

## Chapter 3

### THE U.S. MASS MEDIA: CONCENTRATION AND LEGAL CONTROL

Now that we have seen the place and role of the mass media in the American power structure, we need to look with much greater detail at other aspects of the news industry. Of particular importance is the concentration of ownership of the print and electronic media and the effects of this concentration. We also will evaluate the role of the government in relationship to the ownership and operation of these companies.

#### 3.1 OWNERSHIP CONCENTRATION OF MASS MEDIA

It is obvious that the mass media in the U.S. are profit making businesses which are owned by capitalists for the private enrichment of themselves and their shareholders, if any. But more analysis needs to be made in order to

ascertain the nature of these news-producing companies. What are the ownership patterns? Is there local, state or regional concentration? Are broadcasting stations owned by newspapers in the same town? Because each type of combination or aspect of ownership can have an effect on what we hear, see and read in the media, we must look at each medium and the types of ownership combinations.

### 3.1.1 NEWSPAPERS

Concentration of newspaper ownership and control can be considered from different aspects: the number of competing newspapers in a city; the number of newspapers which control the greatest amount of circulation; metropolitan, regional and national concentration; cross-ownership with other media; chain ownership; and sociology of owners.

First, a look at the whole industry. There are slightly less than 10,000 newspapers in the country, of which 1745 are dailies (Compaine 1982, 30). The dailies receive more than 90% of all revenues and employ the same percentage of manpower (Bagdikian 1971, 116, 117). It is the third largest U.S. manufacturing industry by employment (Washington Post 1977b) and the tenth largest in value of shipments (Bagdikian 1971, 116,117). According to the

Washington Post (1977b) it is a "big and healthy business," receiving a return on sales twice the median for the Fortune 500.

In the daily newspaper business the ownership pattern is similar to that of major U.S. industry: a few large firms control a disproportionate share of the total market. In 1969, 8% of the largest papers had over half the circulation and the top two percent of the dailies had 30% (Leroy and Sterling 1973, 21,22). In 1978 the top 10% had 61.3% and the largest 1% had 19% (Compaine 1979, 21). (This represents a very slight downward trend since 1923.) That was for individual papers. More significantly, the four largest chains had 23.2% of the circulation in 1977 (Compaine 1979, 22). This concentration was taking place in a shrinking pie: circulation decreased 2.1 million from 1973 through 1976 (Washington Post 1977b), although there was an upward trend which by 1980 had lessened the shrinkage to about 950,000 (Compaine 1982, 30).

Another aspect of concentration has been steadily increasing. Since 1910 the percentage of U.S. cities with competing dailies has diminished as follows (Lyle, 1967, 19; Cirino 1974, 6; Mintz and Cohen 1971, 131; Grotta 1974, 500; Kriegbaum 1972, 158):

1910	57%
1920	33%
1930	21.5%
1971	2.5%
1981	2.0% (Compaine 1982, 37))

As of November 1981 there were thirty cities with competing paper ownerships (Compaine 1982, 38), down from sixty-four in 1970 (Mintz and Cohen 1976, 152). Twenty-seven states have no cities with competitive daily ownerships and of the fifteen largest cities only New York City now has more than two daily newspaper ownerships (Lyle 1967, 19; Kriegbaum 1972, 132).

Concentration has been made more severe, not just from the increase in monopoly newspapers and the death of other papers, but also from the growth in the number and size of chains. In 1971 more than half of the dailies were owned by chains, with 63% of weekday and 65% of Sunday circulation being under chain control (Kriegbaum 1972, 164). Seven years later, chains published 62% of dailies, a percentage which rose to 72.9% in 1980 (Compaine 1982, 39). Groups owned 19 of the 25 largest newspapers in 1971 (Mintz and Cohen 1976, 132)). In 1978 the ten largest chains received 38.6% of total revenue for all daily newspapers (Compaine 1979, 26), up from 25% in 1971 (Cirino 1974, 6). The four largest chains had 22% of the daily circulation (Compaine 1979, 26). The trend is further indicated by the following (Compaine

1979, 21):

1923	31 chains published 153 papers
1954	95 chains published 485 papers
1978	167 chains published 1,098 papers
1980	154 chains published 1,139 papers (Compaine 1982, 39)

The 1970s and 1980s have seen acquisitions in the newspaper business which parallel those of large conglomerates in other sectors of the economy: chains have been bought out by even larger chains. (Thus, the above statistics show a drop of thirteen chains from 1978 to 1980, even though the number of chain-owned newspapers increased.) A Gannett executive said that there is no limit to the number of papers his company would like to purchase, particularly in the monopoly cities (Washington Post 1977b). The specific reason for this is profits: a monopoly paper is three times more profitable than one in a competitive situation (Washington Post 1977b). As Otis Chandler of the Los Angeles Times and Times-Mirror media conglomerate said, "You can engineer your profits" (Business Week 1977b, 59). New York Times columnist James Reston agrees, remarking that owning a monopoly newspaper is a "license to steal" (Washington Post 1977b).

Newspapers are being bought up at the rate of fifty per year, and no end is in sight. The Washington Post predicted that by the 1990s fewer than twenty-four firms will own all daily papers, and market analyst John Morton said that there

is nothing to stop the acquisitions of independent dailies "until they're all gone" (Washington Post 1977b).

### 3.1.2 TELEVISION AND RADIO

At first glance it would seem that there could be no concentration of ownership in broadcasting because of Federal Communications Commission (FCC) regulations. No one may own more than seven television stations (no more than five of which may be VHF), seven AM radio stations and seven FM stations. The duopoly rule prevents ownership of more than one station of the same type in the same area of reception (except for public stations, which are exempt). There also are rules against cross-media ownership. (These will be discussed in greater detail later.)

And yet there is concentration. It takes the form of concentration of profits, viewers and listeners, in chain ownership, in cross-media ownership, and local and regional concentration. The fact that there are only three networks constitutes another form of concentration.

There is a great difference in the profits received by the companies which dominate the largest, richest broadcasting markets compared with those of owners in the smaller markets. Additionally, more than 90% of the most

profitable stations are network affiliates (Johnson 1970, 67).

The rise of chains in both radio and television has been a significant factor in the broadcasting industry. Nearly 75% of the TV stations are chain-owned and "roughly 90 percent" of all commercial stations are affiliated with one of the three networks (Sandman et al 1972, 48)). The growth in group-owned commercial TV stations from 1956 through 1982 is indicated by an increase in the number of chains from 60 to 158; the total stations chain-owned increasing from 193 to 563; and the percent of such stations growing from 39 to 72.7 (Compaine 1982, 324). There also has been an increase in the number of stations per chain (Rucker 1968, 194, 195; Compaine 1982, 324). These stations generally are in the richest markets. In the top ten TV markets, where 40% of all TV households are located, 40 of the 41 VHF stations are owned by chains. Of the 160 VHF stations in the top fifty markets, where 75% of all TV homes are located, 144 (90%) are licensed to chain broadcasters. The networks have their full legal allowance of five VHF licenses each and all but one of these is in the top ten markets. In 1968 only 12 of the 149 VHF and UHF major network affiliates were not held by chains, and none of these was in the top 23 markets (Rucker 1968, 196, 197).

The ownership of the most powerful, 50,000-watt radio stations is similar to that of TV stations. The chains control most of them (Rucker 1968, 194, 195).

### 3.1.3 CROSS-MEDIA OWNERSHIP

One of the most significant types of concentration is that of cross-media ownership. It is from this type that most local and regional monopolies are found. As of 1971 (Sandman, Rubin and Sacheman 1972, 48; Sterling 1969, 235) single owners controlled at least one TV station and one newspaper in thirty-four of the fifty largest cities. In the top twenty-five markets, 34 of the 97 television stations were owned by newspapers. Every VHF station in eleven states is owned by either a newspaper or a chain. In 1979 cross-media owners controlled 30.4% of the TV stations, 7.0% of AM radio and 8.1% of FM radio stations (Compaine 1982, 318). If one includes all group ownership (cross-media, chains, conglomerates and other firms not primarily related to mass media), the total control of non-independent firms rises to a total of 58% of daily newspapers, 77% of TV stations, 27% of AM radio and 29% of FM radio. In the top 156 markets where 81.5% of the TV homes were located in 1967, only eight stations (5.13%) were



owned singly by broadcasters who had no other obvious special interests. The ownership was as follows (Rucker 1968, 195-197):

broadcast chains	127
newspaper chains	42
non-chain newspapers	17
the TV networks	15
insurance companies	3

Information as of July 1974 indicated that 79 owners of daily newspapers also owned TV stations in their own market. Twenty-seven of these also controlled both a TV station and a daily paper in other markets (Leuchter 1976, 340). (However, cross-ownership in the same market has been decreasing as a percentage of total cross-ownership--from 72% in 1960 to 46% in 1974 (Compaine 1979, 94)). In 1967 newspaper-owned stations dominated the NBC and CBS affiliations, holding 47 of the 103 total (Rucker 1968, 197).

#### 3.1.4 CABLE TV

Cable television (CTV) has the promise of providing true diversity of ownership and content, but like the other mass media it has become concentrated in its ownership and program distribution. In 1981 broadcasters owned 38% of the

systems and newspapers and other publishers had 21%, although this cross-ownership is generally not in the same market (Compaine 1982, 386).

Ownership concentration has been increasing each year as the leading multiple system operators (MSO) buy out more franchises. The concentration of subscribers shows that the top four companies have 27% and the largest eight have 40.9% (Compaine 1982, 395). Although these percentages have not increased greatly the past six years, the major MSOs have increased their share of the major markets 75% from 1969 through 1981 as the big money has driven out the smaller investors (Compaine 1982, 394).

The most significant factor of CTV concentration is its vertical nature, with the major MSOs also generally being the prime premium program providers. With no effective governmental limits on ownership of systems or program services (except for the telephone companies), concentration is accelerating (Compaine 1979, 312-315; Compaine 1982).<sup>1</sup> Time, Inc., the largest MSO, also provides 80% of pay cable program distribution, with over three million subscribers on 731 systems in 1981 carrying Home Box Office (HBO) and Cinemax. Time, Inc., also has purchased half interest in the USA Network and has recently announced a joint venture with CBS and Columbia pictures to form a movie studio (Pollack

1982; Austin American-Statesman 1983a). The joint venture and buy-out situation has been changing rapidly from month to month.

Viacom (a CBS spinoff, but still within the CBS orbit (Network Project 1973, 7)) and Teleprompter (purchased by Westinghouse--known as Group W), which are the sixth and largest VMSOs respectively, own Showtime, which has 600,000 subscribers on 240 systems in forty three states. Other large media conglomerates have heavy investments in CTV systems (Compaine 1982, 312).

Until 1980 the FCC prohibited the TV networks from entering the field, although the Commission allowed CBS to start a program service, which since has folded. Now ABC has purchased the controlling interest in Entertainment and Sports Network (ESPN), is partners with Hearst in the ARTS and Entertainment Channel, and is reported to be joining Viacom in its ownership of Showtime (Boyle 1984; Pollack 1982), and ABC, Hearst and Viacom present the "Lifetime" program channel. NBC has been involved in bringing Bluebird program service to the U.S. from England. As mentioned above, CBS is getting into the business in a big way in its film studio joint venture.

Either the political climate has changed or the power of the electronic media corporations is being demonstrated

by the nature of these new conglomerate combinations. When the top movie companies teamed up with Getty Oil in 1980 to start a movie distribution channel, they were prohibited by an antitrust injunction (Compaine 1982, 273). However, the more recent announcement that Universal, Paramount and Warner are joining with American Express in Warner's Movie Channel has gone unchallenged, as has the CBS venture with Columbia Pictures and Time, Inc.

It is ironic that the type of dominant structure which has emerged in CTV program distribution--the vertical integration of program distribution, of franchise ownership and now of program production--is similar to that which existed in the film industry which the Supreme Court and Justice Department broke up in the 1930s and 1940s (Compaine 1982, 395, 435, 442). But as Congressman Henry Gonzalez of the House Banking and Currency Committee said on an Austin, Texas, public access TV program (Alternative Views), the Antitrust laws are dead. They are not being enforced, leaving an almost carte blanche situation for almost any kind of merger and joint venture.

