CORPORATIONS AND CULTURAL INDUSTRIES

TIME WARNER, BERTELSMANN, AND NEWS CORPORATION

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SCOTT W. FITZGERALD

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LEXINGTON BOOKS
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List of Acronyms and Abbreviations

ADSL	Asymmetric Digital Subscriber Line
AOL	American Online
ATC	American Television and Communications
BDD	Bantam Doubleday Dell Publishing Group
BMG	Bertelsmann Music Group
BOL	Books Online
BSB	British Satellite Broadcasting
CLT	Compagne Luxembourgeoise de Telediffusion (Luxembourg Broadcasting Company)
CME	Co-ordinated Market Economies
CDU	Christian Democratic Union
CRM	Customer Relation Management
CSU	Christian Socialist Union
DRM	Digital Rights Management
EBITA	Earnings Before Interest, Taxes and Amortization
EPL	English Premier League
ERT	European Roundtable of Industrialists
FDI	Foreign Direct Investment
FDP	Free Democratic Party
FRG	Federal Republic of Germany
FTC	Federal Trade Commission
GBD	Global Business Dialogue of Electronic Commerce
GATT	General Agreement on Tariffs and Trade
GDR	German Democratic Republic
HLT	Highly Leveraged Transactions
HWT	Herald and Weekly Times Group
IBA	Independent Broadcasting Authority
ICAAN	Internet Corporation for Assigned Names and Numbers
IHC	Independent Historical Commission
ISDN	Integrated Services Digital Network
ITC	Independent Television Commission
ITU	International Telecommunication Union
ICTs	Information and Communication Technologies
ICC	International Chamber of Commerce
IPC	International Publishing Corporation
IRS	Internal Revenue Services
ISP	Internet Service Providers
LMA	Landesmedienanstalt (German state media authority)
LME	Liberal Market Economies
MAP	Minimum Advertised Price
MCA	Music Corporation of America
MNC	Multinational Corporation

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MTV	Music Television
NCTA	National Cable Television Association
NFL	National Football League
NI	News International
NSDAP	Nationalsozialistiche Deutsche Arbeiterpartei (National Socialist German Workers Party)
NWU	National Writer's Union
OFC	Overseas Finance Companies
PCI	Paramount Communications Incorporated
RBOC	Regional Bell Operating Company
RHTG	Random House Trade Group
SEC	Securities and Exchange Commission
TABD	Transatlantic Business Dialogue
TC	Trilateral Commission
TCI	Tele-Communications Incorporated
TNC	Transnational Corporation
TWBG	Time Warner Book Group
TWE	Time Warner Entertainment Company
Ufa	Universum-Film AG
UHL	Ullstein Heyne List
UN	United Nations
UNESCO	United Nations Education Science and Culture Organization
US	United States
UK	United Kingdom
USTR	United States Trade Representative
WBCSP	World Business Council for Sustainable Development
WCI	Warner Communications Incorporated
WEA	Warner Elektra Atlantic
WEF	World Economic Forum
WMG	Warner Music Group
WMI	Warner Music International
WMMD	Warner Media Manufacturing and Distribution
WSIS	World Summit on the Information Society
WTO	World Trade Organization

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Preface and Acknowledgments

The drive to begin the research that underpins *Corporations and Cultural Industries* was a perceived hole in the field of in political economy of communication and media studies. While there are numerous texts which deal with the cultural and communication industries and how the 'global media' operate, there are few academic books that focus on specific leading international corporations. The book sets the task of explaining the growth of three such media conglomerates: Time Warner, Bertelsmann and News Corporation. It details how the evolving operations of these cultural industry corporations are inseparable from the wider history of capitalism. This book seeks to present a different perspective to that offered in the seemingly endless supply of biographies of media executives and owners; though incorporating into its analysis the agency of media 'moguls'—be they Luce, Levin, Murdoch or Mohn—it shows how the strategies and organizational forms of the three corporations have been shaped by broader structural opportunities and constraints of the specific cultural industries and the wider capitalist economy. It does this by offering new insights drawn from political economy, sociology, organizational studies and industrial economics.

The development of such firms is associated with strategies and processes such economies of scale, the commercialization of new technologies, the search synergies and the pursuit of media convergence. These are certainly central features in the combined corporate experience detailed here. Yet in tracing their historical development, I am particularly concerned with analysing the tensions between what is commonly referred to as the 'business models' of specific cultural industries–such as newspapers, music, film, and cable television—and the forms of competition between and *within* these large firms. These tensions have grown and been transformed by processes of financialization that conspicuously emerged in the last thirty years in the context of neoliberal globalization. While financialization has been associated with recurring and deepening crises in global economy, the study of these processes' consequences for particular cultural industries, and the creative workers within them, necessarily extend beyond the influence of the contemporary financial crisis on the firms' operations; over a longer period these processes have served to change both competitive calculations within the companies and, through propelling waves of merger and acquisition, their integration into wider circuits of capital. Such transformations have had discernible effects right across the international media sector. In including Bertelsmann, a German firm rarely covered in detail in English-language texts, I have sought to strengthen the comparative aspect of analysis beyond the centres of Anglo-American 'shareholder capitalism.'

In setting up the sustained, theoretically grounded, analysis of Time Warner, Bertelsmann and News Corp, the first part of the book presents debates in social theory, weaving in issues that pertain to cultural industries and in particular dimensions in which cultural industries both

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challenge and extend these wider social theories. Adopting an approach grounded in critical political economy it does so through an engagement with broader social theories: the wider conditions of capital accumulation (especially theories of corporate competition and financialization); issues of institutional logics and corporate strategies; and the role of states as regulators, mediators of opposed interests and facilitators of corporate expansion. The second part of the book presents detailed case studies of the three media 'mega companies.' As such, it provides a valuable resource for those concerned with the media institutions, the economics of the media or the wider political economy of the communication.

As well as navigating through academic debates, this book is built on a decade of research primarily based on reading corporate histories, the business press, annual reports and government documents 'against the against grain.' I would like to acknowledge and thank the great number of people who have helped me in the complete the book. From the beginning Geoff Reeves gave me great encouragement and generously shared both his wealth of knowledge and his good humour. I would also like to express my deepest gratitude to Jan Sinclair-Jones and Al Rainnie. I'd also like to thank Dick Bryan, Graham Murdock and Dwayne Winseck for the helpful suggestions they provided on the manuscript. The ultimate responsibility for errors, limits of analysis and omissions in the text, of course, remains mine.

Finally, I like to thank Vicki for being equally supportive and contemptuous for what I'm sure was an insufferably long time and our daughters Elise and Amy, who put it all in to perspective.

Published by Lexington Books
A wholly owned subsidiary of The Rowman & Littlefield Publishing Group, Inc.
4501 Forbes Boulevard, Suite 200, Lanham, Maryland 20706
www.rowman.com

Estover Road, Plymouth PL6 7PY, United Kingdom

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British Library Cataloguing in Publication Information Available

Library of Congress Cataloging-in-Publication Data

Fitzgerald, Scott W., 1973-
Corporations and cultural industries : Time Warner, Bertelsmann, and News Corporation / Scott W. Fitzgerald.
p. cm. — (Critical media studies)
Includes bibliographical references and index.
ISBN 978-0-7391-4403-9 (cloth : alk. paper) — ISBN 978-0-7391-4405-3 (electronic)
1. Cultural industries. 2. Conglomerate corporations. 3. Industrial concentration.
4. Mass media and globalization. 5. Time Warner, Inc. 6. Verlagsgruppe Bertelsmann.
7. News Corporation. I. Title.
HD9999.C9472F58 2012
338.7'610705—dc23 2011044407

Printed in the United States of America

™ The paper used in this publication meets the minimum requirements of American National Standard for Information

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Sciences—Permanence of Paper for Printed Library Materials, ANSI/NISO Z39.48-1992.

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Introduction

This book undertakes a comparative analysis of the development of three media corporations: Bertelsmann, News Corporation, and Time Warner. It seeks to offer insights into the relationships between these companies, the cultural and communications industries, and the wider political economies in which they operate. The three corporations form part of a small number contemporary international media conglomerates, a grouping of firms that today appear to face pronounced processes of change that have only been accentuated by the present economic crisis. Nonetheless, globally oriented, and increasingly operating on a global scale, these three companies remain among a handful of international firms that form the institutional apex of the process by which the cultural sphere is increasingly being subsumed within a global system of capital accumulation.

This role of large international firms in this process has been evident since the last quarter of the nineteenth century, and the early twentieth century was marked by a significant deepening of the subsumption of cultural production by capitalist accumulation processes; yet, it was not until the second half of the twentieth century that the corporate growth of the cultural industries accelerated. Companies such as Bertelsmann, Time Warner, and News Corp. tightened their grip on existing spheres of operation and diversified into others. This process was hastened furthermore by the severe capitalist crisis that erupted in the early 1970s. This witnessed significant change in the regulatory frameworks pursued by nation-states, the commercial development of new media technologies, and increased capital investment within the cultural and communications field more generally. Although originally based in different forms of printed media (books, newspapers, magazines), these shifts have seen Bertelsmann, Time Warner, and News Corp.'s expansion become focused on forms of television, financed via advertising or subscriptions.

Despite being driven by the expanding possibilities for profit in television, these firms have remained active in a range of industries, although the character and scope of these industries remains one of the important differences between them. These difference are not merely differentiations among otherwise homogenous the corporate cultural gargantuans; the resilient operational specifics and complexity of different media industries have directed and limited their corporate strategies. Nonetheless, in last 30 years there has been a focus on pursuing the profitable potential of increasing integration and cross-industry support within these media conglomerates. That is, beyond the drive to deepen and refine commodification and industrialization processes in particular media industries, the ideas of *synergy* and *convergent* technologies and industries have conspicuously underpinned the strategy of media conglomeration in this period.

The drive to establish a new competitive, integrated corporate form is, however, only part of

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the story. For as consolidation took place, reinforcing these conglomerates' integration into wider circuits of capital accumulation, there was a deepening of forms of competition *within* the corporation. These processes of consolidation and competition have been marked by specific patterns with the wider political economy encapsulated by the term *financialization*. This book examines how financialization processes regear the internal operations of media corporations in a manner that pits one sector against another and other firms generally, based on prevailing norms of return on capital investment. Yet rather than being an unmediated "golden straightjacket" for the benefit of corporate shareholders, the conception of corporation associated within financialization, as a "portfolio of assets," produced destabilizing and destructive processes that ran counter not only to the possibilities of convergence but often also to the established operating models of different media industries. Moreover, these processes were shaped, advanced, or limited by wider, historically and geographically specific, institutional linkages and practices of management and cultural production. In explaining the separate patterns growth of Bertelsmann, Time Warner, and News Corp, *Corporations and Cultural Industries* fills in an extremely important yet neglected area in communication and media studies, namely the sustained, theoretically grounded, and empirically rich analysis of three of the most important global media conglomerates of our time.

I. TIME WARNER, BERTELSMANN, AND NEWS CORPORATION: AN OVERVIEW

Time Warner, News Corp., and Bertelsmann are major corporations operating across global media industries. According to PricewaterhouseCoopers these industries generated total revenues of US$1.3 trillion in 2009, rising to 1.4 trillion in 2010.[1] The majority of these industries—for instance, broadcasting and cable television, radio, games software, book publishing, film entertainment, music, newspapers, web content, business information—produce commodities that have high symbolic content and are essentially texts produced and circulated to different audiences. Such industries can be characterized as cultural industries, not because of their creative inputs but because of the nature of the output, cultural commodities.[2] However, not all sectors commonly covered by the term *media industries*, or included within the PwC list, fit this description—for instance, wired or mobile Internet access may be a significant driver of spending in the other media segments but belongs more clearly to the communication and information sectors.[3] The form of markets and the types of resources, not least capital investment, required by these sectors are often quite distinct from the cultural industries.

A central issue of this book is how media conglomerates such as Time Warner, News Corp., and Bertelsmann have attempted to manage the relations between cultural and communication industries, both as operations internal to their corporate form and as external relations with other firms. It is worth noting that after two decades of accelerating conglomeration, at the beginning of the 21st century, among a small group of international corporations only News Corp. and Bertelsmann remain strongly diversified within the cultural industries.

The basic financial and stock market information for the ten largest media conglomerates for

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the years 2006–2009 is presented in Table I.1 below. As the table indicates, in 2008, with revenues of US$47 billion, Time Warner ranked as the world's largest media firm, a position it held for the majority of the two decades since its formation in 1989.[4] Time Warner's lineage begins in the early twentieth-century United States, in film and news magazines; over a 70-year period, corporate expansion through diversified growth and acquisition saw these cultural industries become part of wider corporate entities, Time Inc. and Warner Communications. From the latter half of the 1960s their development converged on the new communications industry of cable television systems. When Time Warner was formed, the corporation held leading operations in range of cultural industries including the music industry, magazine and book publishing, and filmed entertainment; yet it was its cable systems and networks that made the difference. These helped to cement Time Warner's unparalleled presence within the Hollywood media-industrial complex. In terms of 2008 revenue, the corporation controlled the largest film studio, and the second-largest collection of cable networks and was the second largest cable systems operator.

Table I.1 Largest International Media Conglomerates Compared 2006-2010 (US $ Billions)

Company	*Revenues*				*Net Income*				*Mark*	
	2009	*2008*	*2007*	*2006*	*2009*	*2008*	*2007*	*2006*	*2010*	*2009*
Walt Disney	36.15	37.84	35.5	33.747	3.31	4.427	4.687	3.374	55.9	34.5
Comcast	35.76	34.25	30.89	24.96	3.638	2.547	2.58	2.53	46.5	46.5
News Corp.	30.42	32.99	28.7	25.32	-3.378	5.387	3.426	2.314	35.24	20.8
Viacom/CBS*	26.63	28.57	27.49	25.68	1.816	-10.42	3.07	3.253	18.02/8.9	10.63/3.13
Time Warner	25.8	46.98	46.48	43.69	2.468	-13.40	4.387	6.552	33.3	30.3
Bertelsmann	21.45	23.23	28.41	26.23	- 0.118	0.198	0.318	2.813	N/A	
Sony	18.05 (23%)	21.4 (24.15%)	16.86 (23.9%)	14.52 (22.8%)	0.009	-0.203	-1.33	0.315	33.89	20.63
NBC Universal**	15.44 (9.85%)	17.06 (9.35%)	15.41 (8.9%)	16.24 (10.7%)	2.55	3.13	3.11	2.92	166.5	113.8
Vivendi	16.01 (43.6%)	15.719 (44.5%)	15.090 (47.3%)	12.365 (46.8%)	3.513	3.623	3.864	5.311	32.95	30.96
Thomson Reuters	13.01	11.78	7.30	6.59	0.865	1.316	3.998	1.115	32.70	21.721

Sources: Orbis Database; Company Reports

* Although having separate share market listings, Viacom and CBS are under the common majority ownership of Sumner Redstone's National Amusements—for a discussion of their functional integration, see Meehan (2010).

** NBC Universal's market capitalization is that of GE; however, Vivendi's sale of its 20 percent stake in NBC Universal over 2010–11 values the entity as a whole at US$29 billion.

Figures in brackets for Sony, NBC Universal, and Vivendi are the percentage of revenue derived from media operations.

In 2009 significant processes of restructuring and divestment changed the corporation's position as *the* leading international media firm and shifted the company to fourth position behind Walt Disney, News Corporation, and Comcast, and just in front of Bertelsmann in terms of revenues (see Table I.1). Following the disastrous acquisition of the corporation by America Online (AOL) in 1999,[5] this "de-convergence" had begun much earlier with the sale of the Warner Music Group (WMG) in 2003 and the sale of the corporation's book publishing

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operations in 2006.[6] The corporation's new CEO and president, Jeff Bewkes, who had overseen the sale of WMG, accelerated this divestment process in 2008 by spinning off the AOL and cable divisions, which represented, respectively, 9 percent and 36 percent of Time Warner's 2008 revenues (or some US$21.143 billion). The "spin-off" of its distribution businesses has left Time Warner overall more dependent on advertising revenue and with three more highly "rationalized" units: filmed entertainment, cable-television networks and publishing (see Table I.3).[7] The future of the Time Inc. division, the world's largest magazine publisher, however, continues to be uncertain; the marked differences between the three divisions' level of sales and profitability (see Table I.3) reflected Time Warner's self-description as a company centered on "producing television and movies for a mass audience."[8]

Bewkes argued these "content-driven businesses" "don't really need an ownership link to one form of distribution": indeed, the corporation started promoting a "TV everywhere" model of subscription that would control access to content across different distribution platforms.[9] From this perspective, the sale of Time Warner's distribution assets can be seen to essentially derive from fundamental changes in the competitive environment driven by technical developments. The divesture program occurred at a time when established industrial models of practice in cable, for example, appear destabilized. Here need for vertical integration has been placed in doubt by the emergence of new competitors; increased independent network programming to fill the enhanced carrying-capacity of digital cable systems; and the development of online distribution of film and TV programming.[10]

Nevertheless, the move to disassemble Time Warner undoubtedly reflected the pressure derived from the form of corporate ownership that has characterized its development: of the fifteen largest media companies within the United States, Time Warner is one of four companies that have an "open" share register (a group that includes Walt Disney, NBC Universal, and Gannett Co.).[11] While this "depersonalized" form of ownership has permitted the centralization of capital through the exchange of stock, Time Warner's development has been conspicuously marked by enormous levels of debt since its formation in 1989; moreover, as the last decade progressed and Time Warner stock underperformed its competitors, pressure increased for the company to be broken up to release "shareholder value," especially from "activist" shareholders who remerged within the ranks of institutional investors. Bewkes' appointment in 2008 further cemented this reworking of the "investor coalition" between owners and managers: Time Warner's corporate strategy was no longer about "transformative deals" but simply, Bewkes noted, about "making money . . . we intend and we expect to have superior returns in the media sector for investors."[12] If the remaining operations could not meet these objectives, Bewkes noted "they're better candidates for private ownerships." The decision by Comcast to acquire NBC Universal from General Electric in 2009, a deal that would create the largest vertically integrated media corporation in the world, highlights this point. The deal was unpopular with Comcast shareholders; nonetheless the Roberts family controlled the majority of the stock and could move relatively easily ahead with the merger.

Table I.2 Major Areas of Operation of International Media Conglomerates 2010

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Corporation			Industry Sectors										
Name	Headquarters	Nº of Employees	TV Broadcasting	Radio Broadcasting	Cable Channels	Film or TV Production	Press	Books	Music	Video Games	Cable or Satellite Systems	Web Content or Social Network	E-Commerce
Time Warner	New York, USA	38000			▲	▲	▲					▲	▲
Disney	Burbank, USA	144000	▲		▲	▲							◭
Comcast	Philadelphia, USA	107000			▲						▲		
News Corp	New York, USA	55000	▲			▲	▲	▲			▲	▲	
Sony	Tokyo, JAPAN	170200			◭	▲			▲	▲			◭
Bertelsmann	Gütersloh, GERMANY	102983	▲	▲		◭	▲	▲	◭				
NBC Universal	New York, USA	15500	▲		▲								◭
Viacom	New York, USA	11200			▲							◭	
CBS	New York, USA	25580	▲	▲	◭								
Vivendi	Paris, FRANCE	49000			▲				▲	▲			

▲ = significant operations

Table I.3 Time Warner, News Corp. and Bertelsmann's Revenues by Business Segment in 2007–2009 (US$ millions)

Business	*Revenues (% of total sales)*			*Revenues**			*Profit (Loss)*		
Year	*2009*	*2008*	*2007*	*2009*	*2008*	*2007*	*2009*	*2008*	*2007*
			Time Warner						
Cable Network Programming	44	23	24	11703	11250	10375	3545	3118	3015
Filmed Entertainment	42	23	24	11679	11932	11682	1084	823	845
Magazines	14	9	10	3749	4622	4975	466	(6624)	907
Cable system	—	35	33	—	17200	15955	—	(11782)	2766
AOL	—	9	11	—	4165	5181	—	(1147)	2013
			News Corp						
Filmed Entertainmentç	20	20	24	5936	6699	6734	848	1246	1225
Television	15	18	20	4602	5807	5705	174	1126	962
Newspapers	19	19	16	5858	6248	4486	466	767	653
Cable Network Programming	18	15	14	5580	4993	3902	1670	1269	1090
Direct Broadcast Satellite Television	12	11	11	3760	3749	3076	393	419	221
Books	4	4	5	1141	1388	1347	17	160	159
Magazines	4	4	4	1168	1124	1119	353	352	335
Rest	8	9	6	2378	2988	2286	-363	42	(193)
			Bertelsmann						

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Television	34.4	35	29.6	7781	8036	8375	725	708	1412
Books	11	10.4	9.5	2479	2395	2698	196	121	259
Magazines	16	16.8	14.7	3568	3854	4122	48	237	336
Business and media services	30.7	30.2	25.5	6487	6949	6514	218	423	403
Media Clubs	7.9	7.6	13.2	1788	1752	3741	.005	(85)	159
Music	—	0	7.5	—	28	2139	—	(153)	113

Source: Company Reports
* Includes Inter-segmental Sales

News Corporation, the third-largest media firm, produced revenues of US$30.423 billion in 2009 (see Table I.2). The company is a public corporation whose development reflects Anglo-American business traditions. Although now headquartered in New York, News Corp. began in 1954 as an Australian newspaper company. It was incorporated in South Australia in 1979 and reincorporated in Delaware, United States, in 2004. The reincorporation was ostensibly implemented to enhance "shareholder value" and gain greater access to U.S. capital markets, and indeed during 2007 News Corporation enjoyed the largest market capitalization among the media conglomerates. Yet, while today many of the same financial institutions are shareholders in News Corporation and Time Warner, the reincorporation allowed Rupert Murdoch, News Corp.'s CEO, chairman, and principal shareholder to reinforce his family's control over the firm. Murdoch maintains the largest block of voting shares in the corporation (over 38 percent) and has used both debt and differences in corporate law between Australia, the United Kingdom, and the United States to help maintain control of the firm. While News Corp. claims to be the most global media and entertainment company and to reach a billion people around the world a day, its development has over the last half-century has been premised on assuming dominant positions principally within the media markets of these three countries.

In 2009 the majority of News Corp.'s revenue came from U.S. businesses, with the Fox Filmed Entertainment producing the largest share of total sales. It remains one of six media conglomerates that have a filmed entertainment unit based on a Hollywood studio (together with Time Warner, Disney, Viacom, NBC Universal, and Sony).[13] News Corp. is, however, far more diversified in its media operations than the rest of these corporations (see Table I.2). It comprises eight divisions, including Filmed Entertainment, Television, Cable Network Programming, Direct Broadcast Satellite Television, Magazines and inserts, Newspapers, Books, and other assets, which included sports, outdoor, and Internet properties. Among News Corp.'s various businesses, cable programming, primarily carried on cable and satellite systems in the United States, was by far the most profitable in 2009 (see Table I.3).[14] Unsurprisingly, the majority of its divisions are investigating new business models for their digital operations including upfront payment and subscription models to help reduce the corporation's reliance on advertising revenues; [15] yet the drive to "protect copyright" has been particularly evident among the media forms on which News Corp. was built: newspapers and free-to-air television.

After the Television division suffered a significant decline in profitability in 2009, News Corp.'s Chief Operating Officer argued that "we have an ad-supported business model that

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does not work."[16] As well as the Star TV group in Asia, the Television division includes two television networks and 27 broadcast stations in the United States (nine of which operate as city-based duopolies). In 2008 eight broadcast stations were sold, and in 2009 the corporation wrote down the value of FCC broadcasting licenses in theUnited States by US$4.6 billion. Propelled by the decline in advertising revenue, the corporation has pushed for higher retransmission fees from broadcast affiliates and cable systems such as Time Warner Cable Inc. for its Fox network programming, which has been the number one TV channel in the United States over a five-year period with shows such as *Idol* and *24*. [17] The desire to reduce the corporation's reliance on television advertising revenue was also signaled by changes within News Corp's Direct Broadcast Satellite, a division centered on Europe and operating on a subscription based model. In 2010 News Corp. sought to purchase the 60.9 percent stake in BSkyB, the U.K.'s dominant digital TV system it does not own for US$11.5 billion.[18] The U.K. pay-TV operator has remained profitable through the financial crisis and advertising downturn and has completed an expansion into broadband Internet, telephone, and other services.[19]

The corporation's Newspaper division is the second largest producer of revenues for News Corp: the corporation is the largest publisher of English language newspapers in the world and has a dominant position in Australia and the United Kingdom.[20] In the context of a wider secular decline in the profitability of newspaper industry thath predated the economic crisis, the division's profits have fallen across its international suite of papers, including the *Wall Street Journal* which it acquired in for US$5 billion 2007. In 2009 it wrote down the goodwill value of newspaper assets by US$4.1 billion—of which US$2.8 billion was accounted for by the decline in the value of *Wall Street Journal*. Despite the write-down, News Corp is seeking to expand the *Wall Street Journal*'s successful online subscription model to its U.K. and Australian newspapers—notwithstanding the incredulity of many media commentators about Murdoch's strategy of charging for online access to general interest news stories. Murdoch noted that News Corp would seek to "establish a new economic model to profitably transition our print properties to digital."[21] More broadly he noted that News Corp "will be asserting our copyright at every point" by charging for all if its news websites: "If we're successful, we'll be followed by all media."

With revenues of US$22.2 billion in 2009, Bertelsmann is the world's fifth-largest media corporation and Europe's largest (see Table I.1). The corporation is based in Gütersloh, Germany, and traces its origins to 1835. While its commercial oriented publishing did not emerge until the 1920s, under the aegis of the National Socialist regime it developed into Germany's largest publisher. After World War II, Reinhard Mohn, the fifth-generation representative of the Bertelsmann family, oversaw the international growth of the corporation across an expanding range of media industries. Today Bertelsmann remains one of the more diversified media firms with operations in over 50 countries (see Table I.2). It comprises five divisions in the areas of TV, radio and program production (via a 91 percent stake in the RTL Group—Europe's largest broadcaster in terms of households reached); business and media services (Arvato); book publishing (Random House—the largest trade book publishing group in the world); magazine publishing (via a 74.9 stake in Gruner + Jahr, Europe's biggest

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publisher of magazines); and media clubs in sixteen countries (Direct Group). Bertelsmann also operates in the area of music publishing (via BMG Rights Management, a joint venture with KKR Investment). The RTL Group and Arvato AG remain Bertelsmann's "core businesses" in terms of revenue and profits; however, the dependence of RTL, and Gruner + Jahr, on the advertising market have seen these groups record significant declines during the global economic crisis. The only division with a stable business was Random House.

Bertelsmann is privately controlled by the Mohn family and, unlike Time Warner or News Corp., is not publicly listed on a stock exchange. In the last decade the Mohns have linked their commitment to private control with the need to safeguard Bertelsmann's "corporate culture." This commitment was demonstrated in 2006 when Bertelsmann spent US$5.7 billion on buying back shares it had previously traded for expanded control of the RTL Group. The buyback reduced the Mohns and their Bertelsmann Foundation to the sole economic shareholders of the corporation, with 22.6 and 77.4 percent, respectively; indeed, over the last decade the presence of the Mohn family has increased across the various boards of Bertelsmann and its Foundation. Although Reinhard Mohn had once described family control of corporations as a strategic "cul-de-sac," following his death in 2009 his wife Liz Mohn extended her control of the European media group by assuming his power of veto over the corporation's voting shares, which are held by a family-dominated management company.

Despite the Mohns' strengthened grip on Bertelsmann, in the last decade the company has adopted an increasingly capital market focus. The 2006 share buyback added to increasing levels of debt the corporation held from the late 1990s following expensive acquisitions of book and music operations. While traditionally Bertelsmann drew on its profits for investment capital, today the company is financed largely via international debt markets and is a major issuer of bonds. The greater integration of the company in circuits of finance has had manifest effect on the corporation's financial goals, including its focus of its international "credit rating"; its use of international accounting standards and its commitment to employee profit sharing; and its management's strengthened focuses on creating value and adjusting the corporation's portfolio of operations.[22] As a result, since 2006 the holdings of Bertelsmann have become less diversified with significantly reduced operations in music (BMG) and media distribution (Direct Group). Moreover, it has turned to private equity firms to gain access to investment capital: in 2007, it founded a private equity fund along with Citigroup, Private Equity, and Morgan Stanley Principal Investments and has since entered into a joint venture with the private equity group Kohlberg Kravis & Roberts (KKR) to manage music rights. The austerity measures that Bertelsmann announced to save € 900 million have been in line with this practice and have raised questions about how flexible the corporation's culture of partnership has become.

It is clear that Time Warner, Bertelsmann, and News Corp. were all were profoundly affected by the collapse of global finance markets in 2007 and the credit crisis following the collapse of Lehman Brothers in the United States. Market values were destroyed, and tens of billions were wiped off balance sheets; corporations were restructured, and tens of thousands of their employees lost their jobs. Yet, the widespread reference to the breakdown of business models

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in the cultural industries, whether it be in publishing, press, music, film, or television, goes beyond the contractions and shifts in consumer and advertising expenditure brought about by the global financial crisis. For the effects of the crisis took place within a context in which over the last two decades the established socioeconomic logics of production within cultural industries have experienced a succession of structural changes.

II. FRAMING THE ISSUES

Many accounts of these structural changes center on the destabilizing effects, particularly on distribution networks, of the encounter between the cultural industries and the new technical capabilities of the communications industries—epitomized by the success of Google, Amazon, and Apple. Companies such as Time Warner, Bertelsmann, and News Corp. may have once been viewed as corporate behemoths combining different communication and cultural industries within larger corporate structures. Yet according to the pervasive accounts, these corporations are merely the grouping of vulnerable “legacy media” operations at the end of the first decade of the twenty-first century.

While not dismissing the central role of innovations in the technologies of communication, the strategies and organizational structures of media and communication corporations are primarily shaped by the tendencies inherent in the global restructuring of capitalism, including the ever-present albeit changing role of competition. Particularly evident in the recent development of the three corporations is the manner in which financialization has changed competitive calculation both inside and outside cultural industry corporations. Today’s predominant recourse to financial assessment and analysis within management strategy has changed the evaluation of different socioeconomic models of cultural production and their associated practices. This has reinforced, for example, well-established trends in regard to the extension of marketing considerations and practices within upstream and downstream processes; and the casualization and outsourcing of labor through the externalization of production processes.

Although an underlying methodological nationalism highlights the differences between national economic systems, these similarities reflect the emergence of variegated forms of neoliberalism. The recent development of Time Warner, Bertelsmann, and News Corp. show the growing salience of the global aspect of capitalism that has emerged through economic integration and that macroeconomic competition in the world economy acts a “disembedding” force. More specifically during the last decade, as Time Warner and to a lesser extent Bertelsmann demonstrate, not only has the business models of individual sectors been reassessed and altered, but the model of the media conglomerate itself has been affected by a retreat from a diversification strategy in favor of a strategy of “rationalizing” holdings around strong market positions in certain sectors. To properly understand these changes they need to be placed in the lines of development of the concentration of corporate power within a longer historical context that illuminates the broader social-economic and political context in which they are embedded.

The individual development of these firms reflects the maturation of capitalist cultural

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production within advanced industrial societies in the context of wider changes in the world economy. Here, the image of the imposition of a single model of commodification under a system shaped by global "monopoly capital" and U.S. super-imperialism is in many ways instructive. The process of capitalist subsumption is undeniably overseen by a coalescing form of corporate domination; nonetheless, the competitive and contradictory, and hence crisis prone, nature of the capitalist cultural production forestalls any simple, linear development of commercial media. Indeed the purpose of this book is to analyze the shared yet contrasting development of the three media corporations. Their analysis brings into focus the ways in which the uneven processes of cultural commodification and industrialization are mediated through the particular institutional configurations of distinct cultural industries.

Yet while it is crucial to analyze how the distinctive characteristics of different cultural industries, "fixed" through time in organizational forms, media use habits, and processes of commodification and valorization, have shaped these companies' development, it equally important to analyze contradictory and destabilizing effects of competition between capital investment within these media firms. This competition is constantly governed by the search of new outlets and the drive to meet or exceed the prevailing norms for return on capital across economies as a whole and within specific segments of media companies' operations in particular. This process has been accentuated by financialization—a term broadly connoting the manner in which global financial system has become increasingly dominant across a range of socioeconomic spheres. It has served to reinforce the distinctions between the different sectors of the cultural industries and work at cross-purposes to the strategies of convergence and synergy that were preeminent in this corporate sector in the last decades of the twentieth century.

How these processes have developed has varied both historically and geographically. These companies emerged within different national settings—the U.S., Australia, and Germany—and so their analysis also reveals the extent to which national business systems, understood to encompass the specific form of class relations within nation-states, have shaped these media companies. This was a central reason why these media companies were chosen for study.

While this book is in the subdiscipline of the sociology of the media, it draws on a number of important debates within the field of critical political economy. The book situates the companies' development within an understanding of the changing capitalist world economy and the historically specific institutional forms through which it operates. Against a sociological institutionalism, which in its Weberian form ontologically privileges the organizing logic and power of autonomous institutions, be they "network enterprises" or the institutional varieties of distinct capitalist "models," the analysis of these firms follows a Marxist perspective that emphasises the substantive social logic of changing class relations based on the world market.[23] Less cryptically, the accentuated development of these companies has taken place within a period that is now commonly referred to as neoliberal globalization.[24] While far from a monolithic, undifferentiated project, this capitalist and imperialist response to the end of the Long Boom—the quarter-century period (1949–1973) of unprecedented international growth and relative stability—means the companies' development reflects common trends in the

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global economy, including the rise of finance capital and the adoption of policies of marketization by national states and international governance bodies.[25] These global trends are likely to see a continuing convergence of forms and principles of corporate media management and hence the strategic actions of these international companies. Despite this, we are likely to see uneven development within and among communication and cultural corporations continue. The reasons for this are briefly delineated in the following chapter overviews.

