TOP 10 U.S. MEDIA COMPANIES, 1980, 1997, 2012*

1980			1997			2012		
Rank	Company	Revenue in $billions	Rank	Company	Revenue in $billions	Rank	Company	Revenue in $billions
1	ABC	$2.2	1	Time Warner	$11.8	1	Comcast Corp.	$45.0
2	CBS Inc.	2.0	2	Walt Disney Co.	6.6	2	DirecTV Group	22.3
3	RCA Corp.	1.5	3	Tele-Communications Inc.	6.0	3	Walt Disney Co.	21.5
4	Time Inc.	1.3	4	NBC TV (General Electric Co.)	5.2	4	Time Warner	19.9
5	S. I. Newhouse & Sons	1.3	5	CBS Corp.	4.3	5	Time Warner Cable	18.1
6	Gannett Co.	1.2	6	Gannett Co.	4.2	6	News Corp.	17.3
7	Times Mirror Co.	1.1	7	News Corp.	4.0	7	DISH Network	13.0
8	Hearst Corp.	1.1	8	Advance Publications	3.4	8	Cox Enterprises	12.0
9	Knight-Ridder Newspapers	1.1	9	Cox Enterprises	3.1	9	Google	11.9
10	Tribune Co.	1.0	10	Knight-Ridder	2.9	10	CBS Corp.	11.4

Sources: Ad Age's 100 Leading Media Companies, *December 7, 1981; "100 Companies by Media Revenue,"* Advertising Age, *August 18, 1997; "Media 100,"* Advertising Age, *December 31, 2012.*
**Note:* The revenue in $billions is based on total net U.S. media revenue and does not include nonmedia and international revenue.

VideoCentral
Mass Communication
bedfordstmartins.com/mediaculture



The Impact of Media Ownership
Media critics and professionals debate the pros and cons of media conglomerates.
Discussion: This video argues that it is the drive for bottom-line profits that leads to conglomerates. What solution(s) might you suggest to make the media system work better?

Such diversification promotes oligopolies in which a few behemoth companies control most media production and distribution. This kind of economic arrangement makes it difficult for products offered outside an oligopoly to compete in the marketplace. For instance, in broadcast TV, the few networks that control prime time—all of them now owned by or in league with film studios—offer programs that are selected from known production companies that the networks either contract with regularly or own outright. Thus, even with a very good program or series idea, an independent production company—especially one that operates outside Los Angeles or New York—has a very difficult time entering the national TV market. The film giants even prefer buying from each other before dealing with independents. So, for example, in 2009 CBS sold syndication rights for its popular crime show *The Mentalist* to the TNT cable channel for over $2 million per episode. And for years, CBS's *Without a Trace* and NBC's *Law and Order* were both running in syndication on cable's TNT channel, owned by Time Warner, which also co-owns the CW network with CBS.

Local Monopolies

Because antitrust laws aim to curb national monopolies, most media monopolies today operate locally. For instance, although Gannett owns ninety daily newspapers, it controls less than 10 percent of daily U.S. newspaper circulation. Nonetheless, almost all Gannett papers are monopolies—that is, they are the only papers in their respective towns. Virtually every cable company has been granted monopoly status in its local community; these firms alone often decide which channels are made available and what rates are charged.

Furthermore, antitrust laws have no teeth globally. Although international copyright laws offer some protection to musicians and writers, no international antitrust rules exist to prohibit transnational companies from buying up as many media companies as they can afford. Still, as legal scholar Harry First points out, antitrust concerns are "alive and well and living in Europe."[25] For example, when Sony and Bertelsmann's BMG unit joined their music businesses, only the European Union (EU) raised questions about the merger on behalf of the independent labels and musicians worried about the oligopoly structure of the music business. The EU has frequently reviewed the merger, starting in 2004, but decided in late 2008 to withdraw its opposition.