We see the effect of government deregulation in the CTV field. It has resulted, not only in concentration of control of the franchises, but also in content, particularly in the premium channels. But, perhaps even more

significantly, it has brought together two of the mass media which in the past were operated separately, although there was a relationship in the showing of movies on TV. Now, however, the two media are joining to cartelize the cable program business. And so another new mass medium which held promise for diversity of ownership and program content is rapidly going the way of the other media and the rest of the economy: concentrated control.

### 3.1.5 CONGLOMERATE OWNERSHIP

The phenomenon of media conglomerates is one which must be considered in order to develop a clearer picture of the nature of media concentration in the U.S.. These corporations are of three basic types. One is the true media conglomerate which has its main focus in the media business. This would include companies such as Hearst and Newhouse which have holdings in newspapers, cable, and publishing of books and magazines. The other extreme is found in corporations such as Gulf+Western which is a huge conglomerate with many different types of unrelated corporations performing a variety of functions and with the media operations not providing a large percentage of revenues to the parent company. The third type is composed

of conglomerates which fall in the middle of these two extremes, companies such as RCA which has significant interests other than the media, although its overall emphasis is in electronics and communications.

Monaco (1978) has compiled information on the top twelve media conglomerates and has concluded that these companies have tremendous influence and control over what we see, read and hear. More specifically:

1. Three TV networks receive more than 70% of all TV revenues, and, through their affiliates, control 85% of commercial TV stations' programming.
2. Three companies have more than 70% of all recording industry revenues.
3. Seven of the ten major mass-market paperback book publishers are subsidiaries of one of the top twelve media conglomerates.
4. The nation's top three newspapers are owned by large conglomerates (New York Times, Washington Post and Los Angeles Times).
5. Three of the top five film distributors garner more than half of total film revenues. The largest six conglomerates dominate film distribution, and four giants have formed a joint venture for overseas distribution.

Monaco (1978, 24) concludes that "in any given year six of these twelve companies--ABC, CBS, NBC, Warner Communications and any two other film companies--account for more than half of the total non-print media market in the U.S." It is of considerable significance to remember that these media giants are multinational in nature, spreading their goods and services--hence, ideology and influence--in other parts of the world.

It would be beneficial to look at one conglomerate in detail--CBS. It has the following holdings (Monaco 1978; Compaine 1979; Network Project 1973):

1. the most successful TV broadcasting network (270 stations).
2. a radio network
3. five VHF stations in the largest markets
4. sixteen radio stations
5. a magazine empire which is fourth largest in revenues (in 1980) and its ten publications make it third largest producer in this medium
6. consumer and farm publications: is the leader in mass market paperbacks: third in sales in 1977
7. five book companies; second to Time, Inc., in revenue in 1978; third in revenues and market share in 1975 for college books; fifth in U.S. in books for

- elementary through high school
8. joint venture with Time, Inc., (HBO) and Columbia pictures for film making
  9. joint venture with Knight-Ridder to produce women's CTV programming on Daytime
  10. has approval from FCC for Direct Broadcast Satellite (DBS) operations
  11. CBS' spinoff, Viacom, is ninth in cable franchise subscribers.
  12. Viacom is joining ABC and 20th Century Fox in operation of Showtime premium CTV channel.
  13. In 1972 Viacom was distributing programs from sixteen locations to more than one hundred countries.
  14. joint venture with ATT to make viewdata system
  15. largest producer, manufacturer and marketer of records in the world
  16. produces and sells musical instruments
  17. toys and children's products
  18. record and tape clubs
  19. handicraft institute and tool making
  20. stereo stores
  21. music publishing and related companies
  22. communications technology labs
  23. business machines



24. film production
25. vocational-technical schools
26. video cassette and disc manufacturing, with joint venture with MGM for distribution
27. started, then folded, culture network on CTV (Levine, C., 1982)

Just as CBS' main interest is broadcasting, other conglomerates seem to have a primary focus (Compaine 1982). Time, Inc., is the giant of the publishing business, yet has huge interests in CTV franchises and program distribution. Hearst is primarily a newspaper empire, but has large publishing operations and has sizable investments in TV programming and franchises. Warner-Amex is primarily involved with making films, but also is the fifth largest CTV operator, has a premium CTV programming channel and is now the tenth largest publisher of mass market books.

ABC has become one of the world's largest multinational media conglomerates (Network Project 1973; Compaine 1982; Monaco 1978). It is moving aggressively into CTV programming and into publishing. It has purchased a controlling interest in ESPN, it runs the ARTS and Entertainment channel with Hearst, is joining with Fox and Viacom in the Showtime premium CTV channel, and has joint ventures with Warner in the video cassette and disc field and with Fox for film

distribution. It sells records, publishes music, and now is a significant book and magazine publisher. (Its large movie theatre chain was sold in 1977.) ABC has over 1500 affiliates in its four radio networks. Finally, it is the world's largest advertising medium, with ownership overseas in TV and radio stations, advertising agencies and sales services.

If the media giants have been moving into the publishing business to become conglomerates, the largest independent publishers have become conglomerates themselves, acquiring companies in unrelated industries as well as in the communications media. Sometimes these moves were attempts to fight off takeovers by the giants who were stalking cash-rich corporations. The acquisition fever was burning in the five years previous to 1982. Three hundred publishing mergers took place during this time, the same amount which occurred during the previous twenty years (West 1982, 298).

The merger movement has brought the control of the mass media into fewer and fewer hands. Not only have the giants become larger and have diversified into related fields, they have clasped hands in joint ventures. Thus, the mass media are becoming more and more cartelized.

### 3.1.6 INSTITUTIONAL INVESTORS

Earlier we assessed the ownership in the TV networks by the Cartel institutional investors. Now we will look at Cartel ownership positions and interlocks of other media corporations, particularly the large conglomerates. There is significant ownership of broadcasting by financial institutions, the extent of which is not completely known. It is difficult, sometimes impossible, to obtain sufficient information because much basic data regarding ownership is protected by law. Additionally, many of these institutions simply either refuse to cooperate with congressional investigations or they only provide incomplete information (US Congress 1968; US Congress 1973; US Congress 1978a; US Congress 1978c).

There never has been a comprehensive investigation of total media ownership by these financial giants, although the Network Project made a detailed study of institutional ownership of the three networks in 1973. Congressman Patman (US Congress 1968, 503) stated in 1968 that banks often have significant holdings in the media. His study indicated that there were large blocks of stock held by banks in 18 leading newspaper and magazine publishing companies which owned 31 newspapers, 17 magazines and 17 radio and TV stations. The

investigation revealed director interlocks and stock ownership of the large institutionals in many media companies.

There were other indications of institutional investor interests in the media. A special audit of Merrill Lynch, Pierce, Fenner and Smith showed that as of 10 March 1967, it owned one percent or more of 14 broadcasting chains with holdings in 51 AM, 39 FM and 56 TV stations. Nine mutual funds had interests of one percent or more of two or more publicly held chains (Rucker 1968, 194).

The information produced by the Corporate Data Exchange (CDE) for the Metcalf Committee hearings showed that several institutionals had stock, not only in the networks, but in other multimedia corporations such as Times-Mirror, Cox, Gannett, Taft, Time, Inc., Metromedia, Capital Cities, Storer and Teleprompter (US Congress 1978a). The latest CDE (1980a) information reveals Cartel institution holdings in selected media corporations:

Gannett	14.24%
Knight-Ridder	15.00%
*Macmillan	10.50%
*Times-Mirror	13.50%
*McGraw-Hill	18.00%
*Time, Inc.	13.00%
Harcourt, Brace, Jovanovich	3.19% (Warner-Amex has an additional 8.68%. In 1968 Patman (US Congress 1968) reported stock positions plus interlocks by J.P. Morgan and Citicorp.)
Warner Communications	7.50%
*Washington Post Field	13.28% (Knowles (1973) says the Rockefellers control it via stock ownership.)

\* Director interlocks also

The large institutionals are also very heavily involved with the major film companies. Guback (1979, 229) states that there is an overlooked "narrow structure of ownership behind the companies that dominate the business." This includes stock ownership, financing of specific movies, and arranging for large loans. Examples are as follows:

**Columbia Pictures	11.3%
+**Fox	10.5% (plus 51% by "Cede & Co." See below for explanation.)
+*Cox	5.7%
*Fuqua	7.4% (Chase-Manhattan)
American Express	12.9% (Amex is Warner's parent. Rawleigh Warner, Jr., is on the boards, not only of AMEX, but also of Chemical Bank and Mobil Oil--core Rockefeller companies.)
+*Warner Communications	7.5%
Coca-Cola (parent of Columbia Pictures):	four interlocks with Cartel financial institutions

\* Holdings in broadcasting, also  
+ CTV holdings, also  
# CTV program services, also

One of the reasons that the extent of investments in the media (or any company) is not completely known is the widespread use by bank trust departments of nominees or street names as fictitious companies as a devices to hide the true investor or investors (Network Project; Spotlight 1979a; US Congress 1978a). For instance, in the Network Project study the top two investors were Kane & Co. and Cudd & Co. These are two nominees used by Chase-Manhattan Bank. Various nominees were used by other institutionals.

It was not until Congressman Wright Patman purloined a copy of the hitherto secret industry book which equated the nominees to banks that it was possible to determine more precisely the degree of institutional stock ownership in a company. But because new nominees can be started at any time, and since more than one institutional use a nominee occasionally, there is a continuous problem of identification. However, the underlying basic problem still exists. That is, who are the real investors? Individuals? Foreign governments? The Mafia? The bank itself (even though this is illegal)? Corporations? How much is illegal investment? Although the hidden investor behind the nominee perhaps may have the right to exercise voting power over his or her stock, usually the bank votes the stock, or it automatically is voted for the management.

There is another device set up by the Securities and Exchange Act of 1934 and governed by the Federal Reserve which is used to completely hide stock ownership, even eliminating the middleman banker (Spotlight 1979a). The Depository Trust Corporation (DTC) is a limited trust company into which any investor may deposit stocks under the nominee Cede & Co. If the investor wishes to have complete secrecy, he may bypass the broker on the floor of the stock exchange by establishing a brokerage of his own. He then can utilize the entire nominee system of Cede & Co. in complete anonymity.

The extent of the use of the DTC is indicated by its 1977 annual report in which it was stated that the annual value of securities delivered through the DTC increased by almost \$50 billion for a total of \$357 billion. Fourteen banks in ten states started using the system that year, raising the number of participating banks to fifty-three, headquartered in twenty-three states. Many other banks also use the system indirectly through the accounts of correspondent banks which also use the DTC system. Broker-dealers particularly have increased their use of the system.

It has been frustrating to governmental investigators trying to ascertain the ownership of the media, particularly

by the institutionals (US Congress 1978a, 6). For broadcast stations the FCC Ownership Form 323 does not require a listing of owners of one percent or less, or in the case of institutionals, less than five percent. This means that an institutional can hold stock in the name of several nominees which all totaled comes to a percentage greater than the legally allowable. Also, no provision is made for consideration of such investors which are themselves intimately connected, such as those of the Rockefeller Interest Group or the Ruling Cartel as a whole.

The FCC handling of the subject of the institutional investor is very revealing (US Congress 1978a; Access 1976b). A 1953 order allowed one percent; in 1968 it was raised to three percent when it was found that there were widespread violations of the one percent rule. Later, after it was ascertained that the three percent rule was being ignored, the allowable was raised to five percent. In the Metcalf hearings (US Congress 1978a, 17) in 1974 FCC Chairman Wiley had to admit that the Commission in reality did not know the extent of institutional investment in broadcasting. In observing that the stockholding limit was being raised, Senator Metcalf remarked that, in regard to ownership of the networks, the banks "violated with such impunity" the ownership laws that "you changed the rules for



them and they are still in violation." Wiley answered, "There have been violations. There is no question about it." Wiley explained that the banks are merely passive investors and are required to file a disclaimer not to interfere in company business. Metcalf then remarked that the banks are not passive and that the "same few banks are dominant in competing companies in broadcasting."

