to be a democratic resolution to that problem, advertising must be confronted. As media critic Janine Jackson concluded, after chronicling the many ways in which advertising corrupts media, at some point it becomes logical, if not imperative, to “reconsider the whole idea of commercial sponsorship as a way to fund media.” Such an encounter will mean, in addition to taking on media giants, butting heads with the largest and most powerful corporations in the nation, indeed the capitalist political economy as it exists in the United States today.

5

THE MARKET ÜBER ALLES

Even though many Americans agree that our media system fails to promote an informed participating citizenry and instead bombards us with unwanted hyper-commercialism, that is not enough to generate action. One crucial barrier keeps citizens from opposing the current structure: the notion that the U.S. media system is based upon the competitive market, and the competitive market, despite its limitations, is the best possible system because it “gives the people what they want.” As one communication professor presented this conventional wisdom in 2003: “In the marketplace of entertainment, the public determines what’s successful, not the producer.”

In this chapter I address the notion of the market as a democratic institution in the realm of media in the United States. Because the claim is made most strongly for entertainment media, they will receive the brunt of my attention. I will first look closely at just how competitive media markets actually are. To the extent that media markets veer from the competitive ideal, their value as accountable or democratic institutions becomes dubious in conventional market theory. At the same time, the problem with market regulation is not merely a matter of economic concentration—even competitive markets are problematic. Perhaps we should not even expect the market to be the appropriate regulator for the media system, or many components of it, because media present many unique attributes that undermine the suitability of market regulation.

I then turn to a consideration of the strongest and arguably most powerful defense of the market, that it “gives the people what they want.” Markets do compel media firms to please the people, though nowhere near as single-mindedly as market proponents would have
us believe. It is also true that the market compels firms to give us plenty of what we don’t want, whether we like it or not, and gives us no recourse to address these flaws within the market. I conclude the chapter by reviewing what remains of the arguments in praise of the commercial media marketplace, as provided by its leading academic advocates.

**Is the Media System a Competitive Market?**

The case for markets, at its simplest, is elegant. Markets are voluntarist mechanisms in which people interact freely, and they invariably lead to the most efficient deployment of resources and maximum human happiness. Applied to media, the model works as follows: if people desire a particular media content, competition will force media corporations (or entrepreneurs, for a sexier, swashbuckling designation) to provide such content. Media firms will be forced to give people what they demand or go out of business. If none of the existing firms has a sufficient grasp of public sentiment, new firms will enter the fray, capture the business, and force the existing firms to get with the program or face ruin.

If one regards the content of media as deficient, the problem is not with media firms, who are forced by economic pressure to provide the audience with what it demands, but with the people themselves, who demand such fare. The system works, as long as the government does not try to interfere with its operations. Government regulatory intervention to alter media content, no matter how well intended, will only interfere with the ability of the market to regulate media, and therefore interfere with the people’s will. Similarly, some theorists emphasize how labor unions interfere with market mechanisms and thereby distort the ability of the market to represent perfectly the will of the people with the utmost efficiency.

One factor, though, above all others, can undermine this model’s theoretical basis immediately. If a market is imperfect, meaning not competitive in an economic sense, a market cannot work its magic—and the system cannot be entirely responsive to the audience or offer the most efficient use of resources. Although this point is often lost in discussions, contemporary media markets are not even remotely comparable to competitive markets in the microeconomic sense of the term. Media markets are in many respects textbook examples of corporate-dominated oligopolistic markets ruled by a small number of firms. And these firms, as we shall see later in this chapter, are typically vast conglomerates that function as oligopolies in not just one media market but in many.

In media, as elsewhere, these monopolistic/oligopolistic markets are predicated upon high barriers to entry that severely limit the ability of small startup media firms to enter the market successfully. Indeed, one major development in media markets over the past century has been the manner in which they work to the advantage of the largest players, making the possibility of becoming a commercially viable media producer difficult. To the extent that the dominant firms in these oligopolistic markets use their market power to limit the range of offerings, notions of a free press are severely compromised. There are thousands of media firms in United States, but only a minute fraction of that total reach significant audiences.

This type of economic concentration, in which a firm attempts to have as large a percentage of the industry’s output as possible, is called horizontal integration. A monopoly like Rockefeller’s Standard Oil is the ultimate form of horizontal integration. Media markets stop short of monopoly and settle into oligopoly. The economic incentives for media corporations to be in such a market are obvious. Economic concentration tends to reduce risk because barriers to entry shut out newcomers and therefore raise profits for those inside. It does this by giving the large firms that dominate these oligopolistic markets considerable control over pricing. Unlike competitive markets, oligopolistic markets tend to force prices up. Firms in oligopolistic markets have much greater leverage over their suppliers (and labor) to negotiate better prices. As a result of its acquisition of AT&T’s cable systems, for example, Comcast expected to cut its costs for carrying cable channels by $270 million. Media firms also have the leverage to extract high rates from advertisers. The more concentrated the ownership, the higher ad rates tend to be.
Horizontal integration also opens new profit-making opportunities. Wal-Mart, for example, accounts for 30 percent of all U.S. DVD and video sales, as well as 20 percent of all U.S. music sales. In addition to giving Wal-Mart strong influence over what will be produced—because it can choose what to promote and sell—this integration also allows Wal-Mart to leverage its market power to strike deals with entertainment firms and move into entertainment-related merchandising. Similarly, Barnes & Noble used its domination of retail book selling to launch its imprint of books reprinting works in the public domain. "Since they don't pay a 50 percent markup," a publisher, a Disney executive explained, "they can apply that advantage to price and still make more money than publishers selling the same Charles Dickens title."

Major media markets—television networks, cable TV systems and channels, music, motion pictures, newspapers, book publishing, magazines, and retail sales—are almost all classic oligopolies with only a handful of significant players in each market. In the U.S. music industry, for example, following the 2003 announced merger of Sony's and Bertelsmann's music subsidiaries, four firms sell almost 90 percent of the music. In motion pictures, no more than six firms rule the roost, accounting for over 90 percent of the industry's revenues. Moreover, the number of significant firms is stagnant or shrinking in almost every case. The three largest publishers of college textbooks accounted for 35 percent of the U.S. market in 1990; by 2002 they had almost doubled their share. Magazine and book publishing overall has undergone considerable consolidation over the past decade. In radio broadcasting, the two largest firms, Clear Channel and Viacom's Infinity, do more business than the firms ranked 3-25 combined. Concentrated ownership tends radically to improve the profit picture for successful media firms: newspaper publishing—long based on local market monopolies and chain ownership—has been one of the most lucrative industries in the United States throughout the twentieth century; local television stations—always an oligopoly—routinely generate returns on sales in the 50 to 60 percent range.

The cable TV systems industry (e.g. Comcast, Time Warner, and Cox) has undergone perhaps the most striking consolidation over the past fifteen to twenty years. It has gone from a "ma and pa" industry of the 1970s to an enterprise in which six giant firms control over 80 percent of the market. The power of such consolidation is immense: since 1996 (when the Telecommunications Act was passed) cable TV rates have increased at three times the inflation rate. Comcast claims over 30 percent of the market, and by all accounts further consolidation is inevitable, as smaller firms cannot compete with such a Goliath. "Size has always mattered in this business," a Comcast executive noted in 2003. For one thing, large cable operators have negotiating leverage with the stations that need to be carried on their systems: independent cable TV channels cannot survive, because they have no negotiating power, unless a large media company, more often than not a cable TV systems operator, owns them. Comcast had so much leverage over cable TV channels by the fall of 2003 that even the other media giants were forced to make concessions unthinkable in earlier times to remain on Comcast systems. "There are three companies" that will own cable TV channels, "Viacom, AOL Time Warner, and News Corporation," mogul Haim Saban predicted in 2003. "The rest are going to get gobbled up." As the trade publication Variety puts it, "Conglomerates are stalking the media jungle like Amland clad velociraptors, ready to swoop down on low-flying cable nets, increasingly vulnerable in the new age of accelerating takeovers."