Occasionally, independent voices raise issues that aid the Justice Department and the FTC in their antitrust cases. For example, when EchoStar (now the DISH Network) proposed to purchase DirecTV in 2001, a number of rural, consumer, and Latino organizations spoke out against the merger for several reasons. Latino organizations opposed the merger because in many U.S. markets, Direct Broadcast Satellite (DBS) service offers the only available Spanish-language television programming. The merger would have left the United States with just one major DBS company and created a virtual monopoly for EchoStar, which had fewer Spanish-language offerings than DirecTV. In 2002, the FCC declined to approve the merger, saying it would not serve the public interest, convenience, and necessity.

In 2011, AT&T moved to acquire T-Mobile, another wireless telecom giant (with more than thirty-three million customers), for $39 billion. The Justice Department opposed the merger on antitrust grounds (media watchdog groups said it would have left the country with just three major mobile phone companies, giving consumers far fewer options), leading AT&T to eventually scrap the deal.

The Fallout from a Free Market

Since the wave of media mergers began with gusto in the 1980s, a number of consumer critics have pointed to the lack of public debate surrounding the tightening oligopoly structure of international media. Economists and media critics have traced the causes and history of this void to two major issues: a reluctance to criticize capitalism and the debate over how much control consumers have in the marketplace.

> **"[AOL Time Warner] turned into one of the biggest corporate disasters in U.S. history: America Online's business collapsed, synergies failed to materialize, the company missed its financial targets, and the stock price plunged."**
>
> *WALL STREET JOURNAL*, 2003

Equating Free Markets with Democracy

In the 1920s and 1930s, commercial radio executives, many of whom befriended FCC members, succeeded in portraying themselves as operating in the public interest while labeling their noncommercial radio counterparts in education, labor, or religion as mere voices of propaganda. In these early debates, corporate interests succeeded in aligning the political ideas of democracy, misleadingly, with the economic structures of capitalism.

Throughout the Cold War period in the 1950s and 1960s, it became increasingly difficult to criticize capitalism, which had become a synonym for democracy in many circles. In this context, any criticism of capitalism became an attack on the free marketplace. This, in turn, appeared to be a criticism of free speech because the business community often sees its right to operate in a free marketplace as an extension of its right to buy commercial speech in the form of advertising. As longtime CBS chief William Paley told a group of educators in 1937: "He who attacks the fundamentals of the American system" of commercial broadcasting "attacks democracy itself."[26]

Broadcast historian Robert McChesney, discussing the rise of commercial radio during the 1930s, has noted that leaders like Paley "equated capitalism with the free and equal marketplace, the free and equal marketplace with democracy, and democracy with 'Americanism.'"[27] The collapse of the former Soviet Union's communist economy in the 1990s is often portrayed as a triumph for democracy. As we now realize, however, it was primarily a victory for capitalism and free-market economies.

Consumer Choice vs. Consumer Control

> **"What they were really looking forward to was creating the biggest shopping mall in the world."**
>
> BEN BAGDIKIAN, AUTHOR OF *THE MEDIA MONOPOLY*, ON THE AOL–TIME WARNER MERGER, 2000

As many economists point out, capitalism is not structured democratically but arranged vertically, with powerful corporate leaders at the top and hourly wage workers at the bottom. But democracy, in principle, is built on a more horizontal model in which each individual has an equal opportunity to have his or her voice heard and vote counted. In discussing free markets, economists distinguish between similar types of consumer power: *consumer control* over marketplace goods and freedom of *consumer choice*: "The former requires that consumers participate in deciding what is to be offered; the latter is satisfied if [consumers are] free to select among the options chosen for them by producers."[28] Most Americans and the citizens of other economically developed nations clearly have *consumer choice*: options among a range of media products. Yet consumers and even media employees have limited *consumer control*: power in deciding what kinds of media get created and circulated.

One promising development concerns the role of independent and alternative producers, artists, writers, and publishers. Despite the movement toward economic consolidation, the fringes of media industries still offer a diversity of opinions, ideas, and alternative products. In fact, when independent companies become even marginally popular, they are often pursued by large companies that seek to make them subsidiaries. For example, alternative music often taps into social concerns that are not normally discussed in the recording industry's corporate boardrooms. Moreover, business leaders "at the top" depend on independent ideas "from below" to generate new product lines. A number of transnational corporations encourage the development of local artists–talented individuals who might have the capacity to transcend the regional or national level and become the next global phenomenon.