The general approach taken to analyze the development of Time Warner, News Corp., and Bertelsmann can be described as one of "incorporated comparison" in which the corporations are not taken to be individual and separate examples from which generalizations can be made, but interrelated elements of a historically integrated process.[26] These case studies are comparable because they are historically connected and mutually conditioning; that is, they have formed in relation to one another and in relation to the whole formed through this inter-relationship. The aim of incorporated comparison is not to presume a "'whole' that governs its 'parts'" but rather is to "give substance to a historical process (a whole) through the comparison of its parts. The whole, therefore, does not exist independent of its parts."[27]

The route taken in this book involves the use of a multiple form of incorporated comparison that emphasizes both the contextual (that is historical or diachronic) and compositional (or synchronic) dimensions of these media corporations' development. Marxian analysis has been dominated by a primary interest in the historical moment of incorporated comparison: attempts to delineate and examine specific periods and epochs of capitalist development, that is, a process of periodization.[28] Importantly, such a position challenges the notion that Time Warner, Bertelsmann, and News Corp. can be viewed as representative of the simple unfolding of capitalist tendencies, of the globalization of capital as an inexorable, monolithic force.

In chapter 1, I examine the process of corporate change associated with neoliberal globalization and the manner in which this has affected the dialectic of competition and monopoly. As in other areas, this recent phase of globalization has accentuated the conspicuous processes of integration and centralization among media companies at both a national and international level. However, fundamental changes in the competitive imperatives in the global media sector also need to be understood and highlighted. Such imperatives include not only intrasectoral competition, often fought out in terms of gaining a "critical mass" through merger and acquisition; it also includes the process of financialization that has had a significant impact on intersector competition as it is mediated through the financial system. In addition it has often been accompanied by an intensification of intracorporate competition where the rates of return among a company's "profit-centers" impinge heavily on strategy. To the extent that these forms of competition overlap and are mutually reinforcing, they envelop all the major media companies.

It is essential to note the recent development of the companies has not only been conditioned by this particular period in the world economy but has also been mediated through several institutional forms. Particularly when the role of communications and media is emphasised, many contemporary discussions of institutional change view it as the outcome of a technologically enhanced capitalism that has gone beyond its previous contradictions, forms,

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and limitations.[29] Such a vision of a new socio-technical paradigm is aptly captured in Raymond Williams' phrase "Paranational Hypercapitalism."[30] Chapter 2 takes issue with this widely promoted notion that the context in which these corporations operate has been fundamentally changed by media technologies. It explores the manner in which common competitive pressures lead to differentiated outcomes due to the mediating role of distinct institutional forms, not least the specific characteristics of cultural and communications industries, and their impact on the strategies of the three corporations.

The first point to be made here is that there are specific limits to which the industrial operation of these media firms can be treated like any other industrial sector and so attention needs to be focused on "definite production" and how this in turn "determines a definite consumption, distribution, and exchange as *well as definite relations between these different moments*."[31] The corporations' development has been shaped by the changes and continuities within the industrial models and social logics of the different media fields. This includes, for instance, broadcasting, publishing, or newspapers that are often combined to different degrees within media conglomerates. These logics reflect how uncertainty and habits of media usage both shape strategies of industrialization and commodification in particular and place barriers on the expansion of these processes. Such logics have patently limited the degree of media convergence that could possibly be reflected in the different corporate strategies.

A second consideration that needs to be addressed is that while News Corp., Time Warner, and Bertelsmann all compete in an integrating global media industry, their competitive strategies are shaped by the historical legacies and present-day manifestations of the broad institutional orders of different capitalist social formations. These are commonly understood as reflecting distinct "varieties of capitalism" or models of capitalist development, which, as with media systems themselves after the end of World War II, have largely taken on a national configuration.[32] While cognizant of the contributions of marginal economics and Weberian *qua* institutionalist research programs, as noted the book follows a Marxian account that focuses on how institutional variation differentiates but nevertheless encompasses the overarching social logic of capital. Without proffering industrial convergence, this perspective is open to both substantive and formal erosion of national differences in supposedly distinct models of capitalism, which have been reflected in areas such as capital markets and corporate governance.[33]

Chapter 3 addresses the social logic and institutional variation in neoliberalism with respect to the crucial role that changing regulatory frameworks have played in the development of today's global media oligopoly. This chapter addresses broadly how privatization, liberalization, commercialization and internationalization have changed the media environment and enabled the large-scale concentration that has been underway for the last twenty years. Although more specific instances of media corporations' direct and indirect dealings with state institutions are addressed in the case study chapters, this chapter provides a general overview and a theoretical analysis.

While the "reform" of media systems has varied considerably, the United States and the U.K. have played a primary role in eliminating barriers to concentrated media ownership and the

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expanded commercial exploitation of media at home. Through direct pressure through the institutional architecture of the interstate system and through reciprocal processes of interstate regulatory competition, waves of neoliberal market "reform" have spread internationally. In a process that is continuing, the capitals in the U.S. media sector were unleashed from important regulatory constraints under the banner of free markets and technological progress. This ensured that the most important of changes in corporate form, managerial control, and financial intermediation occurred in those media and entertainment companies based in the United States. The process of international regulatory reform has reinforced the dominant international role enjoyed by the United States in the media and entertainment sector. Nonetheless, it has also drawn other states onto its own path of development and affected the operating conditions of media corporations around the world.[34] Given the continuing forms of interstate competition within the global economy, it is not surprising that where they are able states have offered targeted support to "their" media capitals while establishing a more a pro-corporate environment more generally. Thus despite the many instances of a form of corporate ultra-imperialism, competition between corporations such as Time Warner, Bertelsmann, and News Corp. continues to be in part mediated through nation states. These transnational corporations (TNCs) continue to rely heavily on nation-states and seek support and impose policy and practice within key sections of state apparatus that are in a form most amenable to their interests.

The broad arguments that are elaborated in the first three chapters provide a particular understanding of the history of the three media companies' development. In chapters 4, 5, and 6 the book then presents detailed case studies of Time Warner, Bertelsmann, and News Corp., using the foregoing periodization together with a typology of institutional forms to illuminate the distinctive yet combined nature of their development. These chapters provide a historical background to the companies and focus particularly on their operations since the 1990s and the emergence of a global media system. Chapter 4, which focuses on Time Warner, is structured to focus attention on the effects of stock market driven capitalism and the effects of financialization on the merger and acquisition activity in the media sector and the manner in how using and servicing debt became a central issue to be dealt with through managerial strategy. The chapter ties this expansion of debt into the centralization and concentration of assets within the cable industry and the manner finally in which these two characteristics of Time Warner development interacted with the corporation's music and magazine operations. Chapter 5 traces the development of Bertelsmann, a corporation that is often described and portrayed as essentially different from American corporate practice. The chapter is structured to focus on the manner in which the corporation's strategy reproduced and transformed elements of German corporate practice and the manner in which this affected its competitive position in a rapidly integrating international media sector in from 1990s onward. Finally chapter 6 examines the question of the structural capacity of News Corporation to transcend the institutional logics associated with cultural production and state policy. The chapter addresses the manner in which News Corporation's comparatively quick development as an international media firm depended crucially on wider processes of change in state policy and cultural

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industry practice. The conclusion reviews the book's central arguments in light of the case studies and indicates areas for future research.

NOTES

1. PricewaterhouseCoopers, "Global entertainment and media outlook: 2011–2015," (New York: PricewaterhouseCoopers, 2011).

2. For recent examinations of the different understandings of the concept of the cultural industries see Justin O'Connor, *The Cultural and Creative Industries: A Literature Review* 2nd ed., Creativity, Culture and Education Series (Newcastle: Creativity, Culture and Education, 2010); Toby Miller, "From Creative to Cultural Industries" *Cultural Studies* 23, no. 1 (2009); David Hesmondhalgh, *The Cultural Industries,* 2nd ed. (London: Sage, 2007); Jeff Boggs, "Cultural Industries and the Creative Economy—Vague but Useful Concepts" *Geography Compass* 3, no. 4 (2009).

3. See Eli Noam, *Media Ownership and Concentration in America* (New York: Oxford University Press, 2009); Dwayne Winseck, "Financialization and the 'Crisis of the Media': The Rise and Fall of (Some) Media Conglomerates in Canada," *Canadian Journal of Communication* 35, no. 3 (2010).

4. Time Warner jostled with the broadcasting corporation Capital Cities/ABC in the first part of the 1990s for the rank of the largest media company in the United States; yet since 1995 Time Warner has held the number one ranking based on revenue by trade publication *Advertising Age*.

5. This deal signaled the peak of a merger and acquisition market cycle in the late 1990s and was motivated in significant part by a desire to extend Time Warner's cable distribution to high-speed broadband Internet networks.

6. See for example Dal Yong Jin, "Deconvergence: A Shifting Business Trend in the Digital Media Industries," in *International Communication Association* (Marriott, Chicago, IL, May 20, 2009).

7. While Time Warner Cable and AOL reduced their workforces by 1250 and 2500, respectively, before these divisions were spun off, these remaining operations were further restructured to reduce costs, including reorganizing and centralizing the operations at Warner Bros and Time Inc.—since 2008 800 jobs were eliminated at Warner Bros and Time Inc. initiated a process of eliminating 1,140 jobs. To put this in context, it has been estimated that major media companies have eliminated the jobs of an estimated 8,000 to 10,000 people since 2008.

8. Tim Arango, "A Time Warner Deal That Keeps Going Downhill," *New York Times,* January 9 2009, 3. See also Tim Arango, "Time Warner Is Moving Closer to AOL Spinoff" *New York Times,* April 30 2009; Tim Arango, "Time Warner Refocusing With Move to Spin Off Cable," *New York Times,* May 1 2008.

9. Andrew Edgecliffe-Johnson, "Cable boost for Time Warner," *Financial Times,* May 22 2008, 19.

10. While cable system operators still control two-thirds of multichannel video market in the United States, since the mid 1990s the share controlled by satellite broadcasters DirecTV and EchoStar, and to a smaller extent telephone companies, has continued to increase; moreover in the response to these impending competitive pressures between 1996 and 2008 cable system owners such as Time Warner invested US$146.8 billion upgrading their networks to offer video, telephony and broadband data (see National Cable and Telecommunications Association www.ncta.com/Stats/InfrastructureExpense. aspx). Cable system operators have in turn allocated the major proportion of the resulting new capacity to unaffiliated cable TV networks; nonetheless a small number of major cable networks continue to garner the bulk of the industries revenues.

11. For complementary analysis of media capital structures, see Núria Almiron, *Journalism in Crisis: Corporate Media and Financialization* (Cresskill: Hampton Press, 2010), 112.

12. Kenneth Li, "The big turnround," *Financial Times,* May 29 2010, 1.

13. In 2009 its film studio was the most profitable in Hollywood and, with the largest "foreign" (outside of U.S. and Canada) market share of 23 percent (US$2.4 billion), rivaled Warner Bros.' worldwide box office revenue of $4.01 billion. Fox's 3-D film *Avatar*, surpassed the studio's *Titanic* as one of profitable releases and was expected to boost News Corp.'s operating profits and the studio's steadily declining DVD sales.

14. News Cable network programming is led by its highly successful right-wing Fox News Channel and also comprises of the Big Ten and FX entertainment networks. Since late 2007 the division has supported the establishment of a Fox Business Channel with plans to integrate material from the corporation's new Dow Jones-Wall Street Journal subsidiary.

15. The studio was investigating new forms of distribution in response to this secular decline in DVD sales, which had once been one of the more profitable distribution "windows." This included an extended contract with the Netflix company to stream movie content online; yet the chairman of Fox Filmed Entertainment noted, "There is going to be tension between our business models and the immediacy and ubiquity consumers demand. . . . We need to get paid." Cynthia Littleton, "TV eyes online, races to save biz model; Webs know Internet is the future; question is how to monetize it " *Daily Variety,* May 16 2010. For a discussion of the online strategies of the film and television divisions of media conglomerates, see Janet Wasko, "The Death of

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Hollywood: Exaggeration or Reality?," in *Handbook of Political Economy of Communications*, ed. G. Murdock, H. Sousa, and J. Wasko (Oxford Blackwell, 2011); Alisa Perren, "Business as Unusual: Conglomerate-Sized Challenges for Film and Television in the Digital Arena," *Journal of Popular Film and Television* 38, no. 2 (2010).

16. Ryan Nakashima, "News Corp. posts $203M loss on writedown, but Murdoch sees 'signs of life' in advertising," *Associated Press Newswires,* August 6 2009.

17. Bewkes predicted that the push by Murdoch and others to charge consumers for news content will ultimately succeed, despite the assumption that they are habituated to getting content for free.

18. David Hesmondhalgh, *The Cultural Industries,* 2nd ed. (London: Sage, 2007), 268.

19. After gaining control of DirecTV in 2003, then the largest U.S. direct broadcast satellite business, in 2007 News Corp. exchanged its 34 percent controlling stake to Liberty Media in return for Liberty's significant block of voting shares in News Corp. U.S. regulators had barred DirecTV from entering into partnerships with telecommunication companies to offer broadband in manner similar to BskyB, and Rupert Murdoch had begun to refer to the satellite company as the "turd-bird" prior to the stock swap with Liberty. Since then the importance of its European satellite operations have deepened. As well as its wholly owned Sky Italia operations, since 2008 it has amassed a 45 percent stake in Germany's Premiere pay-TV operations, now Sky Deutschland.

20. The newspaper properties provided the cash flow through the 1980s and 1990s for News Corp. diversification and expansion.

21. This remark was made at News Corporation's Fourth Quarter 2009 Earnings Conference Call.

22. On being appointed Bertelsmann new CEO in December 2007, Hartmut Ostrowski made it clear that what did not grow would be divested: "It is equally the responsibility of the entrepreneur to acknowledge that, in most cases, you're not going to turn a lamb into a lion. That means we have to evaluate our business areas and—if necessary—take tough decisions. It goes without saying that we will keep an especially close eye on operations whose business is shrinking." Ed Meza, "Bertelsmann focuses on growth; New CEO outlines strategy," *Daily Variety,* December 14 2007.

23. Such an orientation has been arguably in decline in Australian academia, with the push to cement critical communications research that is post-Marxist in political orientation and more concerned with the interests of government and industry.

24. Robert W McChesney, "Global Media, Neoliberalism, and Imperialism," *Monthly Review* 52, no. 10 (2001).

25. Paula Chakravartty and Katherine Sarikakis, *Media Policy and Globalization* (Edinburgh: Edinburgh University Press, 2006); Ben Fine, "Debating the 'New' Imperialism," *Historical Materialism* 14, no. 4 (2006); David Harvey, *The New Imperialism* (Oxford: Oxford University Press, 2003).

26. Philip McMichael, "Incorporating Comparison within a World-System Perpective: An Alternative Comparative Method," *American Sociological Review* 55(1990). Philip McMichael, "World-Systems Analysis, Globalization, and Incorporated Comparison," *Journal of World-Systems Research* VI, no. 3 (2000). Philip McMichael, "Globalization," in *The Handbook Of Political Sociology: States, Civil Societies and Globalization*, ed. Thomas Janoski, et al. (Cambridge: Cambridge University Press, 2005).

27. McMichael, "Incorporating Comparison within a World-System Perpective: An Alternative Comparative Method," 386. See also John Holloway, "Global Capital and the National State," *Capital and Class,* no. 52 (1994).

28. Alex Callinicos, "Epoch and Conjuncture in Marxist Political Economy," *International Politics* 42(2005).

29. See for example Bill Gates, *The Road Ahead* (New York: Penguin, 1995).

30. Raymond Williams, "Culture and Technology," in *The Politics of Modernism: Against the New Conformists* (London: Verso, 1989).

31. Karl Marx, *Grundisse: Foundations of the Critique of Political Economy,* trans. Martin Nicolaus (Harmondsworth: Penguin Books (in association with New Left Review), 1993), 99.

32. Peter A. Hall and David Soskice, eds., *Varieties of Capitalism: Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001); David Coates, *Models of Capitalism: Growth and Stagnation in the Modern Era* (Cambridge: Polity Press, 2000).

33. See Hugo Radice, "'Globalization' and national differences," *Competition & Change* 3(1998); John Weeks, "The expansion of capital and uneven development on a world scale," *Capital & Class,* no. 74 (2001); see also Colin Crouch, "Models of Capitalism," *New Political Economy* 10, no. 4 (2005); J. Rogers Hollingsworth, "New perspectives on the spatial dimensions of economic coordination: Tensions between globalization and social systems of production," *Review of International Political Economy* 5, no. 3 (Autumn) (1998).

34. Giovanni Arrighi, *The Long Twentieth Century* (London: Verso, 1994), 29. For a discussion of the changing "world media pecking order" see Jeremy Tunstall, *The Media Were American: U.S. Mass Media in Decline* (Oxford: Oxford University Press, 2007), 236–37.

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Chapter 1

Cultural Corporations and Capitalist Imperatives

1.1 OVERVIEW

The march of the international media "behemoths" had once been represented as the ineluctable force of industrial organization.[1] During the 1990s, the international processes of consolidation and restructuring of the media organizations had produced a handful of fully integrated media corporations with global reach (see Table 1.1). Central among these were Time Warner, Bertelsmann, and News Corp.[2] The waves of fusion with the cultural industries were propelled by ongoing regulatory changes, shifts in financial markets, and the uncertainty and promise of "new" technologies, all of which had become conspicuous in the late 1970s and 1980s. Certainly, significant development of cultural industries had occurred in advanced capitalist countries following the Second World War. As a result of rising living standards, altered technical conditions of reproducibility associated with new "cultural hardware," and individualized mass culture buttressed by expanding consumerism, rapidly expanding media markets fortified this "corporate professional era" of cultural production.[3] Yet the organizational tendencies evident in this earlier phase appeared to be only fully realized in the processes of corporate restructuring, re-positioning and reorganization that had driven merger and acquisition activity and strategic alliances in the 1990s.[4]

Corporations, such as the newly formed Time Warner, claimed that their global competitiveness was not merely the result of their size but more importantly their structure.[5] Their strategy of integration proceeded horizontally across a diverse range of media products, including cultural hardware and software, and vertically, oriented toward gaining control of the central points of the production, distribution, and exchange processes through various proprietary relationships. Critical political economists such as Vincent Mosco have noted that through such integration the global media companies attempted to develop a defensive structure, a response to conditions in which power and not simply efficiency are centremost.[6] Such integration seals the company off from many external market uncertainties produced by, for example, several strong competitors along the circuit of production and at the same time permits the development of internal markets within a protected environment by requiring competition among product line divisions. On this basis, media conglomerates have not only sought product diversification but also global integration, expanding internationally in search of new markets for their products, cheaper labor costs, and areas with minimal government oversight and regulation.

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Table 1.1 Leading Media Conglomerates' Revenue 1998–2004 (US$ Billions)

Ranking	*1*	*2*	*3*	*4*	*5*	*6*	*7*
Year	*Time Warner*	*Vivendi*	*Disney*	*Viacom*	*Bertelsmann*	*News Corp.*	*Sony*
2003–04	39.6	30.8	27.1	26.6	21.1	21	19.2
	AOL TW	*Vivendi*	*Disney*	*Viacom*	*Sony*	*Bertelsmann*	*News Corp.*
2002–03	41.8	31.1	25.3	24.6	19.9	19.4	17.5
	AOL TW	*Disney*	*Vivendi-Universal*	*Viacom*	*Bertelsmann*	*News Corp.*	*AT&T Broadband*
2001–02	38.234	25.40	24.50	23.222	17.80	15.20	9.80
	AOL TW	*Disney*	*Viacom*	*Vivendi-Universal*	*Bertelsmann*	*News Corp.*	*Sony*
2000–01	36.20	25.40	23.40	22.10	19.10	13.80	9.30
	Time Warner	*Disney*	*Bertelsmann*	*News Corp.*	*Viacom*	*Sony*	*Universal*
1999–00	27.30	23.40	15.40	14.20	12.90	11.30	10.60
	Time Warner	*Disney*	*Bertelsmann*	*News Corp.*	*Viacom*	*Sony*	*Universal*
1998–99	26.20	23	15.30	13.6	12.1	10.5	7.5

Source: Variety, "The Global 50" 1998–2004.

The growth of these capitals has been associated with the development of corporate institutional forms and new management techniques associated with the extension and consolidation of the corporate professional model of cultural production. It is unquestionable that through such processes these capitals have made major advances in their attempts to control their environment.[7] As Joost Smiers somewhat breathlessly emphasizes:

> The company that has the capacity to manufacture its cultural products in large quantities and continuously, that is able to distribute them effectively to many parts of the world, that is in a position to persuade huge numbers of people that what is on offer is something they want to see, buy or listen to, that has the know-how to transform all those single products into a tasty soup of not-to-be-missed experiences, that is capable of upgrading its international operations to a privileged position by expanding horizontally and tapping emerging markets worldwide, that is capable of forging vertical alliances at all levels and in all branches of the cultural market, and that can attract the investment money to undertake all those activities—*this cultural conglomerate has power*.[8]

Their expanded control goes beyond the attainment of forms of market power, internal market efficiency and "synergy."[9] Such conglomerates have largely been able to suspend competition, viewed from the perspective of a factor analysis at the market level, in the many areas that they dominate.[10] Robert McChesney argues that almost all media markets are classic oligopolies; nevertheless, for the major investors there is still an excess of competition in the sector.[11] These corporations therefore engage in numerous activities that form the basis of shared linkages (that is, "co-respective competition" to use Joseph Schumpeter's phrase): cross-ownership, revenue sharing, co-production, co-purchasing, and swaps of local distribution outlets between major owners.[12] The systems of financial flow that they administer further significantly reduce forms of market risk that they may otherwise have had to face through activities such as cross-

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subsidization and the outsourcing of production.[13] The overall effect is to reduce uncertainty from interfirm competition in the sector and "carve up the media pie to the benefit of the handful of giants";[14] unsurprisingly the conditions for profit for such firms are drastically improved.

Indeed, Edward Herman and Robert McChesney underscore that it is when the effects of horizontal and vertical integration, conglomeration, and globalization are combined that a sense of the profit potential emerges.[15] The strategy of integration that global media companies are pursuing enables them to exploit more fully the resources they have at their disposal, allowing for cost savings on existing personal, facilities, and "content" resources. Another much-trumpeted source of profitability from integration comes from the so-called synergies of cross-selling, cross-promoting, and privileged access that form "the model of the new media business" in which a brand can be exploited through film, cable and broadcast television, publishing, theme parks, the Internet, and merchandising.[16] It is the size and market power of the media firms that determines their centrality to the wider "sales effort" of the corporate economy and their ability to share a larger extent in the publicity rents that they garner for other marketing and retailing firms through forms of cross-promotion.[17]

Table 1.2 Major Media Acquisitions 1985–2010 (US$ billions)

Date	*Acquiring Firm*	*Acquired Firm*	*Value*
1985	News Corp.	Metromedia TV stations	1.6
1985	Capital Cities	ABC	3.5
1986	National Amusements	Viacom	3.4
1997	Sony	CBS Records	2
1989	Time Inc.	Warner Communications	14.1
1989	Sony	Columbia Pictures & TriStar Studios	4.8
1990	Matsushita	MCA	6.6
1993	US West	¼ Time Warner Entertainment (TWE)	2.5
1993	Viacom	Paramount	8.3
1994	Viacom	Blockbuster	4.8
1995	Disney	Capital Cities/ABC	19
1995	Time Warner	Turner Broadcasting	8.5
1995	Seagram	MCA	5.7
1995	Westinghouse	CBS	5.4
1998	AT&T	TCI	53.6
1998	Seagram	Polygram	15.1
1998	Bertelsmann	Random House	1.3
1999	Viacom	CBS	38
2000	Vivendi	Seagram/Universal	34
2000	AOL	Time Warner	165
2000	News Corp.	Chris-Craft TV stations	5.4
2001	AOL Time Warner	IPC Media	1.7
2003	GE	Vivendi Universal Entertainment	5.2
2003	News Corp.	38.5% Hughes Electronics (DirecTV)	6.6
2003	Sony Music	Bertelsmann Music Group (BMG)*	5
2004	Sony-led investor group	MGM Studios	4.8
2006	Time Warner/Comcast	Adelphia Communications	17
2006	News Corp	Dow Jones & Company Inc.	5.6
2006	Disney	Pixar Studios Inc.	7.4
2007	Disney	Citadel Communications Corp	2.7
2008	Bain Capital LLC/Thomas H. Lee Partners	Clear Channel Communications	24
2008	Thomson Corporation	Reuters	17
2008	CBS Corporation	CNET Networks	1.8
2010	Liberty Global Inc.	UnityMedia Gmbh	5.2

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2010	Comcast	NBC Universal	13.75
2010	Disney	Marvel Entertainment Inc.	4.24

Sources: Orbis Database; Company Reports.
* Merger.

This ongoing process of restructuring and integration was principally set in motion by re-regulation of the corporate activity, in particular the relaxation of media ownership restrictions. Dan Schiller remarks that capital, facilitated by such regulatory shifts, "flooded into the communications industry. In an epic buy-out binge, a torrent of multibillion dollar mergers and acquisitions flowed through the sector" (see Table 1.2).[18] This process itself relied on the creation of new sources of credit associated with new forms of international financial intermediation.[19] Distinctively, the media consolidation of the 1980s and 1990s involved corporations merging with other large media concerns to form media "megacompanies," as opposed to earlier processes of consolidation (for example in the 1960s), where large corporations acquired small loss making media firms.[20] The 1990s alone saw in excess of US$300 billion in major media merger and acquisition deals.[21]

While concentrating corporate power, these processes of centralization and integration have come at a price for corporate strategy: as the debt levels soared, the percentage of cash flow taken by financial agents underwent a qualitative jump (a process that was reflected in the wider economy).[22] The 1990s witnessed increasing calls from investors for greater managerial discipline and sweeping processes of corporate "rationalization" as a way of cutting debt levels. Nonetheless, by the late 1990s, as the *Economist* points out, the strategy of expensive consolidation appeared to have been vindicated: ". . . the returns on capital in the better companies are now healthy. . . . Investors are also now approving as media shares are roaring ahead. And several flush media companies are buying back shares and repaying debt."[23] For listed companies such as News Corp. and Time Warner, debt reduction and share buybacks played an important role in raising share prices and thus answering the concerns of the strengthening "shareholder value" movement.[24] However, during this period, the paper entrepreneurialism of the "New Economy" and the "dotcom" financial bubble were the prime influence on share prices. The inflated script drove merger and acquisition activity to incredible levels: US$300 billion in media and telecommunication merger and acquisition deals took place in the first half of 2000.[25]

In early 2000, the dangers of accepting overly disjunctive narratives of change guided by notions of the "digital sublime" were highlighted by the large-scale process of devaluation of fictitious capital following the collapse in confidence in the "new paradigm" of media stock.[26] While share prices fell, the massive corporate indebtedness of the sector remained conspicuous. Time Warner's debt, for instance, stood at approximately US$26 billion at the beginning of 2003; for the 2002 financial year the corporation reported a shortfall of US$98.7 billion, the largest loss in U.S. corporate history.[27] Schiller and McChesney rightly argue that such massive financial losses, experienced by other media firms as well, reflected not simply changes in accounting practice (huge write-off of "goodwill") but fundamental modification in

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the assessment of the companies' profit potential.[28]

Media economists began to turn to earlier work on the diseconomies of conglomeration to understand the malaise within the international media sector.[29] Stephanie Peltier, for one, argues that by 2003 it had become obvious that the attempt to build media giants had failed.[30] A firm's size, the complementarity of its assets, and its simultaneous presence in many sections of the media industry did not necessarily improve economic performance. Jaemin Jung and Sylvia Chan-Olmsted argue that "excessive" product and international diversification may enhance cash flow of large enterprises, but it may harm performance in terms of managerial efficiency (return on assets, return on sales, and so forth), profitability, and investors' valuation (measured in earnings per share).[31] The *Economist* remarked that, despite the obvious advantages of media conglomeration, "[t]here is a sense that the concept of an integrated media group, rather than just the price paid to build one up, is no longer right."[32] More recently, Knee, Greenwald and Seave have provided a book-long presentation of this argument.[33]

Other industry publications, such as *Daily Variety*, argued that a "willful myopia" underpinned much of the recurrent criticism of integration and synergy within the cultural industries; in fact, the current malaise in the cultural industries was a result of the failure of the "best-laid plans of corporate behemoths to achieve the world-dominating results upon which investors insist."[34] Nevertheless, such "failure" strengthened the "new industry dealmaking mind-set," and in the short term this would result in the restructuring and even dismantling of media companies (see Table 1.3).[35] The concurrent fate of the two leading media conglomerates, Time Warner and Vivendi, had already proved instructive. Both "experienced severe crises as high debt, overvaluation of assets and the recession sent their stock prices reeling. To address their financial trouble, both firms were forced to sell off some of their assets, negotiating from a weak position."[36] The collapse of their strategies and subsequent sweeping reorganization demonstrated the fragility of new media growth strategies. More generally, it demonstrates the instability and ongoing competition for return on capital which characterizes the world media industry and drives the attempts at greater commodification and expanded control over the moments of production and distribution in cultural industries. Corporate power has increased along a range of vectors, but it is still located within a competitive, crisis-ridden system: The rupture of the 2007–2009 global financial crisis underscored this point once more, as an estimated $US34.4 trillion were wiped off the market value of publicly traded companies. Among media firms, conglomerates were most adversely affected: In 2008 Time Warner's share price fell 39 percent, and News Corp.'s fell 56 percent. As 2008 rolled into 2009, large media and entertainment companies wrote down the value of their assets by more than US $50 billion.[37]

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Table 1.3 Major Divestitures by Media Firms 2002–2009

Date	*Firm*	*Asset*	*Value U.S.$*
2002	Vivendi Universal	Telepiu (Italian Pay-TV)	1.41 billion
2002	Vivendi Universal	Houghton Mifflin	1.7 billion
2003	Time Warner	Warner Music Group	2.6 billion

2003	AOL Time Warner	50% Comedy Central stake	1.225 billion
2003	Vivendi Universal	Universal Entertainment	5.2 billion
2006	Viacom	CBS Group	24.8 billion
2006	News Corp.	DirecTV	10.1 billion
2006	Bertelsmann	BMG Music Publishing	2.13 billion
2006	Time Warner	Time Warner Book Group	537.5 million
2008	News Corp.	Gemstar TV-Guide International	2.2 billion
2008	Bertelsmann	50% Sony BMG Music stake	900 million
2009	Time Warner	Time Warner Cable	9.25 billion
2009	Time Warner	AOL	—

Source: Company Reports.

1.2 LIVING IN A WORLD ECONOMY: PERIODIZING THE NEW PROCESSES OF CORPORATE MEDIA DEVELOPMENT

In adopting a critical political economic approach, this book begins with the fundamental premise that the particular period of corporate development within the cultural industries cannot be separated from history of capitalism in the industrialized countries and the wider global economy. Obviously, how this history of capitalism is assessed is often in question. Many current examples of societal periodization—such as the dominant global "Information Society" thesis and its "creative industries" variants[38]—accept capitalism, at least implicitly, as the broad horizon for what are otherwise seen as distinct periods.[39] Nevertheless, very different models of capitalism are being proposed, which place a fundamentally different emphasis on the role of technology, as well as changes in a broad variety of economic and social institutions (particular firm and state forms). In tracing the paths of the growth of these three corporations, this book adopts a form of periodization that eschews the media-centrism and technological determinism of many contemporary narratives. The periodization adopted instead emphasizes the particular form and balance of global class relations—class relations that underpin the capitalist mode of production whose method of surplus expropriation bathes all institutional formations—firms and states for instance—in a particular light.[40] It is on the basis of these class relations that the dynamics of competition, commodification and industrialization within and beyond the cultural industries can be best conceptualized and investigated.

While being wary of narratives of epochal change, it is nevertheless possible to point to important historical turning points in corporate development, which clearly mark crucial changes in capital organizational practice. The period of corporate growth from the late 1960s is the most relevant starting point. This period witnessed major changes in the world economy specifically relating to corporate form, managerial control, and financial intermediation. These changes were accentuated by the crisis of overaccumulation that ruptured in the early 1970s and the Long Downturn—a period of relatively lower growth rates and chronic instability—that propelled an intensified restructuring in capitalist institutions in the years that followed. These general changes in the world economy affected the operations of large media and communication companies in the leading industrial nations, accentuating specific patterns of capitalist development and organizational change that were already underway in most of the

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cultural industries at the point.

As noted, further shifts in the 1980s and 1990s escalated the process of corporate integration —in all its horizontal, vertical and conglomerate forms. The promise and potential threats of the "new media" were an important element in the rapid consolidation of the number of multinational firms that create, distribute, and control the vast majority of cultural goods and services in the "digital era." Nonetheless, although new media technologies form an essential part of the current reorganization of world communications, what is historically significant is the extent to which a unified and ubiquitous capitalist basis has been extended to the field of communications. Such a periodization places the organizational stimulus provided by the development of new communication technologies within the wider context of the restructuring of global capitalism.

The current neoliberal, corporate driven form of globalization marks a specific balance of class relations under capitalism, one distinguished by the dramatically enhanced primacy of the capital relation across the globe.[41] The most salient features include the hegemony of financial capitalists, the attendant intraclass compromise between finance and industrial capital, and the persistent attempts to enlarge the scope for their valorization through the use of neoliberal state strategies.[42] As a method of shorthand, these features can be referred to as "financialization" and "marketization".[43]

In the last thirty years, the process of restructuring has been accentuated by a prolonged crisis of overaccumulation, which has led to an intensification of the capitalist relation in terms of primitive accumulation, commodification, and real subsumption. Such a context has given a specific historical character to the tendency toward the internationalization of economic processes, together with the ascendancy of finance capital conspicuously evinced in speculative "paper entrepreneurialism"), this includes intensified competition and the growing importance of global circuits of accumulation for individual capitals. As political economists of communication have emphasized, transnational media businesses are as old as the mass media themselves;[44] these factors have renewed the imperatives of scale and scope that have conspicuously seen a decline in the significance of national bases of operation.