By 2003, the standing joke was that it was easier for an independent cable entrepreneur to "touch the moon" than to get a new cable TV channel carried by the giant cable TV systems operators. It was left to CNN founder Ted Turner to offer perspective: "The days of starting up a cable-television network or trying to do it from outside the media business are over. It's almost impossible." This result points to one great feature of media consolidation: it begets further consolidation. Firms need to grow to be able to survive high-stakes competition. As Nicholas Garnham asserts, media concentration is, in different forms, the essence of survival in the media sector, since it alone ensures the necessary economies of either scale
or scope." It is on these grounds that media concentration is defended as necessary and economically justified. If, in fact, concentration is unavoidable to a certain extent in commercial media markets, it places a premium upon media policies that account for and compensate for it. But much of this concentration is not necessitated by markets but results instead from policy making that encourages it. That is transparently the case in radio and television broadcasting and in cable television. There is no evidence that the mega-firms in these industries would become economically unviable if they were banned from owning so many stations or channels.

Media concentration is also promoted through vertical integration, which denotes owning both the content and the conduits to distribute that content. It has manifested itself in U.S. media over the past fifteen years, and the recent merger of General Electric’s NBC and Vivendi means that all commercial TV networks are owned by a media corporation that also owns a major Hollywood film studio. Each firm also owns TV show production studios as well as cable TV channels. Vertical integration makes particular sense for media because it helps lessen the risk associated with an industry like motion pictures, in which films can be blockbusters or complete box office duds. Vertical integration is a powerful stimulant to concentration; once a few firms in an industry move in this direction, others must follow suit or they can find themselves at an insurmountable competitive disadvantage—possibly blocked at all turns by opposing gatekeepers. This, too, raises the barrier to entry for prospective newcomers because they must be able to generate vertically integrated operations in order to compete.

This is why regulators have previously prohibited vertical integration in media. The most striking examples historically are the prohibition of the film studios from owning their own movie theaters and the prohibition of TV networks from producing their own prime-time entertainment programs. Large commercial lobbies have done everything in their power to get these ownership restrictions eliminated. Vertical integration lowers costs, lowers risk, and increases profit. It is almost always good for the vertically integrated company; whether benefits are shared with the public is another matter. The effect of lifting the prohibition on TV networks producing and owning their own prime-time programs in the early 1990s has been to throw the independent TV production industry in Hollywood into turmoil. "Consolidation has killed my business as an independent producer," one executive remarked. "I think anytime you have a business where it’s in the hands of five companies, then it’s bad for everyone." Well, not quite everyone.

Vertical integration also combines with horizontal integration to sound the death knell for major "independent" film studios. "Being a producer that isn’t under the same umbrella ownership as major network, cable or satellite channels," a writer in the trade publication Television Week observed, "can be a deadly experience." The independent studio DreamWorks, for example, has produced hit after hit, but without a more vertically integrated structure, its hopes for profitability are remote. "Wall Streeters are adamant that both MGM and DreamWorks will have to find a way of sizing up their operations," according to the trade publication Variety. "Not having the vertical integration and ownership of cable networks hurts MGM’s ability to sell deeply into their film library," an industry analyst maintains. "Pure-play is a difficult environment when every one of their competitors is vertically integrated." In November 2003 DreamWorks sold its music division to the giant Vivendi Universal, and signed a deal to let General Electric’s Universal Studios continue to distribute DreamWorks films until 2010.

By 2000 these pressures fomented such frenzied deal making that Variety noted, "U.S. media and entertainment companies are pairing off faster than New York yuppies at happy hour." When AOL and Time Warner merged in 2000 the value of the deal at the time was nearly 500 times greater than the value of the largest U.S. media deal just twenty years earlier. The recession of 2001–02 cooled deal making a bit, but the trend toward increased consolidation remains strong. Even in hard times, media firms revealed a desire to merge and acquire. "We need new revenue streams because the name of the game is growth," Time Warner’s executive in charge of the magazine
division, the world’s largest magazine company, announced in
2003. The GE-Vivendi deal was valued at $42 billion in 2003, mak-
ing it the second-largest media merger in history.6

As the dust begins to clear from the mergers of the past decade, the
contours of the U.S. media system come into focus. There tend to be
three main tiers of media firms. The first tier, composed of Time
Warner, Viacom, News Corporation, Sony, General Electric, Bertelsmann,
and Disney, are vertically integrated powerhouses—indeed vast con-
glomerates—with various combinations of film studios, TV networks,
cable TV channels, book publishing, newspapers, radio stations, music
companies, TV channels, and the like. Their annual revenues tend to
run in the $15–$40 billion range, placing them squarely among the
few hundred largest firms in the world. Cable giant Comcast certainly
is large enough to be a first-tier firm, though it is not especially ver-
tically integrated. Expect that to change, if Comcast has its way.7 To get
some sense of the scope of a first-tier firm, consider just some of the
holdings of Viacom, Paramount Pictures; Blockbuster video rental
chain, Simon and Schuster book publishing; 183 U.S. radio stations;
cable channels MTV, Nickelodeon, VH1, and Showtime; billboards; CBS
television network; and 39 U.S. TV stations.8

Most of these first-tier firms, including Viacom, have been put
in together in the past fifteen years. A New York Times examination of
nine major media sectors—encompassing film, radio, TV, cable,
music, theme parks, and publishing—revealed that the five largest
first-tier firms, on average, were each major players in more than
seven of them.9

This produces an irony of the contemporary U.S. media system.
Americans now receive hundreds of cable and satellite TV channels,
such that observers often note that the dominance of the old “Big 3”
TV networks—ABC, CBS, and NBC—has been broken. No longer can
these three networks command 90 to 95 percent of TV watchers, as
they routinely did from the 1950s through the 1970s. But what is lost
in the blizzard of channels is that twenty of the twenty-five largest
cable TV channels are now owned by the five first-tier media firms,
the same firms that own the networks and many of the TV stations in
the largest markets.6 These five companies, between their cable and
broadcast properties, still reach around 90 percent of the total television
audience.6 As a Viacom executive states, the same five compa-
nies “are controlling music and films.”5 One trade publication
assessed the state of commercial television in December 2003: “For
the big fish, the water’s fine.”5

The second tier is composed of another twenty firms—such as Cox,
New York Times, Gannett, Clear Channel—that tend to be major players
in a single area or two related areas. These firms have annual media
sales in the $3–$10 billion range and rank among the six or
seven hundred largest firms in the United States.4 The lion’s share of
the U.S. media system is dominated by the firms in the first two tiers:
they provide or control the vast majority of TV and cable programs,
stations, networks, motion pictures, recorded music, magazines,
books, newspapers, radio stations, and so on. The third tier is made
up of the thousands of much smaller media firms that fill the nooks
and crannies of the media system, though they can sometimes have
influence in certain markets. They tend to be dependent in some
ways on first- and second-tier firms and are often the targets of mergers
and acquisitions. Many survive because their markets—and
profits—are too small to interest the giants.

