

2. Welcome to Havana, Mr Corleone: Issues of media ownership and control

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IN THE United States the media system is set up to maximise profit for a relative handful of large companies. The system works well for them, but it is a disaster for the communication needs of a healthy and self-governing society. The problem is not with poorly trained or unethical journalists; in fact, I suspect they may well be as talented and ethical as any generation of journalists in memory. It is the context journalists work in that is the problem. Nor is the problem nefarious or corrupt owners. Even if Rupert Murdoch and Mel Karmazin were to quit their jobs, change their names, and move off to Utah to do yoga and share a bong all day in a mountain cabin, the operations of News Corporation and Viacom would not change appreciably. Whoever replaced them would follow the same cues, with more or less success, but the logic of the system would remain intact.

So if we want to change the content and logic of the media we have to change the system. And following my logic, we must change media content radically if we are going to have a viable self-governing society. The media system is not the only variable, but it is an unavoidable variable if we wish to transform this society for the better. As former Federal Communications Commission member Nicholas Johnson likes to put it when speaking to

activists and progressives, whatever your first issue of concern, media had better be your second, because without change in the media the chances of progress in your primary area will diminish.

And this leads to the obvious question: where does our media system come from? In mythology, our media system is the result of competition between entrepreneurs fighting it out in the free market. In reality, our media system is the result of a wide range of explicit government policies, regulations and subsidies. Each of the 20 or so giant media firms that dominates the entirety of our media system is the recipient of massive government largesse, or what could be regarded as corporate welfare. They receive (for free) one or more of: monopoly licenses to scarce radio and television channels, monopoly franchises to cable and satellite TV systems, and copyright protection for their content. When the government sets up a firm with one of these monopoly licenses it is virtually impossible to lose money. As media mogul Barry Diller put it, the only way a commercial broadcaster can lose money is if one of their employees is stealing from them. Ironically, even if one elects to have a competitive 'free market' media system, it requires media policies to put such a system in place.

If policies establish the nature of the media system, and the nature of the media system determines the nature and logic of media content, then the nucleus of the media atom is the policymaking process. This is the source of the crisis of media in the United States. Media and communication policies have been made in the most corrupt manner imaginable for generations. Most Americans have had no idea that media policies have been made in their name but without their informed consent. Instead these policies have been made by extraordinarily powerful corporate lobbies fighting it out behind closed doors. And the resulting policies reflect this process: they are set up to serve the needs of a small group of commercial interests. And the public has no way of knowing about them because to the extent that these policies are covered in the press, they are treated as business stories of importance to owners and managers, not as political stories of interest to citizens in a democracy. The corporate media are content to promulgate the notion that we inhabit a 'natural' media system, beyond the purview of policymakers.

Perhaps the best way to capture the media policy-making process in the United States is to consider the 1974 Oscar-winning film, *The Godfather II*. Roughly halfway through the film a bunch of American gangsters, including

Michael Corleone, assemble on a Havana patio to celebrate Hyman Roth's birthday. This is 1958, pre-Castro, when Batista and the mob ruled Cuba. Roth is giving a slice of his birthday cake, which has the outline of Cuba on it, to each of the gangsters. As he does so, Roth outlines how the gangsters are divvying up the island among themselves. And Roth triumphantly states how great it is to be in a country with a government that works with private enterprise.

That is pretty much how media policies are generated in the United States. But do not think it is a conspiracy where the corporate interests peacefully carve up the cake. In fact, as in the *Godfather II* where the movie revolves around the Corleone-Roth battle, the big media trade associations and corporations are all slugging it out with each other for the largest slice of the cake. That is why they have such enormous lobbying arsenals and flood politicians with campaign donations. But what they all agree on, like those gangsters in Havana, is that it is their cake and nobody else gets a slice.

The solution to the media crisis now becomes evident. We need to have widespread informed public participation to media policy-making. This will lead to better policies and a better system. There are no magic cure-all systems, and even the best policies have their weaknesses. But informed public participation is the key to seeing that the best policies emerge; the policies most likely to serve broadly determined values and objectives.