While a Weberian focus on these companies as institutions of power is highly insightful, the control they exert is never total, due to the specific problems with valorization of capital in the cultural industries, and the insubordination of labor.[45] In his discussion of corporate forms in Hollywood's media industrial complex, Michael Wayne has argued that the processes of concentration and centralization, which mark the real relations of production, should not obscure the ongoing role of competition.[46] Wayne emphasizes intrasectoral competition in the form of competition for market share and its institutional representation through complex multidivisional corporate forms. Yet, the channels of competition also include the relations between capitals producing different use-values in the distinct sectors, that is, intersectoral competition. Particularly important here is the changing nature of financial intermediation and the manner in which this affects the corporations' competitive environment, in an ostensibly monopolized international media system, through the calculation of interindustry profit rates.[47]

Under the aegis of large corporations, greater financial pressure has come to bear on media

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and cultural production activities, which has led to a greater capital discipline across the field.[48] The Marxist concept of dynamic competition within and across industrial sectors underscores that these large oligopolistic firms are a form in which competition takes place, rather than ends. Concentration and centralization of capital not only tendentially increases institutional power but also increases the strength by which the compelling forces of accumulation, as expressed through competition, are experienced both externally to these media behemoths and within their form. Through intercapitalist relations, this has been reflected, for example, in a move toward oligopolization and strategic alliance. Yet the corporations' increased scale and scope has seen the intensification of the capitalist relation within their confines: the commodification of information and entertainment products coupled with the proletarianization of the workforce (the deepening subsumption of labor force). Thus in the parlance of organizational economics, the resulting plans and actions of media corporations cannot be seen purely in terms of economising or strategising.[49] Competition makes economizing essential—the minimization of transaction costs and the maximization of economies of scale and scope. Yet the firm is also based on forms of strategising power—firms do not merely react to changing "market conditions", but attempt to alter the nature of "the market" itself to capture economic rents or in Marxist phraseology derive surplus-profits. The short-run strategy of each capital conditions the long-run strategy of existing and potential rivals. The question of the capacity of corporations to act in the context of structural and relational power is addressed in the conclusion.

1.3 INTRASECTORAL AND INTERSECTORAL COMPETITION IN THE GLOBAL MEDIA

The world of perfect competition is one that is populated by many small producers unable to make abnormal profits due to their individual inability to influence the nature of discrete markets. It is clear that such a world is a chimera restricted to models of neoclassical economists and the minds of neoliberal supporters of large corporations. However, the argument that the era of modern, transnational corporations marks a distinctive period of monopoly capitalism, which has completely eliminated competition and destroyed the expansionary character of capitalism, is also erroneous.[50] The dominance of neoclassical ideals is such that even radical analysis often accepts that monopoly and competition are mutually exclusive terms, in which monopoly is understood to be dominant market power within distinct commodity markets.[51] Competition is defined as the absence of monopoly in a tautological manner, a characterization that permits a division of capitalism into laissez-faire and monopoly stages, thus distinguishing its nineteenth century and twentieth century phases of development in an antithetical manner.[52]

This periodization not only mischaracterizes capitalism but also reverses the order of its historical development. In Marx's analysis, competition is not the starting point of analysis but a consequence of the self-expansion of capital. The essential basis of competition is the creation of labor power as a commodity that can be bought and sold and that permits the penetration of capital into the realm of production.[53] Competition is derived from the processes

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of accumulation, the need to "realize as much labor and therefore as much surplus-labor as possible and to produce the largest possible quantity of commodities with a given capital."[54] The logical starting point for the analysis is the large-scale enterprise engaged in an out-and-out war, not the tiny passive pricetakers of neoclassical theory.[55] Competition intensifies with the process of accumulation, the formation of larger capitals, the overall development of the capitalist mode of production associated with the freedom of trade, the development of the credit system, and most important, the generalization of capitalist relations of production based on "free" wage labor.[56]

From this perspective, competition exists in the sense of the competitive accumulation of capitals and their constant search for surplus profits.[57] Consequently, competition in many sectors involves large firms with substantial control over different spheres of operation, but still competing with each other through the "natural monopolies" of economies of scale and through the ability to secure and reproduce rents—a rate of profit above the average for the branch—in the areas of production, realization, and distribution.[58] This process of competitive "war, in which big devour small, and the strong happily crush the weak" is incompatible with the idea of a level playing field between producers with equal capacities,[59] a hypothetical situation that supposedly tends toward optimal resource allocation and peaceful equilibrium.[60]

The arguments of Alfred Chandler and Joseph Schumpeter are well suited to such competitive conditions. Indeed, Garnham has argued that competition within the media industries is best understood according to the Chandlerian logic of industrial success.[61] Garnham notes this model underlines the importance of "first-mover advantage," bureaucratic planning and management and constant consolidation; it highlights such issues as intrafirm learning curves, constant returns to scale; path dependency; and the "lock-in" of technological systems.[62] Ernest Mandel similarly argues, from a Marxist approach nevertheless consistent with keys themes emphasized by Schumpeter, that far-reaching organizational transformations arose from the causal nexus between the enhanced ability to plan and manage large-scale processes, associated with the development of the (multinational) conglomerate form and the higher levels of competitive innovation.[63] Such concentration and centralization of capital provides the basis for "a virtuous circle in which surplus profits enable a high level of future R&D funding, which provides important preconditions for the appropriation of future surplus profits, and so on."[64]

Nevertheless, current forms of technological determinist theorising based on what can be described as a neo-Schumpeterian model proffer abstract ideas of perfect(ed) competition. The neo-Schumpeterian perspective emphasizes small-scale capitals, limited technological rents, and systemwide innovation.[65] Paul Smith, in his inventory of such related forms of capitalist millenarianism, remarks that "probably the single most important ideological keyword for millennial capitalism is competition"; yet, he argues, "at the level of corporate activity, the notion of competition has to be used with some skepticism."[66] Invoking the global media sector as a key exemplar, Smith cites the shifts in corporate strategy, particularly the rise of consortium production and marketing, strategic alliances and joint ventures and an intensification in takeover activity. [67] Indeed according to Smith, with the establishment of both

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transnational and national monopolies, ". . . corporate activity has become less driven by the necessity of competition perhaps than ever before."[68] Here Smith is not alone in his assessment. As Dick Bryan argues, the majority of critical literature on globalization has placed emphasis on the monopolizing aspect of the competition–monopoly couplet: that is "the role of transnational corporations, including financial institutions, and the enormous power wielded by the world's largest companies over smaller corporations, over nation states and over workers."[69]

This perspective is also shared by one of the leading exponents of the political economy approach to the analysis of the global media system—Robert McChesney. McChesney adopts what has been described as the "Quantity Theory of Competition," which posits competition as a process that is embedded in market structures.[70] A key element of this theory of competition is that competition is viewed as one end of a continuum of different market types. At the other end stands the purely monopolistic market structure, with imperfectly competitive and oligopolistic structures falling in between the two ends. Media markets, according to this model, are

> textbook examples of corporate dominated oligopolistic markets ruled by a small number of firms . . . these firms . . . are typically vast conglomerates that function as oligopolies in not just one media market but in many . . . these monopolistic/oligopolistic markets are predicated upon high barriers to entry that severely limit the ability of small start-up firms to enter market successfully.[71]

According to this model, the smaller the number of firms within a market the more likely it is that firms will be able to set monopoly prices through some form of collusion or price leadership; that is, price formation tends to become an administrative task, subject to the reaction of a few rivals. Indeed, no well-defined economic mechanisms govern the movements of prices and quantities of output. Within oligopolistic markets, corporate "power" determines such quantities.[72]

Thus, although McChesney comments in *Rich Media, Poor Democracy* that the "compulsive corporate behaviour . . . is a matter outside the control of the individual giant media firm which must pursue its course of action or face competitive ruin," he states that "the global media system is fundamentally non-competitive in any meaningful economic sense of the term."[73] In a later text, McChesney acknowledges the relationship between competition and concentration and centralization, noting, "[m]edia consolidation . . . begets more consolidation. Firms need to grow to be able to survive high stakes competition. . . . Conglomeration spurs further media concentration. To compete successfully in many media sectors, a firm must be a conglomerate."[74] Yet the theoretical framework remains that of perfect and imperfect competition of orthodox economics based on market structure.[75] There is not an indication of dialectic between competition and monopoly but rather the movement along a continuum.

This is entirely understandable to the extent that McChesney is confronting ideologues for greater marketization of media policy on their own ground: "the media market is the polar opposite of the competitive market advocated by the likes of Milton Friedman."[76] However, McChesney's position also reflects the primary traditions of U.S. political economy on which he draws: the theory of monopoly capital associated with the Monthly Review School.

Writing from the same perspective, Michael Dawson and John Bellamy Foster argue that with

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the accentuated formation of a mature, oligopolistic market, controlled by a handful of large corporations, the media sector has followed the general lines of modern corporate capitalism.[77] This accumulation regime is inherently monopolistic in character and, furthermore, is increasingly characterized by stagnation. Corporate competition, conceptualized at the level of exchange, has moved from price competition to product differentiation, underpinned by a massive growth in increasingly targeted marketing. [78] From this standpoint the new technologies of "the communication revolution" in fact reflect the need for capital to open up new markets for investment and represent the development of the "universal market": "mass entertainment is channelled along lines most conducive to the market and becomes the central conduit for marketing throughout society."[79]

From its inception, the theory of monopoly capital associated with the Monthly Review School was a theory of imperialism, premised on the contradictions of qualitatively distinct levels of concentration and centralization, and expressed through the institutional form of the multinational corporation.[80] Megamergers create corporations of such size and financial power in each industry that potential competitors are kept out of the sector due to an insufficient ability to finance the scale and technological level required to compete: These "barriers to entry" result in the "privileged sanctuary" of monopolistic and oligopolistic industries on an increasingly worldwide scale.[81] John Bellamy Foster argues, "It is foolish to think that an analysis of accumulation and crisis can be developed without attention to this phenomenon, which has so clearly modified the laws of motion of capital."[82]

Marxist theoretical work on the internationalization of capital, which emphasizes the notion of circuits of capital contained in Volumes II and III of *Capital,* stands in clear theoretical opposition to the approach of the Monthly Review School.[83] For this approach, the driving force of the internationalization of capital is "competition," understood to take place through the three circuits of social capital—money, commodity, and production. This understanding of the role of competition is incompatible with the notion of "monopoly capital," which sees modern imperialism as an outgrowth of a tendency toward stagnation in the forces of production.[84] Nevertheless, the circuits of capital approach should not be misconstrued as downplaying the essential role that monopolistic positions and monopoly rents play in the expansion of individual capitals, most conspicuously in the institutional form of transnational corporations. As Bryan states, the tendency for capital to expand globally is driven by the pervasive competition to "secure a monopoly over something—a technology, a product, space, an image. . . . But this monopoly is the expression of a competitive process, not its negation."[85] Capitals can secure above-average profits through the excess demand for a commodity, or different levels of productivity and costs, or through barriers to capital mobility.[86] Success in obtaining a quasi-monopolistic position engenders counteracting pressures that potentially lead to its destruction.[87]

The emphasis on a dynamic process, over static conditions, emphasized in the circuit of capital approach is obscured by arguments that are premised on the ability for large-scale corporations to maintain prolonged "barriers to entry" into oligopolistic markets. Correlated with the concentration of industries, such barriers to the mobility of capital are viewed as

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establishing differential profit rates across industries.[88] Yet as Cyrus Bina comments, typically the phrase “barriers to entry” presumes a condition rather than process and, as such, it fails to encompass the overcoming of such entry barriers through the competitive process of concentration and centralization of capital.[89] Thus, a “barrier to entry” should not be seen as an absolute obstacle but rather as the process by which the size of the industry’s “regulating capital”—the unit of capital that demarks “best-practice” in an industry and which participates in the process of the inter-industry equalization of profitability—increases through the battle of competition. [90]

At a reduced level of abstraction, it is important to note that political oversight has played a crucial role in establishing barriers to entry and not just a lack of financial wherewithal on the part of capitals. Nevertheless, in general, political economic scholars have observed that neoliberal globalization has seen the “economic space of competition change in both form and scale,” with significant ramifications for large corporations.[91] Historical developments have made it difficult to conceptualize how barriers can be maintained and competition can be abated such that noteworthy monopoly and oligopoly powers enjoyed within the major capitalist economies during the early years of the Long Boom have continued unaffected.[92] These developments include the increased mobility and mobilization of capital on an international scale together with the move of state regulation away from either the steadfast control of competitive entry into formerly state-controlled monopolized sectors of communications and media or those commercial sectors ring-fenced by government regulation.

The movement of capital through concentration and centralization is a conspicuous manner in which competition continues even if this increasingly international form of competition engenders countervailing tendencies in the form of pressures for decentralization—“the repulsion of . . . fractions from each other”[93]—as the dismantling of Vivendi-Universal and Time Warner’s conglomerate holdings aptly demonstrated. Such incredible centralization of capital and the formation of looser alliances that dominate markets reflect the drive to preserve and assemble new monopoly powers within a conjuncture that has significantly diminished previous protections offered by national policy.[94] Given these responses to the increased openness of national markets, Garnham argues that “the resulting competition for global market share is likely to create oligopoly at a higher level, that is, the system as a whole does not become more competitive.”[95]

However, as noted earlier, competition for global market share is only one form of the competitive logic that shapes the activities of today’s transnational media conglomerates. Discounting the emphasis on increased integration and market concentration, Garnham has argued that the most important shift in the media industries over the last decade has been the shift from

> private to public company control and thus an increased financialisation. This has important consequences but they are not those of concentration. It is not ideological control that drives the managers of these companies but the drum beat of Wall Street, quarterly returns and the stock price. To improve these they would happily advocate a Bolshevik revolution if necessary.[96]

The periodization of Time Warner, Bertelsmann, and News Corp.’s corporate form underlines

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the consequences of the affinity between the corporate–managerial transformation and transformations in the wider economy—specifically in this instance the establishment of new forms of financial hegemony.[97] This has important ramifications because, as Bustamante has noted, we have "seen the complete conversion of the cultural industries into institutions defined by finance."[98] This conversion does not result in straightforward or unmediated changes in these industries;[99] nonetheless, this process has important ramifications for the development of corporate strategy and the management of risk in ways that are just as important as those that are associated with industrial organization and market structure.[100]

1.4 STRATEGY IN A "FINANCIALIZED" WORLD

As argued, to come to terms effectively with the strategies of the large media corporations it is necessary to view the cultural industries as part of a wider political economy. Christian Palloix has noted that productive systems and the movement of capital, united through labor processes, constitute the essential elements of this broader context.[101] Garnham has similarly argued that the political economy of media and communications can be viewed in different, yet not incompatible, ways; namely as a competitive market (or sets of markets) or as concrete production systems:

> The former perspective focuses on competition between capitals, on financial flows and profit maximization, the latter on the co-ordination of raw materials, productive technology and labor to produce commodities with specific properties to meet specific market demands in pursuit of efficiency.[102]

The danger with this formulation is that financial flows can be treated as separate from the material social processes of production, trade, and investment, a position inherent in Keynesianism.[103] Viewed as distinct from the "real economy", financial flows are principally seen as parasitical, tools of speculation, and casino capitalism. This interpretation has been particularly influential during the current phase of financialization and rightly so. An emphasis on speculative excesses certainly undermines notions of financial market rationality and certainly, as Harvey argues, the "strong wave of financialisation that set in after 1980 has been marked by its speculative and predatory style."[104] Nonetheless, it should be noted that the expansion of finance capital is integral to the deepening of accumulation by providing a necessary directive and disciplining role and by providing the hedging capacity against the very volatility to which it has contributed.[105] Indeed the strength of Palloix's argument is that it seeks to unite the productive system and movements of capital in emphasizing the increasing penetration of the latter within the productive sphere.

The rise of "financialization" has had a marked impact on the strategies in terms of interior and exterior capitalist expansion and the burden labor carries with regard to such policies.[106] A discipline is brought about by the compromise between "finance" and "industrial" capital under neoliberalism that generates pressure to guarantee maximum returns and profitability.[107] Financial hegemony has brought both a greater volatility and discipline on general economic activity.[108] Yet for some working from the industrial organization perspective, such as Gomery, the focus on the role of financial flows, understood as something apart from the processes of

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accumulation, is limiting, cutting off analysis.[109] Other scholars claim that given the historical dominance of finance capital, concepts suitable for analyzing the industrial economy, such as the economies of scale, transaction costs, and the diversification of risks, are themselves of limited explanatory power for addressing the concentration of the firms in the communications sector.[110]

Undoubtedly, the dramatically expanded access to capital that accrues to large firms is an important basis of power, especially in relation to small capitals; such financial power places these corporations at the center of global production networks. The expansion of these leading media corporations is deeply interrelated with the search for profitability and productivity. Three main goals are usually assigned to their strategy of concentration, internationalization, and cross media ownership: create or reinforce market power (with particular reference to the control of the main "hubs" of the industry), obtain some efficiency gains (reduce costs of production and extend and expand markets), or last, respond to financial or managerial goals.[111] Despite the incessant cant about technological imperatives and synergistic logics of industrial efficiency, in the context of neoliberal financialization this last criterion has increasingly become the "first instance" of strategy formulation in the cultural industries.[112] This is an important point, as for some the collapse of the "tech-boom" refutes any impression that the media "moguls and their henchmen who run these businesses really do know what they're doing and that the next big deal is the big deal that will bring about a perfectly realized, synergistic business condition."[113] While such processes of narrativization might fail, it is clear that financial and managerial goals are increasingly linked through the notion of "shareholder value."[114]

As noted, despite the oligopolistic nature of their market dominance, the rapid growth of these corporations has come at a price of servicing large-scale debt, combined with the pressing need to ensure competitive levels of market capitalization. Indeed, within the context of the drive to increase shareholder control over corporate management in the 1980s, it was "often seen as useful to increase a company's indebtedness since this would both leverage shareholder interests and limit managerial discretion."[115] A global discipline of competition continues in terms of raising, or maintaining the rate of future profits to levels comparable to, or preferably above, other sectors.[116] As Harvey argues,

> . . . to the extent that the corporation operates on borrowed funds and raises money through the issuing of stocks and bonds, it enters into a general competition for money capital. The performance of an enterprise is measured in terms of yield (surplus value distributed as profits to stock and bond holders) and prospects for long term growth. An inefficient and low-paying enterprise cannot stay alive for long, no matter what its market power with respect to prices.[117]

The multidivisional corporate structure has been interpreted as an historical response to such pressures. The decentralized "profit centers" of the modern corporation—individual units responsible for profit and loss to top management—facilitated a form of direct scrutiny that could be even more intense than the less immediate pressures of product markets. This structure resulted in the "internalisation of competition within a corporation that presents itself to the world as a centralized monopolistic monster."[118] James Clifton argued in a seminal essay that this internal and organizational competition underlined a strengthening of the competitive

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process that was as much intracapital as intercapital:

> the competitive firm . . . is the modern corporation, not the atomistic firm of the neoclassical theory of perfect competition. The conditions of free capital mobility which permit maximum flexibility and intensity for an independent unit of capital to directly search out the highest possible rate of return in the market are most closely approximated in the modern corporation.[119]

Strategic central planning, for some the essence of modern corporations,[120] here becomes crucial in shaping these organizations' internal operations and external contractual relationships in terms of not efficiency per se but profit. The ability to engage in central planning itself reflects the fact that the corporation is an institution of power that operates at the intrafirm level, in a sense, as a defensive structure (against market uncertainties and predatory actions of competitors). In this respect, the arguments of Neil Fligstein and Geoff Hodgson that the organization of the firm arises out of attempts to control and avoid competition rather than to engage in it is correct.[121] Yet as opposed to Galbraithian notions, the attempts to seal the company off from many external market uncertainties must be commensurate within the overall steering mechanisms of prices and profit.

The salience of such pressures increases during the present phase of neoliberal globalization, which impels a form of global discipline on all such activities. Such discipline has been materially reinforced through the centralization of managerial control and the preeminence of financial imperatives in a reduced number of decision-making centers. Each merger and acquisition has raised the scale of capital investment involved and deepened the embeddedness of the corporations in the international circuits of capital and global calculation. Thus rather than shielding today's leading media corporations from competitive capitalist relations, the competition for money capital, *qua* heavily debt financed growth or stock market centralization, has placed new constraints on their activities. Blackburn consequently argues that:

> . . . even the most powerful corporations need the financial world to assess their own progress . . . Corporate credit-worthiness . . . establishes the cost of corporations' capital. They may be able to finance all the investments they wish to undertake from their own resources, but this will not mean that they are free from the pressures of financialization. In drawing up their investment plans, they will have to show that these will achieve the benchmark or "hurdle" rates of return established by the financial sector. Even the largest corporations have to submit to the inspections and interrogations of the ratings agencies—Standard and Poor's, Moody's and Fitch Ratings—if they wish to reassure investors and ensure cheap access to capital. Making a good profit is no longer enough; a triple A rating is also needed.[122]

As both Almiron and Bouquillion argue, the ways groups get funded, therefore, should never to be considered as exclusive but complementary: Via the need for access to equity and debt securities, financialization has a discernible effect across the range of capitals operating within the cultural industries.[123] In his discussion of its implications for a comparative study of these capitals' strategic behavior, Christian Pradié makes the distinction between independent firms in which private, family ownership is complete, such as the Von Holtzbrinck publishing company or the Pathé film company; firms where family control is relative, such as News Corp., Viacom, Lagardère or the once independent Dow Jones & Company; and, finally, so-called management-controlled firms, which are not associated with particular family shareholder blocs: for example, Vivendi, Time Warner, Reed Elsevier, and NBC Universal

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(see Figure 1.1).[124] Firms such as Bertelsmann, ostensibly controlled by a foundation, are an important subset of the privately held firm. Pradié argues firm strategic behavior is affected by stages of financialization and the attendant move from private to public company control: privately held firms sacrifice the capacity for development in return for greater independence, whereas publicly held firms' depersonalized ownership increases their financial capacity, yet leaves their management more answerable to the profit objectives of financial market institutions.[125] It should be noted that, despite this distinction, even privately held firms such as Bertelsmann are subject to disciplinary pressures of financialization.

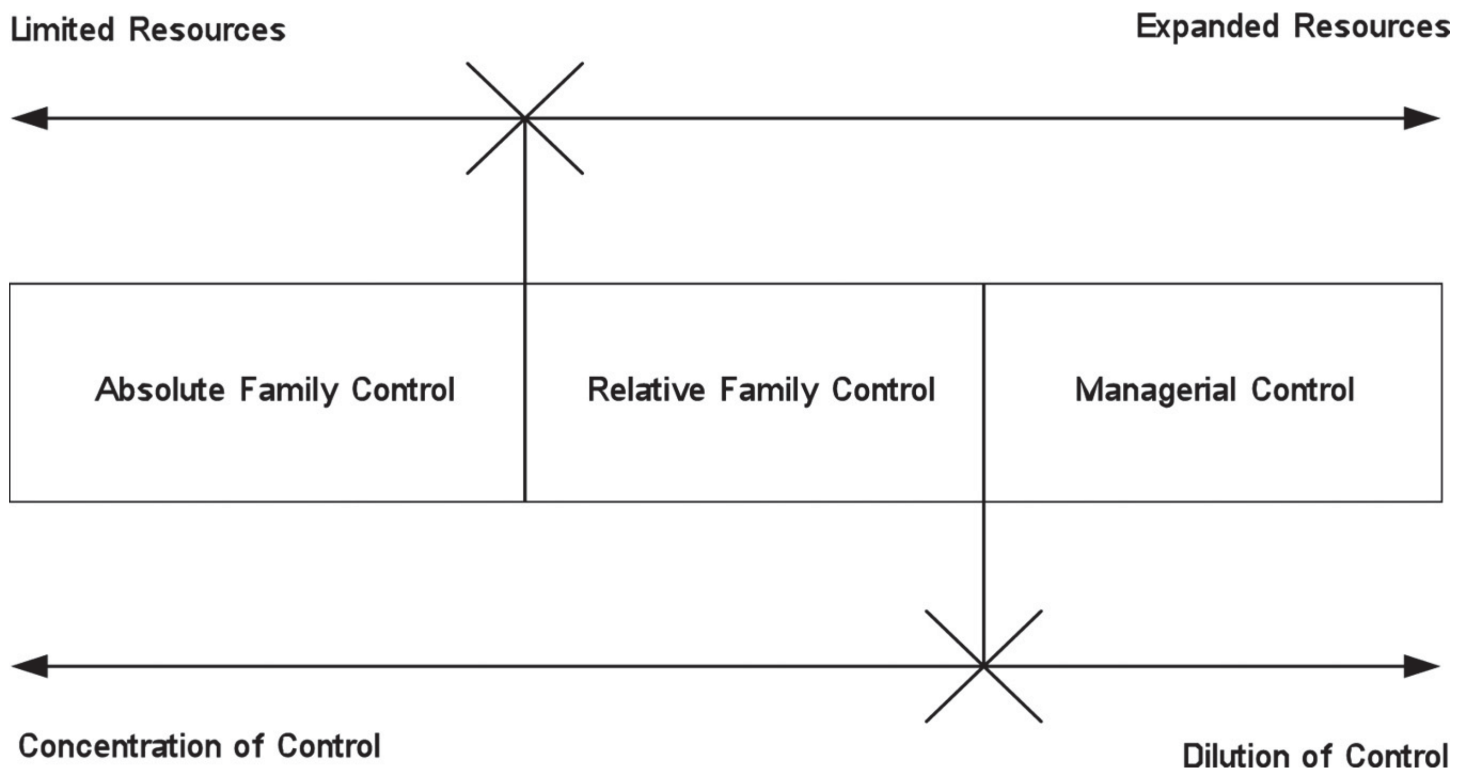

Figure 1.1 Stages of a Firm's Financialization

Source: Pradié (2005:88)

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This has had significant effects on the organizational form of the media conglomerate. The argument here is not that we have seen the "perfection" of market conditions to the point where market "efficiency" automatically predicates corporate actions. Rather, these conditions have meant that management, although still representing independent strata within the ruling class, are less autonomous from the dictates of finance "than at any time since Berle and Means" and that they must seek to ensure the competitively profitable operations of their activities.[126] Although the imputed aim of resolving the "principal-agent problem" via the emphasis on shareholder value has been a failure,[127] the shared class concerns have been reinforced. James

Crotty argues that there has been a shift in the beliefs of financial agents, from an implicit acceptance of the Chandlerian view of the large corporation as an integrated combination of real assets with high sunk costs assembled to pursue long-term growth and innovation, to a "financial" conception in which the corporation is seen as a "portfolio" of liquid subunits that home-office management must continually restructure to maximize the stock price at every point in time:[128] from this perspective "[e]very investment is viewed as a portfolio of financial assets, not a place of employment."[129] Dick Bryan and Michael Rafferty note the dramatic expansion of derivatives as the largest single component of the world financial system has reinforced such an outlook as elements of a corporation can become competitively evaluated externally by financial markets.[130] These financial pressures have penetrated into the organizational practice of the media firms through regulation of the creative process within the corporate "financial box". In the cultural industries, as elsewhere, "getting the figures right [therefore] becomes a preoccupation."[131] The question that arises is how does corporate control of production systems that produce cultural goods that rely on direct and indirect commodification align with corporate strategy in a competitive "financialized" and "marketized" environment?

The ensuing magnified focus on the potential for profit formation within the cultural and broadly communication industries has brought about an increased financial discipline to these media corporations that affects the internal configurations of their operations and the need to conquer new markets. Even when the cultural and communication industries became a relatively small bubble on the whirlpool of global financial speculation at the end of the 1990s, the affect was to have a continuing and conspicuous impact on the global media system through the mechanism of financially inspired merger and acquisition. While increasing the debt load of corporations such as Time Warner, this put competitive strain on companies unable or unwilling to utilize the booming stock market (principally in the United States) for the purposes of centralization and concentration and market control in an unmediated fashion (such as Bertelsmann).

Under the banner of neoliberal policy prescriptions, the unleashing of financialization was precipitated by rounds of state deregulation, emanating most critically from the United States and the U.K.[132] For theorists such as Gerard Duménil and Dominique Lévy, the ascendancy of neoliberal policies after the end of the Long Boom in the early 1970s are best understood as "the return to hegemony of the financial fraction of ruling classes" and the restoration of ruling class power more broadly.[133] Here, the process of financialization has played a primary role in the intensified restructuring of not only capitalist institutions but broader societal relations as well;[134] nevertheless, this process is itself dependent on nation-states playing a more direct role in reconstituting such relations in line with the chief organising image of "the market."[135] Moreover, despite the rhetoric, the instigation of "free markets" should not be confused with nation-states' more significant role in reinforcing the rule of capital, a role premised on the ongoing reliance of capital on states, a reliance arguably strengthened within a period of "globalization."[136] Indeed, a clearer example could not be found than the role of nation-states in stablizining the world economy during the 2007 to 2009 financial crisis: through coordinated

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policies that indicated both the centrality of the state and the degree of integration in global economic activity, an estimated US$20 trillion was spent on bank nationalizations, bailouts, and stimulus packages.

As policies of deregulation and marketization are pursued at the same time that corporate reliance on varying forms of state support increases, the pressures and opportunities of institutional expansion among corporations such as Bertelsmann, News Corp., and Time Warner have been accentuated rather than assuaged. This is why, despite the sharp collapse in media companies' stock market valuations in 2000 to 2001, some foresaw the process of media consolidation continuing, both intensifying the concentration capital of the already dominant U.S.–based interests and reorganizing the international centralization of capital in the world media sector.[137] Yet, the actual pace of concentration in the sector did not increase dramatically in the 2000 to 2010 period; following the stock market debacle of 2000 to 2001, the wave of merger activity in the 2003 to 2008 period was more comparably more restrained in size.

Within a broad framework set by financialized capitalism, a new, yet no less ruthless phase in the neoliberal reorganization of global communications had commenced. Indeed, this phase has demonstrated that, although financialization has had discernible affects on corporate structures, over time these affects have been contradictory.[138] Since the early 1990s the influence of financial markets has been a significant factor in the consolidation of media markets and the formation of specific types of companies: "vertically integrated multimedia conglomerates that possess a large library of media content."[139] However, the general tendency in the last decade has been a move away from the media conglomerate form.[140] Financial actors, in particular analysts and credit rating agencies, have pressed for a retreat from this form because it is difficult to both appraise the value and appreciate the growth prospects of a company that comprises diverse operational fields. Media executives have also once more been confronted by activist investors who have sought to dismantle conglomerates as a means to unlock "shareholder value". Given that a firm's market power is strengthened by strong industrial integration and dominant market size in specific industries, companies have retreated from the strategy of more diversified "synergies" across a conglomerate form and have divested nonstrategic activities.[141] Nonetheless, as in the case of Time Warner, we are also seeing examples in which earlier processes of vertical integration are being unwound.

The increasing reliance on the financial markets has marked effects on the types of corporate governance that characterize media companies—"foreign firms wanting to raise funds within the USA in particular have to conform to Anglo-Saxon expectations concerning disclosure and the rights of shareholders and creditors."[142] Enrique Bustamante has also argued that the conversion of cultural industries into "financial institutions" has accelerated the globalization of principles of management.[143] The case of Vivendi-Universal, ill-fated as it was, illustrates that the manner in which competition takes place is mediated not "just" by the sophistication of the credit system, the role of the state, and the development of the productive forces, but also by cultural considerations that affect interaction between individual capitals, production relations, and consumption patterns.[144]

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1.5 CONCLUSION

The construction of conglomerate communication behemoths such as Time Warner, News Corp., and Bertelsmann has been concurrent with attempts to install globalized forms and principles of management, altering prevailing modes of organizational practice.[145] Most obviously, the merger and integration within the sector has seen specific forms of organization increasingly converge. Here corporate developments in the United States have acted as the exemplary model for creating capitals of significant scope and integration to function as "regulating capitals" for the industry. Nevertheless, this chapter has also argued that financialization and an invigorated emphasis on the rate of profit as the corporate raison d'être has had a significant impact on the operation of the media sector in the last twenty years. The struggle to reassert the hegemony of finance has been a long process predating the end of the Long Boom, but since the crisis of capitalism in the 1970s this has been supported by the international growth of neoliberalism doctrines.[146] Neoliberalism can be viewed as a "hegemonic project concentrating power and wealth in elite groups around the world, benefiting especially the financial interests within each country, and U.S. capital internationally."[147] The material basis of the project means that labor within the cultural industries confronts a capitalist class that, while operating within the power structures of national states, is itself embedded in global (as opposed to international) circuits of capital. Although some have argued that we have seen the formation of a transnational capitalist class, this shift has led to the internationalization of domestic capitalist classes.[148] As is examined in Chapter 2, the implementation of globalized management principles confronts, and is limited by, distinct cultural industries within different (national) institutional settings. Nevertheless, what this chapter has sought to emphasize is that varying patterns of organizational change have not eradicated the collective experience of their outcomes. This issue will be further explored in Chapter 3 as we look at the changing nature of media regulation.

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57. Rhys Jenkins, *Transnational Corporations and Uneven Development: The Internationalization of Capital and the Third World* (London: Methuen & Co. Ltd., 1987), 48.

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59. Anwar Shaikh, "Political Economy and Capitalism: Notes on Dobb's Theory of Crisis," *Cambridge Journal of Economics,* no. 2 (1978): 240.

60. K. Moody, *Workers in a lean world: unions in the international economy* (New York: Verso, 1997), 45.

61. Nicholas Garnham, "Information Society Theory as Ideology: A Critique," *Society and Leisure* 12, no. 1 (1998). Nicholas Garnham, "Class Analysis and the Information Society as Mode of Production," *Javnost/The Public* 11, no. 3 (2004); Garnham, "From cultural to creative industries: An analysis of the implications of the "creative industries" approach to arts and media policy making in the United Kingdom."

62. See also Tom O'Regan and Ben Goldsmith, "Emerging Global Ecologies of Production," in *The New Media Book,* ed. D. Harries (London: British Film Institute, 2002), 98.

63. Ernest Mandel, *Late Capitalism* (London: Verso, 1999), 318.

64. Tony Smith, "Neo-liberalism's fatal flaws," *International Viewpoint,* no. 345 (2002): para 18.

65. Garnham, "From cultural to creative industries: An analysis of the implications of the "creative industries" approach to arts and media policy making in the United Kingdom."

66. Paul Smith, *Millennial Dreams: Contemporary Culture and Capital in the North* (London: Verso, 1997), 26, 28.

67. While TNCs compete to increase their profit rate above the average for the branch or branches in which they operate, they can under certain circumstances attempt to raise the average rate of profit in the branch above the general rate of profit by

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increasing their share of total surplus value produced. This can be done by measures designed to limit conflict and competition, such as joint ventures or cartels. Dean Alger argues that such relationships, "on top of the increasingly extreme concentration of media ownership, suggests significantly compromised principles of marketplace competition." Cited in Grover and Siklos, "When Old Foes Need Each Other: Media alliances pool talent and cash to crack Asian markets or open new distribution networks," 114. There is nevertheless an inherent contradiction between the attempts of firms to raise profits above the average for the branch that implies competition, and attempts to raise the branch's average which requires collusion. Consequently, attempts at cartelization are constantly threatened by the potential of renewed competition. This is particularly so during periods of crisis and reductions in profit rates.