Metcalf's concern apparently had little affect on the FCC. In 1977 the Commission raised the allowable ownership percentage of the institutionals from five to ten percent (Wall Street Journal 1977d). It also dropped the requirement for the institutional to agree not to interfere in management of the media companies (Access 1976b).

Another area of weakness in the FCC's regulation over broadcasting regarding concentration of ownership and control is that the Commission does not require reporting of interlocking directorates between licensees and financial institutions. As we have seen, there are many such interlocks (US Congress, 1978c, 6; Dreier 1982; Dreier and Weinberg 1979; Network Project 1973a).

It was noted in Chapter Two regarding the the U.S. power structure that the control of debt is very significant in the control of a corporation. Yet the FCC does not have information as to the identification of debt holders on a

regular basis. It also does not have direct reporting from financial institutions of their holdings in broadcast corporations. The Commission does, however, require that it be sent copies of mortgage or loan agreements which a group filing for a license has with a financial institution, if the debt agreement might restrict the licensee's freedom of operation. The Commission requires a copy of the loan agreement of a licensee only if it results in a change either in stock ownership or of representation on the board of directors. But there is little indication that the FCC closely scrutinizes or takes aggressive action on licensee loan agreements, although Commissioner Wiley said that the FCC "generally closely" looks at "those which new applicants have with lending institutions" (US Congress 1978c, 5).

There is a great deal we do not know about the extent of institutional investment in mass media corporations and the degree of control over those corporations which is exercised by the financial giants. This much we do know: the collective accumulation of stockholdings, interlocking directorates, debt holdings and financing of individual projects (such as films) indicates that the financial powers are in a position to exercise significant influence and control over the American--indeed, the capitalist world's--communications media. Considering that our

information is limited, the institutional control is probably much more vast than we realize at this time.

### 3.1.7 STATE, REGIONAL AND LOCAL CONCENTRATION

The significance of cross-media, chain and conglomerate ownership is very evident when studying the concentration of ownership at the state, local and regional levels. It often results in monopoly, oligopoly, or at least market dominance.

A case study of concentration in a state was made in Oklahoma in 1966 by FCC Commissioners Cox and Johnson (Mintz and Cohen 1976, 136; Johnson 1970, 53). There were 73 separate owners of 93 commercial broadcasting stations, 83 of which were radio and 10 were TV. But four of the owners had 56% of the total revenue and 88% of the media income of the state. Oklahoma had fifty daily newspapers, but the Oklahoma City papers had 35% of the daily circulation in the state. Three other firms accounted for another 34% of the paper circulation. The owner of the two Oklahoma City

papers also owned the large TV-AM broadcasting complex in the state capital. Of the other 49 towns with broadcasting stations there were 12 with media monopolies, and all the stations and daily papers, where there were any, were jointly owned. In seven Oklahoma cities the newspapers were owned by the Donrey Media Group, which also possessed the papers and single TV station in the border city of Ft. Smith, Arkansas, and the AM station in nearby Springdale (TV Factbook 1976). The FCC Commissioners mentioned other areas of regional concentration, but said that the one in Oklahoma was typical.

An example of cartel-like regional dominance in communications can be found in the situation in 1969 of the media holdings of the Mormon Church and its partners in Utah (Mintz and Cohen 1976, 148, 149). The Church itself is a conglomerate owner of various unrelated companies in many fields of business.

After the Church merged its Deseret News in Salt Lake City with the competing daily publisher, Kearns-Tribune Corporation, in a joint operating agreement, competing newspaper editions were dropped and the operating and business ends of the papers were merged. The Church owned and operated the local CBS outlets KSL-TV-AM-FM. Through various electronic means, KSL-TV reached thirty-five of the

thirty-nine towns in Utah, one county in Colorado and three counties each in Idaho, Nevada and Wyoming. The Church also owned TV and FM stations at Brigham Young University at Provo. There were other media ownerships in other parts of the U.S..

But the story does not stop there. The Kearns-Tribune Corporation, the partner of the Church in the newspaper business, also owned 35% of the NBC affiliate in Salt Lake City--KUTV-TV. This was in addition to other conglomerate ventures. The rest of the 65% of the stock in KUTV-TV was owned by Glassman-Hatch interests, owners of the only daily newspaper in Ogden--the second largest city in the state and located thirty-five miles from Salt Lake City. Other communications holdings of Glassman-Hatch were seven more TV and radio stations in Utah, Idaho, Montana and Hawaii as well as several cable TV systems.

The third television station in Salt Lake City was an ABC affiliate which was owned by Columbia Pictures. This station joined with the other two licensees (the Church and Kearns-Tribune/Glassman-Hatch) in a cable TV venture. The Utah Attorney General termed the situation a communications cartel.

It is in the cities where most concentration of ownership of the media is focused. Former FCC Commissioner

Nicholas Johnson is very concerned about this. An example of the absence of strong independent television voices in a major metropolitan area is in New York City (Sandman, Rubin and Sacheman 1972, 49). There are six commercial VHF stations. Each of the three networks owns one, two are possessed by chains (Metromedia and RKO General), and the remaining one belongs to the New York Daily News. There are several independent UHF stations, but their viewership is no challenge to the VHF giants (Sandman, Rubin and Sacheman 1972, 49).

In other cities the concentration is more marked. For example, in Atlanta the Cox media group has 80% of the advertising revenues in the print and electronic media (Howard 1976, 27). In Chicago two corporations have 70%; and in St. Louis two corporations have 80% of media advertising revenue (Niro 1974). The Justice Department has made unsuccessful attempts through the FCC to reduce media concentration in cities such as these (Bennett 1971; Broadcasting 1976b).

In many smaller towns, ownership of all the news media has been in one pair of hands. In 1967 there were seventy-three communities in the country in which one company or person owned or controlled all newspapers and local broadcasting outlets (Cirino 1971, 63). By 1974 this

number had dropped to less than twenty (Leuchter 1976, 340).

Nicholas Johnson's (1970, 52-55) concern stems from the fact that we are an urban people. Because nearly half of the people live in six states, those people and their politics are heavily influenced, if not dominated, by the large urban centers in their states, thus giving these places significant potential national influence and power. This means that media ownership or domination in even one of these cities is very significant. When there are interests of certain companies in more than one of these cities, it is very significant. The potential influence "is startling," according to Johnson. He states that twelve companies own more than one-third of all the TV stations in the major markets.

### 3.1.8 CONCENTRATION IN WIRE SERVICES

The Associated Press and United Press International play an extremely key role in the determination of the information which will be disseminated over the mass news media. At the start of the 1970s AP was serving 8,500 newspapers and television and radio stations in the world, and UPI claimed approximately 6,000 clients for news and picture services. UPI operated in 114 countries; the AP in

104. In the U.S., AP supplied services to 1750 publications and 3,100 broadcasting stations. Twenty-five percent of the U.S. dailies subscribed to both services; 45% received only AP; and 30% had only UPI (Cirino 1974, 173).

About 1,600 of all the daily newspapers and almost all broadcasting stations depend entirely on the wire services for foreign news. (But where do the wire services get their foreign news? Mostly from the government and press of each particular country (Cirino 1974, 173).) There are other news services such as those belonging to the New York Times and the Los Angeles Times-Washington Post, but they serve only scores or hundreds of outlets and cannot come close to matching the huge output of the two giants (Schramm and Alexander 1975, 535).

Who owns and controls the two major wire services? AP is a cooperative venture by owner-subscribers, but with their representation on the board of directors and their financial connection with stock and bond holdings, the representatives of the big, Establishment newspapers and the TV networks are in a position to dominate the company (Broadcasting 1976a; Armstrong 1979). (The participation at the director level by the networks is a comparatively recent phenomenon.)

UPI was the result of a merger between Hearst's



International News Service (INS) and Scripps-Howard's United Press, with the Scripps Company retaining controlling interest (US Congress 1967b, 264). After operating with large financial deficits for several years, UPI was recently sold to an independent group (Austin American-Statesman 1982a).

Regardless of ownership the content produced by the wire services reflect the interests and views of the U.S. transnational, capitalist system, a fact which causes great alarm and discontent in many Third World countries (Armstrong 1979; Ebert-Miner 1982).

### 3.1.9 CONCENTRATION IN NEWS MAGAZINES

Although the main news magazines have increased their circulation over the years, their impact on the country and people is minimal when compared with that of the newspapers and the electronic media (Domhoff 1967, 82). The main significance so far as the mass news market and its economic structure are concerned is that the corporate owners of the two leading news magazines, Time and Newsweek, are conglomerates which also possess substantial broadcasting, newspaper, cable TV and publishing businesses (Rucker 1968, 209; Compaine 1982). Perhaps of greater significance is that

the owners and top executives of these two magazines participate in the elite ruling organizations such as the CFR and the Bilderbergers.

### 3.1.10 PUBLIC BROADCASTING

The subject of concentration of ownership and control of the public broadcasting media is rarely discussed. And yet, in many ways the concentration is much greater than it is for the commercial stations. For instance, in 1976 thirty-one state governments operated 135 of the 266 public TV stations. Because public licensees are exempt from duopoly and multiple ownership rules, each state except Hawaii and New Hampshire was reported to have networks of three or more outlets. In 1982 there were 159 licensees operating 300 public TV stations in the U.S.: 52 colleges, 23 state governments, 15 municipal boards of education and 69 non-profit and civic groups (Koughan 1983, 24).

Another significant factor in the matter of control of the public stations is that members of the boards of trustees are over-represented by the business, legal and financial sectors (Network Project 1971, 32, 33; Cirino 1974, 216; Brown, L., 1971, 324). This is a reflection of how the local elites are in a position to dominate their

public broadcasting affiliates. With the state and local governments also under the control of business interests, it could hardly be expected that the public stations could play an independent, alternative role in their communities.

The history of the development of the public TV system in the U.S. (Network Project 1971) is similar to that of higher education in the country, except that the former's development was faster and was more closely and directly controlled by ruling class organizations, particularly by the big foundations. The Ford Foundation started the system in 1951, explored the medium's potential, constructed stations, established the network and closely determined what the programming would be. It even funded groups to function as lobbies in Washington, D.C. and to initiate national publicity.

Meanwhile the Carnegie Commission on Educational Television issued a report in 1963 which became the basis for the Public Broadcasting Act of 1967, at which time the Ford Foundation turned its offspring over to the government. Even after the government's Corporation for Public Broadcasting (CPB) took over in that year, the Ford Foundation continued to provide funds to run the system. Congressional action to adequately fund PTV did not occur until 1970, but further contributions from CBS and the

Carnegie Corporation helped keep the system going. Additionally, the Ford Foundation continued to give millions of dollars, particularly for programming and to its favored stations and production centers.

But the Ford Foundation did not simply turn the new medium over to the control of faceless government bureaucrats. Cartel control remained, as is shown by the composition of the first board of directors of the Corporation for Public Broadcasting (Network Project 1971, 17, 18). By law, the board must be composed of U.S. citizens from fields such as education, cultural and civic affairs, the arts, and radio and television, and it must be representative of various regions of the country, professions, occupations, and kinds of experience and talent appropriate to the Corporation's functions and responsibilities.

Of the fifteen members of the board, seven were interlockers with major corporations; six had interlocks with major financial institutions; five were members of the Council on Foreign Relations (Network Project 1971; Shoup and Minter 1977); one belonged to the CFR's sister organization for domestic economic affairs, the Committee for Economic Development (CED); one had been with the Cartel think tank Brookings Institution; five had connections with

foundations; three had participated in special Rockefeller organizations and three had been in positions which had special relationships with the CIA; four persons could be identified as coming from the American upper class; and seven members were interlockers with Cartel corporations and financial institutions. Four members had held high federal government positions and there was one state legislator. Four (at least) were lawyers. Four people had backgrounds in broadcasting and journalism, with one of the four also being in education. There was one musician and one union president. Finally, there was John D. Rockefeller III.

The three top men in the hierarchy were intimately associated with Cartel institutions. Frank Pace, the Chairman of the Board, was a CFR member, had extensive governmental and corporate experience at the highest levels, including an advisory position at Bankers Trust, one of the core Morgan financial institutions. He had numerous other Cartel interlocks, including two with Rockefeller organizations as well as with the Brookings Institution.

