

THE BIG MEDIA GAME HAS FEWER AND FEWER PLAYERS; IMPACT OF CONSOLIDATION ON JOURNALISM

By Robert McChesney
November 1, 1999

Like Bagdikian, McChesney is concerned about media concentration. What has caused this problem? Why are media companies merging (and getting bigger)?

When Viacom announced its offer to gobble up CBS for \$37 billion in September, it capped off a decade of unprecedented deal-making and concentration in the media industries. The new Viacom would be one of only nine massive conglomerates—all of which took their present shape in the last fifteen years—that dominate the U.S. media landscape.

These giants—Time Warner, Disney, Rupert Murdoch's News Corp., Viacom, Sony, Seagram, AT&T/Liberty Media, Bertelsmann, and GE—to a large extent furnish your TV programs, movies, videos, radio shows, music, books, and other recreational activities. They do a superb job of maximizing profit for their shareholders but a dreadful job of providing the basis for a healthy democracy. As James Madison put it in 1822, "A popular government without popular information, or the means of acquiring it, is but a prologue to a farce or a tragedy, or perhaps both."

When the Viacom/CBS deal was announced, *Time* and *Newsweek* lavished attention on the personalities of Viacom's Summer Redstone and CBS's Mel Karmazin. To the extent that there was analysis, it centered on how the deal would affect Viacom's profits and the strategies of its main competitors.

The Washington Post's "Outlook" section featured a lead story entitled, "Clap If You Love Mega-TV! Without the conglomerates, you can wave goodbye to free, high-quality shows." Written by Paul Farhi, a reporter for the *Post's* "Style" section, the article said: "Now is the time to root for the big guys, the conglomerates, the mega-studios." Aside from some notable reports in *The Boston Globe*, *Boston Herald*, *Chicago Tribune*, and *New York Times* that broached the question of whether this deal might not be good for people, the issue was off-limits. And even those papers that waded at it did not follow up, so the story died.

This paucity of press coverage makes it easier for the federal government to shirk its duties. Far from regulating the media giants, the government has served as the handmaiden to these electronic robber barons. This oligopoly would never have passed legal muster if the regulators at the Federal Communications Commission and in the antitrust division of the Justice Department were doing their jobs.

The regulators have let these mergers slide, under tremendous pressure from the telecommunications and entertainment industry. Virtually no one in government is looking out for the public's interest in the media field. The main defense provided by the government for its laxity is that the Internet upends the rationale for regulating media mergers—or for regulating media at all. It used to be that the major media companies possessed the only access to millions of Americans. Now with the Web, the argument goes, anyone



can launch a site at marginal expense and compete directly with the existing media giants. So there is no need to worry about conglomerates. This is nonsense.

The Internet is certainly changing the nature of our media system. But after five years, it has not spawned a competitive media marketplace; the giants have too many advantages to be seriously challenged. They have the programming, the brand names, the advertisers, the promotional prowess, and the capital to rule the Internet. Media concentration is not a new phenomenon, but it has accelerated dramatically in the last decade, and it is taking a new and dangerous form.

Classically, media concentration was in the form of **horizontal integration**, where a handful of firms tried to control as much production in their particular fields as possible. The U.S. film production industry, for instance, has been a tight-knit club effectively controlled by six or seven studios since the 1930s. That remains the case today: The six largest U.S. firms accounted for more than 90 percent of U.S. theater revenues in 1997. All but sixteen of Hollywood's 148 widely distributed films in 1997 were produced by these six firms, and many of those sixteen were produced by companies that had distribution deals with one of the six majors.

The newspaper industry underwent a spectacular consolidation from the 1960s to the 1980s, leaving half a dozen major chains ruling the roost. U.S. book publishing is now dominated by seven firms, the music industry by five, cable TV by six. Nearly all of these are now parts of vast media conglomerates.