68. Smith, *Millennial Dreams: Contemporary Culture and Capital in the North,* 28.

69. Dick Bryan, "Bridging differences: Value theory international finance and the construction of global capital," in *Value and the world economy today,* ed. Richard Westra and Alan Zuege (Palgrave, 2003), 68.

70. Weeks, "The Competition Among Capitals," 153.

71. McChesney, *The Problem of the Media,* 177.

72. Cyrus Bina, "Theories of Pure Competition and Competition in Capitalism," in *The Economics of the Oil Crisis* (London: Merlin Press, 1985); Botwinick, *Persistent Inequalities: Wage Disparity Under Capitalist Competition;* Jenkins, *Transnational Corporations and Uneven Development: The Internationalization of Capital and the Third World* (1987); Willi Semmler, "Theories of competition and monopoly," *Capital & Class* (1982).

73. McChesney, *Rich Media, Poor Democracy: Communication Politics in Dubious Times,* 36.

74. McChesney, *The Problem of the Media,* 179, 85.

75. In *The Problem of the Media,* McChesney argues that the "bottom line is clear: a competitive market structure does not or media in the United States and probably cannot exist in the world of corporate capitalism. This does not mean there is not competition between media giants. But cartel-like arrangements are frequently evident. Like all oligopolists, these firms rarely compete in the area of price. They use their economic and political power to advance their interests and to dominate consumers." McChesney, *The Problem of the Media,* 189.

76. McChesney, *The Problem of the Media,* 187.

77. Michael Dawson and John Bellamy Foster, "Virtual Capitalism: The Political Economy of the Information Highway," *Monthly Review* Vol. 43 No. 3, no. July-August (1996): 43–46.

78. Elsewhere John Bellamy Foster has argued that "we need to recognize the theoretical limits of any view of capitalism that is confined largely to the level of market-based competition. . . . In Marx's view, the essential nature of capitalism was to be understood not by focusing on competition at the level of the market, but by analyzing the relations of capital and labor within production. It is here that the law of value of capitalism arose. John Bellamy Foster, "Is Overcompetition the Problem?" *Monthly Review* 51, no. 2 (1999): 36. Certainly, this is an important point about the centrality of "vertical relations." However, it is not clear how the law of value, based on abstract labor, arises unless exchange and hence competition are included as the "executor" of capital's inner laws; see, for example, Geoffrey Kay, "Abstract Labor and Capital," *Historical Materialism,* no. 5 (1999). Indeed, it has been argued that theoretical position of the MRS is that "the abandonment of the law of the competitive model in Marx does entail abandoning the law of value—which to their credit, Baran and Sweezy are fully prepared to do." David Harvey, *The Limits to Capital,* 2nd ed. (London: Verso, 1999), 141. Nevertheless, Paul Sweezy argues that " [a]t not time . . . did it ever occur to Baran and me to call into question, let alone reject, the labor theory of value as elaborated by Marx and *as we understood it.*" P. Sweezy, "Some Problems in the Theory of Capital Accumulation," in *The Faltering Economy: The problem of accumulation under monopoly capitalism,* ed. John Bellamy Foster and Henryk Szlajfer (New York: Monthly Review Press, 1984), 41. My emphasis.

79. Dawson and Foster, "Virtual Capitalism: The Political Economy of the Information Highway," 49.

80. Foster, "Is Overcompetition the Problem?"

81. P. Baran, *The Political Economy of Growth* (Harmondsworth: Pelican Books Ltd, 1973), 197.

82. Foster, "Is Overcompetition the Problem?" 32. See also Howard J. Sherman, "Monopoly Capitalism vs. the Fundamentalists," in *Rethinking Marxism,* ed. Richard Wolff and Stephen Resnick (New York: Automedia, 1985); Howard J. Sherman, "The Rise of Global Capitalism: The Concentration and Centralization of Capital on a World Scale," in *Globalization and Change,* ed. Berch Berberoglu (New York: Lexington Books, 2005); Sweezy, "Competition and Monopoly."

83. See *inter alia* Cyrus Bina and Behzad Yaghmaian, "Post-war Global Accumulation and the Transnationalisation of Capital," *Capital & Class,* no. 43 (1991); Bryan, "Monopoly in Marxist Method." Dick Bryan, "The state and the internationalisation of capital: an approach to analysis," *Journal of Contemporary Asia* 17, no. 3 (1987); Bryan, "Bridging differences: Value theory international finance and the construction of global capital"; Bryan and Rafferty, *Capitalism with Derivatives: A Political Economy of Financial Derivatives, Capital and Class;* James Cypher, "The internationalization of capital and the transformation of social formations: A critique of the Monthly Review school," *Review of Radical Political Economics* 11, no. 4 (1979); Jenkins, *Transnational Corporations and Uneven Development: The Internationalization of*

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Capital and the Third World.

84. Cypher, "The internationalization of capital and the transformation of social formations: a critique of the Monthly Review school"; Penner, "Monopoly and Crisis in the Era of the "Giant Corporation": Neo-Marxist versus Radical Institutionalist Approaches."

85. Bryan, "Bridging differences: Value theory international finance and the construction of global capital," 68.

86. Jenkins, *Transnational Corporations and Uneven Development: The Internationalization of Capital and the Third World;* Jenkins, "Transnational Corporations, Competition and Monopoly."

87. Ernest Mandel, "The Labor Theory of Value and Monopoly Capitalism," *International Socialist Review* 28, no. 4 (1967); Harvey, "The Art of Rent: Globalization, Monopoly and the Commodification of Culture."

88. Paul Sweezy, "Monopoly Capitalism," in *The New Palgrave: Marxian Economics*, ed. J. Eatwell, M. Milgate, and P. Newman (London: Macmillan Press Ltd., 1987), 302.

89. Cyrus Bina, "A Twin Note on the "Unanswered Questions About Rent," Outline on Political Economy list, ricardo.ecn.wfu.edu/~cottrell/ope/archive/0401/0161.html.

90. Botwinick, *Persistent Inequalities: Wage Disparity under Capitalist Competition;* Shaikh, "Marxian Competition versus Perfect Competition: Further Comments on the So-Called Choice of Technique," 77. Cyrus Bina critiques the notion of "barrier to entry" on a second point, namely that "[s]peaking of 'barrier to entry,' . . . amounts to an analogue of *idealized* capital and idealized i.e., 'perfect' or, more properly, *benign* competition associated with the axiomatic spectrum of neoclassical market-structure theory." Bina, "A Twin Note on the "Unanswered Questions About Rent."

91. Harvey, "The Art of Rent: Globalization, Monopoly and the Commodification of Culture," 398.

92. Brenner, "Competition and Class: A Reply to Foster and McNally."

93. K. Marx, *Capital: A critique of political economy*, vol. 1 (London: Penguin, 1992), 777.

94. David Harvey observes this drive is also reflected in the securing of ever-tighter monopoly rights of private property through international commercial laws that regulate all global trade. Harvey, "The Art of Rent: Globalization, Monopoly and the Commodification of Culture," 399.

95. Garnham, "Information Society Theory as Ideology: A Critique," 106.

96. Garnham, "Class Analysis and the Information Society as Mode of Production," 99.

97. Julie Froud et al., "Shareholder value and Financialization: Consultancy promises, management moves," *Economy and Society* 29, no. 1 (2000); William Lazonick and M. O'Sullivan, "Maximising shareholder value: a new ideology for corporate governance," *Economy and Society* 29, no. 1 (2000).

98. Bustamante, "Cultural industries in the Digital Age: Some provisional conclusions," 804.

99. Bernard Miège, "La concentración en las industrias culturales y mediáticas (ICM) y los cambios en los contenidos (The concentration in the cultural and media industries and the changes in contents)," *Cuadernos de Información y Comunicación* 11(2006): 159.

100. Richard Phillips, "The global export of risk: Finance and the film business," *Competition and Change* 8, no. 2 (2004).

101. Christian Palloix, "The Labor Process: from Fordism to neo-Fordism," in *The Labor Process and Class Strategies* (London: Conference of Socialist Economists, 1976).

102. Nicholas Garnham, *Emancipation, the Media, and Modernity: Arguments about the Media and Social Theory* (Oxford: Oxford University Press, 2000), 46.

103. Bryan and Rafferty, *Capitalism with Derivatives: A Political Economy of Financial Derivatives, Capital and Class*; Greg Albo, "Paul Sweezy and American Marxism," *Studies in Political Economy*, no. 74 (2004); Dick Bryan, Michael Rafferty, and Scott MacWilliam, "The Global Financial Crisis: Foreclosing or Leveraging Labor's Future?" in *The Great Credit Crash* (London: Verso, 2010).

104. David Harvey, "Neo-Liberalism as Creative Destruction," *Geografiska Annaler: Series B, Human Geography* 88, no. 2 (2006): 154. See also John Bellamy Foster, "Monopoly-Finance Capital," *Monthly Review* 58, no. 7 (2006); Fred Magdoff, "The Explosion of Debt and Speculation," *Monthly Review* 58, no. 6 (2006); John Bellamy Foster and Fred Magdoff, *The Great Financial Crisis* (New York: Monthly Review Press, 2009).

105. Robin Blackburn, "Finance and the Fourth Dimension," *New Left Review*, no. 39–70 (2006); Leo Panitch and Sam Gindin, "Finance and the American Empire," in *Socialist Register 2005*, ed. Leo Panitch and Colin Leys (London: Merlin Press, 2005); Suzanne de Brunhoff, "Financial and Industrial Capital: A New Class Coalition," in *Anti-Capitalism: A Marxist Introduction*, ed. Alfredo Saad-Fihlo (London: Pluto Press, 2003); John Grahl, "Financial Change and European Employment Relations" (paper presented at the Workshop of the Rosa Luxemburg Foundation "Keynesian Economics as Alternative Economy," February 24–26, Berlin, 2006). Compare these accounts with Özgür Orhangazi, *Financialisation and the US economy* (Cheltenham: Edward Elgar, 2008).

106. For early discussions of financialization see Giovanni Arrighi, *The Long Twentieth Century* (London: Verso, 1994); Samir Amin, "The challenge of globalization," *Review of International Political Economy* 3, no. 2 (1996).

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107. de Brunhoff, "Financial and Industrial Capital: A New Class Coalition"; Dumenil and Levy, "The Nature and Contradictions of Neoliberalism."

108. Bryan, *The Chase across the Globe: International Accumulation and the Contradictions for Nations States;* Harvey, *A Brief History of Neoliberalism*; John Weeks, "The Essence and Appearance of Globalization: The Rise of Finance Capital," in *Globalization and the Dilemmas of the State in the South,* ed. Francis Adams, Satya Dev Gupta, and Kidane Mengisteab (London: Macmillan Press Ltd., 1999).

109. Douglas Gomery, "Toward a New Media Economics," in *Post-Theory: Reconstructing Film Studies,* ed. David Bordwell and Noel Carroll (Madison: University of Wisconsin Press, 1996); Douglas Gomery, "Hollywood as industry," in *American Cinema and Hollywood: Critical Approaches,* ed. John Hill and Pamela Church Gibson (New York: Oxford University Press, 2000); Douglas Gomery, "Economic and Institutional Analysis: Hollywood as Monopoly Capitalism," in *Understanding film: Marxist perspectives,* ed. Michael Wayne (London: Pluto Press, 2005).

110. Philippe Bouquillion, Bernard Miège, and Christian Pradié, "Financiarisation des industries de la communication et mutations corrélatives (Financialization of the communication industries and the correlative changes)" (paper presented at the Colluque Panamericain: Industries culturelles et dialogue des civilisations dans les Ameriques, Montreal, April 22–24, April 22–24 2002); McChesney and Schiller, "The Political Economy of International Communications: Foundations for the Emerging Global Debate over Media Ownership and Regulation"; Stephanie Peltier, "Mergers & Acquisitions in the Media Industries: A Preliminary Study of the Impact on Performance" (paper presented at the 12th International Conference on Cultural Economics, Rotterdam, 2002).

111. Peltier, "Mergers & Acquisitions in the Media Industries: A Preliminary Study of the Impact on Performance"; Aksoy and Robins, "Hollywood for the 21st century: Global competition for critical mass in image markets."

112. Bouquillion, Miège, and Pradié, "Financiarisation des industries de la communication et mutations corrélatives (Financialization of the communication industries and the correlative changes)"; Philippe Bouquillion, "The Formation of Cultural and Communication Industry Poles: Between financial coups and the integration of industrial production lines" (Maison des Sciences de l'Homme Paris-Nord Université Paris 8, 2005); Garnham, "Class Analysis and the Information Society as Mode of Production."

113. Michael Wolff, *Autumn of the Moguls: My Misadventures with the Titans, Poseurs and Money Guys Who Mastered and Messed Up Big Media* (New York: Harper Collins Publishers, 2003), 13.

114. On the processes of narrativization, see Julie Froud et al., *Financialization and Strategy: Narrative and numbers* (London: Routledge, 2006); Neil Fligstein, *The Transformation of Corporate Control* (Harvard University Press, 1993). On the linking of financial and managerial goals, see de Brunhoff, "Financial and Industrial Capital: A New Class Coalition"; Suzanne de Brunhoff, "Value, Finance and Social Classes," in *Value and the World Economy Today. Production, Finance and Globalization,* ed. Richard Westra and Alan Zuege (London: Palgrave, 2003); Dumenil and Levy, "The Nature and Contradictions of Neoliberalism."

115. Grahl, "Financial Change and European Employment Relations," 10.

116. It should be noted that media/cultural industry profit rates are already relatively high. For, example, the *Fortune* 500 website records that profits as percentage of revenues for the Entertainment sector (including Time Warner, Walt Disney, News Corp. CBS/Viacom) had risen to 12.4% in 2007, a rate comparable to that for Commercial Banks and Railroads, but well below Mining, Crude Oil Production (23.8%), and Network and Other Communications Equipment (28.8%). In 2008 the *Fortune* 500 Entertainment companies' rate of return had fallen to –10%, just above that achieved by the retail industry (–13.4%) (money.cnn.com/magazines/fortune/fortune500). Crucially, however there is clear variation in average rates of return between the different cultural industries—for details see Hesmondhalgh, *The Cultural Industries,* 20.

117. Harvey, *The Limits to Capital,* 149.

118. Harvey, *The Limits to Capital,* 148.

119. Clifton, "Competition and the evolution of the capitalist mode of production," 150.

120. Keith Cowling and Roger Sugden, "The Essence of the Modern Corporation: Markets, Strategic Decision-making and the Theory of the Firm," *The Manchester School* 66, no. 1 (1998).

121. Fligstein, *The Transformation of Corporate Control*; Geoffrey Hodgson, *Economics and Institutions: A Manifesto for a Modern Institutional Economics* (Cambridge: Polity Press, 1988).

122. Blackburn, "Finance and the Fourth Dimension," 42–43.

123. Núria Almiron, *Journalism in Crisis: Corporate Media and Financialization* (Cresskill: Hampton Press, 2010), 63; Bouquillion, "The Formation of Cultural and Communication Industry Poles: Between financial coups and the integration of industrial production lines"; Philippe Bouquillion, *Les Industries de la Culture et de la Commmunication: Les strategies du capitalisme* (Grenoble: PUG, 2008).

124. Christian Pradié, "Capitalisme et financiarisation des industries culturelles (Capitalism and financialization of the culture industries)," *Réseaux* no. 131 (2005): 88.

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125. The intermediate stage that Pradié refers to, marked by relative family control, is commonly associated with the use of "dual class" shares. Through the use of a combination free-floating yet nonvoting shares and tightly controlled voting shares the Murdoch family maintains control over News Corporation, and Sumner Redstone, via National Amusements, maintains control over Viacom/CBS. Although there are relatively clear trade-offs in this strategy for expanding financial capacity, including a discount on the value of nonvoting shares, it permits both access to market capitalization and greater levels of family control. For further discussion see Eileen R. Meehan, "Media empires: Corporate structures and lines of control," *Jump Cut*, no. 52 (2010); Almiron, *Journalism in Crisis: Corporate Media and Financialization*. The development of News Corporation's shareholder structure is addressed in more detail in Chapter 5.

126. Henwood, *Wall Street,* 263–64.

127. Grahl, "Financial Change and European Employment Relations"; Robert Boyer, "From shareholder value to CEO power. The paradox of the 1990s," *Competition & Change* 9, no. 1 (2005).

128. Crotty, "The Neoliberal Paradox: The Impact of Destructive Product Market Competition and 'Modern' Financial Markets on Nonfinancial Corporations in the Neoliberal Era."

129. Peter Rossman and Gerard Greenfield, "Financialization: New Routes to Profit, New Challenges for Trade Unions," *Labor Education*, no. 142 (2006): 5.

130. Bryan and Rafferty, *Capitalism with Derivatives: A Political Economy of Financial Derivatives, Capital and Class.*

131. Keith Negus, "Cultural production and the corporation: Musical genres and the strategic management of creativity in the US recording industry," *Media, Culture & Society* 20(1998): 366. Very evidently, the media itself has contributed to the cultural aspects of financialization—that is, "knowing and furthering the discourse of money and its methods of representing everyday life, substituting for politics and history." See Toby Miller, "Financialization, Emotionalization and Other Ugly Concepts," in *Sarai Reader 04: Crisis/Media*, ed. Monica Narula, et al. (Delhi: Sarai, Center for the Study of Developing Societies, 2004), 21. For an extended discussion of this process within the Australian media, see Cathy Greenfield and Peter Williams, "Financialization, finance rationality and the role of media in Australia," *Media, Culture & Society* 29, no. 3 (2007).

132. Critically, further consolidation and institutional convergence have been heavily promoted by broadly similar shifts in state policy around the world. However, as Mosco argues, the myth of the "digital sublime" plays a fundamental role in terms of communication policy. Under the banner of digital convergence, understood as a supposedly logical and incontestable outcome of technological development, corporate interests push for regulation that "recognises" that the entrenched divisions between different market segments in the information, communication and entertainment industries, for example data processing and telecommunications, have been all but bridged. While pressing for policies of marketization that conform to the supposedly technologically driven new "market reality," large corporations seek state support to compete effectively in this changed corporate environment. Mosco observes that, by suspending open contradictions through transcendent narratives, myths of digitalized new media and cyberspace propelled both beliefs about the "magic of the market" and the myth that "if you build it, they will come." Mosco, *The Digital Sublime: Myth, Power, and Cyberspace*. See also Graham Murdock and Peter Golding, "Common Markets: Corporate Ambitions and Communication Trends in the UK and Europe," *Journal of Media Economics* 12, no. 2 (1999); Murdock and Golding, "Common Markets: Corporate Ambitions and Communication Trends in the UK and Europe"; Graham Murdock and Peter Golding, "Digital Possibilities, Market Realities: The contradictions of communications convergence," in *A World of Contradictions—Socialist Register 2002*, ed. Leo Panitch and Colin Leys (London: Merlin Press, 2002). It is worth recalling that the media and communications industries have long played a central role in narratives of sweeping societal change. Brian Winston, *Media Technology and Society—A History: From the Telegraph to the Internet* (London and New York: Routledge, 1998); Langdon Winner, "Technolgy Today: Utopia or Dystopia?" *Social Research* 64, no. 3 (1997).

133. Gerard Dumenil and Dominique Levy, "Costs and Benefits of Neoliberalism: A Class Analysis," *Review of International Political Economy* 8, no. 4 (2001).

134. Saad-Fihlo and Johnston, eds., *Neoliberalism: A Critical Reader;* Andrew Gamble, "Neo-Liberalism," *Capital & Class,* no. 75 (2001); Werner Bonefeld and John Holloway, eds., *Global Capital, National State and the Politics of Money* (London: Macmillan Press Ltd.,1995); Sam Gidin, "Turning Points And Starting Points: Brenner, Left Turbulence And Class Politics," in *Socialist Register: Working Classes—Global Realities*, ed. Leo Panitch, et al. (London: Merlin Press, 2001).

135. Colin Leys, *Market-Driven Politics: Neoliberal Democracy and the Public Interest* (London: Verso, 2002).

136. Dick Bryan, "The Rush to Regulate: The Shift in Australia from the Rule of Markets to the Rule of Capital," *Australian Journal of Social Issues* 35, no. 4 (2000); Leo Panitch, "Globalisation and the state," in *The Socialist Register: New World Order?* ed. Ralph Miliband and Leo Panitch (London: Merlin Press, 1994); Leo Panitch, "'The State in a Changing World': Social-Democratizing Global Capitalism?" *Monthly Review* 50, no. 5 (1998).

137. McChesney, *The Problem of the Media;* Bustamante, "Cultural industries in the Digital Age: some provisional conclusions." Robert W McChesney and Dan Schiller, "The Political Economy of International Communications: Foundations for the Emerging Global Debate over Media Ownership and Regulation," (2002): 15–16; Dan Schiller, "Hard Times: Digital

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Capitalism 2002" (paper presented at the Reflections on the Social Impact of American Multinational Corporations: International Colloquium, L'université Stendhal Grenoble, France January 11–12, 2002).

138. In part, such as processes are driven by the desire to produce, as noted earlier, "world-dominating" financial returns on which investors insist. This mode of logic is of course contradictory because not every company can beat the market average. Julie Froud, Adam Leaver, and Karel Williams, "New Actors in a Financialised Economy and the Remaking of Capitalism," *New Political Economy* 12, no. 3 (2007); Michel Husson, "Finance, hyper-concurrence et reproduction du capital," in *La finance capitaliste* ed. Suzanne De Brunhoff, et al. (Paris: PUF, 2006).

139. Dwayne Winseck, "The State of Media Ownership and Media Markets: Competition or Concentration and Why Should We Care?" *Sociology Compass* 2, no. 1 (2008): 41.

140. Aurora Labio Bernal, "World Communication Groups at the Outset of the Twenty-First Century: Changes and New Perspectives " *Telos*, no. 76 (2008); Bouquillion, *Les Industries de la Culture et de la Commmunication: Les strategies du capitalisme*; Dal Yong Jin, "Deconvergence: A Shifting Business Trend in the Digital Media Industries," in *International Communication Association* (Marriott, Chicago, IL, May 20, 2009).

141. Ronald Grover, "Media Moguls Do the Splits," *BusinessWeek.com*, September 11, 2008.

142. Hugo Radice, "'Globalization' and national differences," *Competition & Change* 3(1998): 285; See also Henwood, *Wall Street*. James Perry and Andreas Nölke, "The political economy of International Accounting Standards," *Review of International Political Economy* 13, no. 4 (2006).

143. Bustamante, "Cultural industries in the Digital Age: Some provisional conclusions."

144. Fredric Jameson, "Notes on Globalization as a Philosophical Issue," in *The Cultures of Globalization*, ed. Fredric Jameson and Masao Miyoshi (London: Duke University Press, 1998); Keith Negus, "The Production of Culture," in *Production of Culture/Cultures of Production*, ed. Paul Du Gay (London: Sage Publications, Ltd., 1997), 87.

145. Bustamante, "Cultural industries in the Digital Age: some provisional conclusions"; Schiller, "Hard Times: Digital Capitalism 2002."

146. Panitch and Gindin, "Finance and the American Empire"; Simon Clarke, "Class Struggle and the Global Overaccumulation of Capital," in *Phases Of Capitalist Development: Booms, Crises, and Globalisations*, ed. Robert Albritton, et al. (London: Palgrave, 2002); Simon Clarke, "The Neoliberal Theory of Society," in *Neoliberalism: A Critical Reader*, ed. A. Saad-Filho and D. Johnston (London: Pluto Press, 2005).

147. Saad-Fihlo and Johnston, eds., *Neoliberalism: A Critical Reader*, 1.

148. Bill Robinson and Jerry Harris, "Towards a global ruling class: globalisation and the transnational capitalist class," *Science & Society* 64, no. 1 (Spring 2000); Leslie Sklair, "The Transnational Capitalist Class and Contemporary Architecture in Globalizing Cities," *International Journal of Urban and Regional Research* 29, no. 3 (2005). On the internationalization of domestic classes see Leo Panitch and Sam Gindin, "Euro-capitalism and American Empire," in *Varieties of Capitalism, Varieties of Approaches*, ed. David Coates (London: Palgrave, 2005).

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Chapter 2

Corporate Strategy and Structure in an Age of Paranational Hypercapitalism

2.1 OVERVIEW

This chapter examines the basis of the corporate strategy and structure that characterize the operations of Bertelsmann, News Corp., and Time Warner. As established in chapter 1, it is necessary to emphasize the continuing (indeed expanding) role of competition within the cultural industries. This is what drives processes of differentiation and convergence in terms of corporate strategy and structures. Often this point is elided by an understandable focus on the institutional power of large media conglomerates[1;] yet, it is also the product of a conception of competition that focuses principally on market structures and that takes the "perfectly competitive" sector as the standard for comparison.[2] However, a consideration of monopoly rents derived from production, as well as from exchange, underlines that monopolies are a form of competition within the whole circuit of social capital, not simply the end of competition within the marketplace, and that competition remains a coercive force circumscribing corporate institutional power.[3]

The move away from abstract models of competition based on market size and the number of capitals is essential when examining the precise nature of these monopoly rents. Cultural industries have specific characteristics that create special, if not unique, strategic points of control and surplus-profit extraction. There is thus a need to address how the logics of cultural production, materialized in concrete systems of production and provision, condition the strategic action of media corporations.

These production systems are, however, not immutable, and a concentrated corporate form provides multiple avenues for capital to attempt to amend and restructure the operating conditions that characterize the cultural industries. Thus, there is also a need to address the extent to which ongoing processes of restructuring—an expression of expansionary and crisis-ridden capitalist social relations—have affected and indeed transformed these logics. For example, the ways in which management have engaged with the greater financial integration and regulation of the various activities of the corporation, both internally and externally, have assuaged or accentuated the clash of heterogeneous logics of production within these conglomerates.[4]

The notion of logic, as it relates to corporate form and strategy, has a number of connotations.[5] Jean-Guy Lacroix and Gaètan Tremblay argue that the "socioeconomic" logics of cultural production are, in fact, divisible into two distinct subtypes: the institutional logics associated with the circuit of industrialized cultural production per se; and the logic of the institutional,

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societal structures that define "the field of constraints and possibilities" in which corporate strategy and action is formulated.[6] The second connotation encompasses a much broader conception of logics and models of social systems of innovation and production and hence the diverse historical and institutional settings in which Time Warner, Bertelsmann, and News Corporation developed.

These wider structuring conditions comprise, first, the constraints of the existing state of technology. As we will see, much has been made of the determining influence of new technologies. Indeed, as Garnham has noted, the "Media" are essentially understood on the basis of the underlying technologies of reproduction and distribution that are employed.[7] This mode of thinking has its limitations, especially when it is amplified by the technological determinism that forms the basis of the Information Society thesis, the dominant discourse on the role of media within society.

Second, the wider structuring conditions also include the state of specific markets, the character of legislative frameworks, and the form of the broader social relations of production. The strategic action of the corporate entities are mediated not only through the particular requirements of concrete systems of production but also through the historical legacy of (national) business systems that have shaped the manner in which capitalist classes have been integrated into the global circuits of capital accumulation. This connotation raises the question about the degree to which the strategies of the large corporations are conditioned by the institutional logics of the "varieties of capitalism" in which they are supposedly "embedded". According to comparative institutionalists, these institutional logics inhibit radical or fundamental socioeconomic change and promote the reproduction of "national" institutional configurations, which following Michel Albert can be categorized broadly as Liberal Market Economies and Coordinated Market Economies.[8]

Can we accept the assertions that these institutional orders and their outcomes for corporate strategy and the conditions of cultural workers are inherently national in character?[9] Although institutional orders have discernible national characteristics, we should not let *methodological nationalism* blind us to other developments.[10] Arguably, these large media corporations are developing international networks and institutional practices that both incorporate and transcend earlier national frameworks. Moreover, the degree to which the varieties of capitalism, and more importantly forms of corporate "governance," are converging needs to be scrutinized given that the corporations are placing pressure on states to reproduce national frameworks in a manner that more readily corresponds to the international scope of the corporations' activities. As will be argued at greater length in the next chapter, this obviously does not imply that such corporations are "footloose" or "stateless..

Finally, it is necessary to underline the implications that the processes of change and continuity have for workers within these cultural transnational corporations. These processes undoubtedly reflect the different logics that characterize and constrain the processes of industrialization, commodification, and corporate action. Nonetheless, they also reflect the broader logic of capital accumulation, whose basis in class struggle and competition is, as Graham Murdock noted, ever more brutally transparent.[11] This is not to proffer a dystopian

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vision of “paranational hyper-capitalism”;[12] rather it is to note that the cultural industries are increasingly affected by a “specific kind of production . . . [whose] general illumination . . . bathes all the other colours and modifies their particularity”.[13] Unsurprisingly, it appears that labor, operating both under the control of these companies and externally, has been most adversely affected by the deepening subsumption of the cultural field to capital.[14]

2.2 THE TECHNOLOGICAL BASIS OF MEDIA CONVERGENCE

The commercial application of new technologies has provided international media corporations with enhanced capabilities to create and distribute cultural commodities. The key to such changes has been the expansion of satellite and cable networks, and the overall transformation of Information and Communication Technologies (ICTs) through the process of digitization. This common basis of digital information technology has brought into question the traditional industrial divisions and opened up possibilities for economic restructuring. Indeed, the trope of autonomous technological change has provided the primary pretext for a renewed round of centralization and cross-media conglomeration. Such claims about a revolution in media technologies should be considered warily: as Raymond Williams noted, “the sense of some new technology as inevitable or unstoppable is a product of the overt and covert marketing of relevant interests.”[15]

Rather than accepting such technological determinism, political economic accounts argue that the growth and organizational transformation of capitals is intimately related to the production and use of new ICTs but is not fundamentally driven by them. In the case of the media, strategic control has been extended over previously more distinct subsectors in a manner that highlights that “media convergence” is primarily an issue of corporate strategy and structure. Of course, corporations are themselves the institutional vehicles of capitalist classes driven by the imperatives of competition, profit maximization, and accumulation.[16] Popular accounts focus on competition in the form of the internecine relationships between media moguls, be they managers or owners. Political economic analysis impels researchers to focus on how competition is expressed through the shared aims of deepening and extending the processes of “capitalization,” which includes the further commodification and industrialization of information and cultural production in line with the valorizing logic of capital.[17] More specifically the tendencies inherent in the global restructuring of capitalism are what broadly shape the global strategies and organizational structures of the media corporations, rather than technological imperatives. As Dwayne Winseck comments, media convergence is neither simply the “consequence of changing technology or the mysterious forces of globalization.”[18]

Given the context of their development and diffusion, it is not surprising that the introduction of new media technologies played an essential role in the intensification and extension of commodification processes associated with products, audiences, and labor. Yet, any potential for fundamental change has been largely suppressed, as such technologies have chiefly supplemented rather than supplanted existing media technologies. Two factors are decisive here: first, the profitable introduction of any innovation must confront the embedded logic of existing social customs of consumers, established cultural forms, and specific economic

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strategies of capitals; and second, new distributive technologies in particular have played a central role in extending the economies of scale and scope for large capitals and reinforcing their vertical, or indeed diagonal, networks of economic power. Whereas innovation may expand the chain of capitals within a circuit of production and realization, we need not assume that this will necessarily drive established capitals from the field: the introduction of innovation is as likely to reinforce the technological rents that established players enjoy, as it is to lead to their "creative destruction."[19]

Indeed, much of contemporary theorising on ICTs relies on highly dubious notions about technological diffusion and market transformation. To rephrase Manuel Castell's description of the "Spirit of Informationalism,"—a key example of such theorizing—in these arguments *Schumpeter meets neoclassical economics in the notion of market equilibrium achieved through the leveling effects of technical change.*[20] Such notions of technological change, where digitalized multimedia dissolve "monolithic empires of mass media" into "cottage industries," envisage that the market entry of a plethora of small capitals will generate a radical process of decentralization/disintermediation.[21] Certainly, such techno-utopian discourse and its emphasis on "cottage industries" is consistent with a neoclassical notion of competition, where "perfect competition" is approached as the number of capitals expands and their individual ability to affect market relations is reduced.

However, as David Harvey comments, "though the abstract theory of capitalism (including its neoliberal variant) appeals all the time to the ideals of competition, capitalists covet monopoly powers because they confer security, calculability and a generally more peaceful existence."[22] The growth and diversification of international media firms can be interpreted as a defensive movement against the destabilization of the Internet and more broadly the digital revolution. Alternatively, these strategies can be interpreted as the quest to colonize new media and adjacent markets by the acquisition of copyrights and by obtaining vertically integrated control over distribution and thus a central point of control in the value chain. Indeed new corporate alliances, organizational reordering and state-supported initiatives in the "digital age" are evidence that the established distribution networks, the key locus of profit and control in the cultural industries, "are fighting fiercely to maintain, firm up and even extend their positions of power".[23] Bustamante makes the point:

> In contradiction to the free market discourse, we are witnessing increasing concentration, and even the creation of oligopolies and monopolies . . . certainly not a tendency towards increased competition and pluralism but rather the constitution of enormous and powerful gatekeepers for the distribution networks (portals, ISPs, pay-TV platforms).[24]

Critics of the techno-utopian perspective have argued that with few exceptions new media technologies have strengthened the position of leading firms by providing the basis for expanded technological rents. Moreover the scale and cost of new technologies have acted as important "barriers to market entry" (understood in the critical sense delineated in the previous chapter) and constitute financial risks that are generally prohibitive to all but the most established capitals. [25] When combined with expanded libraries of copyrighted material, buttressed by expanded legal enforcement, the corporate power of engorged media conglomerates such as Time Warner, Bertelsmann, and News Corp. is clear. Such arguments

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are eminently more sensible than the “different generations of third wave analysis [which] both promise the end of mass media and centralized databanks in favor of diversity and *ad hoc* networks, and de-massified specialised small audience small circulation media”.[26]

Nevertheless, the development of News Corp., Bertelsmann, and Time Warner cannot be appreciated without an understanding of their utilization of, and competitive response to, the “old media” technologies, which included the print media and the electronic media: analog broadcasting—radio and television—and photography, phonography, and cinema that had developed between 1850 and 1950. Moreover, the organizational expansion of these capitals, as per the lines of development established through the “corporate revolution” of the late nineteenth century, also depended critically on the diffusion of communications technology of which the telegraph and telephone were preeminent.[27]

From the mid-1970s onward the potential of these old media forms was revitalized and augmented by the diffusion of new ICTs and more specifically the rapid development and commercialization of new media devices and distribution systems.[28] Foremost in most discussions of new media are: first, the roll out of “new” cable and satellite systems, which facilitated a vast expansion in audiovisual distribution; and second, the combining of these and other telecommunication networks with computerized production and control of symbolic forms via the fundamental shift from distinct analog to a common, digitized signal coding. Since the mid-1990s, the Internet has rapidly developed a fundamental distribution platform, including for peer-to-peer networks; indeed digitization’s effect on cultural production and consumption are most obviously marked by the arrival of the Internet and the World Wide Web.[29] Added to these key developments has been the proliferation of a range of consumer electronic devices that have provided new capabilities of data storage and retrieval. While these devices are individually characterized by varying degrees of dependence on the existing and new communication systems, they have all been increasingly linked via digitization.[30]

Technical innovations associated with ICTs, not merely in the field of communications, in the narrow sense, but more generally in the areas of industrial production, logistics, and marketing, have been deeply connected with new organizational developments within the media sector internationally.[31] Yet at a more general level, it is safe to conclude that while “Technical arrangements may have changed. Social relations have not.”[32] The new media technologies have been shaped by the same structural imperatives of capitalism, which mean that they have been, albeit to differing degrees, subsumed under the model of older communication forms and developed as commodities.