Imagine, for example, that there had been a modicum of public involvement when Congress lifted the national cap on the number of radio stations a single company could own in 1996. That provision – written as far as anyone can tell by radio industry lobbyists – sailed through Congress without a shred of discussion or press coverage. It is safe to say that 99.99 per cent of Americans had no clue. As a result, radio broadcasting has become the province of a small number of firms that can own as many as eight stations each in a single market. The notorious Clear Channel owns more than 1200 stations nationally. As a result of this single change in policy, competition has declined, local radio news and programming have been decimated (too expensive to produce), musical playlists have less nutrition and variety than a McDonald's menu, and the amount of advertising has skyrocketed. This is all due to a change in policy, rather than the inexorable workings of the free market. As Senator John McCain stated on the Senate floor in 2003: 'There is too much concentration in radio. I know of no credible person who disagrees with that.' Radio has been destroyed. A medium which is arguably the least expensive and

most accessible of our major media, that is ideally suited for localism, has been converted into a Wal-Mart-like profit machine for a handful of massive chains. This can only happen when policies are made under the cover of night. *Welcome to Havana, Mr Corleone.*

Radio is also instructive because it highlights the propagandistic use of the term ‘deregulation’. This term is often used to describe the relaxation of media ownership rules, even by opponents of rules relaxation. The term deregulation implies something good, that people will be less regulated, and enjoy more liberty. Who could oppose that? Radio broadcasting is the classic case of a ‘deregulated’ industry. But just how deregulated is it? Try broadcasting on one of the 1200 channels for which Clear Channel has a government-enforced monopoly licence. If you persist you will do many years in a federal penitentiary. That is very serious regulation. In fact, all deregulation means in radio is that firms can possess many more government-granted and government-enforced monopoly licences than before. There is every bit as much regulation. When one sees the term ‘deregulation’ used in media policy debates, the wise course is to substitute it with what is really taking place; ‘re-regulation’. This kind of regulation serves large commercial concerns without any pretence of serving non-moneyed interests.

As the radio example indicates, we have a very long way to go to bring widespread and informed public participation to media policy debates. The immediate barrier faces all democratic forces in the United States; the corporate media political lobby is extraordinarily powerful and is used to having its way on both sides of the aisle in Congress. In addition, press coverage (of marginal quality on any issue where big money is on one side and the public interest is on the other side) is utterly appalling in the case of media policy debates. The track record is clear: while the process may be complex, in the final analysis corporate media use their control over the news to limit, distort or trivialise public awareness of media policy debates.

Moreover, corporate media power is protected from public review by a series of very powerful myths. Four of these myths in particular need to be debunked if there is going to be any hope of successfully infusing public concerns into media policy debates.

The first myth is that the existing profit-driven US media system, for better or for worse, is the American Way, and there is nothing we can do about it. The Founders crafted the First Amendment to prevent any government interference

with the free market. In fact, this could hardly be more inaccurate, as Paul Starr argues in his new book, *The Creation of the Media*. Freedom of the press was seen more as a social right belonging to the entire population than as a commercial right belonging to wealthy investors. While the state was prevented from prior restraint, it had a commitment to make a free press possible through enlightened policies. The measure of a free press was in the calibre of the political culture, not in the commercial success of its publishers. Indeed, the first generations of the republic saw the use of printing contracts to subsidise major newspapers that would have had difficulty prospering, if left to the whims of the free market.

The most striking public policy came with establishment of the US post office. In the first generations of the republic, newspapers accounted for between 70 and 95 per cent of post office traffic. And, newspapers depended upon the post office for the distribution of much of their circulation. A key question facing Congress was what to charge newspapers for the use of mail. No one at the time was arguing that newspapers should pay full freight, that the market should rule. The range of debate was between those who argued for a large public subsidy and those who argued that all postage for newspapers should be free (to encourage the production and distribution of a wide range of ideas). The former position won, and it contributed to a massive flowering of print media in the United States throughout the early 19th century. What is most striking about this period is that there is no rhetoric about free markets in media, and the sacrosanct rights of commercial interests. That came later, when powerful commercial media interests used such jargon to protect their privileges ... and subsidies.