CONGLOMERATION AND SYNERGY
A significant form of media concentration in the past decade has been
conglomeration. While conglomerate’s company owning and
managing several unrelated operations—occurs across the economy, it
has come to have special potency in media. The largest media firms
have built empires (through mergers and acquisitions) with major
players in several media sectors that have traditionally been regarded
as unrelated. This goes beyond traditional vertical integration with its
emphasis on production and distribution of similar content. A media
company like Time Warner, for example, is a global leader in movies,
cable television systems and channels, magazines, books, and music,
among other things. Media conglomerate offers such a company
tangible benefits: programs can be extensively promoted across all
the company's platforms; media “brands” can be used to create new programming in different sectors; spin-off properties like soundtracks, books, video games that are generated by movies can be kept in-house; firms have increased leverage with advertisers; they have increased negotiating leverage with labor and suppliers; and, in a hit-or-miss business like media, the increase in scope reduces overall risk. In short, the theory behind media conglomeration is that the profit whole is greater than the sum of the profit parts. The word used to describe this is **synergy**.

Synergy drives much media activity today. Time Warner uses open advertising space in its media to promote its products. TV programs on Time Warner's WB network constantly feature songs by Warner Music artists. Time Warner's Entertainment Weekly magazine carried two cover stories in a single month on Time Warner's 2003 film The Matrix Reloaded. Along with the balance of Time Warner's promotional efforts, this meant that 95 percent of the public were aware of the movie upon its release. At the exact same time, observed columnist Frank Rich, “two-thirds of the population could not name any of the nine Democratic candidates for president.” Viacom uses its “hii” MTV and VH-1 networks to push younger viewers to its CBS television network. For the 2004 Super Bowl which aired on CBS, Viacom integrated related programming, promotional campaigns, and advertising packages with its numerous cable channels, including MTV, BET, and Nickelodeon. "Super Sunday" was expected to generate $170 million in ad revenues for the Viacom empire. When Disney purchased the right to make a TV movie for its ABC network about the Pennsylvania miners who were trapped underground in 2002, it could also make plans to have its Hyperion book subsidiary publish a related book. By 2002 Disney had turned synergy into an art form. Linking, for example, its ABC prime-time shows to promotional events at its amusement parks and hyping them incessantly on its other media properties.

Some of the most important synergy comes from developing merchandising opportunities. By 2002 entertainment licensing revenues totaled $42 billion, with Disney-affiliated products alone generating $13 billion. Much of the appeal of Harry Potter or The Company Bears for film subjects, to mention but two, is that they offer tremendous possibilities for sequels, spin-offs, and merchandising. The first Harry Potter film licensed eighty-five associated products, and the entire campaign for the film was coordinated with promotions for Coca-Cola. The idea for The Company Bears came from a Disneyland ride. The same was true of the successful 2003 Pirates of the Caribbean, and more Disney films are expected to be adapted from other rides. Viacom's Rugrats TV program on Nickelodeon has evolved into a maze of products all cross-promoted by the Viacom empire. The Rugrats "franchise" generated $3.5 billion in retail sales between 1997 and 2003. The 2001 Sony film Final Fantasy was so devoid of plot that one reviewer determined that the film's main point was to sell Sony's PlayStation 2 games. In 2003 Viacom's Nickelodeon co-developed a video game with plans to eventually turn the game into a TV program. As these examples suggest, conglomeration can significantly affect media content and push companies away from directly addressing the audience's needs and desires.

Conglomeration spurs further media concentration. To compete successfully in many media sectors, a firm must be a conglomerate. Consider animation, which is basically the province of DreamWorks and three or four first-tier media conglomerates. Pixar, the pioneer in computer animation, prospers through its partnership with Disney, so it can "take advantage of [Disney's] clout in theaters, theme parks, and retail stores." In short, it has to give Disney a piece of the action to ensure its survival in the conglomerate jungle. To a certain extent, media conglomerates seek cradle-to-grave operations in which they can produce much of the content used over their distribution channels. When Vivendi put together its conglomerate in 2000 one executive enthused that the firm had become "a totally integrated communications group, controlling 100 percent of its content production, 100 percent of its Internet integration, and 100 percent of its subscriber base." But media conglomerates often find it more productive to buy and sell material to and from the other giants—knowing they always have a fallback position if negotiations break down with a supplier or distributor. Either way, the role for
small independent media companies, never enormous to begin with, has been reduced. As with oligopolistic markets in the broader economy, small independents exist to do the stuff the big guys find too risky or unprofitable. If successful, they tend to get bought out or enter into a formal dependent relationship with a giant.

First-tier media conglomerates tend to have very close relationships with one another. Although they compete ferociously in some markets, they are also one another’s best customers. Perhaps their sheer size causes them to be wary of too much competition. As Viacom’s Mel Karmazin puts it, “You find it very difficult to go to war with one piece of Viacom without going to war with all of Viacom.”

Indeed, media giants would rather make love than war. Each of the eight largest U.S. media firms have equity joint ventures—in which they share ownership of a property—with, on average, five of the other seven first-tier firms. And they often have more than one such venture. They also maintain common shareholders, like John Malone, who owns big chunks of Time Warner, News Corporation, Viacom, and Liberty Media. Gordon Crawford’s Capital Research & Management Company is one of the five largest shareholders for Viacom, Time Warner, News Corporation, Clear Channel, and USA Interactive. Crawford can broker major deals and get CEOs fired. The knot between the largest firms is further tightened when one looks at their boards of directors. Although sharing a director is prohibited among firms in the same industry, corporate media boards are filled with directors who serve on other corporate boards, and in that capacity these board members rub shoulders with directors for other media firms. The media world is a small one.

Consolidation only increases the pressures on media groups to cooperate. As former FCC chairman William Kennard notes, “As the industry consolidates, you have fewer and fewer owners, and each of the owners have more reason to do business with each other.” The top media moguls stay in constant touch, meeting annually in Idaho to discuss mutual interests and map future deals. By 2003 the leading media CEOs were in the midst of what one reporter termed a “love-in.” At a Chicago cable TV convention Viacom’s Mel Karmazin stated, “I can’t imagine being a competitor with any of these guys.”

Time Warner CEO Richard Parsons chimed in, “If you get out of the ’70s and ’80s paradigm about competition, yes, we compete on more fronts now, but we can cooperate more effectively to expand the pie for consumers.” In many respects the media market is the polar opposite of the competitive market advocated by the likes of Milton Friedman. In his vision innumerable firms compete to produce as much as possible as efficiently as possible for the market, with all that that suggests about consumer sovereignty. The media market, on the other hand, is more like a cartel.

In areas of the economy other than media, conglomeration has rarely proven effective: management expertise in one area does not translate well to unrelated fields. In media, conglomeration has been a success, but not without a few missteps. In 2001–2 two leading media conglomerates—Time Warner and Vivendi Universal—experienced severe crises as high debt, overvaluation of assets, and the recession sent their stock prices reeling. To address their financial trouble, both firms were forced to sell off some assets, negotiating from a position of weakness. Time Warner sold its music division for $2.6 billion to a group headed by Seagram heir Edgar Bronfman in 2003. Vivendi merged its media assets (except for its music division) with General Electric’s NBC in 2003, on not especially favorable terms. To some observers, this offered sufficient evidence to prove that media conglomeration, or synergy, was fool’s gold, and that all the giants would eventually have to be broken up into smaller and more efficient units. In fact, it proved no such thing. Neither firm had been consolidated long enough to tell how well its parts might mesh; indeed, the underlying assets for both firms were profitable. The problem was that severe debt and crumbling earnings resulted when the firms vastly overpaid for the assets initially.