This line of development is not surprising. If not unmediated by the actions of other capitals, workers, and the state, clear intentions nevertheless shape the development and commercialization of such technologies.[33] As Mandel comments, “[t]here is nothing new in understanding that technology developing under capitalism is not the only possible technology, but *specific* technology introduced for specific reasons closely linked to the specific nature of the capitalist economy and bourgeois society”.[34] The new ICTs have both enabled new cultural commodities to be created and enhanced the ability to market and distribute other products, increasing the scope for both direct and indirect commodification. More specifically, new

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media development has been based on their exploitation as advertising platforms for the promotion and marketing of branded goods and vehicles for cultural products and communication services based on proprietary controls over ever more dispersed works of intellectual property. In both cases, the costs of production and the amount of labor can also be significantly reduced. Whereas digitization occurs in the context of the process of commodification of information and entertainment, it greatly expands the process by expanding markets in communication products, by creating markets in the audiences that receive and make use of electronic communication, and by deepening the commodification of labor involved in the production, distribution, and exchange of communication.[35] "Digitisation expands the commodification of communication content by extending the range of opportunities to measure and monitor, package and repackage information and entertainment."[36]

New technologies supposedly bring with them vast new potential, including the arrival of new entrants, increased competition and the attendant improvements in efficiency and consumer welfare. Such proclamations appear doubly dubious when attached to notions of disjunctive change and "new eras."[37] Nonetheless, the new technologies have created uncertainty in terms on the accumulation strategies of existing media and cultural industry capitals: the key corporate responses to problems of realization have been confronted by market fragmentation and the undermining of the artificial scarcity of supply.[38] The upsurge of new media and digitization is generally held to have unsettled the clear demarcation of discrete media markets and as well as the wider operating environment of media firms.

These changes are often taken as the outcome of irresistible technological forces. Combinations of computing, telecommunications, and broadcasting potentially undermine the previously distinct character of analog media; yet there are constraints on the type of total convergence repeatedly predicted by media managers and politicians. It is clear that despite the constant talk of convergence a unified industrial logic and unified system of provision has not emerged. In the medium term, new digital technologies will continue to have highly differentiated effects in various sectors of the cultural industry. This is because they cannot abstract the distinct communicative technology from the singularities of the underlying technics in which they are embedded, technics that involve specific "systems of provision" or industrial "logics" that reflect the broader culture and incorporate the emotional connections and habits/routines of users.[39] Simply put, "[m]achines may proliferate but institutions and systems are proving more resilient."[40]

To the extent that economic restructuring associated with the decline of traditional industrial divisions has taken place, it is brought about not just by the effects of the common basis of digital information technology but also by the loosened regulations that reflect the power of media companies or government policy. As Winseck points out, the potential for media convergence, and the possibility of radical change, has been historically foreclosed by private industry or government regulation for the majority of electronic media's development.[41] Government and corporate policies are now distinguished by determined efforts to assemble scale economies and form the basis of heightened innovation through the active promotion of digitization and media "convergence". As one of the fastest-growing sectors of the global

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economy, most national governments are counting on these industries to provide the primary stimulus to their future economic growth.[42]

The notion of intent in the development and diffusion of new media technologies, while encompassing at the general level the extension of capitalist social relations, can be more fully appreciated at the concrete level of individual corporate strategies. This is not to discount the important role of unintended consequences in the vector of technological development. Yet, as Mandel argues, choices about technical development "are made for reasons of profit preferences by *specific* branches of industries, or better still leading firms in these branches, that is, power relations inside the capitalist class."[43] It is at the level of individual capitals and corporate strategies that we see most clearly the operation of the often contradictory, and disequilibrium inducing, forces of supervening necessity and the "law" of the suppression of radical potential.[44] Such opportunity and associated uncertainty have been key elements in the claim that the new technologies increase the economic benefits of enlargement and expansion into a succession of individual new media. This is not just to ensure that the benefits of synergy or "economies of multiformity" are achieved, but also to ensure that the central hubs of economic activity within the international sector are controlled.[45] They become rapidly incorporated into the ownership of major communication multinationals. From this perspective the new media technologies, and more broadly ICTs, have expedited the dynamic institutional expansion of multinational media since the 1970s via horizontal and vertical integration, conglomeration, and internationalization.

2.2.1 Technology, Innovation, and Super Profits

Media convergence, understood as including seamless technical integration based on common standards and the complete breakdown of industry barriers between print, broadcasting, and telecommunication, is central to what Mosco calls the myths of the "digital age". According to these myths:

> "Technology changes everything" . . . Monopolies are no longer a problem because small, innovative firms will out-compete lumbering monopoly giants. Indeed, some economists go as far as to argue that the best definition of our new "Knowledge-based Society" is that it is one in which firms no longer compete on price, they compete on innovation. . . . [46]

Bernard Miège contends that these arguments need to be contested because they envisage radical technological-based change "based on a theory of technological innovation that is founded on a simplified idea of diffusion."[47] Such myths of convergence elide the way in which new technologies allow established companies to extend their power by occupying and policing central nodes in the key networks of production, distribution, and exchange in the information economy. Indeed, the discourse of the media convergence, conflating of types of convergence within the media sector, has "supplied rhetorical cover for an industry-wide scramble to amass comprehensive control over what had been more discrete media sub-sectors."[48] Gaining control over the character and pace of the ongoing technical transition has understandably been a central objective for an enlarged ensemble of capitals from previously distinct fields such as computing telecommunications, informatics, mass communication, and cultural organizations. In understanding the compulsion and strategy behind these corporate

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objectives, it is necessary to deal with the issue of "technological rents" in relation to innovation and competition.

According to Dan Schiller in attempting to co-opt this technical transformation, leading capitals have had to realign their strategy and structure with the requirements of what, following Tessa Morris-Suzuki, he characterizes as the "perpetual innovation economy." Although clearly working within a Marxist paradigm, Morris-Suzuki's emphasis on the perpetual innovation is congruent with the general neo-Schumpeterian discourse that presently underpins much of thinking about the nature of capitalism and more particularly the dynamics of competition with regard to the realm of new media technologies. [49]

Although J. K. Galbraith played an influential role in proselytizing Schumpeter's arguments, that the large corporation is the innovative center of the modern economy (a position expressed clearly in Schumpeter's later writings—that is, Schumpeter Mark II), today it is Schumpeter's early emphasis on the entrepreneur as a driver of dynamism (Schumpeter Mark I) that has regained much attention.[50] Despite an essential incommensurability, such neo-Schumpeterian ideas have been hybridized with neoclassical notions based on Smith to celebrate the magical couplet of the market and the entrepreneur. On this basis, new technology is treated as diffusing so rapidly that the problems it may pose for neoclassical equilibrium theory can be ignored or treated as temporary. For "new economy" enthusiasts a neo-Schumpeterian emphasis on a constant state of flux and the need to destroy the past through "creative destruction" also coincides admirably well with the historical amnesia that is the hallmark of a good deal of current assessment about new technologies and the "digital sublime".[51] Garnham, however, contends that what the "whole Schumpeterian approach neglected with its stress on innovation was the other side of the coin of a sustainable mode of production, the boring business of actually building and running things in a sustainable way over time." [52]

The influence of this interpretative turn is present in Castells' work, the key academic examination of the "information economy." Castells' Network Society trilogy adopts a fundamentally Schumpeterian position in arguing that technological innovation (in process and product), rather than control of capital (and the essential role of labor-power in the valorization of capital) is key to competitive success and the primary source of wealth.[53] As is well known, Castells has argued that a new organizational form, the "network enterprise," is most compatible with business projects based on the network economics of innovation and knowledge development. The dispersal of these innovative projects across firm boundaries decenters power, reducing large multinational firms into dependent administrative forms which network the various projects.[54]

Castells' arguments have been subject to criticism on a number of grounds.[55] Of primary importance here is that, in emphasising a "faceless collective capitalist" instead of individual capitals, Castells fails to address the manner in which "action of knowledge on knowledge itself" relates to the dynamics of the intracapitalist competition based on the appropriation of surplus profits via "technological rents" and the importance of establishing monopolies in knowledge or information to protect such rents.[56] The lack of focus on technological rents in Castells' work is odd given that he states at one point that "firms will be motivated not by

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productivity but by profitability . . . profitability and competitiveness are the actual determinants of technological innovation and productivity growth."[57] Yet as Garnham argues, Castells' attention is primarily on technological innovation, productivity, and economic growth, and he therefore fails to distinguish between the role of innovation in enhancing systemwide productivity and innovation as part of interfirm competition for surplus profits. It is precisely this type of competition that is commonly designated as "Schumpeterian competition."[58]

For Schumpeter this competition was derived from the acts of the "heroic entrepreneur," who is enticed into introducing uncertain innovation by the potential for monopoly and super profits. Marx, in contrast, derives the entrepreneurial function from capital accumulation at the level of total social capital.[59] Given that the total amount of surplus value is determined prior to its distribution and is not affected by this distribution, technological rents permit capitals to seize a surplus profit—a larger-than-normal proportion of surplus value created elsewhere—and concentrate it under their control at the expense of reductions in the profits in less technologically advanced capitals and sectors. Therefore, as Smith notes, the individual capitals that introduce product and process innovations do so because they face the imperative to "grow or die." The constant hunt for such "technological rents" determines the permanent acceleration of technological innovation and the pursuit of new products and new production processes.

Mandel has provided the most elaborated account of the role of technological rents within a Marxist framework by placing such innovation at the center of intercapital competition.[60] Mandel asserted, against the notion of equilibrium—then central in not only neoclassical but also Marxist academic orthodoxy—that a fundamental characteristic of capitalist development was its instability, an outcome of the never-ending competitive struggle for surplus profits. Yet *pace* Castells, innovation does not take place as an end in itself as part of a perpetual innovation economy; rather, technological change in capitalism is subsumed under the valorization imperative, and as such, technological change in capitalism is essentially tied to the systematic reproduction of the capital/wage labor relation and the competitive search for profits. Indeed, as Schiller argues, this compulsive force of capitalist calculation is strengthening: rather than a new mode of development detaching from, or at least sitting precariously within, a capitalist mode of production, this mode of production is deepening its command over the field of communications, just as the informational field itself is dramatically expanding. This obviously has important consequences for the nature and direction of technological development.[61] Technologies will be adopted that reflect, if not simply reproduce, existing patterns of production and cultures of consumption and use, a point Buscombe underscores in his elegantly concise account of the importance of technological rents in the introduction of innovative sound and color technology to the American film industry.[62]

2.3 INDUSTRIAL LOGICS AND SYSTEMS OF PRODUCTION WITHIN THE CULTURAL INDUSTRIES

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Within schools of political economic research, the notion that within the field of media and cultural production specific "socio-economic logics" of cultural production shape the strategies of capitals has become widely accepted as a valuable basis of analysis.[63] Such logics develop as regularized responses to the distinctive problems faced in the organization and management of capitalist cultural production; they define the particular workings of the cultural industries as concrete production systems. Such logics represent "long lasting movements in strict connection with production processes, production/consumption articulations, mechanisms of formation of habits."[64] An understanding of such logics is helpful inasmuch as the operations of large conglomerates and small capitals cannot be understood to be the result of unmediated, homogenous capitalist "market conditions."

Such historically specific forms or logics reflect the fact that processes of commodification and industrialization of cultural production are complex, contested, and incomplete. Indeed, such processes do not follow a uniform model across a range of social fields; rather, they progress at various rates, are embodied in historically specific forms of organization and continue to reflect resistance to the penetration of capital.[65] It is not unusual that those determined to accumulate capital via cultural production have encountered recurring difficulties—potential ruptures in the valorization process constantly confronts capital.

Yet the problems encountered by capitals in the industrial branches of cultural production, and their successful responses to them, have remained particular if not idiosyncratic. These problems reflect the reliance on creative labor and the high initial costs of production relative to reproduction and distribution; the constant need for superficially "new" use-values; and the aleatory character of valorization based on symbolic goods whose use-value, first, is established in part through cultural "distinction" and, second, is not destroyed through consumption.[66]

Of course, especially for the largest business groups, an important degree of autonomy should be recognized in responding to these problems, particularly in periods of crisis and corporate instability.[67] Yet the scope of strategizing action and corporate autonomy is limited. Corporate operations are not, for instance a simple reflection of the personalities and strategies of their chief executives, despite the heavy representation of "moguls" within the sector.[68] Rather the competence of capitals is defined in relation to the specific market structures within which they act; moreover, their strategies and actions are coordinated and disciplined via the steering mechanism of money operating across the capitalist economy. Assessment of the operations of these large transnational media corporations, and the basis for change that these operations provide, requires the investigation of how their strategies, whether explicitly or implicitly, are shaped by competitive pressures mediated through distinctive "socioeconomic logics" of cultural production.

"Logic", in this instance, refers to the dominant institutional forms assumed by the commodification and industrialization of culture at a given moment (see Table 2.1). These institutional forms reflect (1) different "content" types; a mode of organizing the (2) production, (3) selection, and (4) delivery of content; (5) financing modes associated with forms of direct commodification based on intellectual property rights and indirect

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commodification via advertising support systems. Institutional forms also reflect the given state of technology within a specific sector; and specific social uses associated with consumption.

Table 2.1 Distinction between Publishing Logic and Flow Logic

PUBLISHING	*FLOW*
(1) Content Type	
Discontinuous provision of durable, individual copies	Continuous provision of ephemeral prototypes
(2A) Economic Chain	
Nonintegrated organization	Integrated organization
Externalized employment relationships	Internalized employment relationships
(2B) Creative Labor Remuneration	
Copyright and Royalties	Wage Labor
(3) Central Function	
Editorial maintenance of catalog	Programmer construction of schedule
(4) Distribution Technologies	
Reproduction	Diffusion
(5) Dominant Revenue Basis	
Direct sales to consumer	Indirect adverting revenue

Sources: Lacroix and Tremblay (1997); Khardouche (2003).
The editor/publisher function plays a critical role in those sectors of the

Some argument remains over the nature and scope of the ascendant and dominant industrial logics within the communication and cultural industries.[69] Nonetheless, two primary models can be discerned that seek to respond to specific valorization problems noted earlier. First, there is an editorial logic, where an editor uses a catalog of cultural artifacts as a means of mediating between various creative/artistic submissions, industrial production, and the aleatory of market demand. Second, flow logic responds to uncertainty by producing a constant flow of products as a packaged service and where speed and range of distribution is critical.[70]

cultural industries characterized by the creation of artefacts or events sold, more or less, directly to the end consumer, for example books, records, and film. Through the creation of a catalog of cultural products and submitted projects, the publisher manages economies of scope that help to mitigate the economic pressures arising from an uncertainty of demand.[71] The control of the catalog is of central importance because it permits a relatively small number of commercially successful commodities to underwrite a larger enterprise. Due to the reliance on direct commodification of cultural artifacts, capital strategies modeled on the publishing logic have rigorously attempted to restrict access to cultural commodities to those who are able to pay.

Those sectors characterized by flow logic exhibit an indirect form of commodification that operates on the basis of widely distributed, sponsored cultural commodities; consumer access is governed by means of simultaneous mass diffusion rather than serial production of copies of a given work. Questions of uncertainty of demand are addressed through the continuous sequence, or flow, of programming output as opposed to a diverse catalog. Compared to the durability of editorial commodities, such programming content is generally "ephemeral" in

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nature and intended for immediate and nonrepetitive consumption. Such conditions underline the critical function performed by the programmer, who must construct a programming schedule that will attract and maintain the attention of the largest number of audience members—a strategy that is increasingly coupled with more specific "audience targeting."[72]

In an unadulterated form, this model first appeared in the commercial development of radio and, with the subsequent phenomenal success of television, became the dominant institutionalized form of audiovisual commodification. Although such forms of diffusion are often regarded as "free," the financial basis is derived from the support of public expenditure or via advertising sales. With the international growth of marketizing policy regimes leading to, at the very least, "mixed" broadcasting systems, financing by commercial capitals out of their operating revenue—that is "indirect realization via publicity rents"—has become the dominant mode of financing.[73] Elsewhere, the extension of basic cable TV channels has changed the balance, but not eliminated the importance, of "upstream" commercial financing.

These distinctive socioeconomic logics shape relations both to labor and capital through chains of increasingly industrialized culture production, and establish dominant institutional forms of production, circulation, and consumption. Consequently, they condition the strategy formulation of private corporations and public institutions alike attempting to develop markets and improve their positions within them. In the sense of strategy, the reigning logic of production can also be seen to include a different yet related understanding of institutional logic as a distinctive set of processes and preoccupations within the cultural industries. The notion of such "rules of the game," analyzed either in terms of Weberian modes of rationality, new institutional analysis or Bourdieusian field analysis offers a potentially useful extension of the notion of sociologics.[74] In a similar sense, logics within new institutional analysis are "cognitive maps, the belief systems carried by participants in the field to guide and give meaning to their activities."[75] These conceptions focus the attention of organizational actors on a limited set of issues and solutions that are consistent with the prevailing logic.[76]

The notion of embedded agency operating within large institutional complexes will be dealt with later in the chapter. To the extent that logic in field and institutional analysis is associated with a plurality of semiautonomous spheres with autonomy from external pressures (albeit with priority given to the economic field in Bourdieusian analysis), it poses problems in attempting to integrate these forms of analysis into a discussion dominant institutional forms of commodification and industrialization that describe an essentially limited number of material responses to problems of production and valorization in the cultural industries. There is, indeed, different coexisting "rules of the game" associated with each medium. Thus Thompson emphasizes that publishing involves a plurality of fields, distinguished by sectoral and national divisions, each with its own rules or logic; Thornton's analysis of North American higher education publication identifies competing institutional logics (editorial versus market). While cognizant of such distinctions, in tracing vectors of development "logics" within cultural industry analysis operates at a different level of abstraction (akin to "ideal-type" model definitions). [77]

This tension within the understanding of socioeconomic logics is clear in the analysis of the

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agency within the cultural and media sectors. For actors' strategies can bring either greater stability to the structure and the logic of an industry or, on the contrary, can extensively reconstruct it and contribute to the formation of a new institutional model. The likelihood of this occurring, however, will depend not only on the competitive strength of the respective firm (relative capitalization and market position) but also on its willingness within the context of competitive pressures to elaborate a new, unproven model based in part on an impression of the industry's future directions.[78] Given that the logics of cultural production transcend individual corporations, the capacity of individual firms to reproduce or transform these logics is of course partially contingent on the strategies of other firms and their position of influence within relational networks.[79]

2.3.1 Transformations: Direct Commodification, Synergy, and Club Logics

Although the different established socioeconomic logics of the industry often entailed contradictory initiatives, these large corporations have attempted to both deepen their operation and incorporate them into the internal market structure of the corporation itself. As Schiller notes, the

> two modes of culture industry development ultimately serve a single master: Each extends and amplifies corporate power over cultural production, even as it also engages, albeit in different ways, the propensity of cultural products to be cheap to copy and easy to share.[80]

The logics pertaining to the media and cultural industries have undeniably undergone a number of changes. Is it correct to argue for an increasing "transindustrialism" on behalf of media conglomerates, which has forced a renewed emphasis on overlapping strategies and shared interests as opposed internal competition and conflict?[81] In the last three decades, the different industries of culture and communication sector have appeared ever more united via various forms of *synergy*: symbolic, commercial, technical-productive, and organizational in form. Bustamante notes that such "incremental linkage and commercial dependency . . . threatens to wipe out the ecological and expressive specificities" of each cultural sector.[82]

The cultural industries lines of development have gradually become more strategically coordinated and entangled through the abstraction of "content." Such processes permit content to be "repurposed" for different modes of financing and distribution so that today it is no longer possible to say that a unique form of financing exists for each industry. Cross-media conglomerates have attempted to reduce their individual dependency on advertising revenues through expanded forms of direct commodification; yet, at the same time advertising has become pervasive in previously independent cultural spheres and enjoyed secular increase overall.[83] The process of direct commodification, augmented through digitalization, has seen the proliferation of content that would have previously been produced for flow industries in a form that can be serially produced as individualized goods (for example DVDs of television series). This expansion of direct commodification, combined with the profusion of new distribution channels demanding flow content for retransmission, has seen a growing importance placed on the control of catalogs of what may have previously been "flow" content, that is, cultural commodities valorized through indirect commodification. Digitalization, moreover allows

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individual recordings to be made that not only come close to or match the original broadcast, but also allow for the elimination of advertising, flow culture's predominate financial base—a process refined through the move from the rudimentary VCR to TiVo–like DVR devices.[84] Yet advertising, in turn, is increasingly infiltrating the text of cultural commodities through forms product placement or new more encompassing forms of sponsorship.[85] Indeed, in the "Age of Access," some researchers have pointed to an emerging "club logic" that combine elements of both the dominant logics of capitalist cultural organization.[86]

2.3.2 Synergy: Marketing, Cross-promotion, and the Abstraction of Content

Schiller observes that the contemporary argot of media executives "speaks of 'content,' 'product,' and 'software.' This altered nomenclature bespeaks a transformed strategy," or what Simone Murray refers to as the sea change in how major media companies conceptualized cultural goods in the last decades of the twentieth century. Schiller and Murray both refer to this change as the "abstraction of content."[87] It is centrally involved in media corporations' attempts to maximize the value of each cultural good, and in the process reduce the inherent risk, and cultural diversity, of each of their commodities. This abstraction of content is expressed principally through what Murdock identifies as two vital, risk-reducing tactics: the concerted drive to create "brands" to "transfer the symbolic capital accruing from . . . one arena to another"; and merchandising the proprietary creative concept so that it can be repackaged through a range of other media platforms. As the *Economist* pithily remarks "[t]he industry used to produce films, TV programs, books and music. Now it makes brands."[88]

This strategy not only potentially reduces risk but also secures potentially enormous rents for the media conglomerate. McChesney argues that, in fact, such possibilities underlie the "theory of media conglomeration . . . [where] the profit whole is greater than the sum of its profits parts. The word used to describe this is synergy."[89] Certainly, the strategy is not a new development:

> [t]he major media/entertainment companies have long been diversified with business divisions spread across film, broadcasting, and print etc. However, these companies are increasingly realising the benefits of promoting their activities across a growing number of outlets, creating a cross-promotional dynamic or synergy between individual units and producing immediately recognisable brands.[90]

The synergy of such media branding lies in the abstraction of content from the constraints of any specific distribution system or media format. New communication technologies enable the use of "multi-purposable" digitized content across distinct delivery platforms.[91] The degree of "abstraction" may vary from the recirculation of exiting cultural commodities to the redeployment of an originating concept to create derivative commodities.[92] Together these forms of synergy facilitate the creation of multiple revenue streams from limited production costs, an important consideration given the relatively high costs for cultural commodity prototypes.[93] In this sense, the essential economic basis of synergies is the search for economies of scope.

The production of such "commercial intertexts" or "presold" properties contributes directly to what Bryman has more broadly dubbed the dedifferentiation of consumption.[94] This is what

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synergy is about: a strategy of “massification” designed to create “mass” audiences across media forms.[95] Indeed Murray, following Turow, has argued audience fragmentation has driven this renewed and expanded search for economies of scale in content production.[96] Here it needs to be noted that the conception of audiences as ever more fragmented itself relates “directly to industrial needs and provide[s] justification for industrial activities”: in the 1980s and 1990s media and marketing firms alike viewed specific “audience targeting,” via the development of new distribution channels, as a lucrative strategy.[97] Nevertheless, such fragmentation, in the context of mounting production costs and concerned mass advertisers, has reinforced media corporations’ desire to expand their control of “multipurposable” content that is capable of gaining coverage and maintaining “brand-loyalty” across a diverse range of media. Murray rightly comments that the “potential for a media product to stream outwards from its initial formulation increasingly serves as rationale for the product itself.” As part commodity and part promotion, successful derivative commodities reinforce the value of the originating concept through a process of cross-referencing.[98]

Of course, the notion of corporate synergy, the imperative to tear down the walls that divide media corporations, has been increasingly viewed as a highly specious form of corporate propaganda.[99] The business press have become among the most sceptical, viewing such rhetoric as driven by what Bouquillion refers to as short-term “selfish financial considerations” rather than medium term industrial logic.[100] As a *Los Angeles Times* article noted “[f]or all the discussion of “vision” and “synergy,” the truth is that media businesses are often an almost random collection of assets picked up in deal after deal.”. In the *Wall Street Journal,* Time Warner’s latest president, Jeff Bewkes gave the frank assessment that “the synergy message his predecessors preached to shareholders . . . [was] ‘bull.’”[101] According to this view, the search for commercial and production synergies, a strategic response to uncertainty, has itself proven unreliable for a number of reasons, not least of which is the large-scale debt it has incurred. Murray is correct, however, to argue that despite the recurrent criticism, the notion of synergy and content abstraction remains central to political economic critiques of media conglomeration: “The business community may cast a jaundiced eye over the concept of synergy, but with each spectacular [synergistic] success the logic of corporate giantism further insinuates itself as modern media’s ‘natural’ state of affairs.”[102]

2.3.3 Direct Commodification

In the last two decades, the international advertising system has extended its influence over commercial media, both increasing its dominance within sectors dependent on this form of financing and by colonizing new areas. Although total advertising expenditure increased significantly in the 1980s and 1990s, the dramatic expansion of private television channels dependent on advertising revenue, particularly in Western Europe, helped to establish flow logic at the center of world of communications.[103] The deepening of the culture of flow had a wide-scale impact on the balance between models that shaped the strategies of cultural industry capitals.[104] Nevertheless, as Ryan notes, the “indirect” nature of commodification of such cultural sectors via advertising is not the outcome of technical limitations; it should be

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more accurately understood as the result of the conflictive interaction of fractions of capital and sectors of state administration.[105]

Indeed, as the history of media industries suggests, there has been a marked tendency toward refining the commodification process within the cultural industries by more effectively analyzing and measuring the commodities on offer and moving from a process of indirect to direct commodification.[106] At the end of the 1980s, this process received a significant fillip as the consumption of cultural industry products, particularly from the audiovisual industries, approached saturation point.[107] Combined with a world recession and decline in advertising expenditure, this created a crisis in the traditional models of financing based on advertising and publicity income. Media conglomerates attempted to decrease their reliance on the advertising resources, revalue their products, and where possible direct them straight to the final consumer. Schiller points out that this reinvigorated focus on direct commodification was pursued through "literally scores of new restrictions on unpaid access, effected via law, technology, and sheer corporate power."[108]

New technologies associated with digitalization have played a decisive role in expanding the commodification process. Indeed, as Mosco points out, digitalization has affected the corporate strategies involved in the most significant "flow" communication system, television:

> each step along the way to the digitization of television [via the expanding use of subscription channels and pay-per-view] has refined the commodification of content, allowing for the flow to be "captured" or, more precisely for the commodity to be measured, monitored and packaged in increasingly more specific and customized ways.[109]

A commercialized Internet was also seen as crucial to the expansion of media conglomerates and, in particular, their direct commodification strategies: between 2000 and 2001, the main media conglomerates earmarked more than 25 percent of their financial resources to the development of Internet distribution platforms and associated product commercialization.[110]

Yet the problems posed by the new Internet-enabled conditions of reproducibility clearly demonstrate that digitalization is only one-step in the commodification process. Digitalization has expanded the scope for "gift economies," existent in a range of social practices, to develop online. The public must be persuaded that the products have a use value that justifies the price they have to pay for access. [111] Here Wayne argues that the advent of digitalized content exposes a "*cultural* crisis as the disproportion between labor expended and wealth or profit generated for capital becomes a gaping chasm" and consequently "the cultural values necessary to legitimize value relations of exchange are eroded."[112] The immense popularity of Peer to Peer Systems, (P2P) such as Napster or Kazaa, as new and expanded ways of distributing "free" audiovisual product, is testament to this. Their development illustrates a major contradiction between the logic of commercialization via the artificial scarcity of the music industry's intellectual property rights and the logic of P2P's free distribution, reproduction and access, which Wayne argues represents "a remarkable extension of communal property."[113]

The role of the state is obviously crucial here is maintaining the rule of law and the protection of property rights. Thus while media companies have attempted to put the "digital genie back in the bottle" with new technologies that significantly constrain the ability to copy and share digital media, they have relied on the support of the state to enact and enforce strict digital

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media ownership rights. Music companies have brought, for example, “online piracy” lawsuits against the developers of the P2P software systems, against the involved Internet Service Providers (ISP), and against individuals who have downloaded music files. Through such lawsuits both Napster and Kazaa have been forced to pay damages and become “legitimate” online music retailers—a clear case of Brian Winston’s “law” of the suppression of radical potential.[114] Certainly, commodification is the central thrust of capitalism; yet the practices of enclosure and primitive accumulation have been intensified through these corporate strategies and buttressed by state support.[115] Such processes are aided by technological developments and, just as important, legal and regulatory shifts on behalf of the state to facilitate greater marketization (see chapter 3).

Digitalization has enabled labor to be eliminated in the areas of reproduction, distribution, and retail; it has expanded the scope for the “multitasking” of the positions of creative workers; and it has allowed unpaid labor to be transferred to consumers. Digitalization has also affected management roles in other ways. The management of rights has become an increasingly central function in the cultural industries due to the enlargement and more vigilant enforcement of intellectual property. Direct commodification has meant that the editorial function and the logic of payment, although far from totally dominant, are becoming increasingly prevalent across the cultural industries.[116] Indeed, “longstanding attempts to systematize proprietary control over cultural production are intensifying, to accord new primacy to the principle of “pay-per-use” access to media content.”[117] Thus, the former CEO of AOL-Time Warner, Gerald Levin, made the argument that the corporate strategy of the newly combined enterprise could be summed up simply as “subscriptions.”[118]

2.3.4 Emergent Forms of Valuation: Club Logics

Lacroix and Tremblay argue that whereas new, digitized forms of audiovisual reproduction and recording led to advances in direct commodification, it did not lead to the complete relegation of the flow logic in the cultural industries. Instead, it paved the way for the emergence of a new logic, which they describe as “club logic,” which combines aspects of the editorial and flow logic, particularly the different financial modes available.[119] Mœglin notes that a club logic operates everywhere that access is contractual; online subscription services, pay TV, book clubs. Following Tremblay, Bouquillion argues, however, that by facilitating a diversity of revenue streams from advertising, subscription, and pay-per-view options, this type of logic has reinforced the importance of advanced distribution networks for the leading multimedia conglomerates.[120] In particular, the convergence of broadcasting, telecommunications and data processing is viewed as central to this institutional form. Such developments mean that while integrating broadcasting’s flow dynamic, it enables the material reproduction of individualized commodities (“downloads”) based on the club member’s “choice,” as per the publishing logic, yet independent of a centralized point of sale.

Indeed, Pierre Musso describes these developments as the combination of “two economies”: one that he notes is based on the control of a catalogue of cultural works; and the other he describes, following Miège, as the “economy of meters” (*l’économie des compteurs*) based on

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a “club” of subscribers billed on a regular basis.[121] As such, it is the “server” (human and electronic) that integrates the central functions undertaken by the programmer and editor: managing subscriptions and services, negotiating broadcasting and distribution rights, developing marketing strategies and offers. While Lacroix and Tremblay see the club logic as distinctive, Miège argues that it is essentially a variation of the flow logic, which appears to be largely confined to television.[122] It consequently may represent a transitory stage in the process of direct commodification of programming. Moreover, it is still not clear if consumers will so easily forgo habits of differentiated consumption at music and video stores, bookstores, and so forth, in return for the comparative ease of subscribing to sets of programs that respond to a generalist logic. What is without doubt is that the enhanced surveillance capacity of an “economy of meters,” and with it the potential for finely targeted advertising, is rapidly being exploited, a development that could in fact prolong the existence of this intermediate cultural industry model.

Under the competitive social relations of capitalism, corporations such as Time Warner, Bertelsmann, and News Corp. seek to both reproduce and transcend particular socioeconomic logics, as they are compelled to perpetually search for the perfection of the operation of the law of value.[123] Yet despite these changes detailed earlier, Miège, for one, is adamant that the intermingling of heterogeneous logics under the aegis of cross-media holding corporations has failed to undermine the distinction between the types of cultural production in terms of production and labor processes or the specificity of their socioeconomic and cultural importance. Nor has it ameliorated the ongoing tensions between firms and investors concerning the strategies surrounding the different moments of production: conception, manufacture, circulation, and consumption. As Miège comments, the “actual or potential competition between cultural products . . . bring significant changes to the cultural industries—to production, distribution and, of course, exploitation.”[124]

2.3.5 Logics and Labor and Capital

The next two sections address the employment relations, intercapitalist production relations, and intercapitalist competition within the cultural industries and relate these socioeconomic logics of capitalist cultural production. It needs to be stressed that the nature of employment relations, intercapitalist production, and competition, are interdependent and reflect the interconnected responses to the problems of valorization in the cultural industries.[125] Therefore, the predominant focus on companies and states in the study of media industries needs to be augmented by an inclusive study of the labor–capital relations that they include and reflect.[126]

As within other areas of capitalist production, the struggle over the labor process within the cultural industries has revolved around increasing productivity by decreasing socially necessary labor time. Within the cultural industries such struggles have been structured by differing degrees of reliance on precapitalist artisanal modes of labor organization and the problems raised by nonmaterial production, where “capitalist production is possible only within very narrow limits.”[127] Indeed, according to Baumol’s argument, areas where these limits are transgressed (where the cultural performance is an end in itself, that is, the cultural

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product is inseparable from the act of producing) face a terminal “cost disease.” This argument suggests that the associated problems of productivity, and the realization of value will mean that the survival of the small capitals that dominate such sectors will depend on art patronage out of capitalist revenue or state support. However, as Leys has emphasized, capital’s resourcefulness in overcoming limits, including that of commodification, should not be underestimated.[128] Certainly, an increased focus on the rationalization and serialization of cultural production and the expansion of precarious employment patterns have not only reduced the threat of Baumol’s “costs disease” but has also reduced the distinctiveness of cultural work shaped by the different socioeconomics logics of capitalist cultural production.

