

# May 12 Who Owns the Media?

Introduction to Political Economy of Media

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# Media systems

- We have already discussed some characteristics of media systems, the underlying principles that guide the roles that media play (Siebert et al., Hallin and Mancini)
- Today we will look at how the media systems operate in more detail

# Western European media markets

- Dual markets that consist of public service and commercial media
- Public service media: BBC, ZDF, France Television, RTV Slovenija, RTVE
- Vs. Fox News and other commercial players only
- John Stewart's rally to restore sanity:
- <https://www.youtube.com/watch?v=7KgrYWn7ALM>

# Broadcasting as a public good

Broadcasting in the public interest should guarantee universally accessible quality service, diversity as well as national political and/or cultural interest. In Great Britain broadcasting was from the onset considered a public good due to the limited nature of the broadcasting spectrum, a public good can be defined as

an item whose consumption is not decided by the individual consumer but by the society as a whole, and which is financed by taxation. A public good (or service) may be consumed without reducing the amount available for others, and cannot be withheld from those who do not pay for it. Public goods (and services) include economic statistics and other information, law enforcement, national defense, parks, and other things for the use and benefit of all. No market exists for such goods, and they are provided to everyone by governments (Business Dictionary, 2015).

In Europe the understanding of broadcasting as a public good was also underpinned by a series of philosophical and political arguments (among them the need to have a channel that provides information for citizens and a forum for discussion which enables full participation in the political process).

Off-air broadcasting has always been classified as a public good in the lexicon of economics, since unlike a commodity such as a cinema seat, access is potentially universal and everyone can enjoy it at the same time without interfering with anyone else. As we have seen however, from the outset public broadcasting was also thought out of as a 'public good' in a more general, philosophical sense, as an activity that aimed to contribute to the quality of communal life and the development of democratic culture. Although other publicly funded institutions shared this ideal the limits imposed on them by space and location prevented them from matching broadcasting's universality (Murdock, 2004).

Public service broadcasting takes into account that we are not only consumers but also citizens living in democratic societies who have a right to be adequately informed about matters of public importance. A right, Curran argues, that is best guaranteed by public service broadcasting because 'it gives due attention to public affairs, and is less dominated by drama and entertainment than market-based broadcasting generally is' (Curran, 1998, p. 190). Indeed, this focus on news and current affairs results in 'higher levels of political information in their [European] nightly TV programs and foster greater knowledge of public affairs among viewers. The more market-driven and entertainment-centred television system of the United States, on the other hand, was shown to offer smaller amounts of hard news and to trigger less awareness of public affairs in the audience' (Esser et al. 2012, p. 248).

- PSB – crucial to be independent of the market as well as the government
- A bit of research on how they are funded/organized/regulated

# A competition approach to the media market

In the United States the metaphor of the marketplace of ideas has been used to justify the first amendments of freedom of speech and freedom of press.

Although this classic image of competing ideas and robust debate dates back to English philosophers John Milton and John Stuart Mill, Justice Holmes first introduced the concept into American jurisprudence in his 1919 dissent to *Abrams v. United States*: 'the best test of truth is the power of thought to get itself accepted in the competition of the market'. This theory assumes that a process of robust debate, if uninhibited by governmental interference, will lead to the discovery of truth, or at least the best perspectives or solutions for societal problems. A properly functioning marketplace of ideas, in Holmes's perspective, ultimately assures the proper evolution of society, wherever that evolution might lead (Ingber, 1986, p. 3).



In the case of the United States ensuring freedom of speech and freedom of press was entrusted to market forces and the government was expected only to intervene in exceptional cases when competition was threatened. The premise that the free market involves no government intervention is false, 'all media systems are the result of explicit government policies, subsidies, grants of rights and regulations. ... Indeed, to have anything close to competitive markets in media requires extensive government regulation in the form of ownership limits and myriad other policies' (McChesney, 2003, p. 126). Doyle explains that 'perfect competition exists when there are many sellers of a good or a service that is homogeneous (i.e. exactly the same or not differentiated) and no firm(s) dominate(s) the market. In such a situation economic forces operate freely. ... It is very rare to find an example of perfect competition in the real world' (2002, p. 8).