The Vice-Chairman, James R. Killian, also had previous governmental service, had held directorships in blue chip corporations, had been president of the elite Massachusetts Institute of Technology, and was a member of the CFR, also. Both he and Pace were members of the sensitive Foreign

Intelligence Control Board.

The man who was selected as the first president of the CPB, John Macy, Jr., had held many governmental posts in the executive branch and had a previous, close working relationship with Frank Pace (as had the first CPB Vice-President), and had served with one of the Ford Foundation's spinoffs which were involved in the development of educational television.

Finally, many of the people on the first CPB board belonged to organizations which were interlocked with the Ford Foundation. To complete the circle, James Killian, the CPB Vice-Chairman, had been Chairman of the Carnegie Commission on Educational Television--the organization whose report was used as the basis for the Public Broadcasting Act which set up the CPB. Thus, all the bases were covered by the Ruling Cartel. (Congressional hearings in 1975 showed that the situation had not changed, despite a few replacements of individuals on the board.)

The organization which is supposed to be the counterpoise to the CPB is the Public Broadcasting Service (PBS), the Board of Governors of which is made up of representatives of the local stations. But the list of members from 1976 (TV Factbook 1976/77; US Congress 1975) shows that these people are certainly not representative of

a broad range of American people and interests, but probably do represent the interests of the local boards of trustees of public stations and their related business and professional institutions.

Three members were from financial institutions, five were from business (four from big business), seven were representatives from universities (only one from a small one), five were lawyers representing their cities, and one was an educator from a state government commission. Only four seemed not to be from recognizably elite or powerful sources.

When President Nixon tried to accomplish a combination of weakening and taking over public broadcasting in the U.S., the attitudes of the local stations and their controllers were mixed (Koughan 1983, 24, 26). They generally were more conservative than the national PBS program providers and did not want the centralized hand in Washington, D.C., sending them liberal programming with which they did not agree. They also wanted more money directly, free of PBS constraints. However, they did want to preserve public broadcasting.

If Nixon was not successful in 1973 in bankrupting PBS or taking control over it, he was able to take the power out of the centralized, elite hands and to give it to the local

stations. Although funds were reduced, the money which was left was sent to the stations, not to PBS. The program cooperative came into being in 1974, whereby, from a pool of two-hundred programs presented by producers, the stations would bid on them, depending on the content and the cost. The programs receiving the most bids would be the ones sent on the network (Koughan 1983, 24). This resulted in programs with the lowest common demoninator being shown. The shows selected were the cheapest and least controversial, with new programs or series rarely being purchased (Koughan 1983, 24, 26).

PBS no longer has a voice in what shows will be produced. It is only a provider of program scheduling and distribution. This is a 180 degree change from the framework established by the Ford Foundation with National Educational Television (NET)--PBS' precursor--in which programming decisions and distribution were centralized and the stations were mere passive affiliates. The ill will sometimes felt toward NET by its more conservative affiliates found triumph in the emasculation of PBS.

Even this did not please the Reagan administration, which demanded further cuts in funding (Aufderheide 1983, 9; Koughan 1983, 24). The already austere CPB budget was reduced by 20% (\$70 million) for 1983, down to \$130



million. More than one-half of the \$130 million goes to the local stations for operating expenses and program purchases. With a comparatively uncomplicated talk show like the MacNeil-Lehrer Report having an annual budget of approximately \$9 million (with AT&T providing a \$10 million grant), it is obvious that the money to provide more technically complex programming would have to be received from other sources (Austin Prime Time 1983; Albin 1984).

To place the funding in perspective, in 1983 all of public broadcasting received less money than did military bands, and the latter were given a nine percent increase for 1984. The CPB receives \$22 million per year to produce programs for national distribution, whereas the Pentagon public relations program receives \$30 million annually (Aufderheide 1983, 9).

For national programming the main sources of supplemental funds are from large corporations and foundations, most of which are Ruling Cartel organizations. For instance, of the 48 special programs or series financed by these institutions in 1976, at least 35 were underwritten by Cartel organizations, particularly by the oil companies (Broadcasting 1976c; Access 1976). By 1978 more than one-half of PBS' programming hours were underwritten by these sources (Koughan 1983; Weissman 1981).

But these sources are insufficient, particularly for local stations. Consequently, the public stations have been going to great and varied lengths to bring in more money. The following are some of the methods being used (Aufderheide 1983,8): leasing their facilities for production; selling liquor at public events; cooperative production deals with private companies; teletext services; pay TV joint ventures; and some are doing the previously forbidden--selling commercials. And, of course, the periods of seemingly interminable and embarrassing begging on camera. The dearth of funds has had its deleterious effect particularly on local programming, which one writer commented "has all but disappeared from public television" (Koughan 1983, 26).

Ironically, these financial problems are occurring when public TV apparently is enjoying its greatest degree of public acceptance and its largest audiences (Aufderheide 1983, 8). The viewership has doubled the last three years. Not only is the audience estimated at 5% of the viewing public each month, but also cable is helping to spread the PTV audience. Polls indicate that CTV subscribers are more satisfied with public programs than those found on the three commercial networks (Koughan 1983, 27).

FBS and various local stations have had a long history

of program censorship, non-clearance of programs on the net by affiliates and of avoidance of programming which would be controversial or which would not be acceptable to the local power structure and financial backers or, at the national level, programs which would be upsetting to government officials and especially to corporate and foundation underwriters (Network Project 1971; Koughan 1983, 26; Aufderheide 1983, 9; Texas Journalism Review 1975a; Quaintance 1983; Time Out 1978).

This has been made worse by the necessity of the stations having to seek more corporate backing. Not only must the program-producing entities please their underwriters, they also become more obsessed with ratings: they seek a mass audience and the lowest common demoninator in programming just like the commerical networks do. The irony is that the programming decision makers are heading the opposite direction from what PTV's audience is attracted to. Even some of the original corporate underwriters are restive, feeling that the high cultural image with which they want to be associated and the special audience which they want to reach will be diminished or diluted by the "massification program" by PTV executives (Aufderheide 1983, 8, 9). Furthermore, this also has caused a split between the stations which are more educational oriented and those which

are not (Koughan 1983, 28).

Another irony amid all the financial crises is that the castrated PBS has flourished financially and seems to have the rosiest future independent of the rest of public broadcasting (Koughan 1983, 23, 27, 29). Because of its access to the Westar satellite, it can either broadcast several channels of programming or it can provide individual services. By mid-1984 it is supposed to have twelve channels. Not only can it provide individualized programming to public stations, it can sublease channels and can sell various services to corporate clients, and it has entered into joint ventures with big conglomerates such as Columbia Pictures. It also has set up special channels for college instruction which are being picked up by educational institutions. Finally, there is a possibility that PBS could enter the subscription TV (STV) field. As a result of all these activities, PBS finished 1982 with a surplus of \$4 million while the rest of the PTV system was starving.

National Public Radio (NPR) is in the most precarious financial situation (Electronic Media 1983a). In addition to severe budget cuts, there apparently was great mismanagement, resulting in a \$9 million deficit and with the president of NPR being fired, Personnel have been cut; programs have been cancelled; and a proposal was made for

each radio affiliate to be assessed a certain amount to transfer \$1.6 million back to NPR (Loomis 1983). With NPR being under attack by conservatives both in and outside of Congress, the future of NPR is in doubt without a financial bailout of some sort. The fact that the Corporation for Public Broadcasting finally provided funds to keep the network going might have been at some cost to the relative independence of NPR.

What will happen to the public broadcasting system and what it will develop into is not clear at this time--mid-1984. PTV seems to be drifting more and more into commercialization. But one thing is clear, considering the history of the initial development of the system by the Ford Foundation; the fact that the members of the controlling structure of CPB come from the Ruling Cartel, and that the governing boards of PBS and the local stations come from the local elites; and given the necessity to please corporate underwriters, public broadcasting in the U.S. will seldom stray from the narrow range of subjects which it has displayed in the past. Controversy, if not eschewed, will be controlled.

### 3.1.11 PUBLISHING CONCENTRATION

Because this dissertation is primarily about the mass news media, the subject of concentration of ownership of publishing would seem not to be pertinent. But, as we have seen previously when discussing conglomerate and Cable TV (CTV) ownership, the media giants have moved into publishing. Therefore, we must look at this field of communications.

Publishing consists basically of two major categories--books and magazines, but there are sub-markets within these major classifications. Because relevant, accurate data on the industry has been available only comparatively recently, some of the information presented below is not so comprehensive and is in not so great a historical depth as is the material presented on the other mass media (Compaine 1979, 134, 251).

#### 3.1.11.1 Books

Ease of entry has long been a hallmark of book publishing, making it historically one of the most competitive industries, although there were successful attempts at forming monopolies in the late 1800s (Compaine 1979, 49, 254-256). Most significant for our present day structure are the two merger waves which occurred in the

1960s and the 1970s which have made great changes in the industry.

The three main results of these merger periods are, first, the entry of media giants into the publishing field via acquisitions and, second, the mergers of softcover and hardcover houses (Powell, W.W., 92, 93). The large firms such as ABC, CBS, Hearst, and the movie conglomerates such as MCA (Universal) and Gulf+Western (Paramount) set up the possibilities for synergistic publication of books based on film or TV (and vice versa) and even record releases related to the movie and TV scores. The third trend is the entry into the U.S. market by foreign publishing companies, also via the merger route (Compaine 199, 46).

Writers who do not view the concentration with alarm point to the fact that there is still ease of entry into the market and that the giants compete among themselves. They say that the mergers are a good thing because they provide financial backing and professional management which smaller firms lack, and that buying them out keeps the smaller companies alive within the same walls of the conglomerate. They also point out that there has been an increase of the number of publishers from 1958 through 1976 (Compaine 1979, 92; Robinson and Olszewski 1980, 82).

Others say that such statistics are deceiving, in that

the growth in the total number of publishers has been accounted for by small firms and that the large firms have increased their market shares significantly but accounted for only four percent of the increase in the number of publishers. Additionally, these gross figures provided by the industry trade organizations in support of concentration ignore the submarkets, some of which are highly concentrated (Robinson and Olszewski 1980, 82, 83).

For instance, in the mass market paperback industry the top eight firms account for 81% of sales and the four largest have more than 50% (Robinson and Olszewski 1980, 82, 83). There is not the ease of entry here as in some of the other segments of the industry. In the significant elementary-high school category the giants dominate (Compaine 1979, 280). Similarly the college publishers are concentrated, with the top four having 40.4% and the leading eight having 63.9%. The main significance is that the markets for education in the U.S. are highly concentrated, with the same conglomerate names being at the tops of the lists of these submarkets as well as being among the overall leaders in publishing (Compaine 1979).

For smaller publishers the problem does not seem to be so much the costs of printing or the availability of material to publish as it is the lack of financial power to



compete in the areas of sales, promotion and distribution, including obtaining retail shelf space (Compaine 1979, 276).

Critics of the existing industry structure say that the mergers have reduced the number of independent companies, have given too much influence to the few huge corporations, and that new authors have difficulty getting attention. They say that the linking of the hardcover and softcover publishers with newspaper chains, movie conglomerates and TV giants (including Cable TV) has created enormous vertical media monopolies. These critics point to various studies which show that concentration in other fields results in reduction of product diversity and innovation (Powell, W.W., 1980, 90, 91).

The Writers' Guild concurs, pointing to the threat of a reduction of diverse and antagonistic sources and a rise of corporate pressure, not just on editors but on production. This pressure would be not only from the ideological point of view, but in favoring of authors and publications which fit into the synergistic multimedia patterns desired by the conglomerates (Robinson and Olszewski 1980, 82).

### 3.1.11.2 Magazines

The magazine industry has undergone a revolutionary

change, with the focus now on specialized publications with small circulation rather than on the mass circulation, general interest magazines. Historically, the field has been considered easy to enter, making it a highly competitive field. However, concentration is somewhat more pronounced than it is for newspaper and book publishing (Compaine 1979, 141).

