Decades of Arguments: The Effects of Media Conglomeration

Elizabeth Anderson - April 10, 2008

Media corporations such as Viacom, CBS, News Corporation, NBC, Disney, and Time Warner dominate modern day media (Big Media, 1). Not only do these conglomerates own broadcast networks and local stations, but they also possess a large percentage of cable companies. These companies become more competitive by piping in the signals of their competitors and the studios that produce programming individuals receive. Despite an increase of wealth in these corporations, conglomeration is a serious problem for nearly every American business. Independent and entrepreneurial media businesses often offer top notch programming and ideas despite their size. Within a local community, the basis for these industries focus on the consumer, not so much on the money. Small business ownerships debate they offer just as much socioeconomically as a store like Wal-Mart does in discounted merchandise.

Although conglomerates benefit from their billion dollar revenue, according to consumers, they lack meeting the programming needs of local communities and diversity. Advertisers enjoy the amount of airtime offered by big media, currently taking up nearly half of every show on air. Capitalistic conglomerates seize economic advantage by focusing on national programming, new technology, and competition. However, smaller businesses lose their own advantages in society, and have limitations restricting them or their rights. From the effects of this merging media, a purely capitalistic society relentlessly forms, diminishing individual rights in a free nation. The rise of media conglomeration today compromises the constitutional amendment made in 1791 for the freedom of press, where a fine line has been drawn. The following analysis will show, media consolidation repeatedly proves to confer economic advantages in media, but societal concerns reflect the need for quality programming content, not cheaper methods, regardless of the ownership. Conglomeration restricts the freedom of press by exerting the advantage of preventing small businesses from entering the media industry. This alone has compromised the Telecommunications Act by overpowering media and harming small businesses, which are essential for localism and diversity.

Despite the way consolidation overpowers the media industry, the free market society is looking better than ever in their favor. Michael Eisner, CEO of Disney in 1998 said, “Big is bad if it stifles competition, big is good if it produces quality programs” (Campbell, 468). Media mergers have a different perspective about media, contrary to smaller and independent businesses. The number of independent radio stations, television studios, etc. is not as much of an issue in a regulated economy. For example, when three different media industry owners compete against each other, the higher competition forces advertising rates to go down. The idea of conglomeration is to encourage higher competition with fewer businesses to speedily enact lower prices. Many of these large corporations run the businesses from distant locations, so they hire localized workers to run them. Outsized and distant corporations try to make everybody happy by establishing important local connections needed in a successful business. This way, the corporations enhance their image in the local community as a whole. David Gunzerath, of the National Association of Broadcast (NAB) declared, “The Commission must have fair and rational rules so that local broadcasters can continue to provide the many vital, free services that all Americans have come to expect” (Gunzerath, par. 1). Independent radio stations are protected by this organization because they lobby for the station in congress for fair treatment in the world of media. However, they recognize the required balance between them and conglomerates, defining a fair game.

Media conglomerates benefit during warfare, currently equaling seven years of more commercial airtime for Iraq updates. It has become easy for large industries to choose investigations and gain an increase in salary by having extra coverage on occurrences that matter to a large portion of America. In this case, the profits are spanned because of the merged media, benefitting more than smaller businesses. Media coverage has established a relationship between news teams and listeners. Although the numbers of conglomerates have decreased over the years, they individually shape public opinion through diversity. The internet has become a key place to review news stories, and gain public attention. Who better to do this than google.com, youtube.com, or msn.com? Online recourses have become primary for young adults to receive news coverage in modern day. According to an abstract on the war, an important research question from Caroline Tolbert is "whether the concentration of media ownership increases the impact of media use on public opinion" (Tolbert, par. 1). Many believe it has impacted public opinion, therefore making sure they relay the call letters of the station every commercial break.

Stockholders in media conglomerate industries can control the direction of media corporations by voting for change. This means a certain percentage of people in the economy do have a say in what is happening because large stockholder shares make a difference when buying conglomerations. Shares like JP Morgan and taxpayers make the most importance. The competition between the large media corporations permits prices to go down, which benefits the economy. According to an opposing source, the reason networks claim they gain power is aimed at directing profits. If many stockholders did work as a board of directors, it is a possibility that some businesses would not have gone bankrupt, such as Enron. Small shareholders in the common society do not have a say in these company decisions, but that is where big money and big businesses come into play. Contrary to whichever majority is right or wrong, major stockholders tie into the success and development of many different companies.