Between the two logics, important differences still do exist in the modal employment conditions of cultural workers—including the degree to which there is a real subsumption of labor. [129] Within the publishing model, the control of the catalog allows the publisher to link more profitably with what are often two distinct subsectors. The first subsector involves the comparatively capital-intensive processes of material production, industrial reproduction, and distribution of cultural commodities.[130] The second subsector involves creative work per se, especially that of conception, which is marked by various forms of “flexible” employment arrangements and where a “reservoir” of creative workers, coupled with the common practice of remuneration via royalties, leads to enormous employment inequity. Capitalist wage labor relations, and union organization, are therefore comparatively less common in publishing industries than in those defined by flow logic.[131] Nonetheless, flexible employment relationships, which have marked the move to “lean production” across the global economy, have increasingly affected workers in all cultural sectors.[132]

Miège proposed a well-known tripartite model, based on the specific labor processes that produced “types” of cultural commodities, to analyze the broad differences in the working conditions of labor, as well as the related structures of corporate control and capital investment in the cultural industries (see Figure 2.1). This model is based, first, on the degree to which the work of artisans or the workshop model of capitalist production predominates within the overall organization of labor and, second, the degree to which the cultural commodity that is created is easily reproducible.[133]

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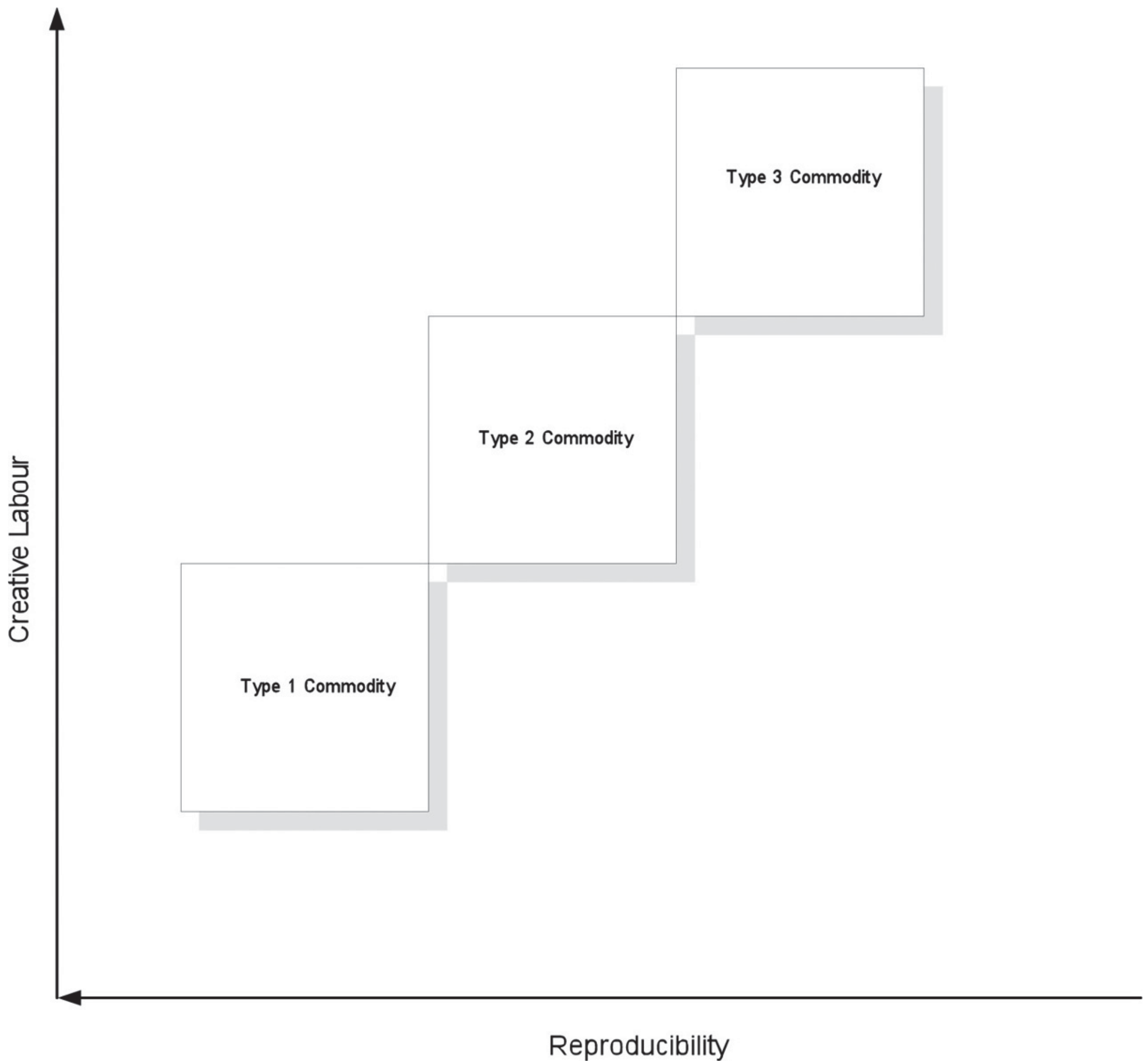

Figure 2.1 Types of Cultural Commodity

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For Miège, sectors of the cultural industries modeled on either the publishing or flow logic both produce what he refers to as "Type 2" commodities—that is, a reproducible product that incorporates a degree of creativity and thus involves a combination of labor processes. This has made them a site of heightened conflict within and between capital and labor; a situation that increased with the growing involvement of "monopoly" or oligopolistic capitals, whose market power tends to transform production systems throughout the industry as a whole.[134]

In his review of the commodification of labor, Mosco has noted that the variation between the production conditions of different types of cultural commodity have been reduced in an era of invigorated capital, industry concentration, and an increased rationalization of the labor

process. That is, the production conditions for “Type 2” cultural commodities, as well as “Type 3”—which involve artisanal production and historically have not been easily reproduced—have more closely come to resemble that of “Type 1” commodities: the highly standardized and rationalized manufacture of hardware products.[135] To capture the consequences of these transformations, Murdock has redefined the central terms of the publishing/flow dichotomy to encompass the shifting relationship between Miège’s three distinct cultural commodity types. For Murdock publishing logic is characterized by the one-off production of “Type 3” commodities; whereas, flow logic is characterized by the increasing centrality of industrialized cultural production whose serialized basis calls for an ever-greater reliance on publicity/marketing and genre formatting.[136] While not of course eliminating the role of creativity, this process leads to cultural commodities much closer to the “Type 1” variety.

Through Murdock’s redefinition, the distinction between flow and publishing logic has a more unambiguous consequence for the type of security and continuity of employment enjoyed by cultural workers: flow logic’s continuous production of commodities has led to greater employment protection and can potentially strengthen the position of labor.[137] This interpretation is at odds with Harry Braverman’s well-known thesis that the internalization of labor relationships results from the greater scope for the exploitation and control of labor.[138] Although providing the basis for decomposing the strength of labor, forms of organization characterized by a largely internalized, continuous system of commodity production can in fact have a quite different set of consequences. This is because the

> rigidity magnified the effect of any disruption of the flow of the labour process, since the non-performance of one fragment of the process often made the performance of other fragments impossible: not just within a particular factory or company, but between chains of suppliers and manufacturers.[139]

The potential threat to the disruption of the flow moreover is greater where cultural workers have maintained forms of craft organization, which improve their control over skills in the labor market.[140] Consequently, within certain political-economic conjunctures, the deeper subsumption of artistic labor to capital in fact provided organized labor with many opportunities, a point underscored, for example, by Michael Denning’s work on the American *Cultural Front*. The “laboring of culture” brought about a politics of labor, which bore many similarities with industrial unionism, among workforces whose ability to politicize their work was of a type unlike that of other industrial workers.[141]

As Denning’s work shows, under the pretext of postwar anticommunism the social and cultural location of the *Cultural Front* was largely destroyed; similarly, the last three decades have seen a more concerted attack on industrial democracy within the communication and cultural industries and across different economic branches of the global economy more generally. Such shifts underscore Mosco’s contention that neither the form of the labor process, nor its sociopolitical significance, should be simply read off the type of cultural commodity being produced. Instead, it must be related to levels of unionization (and wider sociopolitical support) and militancy against further processes of subjection to capital and processes of “deskilling,” as well as the interrelated extent of corporate concentration and form of state

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regulation.[142] In this regard, Murdock notes that the pressures to industrialize and serialize cultural production continue (after the manner of "Type 1" commodities); yet, as illustrated in Figure 2.2, the present circumstances have in fact produced forms of precarious and underremunerated employment across the cultural industries that are generally much closer to the traditional publishing model of cultural production.[143] Factors here include technological developments that have further eliminated labor and increased the capitals' organic composition in the areas of manufacture and distribution.[144] For example, it is been calculated that media organizations in the United States have sacked approximately 72,000 workers since June 2000.[145] This has been coupled with a more general increase in casualization and outsourcing. Gillian Ursell puts the proportion of freelance workers in the U.K. television industry, for instance, at 60 percent.[146] Overall it is arguable that there has been a tendential convergence in the organization of labor in the cultural industries—ironically toward what Castells refers to as the "individualization of labour".[147]

What have been the implications of these labor relationship changes for workers within the cultural industries? In the last quarter-century, total employment across the industries have become more unstable and risky due to the drive to enhance flexibility and improve cost efficiency through, in part, the move form bureaucratic-organizational to market-based employment relationships. Casualization and job losses, particularly among craft and technical workers, have been coupled with a more thoroughgoing shift of costs and risks to the workers through the expansion of largely "freelance," project-based labor markets in several industry sectors. Managers and employers encourage workers to see themselves in terms of the values and qualities of "enterprise," to conceive of themselves as bohemian entrepreneurs or small firms that are required to undertake extensive self-management and self-marketing.[148] J. Storey, G. Salaman, and K. Platman note that such identity regulation is not only resisted but has also been incorporated in contradictory ways in the identity work of cultural workers.[149] Indeed, Christopher Bodnar has noted that the "precarity" of cultural workers (*les intermittents*) in France has formed the basis of collective action with other precarious workers, the working poor and the unemployed.[150] Nevertheless, as Garnham notes, it is often the case that "workers themselves willingly don this yoke in the name of freedom."[151]

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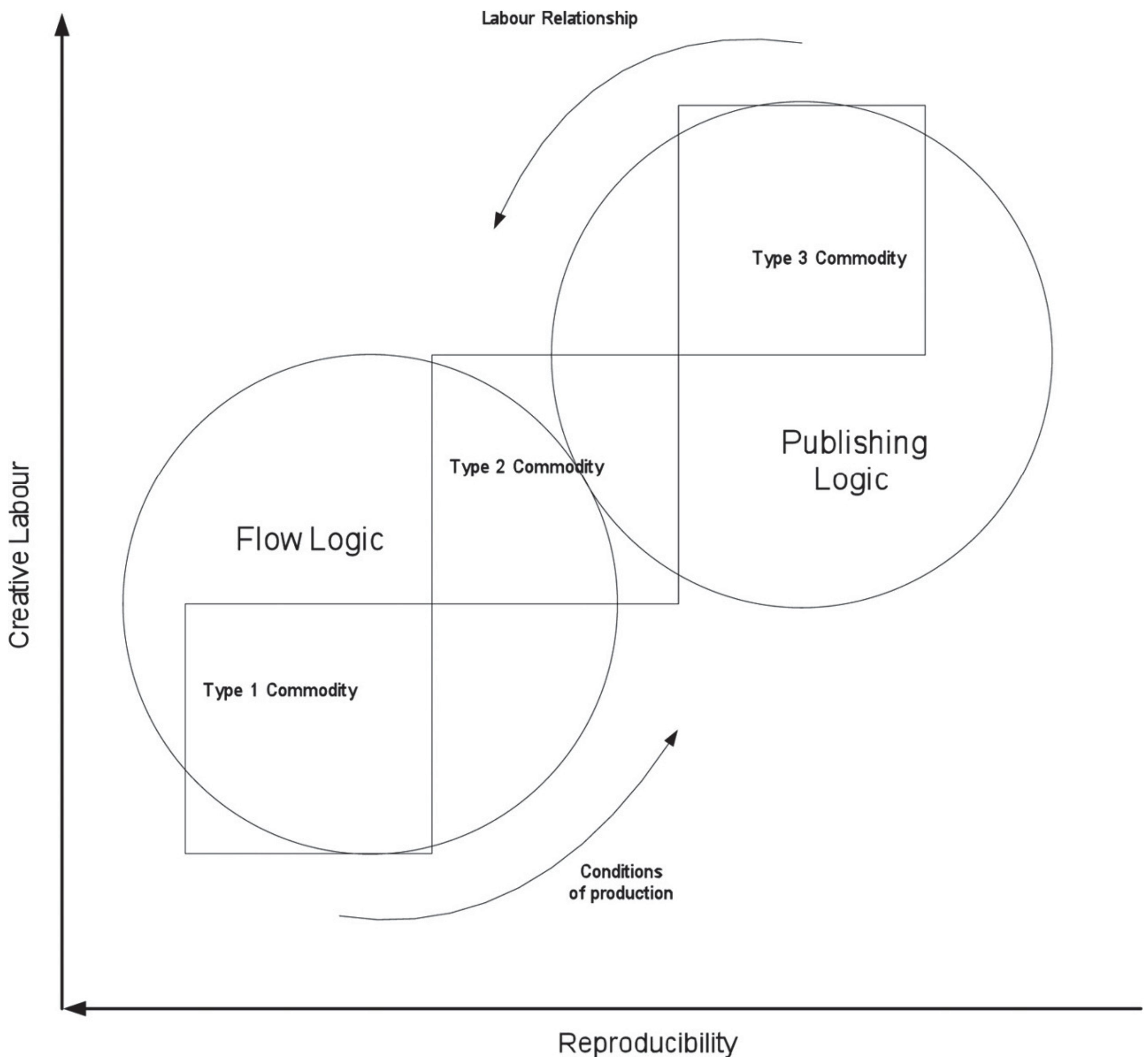

Figure 2.2 Shifting Labor Relations and Conditions of Cultural Production

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Even if workers belong to job categories that are expected to increase, their employment position is severely affected by the restructuring of employment relationships within the cultural industries.[152] As Peter Leisink notes, within the current framework of pervasive Neoliberal state policy, it has mainly been unions that have attempted to regulate the processes of industrial restructuring in a manner consistent with industrial democracy.[153] Yet cultural industries unions face renewed challenges in attempting to maintain a united front against media corporations. First union representation was in many cases strongest in those industries hit hardest by job losses—printing, telecommunications, and public broadcasting. Second, their representation roles take place in contexts where specific industry structures have

become increasingly fragmented, whereas more differentiated forms of labor have been incorporated in diversified media corporations. The organization of unions on craft lines, as in the U.S. film industry, exacerbates the problems caused by such corporate restructuring. "Generally then the trends toward diversification has contributed to a weakening of trade unions power as well as a further lack of unity amongst workers."[154] Such processes are linked to the erosion of union power among technical and craft workers and, to a lesser extent talent workers. This erosion is coupled with the more general decline in union density in many countries making the prospects for cross-industry support minimal.[155]

Although generally there has been a decrease in regular jobs and an increase in "autonomous work," there are still important divergences between the condition of cultural workers in different industry sectors) and across different national regulatory frameworks (as will be discussed in greater detail in the third section of the chapter).[156] For example, Christopherson argues that while a model of "entrepreneurial independent contractors" has become the norm in the "new media" sector in the United States, within a broad national context of greater flexibility and managerial control, a much more conventional full-time career model characterized the employment of "new media" workers in the coordinated economies of Germany and Sweden.[157] Thus, for example, workers at Bertelsmann's Pixelpark multimedia design agency were able to establish a works council, notwithstanding the initial resistance of management. Despite familiar rhetoric about free-agents in a "new economy" having resonance among German "new media" workers, the decision to establish a council to push for job protection was taken after it was announced that a fifth of the workforce would be made redundant in May 2001.[158]

2.3.6 Logics and the Relations Between Capitals

The notion of distinct logics also remains crucial to the analysis of the relation between capitals. There is no one-to-one correspondence between the institutional forms of the different cultural commodity logics and a corporate form. A key corporate strategy has been to incorporate a number of these institutional logics as part of the search for scale and scope in regard to both stores of symbolic goods and depth of distributional capacity. Yet the notion of logics does help to distinguish the trend toward scale and scope economies within the cultural industries from general trends toward industrial concentration under the competitive pressure of general market conditions.

A useful way to approach the question of industrial concentration in the cultural industries is through what is referred to in business strategy literature as specific "value chains" and the manner in which such chains articulate production, cultural management, and circulation processes.[159] Generally the industrialization and commodification processes only come in focus when there is an examination of entire labor processes and interlinked industries through which cultural materials "flow" and undergo a process of commodification.[160] A framework for analyzing the strategy and structure of the media corporations can therefore be developed first by examining where power and the potential for surplus-profits lies in a particular value chain, or "commodity chain" or "production network"; second, by examining how such companies are

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positioned within one or more of these dynamic "chains" or "networks".[161]

In this endeavor, the relationship between large and small capitals is of crucial importance. Today, the dominant industry structure is neither comprised of "many small competing firms producing a diversity of products," nor comprised of "a few vertically integrated oligarchal firms that mass produce a few standardized products." Rather, the dominant structure is a "system of oligarchy composed of niche-market-targeted divisions plus many small specialty service and market development firms where the former produce the most lucrative products and the latter produce the most innovative."[162] Wayne calls this particular multidivisional corporate structure, and its attendant set of market strategies, "subsidiary and subcontractor capitalism."[163]

Although this organizational form may be viewed as new for many branches of the economy, Paul Hirsch argues that the typical cultural industry system has been marked historically by "symbiotic interindustry sequences" in production and distribution. These sequences involve "extensive risk sharing and outsourcing of numerous aspects of production, marketing, promotion, and distribution."[164] Given this organizational lineage, it is unsurprising that the number of comparatively small capitals have multiplied at the same time as the centralization and concentration of capital in the cultural industries has occurred. Because the development of cultural commodities, though comparatively expensive, can usually be undertaken on a relatively small scale, multidivisional conglomerates can directly organize production through an in-house subsidiary, or subcontract production to smaller companies. This flexibility is clearly of advantage to large capitals faced with the continuation of labor-intensive and artisanal forms of production that nonetheless have to be brought under the domination of capital. Moreover, small companies can maintain the cachet of cultural "independence" in the marketplace at the cost of bearing the risk of innovative, or different and untested, products for uncertain cultural markets.[165] Clearly large capitals benefit from inter-industry sequences that incorporate small capitals; more contentious is the idea that such relationships are symbiotic.

Of basic importance here are questions of de facto vertical integration or "virtual integration" between such small and large capitals due to their increasing interdependence via complex licensing, financing, and distribution contracts. Arguments about disintegration within the cultural industries, (advanced either by the "Lancastrian group's" early version of post-Fordist cultural industries[166] or the "California School" of regional development studies), have been shown to be misplaced.[167] Contrary to early and often overstated notions of disintegration, Mosco contends that significant forms of concentrated economic power are created via the dense networks of mutual dependence among producers, suppliers, and customers.[168] This interdependence should not obscure the fact that unequal power relations sustain such industry systems: it is access to finance together with the "control of the catalogue and its distribution that is crucial and much of the direct labour can be subcontracted to 'freelancers.'"[169]

As Wayne contends, the flexible specialization strand of post-Fordism mistakes the appearance-forms of the contractual model of business activity in the cultural industries for real relations, captured in Harrison's memorable phrase "concentration without centralization."[170] Indeed recent research has argued that, in a range of industries, production

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networks integrate firms in an organizationally complex manner, blurring traditional organizational boundaries through the development of varied forms of equity and nonequity relationships. An important contention here "is that coordination and control of global scale production systems, despite their complexity, can be achieved without direct ownership."[171] In fact, the extent of TNC dominance of the global economy is obscured by the growth of such "disintegrated" production systems coordinated through contractual networks.[172]

The commonality here with Castells' work on the "networked enterprise," enabled by new information technologies, is worthy of comment. Castells, following Harrison, has argued that the ascendant forms of interfirm networking do not mark the disintegration of centralized capitalist control.[173] Rather, they represent the tendency toward centralization and concentration of global capital elevated to rivalries between galaxies of globally linked business units.

Yet Castells' otherwise ostensibly post-Fordist argument succumbs to a central problem associated with the language of firms *qua* networks.[174] This is the notion of a "new caring, sharing 'network sociality,'"[175] An influential argument in this regard was made by Powell, who contended that within networks complementary cooperation replaces competitive self-interest (markets) or power and authority (hierarchies) as the normative bases for coordinating economic activity between firms.[176] A similarly Weberian idea underpins Castells' "Spirit of Informationalism," an ideational force that supposedly drives business projects beyond the bounds of individual companies or formal groupings of companies via a web of multiple networks.[177]

However, as Garnham and Jessop point out, Castells' idea of the organizationally flexible business project neglects the central property relations that characterize capitalism and thus—in the parlance of Marxist analysis—one moment in the contradiction between forces and relations of production.[178] Property relations ultimately determine organizational boundaries despite the growing tendency toward the socialization of productive forces through globally dispersed and ICT-linked production networks. This point is worth taking into consideration even when it is acknowledged that significant assets—ownership of distribution systems and copyrighted cultural catalogues—allow large capitals to establish "virtual integration" or "captive value chains."[179] Competitive self-interest in the drive for surplus profits, and hence the risk of opportunism, is a coercive force for all capitals, "big" or "small," regardless of their organizational linkages.[180] In particular the contested relationship between large (finance and distribution) and small (production) firms remains a central dynamic in the cultural industries.[181]

Given this proviso, it is still insightful to view corporations such as Time Warner, News Corp., and Bertelsmann as "lead" capitals at the apex of "global production networks."[182] Through a worldwide web of subsidiaries, affiliates, and joint venture activities, these large multinational gatekeepers play an increasingly important role in mediating between the different scales over which the global cultural economy operates. The multifaceted system of cultural production they straddle allows them to tap into the specialized skills and aptitudes of the local labor forces. Economic geographers in particular have emphasized the importance of regionally agglomerated cultural-economic systems and the key role that global cities play,

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both in terms of creative labor as well as in regard to the "humdrum" activities of administrative control.[183]

Of more interest is the manner in which these global production networks rely increasingly on a global division of cultural labor, prioritizing not only "flexible" intracapital relations but increasingly "flexible" labor because increasingly management, labor, and consumption need not be colocated. With the development of international media corporations and the steady globalization of markets for cultural products, the nexus of interconnections between management, labor, and consumption has increasingly taken on global, albeit unevenly developed, dimensions. In the process, the multinational's production networks "link societies which exhibit significant social and institutional variation, embody different welfare regimes and have different capacities for state economic management: in short, represent different forms of capitalism."[184] This question of broader institutional variation is examined in more detail in the next section.

2.4 GLOBAL ACCUMULATION OF CAPITAL AND THE LOGIC OF (NATIONAL) INSTITUTIONAL ORDERS

The issue of how different "forms of capitalism" affect the form and strategy of these multinational media corporations is an issue that needs to be addressed in relation to the other connotation of logic found within the work of Lacroix and Tremblay. This connotation refers to the particular structuring conditions defining the parameters of action of actors in a given sector at a given historical period. Such a notion of logic has a strong affinity with the approach of the Regulation School, for "logics structure the play among actors independently of their individual wills; they describe the macro-tendencies of the system at a given historical moment."[185] The notion that such institutional logics mediate and shape the workings of the global economy constitutes a central element of debate in much of the contemporary literature on globalization. It also suggests important questions about the development and strategy of today's global media companies:

> All of them are perhaps beginning to discover in corporate and managerial terms the interlocking nature of the cultural and the industrial. No company, any more than a person, can walk out of its environment and behave as if it were suddenly born again, without nationality, without historical boundaries. And yet the media environment has lost its national frontiers, and its inhabitants must learn to live in the world market or lose their independence. We are looking at new processes of corporate development that have hardly yet begun.[186]

Anthony Smith's reference in *The Age of Behemoths: The Globalization of Mass Media Firms* to the "interlocking nature of the cultural and the industrial," marked by nationality and historical boundaries, raises issues regarding the relation between organizational change and path-dependency for media companies.[187] How do such issues affect corporate strategy and development for companies "living in the world market"? To examine Smith's contention about the persistent influence of a capital's nationality and historical boundaries this part of the chapter engages with the argument that different types of capitalism, based on distinct institutional arrangements that are socially embedded, hierarchically structured, and path dependent, affect the strategic operation of companies operating in the global economy.

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2.4.1 The New Institutionalism

The intellectual engagement with the notion of path-dependency—the outcome of past choices strongly constrains the range of choices about change—has been closely related to the study of institutions. This engagement initially focused on the economic institution of the firm, particularly through the now dominant conception of transaction costs. However, eventually social, cultural, and political institutions were brought into the equation even by those theorists that maintain a commitment to rational choice modeling.[188] Essentially it is argued that economic behavior is "embedded" in predictable and shared expectations and values that support the bounded rationality of economic decision. As Garnham notes, this means that "efficient firms and markets rest, as economists are becoming increasingly aware, upon structures of social solidarity or cultural norms external to the mode of production *per se*."[189]

Economic sociologists in particular have emphasized how economic life is embedded in social, cultural, and political institutions, as a means of countering the "atomized, undersocialized conception of human action" that underpins institutional economics, which views institutions (hierarchies) as the outcome of the failure of (prior) markets.[190] This emphasis forms the heart of the increasingly dominant theoretical perspective of the New Institutionalism, which views social relationships and actions within organizations as based on shared cognitive frameworks that are discursive in nature, that is, they are largely unquestioned as "common-sense" and define what actions are possible. The mode of operation of companies is dependent in Clegg's terminology on these distinct "modes of rationality", which are

> an analytical construct fabricated out of the available resources, fixed in and through circuits of power and institutional knowledge . . . [that define] normal ways of accounting for action, of calculating strategy, of constituting rationalities, of mapping cognitively. . . . These matters are not *just* cultural: they depend upon distinct and nationally variable institutional frameworks. By such frameworks one is referring to nationally specific, hence variable, conditions within which managerial and organizational action is constituted. Action is never unbound.[191]

Indeed, the unrevelatory, yet essential principal of the new institutionalism is that the individual is socially and institutionally constituted.[192] *Contra* the notion of pervasive market-efficient institutions inhabited by *homo economicus*, the rationality of economic behavior is not merely "bounded," due to a lack of market information, but is in fact contingent on the existing, historically determined goals and values that guide that behavior.[193] Although encompassing significant variations and distinct schools of research, a general evolutionary institutionalist approach can be discerned at the basis of "the new institutionalism," which is clearly if not always implicitly influenced by the legacy of Max Weber's work. More usually those working from an institutionalist framework foreground the work of Polanyi on the institutedness and social embeddedness of economies and Veblen's work on institutional and economic evolution against theorists that espouse a "view of a singular and purified capitalism" (including, in some accounts, Marx) .[194] Indeed, the new institutionalist approach, which is "sensitive to the institutional, cultural and ideational specificities sadly neglected in the neoclassical and rational choice models beloved of prophets of the global age," has acted as a crucial "bulwark against the intellectual and policy-making imperialism of economic theory of a neoclassical kind."[195]

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2.4.2 Global Scepticism: Reasons for the Institutional Turn

Following the now largely exhausted debate about globalization, it is common to counterpose sceptical and hyperglobalist positions.[196] Global sceptics have placed particular importance on the fact that capitalism is impossible without a solid institutional base in order to refute "hyperglobalist" visions of an inexorable global market eradicating social and political options and forcing institutional convergence. Broadly this sceptical position argues that an institutional logic of reciprocal determination leads institutions in each society to coalesce into a complex, nationally distinctive social configuration.[197] These configurations form "a coherent totality embracing labour, business, finance and the state and are robust and persistent despite the pressures that emerge from tighter economic integration" with the exogenous global economy.[198] A central theme from this perspective of comparative, institutionalist political economy, and supportive of the claim that national economies remain the constituent units of the world economy, is the argument that national economies are incorporated into the world economy in distinct, historically specific ways. Indeed, the approach is marked by an inherent methodological nationalism.[199] Rather than adopting a Marxist interpretation, which views the singularity of incorporation as reflecting the national form of class relations, as specific moments of global capitalist relations, and nation states as "partial institutions of a broader, singular, global economy,"[200] sceptical institutionalists see the process as reflecting the mediating role played by enduring national institutions, consisting of distinct structural architectural and cultural configurations.[201] These institutions moderate the convergent pressures that are brought about by greater economic interaction (or indeed limited integration) and ensure a significant degree of variation on the general theme of capitalist organization within and, more importantly, between nations.

2.4.3 The Critique of "Hyperglobal" TNCs

Most pertinent for the present study is the argument that national institutional systems generate not only strongly defined varieties of capitalism but also distinct patterns of transnationalization. That is, while strategic calculations and operational logics of TNCs are shaped by their interaction with host states and business networks, they nevertheless continue to show a surprisingly persistent degree of national differentiation because they remain firmly embedded in home institutions and networks.[202] As the economic geographer Peter Dicken has argued,

> At least in origin, TNCs are "locally grown"; they develop their roots in the soil in which they were planted. The deeper the roots the stronger will be the degree of local embeddedness, such that they should be expected to bear at least some traces of the economic, social and cultural characteristics of their home country. In other words, they continue to contain elements of the local within their modes of operation . . . the local social-cultural milieu is a major influence on how firms evolve and behave even when their operations are geographically very extensive. This is not to argue a case for cultural determinism or even to argue that all firms of a given nationality are identical. Clearly they are not. But they do tend to share some common features.[203]

Important examples of such common features include differences in the national rules of corporate governance that affect how a range of relationships both within and outside the firm is coordinated.[204] The strength of the roots in the original social-cultural system means that the

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strategies and actions of TNCs are shaped in significant ways by the key institutional features of this system, giving rise to a “country of origin” effect. This argument directly confronts the popular business assertions of the rise a “hyperglobal” TNC whose behavior is convergent toward some homogeneous form of “best practice.”[205]

2.4.4 Models of Capitalism

A central emphasis of this growing body of literature is the national specificity of the institutional arrangement of capitalisms; yet this has also been accompanied by the propensity to utilize ideal-type models to capture the irreducible complexity in a manner that is more amenable to comparison. Here a threefold distinction has been typically made between the market-led, Anglo-American model, brought into stark relief by Neoliberalism; the state-led “developmental” model characteristic of the Japanese and other Asian economies; and the European negotiated/consensual “welfare” model that subsumes the “Rhineland” variety, generally taken as emblematic, as well as the “Scandinavian” variety. [206] The Figure 2.3 reproduces in a modified form the relational tripartite model presented by Coates.[207]

More generally, scholars have emphasized the overarching difference between two basic models of capitalism, the Liberal Market Economies (LMEs) of “Anglo-American” capitalism (the U.S., Britain, Australia, Canada, New Zealand, Ireland) and those of Coordinated Market Economies (CMEs; Germany, Japan, Switzerland, the Netherlands, Belgium Sweden, Norway, Denmark, Finland and Austria), where maintenance of central relationships relies more heavily on nonmarket coordination.[208] Importantly, this dichotomy elides the fundamental difference in the political strength of labor movements between the state-led “developmental” model and the negotiated/consensual “welfare” model; nevertheless, the distinction is a central theme that appears throughout the literature: market led/state led; market based/trust based; bank based/ credit based; individualistic/communitarian.[209] Through the highly influential work of Hall and Soskice, this dichotomous classification has become widely utilized in a manner that is potentially canonical in the field of comparative political economy. This is despite its numerous inherent problems.[210]

Figure 2.3 Models of Capitalism

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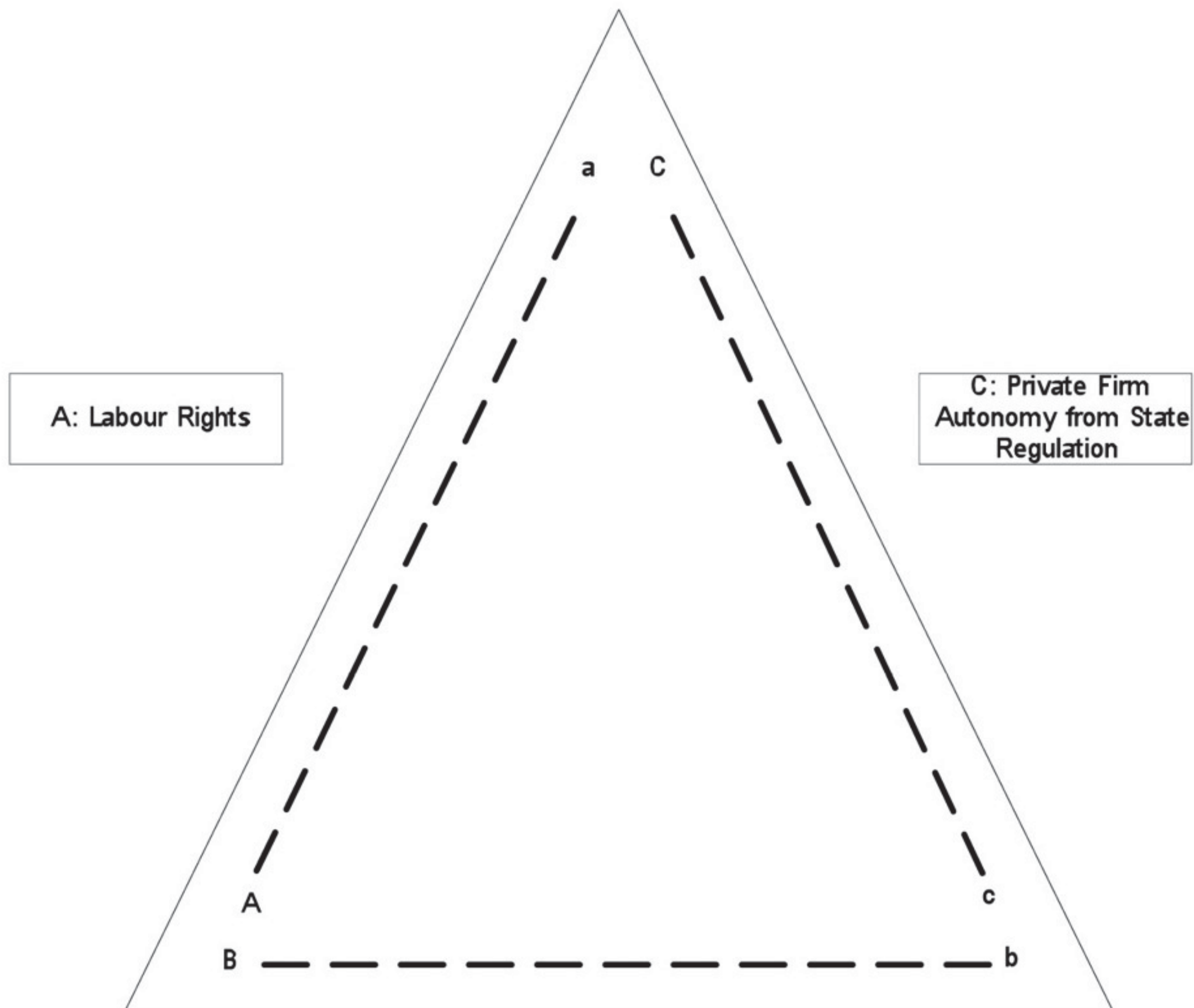

Of interest here is the way in which Hall and Soskice use Germany and America as the two primary exemplars of Coordinated and Liberal Market Economies.[211] Hall and Soskice's *Varieties of Capitalism* model seeks to identify the means by which an economy is coordinated across five central areas and the different ways in which successful long-term businesses are built.[212] The success of firm will depend on it addressing these central coordination problems, and the manner in which "locally grown" firms respond to these problems determines the

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particular "variety of capitalism" in operation within a nation. Hall and Gingerich have provided a summary of the main areas of difference in the patterns of coordination and deliberation between American and German firms:

> 1. [American] firms face large equity markets marked by high levels of transparency and dispersed shareholding, where firms' access to external finance depends heavily on publicly assessable criteria such as market valuation. Regulatory regimes allow hostile takeovers that depend on share price, rendering managers sensitive to current profitability. Because trade unions are relatively weak and employment protection low, labor markets are fluid and wage-setting primarily a matter of contract between workers and individual employers. Because labor markets are fluid, workers have incentives to invest in general skills that can be taken to other jobs, and, because industry associations are weak, firms lack the capacity to mount the collaborative training programs that confer industry-specific skills. Technology transfer is accomplished primarily by licensing or taking on expert personnel, and standards are usually set by market races. Top managers enjoy substantial authority over all aspects of firm strategy, including layoffs. In such settings, many of the relationships firms form with other actors are mediated by competitive markets. . . .
>
> 2. Germany['s] firms are closely connected by dense networks of cross-shareholding and membership in influential employers associations. These networks provide for substantial exchanges of private information, allowing firms to develop reputations that permit them some access to capital on terms that depend more heavily on reputation than share value. Accordingly, managers are less sensitive to current profitability. In the presence of strong trade unions, powerful works councils, and high levels of employment protection, labor markets are less fluid and job tenures longer. In most industries, wage setting is coordinated by trade unions and employers associations that also supervise collaborative training schemes, providing workers with industry-specific skills and assurances of available positions if they invest in them. Industry associations play a major role in standard-setting with legal endorsement, and substantial amounts of technology transfer take place through interfirm collaboration. Hemmed in by powerful workforce representatives and business networks, top managers have less scope for unilateral action, and firms typically adhere to more consensual styles of decision making.[213]

From a different perspective to Hall and Soskice's rational choice model of institutional complementarity, John Scott has observed the Anglo-American patterns of capitalist development and their associated mechanisms of capital mobilization rests on a particular framework of property, contract and commercial law, which are in turn associated with differences in banking practice and share ownership, with variations in patterns of class structure and wealth holding, and with divergent state strategies. Although the Anglo-American economies share specific economic and political circumstances that shape the "social function" of these legal norms, Scott provides important evidence of continued variation between Anglo-American economies in terms of patterns of corporate control and intercorporate relations. Thus within the broad trajectories of institutional development and capital mobilization captured by terms such as Liberal Market Economies, national variations continue to be observable—a finding that is not only wholly congruent but is to be expected from within the New Institutionalist perspective.