The group-owned companies predominate, with the chains having an average circulation 89% greater than magazines of independent publishers. Although the top three consumer magazines are single publications owned by different companies, most of the top twenty-nine are published by the same media conglomerates we see in the other fields: Time, Inc., Hearst, ABC, CBS, Washington Post, New York Times, and Times-Mirror. Furthermore, these giants are also the largest publishers by revenue. The same phenomenon occurs when looking at the leading publishers of the subgroups such as business magazines or consumer and farm publications (Compaine 1979).

New magazines are generally started by independents; the giants do not want to take the risks. After the new magazines are successful, the conglomerates move in and buy out the independent publishers (Compaine 1979, 155, 156). The publishing of magazines is more vulnerable to the

capitalist market place than is that of books. Most magazines are directly reliant on advertising for their financial existence. While advertisers will support conservative and mainstream publications, the progressive and left wing magazines constantly carry on a struggle to remain alive and frequently have fund raising drives to maintain publication. However, many do cease to exist because of lack of revenue, no matter how informative or well-written the publication might be. With the financial support for books being the purchase price, it allows for greater range of information and opinion in that medium than in the large circulation magazines.

Publishing--particularly of books--is an industry where it is possible to print a new publication without undue expense, unlike the major investments required and great risks incurred to start a daily newspaper or the liabilities of starting a broadcasting station, with all the attendant problems of being selected and licensed by the Federal Communications Commission. Although entry into publishing is comparatively easy, survivability in an independent status is difficult. Meanwhile, many of the same multimedia conglomerates which dominate the other mass communication fields also are at the top of publishing.

Of particular concern should be the dominance of the

school textbook market from elementary through college by many of the same top publishing companies. Of course, textbook selection is a complex process, particularly for the el-hi level, because selection can be affected by the political processes in the local school boards and the state legislatures. Nonetheless, this concentration of ownership could lead to the conclusion that most of the books Americans are using in all (or most) of their school years are being published by the same small group of companies, corporations which also are in control of much of the other mass media. Writers who are not alarmed at this concentration and that found in other sectors of publishing either are not looking at the cartelization of the industry or are in approval of it.

### 3.1.12 CONCLUSION

Reading a listing of broadcasting stations and cable offerings in a city and looking at the number of newspapers which abound, particularly in a large, metropolitan area, one would think that there is a great variety of many media voices competing furiously in the market place and which are providing the public with a plethora of diverse and antagonistic views and information. Some researchers

present this as proof that there is no alarming concentration of media ownership in the U.S.. They say that there is an "umbrella" concept in which the large big city newspaper competes with the newspapers in satellite cities as well as local dailies, weeklies and even shoppers. The many broadcasting voices are also under the umbrella.

One such writer, Campaine (1979, 37, 38), further states that not only is the umbrella concept valid, but that we should look at each media industry competing against the other media industries, implying that determining ownership concentration is really an outmoded way of looking at the media. He claims that actually there is too much information which is swamping the American people with the greatest diversity in history. Furthermore, he says that there is no validity to the claim that increased diversity will provide better quality and greater quantity.

While it is true that people are bombarded every day with messages and information from their mass media, when the situation is closely inspected, one can see that the information comes from concentrated sources within an overall framework which narrows the possibilities before they are presented in print or on the air. First of all, the mass media are overwhelmingly capitalist, profit-making enterprises which compete for advertising and which must

please the advertisers in order to make those profits. Even the public broadcasting media are generally controlled by the necessity of pleasing their local business elites, whose representatives are on the stations' boards of directors and whose companies provide the bulk of the money donated for the life's blood of the stations. The other money comes mainly from the government, yet another limiting factor.

Within this total framework we find that the newspaper business is very concentrated, with few competing voices. In only a very few U.S. cities is there not a newspaper monopoly. At many state and regional levels we also find total media concentration of voices, readership and profits. With the great growth and dominance of chains and group ownership in all the media (including publishing), the number of independent voices is becoming smaller and smaller. Not only have huge conglomerates become the major voices in the media, these corporate giants are now linking with each other in various joint ventures, narrowing even further the possible sources of information and opinions, and raising the entry barriers to an almost impossible height for all but the giants.

It may be true that there are many radio stations and an umbrella of a few newspapers available, but they mainly use only two wire services. There are many TV stations in

the country, but there are only three major networks. There are newspapers in all the large cities, but only the Washington Post and the New York Times have significant impact on the decision makers in Washington, D.C., and New York City and on the producers of news at the three TV networks.

Unfortunately, people like Campaine are prisoners of their own assumptions. Just because there are many voices does not mean that there is diversity. If all the symphony orchestras played only Bach, Beethoven and Brahams, many significant composers and much great music would not be heard.

The umbrella concept could be viewed from another aspect. An umbrella is used to keep the rain off of us. In this case the rain could represent the total possible range of information and opinions to which the public could have access. The umbrella of the Establishment media is doing a good job of restricting what we shall read, see and hear, while the rain of alternatives is falling all around us but seldom penetrates the umbrella. After looking at the alternative press, listening to Pacifica Radio stations, and viewing the presentations on some public access channels of the cable, we can see what a narrow range of information is made available to the general public on the American mass

media.

The enormity of this interlocking relationship of concentrated media industries lies in the fact that it is the same few companies which to a significant extent select what is entered into our textbooks from elementary school through much of college, while they simultaneously greatly determine what we see on television, hear on records, listen to on radio, see in the cinema, read in the newspapers (particularly about national and international news), and read in our magazines.

And the concentration continues to increase. The control of information and the communicating of it is becoming more and more cartelized.

### 3.2 MEDIA OWNERS AND THE LOCAL POWER STRUCTURE

Because we have already assessed the position of the media owners in the national power structure, this section will concern itself only with the local power structure, although, as we shall see later, the local newspapers, particularly in the larger cities and especially with chains, are significant in linking local elites with the



national centers of power. First, however, it would be revealing to look at who are the publishers and broadcasters and their number one men--the editors and general managers.

The publisher is a businessman primarily and a man of wealth (with the exception of most of the owners of small, struggling papers), and has similar attitudes as other publishers (Sandman, Ruben and Sacheman 1972, 38). A fascinating study was made by Donohew (1965, 172, 173) in which 1,150 publishers in three states were asked whose opinions they respected the most. The results were as follows: merchants 25%, lawyers 14%, public officials 12%, bankers 12%, educators 8%, and newsmen 6%. Political affiliation made no difference in the response. The low repute the publisher has of his employees and the high respect he has for fellow businessmen and professionals show the class and economic solidarity of the publisher with his capitalist peers and the disdain he has for the proletarian professionals who work for him.

The publisher of the dominant daily is generally a very significant member of the power structure of the community, whereas the broadcaster is not nearly so prominent unless he already had ties to power positions. The newspapers have historically been an integral part of the founding and growth of their cities and they still play a significant

role in civic boosterism and city growth (Burd 1969; Donohew 1965).

There also is a difference in the position and activity of the number two media managers in the broadcast hierarchy--the newspaper editor and the broadcast general manager. The editor is usually prominent in civic affairs and is a journalist by trade, whereas the broadcast manager is primarily a businessman and does not participate in civic organizations to a significant extent (Altheide 1976). In the smaller towns the editors tend to be Democrats, but the electronic media managers are predominantly Republicans (Bohn and Clark 1972, 205).

The popular impression--fostered by the news media--is that the press plays an adversary, watchdog role, one in which the press objectively tells the truth wherever it finds it. If this is true, the news media would have to be outside the power framework of the community and nation in order to do their job and fulfill their promise. We have already seen that the mass media of national stature are deeply involved in the Ruling Cartel. We now will look at the local media and the power structure in their cities.

In this section we will look only at the place of the press in the power structure; the effect of this on content will be assessed in a later section. The role the media

play in the power structure generally has not been studied in great detail. Most of the books on local power structures and decision making in cities either largely ignore the media or do not give them a significant role in the community. On the other hand some writers (generally not political scientists, but journalists and communications experts) give the media a significant influence in the community, particularly in support of the local power structure and the status quo (Hvistendahl 1970, 474; Donahue, Tichenor and Olien 1973, 655).

At the local level the publisher or broadcaster may or may not use his or her power within the community structure. The option is theirs. There are several articles and books on this subject, but none of which includes the broadcast medium. The one exception to this is the study of small towns which showed tangentially that the broadcast station general managers consider themselves as somewhat important in the community, but, unlike the newspaper publishers who consider themselves, "strong local influentials," the broadcasters do not take an active role in the town's politics or power structure (Bohn and Clark 1972, 205). Naturally, in a city where there is cross-ownership, the publisher-licensee could exercise even greater community power. In Austin, Texas, a study of the

local power structure showed the publisher of the monopoly newspaper to be involved in the core political organ of the power elite (Wright 1983). His editor was an important operative at the secondary level of power in the city. The newspaper's editorials and political endorsements reflect the pro-growth, pro-business attitudes of the power structure.

There are some studies which are worth noting on the subject. One identified the publisher as one of the four top members of the town power elite. Another author showed that in Oberlin, Ohio, the publisher was sixth in the power group (Hunter 1956, 473, 474). In Dahl's (1961) book on New Haven, Connecticut, in the 1950s the publisher of the only two newspapers was a wealthy, aristocratic, very conservative man who could have a strong negative effect on public opinion, which made the politicians very cautious of arousing the publisher's ire. In a study of a Mississippi town of five thousand people there was a power structure which was composed of twenty top leaders. These men, however, generally concerned themselves only with special interests or problems areas which were important to them. Of the group of top twenty leaders it was only the newspaper editor whose participation and influence cut horizontally across special interest lines (Fanelli 1956).

In smaller towns and in smaller papers there can be some variations. In studies in Minnesota and Iowa about half of the papers were deemed to be within the power structure. Those which were part of the establishment did not carry much controversial news (Hvistendahl 1970).

A significant factor which may allow a publisher or broadcaster to take a more aggressive, critical stand in the community is economic security and strength. If the medium is strong financially, it can afford to be controversial. However, this can become a circular matter with the opposite effect. In order to be economically secure, a paper and station must please its advertisers. Many media owners have been threatened with reprisals by irate advertisers, even to the extent of being put out of business or placed in financial jeopardy by withdrawal of advertising by businesses whose owners disliked the editorial stance or news reporting (Cirino 1971, 6; Cirino 1974, 131-133).

In this case a monopoly situation would be helpful to the news medium, in that it would be economically secure from punishment by the advertisers. But this would presuppose that the publisher or broadcaster would be outside the community power structure, which in a monopoly situation, it is highly unlikely they would be. The paper would be in a stronger position to punish or ignore those

outside of the power structure. Not having the competitive pressure from a rival newspaper would make it easier for a monopoly paper to ignore or distort controversial news.

The relationship of chain ownership to the community power structure has not been comprehensively studied. Chain management can operate within or outside of the local establishment, depending on such variables as the corporate policy, the amount of backing of the editor by headquarters, and the degree of use of the corporate "deep pocket" to outlast irate advertiser retaliation. (It is anticipated that in the city where the corporate headquarters is located the chain owners are significant local elites, particularly if they have a newspaper there.)

There are various reasons for support or non-support of the local power relationships. A chain may want to increase circulation by being controversial and muckraking. A prominent media analyst believes that a locally owned newspaper is less likely than a chain to oppose the power structure, because the local owner is part of the establishment himself (Washington Post 1977b). One publisher disagrees, saying that some chains are more cautious, because local managers will play it safe because they do not own the papers themselves (Brucker 1973, 274). It is also likely that chains which are primarily interested in profits

will not want to upset the local notables.

Not only are the publishers and their papers very significant in the community power structures, the dominant newspapers in the large, metropolitan cities are significant in linking the local establishments with the national power structure. The directors are of particular significance, because the inside directors focus on the city, whereas the outside directors have their primary interests in other parts of the country and the economy, and they participate in organizations at the national and international power levels. The exceptions to the inside directors being only locally oriented are the owners of some of the large and more significant newspapers or media empires, people such as Sulzburger, Graham, Chandler, Hearst, and Cowles (Dreier 1979). These are people who belong to the CFR and attend Bilderberg meetings.