That's why looking at specific media sectors fails to convey the extent or the nature of the system today, for no longer are media firms intent on

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horizontal integration. Today, they seek **vertical integration**, not only producing content but also owning distribution. Moreover, they are major players in media sectors not traditionally thought to be related. These conglomerates own some combination of television networks, TV show production, TV stations, movie studios, cable channels, cable systems, music companies, magazines, newspapers, and book publishing firms. This has all come about seemingly overnight. In 1983, Ben Bagdikian published *The Media Monopoly* (Beacon, 1984), which chronicled how some fifty media conglomerates dominated the entirety of U.S. mass media. By today's standards, that era was downright competitive.

The mega-media firms have enjoyed a staggering rate of growth in the last decade. In 1988, Disney was a \$2.9 billion a year amusement park and cartoon company; in 1998, Disney had \$22 billion in sales. In 1988, Time was a \$4.2 billion publishing company and Warner Communications was a \$3.4 billion media conglomerate; in 1998, Time Warner did \$26 billion of business. In 1988, Viacom was a measly \$600 million syndication and cable outfit; the new Viacom is expected to do \$22 billion worth of business in the coming year. Moreover, each of these firms averages at least one equity joint venture—sharing actual ownership of

a company—with six of the eight other media giants. Rupert Murdoch's News Corp. has at least one joint venture with each of them. AT&T Liberty owns nearly 10 percent of both News Corp. and Time Warner. This looks more like a cartel than it does the fabled competitive marketplace.

For decades, U.S. laws and regulations forbade film studios from owning movie theaters, and television networks from producing their own entertainment programs, because it was



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understood that this sort of vertical integration would effectively prohibit newcomers from entering these production industries. Likewise, regulations forbade companies from owning more than one radio or TV station in the same market and put a strict cap on the total number of stations that could be owned by a single family. Such restrictions have been relaxed or eliminated in these deregulatory times, and, as the Viacom/CBS merger shows, producers and distribution networks are racing to link up with each other.

What these media conglomerates have learned is that the profit whole is greater than the sum of the profit parts. Viacom/CBS, for instance, will now be able to produce a movie at Paramount or a TV show at Spelling studios, air it on Showtime and CBS, advertise it on its thirty-four TV stations, as well as on the 163 Infinity Radio stations, and then sell it at Blockbuster Video—all owned by the same merged company.

Vertical integration enables a company to increase market power by cross-promoting or cross-selling a show. If a media conglomerate has a successful motion picture, for instance, it can promote the film on its broadcast properties and then use the film to spin off television programs, CDs, books, merchandise, and much else.

Take Time Warner. It owns leading film companies (Warner Bros., New Line Cinema, Hanna-Barbera, and Castle Rock), cable TV systems (the second largest in the United States), cable TV channels (CNN, HBO, TBS, TNT), magazines (*Time*, *People*, *Sports Illustrated*, *Fortune*), publishing companies (Little Brown and Warner Books), and music labels (Warner Bros. Records, Elektra, Atlantic, Sire, and Rhino). In the sports field, it owns the Atlanta Braves, the Atlanta Hawks, and World Championship Wrestling.

For its part, Disney has the ABC network, ten TV stations, thirty radio stations, cable programming (ESPN, the Disney Channel, A&E, E!, Lifetime), film studios (Miramax, Walt Disney Pictures, Touchstone, Hollywood), the Hyperion book company, ESPN magazine, music labels (Walt Disney Records, Mammoth, Lyric Street),

and amusement parks. It also owns the Anaheim Angels and the Mighty Ducks.

Murdoch's News Corp. owns the Fox network and fifteen TV stations. It produces cable programming (Fox News, Fox Sports, Fox Family Channel). Its studios are 20th Century Fox, Fox Animation, and Searchlight. It owns *The New York Post*, along with hundreds of newspapers worldwide. It also owns the conservative *Weekly Standard* and the book company HarperCollins. Its sports teams are the Los Angeles Dodgers and the National Rugby League in Australia.