CULTURAL IMPERIALISM
Ever since Hollywood gained an edge in film production and distribution during World War I, U.S. movies have dominated the box office in Europe, in some years accounting for more than 80 percent of the revenues taken in by European theaters. Hollywood's reach has since extended throughout the world, including previously difficult markets such as China.

Cultural Imperialism

The influence of American popular culture has created considerable debate in international circles. On the one hand, the notion of freedom that is associated with innovation and rebellion in American culture has been embraced internationally. The global spread of and access to media have made it harder for political leaders to secretly repress dissident groups because police and state activity (such as the torture of illegally detained citizens) can now be documented digitally and easily dispatched by satellite, the Internet, and cell phones around the world.

On the other hand, American media are shaping the cultures and identities of other nations. American styles in fashion and food, as well as media fare, dominate the global market—a process known as **cultural imperialism**. Today, many international observers contend that the idea of consumer control or input is even more remote in countries inundated by American movies, music, television, and images of beauty. For example, consumer product giant Unilever sells Dove soap with its "Campaign for Real Beauty" in the United States, but markets Fair & Lovely products—a skin-lightening line—to poor women in India.

Although many indigenous forms of media culture—such as Brazil's *telenovela* (a TV soap opera), Jamaica's reggae, and Japan's anime—are extremely popular, U.S. dominance in producing and distributing mass media puts a severe burden on countries attempting to produce their own cultural products. For example, American TV producers have generally recouped their production costs by the time their TV shows are exported. This enables American distributors to offer these programs to other countries at bargain rates, undercutting local production companies that are trying to create original programs.

Defenders of American popular culture argue that because some aspects of our culture challenge authority, national boundaries, and outmoded traditions, they create an arena in which citizens can raise questions. Supporters also argue that a universal popular culture creates a *global village* and fosters communication across national boundaries.

Critics, however, believe that although American popular culture often contains protests against social wrongs, such protests "can be turned into consumer products and lose their bite. Protest itself becomes something to sell."[29] The harshest critics have also argued that American cultural imperialism both hampers the development of native cultures and negatively influences teenagers, who abandon their own rituals to adopt American tastes. The exportation of U.S. entertainment media is sometimes viewed as "cultural dumping" because it discourages the development of original local products and value systems.

Perhaps the greatest concern regarding a global village is the cultural disconnection for people whose standards of living are not routinely portrayed in contemporary media. About two-thirds of the world's population cannot afford most of the products advertised on American, Japanese, and European television. Yet more and more of the world's populations are able to glimpse consumer abundance and middle-class values through television, magazines, and the Internet.

As early as the 1950s, media managers feared political fallout–"the revolution of rising expectations"–in that ads and products would raise the hopes of poor people but not keep pace with their actual living conditions.[30] Furthermore, the conspicuousness of consumer culture makes it difficult for many of us to imagine other ways of living that are not heavily dependent on the mass media and brand-name products.

The Media Marketplace and Democracy

In the midst of today's major global transformations of economies, cultures, and societies, the best way to monitor the impact of transnational economies is through vigorous news attention and lively public discussion. Clearly, however, this process is hampered. Starting in the 1990s, for example, news organizations, concerned about the bottom line, severely cut back the number of reporters assigned to cover international developments. This occurred–especially after 9/11–just as global news became more critical than ever to an informed citizenry.

We live in a society in which often-superficial or surface consumer concerns, stock market quotes, and profit aspirations, rather than broader social issues, increasingly dominate the media agenda. In response, critics have posed some key questions: As consumers, do we care who owns the media as long as most of us have a broad selection of products? Do we care who owns the media as long as multiple voices *seem* to exist in the market?

The Effects of Media Consolidation on Democracy

Merged and multinational media corporations will continue to control more aspects of production and distribution. Of pressing concern is the impact of mergers on news operations, particularly the influence of large corporations on their news subsidiaries. These companies have the capacity to use major news resources to promote their products and determine national coverage.