# Latest developments in the television industry

Questions about the future growth of companies like Netflix are raised on a regular basis because they do not have control over Internet access and the speed of streaming, in the words of a Washington Post writer: 'the world of television is dominated by big, entrenched players: broadcasters such as ABC and CBS, and cable companies such as Comcast that run the piping of the Internet and hope to get even bigger' (Kang, 2014).

Some barriers to entry that exist in television broadcasting, namely government policy (through the granting of licenses); the presence of dominant existing broadcasters; availability of suitable programming ('access to and reasonable prices for desirable programming in film and program libraries and to studios, directors, writers, actors, and technical personnel needed to produce attractive programming are necessary for successful entry'); audience behaviour and 'the necessity for entrants to overcome long-established uses of television and set patterns of viewing and channel choice' (Picard and Chon, 2004, p. 170) also apply to video-on-demand producers.

# Media regulation - justifications

- Feintuck, M. (1999). *Media Regulation: Public Interest and the Law*. Edinburgh: Edinburgh University Press.

Regulation is justified on the grounds of:

- enabling effective communication. This notion is closely related to the freedom of speech ideal, as reflected, for example, in the First Amendment to the US Constitution or in Article 10 of the “European Convention on Human Rights”
- diversity which Feintuck relates specifically to political debate and cultural identities
- economic interest - benefits of undistorted competitive markets
- public interest - broadcasting in the public interest should guarantee universally accessible quality service (defined differently in the different national systems of public service broadcasting), diversity as well as national political and/or cultural interest.

# Economic justifications for regulation

- Media – prone to ‘market failure’ (any failure by the market system to allocate resources efficiently OR a failure of the market to advance socially desirable goals such as preserving democracy and social cohesion)
- Media concentration or media integration is defined as an increase in the presence of one (monopoly) or a few media companies (oligopoly) in any market as a result of acquisitions and mergers or the disappearance of competitors
- Types of concentration:
- Horizontal media concentration refers to concentration within one and the same industry section (an example can be the merger of two newspapers in the same geographical market).
- Vertical media concentration is involved when a media enterprise gains control over some steps necessary for the production and distribution of a given media (for example, distribution, promotion etc.).
- Cross-media concentration refers to a situation when a media enterprise gains cross-ownership of different media products (respectively outlets) in different media markets and industries.
- Diagonal media concentration includes not only cross-media concentration but also activities of an enterprise from a different industrial sector in media markets.

# Media markets – prone to market failure

James Curran summarizes the impact of media concentration in the following way, ‘the first is that private concentration of symbolic power potentially distorts the democratic process. ... The second ... is that the power potentially at the disposal of media moguls tends to be exerted in a one-sided way. ... The third ... is that the concentration of market power can stifle competition’.

And this is a very short segment with James Curran on why media concentration is a problem:

<https://www.youtube.com/watch?v=ZWz2QSl0Fr>

[W](#)

Some research on EU competition policy; The Media Programme

[http://eacea.ec.europa.eu/media/index\\_en.php](http://eacea.ec.europa.eu/media/index_en.php)

# Media moguls

- On the Forbes' list of richest media owners:
- Oprah Winfrey
- Rupert Murdoch
- Martha Ingram
- Charles Dolan
- Steven Spielberg
- David Geffen
- Local ones exist, of course: Silvio Berlusconi, Mathias Dopfner, Vincent Bollore, Jaume Roures

# Media regulation - techniques

- Feintuck – 3 types: structural, behavioural and content regulation
- In shorthand, “content regulation” refers to limitations being imposed on what cannot or must be broadcast or published, while “structural regulation” refers to limits on the extent of that which can be owned within any market by any one corporate entity, and, in effect, “behavioural regulation” generally serves to limit how property held can be used in relation to its impact on actual or potential competitors.

# Media regulation – trends

- 1990s liberalization and deregulation (minimalist regulatory intervention by governments) in North America and Europe
- Some consequences of the trend – McChesney, R. (2003). "Theses on Media Deregulation." *Media, Culture and Society*, 25(1):
- US 1996 Telecommunications Act had most impact on US radio; it changed the restriction on the ownership of radio stations (prior to the 1996 Act a single company could own 28 stations nationally and 4 in a single community) by completely removing the restriction on the number of national radio stations owned by a single firm and increasing the number of those owned in a community to 8. "Since 1996 well over half of US stations have been sold, and a stunning consolidation has hit the industry. One firm, Clear Channel, now owns nearly 1,200 stations. Every market is dominated by two to three firms that own nearly all the stations between them" (McChesney, 2003: 129). What McChesney finds worrying about this concentration of radio ownership is the decrease in the diversity of radio content as well as in the diversity of voices presented on the radio as well as increased commercialization.