The second myth is that professional practices in journalism will protect the public from the ravages of concentrated private commercial control over the news media. Therefore we need not worry about the media system or the policies that put it into place. Now, the notion of professional journalism is only around a century old in the United States. For much of US history journalism was explicitly partisan, and if one knew the owner's politics, one knew the political orientation of the newspaper. This was satisfactory in competitive markets where there was a wide range of viewpoints. It became a problem by the end of the 19th century as newspaper markets became increasingly concentrated and where barriers to entry prevented new newspapers from being launched successfully. In this environment partisan journal-

ism was akin to the one-party press rule of an authoritarian society. The tremendous commercial pressure by media owners for cheap journalism that would generate a large readership augmented the crisis for journalism. This produced sensational fare with a propensity for lies and the bribery of reporters. It also produced a crisis for the media system that threatened to make the entire enterprise illegitimate in the public's eyes.

The solution to this problem was to be professional autonomy for journalism. Trained professional journalists who were politically neutral would cover the news; the political views of the owners and advertisers would be irrelevant, except on the editorial page. This was the revolutionary idea of distinguishing editorial from business (akin to the separation of church and state). There were no schools of journalism in 1900; by 1920 all the major schools had been established, often at the behest of major publishers.

Professional journalism as it evolved in the United States was far from perfect. It internalised the commercial needs and political interests of media owners to a large extent; making journalists oblivious to the compromises with authority built into their code. One striking problem, for example, was the dependence upon official sources for a legitimate news story. This has made much of professional journalism stenography to debates among the powerful. On issues where those in power tend to agree on the basics, like most US wars, the press coverage is dreadful. Journalists who question those in power are dismissed as partisan, ideological and unprofessional. But even with its flaws, professional journalism looked awfully good compared to what it replaced. And at its high-water mark, the 1960s and 1970s, it was a barrier of sorts to commercial media ownership.

But the autonomy of journalists was never written into law, and as media companies grew larger and larger, there has been increased pressure to generate profit from the news. That meant slashing editorial budgets, sloughing off on expensive investigative and international coverage, and allowing for commercial values to play a larger role in determining inexpensive and trivial news topics. In short, the autonomy and integrity of US journalism has been under sustained attack. Linda Foley, president of the Newspaper Guild, the union of newspaper journalists, says that the number one concern of her members, far beyond salary, is how commercial pressures have undermined the ability of journalists to do their craft. It is why journalists rank among the leading proponents of media reform. They know firsthand how the media system is overwhelming their professional autonomy.

The third myth is probably the most prevalent, and it applies primarily to the entertainment media (though with the commercialisation of journalism it is being applied increasingly there too). This is the notion that as bad as the media system may seem to be, it gives the people what they want. If we are dissatisfied with media content, do not blame the media firms, blame the morons who demand it. This is such a powerful myth because it contains an element of truth. After all, what movie studio or TV network produces programming that people do not want to watch? The problem with it, as I detail in chapter five of *The Problem of the Media*, is that it reduces a complex relationship of audience and producers to a simplistic one-way flow. In oligopolistic media markets, there is producer sovereignty, not consumer sovereignty, so media firms give you what you want, but only within the range that generates maximum profits for them. Supply creates demand as much as demand creates supply.

And, some things are strictly off-limits to consumer pressure. Media content comes marinated in commercialism, although survey after survey shows that a significant percentage of Americans do not want so much advertising. Most recently, an April 2004 survey by Yankelovich Partners revealed that 65 per cent of Americans believe they are ‘constantly bombarded with too much’ advertising. Don’t expect a mad dash by media corporations to respond to that public desire. It is difficult, if not impossible, to use the market to register opposition to hyper-commercialism ... to the market. This is where the policy-making process is imperative so citizens can allow the full-range of their values to determine media policy-making.