Other leading conglomerates, such as Viacom, Sony, and News Corporation, were exemplars of synergy and came roaring through the recession. Viacom enjoyed tremendous profit growth in 2003, and much of it was ascribed to the firm’s ability to cross-promote and cross-pollinate its content, while drawing in advertisers in big cross-
platform packages. Viacom's cash cow, Nickelodeon, "has leveraged its cable success into everything from magazines to live shows to toys." Similarly, by 2003 News Corporation's "communications empire [was] thriving as never before" thanks to the "strong cohesion of its operations." Even Disney, which struggled by comparison, was hardly stagnating. What was arguably its most profitable operation in 2002–3 surrounded the TV program Lizzie McGuire, which was synergistically spun off into a major film, CDs, toys, clothes, and books. NBC CEO Robert Wright estimated that the immediate synergistic value of its merger with Vivendi's film and TV properties would be a combination of savings and new revenues totaling $500 million. Even second-tier media firms enjoy the benefits of synergy. Clear Channel uses its 1,200-plus radio stations to promote the shows at one hundred thirty concert venues it controls in the United States. That helps Clear Channel produce 70 percent of the live concerts in the United States. As one trade publication asked, after reviewing the evidence, "Who says synergy is a bad word?"

Recent experience has taught two important lessons about media conglomeration and synergy. First, the initial efforts by media giants to expand into the Internet have been costly and ineffectual. They were a casualty of the economic bubble that burst in 2000. Second, synergy does not always develop with conglomeration. Disney has several hundred Disney Stores that specialize in selling merchandise drawn from Disney products. By 2003 the company realized that it was better off reducing its number of stores and instead working with other retailers. Similarly, many media conglomerates sold off their professional sports franchises in 2004–5, as the promise of synergy between the teams and the media properties failed to materialize. Viacom considered unloading its market-dominant Blockbuster video-rental chain in late 2004. The moral of the story: synergy takes time and is risky. It is also helped by astute management. All in all, the smart money is betting on further concentration. "If history is anything to go by," as a writer for The Economist observed in 2002, the largest media firms will prosper "by swallowing the creative independents, growing bigger still—and not by breaking themselves up."

The bottom line is clear: a competitive market structure does not exist for media in the United States and probably cannot exist in the real world of corporate capitalism. This does not mean there is not some competition between media giants. But cartel-like arrangements are frequently evident. Like all oligopolists, these firms rarely compete in the area of price. They use their economic and political power to advance their interests and to dominate consumers. Although policies can encourage markets to be more competitive than they otherwise would be, corrupt policy making has crafted regulations to suit the less competitive markets desired by dominant commercial interests.

Is the market appropriate to regulate media?

Conventional thinking assumes that if media markets were more competitive and more responsive to the public, they would provide the best possible way to regulate the media system. This assumption merits examination. Media industries do enjoy certain characteristics that are unique to them or that are shared only by a minority of major markets in the economy. These unique attributes call into question just how appropriate the market is as a tool to regulate media in the public interest. The most glaring difference between media markets and other markets that we have already examined is the role of advertising as a significant source of revenues. This changes the logic of media markets radically, since the interests of consumers must be filtered through the demands of advertisers. The implications for content can be striking, and are not necessarily positive from the consumer's perspective. But several other important differences separate the media market from conventional markets.

First and foremost, the nature of media content is different from that of other commodities. Subjecting ideas, culture, and journalism to the market is problematic. Concerns about commercializing education, or the sheer revulsion at the idea of commodifying religion, point to the problems attendant to commercializing culture. At first glance, using markets to regulate the production and distribution of ideas and culture is troubling. If one follows the logic of the "marketplace of
ideas” metaphor closely, it may well be that the rational thing for media firms to do is to produce exactly what the market shows a preference for, what everyone else is producing. Diversity may then be squashed. This may not cause a problem in the production of washing machines or chocolate bars, but in the realm of ideas it poses deep problems for traditional liberal democratic notions. The market can prove to be a quiet, but ruthless, commissar.\(^5\)

In addition, ownership of idea production is a unique power. If there are a small number of soft drink manufacturers, for example, one owner insisting that the bottle labels be green instead of purple would not cause concern for citizens. While society holds general reservations about oligopoly in terms of pricing and product quality, that sort of management prerogative is probably well down the list. Not so with media. Having concentrated control in media is precisely a problem because such ownership power is extremely important and attractive to owners. Control over public information, over the news, over the culture offers tremendous benefits for media owners, and it is a privilege owners have historically enjoyed, sometimes to democracy’s detriment.

Media markets are distinctive in other ways. Most media are by nature non-rivalrous public goods, and this undermines the traditional justification for market regulation. In typical markets, if one person consumes the product or service, another person, a rival for the product or service, cannot. Imagine a fast-food hamburger or dry cleaning service or a suit or an automobile. Consumers vie for use of the resource, and the market price rations the good or service to those who are willing to cover the marginal cost of production. Everyone willing to pay the marginal cost gets the product or service. Not so for most media products. If I watch a movie, that does not prevent anyone else from watching the same movie. This is also true in the consumption of a television program or an Internet website, and for the most part with a book, newspaper, magazine, or CD. Because the difference in cost between showing a film to one person or to five people or to five hundred people is virtually nothing—compared with what it costs to make one candy bar versus the cost for five hundred—

the traditional economic justification for rationing by price seems, well, unjustified. So when a media producer charges a price for a product above marginal costs, that producer limits the number of people who would otherwise enjoy the product in a standard market. It is this inherent incompatibility of media with market regulation that stimulated the rise of copyright, the entire point of which is to prevent competition that would drive prices down to marginal costs and make media commercially impractical.\(^6\)

Media markets, too, are shaped by the formation of networks. These include distribution networks for newspapers, books, music, and films; television networks; and computer networks like the Internet. A classic example is the telephone network or the postal system. Networks for production and distribution of media content violate the premises of the competitive market model because as collaborative mechanisms they act in many ways as “natural monopolies.” The value of networks for all involved improves dramatically as the network gains more users. Small networks with few users are virtually worthless and cannot survive. To get off the ground, networks require high fixed investment. The implications of network economics are clear: they tend to promote large and noncompetitive industries, far beyond what a traditional market would generate. It is one reason for the long tradition of government ownership and regulation of communication networks.

All these traits influence one striking feature of media economics: the importance of “first copy” costs. Most of the expense of a newspaper, a film, a book, a CD goes into making the first copy. All subsequent versions are quite inexpensive to produce. This means that media industries tend to incur more risk than do many other areas because a relatively large investment must be made before the size of the product’s demand becomes clear. What this translates into is the “blockbuster” phenomenon, when media firms look for the supersuccessful film, CD, book, or TV show that will generate massive profits to more than cover losses on flops. MGM, for example, jacked up its profits by 50 percent and added $100 million to its bottom line in 2002 thanks to the James Bond film Die Another Day.\(^7\)
Book publishing for years lived by the "80-20 rule," whereby 80 percent of the revenues are earned by 20 percent of the authors.\textsuperscript{85} Jane Friedman heads News Corporation’s HarperCollins book publishing unit; her greatest asset is her "instinct for bestsellers."\textsuperscript{86} Such a precarious position offers firms a powerful motivation to get large, so they can better handle the risk, otherwise a string of flops could bankrupt them. Syndicated TV producers faced this type of crisis when none of them had had a hit show for years; they were looking to consolidate to survive.\textsuperscript{87} This climate also means that media firms rarely if ever compete on the basis of price, since, as media scholar Nicholas Garnham points out, "there is no calculable relationship between costs of production and revenues received for any one product."\textsuperscript{88}

Finally, media markets are different from most other capitalist markets with regard to labor relations. As in all other capitalist enterprises, media firms wish to pay their laborers as little as possible, and there is an important (and understudied) history of labor-management conflict here similar to other major industries.\textsuperscript{89} But a crucial difference is how creative talent produces content. Media corporations must employ people specifically hired for their artistic talents—no one wants to hear Rupert Murdoch’s version of a guitar solo or see a movie written and directed by Viacom CEO Sumner Redstone. Because the amount of money generated in media industries by bestselling content can be so enormous, successful creative people can earn astronomical salaries. This occurs because there is a scarcity of people who can generate blockbusters by becoming marketable "brands." The "star system" of Hollywood’s golden years—as well as its more recent and less codified incarnation—resulted largely from commercial media markets. Media firms, especially film studios, thought that by creating stars they could attract consumers to otherwise unknown films and thereby reduce their risk in undertaking production. To some extent, then, celebrity obsession is the product of commercial media.\textsuperscript{90}