It is not just the fact that the publishers and editors hold positions in local elite organizations, their main significance is that, because they own and run ideological institutions, they shape public opinion, both in presenting information in a particular way and also--perhaps even more importantly--in preventing certain information and opinions from ever reaching the public eye, or, if they are presented, they are done so in an unfavorable or distorted

manner. Consequently, the people cannot know how their city is really run, with the result that the people cannot focus in on the power relationships so that they could possibly change them in their favor. Such press control also prevents (or at least renders it very difficult) for local groups to communicate with each other and with the public in order to obtain popular support (Bachrach and Baratz 1970).

### 3.3 ECONOMIC EFFECTS OF CONCENTRATION

Many opinions, observations, speculations and studies have been made over the years concerning the effects of various types of ownership situations of newspapers and the electronic media. Because there are so many variables, because so much of the subject matter and evaluations are qualitative and subjective, because much of the data is of a comparative nature, because media situations differ so much from city to city, and because the electronic media are ephemeral in nature, it has been very difficult to come to any strong conclusions and general agreement. Nonetheless, we should take a look at the situation. This section will consider mainly the economics. See Chapter Three on content



for further exposition:

There are three types of ownership situations involved. Sometimes they overlap; but we will consider them separately. The three are (1) the effect of a change from independent ownership to chain or group control, (2) a change from a competitive newspaper situation to one of monopoly, and (3) cross-ownership.

### 3.3.1 CHAIN/GROUP OWNERSHIP

One method of assessing the effects of chain ownership is looking at company policy and general corporate performance. The other method is to observe local performance after a transfer from independent ownership or when a small chain is purchased by a larger one. Group owners have varying reputations. Some look only at the profit and cost picture, not always to the benefit of the readers and community. Others build up the organizations; some milk them for profits (Lyle 1967, 20, 21; Business Week 1977b; Bagdikian 1972, 11, 12; Jones 1976, 174). Some chain owners give local managers a free hand (so long as profits are high), while others force their papers and broadcasters to follow certain policies, ranging from editorial approaches to criteria for personnel hiring, firing and

promotion (Washington Post 1977b; Brucker 1973, 274; Cirino 1974, 189, 190; Kriegbaum 1972, 94; Patrick and Howard 1974).

The most comprehensive study of monopoly and chain ownership was made by Grotta (1971). His conclusions were that consumers and advertisers receive no benefit from the presumed economies of scale when the papers changed from independent to chain control.

In an article on concentration in all communications media, Powell (1980, 97) found studies which showed that independent papers spent more money on expensive types of news and that there were other studies which showed that chains often raise the price at the newsstand and increase advertising rates when they take over, but overall they do little to improve the newspaper (Washington Post 1977b).

Because the profits in monopoly papers are three times those of competitive companies, the chains seek to purchase papers in monopoly situations. Ninety-seven percent of chain papers are in cities with no economic competition (Washington Post 1977b). This includes the towns with agency agreements, where the business aspects of the competing newspapers are merged, but the editorial and news functions are supposedly separate. Another aspect of group ownerships is that almost all of them are public corporations whose

stock is sold on the exchanges. This provides added pressure and incentive to squeeze the papers for the highest profits. If they also have outstanding loans to banks, there is additional pressure for ever increasing profits.

### 3.3.2 MONOPOLY NEWSPAPERS

A good case can always be made in theory about the dangers of monopoly in any field of capitalist endeavor. The realities of such dangers have been well documented for industry in general (Blair 1972 and 1978; Brandeis 1914; Green 1972 and 1973; Green and Massie 1980; Mueller, W., 1970; US Congress 1913, 1941, 1968, 1977). But there are also defenders of the desirability of a monopoly which is capable, responsive, efficient and productive (Blair 1972, 199, 200).

Only recently has the subject been studied very extensively, mostly with the print media. Very revealing are the hearings before the House Subcommittee on Antitrust and Monopoly when it was considering the Failing Newspaper Act (US Congress 1967b). The hearings revealed many instances of predatory, abusive behavior by the media which enjoyed a monopolistic position. In this sense it showed that the newspaper business differs little from other

capitalist endeavors in the drive for profit and market power. With monopoly profits so much higher, it is certainly worthwhile, from the owner's point of view, to attempt to effect a local monopoly, either by agreement with the competitor or by predation.

Many economists would say that if the monopolistic market structure exists, the predatory, monopolistic behavior will also exist. At the least, the temptation and means to use and abuse the monopoly position will be available when needed and will be used either overtly or as an implied threat. Other economists say that performance is the best test of the measure of the desirability of monopoly or oligopoly. The Warren Supreme Court favored the market structure test for determining monopolistic behavior (Green, 1972, 7).

Many of the studies of media monopoly, particularly regarding newspapers, and more recently involving cross-ownership, show opposing results, particularly concerning content. Grotta (1971) observed the effects of newspaper monopoly from several aspects: advertising space, newsstand price, subscription price, change in editorial personnel, size of the news hole, proportion of local news to total news, change in editorial news hole, change of local to total editorial comment, circulation change and

change in retail sales in the city. He found that there was greater circulation under monopoly, but that there was a correspondingly greater increase in the milline rate to the advertisers, "contrary to industry practice" (Grotta 1971). The advertiser not only received no benefits from consolidation, but paid a significantly higher price after newspaper consolidation took place. Although the monopoly paper increased its circulation, it was much smaller than the combination of it plus the publication which had ceased to exist.

Grotta also found that the number of editorial employees per one-thousand circulation decreased, even though there was some absolute increase in staff. Overall, the consumers paid a higher price, with no increase in quality and perhaps even a decrease in quality. The large scale economies were not passed on to the consumer. In another study, Langdon (Compaine 1979, 39) found similar increases in advertising rates in a switch to a monopoly situation. He also noted that wage rates are lower where there is no competing newspaper. Advertisers prefer a competitive situation. An Advertising Age (1979f) writer called a monopoly situation "a take it or leave it proposition."

An interesting difference of opinion exists between

those who are concerned about newspaper concentration and Campaine, who is not. Regarding the phenomenon of the combination rate offered by a single publisher of morning and evening newspapers in a city--either where there is a single owner or where there exists a joint operating agreement--Campaine (1979, 46-48) states that advertisers benefit because they can receive a lower rate for both papers than they could if each paper were competing and both were asking the full, traditional rate.

Barnett has a different view (1980, 72, 74). Traditionally there is a weaker and a stronger paper, with the healthier usually being the morning publication. The rate for the stronger paper--the one the advertisers really want to use--is set at an inordinately high level, and the rate for the weaker newspaper is only for a small, additional amount. Because it is almost irresistible not to advertise also in the weak paper, the advertiser is practically coerced into using both publications. Through use of the combination rate, not only can the weak paper survive--when it perhaps should not continue in operation--but also it is a good way to drive out any competitors, if they still exist, or to keep them out, if they are trying to gain a foothold.

Barnett points out that this is precisely the strategy

which a leading national advertising representative has advised his clients to use in order to force the advertisers to use both the strong and weak papers and at the same time to keep the competition out, particularly when those competitors are after the weaker paper's business.

In cities where unitized rates have been used from 1929 through 1950, the success rate of a competitor was only eleven percent. In the Times Picayune case, which has been roundly criticized by antitrust people and others concerned with newspaper concentration, the Supreme Court upheld the unit rate by a 5-4 decision in 1953. (The Times-Picayune in New Orleans had used the combined rate to destroy its competitor.)

In Salem, Oregon, Gannett bought the two newspapers, precipitously raised the advertising rates and made other policy changes inimical to the interests of the advertisers. The latter rebelled and started their own shopper paper. Through various predatory practices, Gannett destroyed the shopper. Gannett did the same thing in Boise, Idaho (Compaine 1982, 70).

### 3.3.3 CROSS-OWNERSHIP

It is on the subject of cross-media ownership in a city

where there seems to be the greatest degree of disparity of opinions among researchers. There are studies which show that there are no differences regardless of ownership type, others which prove that the cross-media owners are superior, and many which conclude that the cross-media owners serve their audiences and advertisers less well than in a situation of competition.

Part of the problem lies in the fact that complex media are being studied where much of the material is subjective and where much human behavior is intimately involved. Also, there seem to be many problems in methodology, with many writers revealing the inadequacies of methodology of previous studies, particularly if the conclusions are at variance. For instance, Owens' (1973) study showed that where there was cross-ownership the advertising rates were higher. Lago and Osborn (1973), whose work was commissioned by the National Association of Broadcasters (and which supported the broadcasters' position favoring cross-ownership), criticized Owens' methods. Owens returned in kind (Wirth and Allen 1979).

In 1974 there was a survey of the literature made by the Rand Corporation (a Ruling Cartel think tank) on chain and cross-ownership in broadcasting. It, too, criticized most of the studies' methodologies. Its conclusion was that



"the form of media ownership generally seems to have a small impact on economic or content performance" (Compaine 1979, 100).

On the other hand, after reviewing many studies, including those from the FCC hearings in 1971, Linda Leuchter's (1976, 348) observation was that "no evidence has shown that joint operation economies arise from cross-ownership." Because it is a difficult subject to handle quantitatively and because she could find methodological weaknesses in all approaches and studies, Leuchter's conclusion was that most anecdotal evidence is probably more reliable and significant.

Different observations were made by Wirth and Allen (1979). (They were critical of both Owens and Lago.) Following their extensive study--and much to their surprise--they found that cross-ownership had a negative influence on broadcasting advertising revenues. Their conclusion was that, although they found fault with Owens' methodology in using time rate cards for stations, because this could be distorted by bargaining and by the fact that most advertising is now in thirty-second spots, not by time blocks, they nonetheless tended to agree with Owens' findings. Wirth and Allen's observation was that perhaps the anti-cross-ownership position of the FCC had been a

factor, because Owens' study had been made before the FCC's pressure could have been felt, whereas their own findings were reached afterward. Hence, it could be likely that in a cross-ownership situation, the media managers might be loading the price of the rates in their newspaper, where there is no competition, and less in their TV station, where there is competition and where the FCC might be watching. They concluded that, with the impending deregulation of TV and the lessening of interest by the FCC and other agencies in the executive branch, a rise in rates could be expected of the advertising time of the TV stations where cross-ownership is present.

However, it may be more likely that in a cross-ownership situation there would be no competition for the newspaper, but there would be for the TV station. Therefore, it would be more profitable (and more damaging to the competitors) to continue the cross-subsidization of the TV station, particularly if the ratings of the station were less than those of its counterparts.

#### 3.3.4 CONCLUSION

There is nothing which can guarantee a good newspaper or broadcasting station. A blanket indictment cannot be

made for monopoly situations everywhere just as 100% approbation can automatically be given for media operating under competition. After being purchased by a chain some bad newspapers can be improved; or the management can be improved but content is not; or the paper is worsened in all aspects but for profit. The president for news of the Gannett chain said that only top professional people can make a good newspaper, and that fact "cannot be inflated by competition nor can it be diluted by monopoly" (Compaine 1979, 26).

This is only partly true. The problem is not that there are a lot of good professional people working in bad newspapers and broadcasting stations and vice versa, but that the media are businesses which are working within the profit imperatives of the capitalist framework. The anecdotal information and many of the studies reveal what can occur in places where competition is either meager or non-existent. This behavior does not vary much from that of corporations and other types of businesses in other fields. The media are businesses which are out to maximize profits. They generally will use whatever methods they can to achieve this end. That some owners of individual stations or papers and of some chains are more ethical than others and are more concerned to provide their primary and secondary

customers--the advertisers and readers/viewers, respectively--with a better product than some of the other owners does not necessarily mean that monopoly situations under them are better than competitive situations with some of the other owners. In all areas of capitalism it is generally observed, particularly by antitrust economists, that where there is competition, the public is better served.

#### 3.4 ADVERTISING'S CONTRIBUTION TO ECONOMIC CONCENTRATION

One aspect of the concentration of ownership of the mass news media is rarely discussed in writings in media journals but is hotly debated in the field of antitrust. This is the question of whether advertising, particularly on television, contributes to the development and maintenance of economic concentration.

This is not a new phenomenon. There are case histories which go back into the late 1800s and early 1900s which show how a big company would invade a market, advertise heavily, and drive out the competition. The subject is still very much alive today (Mueller 1973; Greer 1973; Compaine 1979, 110). The lines are generally drawn between the people who

favor antitrust on one side against the conservatives who favor complete freedom for the media.