Most important, the media system clearly generates many things that we do *not* want. Economists call these externalities, meaning the consequences of market transactions that do not affect the buyer or seller (such that the market pays no attention to them). However, externalities have a significant effect, and can level massive costs upon society. Pollution is the classic externality in industry. It requires policy intervention to reduce pollution; otherwise competitive pressures will force firms to keep on polluting. Externalities can be positive, but firms have a greater incentive to capitalise upon those; it is the negative ones they wish to avoid so they do not have to pay for them.

Media generate huge negative externalities. What we are doing to children with hyper-commercialisation is a huge externality that will almost certainly bring massive social costs. It will not only affect the children but everyone in society. Likewise, dreadful journalism will lead to corrupt and incompetent

governance, which will exact a high cost on all of our lives, not just those who are in the market for journalism. The long and short of it is that the market cannot effectively address externalities; it will require enlightened public policy.

The fourth myth is that the internet will set us free. We have no reason to worry about corrupt policy-making, corporate control, lousy journalism, or hyper-commercialism because the advent of the internet ends scarcity and means everyone communicates on a relatively equal playing field. Who cares if Rupert Murdoch owns film studios and satellite TV systems and TV stations and newspapers? Anyone can launch a blog or a website and finally compete with the big guys. It is just a matter of time until the corporate media dinosaurs disappear beneath the tidal wave of new media competition.

The internet and the digital communication revolution are in fact radically transforming the media landscape, but how they do so will be determined by policies, not by magic. The internet itself is the result of years of heavy public subsidy, and its rapid spread results from the open-access 'common carrier' policy forced upon telecommunication companies. How the internet develops in the future will have everything to do with policies, ranging from copyright and the allocation of spectrum to open wireless systems, to the production of media content on the internet. It is already clear that merely having the ability to launch a website does not magically transform media content. That will require public policy.

So, again, the moral of the story is clear: If we wish to change the nature of media content, we have to change the system. If we wish to change the media system, we need to change media policies. And if we wish to change media policies, we have to blast open the media policymaking process, and remove it from the proverbial Havana patio. My sense is that the more widespread public participation there is in media policy-making, the more likely we are to have policies that encourage a more competitive and locally oriented commercial media system. This in turn will encourage a much more prominent and heterogeneous non-profit and non-commercial media sector. But if there is a legitimate public debate, I will certainly live with the results whatever they might be.

My sense of optimism concerning the results of a fair public debate is fuelled to some extent by the unbending determination of the corporate media interests to prevent any public awareness of, or participation in, media policy-

making. From the emergence of the corporate media system over a century ago to the present, dominant commercial interests have done all they can to keep the public oblivious to the policies made in their name.

Nonetheless, there have been a handful of key moments when media policy-making became part of the public dialogue. In the Progressive Era in the United States, the corruption, sensationalism and pro-business partisanship of most commercial journalism led to widespread criticism of capitalist control of the press. There were even movements to establish municipal or worker ownership of newspapers. In the 1930s, a fairly significant movement arose in opposition to government secretly turning over all the choice monopoly radio channels to owners affiliated with the two huge national chains, NBC and CBS. This opposition called for the establishment of a dominant, non-commercial broadcasting system. I will not keep you in suspense; these movements failed.

But following World War II media policy-making has increasingly gravitated to the Havana patio. When the choice monopoly licenses for television were doled out in the 1940s, public debate played no role whatsoever. The Federal Communications Commission chair who orchestrated the process would leave the FCC to triple his salary as an executive at NBC three months after the TV allocation plan was announced. In recent decades the role of the public has shrivelled. As a result our media system is increasingly the province of a very small number of large firms, with nary a trace of public service marrow in their commercial bones. Regulation of commercial broadcasting degenerated to farcical proportions. There was no leverage to force commercial broadcasters to do anything that would interfere with their ability to exploit the government-granted and enforced monopoly licenses for maximum commercial gain. The crisis described at the opening of the article is the result.