\textbf{Creativity versus Commerce in the Conglomerate Era}

The relationship of creative talent to media firms and the commercial media market tends to be ignored by proponents of commercial media. Economist Tyler Cowen, for example, sees little conflict between commercialism and creativity and views the market as a spur to creativity.\textsuperscript{91} But Cowen frames the matter largely in terms of how an individual artist fares in the market, which makes his analysis of limited value to understanding the creative process in complex media industries. It is similar to the tendency to conflate concerns about free speech with free press in such a way that protecting a media conglomerate from government regulation is the same as protecting the right of a dissident citizen to stand on a soapbox and speak her mind. Along similar lines, proponents of a commercial press system rarely distinguish between the interests of owners and the interests of editors and reporters, though their roles and interests in the media system are far from interchangeable.

Even if creative people are heavily motivated by fame and fortune, their interests are not necessarily identical to those of media corporations. Often artists have social, political, and creative impulses they value in addition to their desire to make money. Moreover, quality media content requires that creative talent be given a certain amount of autonomy; this goes directly against the corporate imperative to intervene and thereby reduce risk and maximize profit.

This tension between creative talent (and journalists) and corporate media structures is built into the system.\textsuperscript{92} Entertainment programming has mostly gravitated toward a handful of commercially successful genres with formulaic characters and plots. In commercial radio and television, risk was reduced through developing ongoing series featuring the same characters. One great irony of commercial media is that the market, instead of generating experimental content, tends to be quite conservative. Smart media owners rarely want to try something the public is unfamiliar with; it is far wiser to do what has worked in the past. If someone else hits a gusher with a new drill, that’s the moment to jump in—à la the game show glut after Who Wants to Be a Millionaire? hit big or the many supernatural thrillers that nipped the heels of The Sixth Sense. Commercial media have 20-20 hindsight. As a columnist for the Financial Times put it, “The low-risk, bureaucratic way to run a media company is to
focus on products similar to those that have already succeeded." The only "genuinely original works" to be found on the bestseller list were the offspring of small, independent publishers. The media conglomerates "want guarantees in a business where there are no financial guarantees," the actor James Spader observed. They try to cover their "bets most efficiently, and that breeds awful filmmaking, because it doesn't call for originality but repetition of previous success—preferably as close to a replica as possible." 

Variety noted, to "limit risk," prime-time television shows "run the gamut from generic themes to classic icons." The Wall Street Journal's TV critic termed the new 2003 network shows virtual clones of their existing programs. Variety reported that Hollywood, "to minimize risk," tapped "into the tried-and-true." In recent years, movie studios have turned to sequels, prequels, and remakes of successes as the safest route to profitability. One-third of Sony's new releases were sequels, while the major studios cranked out sixteen in the summer of 2002. As one reporter noted, "Hollywood has more money riding on big sequels in 2002 than any other year in movie history." The total increased yet again to twenty-three sequels in 2003, although a string of disappointments suggested that the number of sequels would level off. But the idea of building movie brands or "product lines" around a series of films based on known characters is hardwired into the media conglomerate's psyche. The Batman franchise, for example, has generated $2 billion for Time Warner since the first film was released in 1989. Some $400 million of that total came from licensing and merchandising.

It is this conservatism built into the logic of media markets that has drawn ire from artists and critics. Often the criticism has taken aim at what is termed "lowest common denominator" programming, meaning programming with wide appeal across the population. (This term is usually used disparagingly, under the assumption that popular entertainment must sacrifice artistic originality and quality. But such need not be the case—commercial pressures rather than "popular tastes" may play the larger role in reducing the quality of mass fare.) In a commercial market, what media firms are pushed to do is provide content that will not be difficult for audiences to grasp, will not be too expensive to produce, yet will capture people's attention. This is especially difficult among multitudes of media options (albeit with fewer media owners). The tried-and-true mechanisms for commercial media are sex, vulgarity, and violence. These proven inexpensive attention-getters have, by most accounts, been on the rise in U.S. television. In 2003 the TV critic Tom Shales complained "there are so many shows with amplified sex and violence that even pressure groups have given up." A trade publication editor acknowledged, "You could argue that network television and Maxim magazine are the only places that still seem to attach illicit values to sexual activity. To the rest of us, it's just commerce."

In recent years, television networks have turned more and more to inexpensive fare that succeeds most often through vulgarity and shock value. Programs in this genre "race to the bottom" in an attempt to beat the competition. The shock comedian Tom Green complained about the dilemma he faced when he launched a new talk show on MTV. "You can turn on 'Survivor' and watch anyone eat worms." As a New York Times headline put it: "Fox TV Finds Another Way to Sink to Top of the Charts." The point is not that the commercial media system generates a paucity of good material, but, rather, that the market has a strong economic bias toward the cheap and the imitative. "If the good stuff is better than it has been in years, the crap is even crappier," Tom Shales remarked in 2003. "You despair for the state of the nation's mental health."

In recent years, the corporate pressures on content—or, to put it another way, the effects of media concentration, conglomeration, and commercialism—have made it more difficult for creative artists attempting to do original and interesting work. And the more commercial domination of the creative process there is, the more likely the work produced will be lousy. Viacom's Mel Karmazin termed the low-cost, high-profit gross-out movie Jackass his "quintessential movie." Larry Gelbart, the legendary TV writer whose credits include the TV show M*A*S*H, terms the programming desired by the networks "hamburger helper," because "they are more or less doing it
by the numbers.” A movie studio finally found the formula for a perfect summer, a writer for *Fortune* magazine observed in 2001. “Unfortunately, every element of it contributed to horrible filmmaking.”

“Do people who work in the film business actually see what the industry puts out?” a *Variety* columnist asked, while calling the films execrable. “Have the studios entirely given up even pretending to make pictures of respectable quality for the mass audience?”

Peter Bart, a *Variety* editor and former studio head, railed against the media conglomerates in 2003, summing up much of the criticism: the film studios have “succumbed to certain ineluctable economic forces. Their vertically integrated corporate parents demand ‘numbers,’ and the most risk-averse way to produce those numbers is to focus on sequels and effects-laden tentpole pictures, not on edgy ‘people pictures.’” Bart concluded that this climate has left creative talent severely frustrated. “Actors want meaty parts. Directors post-9/11 yearn for more meaningful scripts.” In 2003, Bart observed, “No matter where you turn, corporate sameness is pervasive.”

Noting the lack of original comedy on television for years, Bart asked, “Is there such a thing as corporate comedy?”

Media corporations are not deaf to this criticism; some conglomerates have spawned faux-independent “art” film studios to produce “edgy” fare that commercial pressures in their main studios would not permit. While artists need latitude to develop their work, the structural pressures of conglomerates tend to reduce their freedom. The good stuff usually gets made not because of the system but because of what creative people can do when they work against the logic of the system.

Consider the music industry. For artists music is the most accessible of the popular arts because the capital required for good music is minimal compared with the outlay typically necessary to produce a good movie. Three people in a garage can record the greatest rock and roll CD of all time. Yet the corporate system does a dreadful job of exploiting this characteristic to the public’s benefit. The irony is that the four firms that dominate popular music production and distribution worldwide now seem unable to generate original and compelling popular music. Most of the great movements in popular music have risen outside the corporate music system, in inner-city neighborhoods, garages, small towns, and campuses. But the music giants cannot leave well enough alone: competitive pressures demand that they attempt to engineer the creative process as much as possible to ensure commercial success.