Because of the growing consolidation of mass media, it has become increasingly difficult to sustain a public debate on economic issues. From a democratic perspective, the relationship of our mass media system to politics has been highly dysfunctional. Politicians in Washington, D.C., have regularly accepted millions of dollars in contributions from large media conglomerates and their lobbying groups to finance their campaigns. This changed in 2008 when the Obama campaign raised much of its financing from small donors. Still, corporations got a big boost from the Supreme Court in early 2010 in the *Citizens United* case. In a five-to-four vote, the court "ruled that the government may not ban political spending by corporations in candidate elections."[31] Justice Anthony Kennedy, writing for the

THE PRESIDENT AND COFOUNDER of Free Press, a national nonpartisan organization dedicated to media reform, Robert McChesney is one of the foremost scholars of media economics in the United States. He is also the host of *Media Matters*, a radio call-in show that discusses the relationship between politics and media. Notable guests on the show have included Seymour Hersh, Amy Goodman, Gore Vidal, and Lawrence Lessig. McChesney (left) most recently published *The Death and Life of American Journalism* (2010) with John Nichols (right).

majority, said, "If the First Amendment has any force, it prohibits Congress from fining or jailing citizens, or associations of citizens, for simply engaging in political speech." The ruling overturned two decades of precedents that had limited direct corporate spending on campaigns, including the Bipartisan Campaign Reform Act of 2002 (often called McCain-Feingold after the senators who sponsored the bill), which placed restrictions on buying TV and radio campaign ads.

As unfettered corporate political contributions count as "political speech," some corporations are experiencing backlash (or praise) once their customers discover their political positions. For example, in 2012 fast-food outlet Chick-fil-A's charitable foundation "was revealed to be funneling millions to groups that oppose gay marriage and, until recently, promoted gay 'cure' therapies," resulting in a firestorm of criticism, but also a wave of support from others, the *Daily Beast* reported. In the same year, Amazon founder and CEO Jeff Bezos and his wife donated $2.5 million of their own money to support a same-sex marriage referendum in Washington State, gaining praise and criticism from some Amazon customers.[32]

Politicians have often turned to local television stations, spending record amounts during each election period to get their political ads on the air. In 2004, spending on the federal elections in the United States totaled $4.14 billion, with a large portion of that going to local broadcasters for commercials for congressional candidates, and (in swing states like Ohio, Iowa, and Florida) for presidential candidates. In 2008, spending on federal elections topped $5.28 billion. And, in 2012, it surpassed $6.28 billion.[33] But, although local television stations have been happy to get part of the ever-increasing bounty of political ad money, the actual content of their news broadcasts has become less and less substantial, particularly when it comes to covering politics.

The Pew Research Center's Project for Excellence in Journalism reported that from 2005 to 2013, the amount of airtime given to weather, traffic, and sports on local news broadcasts expanded from 32 percent to 40 percent. Meanwhile, over that same time period, the amount of time spent on politics and government stories slipped from 7 percent to 3 percent. The study's authors noted "For some time, television consultants have been advising local television stations that viewers aren't interested in politics and government, and it appears that advice is being taken."[34]

"The top management of the networks, with a few notable exceptions, has been trained in advertising, research, or show business. But by the nature of the corporate structure, they also make the final and crucial decisions having to do with news and public affairs. Frequently they have neither the time nor the competence to do this."

EDWARD R. MURROW, BROADCAST NEWS PIONEER, 1958

Although television consultants might conclude that local viewers aren't interested in politics and government, political consultants are only increasing the onslaught of political television ads every campaign season. Thus, there is little news content to provide a counterpoint to all of the allegations that might be hurled in the barrage of political ads.