Thus, for example, News Corp. and Time Warner, two TNCs that developed within Anglo-American LMEs, differ in the degree to which they reflect what Scott argues is a similar underlying trend in all the advanced capitalist economies away from "personal" forms of ownership and capital, toward more "impersonal" forms of control. This trend is far from evenly advanced in the media sector; indeed, a high level of personal ownership of media is commonly cited as a distinguishing feature of the international sector. [214] Nevetherless, Time Warner can be described as having moved furthermost down the corporate line because it more closely exemplifies the case where capital has become both the subject and the object.[215] Arguably, despite the common basis in English property, contract and company law, the

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difference in the rate of de-personalization of capital is in part attributable to the different national frameworks of corporate regulation and accounting practices that operate in Australia and the United States.[216] the attribution of corporate transparency as a key governance device in LMEs needs to be qualified given the innumerable accounting scandals that emerged in the early years of the current decade—including the actions of AOL and Time Warner;[217] nevertheless, the scope for creative accountancy as a tool of corporate strategy has been historically greater in Australia than in the United States.[218]

While Hall and Soskice and Scott, from their own perspectives, place emphasis on understanding economies from the standpoint of the company, including patterns of capital mobilization and degrees of corporatist industrial relations, others have emphasized divergent strategies of the nation–state. As noted, the Weberian focus on the institutional power of the state is a major variety of neoinstitutionalism—particularly when espoused by critics of globalization this theoretical position is clearly neo-Hegelian in nature.[219] The implicit influence of this approach is evident in Marjoribanks' work on News Corp.[220] Marjoribanks has sought to show how the continuing differences between the institutional configurations of countries, which share substantially similar characteristic as defined under the Liberal Market Economies heading, produce distinct outcomes in the realization of the corporation's global strategy pertaining to technology and local workplace practice. Although Marjoribanks' work acknowledges the weakness of the "institutional social choice model" in underemphasising the structural constraints of the power of capital and class relations structured in the world economy,[221] the influence of a Skocpolian emphasis on the political voluntarism of state institutions is evident. Marjoribanks argues that News Corp.'s introduction of new newspaper technology in its various international plants has been affected by institutional arrangements and union strategies. As such, technology uptake and work practices have remained discernibly different within the U.K., Australia, and the United States. Although insightful, this comparative work underemphasizes the overall global strategy of News Corp., the centralized nature of corporate coordination, and the degree to which wider "structural constraints" have enabled the corporation to bring about broadly similar outcomes. Clearly, across the three countries, News Corp.'s newspaper operations management has achieved a more powerful position and has been able to secure major reductions in the costs of production, by acquiring greater control over labor costs.

Such problems with the neoinstitutional approach to corporate strategy need to be fully addressed. Nevertheless, the burgeoning neoinstitutionalist literature provides ample support for Smith's assertion that no company can behave in corporate and managerial terms as if it were "without nationality, without historical boundaries."[222] Institutionalists assume the international configuration and the cross-border management of a multinational corporation (MNC) is mainly shaped by the strong structural impact of the specific institutional variety of capitalism in which it developed, a position that provides a useful basis from which to examine the strategy and development of News Corp., Time Warner, and Bertelsmann.

An argument can be made that Bertelsmann emanated from a distinctly German framework, in terms of not only media and broadcasting, but more broadly in terms of the general institutional

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framework or logic of the social structures of accumulation of German "national capitalism." The methods of coordination and deliberation that characterize German corporate practice—for example, twin corporate committees, the less developed form of share-market capitalism, and high percentage of private ownership—can be seen to mark out the company as distinct from the Anglo-American model of corporate capitalism exemplified by Time Warner and News Corp., Moreover, the neoinstitutional writing indicates that difference in strategy and development should be expected between the two Anglo-American corporations based on the local national social-cultural milieu in which they have primarily developed. However, any analysis of these companies must proceed with an awareness of the fundamental deficiencies that characterize the neoinstitutional approach. Specifically the approach fails to address the more general and abstract characteristics of capitalism that has an "underlying structuring logic of its own, tied to the uneven development over time of capitalism as a world system".[223] More particularly the institutionalist approach elides the fact that substantively the different "varieties of capitalism" have become incorporated into the processes of neoliberalism under the constraints and imperatives of the present phase of capitalism.

2.4.5 The Limits to National Institutional Variety

The institutionalist argument provides important analysis of the particularities, and often long historical roots, of patterns of institutions and practices in the areas such as financial markets and corporate governance, industrial relations, labor skills and management, interfirm relations, and industrial structures. Such issues necessarily affect corporate strategy and the development of media systems throughout the globe. A focus on "institutional embeddedness" forestalls a ready acceptance of the hyperglobalist's disjunctural notions of historical change as well as the closely interrelated narratives of the information society and their notions technologically determined historical change. However, as Coates has noted, it is not primarily the substance of the institutionalists' arguments that is the problem; rather ultimately the problem with the argument lies in its parameters, that is, the preoccupation with the systemic coherence of institutions. The outcome is "institutional determinism" buttressed by the general assertion that the world is irreducibly pluralistic and complex, a framework that according to Susan Strange's pertinent critique fails to see "the wood from the trees . . . [by] overlook[ing] the common problems while concentrating on the individual differences." [224]

An essential characteristic of capitalism that is often sidelined in institutional analysis of particular linkages between states and firms or between banks and industry is its class basis.[225] For Marxists, class relations define the path-dependent nature of historical change. That is, the path-dependent nature of historical institutional practices is understood to be driven by the balance and character of class forces by which they are infused, rather than the institutionalist focus on the path-dependency of institutions themselves. Existing institutions, and social practices decisively affect national responses to the present neoliberal phase of capitalism; yet a focus on class shifts the analysis of institutional convergence away from the adoption of identical policies and practices in each national formation toward a focus on the convergence of outcomes, where the scope for change, particularly in terms of the increased burden on

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labor, is much greater.[226] Thus, Albo has argued that, despite all the differences and variations emanating from the different emphases between states and industry,[227] what has emerged is essentially "varieties of neoliberalism."[228]

A focus on class also counteracts the tendency of institutionalists to view pressures for institutional change as emerging from exogenous competitive constraints without due recognition that within each national formation there are also powerful social forces pushing for change. However, the nature of these interests is centrally informed by their position as classes within circuits of capital in the wider system of global accumulation that constitute the world market of capitalism. As Nikolai Bukharin noted, "Just as every individual enterprise is part of a 'national economy,' so every one of these 'national economies' is included in the system of world economy."[229] This emphasis on the world economy is crucial because an analytical dichotomy between the "national" institutional configurations and an exogenous "global" economy is ill conceived, falsely counterposing the global to the national. A central limitation of institutionalist approaches is the tendency to conceptualize capitalist models, including separate, embedded economies, entirely in national terms, based on what Radice has referred to as billiard-ball analogy. He points out that the view that "the world economy exists as a set of interactions between autonomous national economies, is and has always been a misleading one."[230] Macroeconomic competition in the world economy, driven by the law of value and embodied in circuits of money, productive and commodity capital, disrupts institutions and acts as a "disembedding" force for both processes of equalization and differentiation, convergence and divergence within capitalism—that is, uneven development not just between nation states but within them.[231] To gauge this process we need the "encompassing comparison" of the social logic of the world market and an "incorporating comparison" that recognizes that this logic works within, through and across "national" social formations.[232]

The preoccupation with the systemic coherence of institutions and the reproduction of institutionally determined, nationally situated modes of development, above that of the dynamic relationship of class relations within the context of a world economy, gives rise to a propensity for functionalism in the account of social reproduction. Whereas the evolutionary nature of institutions is emphasized, the basic agent-structure relationship inherent in neoinstitutionalism has important implications for the conceptualization of historical change. Concepts such as institutional complementarity emphasize mutually reinforcing (functional) relationships between institutions and agency, which ensure that institutions become cumulatively locked into relatively stable and constrained paths of development. The possibility that social agents may not be "institution-takers" but instead may instigate "institutional change and adaptation" by "breaking the path rather than continuing along it" is thus underestimated[233]—for example the possibility that German-based corporations may seek to "flee" from the "German model" rather than reproduce its central components in their international operations.[234] As Albo has argued,

> the agencies of capitalist social relations act through, are constrained by, and transform institutions. . . . The social structures and economic imperatives that constrain and condition social agents are the unintended result of these same social agents

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acting through institutions, that is, they are relationally determined consequences produced by the actions of social agents and not by "agent-less structures." And although social agents are embedded in institutional contexts, their conflicting strategies for reproduction continually transform and reorder these institutions. It is in this dual sense that institutions may formally appear the same, but both the economic imperatives constraining and becoming embedded in them and their social form, in terms of the strategies and patterns of reproduction that social agents are adopting, may be substantively quite different. The varieties of specific social relations and class struggles—and hence institutions—fundamentally both mediate and transform the economic imperatives of the world market.[235]

Indeed, Wolfgang Streeck and Kathleen Thelen note that various "arguments in support of the idea of distinctive and stable national models lack the analytic tools necessary to capture the changes that are indisputably going on in these countries."[236] As well as the centrality of capital-labor tensions colored by their shared experience of common global trends, such tools would need to grasp sectoral variations, such as those outlined for the cultural industries. They would also need to foreground accurately the cross-national processes and practices that are engendering change; that is, "technologies, work processes and forms of corporate organization that now cut across national boundaries."[237]

2.4.6 The "Cross-National Processes" of Capitals

The importance of cross-national processes has been particularly emphasized by Hugo Radice, who has argued that the institutional order of capitalism cannot be viewed as intrinsically national.[238] While an important theoretical point in itself, Radice's contention also provides a means of interpreting the conjunctural context in which globalizing processes are driving a complex redefinition of the spatial organization of capitalist systems. Although these processes are producing changes that are contradictory and contingent in nature, arguably the global aspect of capitalism is becoming more salient.[239] These changes are first evident in the shifting balance of circuits of capital that integrate commodities, money, and production–national, international, and global circuits of production and valorization.[240] This has been accompanied by the transformation and reordering of business organization; and as businesses become more international, they develop relations, with overseas suppliers, customers, workforces, and governments, that are essentially those that are highlighted at the national level by advocates of the institutional ontology of a variety of "capitalisms." Moreover, the international extension and intensification of business relations means that some institutions can no longer be seen as neatly bounded by national borders (if, indeed, they ever were).[241] In the process, there is evidence of transnational convergence among advanced capitalist economies where the processes of capital integration have been greatest in areas such as corporate governance and, albeit somewhat more problematically, in workplace regimes.[242] However, this convergence through cross-national influence and organizational transformation does not involve a simple imposition of one national model of practice, despite forewarnings by Lane, for example, of the one-sided adaptation of Germany's "coordinated market economy" model to that of the LME, albeit mediated by existing German institutions. Rather the tendency toward an erosion of national differences is also due to deeper global economic integration that generates the amalgamation of corporate governance institutions and practices, and often compels the formation of common standards of practice and regulation. Thus neoinstitutionalism, in for

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example the *Varieties of Capitalism* form, places too much emphasis on an uncritical conception of the "national" aspects of institutions and organizations, in neglect of international institutions and broader systems of production.[243]

Such a perspective hinders a proper analysis of the development of corporate structure and operations within an emerging "global" media system and the means through which international mechanisms of coordination and deliberation affect corporate strategy. Media corporations such as Bertelsmann, News Corp., and Time Warner are deeply involved with international institutions such as the Transatlantic Business Dialogue (TABD) and regional associations such as the European Roundtable of Industrialists (ERT) in the case of Bertelsmann.[244] The Transatlantic Business Dialogue, through which EU and U.S.-based corporations develop government policy recommendations and gain remarkable institutionalized access to the political process in Washington and Brussels, was in turn the model for the creation of the Global Business Dialogue on Electronic Commerce (GBDe). Formed on 14 January 1999 in New York as the global voice of business relating to the regulation of electronic commerce, the GBDe's initiatives have also been replicated in action through the International Chamber of Commerce (ICC). The initial, high-profile participation of the media "barons" at the GBDe was affected by a series of executive departures and the collapse of the tech-stock boom;[245] nevertheless, such institutional initiatives now increasingly characterize the operation of international media concerns.[246] Media companies are represented through transnational policy-planning groups proselytizing on the virtues of the neoliberal paradigm—the World Economic Forum (WEF), the Trilateral Commission (TC), Bilderberg Conference and World Business Council for Sustainable Development (WBCSD). At the level of a number of closely interconnected industries, international deliberation also includes a number of regular meetings between the executives of the world's largest media, telecommunication, and technology businesses and the major institutional investors. This includes, for example, the annual five-day retreat each summer in Sun Valley, Idaho, in the United States, hosted by Herbert Allen Jr.'s Allen & Co, a media and technology investment bank). Such informal networks underpin and intertwine with interpersonal networks within formal international governance institutions, such as the WTO, addressed in chapter 3.

In recent analysis of such transnational policy groups and corporate directorate interlocks, William Carroll has argued that from the 1970s to the 1990s a North Atlantic business community or system began to coalesce, with practices centered primarily on class formation: construction of community and hegemony. The process of transnational class formation did not fragment national corporate networks but occurred in tandem with their reproduction; national specificities, including the relative density of corporate interlocks, were evident. Carroll and Fennema note that although "[a]ll this suggests that the transnational network is a kind of superstructure that rests upon rather resilient national bases . . . [nevertheless] the policy boards effectively draw the national sub-networks into an integrated transnational structure." There was evidence of a tendency toward corporate governance patterns and corporate networks shifting toward an LME pattern and away from a central reliance on "non-market" coordination.[247]

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Certainly, such influences are not new: the question of "how to achieve the European version of the American society" was the real political issue of the 1950s.[248] Kees van der Pijl has argued that by the 1970s political, cultural and geographical forces had produced an "Atlantic ruling class" under American hegemony.[249] Such relations put in question the notion of purely "national institutional" orders and point to processes of uneven and combined development. While a single Euro-American media bloc may be forming today,[250] its antecedents have long been present; for example from *Stunde Null* or "Zero Hour" of Allied Occupation, the West German media landscape was remodeled under the aegis of Allied forces. It was within this context that the young Rheinhard Mohn recited the virtues of American corporate structures, as proselytized by Alfred E Sloan, and emphasized their influence on Bertelsmann's otherwise "German" model of corporate governance.

However, the scope of the nationally specific "models of capitalism" during the 1950 to 1970s was arguably greater because potential threats to corporate capitalism could be contained through various forms of inclusion at little cost to competitiveness; specific compromises became more problematic once the unparalleled period of growth of the Long Boom came to an end: " the passing of the golden age . . . raised questions about internal (domestic) forms of accumulation and institutional arrangement in every . . . state."[251] For instance, Grahl argues that functioning of German business institutions has been changed dramatically in terms of their objectives and priorities with U.S. neoliberal practices viewed as providing a model for European reform.[252] Significant changes in German corporate finance and corporate strategies have been not only promoted by global market forces; rather, "elites, both economic and political, are thoroughly committed to such change and seek to accelerate it." It is within this context of integration that German capitalists, for example, roundly chastized Chancellor Gerhard Schroeder for his populist anti-Americanism prior to the Iraq invasion.[253] Thomas Middelhoff, the CEO of Bertelsmann, had already stated publicly he considered himself an "American who by sheer coincidence has a German passport." Indeed, a recent *Businessweek* review of German acquisitions in the United States concludes that:

> . . . Germany's business elites come across more like a bunch of American wannabes, showing off their English, being envious of the unfettered capitalism enjoyed by U.S. companies, and embracing U.S. business articles of faith such as shareholder value. . . . Germany's push abroad seems more an attempt to embrace America than conquer it. It companies often eschew their German-ness and install foreign managers . . . It's probably only a matter of time before a blue-chip company such as Daimler-Chrysler relocates its executive offices to the U.S.

2.5 CONCLUSION

With much contemporary commentary about the determining role that media technologies have on the fate of media corporations, this chapter has argued that the corporate strategies of Time Warner, Bertelsmann, and News Corp. reflect recognizable and guiding logics of capitalist cultural production. The chapter examined what Miège refers to as the "generic models" of the cultural industries, that is "editorial" and "flow," as well as the relatively stable intermediate models, such as the "club logic" associated with advanced distribution systems.[254] There has been discernible drive toward processes of convergence established not only principally on the digitalized basis of media but also on increasing attempts to find cross-financing

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"synergies" or "adjacencies" between the models, supported by multipurpose "content." That the "two modes of culture industry development ultimately serve a single [corporate] master" was also clearly indicated by the examination of the collective experience of cultural industry labor.[255] Growing inequality within workforces is accompanied by a tendential convergence of conditions between different cultural industries. Although the political institutions of different "national" capitalisms also continue to shape the basis of work within these industries,[256] this chapter also questioned if this experience is the effect of divergent "varieties of capitalism" or instead reflects the strategies of capitals, including multinational media corporations such as Bertelsmann to install varieties of neoliberalism through existing institutional arrangements.

Although the mediating industrial and national institutions described in this chapter will continue to be reflected in the differentiated strategies of media companies, cultural industry labor will need to assess the direct threat that these forms of capitalist convergence pose.[257] The role of nation states, and particular states within the interstate system, is central to this evaluation. Not only have neoliberal, activist states played a crucial role in altering the substance of national institutions more generally, but state regulation has also shifted significantly to enhance the ability of capitals to restructure and expand their operations in the sphere of culture and communication. chapter 3 addresses these factors in more detail.

NOTES

1. For a discussion of approaches to the institutional power of large media conglomerates see Graham Murdock, "Large corporations and the control of the communications industries," in *Culture, Society and the Media,* ed. Michael Gurevitch, et al. (London: 1982); Terry Flew and Callum Gilmour, "A Tale of Two Synergies: An Institutional Analysis of the Expansionary Strategies of News Corporation and AOL-Time Warner" (paper presented at the Managing Communication for Diversity, Australia and New Zealand Communications Association Conference, Brisbane, 9–11 July, 2003, 2003).

2. Here the presumption is that price competition is a normal state that prevails unless until it is overwhelmed—yet this starting point is particularly ill suited for media, which in general sell at broad price categories and do not compete on individual prices—with newspapers aimed at the same audience category being a notable exception. See Nicholas Garnham, *Emancipation, the Media, and Modernity: Arguments about the Media and Social Theory* (Oxford: Oxford University Press, 2000), 56. Garnham therefore argues, "the mass media are, by their very nature, for better or worse the products of scale and scope and thus are by their very nature concentrated. Diversity and mass media are simply a contradiction in terms." Nicholas Garnham, "Class Analysis and the Information Society as Mode of Production," *Javnost/The Public* 11, no. 3 (2004): 100. While undoubtedly polemic, Garnham's point highlights the importance of examining the specific features of media systems rather adopting ideal-type market structures as the basis of analysis; see also Ben Fine, "Competition and Market Structure Reconsidered," *Metroeconomica* 50, no. 2 (1999).

3. Dick Bryan has provided important analysis of the nature of monopolies in Marxist thought. See here Dick Bryan, "Monopoly in Marxist Method," *Capital & Class* No. 26 (1985); Dick Bryan, "Competition and monopoly: A reply," *Capital & Class,* no. 30 (1986); Dick Bryan, "Bridging differences: Value theory international finance and the construction of global capital," in *Value and the world economy today*, ed. Richard Westra and Alan Zuege (Palgrave, 2003). It is this focus on the unevenness of development brought about by ongoing competition, not simply unmediated class struggle see here N. Dyer-Witheford, *Cyber-Marx: Circuits and cycles of struggle in high technology capitalism* (Urbana: University of Illinois Press, 1999), which calls in to question the acceptance of a technology-as-domination perspective in an unproblematic manner. Dyer-Witheford describes this technology-as-domination perspective as equating technologies and the large corporate institutions that control them with a wider process of societal rationalization.

4. See Philippe Bouquillion, "The Formation of Cultural and Communication Industry Poles: Between financial coups and the integration of industrial production lines" (Maison des Sciences de l'Homme Paris-Nord Université Paris 8, 2005). Philippe Bouquillion, "Incidences des mutations des industries de la culture et de la communication sur les contenus informationnels," *Les Cahiers du journalisme,* no. 20 (2009).

5. See, for example, David Croteau and William Hoynes, *Business of media,* 2nd ed. (Thousand Oaks: Pine Forge Press,

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2006); Will Straw, "Systems of Articulation, Logics of Change: Communities and Scenes in Popular Music," *Cultural Studies* 5, no. 3 (1991). Patricia H. Thornton, "The Rise of the Corporation in a Craft Industry: Conflict and Conformity in Institutional Logics," *Academy of Management Journal* 45, no. 1 (2002).

6. Jean-Guy Lacroix and Gaetan Tremblay, "The 'Information Society' and Cultural Industries Theory," *Current Sociology* 45, no. 4 (1997): 53.

7. Garnham, *Emancipation, the Media, and Modernity: Arguments about the Media and Social Theory,* 64.

8. Michel Albert, *Capitalism vs. Capitalism: How America's Obsession with Individual Achievement and Short-Term Profit Has Led It to the Brink of Collapse* (New York: Four Walls Eight Windows, 1993).

9. Timothy Kevin Marjoribanks, *News Corporation, technology and the workplace: Global strategies, local change* (Cambridge: Cambridge University Press, 2000); Susan Christopherson, "The Divergent Worlds of New Media: How Policy Shapes Work in the Creative Economy," *Review of Policy Research* 21, no. 4 (2004).

10. For a penetrating discussion of this topic see Jamie Peck and Nik Theodore, "Variegated capitalism," *Progress in Human Geography* 31, no. 6 (2007). For a discussion of both logical and historical bases of methodological nationalism see D. Chernilo, "Social Theory's Methodological Nationalism: Myth and Reality," *European Journal of Social Theory* 9, no. 1 (2006).

11. Graham Murdock, "Past the Posts: Rethinking Change, Retrieving Critique," *European Journal of Communication* 19, no. 1 (2004).

12. A term used by Raymond Williams. See Raymond Williams, "Culture and Technology," in *The Politics of Modernism: Against the New Conformists* (London: Verso, 1989).

13. Karl Marx, *Capital: A Critique of Political Economy*, trans. David Fernbach, 3 vols., vol. 3 (Harmondsworth: Penguin Books, 1993), 106–07.

14. In a report published after the collapse of the Telecoms-Media-Technology TMT bubble, the International Labor Organization noted that with the changes underway in the media sector "Many . . . new opportunities will arise for geographically mobile, well-educated, multiskilled and adaptable people, but more and more jobs are likely to be unstable, temporary assignments without fringe benefits or social security coverage, and some job losses or downgradings are inevitable." International Labor Organization, "The future of work and quality in the Information Society: The media, culture, graphical sector" (Geneva: International Labor Organization, 2004), 23. For a discussion of the changing conditions of labor in the cultural industries, see *inter alia* S. Christopherson, "Working in the Creative Econonmy: Risk, Adaptation, and the Persistence of Exclusionary Networks," in *Creative Labour: Working in the creative industries*, ed. Alan McKinley and Chris Smith (Basingstoke: Palgrave Macmillan, 2009); Susan Christopherson, "Beyond the Self-expressive Creative Worker: An Industry Perspective on Entertainment Media," *Theory, Culture & Society* 25, no. 7–8 (2008); Susan Christopherson, "Behind the scenes: How transnational firms are constructing a new international division of labor in media work," *Geoforum* 37(2006); International Labor Organization, "Symposium on Information Technologies in the Media and Entertainment Industries: Their Impact on Employment, Working Conditions and Labour-management Relations," (Geneva: International Labor Office, 2000); Vincent Mosco, "Citizenship Works," *Global Media Journal* 1, no. 1 (2006); G. Murdock, "Back to Work: Cultural Labor in Altered Times," in *Cultural Work: Understanding the Cultural Industries*, ed. Andrew Beck (London: Routledge, 2003). Gillian Ursell, "Working in the Media," in *Media Production*, ed. D. Hesmondhalgh (Milton Keynes: Open University Press, 2006).

15. Williams, "Culture and Technology," 123.

16. A point made clearly by Ellen Meiksins Wood, *Empire of Capital* (London: Verso, 2003), 15.

17. See Vincent Mosco, "Une Drôle de Guerre," *Media Studies Journal* 6, no. 2 (Spring) (1992): 47.

18. Dwayne Winseck, "Netscapes of power: Convergence, consolidation and power in the Canadian mediascape," *Media, Culture & Society* 24 (2002): 795; see also Peter Golding, "Forthcoming Features: Information and Communications and the Sociology of the Future," *Sociology* 34, no. 1 (2000); Robert W McChesney and Dan Schiller, "The Political Economy of International Communications: Foundations for the Emerging Global Debate over Media Ownership and Regulation," in *Technology, Business and Society Programme Paper Number 11* (United Nations Research Institute for Social Development, 2003); Dan Schiller, "Hard Times: Digital Capitalism 2002" (paper presented at the Reflections on the Social Impact of American Multinational Corporations: International Colloquium, L'université Stendhal Grenoble, France January 11–12, 2003).

19. Enrique Bustamante, "Cultural industries in the Digital Age: Some provisional conclusions," *Media, Culture & Society* 26, no. 6 (2004): 809–10; Colin Leys, *Market-Driven Politics: Neoliberal Democracy and the Public Interest* (London: Verso, 2001), 130–31.

20. Manuel Castells, *The Rise of the Network Society*, vol. 1 (Oxford: Blackwell Publishers, 1996), 199.

21. Nicholas Negroponte, *Being Digital* (London: Coronet, 1995), 57.

22. David Harvey, *The New Imperialism* (Oxford: Oxford University Press, 2003), 96.

23. Bustamante, "Cultural industries in the Digital Age: Some provisional conclusions," 808. For a cogent account of the

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central importance of distribution and finance, see Nicholas Garnham, *Capitalism and Communication: Global Culture and the Economics of Information* (London: Sage Publications, 1990), 161.

24. Bustamante, “Cultural industries in the Digital Age: Some provisional conclusions,” 814.

25. Allan Brown, “Media Ownership in a Digital Age,” *Media International Australia incorporating Culture and Policy*, no. 95 (2000); Robert W McChesney, *The Problem of the Media* (New York: Monthly Review Press, 2004).

26. Paschal Preston, *Reshaping Communications: Technology, Information and Social Change* (London: Sage Publications, Ltd., 2001), 30. While Bill Gates’ techno-utopianism sidestepped the issue of continuing centralization and concentration and market power through the notion of “friction-free capitalism,” Castells’ network enterprise, criss-crossed by constellation of business projects, also downplays the importance of the power of vertical property relations. Bill Gates, *The Road Ahead* (New York: Penguin, 1995).

27. Vincent Mosco, *The Political Economy of Communication: Rethinking and Renewal* (London: Sage Publications, 1996), 177. Brian Winston, *Media Technology and Society—A History: From the Telegraph to the Internet* (London and New York: Routledge, 1998), 51–53.

28. Tom O’Regan and Ben Goldsmith, “Emerging Global Ecologies of Production,” in *The New Media Book*, ed. D. Harries (London: British Film Institute, 2002), 93.

29. David Hesmondhalgh, *The Cultural Industries*, 2nd ed. (London: Sage, 2007), 243.

30. The Apple’s iPad and Amazon Kindle add to a long list of such devices. These have included audio-cassette players, VCRs, and the various compact disc technologies, including CD-ROMs and DVDs; TiVO and other digital video recording devices; personal stereos, Walkmans, and MP3 music players; fax machines and mobile phones; camcorders; personal computers, computer-game consoles, and digital assistants.

31. Schiller, “Hard Times: Digital Capitalism 2002”; Joseph Turow, “The Organizational Underpinnings of Contemporary Media Conglomerates,” *Communication Research* 19, no. 6 (1992); Joseph Turow, “Audience Construction and Culture Production: Marketing Surveillance in the Digital Age,” *Annals of the American Academy of Political and Social Science* 597(2005).

32. Janet Wasko, “What So “New” About the “New Technologies in Hollywood? An Example of the Study of Political Economy of Communications,” in *Rethinking Communication: Paradigm Exemplars*, ed. Brenda Dervin, et al. (London: Sage Publications, Ltd., 1989), 484.

33. Raymond Williams, *Television: Technology and Cultural Form*, 2nd ed. (London: Routledge, 1990); Herbert I. Schiller, “Media, Technology, and the Market: The Interacting Dynamic,” in *Culture on the Brink: Ideologies of Technology*, ed. Gretchen Bender and Timothy Druckrey (Seattle: Bay Press, 1994).

34. Ernest Mandel, “Marx, the present and the future of labour,” in *Socialist Register*, ed. R. Miliband and J . Saville (London: Merlin Press, 1986), 449.

35. Christopher May, “Information Society, Commodities and Continuity,” *Information, Communication & Society* 3, no. 1 (2000); Dan Schiller, “Deep Impact: The web and the changing media economy,” *Info: the journal of policy, regulation and strategy for telecommunications information and media* 1, no. 1 (1999).

36. Vincent Mosco, “Bridging the Gap: Processes of Communication and Institutions of Political Economy,” in *Networking Knowledge for Information Societies: Institutions and Intervention*, ed. Robin Mansell, R. Samarajiva, and Amy Mahan (Delft: Delft University Press, 2002), 261.

37. Manuel Castells, “Materials for an exploratory theory of the network society,” *British Journal of Sociology* 51, no. 1 (2000); see also Bernard Miège, “Capitalism and Communication: A New Era of Society or the Accentuation of Long-Term Tendencies?” in *Toward a Political Economy of Culture: Capitalism and Communication in the Twenty-First Century*, ed. A. Calabrese and C. Sparks (Lanham: Rowman & Littlefield, 2004).

38. See Bustamante, “Cultural industries in the Digital Age: some provisional conclusions”; Schiller, “Hard Times: Digital Capitalism 2002.”