The resulting stale, derivative music has little of the originals’ spark. So, the better the music conglomerates do their job, the lousier the music. One *Variety* writer terms the present era of corporate music, the “epoch of the Rolling Clones” and observes, “Marketing-driven acts drown out fresh voices at music conglomerates.” The problem has been magnified in recent years by the incessant push by music companies to have artists link their activities with commercial sponsors. “Just think of bands as brands,” Jay Coleman, the “father of music marketing” proclaims. “Reinforcing that can help sell merchandise, records, tickets and content.” Even the industry trade press is appalled by the shallowness of contemporary popular music. A *Variety* writer noted about a Christina Aguilera concert: “This slick production reeked of commercialism.” The *New York Times* critic concluded that the best place to hear “daring pop music these days” was to “listen to the background music in TV commercials.”

The tension between owners, advertisers, and creative talent also manifests itself in the media’s political content. Many Americans learn more about the political and social world from entertainment fare than from journalism or the educational system. Moreover, entertainment does not have as many professional filters to restrict explicit social criticism, as does journalism. Owners want to make money and need to give creative people some autonomy to do so. Entertainment producers therefore can be more open to dissenting perspectives than journalists are. Popular commercial entertainment has an intermittent history of artists bringing left and populist themes into entertainment fare. The implicit commercial codes of owners and advertisers, however, do not encourage these political themes; artists need to navigate a difficult course to incorporate such perspectives into their work.
Moreover, the stakes are understood by those in power; control over entertainment is no trivial matter. In times of crisis, such as the Red Scare of the 1940s and 1950s, the powers-that-be will punish entertainers who dare to step outside the mainstream. The track record in these instances is clear: media corporations and advertisers will be the government's willing accomplices. An artist's dissident politics are tolerated only to the extent that the artist is commercially useful to the firm. Mainstream politics, of course, are welcome and celebrated at all turns.

I do not wish to romanticize the role of creative artists in the entertainment industry. Some are selfish and unprincipled; some have internalized the crassest of commercial values. Unfortunately, some artists have been willing to go along with the production of racist, sexist, or homophobic fare. On balance, however, the case is clear: the more influence creative talent has over media content vis-à-vis media corporations, the better the content.

**So Do Commercial Media Give People What They Want?**

Even if one acknowledges that markets are deeply flawed as democratic mechanisms, one fundamental challenge to media policy making in the public interest remains: commercial media, due to the pressure to maximize profit, will invariably strive to "give the people what they want." The corollary to this argument is that any other means of organizing media will by definition interfere with popular control over media; by definition it will be paternalistic or downright authoritarian, depending upon the political system's nature.

This argument's strength is that it contains an element of truth, and a self-evident one at that. Media firms obviously attempt to produce music and films and TV shows that people will want to consume. Much that is good and bad about media can be attributed to the audience. The trend toward multiethnic fare, for example, can be attributed to an increased recognition by media producers of the audience's changing nature and tastes. My argument is not that the current media system does not sometimes produce outstanding content; it certainly does, but structural constraints make it produce far less than it could or should. Moreover, the notion of "giving the people what they want" respects a crucial liberal freedom, the right to choose one's own media to consume. Any effort to tamper with this through censorship rings alarm bells, quite rightly, among all freedom-loving people. It is this point that media giants take out of context, overstate, and wield to obliterative criticism. As Rupert Murdoch puts it, those who criticize the media status quo are "snobs" who "want to be imposing their taste on everybody else." It is a powerful and effective public relations gambit because it taps into a fundamental liberal freedom.

The "we give the people what they want" argument is a half-truth at best, and taken out of context it serves as an ideological fig leaf to protect naked commercial interests. Concentration and conglomeration, as I've demonstrated, raise significant barriers to an effectively operating free market. To the extent that the market is oligopolistic and vertically integrated, power shifts from consumers to producers. This is, of course, exactly what producers want because they will garner more power to produce content that will be more profitable for them. It means that media markets may "give the people what they want," but will do so strictly within the limited range of fare that can generate the greatest profits. The more competitive the market, in economic theory, the more control consumers have over expanding that range. The argument in oligopolistic markets becomes circular: people consume from a relatively narrow range of what media firms find most lucrative to produce; then when consumers select from these options, the firms say, "See, we must be giving you what you want." Media culture's overwhelming and growing commercialism—disliked by a large percentage of Americans—is ample evidence of how much power consumers actually have today. The people want 18 minutes of ads per hour on radio? Right.

The problem with this argument extends beyond concentrated markets to flaws inherent in markets in general. For starters, and it can barely be overemphasized, markets are hardly democratic regulatory mechanisms. They are predicated upon one dollar, one vote.
rather than one person, one vote. Affluent people therefore have considerably more "votes" in determining the course of the media system, while the poorest people are effectively disenfranchised. For the production and distribution of some products this may not be an especially pressing concern; in the realm of journalism and culture it conflicts with the core informational requirements of a self-governing and egalitarian society. A market-driven media system in a society with pronounced inequality will have structural pressures to reinforce rather than to challenge such inequality; those on top will tend to drive the media to benefit those on top.

Further, the "we give the people what they want" argument provides only the most superficial understanding of the "audience," how it generates its demands, and how it votes. So far I have emphasized the supply side of media as being decisive, but this does not mean that the audience can be neglected. Nicholas Garnham has done trailblazing work in conceptualizing the role of the audience, and he emphasizes the need to place audiences in a social context and count their disposable income as a crucial factor in determining the media options they consider. Other researchers claim that audiences are "active" and have the capacity to "decode" commercial media messages critically far beyond what its producers intend. According to this argument, concerns about media structures and content are overstated or even irrelevant because the power of interpretation rests with the audience. Whether the commercial system gives the people what they want is not especially central because people will take what they need. Garnham rightly observes that this so-called trade-off between an active audience and a powerful media is bogus. The important thing—what we can study and influence—is that institutions and structures limit what audiences are permitted actively to interpret.

To some extent the "we give the people what they want" argument is circular: People are exposed to the media fare that the giants can profit from, they develop a taste for it, they consume it, and then the media giants claim they must make more of it to satisfy demand. What is demanded depends on what is produced rather than the other way around, what John Kenneth Galbraith called the "dependence effect" in The Affluent Society. To paraphrase Say's Law, supply creates demand. In the immortal words of Walton Hale Hamilton, "Business succeeds rather better than the state in imposing restraints upon individuals, because its imperatives are disguised as choices." Indeed, the massive amounts that media firms spend on marketing their products—the five largest first-tier media firms spent $4.5 billion on TV advertising in 2002, making the media industry one of the largest advertisers overall—combined with the nevertheless high rate of failure suggest that these firms (and the market in general) are not particularly good at determining what people want.

For examples of supply creating demand, consider the following. In the 1970s foreign-language films accounted for nearly 10 percent of the U.S. theater box office; by 2003 the figure was under 1 percent. Evidence suggests this was not triggered by a drop-off in audience demand but instead to the sharp decline in foreign film distribution once the theater industry switched over to multiplex theaters. To be commercially viable, movies must open on 1,500 screens and be supported by sizable advertising, "a cost that requires the active participation of a wealthy studio parent." "If you don't hit it within 24 to 72 hours," a Universal executive commented on the importance of a film's opening, "you're out of the game." While there is the occasional exception, this logic basically priced most foreign film producers out of the U.S. market. Similarly, classical music accounted for nearly one-quarter of U.S. recorded music sales in 1960; that figure plummeted to 3.2 percent by 2001. Whereas once classical music sometimes could be found on several commercial radio stations in a large city, today listeners are fortunate to find it on a single public station. A key part of any explanation: classical music was discontinued or downgraded in the curricula of a significant percentage of U.S. schools in the intervening years.