Conglomerates recognize disturbances in the industry with other conglomerates, and when one isn't playing fair, likely adjustments will cohesively be made to correlate what is just. The Walt Disney Corporation has been battling with Time Warner because of an expired transmission deal. Apparently, Time Warner hasn't paid to display the ABC show on cable, now just struggling with a duel between fees. Robert Iger, President of Walt Disney, strongly stated,

> On Time Warner's side, it's about, in my opinion, using their power as a monopolist. As an unbelievably strong gatekeeper, it has a choke hold of sorts on the consumer, in terms of controlling television access to their home -- using that power in an abusive way, to essentially drive the economics of a business arrangement in their favor. (Lehrer, par. 6)

In response, Chairman and CEO of Time Warner Cable Joseph Collins, rebutted by explaining that Time Warner did want their consumers to have ABC. He added by saying "we [just] don't think ABC should be using the retransmission consent rules to extract things from our customers. We don't think that's it right there" (Lehrer, par. 7). So clearly, these big media corporations include the consumer's needs and rights. It is noticeable that they handle it decently, with the urge to have the best possible outcome.

The movie *You've Got Mail* introduced a storyline behind the economic advantage of larger corporations. Characters Kathleen Kelly (Meg Ryan) and Joe Fox (Tom Hanks) are unknowingly competing against each other businesswise. Fox planned to open a "mammoth commercial book store" and Kelly owned her tiny store called *Shop Around the Corner*, filled with children's books. *Fox Books* would offer have sales discounts, a reasonable sized cappuccino bar, and flashy architecture. *The Shop Around the Corner* offered an intimate location, a caring staff, and friends running a local bookstore her mother once owned -- a place kids could come to hear story-time. A positive review of the movie remarked that "most pointedly, the writers provide very good reasons for the friction between the two lead characters. There's a genuine professional rivalry between Joe and Kathleen, as his [corporate] store threatens to put hers out of business" (Lowenstein, par. 2). The moral of the story is that the corporate world, Fox Books, resulted in dominating the book industry in the area. They had a good advantage economically, putting the tiny shop resembling where independent businesses fall, out of business. Despite the small business losing, the corporate world reigned once again.

Over time, each major media corporation has managed to enacted a billion dollar revenue, with a continual increase every year. Conglomerates in modern day have created an easy distinction for their products, and consumers like this. Examples of successful industries today include: Disney, Time Warner, Viacom, News Corporation, Bertelsmann A6, Sony, General Electric, Vivendi, and Lagardere Group. Statistics have reflect that the number of conglomerates 40 years ago were dramatically higher than what they are now, with just a handful of successful merging giants, grounds for some major competition. National programming is a cheaper more convenient method of innovating identified corporations, the use of intense encoding, and new and improved technology. A capitalistic society hasn't necessarily proven to be such a bad thing. It gives more people more jobs, inevitably equaling an overall wealth increase. Advertisers enjoy the amount of airtime, which has now increased to 12 minutes within a 30 minute show. Despite some harmful effects of media conglomeration toward smaller businesses, there is no doubt that "technological and competitive developments have dramatically and irrevocably altered the media landscape. In fact, these changes continue to transform the industry at a breathtaking pace" (Gunzerath, par. 2). Media conglomeration does make sense from an economic perspective, and many are enjoying the benefits of it. Modern technology and the right expenditures for certain corporations have given mass media the go ahead, sanctioning consumers to sit back and watch them compete.

The Federal Communications Commission (FCC) currently mandates against larger corporations taking up the competition in the market. The importance of equal media competition, localism, and diversity play a large role in the success of any company. Primary effects of media consolidation appeared in 1990 when 12.5 percent of new series aired were owned or partially owned by the major broadcast networks of CBS, ABC, NBC, and Fox Networks. CNN founder Ted Turner remarked that it continually increased to 56.3 percent in the year 2000, and a couple years after that hit 77.5 percent (Turner, par. 4). As of December 2007, 80% of the newspaper industry alone has become owned by conglomerates. Public commentator, Bill Moyers said "The number of media corporations that dominate our lives has shrunk over the past 25 years from 50 to just a handful" (Moyers, par. 2). Turner made the point that "they often kill local programming because it's expensive, and they push national programming because it's cheap--even if their decisions run counter to local interests and community values" (Turner, 1).

According to an article in the *Washington Monthly*, the FCC wanted to make sure that the large established networks like NBC, ABC, and CBS, wouldn't always control what the American public could watch on TV. Turner admits, “They wanted independent producers to thrive. They wanted more people to be able to own TV stations” (Turner, 1). Independents believe competition is valued, despite the rank or call letters for a famous station. These statistics not only show that the number of consolidations has drastically decreased, but that the FCC is working with smaller businesses to have the right to be seen equally in a competitive workforce.