People who claim there is no connection between advertising and concentration have made studies which show various concentrated industries in which advertising plays a moderate or inconsequential role, such as the sugar industry. As in the case with the debate over the matter of the economic and public service effects of media concentration, many of these studies have been financed by elements of the advertising media themselves.

People who try to show that there is a connection between the two are men such as Donald Turner (former head of the Antitrust Division of the Justice Department), Dr. Willard Mueller (one of the world's foremost antitrust authorities), Dr. John Blair (formerly head of the staff of the House Antitrust Committee), and the Federal Trade Commission.

What is not mentioned very often is the concentration of advertisers and advertising agencies. Some studies in the late 1960s and early 1970s indicated that there was a concentration of large national advertisers which dominated the available time and space, and that national advertising also dominated the available time on local broadcasting stations (Schramm and Alexander 1975, 592; Blair 1972, 314).

Since these studies were made, a merger wave has hit the ad agency business, making concentration even more marked (Advertising Age 1979d and 1979e).

Much has been published and there has been considerable testimony before congressional committees about the relationship between advertising and concentration (US Congress 1966a and 1971; Advertising Age 1979c). This information reveals that advertising can have its greatest anti-competitive effect when a product is highly differentiated, when there are hidden qualities, and when there are emotional buying motives which can trigger consumer responses and action. However, even when these product aspects are not readily apparent, advertising can create some of these factors in the minds of consumers. This is particularly true of consumer goods, where it has been shown that high advertising results in greater profits. Former head of the Antitrust Division of the Justice Department, Donald Turner stated that profits are 50% higher in highly advertised industries, representing monopoly profits (Greer 1973; Mueller 1973).

A big company can move into a market and unleash a massive campaign, using some of the following tactics: product proliferation, which can usurp shelf space; an advertising blitz; special premiums; and predatory pricing,

which is easy for a conglomerate or a company with a nationally marketed product to sustain through a combination of its deep pocket and its ability to raise prices elsewhere in the country or of other products within the company order to subsidize the local losses in the target market. The owner of a smaller, local company cannot compete and is usually either driven out of business, is forced to sell his company to the larger, invading corporation, or is driven to reach an accommodation which is favorable to the predator. After competition is destroyed, the prices can be raised back to even higher levels than before the war began. This phenomenon can be observed at the national, regional and local levels (Greer 1973; Mueller 1973).

Although the activity may occur at the local level, it has nationwide effects as it sweeps across the country. The coffee business is a good example (Greer 1973). Procter and Gamble bought Folgers, a regional marketer. P&G then swept the country, city by city, challenging the other major brand, Maxwell House, which is owned by another giant, General Foods. In the ensuing advertising and price war the smaller coffee companies were liquidated. The resulting concentration can be seen by the fact that in 1963 there were 261 coffee producers; in 1972 there were 162; and in 1979 there were 40. There are predictions that soon the two

giants will have 70% of the business and in few years they will be the only ones left.

This is not to say that in every case of failure of a smaller company the reason was the above scenario, but most antitrust people believe that what we have described is the major cause. This type of operation has occurred in every industry where the commodities lend themselves to this approach. These industries lost 12,000 firms from 1947 through 1972, with concentration steadily increasing.

Not only are small businesses driven out, consumers have to pay artificially higher prices in the form of monopoly overcharges. Antitrust writers estimate that the additional cost to the consumers for food is from \$10-\$15 billion annually. For the whole economy the monopoly overcharge is estimated at \$180 billion each year. Antitrust researchers claim that competition does have the effect of reducing these prices. Where the top four producers in an industry have 40% or less of the market, these monopoly overcharges do not occur (Greer 1973; Mueller 1973a; Green, M.J., 1973).

Nationally, it is vitally necessary for a business to advertise on the TV networks. But network policy heavily favors the large, particularly the conglomerate, advertiser. Not only do the large advertisers get more



favorable rates because of greater bargaining power and greater advertising volume discounts, but also the conglomerates (and a large company with brand proliferation) can always fill the time with one of their many products. A smaller or single product company cannot afford to do this; indeed, it may not want to advertise its product so heavily as the networks' volume discounts would permit it to do. Conglomerates are allowed to rotate their products advertised, but smaller companies cannot subcontract their time or rotate their time with another company as a package deal in order to get the volume discounts or to increase their bargaining power with the networks (US Congress 1966a; Advertising Age 1979c).

Regional companies cannot usually advertise economically on the networks because of the additional cost of deleting network material for the insertion of the regional announcement. Actually the small advertisers complain that prime time is generally not even available to them because it is already pre-empted by the giant advertisers with long-term contracts (Blair 1972, 311-321; Gordon, R.L., 1979; Business Week 1979). Even larger companies which want to expand find they cannot use prime time because incumbant advertisers are given first option for renewal (Business Week 1979). This is particularly a

problem for businesses which want to place their commercials on special types of programs, such as beer sponsors on sports programs (Advertising Age 1979c; Gordon, R.L., 1979).

Such are the hardships of smaller competitors. But there is a big problem for any potential competitor, large or small: entry barriers. When a product or industry is heavily advertised, it creates a considerably expensive barrier for new companies to enter the market, because they also must heavily advertise in order to attract attention. Even when the level of advertising is only at a moderate level, if the advertised industry is highly concentrated, the oligopolists can quickly turn on the advertising faucet if competition arises, thereby raising the entry barrier (Greer 1973). The big, established, nationally marketed company and the conglomerate can then absorb the losses until the potential competition is either destroyed or withdrawn.

This results in the low-high-low advertising phenomenon, where an industry or product is not heavily advertised at first. Then as economic concentration increases, advertising greatly accelerates. As the competition is destroyed, creating oligopoly or monopoly, the advertising level drops off. This is the behavior Douglas Greer (1973) stresses in answering people who say

that there is not a correlation between advertising and concentration, because some of the most concentrated industries and products are not the most heavily advertised. Greer analyzes several industries historically to show that the relationship of advertising to concentration is "positive at low to moderate levels of concentration, but negative at higher levels."

Greer's conclusion is that case histories alone cannot prove or disprove an economic generalization, but they tend to support the conclusion that there is a causal relationship between advertising intensity (and other promotional activity) and economic concentration. The relationship is not linear, but parabolic. Furthermore, the causal link is rarely simple.

Economist John Blair (1971, 312, 313) studied the relationships between TV advertising and concentration. He says that

Rivalry for display (shelf) space had induced leading advertisers to promote not only different products but different brands of the same product. The result has been the preemption of both the fixed supply of TV advertising time and the fixed supply of shelf space. . . . The preemption by large firms of the medium whose supply is fixed and which, in addition, has the greatest (advertising) pulling power should make higher concentration a certainty.

Former Acting Assistant Attorney General of the Justice Department Edwin Zimmerman agrees. He testified before the Senate Antitrust Subcommittee in 1966 that the mere fact that there are only three TV networks with limited prime time is in itself an entry barrier (US Congress 1966a, 651).

The problem concerning TV advertising can affect even a large corporation. The Heinz Company complained in court in 1976 that Campbell was threatening to drive them out of a portion of the canned soup business because of Campbell's brand proliferation and its advertising and promotional blitzes (Wall Street Journal 1976b).

Blair analyzed thirty-three industries which were heavy advertisers to see if there had been increases in concentration in the fields. Of the 33, 25 recorded significant increases in concentration, while only 8 registered declines. Seventeen of the 25 had very large increases in concentration. For the country as a whole, the increased concentration in manufacturing was roughly matched by corresponding decreases, but the heavily TV-advertised fields increased concentration by more than three to one.

Blair (1972, 333, 334) finds support from the study made by Charles Ynew Yang on advertising and concentration from 1948 to 1958. Yang (1974) found that in the twenty industries where there was an increase in advertising (all

media) by the leading companies, concentration increased. Conversely, in those six industries where the concentration ratio declined, there had been an improvement in the advertising position of the smaller companies relative to the larger ones. Blair's final conclusion is that "there can be little doubt about the continuation of the upward trend in concentration among industries with high TV advertising intensities" (1971, 334).

The subject under discussion is a complex one. As with many social phenomena it is difficult to determine precisely the direct and indirect relationships involved. Concentration and advertising can be a two-way street. Concentration gives greater power--actual and potential--to advertising. Conversely, advertising can be a powerful tool in creating and maintaining concentration.

Advertising can be a significant factor, perhaps a cause, of mergers (US Congress 1971, 648). When a company or companies see that their advertising war is too costly and cannot destroy the competition, a merger or cartelization may be effected, with the competition either being taken out of business or allowed to remain in business under the control of the dominant company (Greer 1973, 319, 329).

Economic concentration is seldom caused by one factor. Generally there is an interrelationship of many factors at

any particular time in each case. However, the most reasonable tests--testimony before congress, regulatory agency action, and court cases--seem to throw the balance in favor of Blair's conclusion.

Of even greater significance of this subject in relationship to the concentration of ownership of the electronic news media is that the power to determine who receives advertising time, particularly on the TV networks, apparently can significantly determine the nature of specific industries and the structure and direction of the American economy as a whole.

It is well to remember that many of the men on the TV networks' boards of directors--the men in whose hands this power ultimately lies--are also directors of and own stock in, not only many of these giant corporations in concentrated industries which benefit so greatly from TV advertising, but also are on the boards of directors of banks which also have potentially controlling interests and significant holdings in these giant corporations. It is well to keep these facts in mind when considering the question of who is helped and who is hurt by the situation Blair and the others are analyzing.

### 3.5 GOVERNMENTAL ACTION AND MEDIA CONCENTRATION

There has been governmental interest in concentration of ownership of the media over the years, but very little action has been taken either to prevent or reduce it. The media have very powerful lobbies and spokespersons in the political world. The general studies on economic concentration made by congressional committees such as those of Patman and Metcalf have included the media. Also, former congressman Morris Udall has been particularly outspoken about newspaper ownership, but has not found any support in Congress to remedy the situation. Former vice-president Agnew railed against the concentrated control of the elite Eastern Establishment media, and the Nixon administration made threats to certain disliked media organizations. The Federal Trade Commission had a symposium on media concentration in 1976. But no substantive action has been taken as a result of any of the above revelations, threats and complaints.

The three main sources of activity on the subject have been the Federal Communications Commission (FCC), the Justice Department, and the courts. These actions have

resulted in policy pronouncements and decisions by the Commission and a few antitrust cases. Some of the FCC cases have ended up in court. The Justice Department has been an actor in a few of the FCC cases; it has participated in some of the antitrust cases in court; and it has initiated actions of its own. Even though many of these actions are interrelated, we will look at each area of activity separately.

### 3.5.1 FEDERAL COMMUNICATIONS COMMISSION

The FCC is governed basically by the Communications Act of 1934. It gets into all areas of broadcasting, ranging from the technical areas and the selection of licensees to the nature of content. Historically, the Commission has been a pro-broadcaster organization (Brown, L., 1971; Cole and Oettinger 1978; US Congress 1978b). The commissioners have predominantly been either broadcasters or people who are sympathetic to the licensees. Nicholas Johnson, who fought for the public interest, was unique in his selection as a commissioner.

The FCC is one of the many regulatory agencies with the notorious "revolving door" of personnel with the industry it is supposed to be regulating (US Congress 1978b; Common



Cause 1976). Indeed, even though "public interest, convenience and necessity" is the basic commandment of the Communications Act which is to be followed by the Commission, the FCC did not even recognize the general public as having any right of standing to intervene or appear as a participant in deliberations until it was forced to do so by the courts in 1966 (Citizen's Communication Center v. FCC, 447 F.2d 1202 (D.C.C.A., 1971). In its decisions the Commission has been loathe to crack down on licensees unless they are small stations, are stations or programs with left wing perspectives (such as the Pacifica stations or as in the Eastern Education Radio case), or are of the far right wing variety (such as in the Brandywine Mainline Radio case). The FCC has overlooked significant violations of the Communications Act or its own policy and has given approval of the most minimal levels of service in order to keep from coming down hard on licensees. Any action to the contrary has taken many years to effect and has sent shock waves through the broadcasting community (Cole and Oettinger 1978, 190-202; Johnson, 1970: Access 1982h; RKO General, 44 FCC 2nd 123 (1973)).