In both cases, media giants would claim, accurately, that foreign-language films and classical music evoke little demand in the United States today. But the lack of exposure—the low supply—eliminated the basis for demand. The same thing could be said for several other media, such as documentary film. This is no surprise
because there is no incentive over the long term for commercial media to cultivate tastes or develop interests in new material. Having a commitment to generating new cultural genres and ideas may be good for society, it may be something people value, but it is bad business. People can't reasonably express their desire for an alternative in the marketplace if the choice does not exist and they have not had enough exposure to it to evaluate it.

Furthermore, the marketplace is incapable of addressing preferences that require avoiding the market. How does a consumer use the market to register discontent with advertising-saturated broadcasting, when all the channels reek of advertising? How does one express a desire for noncommercial presentation of political candidates on television—say through a series of multi-party debates—when one gets only endless TV paid political advertising? There is no way to use the market to express nonmarket values—aside from withdrawing from media altogether—which is hardly an option, nor should it be.

Along these lines, using people's personal preferences as a measure of where they wish to see funds allocated in media may not be an accurate gauge of their desires. People can be citizens as well as consumers, and as citizens they may well have a broader purview than they do as media consumers. People may wish to see more documentaries on television, even as they watch The Jerry Springer Show, just as citizens may wish to have large and effective national parks, even if they do not plan to personally visit any of them, or they may wish to have excellent public schools even if they do not have school-age children. Acting only as consumers, citizens cannot address their social concerns effectively. Markets cannot address all sorts of important values people may wish to see upheld in their media. As Ed Baker notes, all of this points to the crucial importance of public participation in media policy making, how else can the people voice their needs?  

But if the media system does not necessarily give us exactly what we want, it does certainly give us plenty of what we do not want. The most striking limitation of a market-driven media system, competitive or otherwise, is the generation of externalities. Externalities refer to the economic and social costs of a market transaction that do not factor into the decision making of the product's buyer or seller. Industrial pollution is the classic case of an externality: neither the producer nor the consumer has to factor this into the market price, but society as a whole suffers and has a huge price to pay to clean it up. In media the externalities are numerous. Advertising, for example, is a market activity that has significant negative externalities in the type of materialistic values it incessantly promotes. Another classic example of a media externality is violent programming. As media scholar James Hamilton has demonstrated brilliantly, media producers find this lucrative to make, and consumers provide a market for it. But if widespread exposure to exceptionally violent content produces a more violent society, which leads to more crime, the need for larger police forces, and a much less enjoyable society, this cost of violent media fare is not borne by the media producers. It is paid for by society, whether it likes it or not.  

Indeed some, perhaps much, of the profit media producers generate comes from passing on part of the true costs to the broader public.  

Similarly, to the extent that media glorify the use of tobacco products or alcohol, the costs associated with smoking-related diseases and alcoholism constitute an externality.  

Addressing (and anticipating) media externalities is one task of media policy making.  

While media externalities are widespread, two in particular lie at the very center of media policy making and concerns—two of the issues that dominated chapters 2, 3, and 4 of this book. First are those affecting children.  

By the late 1990s the U.S. children's market for commercial media had grown to astronomical proportions. In 1983 about $100 million in TV advertising was aimed at children. By 1997 that figure had climbed to $1 billion, and the total amount of advertising and marketing aimed at children reached $12.7 billion.  

The total U.S. market for children's products was valued at $166 billion in 2000, and another study estimated that children influence up to $500 billion per year in purchases.  

The media marketers have responded with a barrage of media aimed at children, from toddlers to young teens.  

Attracting children to commercial media and commercial messages is a major industry.  

A 2003 study sponsored by the Kaiser Family Foundation determined that America's youngest children
were “immersed” in commercial television, and to an extent that was “astounding” even to longtime researchers in the field.169

The social implications of this carpet-bombing of children by commercial media have been the subject of considerable research.170 The range of debate extends from “this is probably not a good thing we are doing to children” to “this is a massive crisis for our society.”171 Britain’s Archbishop of Canterbury, Rowan Williams, falls into the latter camp. In 2002 he blasted the “intrusion of consumerism into childhood,” specifically attacking Disney for the “corruption and premature sexualization of children.”172 No one without a material interest in the status quo is arguing that this process could possibly be beneficial to children or our society over the long haul. But because it is an externality, this process concerns the media producers only to the extent that unfavorable publicity might undermine their profits. Otherwise it is utterly irrelevant, and pressure to generate profit assures that it remains that way.

Second are the externalities regarding journalism. In a commercial media system, the quality and social implications of journalism remain externalities because they exist in a profit-driven enterprise. There is no small amount of irony in this, as the enlightenment of citizens was the major force behind the creation of media policies at the founding of the republic, including the First Amendment. Rational capitalists will produce the journalism that generates the greatest profit, that is, what costs the least to produce and generates the greatest market. Whether this type of journalism best serves a free society is not, cannot be, part of their calculations. It is coincidental. Low-budget regurgitation of official sources plus an emphasis on celebrities and crime are the rational outcome of the commercial media market. What is rational for media owners to generate as they pursue maximum return for their shareholders creates a disaster for informed self-government. The cost to society in the form of ignorant, lousy governance, and less fulfilled individuals arguably is immensely high, economically, culturally, and politically. Everyone in our society suffers the consequences, not merely those who partake directly in the commercial news market.

Externalities need not always be negative, however. If a society generates a high-quality journalism or a provocative entertainment culture it will have the positive externality of producing a well-informed and enlightened citizenry that will make wise public policy decisions. The entire society will benefit, not just those producing or purchasing the journalism or entertainment. But just as media firms can slough off the true social and economic costs of their negative externalities, they cannot capture the social and economic value of their positive externalities. Therefore, the marketplace cannot offer much incentive for a rational media firm to devote resources to generating positive externalities. The lessons are clear: public regulation of commercial media markets must address negative externalities. Even more important, a significant nonprofit and noncommercial media sector must help generate positive externalities.

THE CASE FOR THE STATUS QUO

There is considerable debate in the academy over specific points I raise in this chapter. Two scholars who have done much research on these topics, and who have come to articulate positions contrary to mine, are the economist Tyler Cowen and the media scholar Benjamin M. Compaine. Between 2001 and 2003 each wrote short essays to defend the status quo from criticism. Cowen focuses primarily on the production of art and culture in the market system.173 Compaine has also coauthored a book that elaborates on his main points.174 It is worth reviewing their core arguments in light of my evidence.

Cowen makes a few distinct points.175 First, he maintains that conglomerates do not control the culture, but that consumers do. Cowen cites as evidence how often heavily promoted commercial media fare flops while unexpected material rises to the top. Interestingly enough, he does not defend corporate power. “Large media corporations are often too removed from their customers, too risk-averse, and they are too focused on their past successes rather than on the future.” But not to worry, says Cowen. The conglomerates do not have much power. Movies, for example, are individual projects that compete in a dynamic marketplace. Unfortunately, the material Cowen provides as support—
that offbeat material sometimes succeeds while expected blockbusters fail—is somewhat beside the point. And there is little evidence that Hollywood movie making is the province of auteurs, rather than a corporate undertaking.