Many FCC commissioners and small businesses don’t believe in consolidation because they know large corporations are less concerned with local issues. Several independent owners may agree that consolidation is acceptable when handled by a small local staff and businesses are managed properly. A good example of this is Clear Channel Radio; they own many stations but have small staff that runs them locally, thus remaining profitable and providing the same good service. With a focused group like this, Dennis and Nila Anderson, owners of Anderson Radio Broadcasting, believe “it’s a much more efficient way to handle things like news. I can have one news guy on six different stations. If there were three people who each owned two, they might all have to have their own news guy.” Anderson adds that efficiency in a single operation would be much better served if one guy could run the news, one could take care of cleaning, and say, employ five announcers instead of 30. Note that 50% of this station is owned by a female, a new trend in the workforce: either the opposite sex or a minority. Turner believes the giants are too big to tame, and when these independent business leave, new ideas will be hard to come by. He admitted that “the economy will suffer, and so will the quality of our public life. Let me be clear: As a business proposition, consolidation makes sense. The moguls behind the mergers are acting in their corporate interests and playing by the rules. We just *shouldn't* have those rules. They make sense for a corporation. But for a society, it's like over-fishing the oceans" (Turner, par. 9). Conglomerates engaged in political interests will eventually reshape profit motives by a long shot and get their way.

It would be much more efficient economically to have smaller clusters instead of big media conglomerates, noted Anderson. He believes, "A separate *staff* for everything would require more money to do the same thing [a handful could do]. When you have a thousand stations that doesn't make a lot of sense; you can't properly serve [them all]." Many independent business owners would probably agree with this and the fact that a free market society should allow them to own as many stations as they want. Anderson strongly urged that "the market decides. Government shouldn't decide what we can and can't own. It's a business plan not government rule." These smaller markets are facing grave economic difficulties with the continuance of the corporate system. Anderson's broadcasting corporation has been nothing but successful, now owning seven radio stations in Northern Montana. The NAB protects stations like Andersons from any form of consolidation. Ted Turner recognized the importance of this, because he went through the same thing. He blatantly relays the truth:

> In the media, as in any industry, big corporations play a vital role, but so do small, emerging ones. When you lose small businesses, you lose big ideas. People who own their own businesses are their own bosses. They are independent thinkers. They know they can't compete by imitating the big guys--they have to innovate, so they're less obsessed with earnings than they are with ideas. They are quicker

> to seize on new technologies and new product ideas. They steal market share from the big companies, spurring them to adopt new approaches. (Turner, par.4)

Perhaps one of the biggest problems with conglomeration is media giants failing to allow every business to enter the communications world and compromising the telecommunications regulations. Many small independent businesses can't enter the corporate world without worrying about someone buying them out. However, the Telecommunications Act of 1996 required that *any* business could enter the communication commerce, relaxing ownership and restrictions on media. The unperturbed ownership allowed conglomerates to take over the media industry, benefitting not only their profits, but their name and rank in society. Originally, every market was freely allowed to market against each other. Consolidation has lead us elsewhere, now with certain restrictions and limitations on owning businesses that weren't heard of before. Ted Turner sarcastically states that "big media today wants to own the faucet, pipeline, water, and the reservoir. The rain clouds come next," which conglomerates would likely not mind hearing due to their established capability.

The hardest task now involves creating a communications business, something many people did 40 years ago and are the ones susceptible to large industries tempted to take them over. David Gunzerath explained that the "competition that exists in this multi-source environment has rendered the current broadcast ownership restrictions not just obsolete but affirmatively harmful to the public interest" (Gunzerath, par. 2). Radio stations Anderson's father built in 1963 in Bismarck, ND, and 1975 in Polson, MT, were something the community needed and cherished. Owned by the family, these stations have flourished offering the community more than half a dozen channels to choose from, with a variety hard to come by in many places. It all started from people like Anderson, Turner, and Gunzerath. They made a name for themselves which is why they are in the top industry today, where these businesses are known for their supreme quality. Those who visit such a community take away that local experience and tell others about, for example, the wonderful variety Anderson Radio Broadcasting offers. However, returning home to New York City weakens that local connection, and is continually diminishing in larger areas because of the large corporate industries. It has become prominent that the electoral public is losing their power because of modern innovations to the right of business ownership. Turner explained that's why we "haven't seen a new generation of people like me or even Rupert Murdoch--independent television upstarts who challenge the big boys and force the whole industry to compete and change" (Turner, par. 3). Big names today were made possible because of the freedom that is unwinding in this day and age. Though efforts are proving that competing with a company like Viacom is not nearly impossible, some businesses see it purely as a business opportunity.