# Self-regulation of media

- Set up by the industry itself
- E.g. advertising, Press Complaints Commission
- Concerns arise about the accountability, transparency and efficiency of self-regulatory bodies. The question always is to what extent the interests of the industry overlap with the interests of consumers, respectively citizens, and to whom the self-regulatory bodies are made accountable.
- UK case: the Press Complaints Commission was set up in 1991 following a government report on its self-regulatory predecessor the Press Council. The report of the Calcutt committee recommended the introduction of privacy laws and the replacement of the Press Council by a statutory regulator. The industry reacted by establishing the Press Complaints Commission.
- Frost, C. (2004). "The Press Complaints Commission: The Study of Ten Years of Adjudications on Press Complaints." *Journalism Studies*, 5(1):
- Analyzed complaints handled by PCC during the first ten years of its existence to show whether the commission works effectively in obliging newspapers to behave more responsibly (PCC obviously claims that this is what it achieved). Already the fact that PCC received more than 20,000 complaints in those ten years and adjudicated only 707 and upheld 321 of them is telling. However, Frost is not interested only in statistics, rather he looks at various areas that the complaints related to and shows that PCC's record is particularly poor in regulating complaints about discrimination, during the ten years that Frost analyzed only 6 complaints were upheld. The reasons behind this have to do with PCC's code itself as the Commission decided not to take complaints from third parties thus only those named in an article could complain.

# Assessments

A commodity analysis (2,000 words) and a corporation profile (1,000 words)

# 1. Commodity Analysis (2,000 words)

For this assessment you will select a particular media commodity and explore how it fits within a broader system of production. For example, you may be interested in Star Wars and you will explore the franchise, these are questions that you will need to answer in relation to your chosen commodity (please note that it is not always possible to answer all these questions or they may be others that you will want to include):

Historical/contextual information for the commodity.

Who or what company holds the copyright or patent for the commodity?

What company or companies produced the commodity? Who owns that company?

How was/is the commodity distributed?

What company or companies distribute the commodity? Who owns that company?

How much does the commodity cost to produce?

How/where is the commodity consumed?

What is the role of advertising in this commodity's chain?

Is the commodity available in other forms?

Is this commodity distributed locally, regionally, nationally, and/or internationally?

Please note that you will be expected to make some references to the readings/discussion that we have on this course, for example, in relation to the role of advertising or globalization.

## 2. Corporation Profile (1,000 words)

For this assessment you need to research a corporation, company or other organization associated with communications or media/cultural industries. You should gather as much information as possible about your chosen organization and analyze it in light of the readings and discussions that we have done.

Your profile should include (if available):

- brief history or background information

- discussion of organization, operations, policies

- basic financial information (revenues, assets, income, number of stockholders, stockholder equity, share of industry revenue, etc.)

- internationalization

- an outline, map, or other visual representation of the organization's structure (its parent company, divisions, subsidiaries, and any major partnerships). This will be discussed further in class.

At the end of your analysis, you should be able to answer the question, “what is the primary business of this organization?”

Your profile should include the written account (1,000 words) and appendices that provide an illustration of your organization's structure and relationships with other organizations (possibly also outside the fields of media/communications/cultural industries). Please note that you need to provide references and while you can use Wikipedia and company websites as your starting point, you should also use other sources.

# Sources

- Wikipedia – ok but corroborate what it says
- <http://www.telegraph.co.uk/technology/wikipedia/6250515/Wikipedia-20-articles-earmarked-for-deletion.html>
- Magazines, newspapers – established ones with a good reputation
- Annual reports, corporate information
- Universities – studies, reports, analyses

# Examples

- The New York Times
- Hulu, Prime, Now TV
- Adele's album 25
- BBC
- Studio Ghibli
- WPP
- Harlequin romances