So far as ownership concentration is concerned, on the face of it there should be no problems because the regulations on ownership restrictions are simple and clear:

seven each of AM, FM and TV stations are the maximum a person can have, with no more than five of the TV stations being VHF. (The FCC recently recommended dropping these restrictions.) The duopoly rule (not applicable to public stations) prevents a person from having more than one station of a type in the same area of coverage. However, the Commission has permitted exceptions to this rule. Also, the FCC is supposed to consider ownership diversity as a positive factor in comparative license hearings (Emery 1971, 149-252).

As we have seen previously in the section under institutional ownership, the FCC does have restrictions on stockholder, officer and director relationships with licensees, but these have largely been ineffectual because of (1) the vagueness of the wording, (2) the lack of information about ownership as a result of non-cooperation of the owners and holders of stock and the lack of a computer system at the Commission which could handle the information even if it had it, and (3) because the FCC evaluates each case separately in reference to size, class of station, and extent of other competitive service in the area. These factors provide the Commission almost a blank check for decision making with its pro-industry bias.

The Commission has conducted investigations on

concentration over the years, has made some pronouncements and has even announced some actions to remedy the situation, but concentration still exists. The main, effective action the FCC took occurred in 1940 which resulted in NBC divesting itself of one of its two radio networks (Barnouw 1968).

There are four scenarios which the FCC actions seem to have taken since World War II.

1. The FCC announces that it will recommend certain steps to reduce or eliminate concentration. There is a great outcry from the industry. The FCC relents, goes no further with its action, and says that it will continue to consider each situation on a case-by-case basis. An example is the handling of regional concentration.
2. The commission simply violates its own rules and makes a rather weak justification in doing so. Example: breaking the duopoly rule and allowing a person to have more than one station in a market because the city had other stations.
3. It announces a new policy and invites comments, there is the usual broadcaster outcry, then the FCC retreats to a position which affects only a small part of the

industry--the small broadcaster. An example is the announcement of mandatory mass divestitures of cross-ownerships and multiple ownerships. After the industry pressure was brought to bear, only the ownership combinations in sixteen small markets were affected. However, all such combinations were outlawed in the future.

4. It announces a policy, then invites waivers for all violators and grants each waiver. Example: the restrictions on cross-ownership of broadcasters with cable systems.

Regardless of the expressed concern of the Commission over the phenomenon of concentration, in deciding specific cases the FCC frequently goes the other direction. It repeatedly has refused to allow hearings to the Justice Department's petitions to deny a license renewal, even when statistics show that there is great media concentration in a particular city. The Commission changed its standard from that of "public interest" to that of the antitrust laws when the Justice Department files a petition. The latter must show that there has been a Sherman Act violation before the FCC will permit a hearing for a license renewal (Bennett 1971). A frustrated Justice Department official complained that when they bring an antitrust suit against a broadcast

owner, the courts will tell them to take the case to the FCC; when they go the FCC, they are told to pursue the matter in the courts (Antitrust and Trade Regulation Report 1974, 674).

Meanwhile, using the case-by-case method, the Commission permits so many exceptions to a rule that the rule almost becomes inoperative. And with the deregulation fever running high in Washington, D.C., it may be that most or all ownership restrictions have become or will become moot (Access 1983a; Dallas Times Herald 1984).

### 3.5.2 JUSTICE DEPARTMENT

The Justice Department has been very active over the years in relationship to ownership of the media. (Some of these activities have resulted in antitrust suits which will be discussed later.) It has many ways of trying to combat what it considers concentration and ownership abuses. Some of these methods are a preliminary inquiry, intervening in an FCC case, filing suit, dropping a case and reaching a settlement, and an antitrust case brought to completion.

One very significant case which Justice brought was in 1930 against RCA, General Electric, Westinghouse and AT&T (Barnouw 1975, 68). These giants had cartelized broadcasting

and had stifled competition and growth of radio through a combination of patent licensing agreements and the interlocking of directors and stock ownership. The government suit was delayed until the corporations could agree on a settlement, resulting in RCA becoming a separate, independent company and the others withdrawing from broadcasting, although they were given RCA debentures.

The proposed merger of ITT and ABC in 1967, which had been approved by the FCC, was opposed by the Justice Department (Barnouw 1975, 428-430; Johnson 1970). Faced with a suit, ITT backed out.

Another type of suit Justice will bring is the one in 1956 against NBC, where the network had forced Westinghouse to trade affiliates with NBC against Westinghouse's will (Compaine 1979, 91). The Department also files suits in individual cities where it thinks that media concentration is too marked (Emery 1971, 234-241; Compaine 1979, 87, 95).

It is mainly the threat of a long and costly suit which will cause a company to acquiesce to Justice's desires. However, the recent activities of the Justice Department which have not wound up in court have not had much effect on the structure or operation of the media. With the FCC generally not being favorably disposed to Justice's point of view; with the courts not being very responsive the past

several years; with the long length of time it now takes to prosecute a case; and finally, with the climate of deregulation extant, the activity of the Justice Department has percipitously diminished.

### 3.5.3 THE COURTS

The judicial handling of broadcasting is rather unique. Because the FCC is in Washington, D.C., the cases which are appealed from the regulatory agency go directly to the D.C. Circuit Court of Appeals, which is the primary forum for judicial review of broadcast regulation. The Supreme Court has seldom become involved in broadcasting issues--only the truly landmark cases. The cases involving the written media are handled differently from those of broadcasting, in that they occur throughout the country and follow the normal judicial paths.

The Washington, D.C., Circuit Court generally defers to the FCC in matters of technology, but on the public interest aspects of regulation of content and ownership, the court has been very activist. Over the years the liberal court of appeals has frequently been at odds with the industry-oriented, conservative FCC. But with the Burger Supreme Court being very conservative, the D.C. Circuit

Court frequently has found itself as odd-man-out, with the Supreme Court now supporting the Commission in reducing the general public's interests and more protective of those of the industry.

The Supreme Court has been involved in very few cases involving press ownership. It mainly has accepted cases concerning the First Amendment, access, and matters establishing the extent of FCC jurisdiction. However, there have been two significant antitrust cases decided by the Court which will be covered later.

The Burger Court has been very anti-free press the past years (Higdon 1980). Although it supported the newspaper industry in refusing to allow public access to newspapers in the Tornillo case (Miami Herald v. Tornillo, 418 US 241 (1974)), and even though it ruled in favor (although not strongly) for the New York Times in the Pentagon Papers case, it has diminished the First Amendment protections of the press, has reduced access to news sources for the press, lifted source confidentiality restrictions, and has approved governmental and police intrusions into the news process.

#### 3.5.4 ANTITRUST AND THE MEDIA

If concentration of ownership of the media is of such



ownership with the only TV station in town penalized anyone advertising in a competitive medium, the antitrust laws were successfully applied (Kansas City Star v. US, 240 F. 2nd 643 (1957)).

However, in the seemingly anomalous Times-Mirror case the court struck down the sale of San Bernadino morning, afternoon and Sunday newspapers to the owner of the Los Angeles Times as a violation of Section Seven of the Clayton Act because the papers' readerships overlapped (US v. Times-Mirror, 390 US 712 (1968)). The court's decision indicates that it is all right to purchase existing monopoly newspapers, it is legal for two local papers to join to create a monopoly, but it is not permissible to create a new monopoly by such means as the Times-Mirror people had planned. More recently, the Justice Department stated that it would investigate Ruppert Murdoch's purchase of the New York Post, Village Voice, and the New Yorker, but no further action was taken (Washington Post 1977b).

The handling of antitrust in broadcasting is different from that of newspapers (Bennett 1971). Strange as it may seem, the FCC may not apply Section Seven of the Clayton Act (commonly referred to as the Cellar-Kefauver Act) to broadcast mergers because of the last paragraph of the act. This is a rather vaguely worded section which seems to have

been thrown into the act as somewhat of a quickly devised afterthought. On the other hand the courts have ruled that the regulatory agencies cannot "repeal" the antitrust laws. In reality, however, Section Seven is difficult to apply to broadcasting, even though in the Associated Press case the court said that the antitrust laws do apply.

The FCC does have a club which it can use: character qualifications of a licensee. When a licensee has been convicted of antitrust violations (or any law), the Commission may revoke or deny a license. The FCC has had ample opportunity to apply this power, but it has failed to do so even in some of the most blatant cases. This is particularly noticeable where the licensee is a large corporation such as Westinghouse, General Electric, RKO (General Tire) and Paramount. The courts also may revoke the broadcast license of an antitrust violator, but this has not been done.

Despite the strong wording of the Communications Act (sections 313 and 314) regarding antitrust, and even though the FCC's 1951 report concerning character qualifications in regard to law violations was aimed mainly at antitrust matters and anti-competitive activity, the FCC's application of these laws, which is done on a case-by-case basis, is rarely made to the detriment of the antitrust violator.

This occurs particularly because the FCC does not consider consent decrees and nolo contendere pleas as pertinent and does not deem antitrust violations by a company as relevant unless they were directly involved with the broadcasting station itself. Furthermore, only repeated violations within three years of the litigation with the FCC are looked at. And, even at that, the Commission may consider extenuating circumstances. The Commission said in 1953 that one or even a series of antitrust violations do not ipso facto disqualify an applicant, because he still might be able to operate a station in the public interest (Emery 1971, 234-241).

In spite of the fact that the Justice Department has generally been unable to use the antitrust laws effectively in court in media cases, and despite being unsuccessful in eliciting a favorable response from the FCC on license denial petitions, it has been achieving some periodic successes in obtaining consent decrees and in threatening antitrust suits in situations where it has felt that media concentration is too high or where an increase in concentration is threatened (Emery 1971). With this power, plus the Newspaper Preservation Act provision that the Justice Department must approve in advance all proposals for newspaper joint operating agreements, the Department can

have great power if it wants to use it. It is entirely conceivable that an abusive presidential administration could use this power for its own ends. A threat of an expensive antitrust suit might make a media owner think twice before being too vociferous in his criticism of the government.

When the antitrust laws and their application to the press are looked at realistically, they have little, direct effect on the mass media ownership except occasionally in preventing the purchase of a position which would create a new monopoly (Jones 1976, 169; Washington Post 1977b). The Justice Department will not look into existing monopolies. It also will not touch chain and conglomerate ownership (Washington Post 1977b). The Federal Trade Commission confessed it will do nothing regarding concentration, particularly in towns with only one newspaper. The combination of vagueness and complexity of the laws, the great expense to both sides in litigation, the infrequent application of the laws and even less frequent convictions, the great number of consent decrees, the permissive aspects of the Newspaper Preservation Act, and the refusal of the FCC to take a hard line against antitrust violators, make the antitrust laws an insignificant factor in the world of the mass media. Furthermore, being in a deregulation frame

of mind now, Congress is turning its back on the whole problem of antitrust and concentration. The executive branch, particularly the Justice Department, has followed suit.

### 3.6 CONCLUSION

Over the years mass media ownership has become highly concentrated from many aspects at the local, regional and national levels. This continuing trend is being pushed from two sources. First, the media giants are becoming larger; second, the giants are joining hands in joint ventures. But the industry is probably much more highly concentrated than we are aware because of the ability to hide corporate ownership (particularly by financial institutions) through various mechanisms.

Monopoly ownership simplifies political and economic control of individual communities, because the media owners, particularly of newspapers, are firmly inside the local power structure. Although there are conflicting opinions, most evidence shows that communities usually receive less economic or informational benefit from any form of monopoly

media domination than they do under a system where competition is extant.

There is a reciprocal relationship between advertising and concentration, particularly on television. Locally, advertising has been used by big companies as a tool to destroy competition. Nationally, the wealthy corporate giants in concentrated industries preempt the limited (concentrated) time available on the networks, thus not only shutting out competition from access to a mass audience, but also producing an almost insurmountable entry barrier for prospective competitors.

There seems to be no end in sight to this trend in media concentration, which is parallel to (or a part of) the continuation of total economic concentration in the U.S.. The news media are not informing the public about the situation, and at the present time the government does not provide a counterpoise. Indeed, the government activity ranges from tacit approval to active encouragement.