Consolidation continually compromises the rights as a free nation in the First Amendment. The effects have begun to concern officials because of unnecessary negotiation of the bill, and the agreements of the nation as a whole. The amendment states, "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances" (Thomson, par. 1). With conglomerates taking over 80%, or the majority of businesses, the kind of material journalists cover is rarely up to them – directly linked to embedded journalism. On an MSNBC interview, Moyers defended the First Amendment by remarking, "It seems to me that this country has become two choirs - each side listening to - only to its own preachers… should journalists take sides when everybody else is polarized?" (Moyers, par. 20). The war in Iraq has enabled government officials and the military to step in to inform journalists where and when to go for coverage. Journalists used to get extreme exposure sitting next to soldiers on the frontline, enabling the kind of story people wanted, to know exactly what was happening. Currently, reporters are heavily restricted in areas they can and cannot go in a time of war. Perhaps this key factor for protection of the press is acceptable, because they endure the limitation quite gracefully and compensate respectfully. In other cases, such as the one mentioned below, the determinants for writing a story have become much more than choice. Some claim that media is not doing their job because of the corporate organization, limiting our rights in a free nation.

An important factor in changing media formulations and the compromised freedom of press involves a Colorado student. College press disturbances do not tie directly with conglomeration, but the uproar with the First Amendment does. Recently, an article released by a University of Colorado at Colorado Springs student displayed an intended satire piece about Asians and the war in Iraq. It inevitably went through the process of an overwhelming amount of controversy and protests stipulated by the faculty, administrators, and fellow students. In reaction, the school has threatened to separate the school paper and has recently urged it to become independent. Fellow *UCCS* student Kim Glasscock wrote in the school's paper that the faculty "might be trying to increase its 'control' of the newspaper" more so than ever before. No prior restraint has ever been this big of an issue on the newspapers published stories, but now faculty wants to uphold the freedom of expression, so they offered the paper to become an "independent student media voice." Their overall concern is to "uphold the very highest standard of professional and ethical practice in journalism" (Glasscock, 4). The students are second guessing the suggestion, knowing the world is *far* too competitive to keep the paper surviving on its own economically. The scary part of all this is how personal and close to home the issue gets, similar to what Walt Disney meant by "it's a small world after all" in their theme song. Not quite as controversial, but the effects of separation and competition in media have definitely increased.

Conglomerates and small business industries encompass common ground despite the apparent likes and dislikes of how they are each run. The key factor in the industry subsists to the limitation of competition, so the big guys try to always come out on top. Both center on the public interest, therefore both requiring a decent form of collaboration. The industry should eventually stabilize and create reasonable competition that smaller businesses already do compare to. Stores like Wal-mart come in and take away the local touch, but on the other hand, provide plentiful amounts of goods and services for those eager to pay a reasonable price. It really is a flip of the coin, depending on where values lie economically. Many small businesses promote and are capable of the same kind of broadcast larger one's present, and are entitled equal rights. Independent businesses should not have to fear another company buying them out. Large conglomerates often times have the same level of appreciation from consumers, but are better known with a bigger voice, creating their only major benefit. They do promote cheaper national programming, dissociating them from the image of the *local* dedication mainly for service to the consumer. Individual businesses are great for community based news and services, and are sometimes much more people oriented.

This debate has been going on for decades, and at this point there is no plausible solution further than the suggestions mentioned above. Conglomeration in many industries has gotten so big that individual businesses may face inequitable means of fighting back. However, many still feel there can and needs to be a sensible compromise. Mass media giants do have downfalls where individualized businesses exceed the expectation, and perhaps this fact alone can create conciliation. Another reasonable consideration includes permitting a more flexible ownership arrangement, which would help struggling businesses and broadcasters offer more competitive advertisement packages. The appealing sound of this is becoming more unrealistic than feasible because of current regulations, but with innovation it is not impossible. Modern day costs saving efficiencies reflect economies of credible scale, which denounce many small corporations all-together. The modern marketplace has endured a dramatic change that has demanded better programming and higher quality technology. What many may not realize is that local businesses spend considerable amounts to produce pristine quality – especially radio stations. The more they grow, just as Moyers, Anderson, and Turner claim, the more they are worth – and all of these names are known around the world. These individual companies are producing millions of dollars now, offering more value, if anything, compared to mergers. The marketplace has taken a large increase, so either the conglomerates are further unleashed, or independent businesses are backed up by regulated law enforcement. The FCC would have to lift certain restrictions on business ownership rights and limitations as a direct result. They would also have to further protect or reinforce the First Amendment – freedom of press, speech, and assembly.

The leniency of the Telecommunications Act *has* encouraged conglomeration, and will continue to do so if the FCC does not rectify a compromise between equally capable counterparts. The freedom of press in our society is continually negotiated, and this of course needs to end. People do need to realize it matters who owns the paper they are reading, and if something isn’t done about conglomeration now, will continue further to take over media industry. This may result with no intervention, causing pure insolubility of the ongoing issue. Competition is everywhere. The labor force and its specific businesses will always try to do the best they can, and survive economically. Ultimately, the most relevant point of this issue is that the public is served with quality programming content, regardless of who happens to own the media outlet that distributed it. That should be the standard by which media is judged. Consolidation itself isn’t so much the problem as inefficient and poorly managed consolidation.

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