Cowan’s second and third arguments are closely related. He states that most conglomerates earn poor returns because their structure does not make economic sense and that conglomerates are breaking up because synergy has failed. Cowan’s evidence for these claims are the failed deals for Vivendi–Universal and AOL Time Warner. But as I have demonstrated, those outcomes are exceptions to the rule and may be attributed to issues beyond the failure of synergy or conglomeration. Many mergers have failed in business history, but this has not altered the general trend toward increased concentration. If Cowan wants to make a credible case, he needs to address the firms that now have their heads above water or are swimming like fish: Viacom, News Corporation, Sony, Clear Channel, and General Electric. Because he ignores these companies, his second and third arguments are of limited value.

Compaine makes several points based on one bit of empirical data he compiled. He states that an analysis of the list of the fifty largest U.S. media corporations from 1986 to 1997 shows that the degree of ownership concentration in the media has not changed significantly. Therefore, all the headline-grabbing media mergers are countered by firms breaking up and new firms bursting onto the scene. The media system is far more competitive than critics allow. Compaine acknowledges that ownership patterns tend toward concentration in specific media sectors but implies that since his one statistical review shows little change in media concentration overall between 1986 and 1997, concentration in any one sector will have to be matched by an increase in competition somewhere else. So it is essentially a wash. He touts the rise of cable TV channels as undermining the TV networks and providing “scores of programming choice from dozens of owners” without acknowledging that most of the cable TV channels are owned by the five media conglomerates that own the TV networks and also own many of the cable TV systems.

C. Edwin Baker has made a systematic critique of Compaine’s argument and his empirical data. According to Baker, Compaine errs by treating the “media as a whole” as the lens through which to examine media concentration. Compaine’s assumption is that all media firms can be thrown into one massive media market. It would be like throwing all the automobile, airline, concrete, car rental, auto repair, trucking, bus, tire, glass, taxicab, steel, and oil companies into a single list to study market concentration in the motor transportation industry. By that measure it would be an exceptionally competitive industry—even if automobile production and oil refining were full-blown monopolies. On the basis of this dubious formulation, Compaine states that the claim that fewer and fewer companies own more and more of the media “is wrong.” Baker, however, closely reviewed Compaine’s data and discovered that over the years studied, the four largest media firms had in fact increased their market share fairly dramatically, from 18.79 percent to 24.13 percent.

Compaine has one set of empirical data to hang his arguments on, and it does not establish his case. He argues that concerns about commercial control over journalism are unfounded: “News or information of real value has a way of getting picked up by the mainstream media.” His evidence: Matt Drudge was able to break the Monica Lewinsky story. He argues that “ownership of the media, especially in the United States, is extremely democratic.” His evidence: pension funds representing workers own shares in these companies. He argues that communication policy making is not corrupt but, to the contrary, “democracy at work.” His evidence: competing lobbies try to influence policy. In the end Compaine throws up his hands and acknowledges that the system may not be perfect, but it is the best we can do. Criticizing concentrated media ownership or the workings of our economic and political systems is a waste of time because this is the best possible media system in the best of all possible worlds.

Compaine and Cowen do touch on one crucial point: the idea that the Internet is going to introduce significant levels of new competition. Media giants face an uncertain future at best and demise at worst according to this view. Traditionally powerful broadcasters,
film producers, and music companies are about to be overwhelmed by online media that will use cyberspace’s easy access to attack existing profit centers. “We should feel sorry for them rather than vilifying them,” Cowen advises. This is a powerful argument, and it is made widely by corporate media and their champions in Washington to back up their claim that citizens should not be concerned by relaxing the existing media ownership rules. After all, with a blizzard of new media online, who cares if a company owns some more radio or TV stations? Compaine points to the thousands of Internet radio broadcasters, suggesting that conventional radio broadcasters are soon to get their comeuppance.

Yet the evidence is far from conclusive. After a decade of the commercialized Internet, few major commercially viable online media content providers have emerged to challenge an existing media giant. There are many reasons for this, but the Internet is chiefly part of the commercial media system and therefore looks toward complementing, not challenging, the work of existing media giants. If the Internet really held out this threat to the commercial media status quo, one would logically expect that the value of traditional media would begin to plummet. Isn’t that how markets work? Market power in traditional media industries is being parlayed into market power over the Internet to the extent it is drawn into the commercial media system. The Internet and digital communication are beginning to affect greatly our media system in general and some sectors, like music, more than others. But that does not mean that the Internet is eliminating concerns about concentrated media ownership.

Cowen and Compaine are right about two things: media ownership doesn’t explain everything, and concentrated media ownership does not cause all the problems with the media. In some cases concentration may be unavoidable. But if these are the best arguments that can be mustered on behalf of the status quo, one can better understand why the media giants have been so insistent about keeping debates on media policy removed from public attention.

The evidence is clear: strong biases within media markets steer away from competition, and this direction undermines the case for markets as best serving the public interest. It means, especially insofar as the media system is the result of public policies, there should be a strong policy bias toward encouraging more competitive markets. Where concentrated markets are unavoidable, policies must be developed to address negative externalities. And even somewhat more competitive media markets still exhibit significant flaws. This means that strong policy measures and subsidies are needed to encourage a vibrant nonprofit and noncommercial media sector.


145 Wayne Friedman, “Integration Front and Center at Alternate Revenue Source,” Television Week, 15 September 2003, p. 16.


157 Sheree R. Curry, “A Seller’s Market,” Television Week, 14 April 2003, p. 44.

197 This conviction is central to neoliberal thought. Since the market is the basis for all freedom, and freedom cannot exist except in a market economy, market freedoms, such as the right to advertise, are the foundation upon which other freedoms, such as free speech and free press, are built.


199 Stanley Holmes, "Free Speech or False Advertising?" Business Week, 28 April 2003, pp. 69-70.


CHAPTER 3


96 For a nice discussion of this, see Garnham, Entertainment, The Media, and Modernity, pp. 57-58.


117 Tom Shales, "The Naked Truth About the Fall Season," Television Week, 15 September 2000, p. 43.


127 Devin Leonard, "We Know What You're Doing Next Summer," Fortune, 1 October 2001, p. 117.


130 Peter Bart, "Needed: Some Comic Relief," Variety, 6-12 October 2003, p. 5.


142 See, for example, Richard Horne, Crisis Struggle in Hollywood, 1927-1930 (Austin, Tex.: University of Texas Press, 2001).

143 See Robert M. Edmison and Andrew Rojek, The Black Image in the White Mind (Chicago: University of Chicago Press, 2000); Oscar H. Gandy Jr., Communication and Race: A Structural Perspective (New York: Oxford University Press, 1998). Furthermore, successful creative people in the media industry often come from the upper middle class, and certainly end up there or higher and this class background can manifest itself in elitist media portrayals on issues of class and race.

144 For a superior and detailed critique of how media markets work, see Mark Cooper, Media Ownership and Democracy in the Digital Information Age (Stanford: Center for Internet & Society, Stanford University, 2003).

NOTES: PAGES 199–203


146 It is routine to see stories like this: Joe Flint, "NBC Reaps Profits by Showing for Viewers with More Money," Wall Street Journal Online, 20 May 2002. As the airwaves are the collective property of the entire population, this bias becomes more pervasive.


154 See McChesney, Rich Media, Poor Democracy, pp. 33-34.


160 Baker, Media, Markets, and Democracy, pp. 79-81.


170 See, for example, Thomas Robinson et. al., "Effects of Reducing Television Viewing on Children's Requests for Toys: A Randomized Controlled Trial," Developmental and Behavioral Pediatrics 23, no. 3 (June 2002): 179-84.


173 Cowan, Be Paris of Commercial Culture.


178 Ibid., p. 884.


180 I develop this topic further in Chapter 6.

CHAPTER 6

181 I was a contributor of Free Press. The website is www.mediacorp.net.


189 This point is developed in Joel Finman and Thomas W. Keating, "The Battle for the Future of Television" (New York: Harcourt Brace, 1997).