The Media Reform Movement

Robert McChesney and John Nichols described the state of concern about the gathering consolidation of mainstream media power: "'Media Reform' has become a catch-all phrase to describe the broad goals of a movement that says consolidated ownership of broadcast and cable media, chain ownership of newspapers, and telephone and cable-company colonization of the Internet pose a threat not just to the culture of the Republic but to democracy itself."[35] While our current era has spawned numerous grassroots organizations that challenge media to do a better job for the sake of democracy, there has not been a large outcry from the general public for the kinds of concerns described by McChesney and Nichols. There is a reason for that. One key paradox of the Information Age is that for such economic discussions to be meaningful and democratic, they must be carried out in the popular media as well as in educational settings. Yet public debates and disclosures about the structure and ownership of the media are often not in the best economic interests of media owners.

Still, in some places, local groups and consumer movements are trying to address media issues that affect individual and community life. Such movements–like the National Conference for Media Reform–are usually united by geographic ties, common political backgrounds, or shared concerns about the state of the media. The Internet has also made it possible for media reform groups to form globally, uniting around such issues as contesting censorship or monitoring the activities of multinational corporations. The movement was also largely responsible for the success of preserving "network neutrality," which prevents Internet service providers from censoring or penalizing particular Web sites and online services (see Chapter 2).

With this reform victory, and the 2008-09 economic crisis, perhaps we are more ready than ever to question some of the hierarchical and undemocratic arrangements of what McChesney, Nichols, and other reform critics call "Big Media." Even in the face of so many media mergers, the general public today seems open to such examinations, which might improve the global economy, improve worker conditions, and also serve the public good. By better understanding media economics, we can make a contribution to critiquing media organizations and evaluating their impact on democracy.

CHAPTER REVIEW

COMMON THREADS

One of the Common Threads discussed in Chapter 1 is about the commercial nature of the mass media. In thinking about media ownership regulations, it is important to consider how the media wield their influence.

During the 2000 presidential election, two marginal candidates, Pat Buchanan on the Right, and Ralph Nader on the Left, shared a common view that both major party candidates largely ignored. Buchanan and Nader warned of the increasing power of corporations to influence the economy and our democracy. In fact, between 2000 and 2012, total spending on lobbying in the nation's capital grew from $1.57 billion to more than $3 billion.[36] (See Chapter 12 for more on lobbyists.)

These warnings generally have gone unnoticed and unreported by mainstream media, whose reporters, editors, and pundits often work for the giant media corporations that not only are well represented by Washington lobbyists but also give millions of dollars in campaign contributions to the major parties to influence legislation that governs media ownership and commercial speech.

Fast-forward to 2012. As politicians spoke of transparency and truth-telling, their campaign funding process had few of those characteristics. In the aftermath of the U.S. Supreme Court's *Citizens United* (2010) decision, new Super PACS (Political Action Committees) formed that can channel unlimited funds into political races as long as they don't officially "coordinate" with the political campaigns. With his own Super PAC (named "Americans for a Better Tomorrow, Tomorrow") comedian Stephen Colbert has satirized the lax standards of Super PAC rules that enable hundreds of millions of dollars to be channeled into politics while obscuring disclosure of the contributors' identities. By December 2012, Super PACs had spent more than $644 million on the 2012 election cycle (mostly in negative attack ads), with the majority of contributions coming from a few dozen elite ultra-wealthy donors. For example, Las Vegas casino magnate Sheldon Adelson and his wife donated in excess of $54 million to candidates and Super PACs in the 2012 election cycle.[37] The huge influx of money was a boon for media advertising profits.

What both Buchanan and Nader argued in 2000 was that corporate influence is a bipartisan concern that we share in common and that all of us in a democracy need to be vigilant about how powerful and influential corporations become. This is especially true for the media companies that report the news and distribute many of our cultural stories. As media-literate consumers, we need to demand that the media serve as watchdogs over the economy and our democratic values. And when they fall down on the job, we need to demand accountability (through alternative media channels or the Internet), especially from those mainstream media—radio, television, and cable—that are licensed to operate in the public interest.

KEY TERMS

The definitions for the terms listed below can be found in the glossary at the end of the book. The page numbers listed with the terms indicate where the term is highlighted in the chapter.

monopoly, 452
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limited competition, 453
direct payment, 454
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economies of scale, 454
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