Perhaps nowhere is the effect of concentrated corporate control on media more insidious than in journalism, democracy's lifeblood. I do not wish to romanticize U.S. journalism in the old days. It was highly flawed in key respects, and many of the current problems are only exaggerated forms of those that existed yesterday. But in today's corporate media system, journalism—and by that I mean the rigorous accounting of the powers-that-be and the powers-that-want-to-be, as well as wide-ranging coverage of our most urgent social and political issues—has nearly ceased to exist on the air and has been greatly diminished elsewhere. The reason is simple: Good journalism is bad business, and bad journalism can be very, very good for business.

The corporate assault on journalism assumes many forms. It is bad business, for example, to employ editors and reporters when a small staff can generate the same amount of material, albeit at lower quality. This shifts more power to the P.R. industry and its corporate clients, which are ever eager to provide news fare to the media.

It is bad business, too, to do hard investigative work on corporations and powerful government agencies that primarily serve elite interests, like the Pentagon, the CIA, and the Federal Reserve Board. Such exposes can lead to expensive lawsuits and acrimonious relations with major advertisers, corporate brethren, and political heavyweights.

It is far better business practice to cover trivial stories about celebrities, natural disasters, train wrecks, sensational crimes, the Kennedys, and the royal family, and to limit political reporting to mindless speculation about campaign tactics and the regurgitation of mainstream politicians' soundbites. This is relatively inexpensive and rarely antagonizes anyone in power. The corporate and commercial pressure of the 1990s has softened

news standards. Welcome to the age of fluff. For network and cable television, news has gone from being a loss-leader and a mark of network prestige to being a major producer of network profit. The owners of the networks are also increasingly hostile to airing reports that may call into question some of their other activities. In 1998, Disney-owned ABC News killed a 20/20 segment by Brian Ross, its leading investigative reporter, about Disney World in Florida. Ross was prepared to air charges that Disney was so lax in doing background checks on employees that it had hired pedophiles.

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The same censorship mentality spills over into programming. This May, NBC heavily advertised a two-part mini-series called *Atomic Train*, which was originally about a runaway train carrying nuclear waste. But just days before broadcast, NBC started to pull the ads for the program and dubbed out all references to nuclear waste, choosing the more generic “hazardous material.” Not incidentally, General Electric, which owns NBC, is a major nuclear energy producer.

In 1996, the news story that NBC gave the most air time to was the Summer Olympics in Atlanta, an event that did not even rank among the top ten stories covered by CBS, ABC, or CNN. What explains NBC’s devotion to this story? It owned the television rights to the Olympics and used its nightly news to pump up the ratings for its prime-time coverage.

NBC is not alone here. “Various shows on ABC, now owned by Disney, have devoted a great deal of time to several movies produced by Disney, although the network has maintained in each instance that there was justified journalistic interest in the films,” an article in *The New York Times* noted on July 10, 1998.

The commercial media are increasingly cozy with other wealthy corporations, as well. A News Corp. station in Florida in 1997, for instance, fired two of its on-air reporters, Jane Akre and Steve

Wilson, for refusing to water down their investigative story on Monsanto’s bovine growth hormone. And CBS News last year rebuked Roberta Baskin, one of its 48 Hours correspondents, who was responsible for an acclaimed 1996 exposé of Nike’s labor practices in Vietnam. What was her apparent crime? She had protested too loudly when CBS on-camera correspondents wore the Nike logo and Nike gear during the CBS telecasts of the 1998 Winter Olympics, for which Nike was a major sponsor. Baskin said this undermined the network’s credibility and detracted from her original story. She also charged that CBS refused to rebroadcast that story for fear of offending Nike, which CBS denied.

In sum, concentrated corporate control of the media has produced a broadcast journalism that is great at generating profit, pleasing advertisers, and protecting powerful institutions from scrutiny, but lousy at what it’s supposed to do: informing the citizenry and confronting abusers of power. If we are serious about democracy, we need decent journalism. And to get decent journalism, we need to make fundamental reforms in our media system.