The prospects for challenging the corrupt policy-making process seemed especially bleak by the 1990s with the ascension of neoliberalism, the philosophy that dogmatically equates profit maximisation with the maximisation of human happiness. Even many Democrats abandoned longstanding rhetoric about media regulation in the public interest, and accepted the ‘market *uber alles*’ logic.

So when the FCC announced it would review several of its major media ownership rules in 2002, nearly everyone thought it was a ‘slam dunk’ that it would relax or eliminate the rules. After all, a majority of the FCC was on record as favouring the continued growth of large media firms – even before

it did any study of the matter. The media giants hated these rules and were calling in all their markers with the politicians so they could get bigger, reduce competition and risk, and get more profitable. This was the only form of media regulation that had any teeth, because there was so much public antipathy to media concentration, so much support for the idea of local media, and because the smaller commercial media sector knew it could not survive in a market without ownership limits on broadcast and cable companies.

But over the course of 2003 the FCC's review of media ownership rules caused a spectacular and wholly unanticipated backlash from the general public. Literally millions of Americans contacted members of Congress or the FCC to oppose media concentration. By the end of 2003 members of Congress were saying that media ownership was the second-most discussed issue by their constituents, trailing only the invasion and occupation of Iraq. Media issues never cracked the Congressional 'top 20' list in decades. What was also striking was the degree of opposition from the political right (as well as a nearly unified left). In September 2003 the Senate overturned the FCC's media rules changes by a 55-40 vote. The House leadership is preventing a vote in the House, and the matter is under review in the courts.¹ If the Democrats win the White House, the media rules changes will almost certainly be smashed.

But what drove millions of Americans to get active on media ownership in 2003 was not a belief that the status quo was quite good. To the contrary, the movement was driven by explicit dissatisfaction with the status quo and a desire to make the system better. Years of frustration burst like an enormous boil when Americans came to the realisation that the media system was not 'natural' or inviolable, but the result of explicit policies. Surveys showed that the more people understood media as a policy issue, the more they supported reform. Once that truth is grasped, all bets are off. Organised people can defeat organised money.

Coming off the media ownership struggle, there is extraordinary momentum. Scores of groups have emerged over the past few years – local, national and even global in scope. There is a wide range of issues that are the focus of organisation. In the coming few years one can expect the launch of major progressive legislation: to restore more competitive markets in radio and television; to have antitrust law applied effectively to media; to have copyright returned to concern for protecting the public domain; to have viable subsidies to spawn a wide range of non-profit and non-commercial media; to have a

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wireless high-speed internet system that will be superior and vastly less expensive than what Mr Roth and Mr Corleone (the cable and telephone companies) have in mind; to have real limitations on advertising and commercialism, especially that aimed at children; to have protection for media workers, so they can do their work without onerous demands upon their labour by rapacious owners. The list goes on and on. Once Americans realise, like the nation's founders, that building a free press is the job of a free people, the sky is the limit for what we can accomplish.

All of these measures would have been unthinkable just a year or two ago. Now they are in play. One of the exciting developments of the last year has been the recognition that media activism is flexible politically. Unlike campaign finance reform, where anything short of fully publicly-financed elections leaves open a crack that big money exploits to destroy the reforms, media activism allows for tangible piecemeal change. Americans may well get several hundred additional non-commercial FM stations on the dial this year, largely as a result of sustained activism. Those stations will be a tangible demonstration to people of what they can achieve, and spur continued activism. And, media reform allows for a broad array of alliances, depending upon the issue, as the 2003 media ownership fight demonstrated. Indeed, media activism might just be the glue to sustain a progressive democratic vision for the nation's politics.

But it will not be an easy fight, not at all. The forces of darkness have considerable weaponry in their arsenal and they will stop at nothing to protect their privileges. This is a long-term struggle, a never-ending one. What we know is that it is impossible to have a viable democracy with the current media system, and that we are capable of changing this system. The future depends upon our being successful.

Note

¹ In June 2003 a US Appeals Court in Philadelphia blocked implementation of the FCC's media ownership rules stating that it had fallen short of supporting the changes 'with reasoned analysis'.

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