39. As noted earlier, the diffusion of new technologies is also affected by cultural resistance to radical change, as entrenched social habit and custom unintentionally shape the construction of new needs that is essential to the successful diffusion of new technologies. Because the diffusion of new technologies is dependent on the expected rate of profit, a new technology cannot be successful unless it fulfills some kind of need. Whereas the development of new needs is an essential part of capitalisms dynamism, the form in which new needs are developed is not only historically specific but will also be ideologically determined. For instance, Edward Buscombe has argued that the ideology of realism that dominated the cinema partly circumscribed the formation of the needs which any technology could profitably satisfy. Thus although the scientific principles underlying both sound and color technologies were known long before sound or color films became technically and commercially feasible, color technology took longer to diffuse partly because, unlike sound, it could not be instantly accommodated to the realist aesthetic that dominated cinema at the time. In turn, it took a protracted period until the use of color techniques could be fully incorporated into the realist aesthetic. According to Buscombe, color film only became universal with the advent of color

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television, because the new medium lowered the relative resale to television value of theatrical features made in black and white. Edward Buscombe, “Sound and Color,” in *Movies and methods: An anthology*, ed. Bill Nichols (Berkeley: University of California Press, 1985).

40. Murdock, “Past the Posts: Rethinking Change, Retrieving Critique,” 21. See also Michael Wayne, *Marxism and Media Studies: Key Concepts and Contemporary Trends* (London: Pluto Press, 2003); Bustamante, “Cultural industries in the Digital Age: some provisional conclusions”; Lacroix and Tremblay, “The ‘Information Society’ and Cultural Industries Theory”; Nicholas Garnham, “Constraints on Multi-media Convergence,” in *Information and Communication Technologies; Visions and Realities*, ed. William Dutton (Oxford: Oxford University Press, 1996); Garnham, *Emancipation, the Media, and Modernity: Arguments about the Media and Social Theory*; Jean-Guy Lacroix et al., “La convergencia entre telecomunicaciones y audiovisual. Por una renovación de perspectivas,” *Telos*, no. 34 (June-August 1993).

41. See here Dwayne Winseck, “Pursuing the Holy Grail: Information Highways and Media Reconvergence in Britain and Canada,” *European Journal of Communication* 13, no. 3 (1998). Winseck, “Netscapes of power: Convergence, consolidation and power in the Canadian mediascape.” Winston argues that “the basis of convergence lies in a body of maths which goes back to the 1920s and was an established technique which dates from the late 1930—and therefore antedates the building of the first digital computers . . . the pace of [digitization’s] introduction has scarcely been revolutionary, although it has had significant impact in specific areas,” Winston, *Media Technology and Society—A History: From the Telegraph to the Internet*, 134.

42. William H. Melody, “Human capital in information economies,” *New Media & Society* 1, no. 1 (1999).

43. Mandel, “Marx, the present and the future of labour,” 449. Indeed, Kevin Robins and Frank Webster, note that what is striking about much contemporary techno-topian discourse, apart from its cultural idealism, is that it incorporates both an insistence on wide-scale social transformation with a pragmatic acceptance that the corporate profit agenda provides the basis for, and circumscribes, the development of a new society; corporate capital is taken as marking the horizon for socio-technical change. Kevin Robins and Frank Webster, *Times of the Technoculture: From the information society to the virtual life* (London: Routledge, 1999).

44. For a full elaboration of the points see Winston, *Media Technology and Society—A History: From the Telegraph to the Internet*. The forces of social inertia, i.e. “laws of suppression,” which operates to “slow the rate of diffusion so that the social fabric in general can absorb the new machine and essential formations such as business entities and other institutions can be protected and preserved,” Winston, *Media Technology and Society—A History: From the Telegraph to the Internet*, 11.

45. See Alan B. Albarran and John Dimmick, “Concentration and Economies of Multiformity in the Communication Industries,” *Journal of Media Economics* 9, no. 4 (1996): 441.

46. Vincent Mosco, “Cyber-Monopoly: A Web of Techno-Myths,” *Science as Culture* 8, no. 1 (1999): 14.

47. Miège, “Capitalism and Communication: A New Era of Society or the Accentuation of Long-Term Tendencies?” 92; see also Preston, *Reshaping Communications: Technology, Information and Social Change*, 194.

48. Schiller, “Hard Times: Digital Capitalism 2002,” 3.

49. Dan Schiller, *Digital Capitalism: Networking the Global Market System* (Cambridge: Massachusetts Institute of Technology Press, 1999). Dan Schiller, “Pushing informationalized capitalism into science and information technology,” *Media Development* 45, no. 2 (2003). For Tessa Morris-Suzuki, intellectual labor and innovation would become the new centers of surplus value production as extensive automation expelled living labor from the production of commodities. The real subsumption of scientific labor would increasingly act as direct and potent contributor to the “incessant generation of new products and new methods of production” that would in turn define the competitive strength of individual capitals. Tessa Morris-Suzuki, “Robots and Capitalism,” in *Cutting Edge: Technology, Information, Capitalism and Social Revolution*, ed. Jim Davis, Thomas Hirschl, and Michael Stack (London: Verso, 1997). Moreover, as Schiller notes the giant corporation’s need for incoming streams of scientific and technical knowledge would increasingly focus “on information technology—on networks.” Schiller, *Digital Capitalism: Networking the Global Market System*, 159. For a critical discussion of the neo-Schumpeterian discourse as it pertains to the media, see Garnham, “Class Analysis and the Information Society as Mode of Production”; Nicholas Garnham, “Contradiction, Confusion and Hubris: A Critical Review of European Information Society Policy,” in *Contradiction, Confusion and Hubris: A Critical Review of European Information Society Policy*, ed. P. Verhoest (Brussels: ENCIP, 2004).

50. See John K. Galbraith, “The Economics of Technical Development,” in *American Capitalism: The Concept of Countervailing Power* (Oxford: Blackwell Publishers, 1980).

51. For a discussion of the ideology associated with new communication technologies, see Steve Best and Douglas Kellner, “Kevin Kelly’s Complexity Theory: The Politics and Ideology of Self-Organizing Systems,” *Democracy & Nature* 6, no. 3 (2000); Vincent Mosco, *The Digital Sublime: Myth, Power, and Cyberspace* (Cambridge: MIT Press, 2004); Winston, *Media Technology and Society—A History: From the Telegraph to the Internet*.

52. Nicholas Garnham, “The Information Society: Myth or Reality” (paper presented at the 2001 Bugs: Globalism and Pluralism, Montreal, April 24–27, 2002), 3.

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53. Thus, one of the main shortfalls of Castells is that, like other neo-Schumpeterians but unlike, for example, Morris-Suzuki's or Schiller's work, the erstwhile Marxist fetishises information and knowledge as factors of production. Rather than seeing capital innovation as arising from the appropriation of knowledge from the collective laborer, knowledge, innovation, and growth are viewed as arising from particular configurations of firms or from national innovative systems. Compare Castells' account with Michael Perelman, *Class Warfare in the Information Age* (New York: St. Martin's Press, 1998); Dan Schiller, "From Culture to Information and Back Again: Commoditization as a Route to Knowledge," *Critical Studies in Mass Communication* 11(1994); Bob Jessop, "Informational Capitalism and Empire: The PostMarxist Celebration of U.S. Hegemony in a New World Order," *Studies in Political Economy*, no. 71/72 (2003); and Tony Smith, "Technology and History in Capitalism: Marxian and Neo-Schumpeterian Perspectives," in *Essays on Volume I of Marx's Capital*, ed. R. Bellofiore and N. Taylor (London: Macmillan Press Ltd., 2003). Castells avers, "Production-based, social classes, as constituted, and enacted in the Industrial Age, cease to exist in the network society." Instead, we have a differentiated model of self-programmable labor and generic labor, without any discussion of the reason as to why capital's constant drive to cheapen all labor-power (i.e., surplus value) may lead from the first to the second category. Castells, "Materials for an exploratory theory of the network society," 18. For further discussion of Castells' information theory of value, see Frank Webster, *Theories of the Information Society*, 2nd ed. (London: Routledge, 2002), 111.

54. Castells, *The Rise of the Network Society*, 165, 194–95.

55. For example, see Nicholas Garnham, "Information Society Theory as Ideology: A Critique," *Society and Leisure* 12, no. 1 (1998); Jessop, "Informational Capitalism and Empire: The PostMarxist Celebration of U.S. Hegemony in a New World Order"; Miège, "Capitalism and Communication: A New Era of Society or the Accentuation of Long-Term Tendencies?"; Michael Wayne, "Mode of Production: New Media Technology and the Napster File," *Rethinking Marxism* 16, no. 2 (2004); Webster, *Theories of the Information Society*.

56. For an important engagement with these concepts, see Manuel Castells, *The Rise of the Network Society*, 2nd ed. (Oxford: Blackwell Publishers, 2000), 17, 505. Compare the arguments of Jessop, "Informational Capitalism and Empire: The PostMarxist Celebration of U.S. Hegemony in a New World Order."

57. Castells, *The Rise of the Network Society*, 94.

58. Garnham, "Information Society Theory as Ideology: A Critique," 105. For a discussion of the nature of Schumpeterian competition see, for example, John Bellamy Foster, "Monopoly Capital at the Turn of the Millennium," *Monthly Review* 51, no. 11 (2000): 16.

59. See John Bellamy Foster, "Theories of Capitalist Transformation: Critical Notes on the Camparison of Marx and Schumpeter," *The Quarterly Journal of Economics* 98, no. 2 (1983).

60. Mandel, providing the impetus for Morris-Suzuki work on the perpetual innovation economy, noted that, as all areas of production become industrialized, including the superstructure, surplus-profits predominantly take the form of technological surplus-profits technological rents, leading to high rates of innovation and reduced turnover time of fixed capital. He defines these rents as "the surplus-profits derived from a monopolization of technical progress i.e., from discoveries and inventions which lower the cost-price of commodities but cannot at least in the medium-run become generalized throughout a given branch of production and applied by all competitors, because of the structure of monopoly capital itself: difficulties of entry, size of minimum investment, control of patents, cartel arrangements, and so on." Ernest Mandel, *Late Capitalism* (London: Verso, 1999), 192.

61. Dan Schiller, "World Communications in Today's Age of Capital," *Emergences* 11, no. 1 (2001): 51. On the nature and direction of technological development, Mandel notes that "Big monopolies oligopolies are never completely shielded from competition and hence always have an interest in perfecting and bringing a new product onto the market earlier and more massively than their competitors. In this sense, they are undoubtedly interested in expanding the research and development under their control. At the same time, however, in considering each expensive research project they must take into account the inherent risk not only that it may fail to result in any new marketable product at all, but also that a simultaneous innovation by a competitor may make it impossible to realize the anticipated super-profits [. . . which] compels them both to differentiate their research and, at the same time, for pure reasons of valorization of capital, to narrow their development." Mandel, *Late Capitalism*, 257.

62. Buscombe, "Sound and Color"; a different account is provided by Douglas Gomery, "Writing the History of the American Film Industry: Warner Bros and Sound," in *Screen Histories: A Screen Reader*, ed. Annette Kuhn and Jackie Stacey (Oxford: Oxford University Press, 1998).

63. See, for example, Asu Aksoy and Kevin Robins, "Hollywood for the 21st century: Global competition for critical mass in image markets," *Cambridge Journal of Economics* Vol. 16 (1992); Nicholas Garnham, "The Media as Cultural Industries," in *Emancipation, the Media, and Modernity: Arguments about the Media and Social Theory* (Oxford: Oxford University Press, 2000); Hesmondhalgh, *The Cultural Industries*; Lacroix and Tremblay, "The 'Information Society' and Cultural Industries Theory"; Bernard Miège, "Theorizing the Cultural Industries: Persistent Specificities and Reconsiderations," in

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Handbook of Political Economy of Communications, ed. G. Murdock, H. Sousa, and J. Wasko (Oxford: Blackwell, 2011); B. Miege, "The logics at work in the new cultural industries," *Media, Culture & Society* 9, no. 3 (1987); Bernard Miège, *The Capitalization of Cultural Production* (New York: International General, 1989); Bernard Miège, "Cultural production and cultural pluralism," in *The World Communication and Information Report 1999–2000*, (Paris: UNESCO, 1999); Murdock, "Back to Work: Cultural Labor in Altered Times"; and Schiller, "Hard Times: Digital Capitalism 2002."

64. Miège as cited in Bouquillion, "The Formation of Cultural and Communication Industry Poles: Between financial coups and the integration of industrial production lines," 11.

65. See Dan Schiller, "The Information Commodity: A Preliminary View," in *Cutting Edge: Technology, Information, Capitalism and Social Revolution*, ed. Jim Davis, Thomas Hirschl, and Michael Stack (London: Verso, 1997), 110.

66. Miège, *The Capitalization of Cultural Production*; Nicholas Garnham, "Contribution to a Political Economy of Mass Communication," in *Capitalism and Communication: Global Culture and the Economics of Information.*, ed. Fred Inglis (London: Sage Publications, 1990). Goldsmith Media Group, "Media Organization in Society: Central Issues," in *Media Organizations in Society*, ed. James Curran (London: Arnold, 2000); David Hesmondhalgh, *The Cultural Industries* (London: Sage Publications, Ltd., 2002); Lacroix and Tremblay, "The 'Information Society' and Cultural Industries Theory."

67. Lacroix and Tremblay, "The 'Information Society' and Cultural Industries Theory"; Juan Carlos Miguel de Bustos, "The European communication groups: Strategies and actions in the '80s," *Telos*, no. 35 (1993).

68. Thomas R. Eisenmann and Joseph L. Bower, "The Entrepreneurial M-Form: Strategic Integration in Global Media Firms," *Organization Science* 11, no. 3 (2000); Richard A. Gershon, "The transnational media corporation: Environmental scanning and strategy formulation," *Journal of Media Economics* 13, no. 2 (2000); Robert W. McChesney, *Rich Media, Poor Democracy: Communication Politics in Dubious Times* (Chicago: University of Illinois Press, 1999); Jeremy Tunstall and Michael Palmer, "Conclusion: Europe's future media and moguls," in *Media Moguls*, ed. Jeremy Tunstall and Michael Palmer (London: Routledge, 1991).

69. See Miège, "Theorizing the Cultural Industries: Persistent Specificities and Reconsiderations"; César Bolaño, "Online Journalism: Reflections from a Political Economy of Communication Perspective," in *International Symposium on Online Journalism* (Austin: University of Texas, 2009); Philippe Bouquillion, *Les Industries de la Culture et de la Commmunication: Les strategies du capitalisme* (Grenoble: PUG, 2008); Bouquillion, "Incidences des mutations des industries de la culture et de la communication sur les contenus informationnels" ; Pierre Mœglin, "Des modèles socio-économiques en mutation," in *Les industries de la culture et de la communication en mutation*, ed. Philippe Bouquillion and Yolande Combes (Paris: L'Harmatthan 2007); David Fernández Quijada, "Cultural Industries in a Digital Setting:a Reformulation from Communication Praxis," *Zer: Magazine of communication studies*, no. 22 (2007).

70. See Patrice Flichy, *Les industries de l'imaginaire* (Grenoble: PUG, 1980); also Bernard Miège, "Las industrias de la cultura y de la información. Conflicto con los nuevos medios de comunicación (The Industries of Culture and Information: Conflict with the new mass media)," *Telos*, no. 29 (March-May) (1992). Although Garnham, following Bernard Miège's earlier work, outlines a third logic, that of the press model, this can be subsumed under the structuring model of the flow logic. Garnham, *Emancipation, the Media, and Modernity: Arguments about the Media and Social Theory*, 52. The press model, as per the "club model" discussed later, represents a "stable intermediate model" situated in between the "generic models" of publishing and flow—see Bernard Miège, *Les industries du contenu face à l'ordre informationnel* (Grenoble: PUG, 2000), 59.

71. The "dialectic of the bestseller and the back catalogue" is a response to the context where the uncertainty of consumer approval remains high, as does the tendency to overproduce originals. Miege, "The logics at work in the new cultural industries," 274; Richard Caves, *Creative Industries: Contracts between Art and Commerce* (Cambridge: Harvard Business Press, 2000); Martin Kretschmer, George Michael Klimis, and Chong Ju Choi, "Increasing Returns and Social Contagion in Cultural Industries," *British Journal of Management* 61–72(1999); Bill Ryan, *Making Capital from Culture: The Corporate Form of Capitalist Cultural Production* (Berlin, New York: Walter de Gruyter, 1992).

72. For an elaboration of this model see Lacroix and Tremblay, "The 'Information Society' and Cultural Industries Theory"; Miege, "The logics at work in the new cultural industries"; Marc Ménard, *Eléments Pour Une Economie Des Industries Culturelles* (Montreal: Société De Développement Des Entreprises Culturelles, 2004).

73. For an analysis of publicity rents, see Ryan, *Making Capital from Culture: The Corporate Form of Capitalist Cultural Production*, 89.

74. Drawing on the latter, John Thompson notes that the logic of a field reflects the conditions under which agents can play the game and its often tacit rules are similar to grammar of language. John B. Thompson, *Merchants of Culture: The Publishing Business in the Twenty-First Century* (London: Polity, 2010).

75. W. Richard Scott et al., *Institutional Change and Healthcare Organizations* (Chicago University of Chicago Press, 2000), 20; cited in Timothy J. Dowd, "Concentration and Diversity Revisited: Production Logics and the U.S. Mainstream Recording Market, 1940–1990," *Social Forces* 82, no. 4 (2004): 1447.

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76. P. H. Thornton and W. Ocasio, “Institutional logics,” in *The Sage handbook of organizational institutionalism*, ed. R. Greenwood, et al. (London: Sage, 2008); Patricia H. Thornton, Candace Jones, and Kenneth Kury, “Institutional Logics and Institutional Change in Organizations: Transformation in Accounting, Architecture, and Publishing “ in *Transformation in Cultural Industries*, ed. Patricia H. Thornton and Candace Jones (2005); P. H. Thornton and W. Ocasio, “Institutional logics and the historical contingency of power in organizations: Executive succession in the higher education publishing industry, 1958–1990,” *American Journal of Sociology* 105, no. 3 (1999).

77. While this discussion of logics aligns with a conception of them as “rules of game” that are part of process of structuration, that is, structured by the actors but structuring once established, Mœglin notes that socioeconomic logics have also been understood as an operating mode or ideal-type construct. Mœglin, “Des modèles socio-économiques en mutation.”

78. Lacroix et al., “La convergencia entre telecomunicaciones y audiovisual. Por una renovación de perspectivas.”

79. For a discussion of relational networks see Andrew Currah, “Hollywood, the Internet and the World: A Geography of Disruptive Innovation,” *Industry & Innovation* 14, no. 4 (2007); Brett Christophers, *Envisioning media power: On capital and geographies of television* (Lanham: Lexington Books, 2009); Thompson, *Merchants of Culture: The Publishing Business in the Twenty-First Century*. John Thompson has invoked the concept logic of the field in terms of the Anglo-American publishing industry; he notes that “the logic has a certain self-referential, self-reinforcing character, in the sense that the key players in the field are locked together in a system of interdependency such that the actions of each, pursuing what they perceive as their own interests or those of their clients, tends to elicit a certain pattern of action from other players in the field . . . The logic of the field is a dynamic in which some players are more fully implicated than others but from which no player is wholly excluded.” Thompson, *Merchants of Culture: The Publishing Business in the Twenty-First Century*, 293–94.

80. Schiller, “Hard Times: Digital Capitalism 2002,” 5.

81. For a discussion of transindustrialism see Janet Wasko, *Hollywood in the Information Age: Beyond the Silver Screen* (Cambridge: Polity Press, 1994), 251; Eileen R. Meehan, “Transindustrialism and synergy: Structural supports for decreasing diversity in commercial culture,” *International Journal of Media and Cultural Politics* 1, no. 1 (2005); Eileen R. Meehan, “Watching Television: A Political Economic Approach,” in *A Companion to Television*, ed. Janet Wasko (Oxford: Blackwell Publishers, 2005).

82. Bustamante, “Cultural industries in the Digital Age: some provisional conclusions,” 807.

83. Hesmondhalgh, *The Cultural Industries*, 91–92, 238–40; Schiller, “Hard Times: Digital Capitalism 2002.”

84. David S. Bennahum, “The Future Is Now—Who needs AOL? Time Warner is already the media company of tomorrow,” *Slate*, September 17 2003; Allan Brown, “The Digital Future of Terrestrial Advertiser-supported Television,” *Prometheus* 21, no. 1 (2003); see also Jason Mittell, “Interfacing Television: TiVo, Technological Convergence, and Everyday Life” (paper presented at the Media in Transition 3 conference, MIT, Boston, USA 2–4 May, 2003).

85. E. A. Taub, “DVD’s Meant for Buying but Not for Keeping,” *New York Times*, July 21 2003; see also Hesmondhalgh, *The Cultural Industries*; Janet Wasko, Mark Phillips, and Chris Purdie, “Hollywood meets Madison Avenue: The commercialization of U.S. films,” *Media, Culture & Society* 15(1993).

86. For a discussion of the “Age of Access” concept, see Jeremy Rifkin, *The Age of Access. How the Shift from Ownership to Access is Transforming Capitalism* (London: Penguin Books, 2000). An outline of the private club logic as it relates to the cultural industries is presented in Bouquillion, “The Formation of Cultural and Communication Industry Poles: Between financial coups and the integration of industrial production lines,” and more extensively in Lacroix and Tremblay, “The ‘Information Society’ and Cultural Industries Theory.”

87. Schiller, “Hard Times: Digital Capitalism 2002,” 4; Simone Murray, “Think global, act global: Corporate content streaming and Australian media policy,” *Media International Australia*, no. 116 (2005).

88. Murdock, “Back to Work: Cultural Labor in Altered Times,” 28–29; Emma Duncan, “Wheel of fortune: A survey of technology and entertainment,” *Economist*, November 21 1998, 5.

89. McChesney, *The Problem of the Media*, 184; see also Turow, “The Organizational Underpinnings of Contemporary Media Conglomerates”; Joseph Turow, *Media Systems in Society: Understanding Industries, Strategies, and Power*, 2nd ed. (New York: Longman, 1997).

90. Janet Wasko, *How Hollywood Works* (London: Sage Publications, Ltd., 2003), 170.

91. Bustamante, “Cultural industries in the Digital Age: Some provisional conclusions”; Simone Murray, “Brand loyalties: Rethinking content within global corporate media,” *Media, Culture & Society* 27, no. 3 (2005).

92. Meehan, “Transindustrialism and synergy: Structural supports for decreasing diversity in commercial culture.”

93. Goldsmith Media Group, “Media Organisation in Society: Central Issues”; Patxi Azpillaga, Juan Carlos de Miguel, and Ramón Zallo, “Las industrias culturales en la economía informacional: Evolución de sus formas de trabajo y valorización (The cultural industries in the informational economy: Evolution of its forms of work and valuation),” *Zer: Magazine of communication studies* no. 5 (1998).

94. On “commercial intertexts” see P. David Marshall, “The New Intertextual Commodity,” in *The New Media Book*, ed.

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Dan Harries (London: British Film Institute, 2002); Eileen R. Meehan, "'Holy Commodity Fetish, Batman!': The Political Economy of a Commercial Intertext," in *The Many Lives of the Batman: Critical Approaches to a Superhero and his Media*, ed. Roberta E. Pearson and William Uricchio (New York: Routledge and BFI Publishing, 1991), 49; on "presold" properties see Thomas Schatz, "The New Hollywood," in *The Film Cultures Reader*, ed. Graeme Turner (London: Routledge, 2002). On dedifferentiation of consumption see Alan Bryman, "McDonald's as a Disneyized Institution: Global Implications," *American Behavioral Scientist* 47, no. 2 (2003).

95. Bustamante, "Cultural industries in the Digital Age: some provisional conclusions," 807.

96. Murray, "Think global, act global: Corporate content streaming and Australian media policy"; Turow, "The Organizational Underpinnings of Contemporary Media Conglomerates"; Turow, *Media Systems in Society: Understanding Industries, Strategies, and Power*; Turow, "Audience Construction and Culture Production: Marketing Surveillance in the Digital Age."

97. Turow, "Audience Construction and Culture Production: Marketing Surveillance in the Digital Age," 105. See also Hesmondhalgh, *The Cultural Industries*, 240.

98. Murray, "Brand loyalties: Rethinking content within global corporate media," 425. Such brands, including cultural product formats are leveraged beyond the boundaries of the conglomerate through the legal use of trademarked images and copyrighted concepts by a myriad of licensees. Albert Moran and Michael Keane, "Cultural Power in International TV Format Markets," *Continuum: Journal of Media & Cultural Studies* 20, no. 1 (2006); Dan Schiller, "Hard Times: Digital Capitalism 2002" (paper presented at the Reflections on the Social Impact of American Multinational Corporations: International Colloquium, L'université Stendhal Grenoble, France January 11–12, 2002); Janet Wasko, "The Magic-Market World of Disney," *Monthly Review* 52, no. 11 (2001); Wasko, *How Hollywood Works*.

99. Andrew Calabrese argues that synergy, a companion term to convergence, is "[f]or the most part . . . is a producer-oriented term, and one that is most commonly uttered by media CEOs advocating the breakdown of regulations that impede corporate growth and diversification, and by countless captured regulators who need to find a publicly palatable rhetoric for advancing the causes of the firms that will reward them handsomely once they leave government and become consultants, lobbyists, and dealmakers who sell access to, and influence within, the federal bureaucracy. A. Calabrese, "Review of Creative Industries," *Continuum: The Journal of Media and Cultural Studies* 20, no. 1 (2006): 127.

100. Bouquillion, "The Formation of Cultural and Communication Industry Poles: Between financial coups and the integration of industrial production lines." Murray, "Think global, act global: Corporate content streaming and Australian media policy."

101. James Flanigan, "Asset-Heavy Companies Need to Slim Down," *Los Angeles Times*, January 19 2003, C1; Matthew Karnitschnig, "That's All Folks: After Years of Pushing Synergy, Time Warner Inc. Says Enough—Media Titan Is Selling Units, Downplaying Cooperation; Rivals Make Similar Moves—New Buzzword Is 'Adjacencies,' " *Wall Street Journal*, June 2 2006, A1.

102. Murray, "Brand loyalties: Rethinking content within global corporate media," 428.

103. As Hesmondhalgh documents, increasing competition in consumer markets in the 1980s witnessed significant growth in advertising expenditure throughout that decade and as well as through the 1990s. Hesmondhalgh, *The Cultural Industries*, 91–92. In addition, the expanded commodification of nonmarket spheres—education, healthcare, etc.—required increased advertising outlays to persuade the public to increase their reliance on marketed goods and services. Schiller notes therefore that between 1950 and 1996 global advertising spending increased sevenfold, growing one-third faster than the overall world economy. Schiller, "Hard Times: Digital Capitalism 2002," 5.

104. Its most profound influence was of course in the area of film production. The need for a constant flow of programming led to a significant increase in the pressures of industrialization with this sector of production, an outcome noted by Miège, "Las industrias de la cultura y de la información. Conflicto con los nuevos medios de comunicación (The Industries of Culture and Information: Conflict with the new mass media)." Moreover, it changed in significant ways the comparative value of investment in sectors underpinned by a publishing logic for large-scale capitals such as Bertelsmann.

105. Ryan, *Making Capital from Culture: The Corporate Form of Capitalist Cultural Production*, 88–89.

106. Miège, "Las industrias de la cultura y de la información. Conflicto con los nuevos medios de comunicación. (The Industries of Culture and Information: Conflict with the new mass media)"; Vincent Mosco, *The Political Economy of Communication*, 2nd ed. (Los Angeles: Sage Publications, 2009); Schiller, "The Information Commodity: A Preliminary View." Robins and Webster and Dyer-Witheford place far greater political salience on the commodification strategies of capital. Both draw explicitly on the notion of commodification extending Taylorist forms of control beyond the workplace and into the realms of leisure and the labor reproduction more generally. Dyer-Witheford explicitly draws on the theorization of the social factory undertaken by the Italian Workerist tradition and notes the complementary nature of this approach to Smythe's notions of the labor undertaken by audiences to reproduce the conditions for capital valorization. Robins and Webster, *Times of the Technoculture: From the information society to the virtual life*; Dyer-Witheford, *Cyber-Marx: Circuits and cycles of struggle in high technology capitalism*; Dallas Smythe, "On the Audience Commodity and its Work," in *Approaches to media. A reader*, ed. Oliver Boyd-Barrett and C. Newbold (London: Arnold, 1995).

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107. Dan Schiller and Vincent Mosco, “Introduction: Integrating a Continent for a Transnational World,” in *Continental Order? Integrating North America for Cybercapitalism*, ed. Vincent Mosco and Dan Schiller (New York: Rowman & Littlefield Publishers, 2001).

108. Schiller, “Hard Times: Digital Capitalism 2002,” 6–7. See also Juan Calvi, “Análisis de una lógica de distribución, intercambio y reproducción cultural en la era digital,” *Telos*, no. 65 (2005).

109. Mosco, *The Digital Sublime: Myth, Power, and Cyberspace*, 156–57.

110. Schiller, *Digital Capitalism: Networking the Global Market System*, 99. The figure on the Internet comes from Calvi, “Análisis de una lógica de distribución, intercambio y reproducción cultural en la era digital.”

111. Christian Fuchs, “Information and Communication Technologies and Society: A Contribution to the Critique of the Political Economy of the Internet,” *European Journal of Communication* 24, no. 1 (2009). Colin Leys, “Markets, commodities and commodification,” in *Market-Driven Politics: Neoliberal Democracy and the Public Interest* (London: Verso, 2001), 84.

112. Wayne observes that “everyone is well aware that music CDs cost a few cents to make, but that they sell for around 17 dollars in the shops 25 dollars in the United Kingdom. The music industry is widely held in contempt, by both musicians and consumers, as a result. Napster’s success taps into a latent reservoir of resentment toward such profiteering. Wayne, “Mode of Production: New Media Technology and the Napster File,” 143.

113. Wayne, “Mode of Production: New Media Technology and the Napster File,” 150.

114. Winston, *Media Technology and Society—A History: From the Telegraph to the Internet*.

115. David Harvey, “The Art of Rent: Globalization, Monopoly and the Commodification of Culture,” in *Socialist Register: A World of Contradictions*, ed. Leo Panitch and Colin Leys (2001); Harvey, *The New Imperialism*; May, “Information Society, Commodities and Continuity”; Christopher May, “Commodifying the Information Age: Intellectual Property Rights, the State and the Internet,” *Script-ed*, no. 3 (2004); Graham Murdock “Against Enclosure: Rethinking the Cultural Commons,” in *British Cultural Studies*, ed. David Morley and Kevin Robins (Oxford: Oxford University Press, 2001); Joost Smiers, *Arts under Pressure: Promoting Cultural Diversity in the Age of Globalization* (London: Zed Books, 2003).

116. Azpillaga, de Miguel, and Zallo, “Las industrias culturales en la economía informacional: Evolución de sus formas de trabajo y valorización (The cultural industries in the informational economy: Evolution of its forms of work and valuation).”

117. Schiller 2003a:5

118. Seth Schiesel, “AOL Plans the Digital Smorgasbord,” *New York Times*, June 11, 2001, 1. See also Tom Lowry, “Maybe Old and New Media Can Mix: Time Inc.’s magazines are selling well on AOL,” *Business Week*, February 19 2001. This mantra has been renewed and updated with Time Warner’s present push for a “TV everywhere” subscription model being championed by the corporation’s present, CEO Jeff Bewkes. Under this authentication system, being developed in conjunction with Comcast, identified subscribers to a multiservice operator, be it a cable, satellite, telephone company, will be able to access content such as TV shows, movies online.

119. Lacroix and Tremblay, “The ‘Information Society’ and Cultural Industries Theory.” See also Ali Khardouche, “La convergence entre les télécommunications mobiles et l’Internet: Vers une logique de club? (The convergence between mobile telecommunications and the Internet: Towards a club logic?),” *COMMposite* 2003, no. 1 (2003).

120. Mœglin, “Des modèles socio-économiques en mutation.” Bouquillion, “The Formation of Cultural and Communication Industry Poles: Between financial coups and the integration of industrial production lines,” 19–21. See also Eric George, “À propos des mutations des stratégies industrielles des entreprises médiatiques: Relecture de quelques travaux en économie politique (Concerning the mutations of the industrial strategies of the media businesses: Review of some works in political economy),” (2005), 9.

121. Musso Pierre Musso, “Vivendi as the New Champion in Information Capitalism,” *AFRI* III(2002); Miège, *Les industries du contenu face à l’ordre informationnel*, 79; cf. Mœglin, “Des modèles socio-économiques en mutation.”

122. Lacroix and Tremblay, “The ‘Information Society’ and Cultural Industries Theory”; Miège, *Les industries du contenu face à l’ordre informationnel*.

123. Lacroix et al., “La convergencia entre telecomunicaciones y audiovisual. Por una renovación de perspectivas.” David Harvey, *The Limits to Capital*, 2nd ed. (London: Verso, 1999), 141.

124. Miege, “The logics at work in the new cultural industries,” 275. See also Miège, “Cultural production and cultural pluralism”; Miège, “Las industrias de la cultura y de la información. Conflicto con los nuevos medios de comunicación. (The Industries of Culture and Information: Conflict with the new mass media).”

125. See for example Damian Grimshaw and Jill Rubery, “Inter-capital relations and the network organisation: Redefining the work and employment nexus,” *Cambridge Journal of Economics* 29(2005).

126. The centralization of media control and growth of media TNCs, as well as the concomitant increases on cross-border flows of media outputs and the spread and intensification of commercialization of cultural and informational production continues to be of key focus of analysis, both political economic (Herman and McChesney 1997) or otherwise (Gershon 1998). However, a number of publications (e.g., Mosco 1996; Schiller 1996; Sussman & Lent 1998) have attempted to move beyond the tendency

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to focus on corporate and state structures and institutions and instead foreground the role of labor in the development of media systems. As Mosco (1996) notes, little attention has been given to the relation between the development of new communication technologies, the rise of the media giants and the struggle over the commodification of labor within the media industries. Hesmondhalgh (2001:1) has similarly argued that the "ultra-leftist approach" of Herbert Schiller, Noam Chomsky, and Robert McChesney portrays "media companies as all-powerful giants." By focusing unerringly on ownership and imperfect competition, this position "doesn't allow for contradiction within the system . . . [and] . . . fails to explain how the media operate on a day-to-day level." The remedy, according to Dyer-Witheford (1999), is to focus on the insurgent, unmediated subjectivity of labor within-and-against "cyber"-capital. According to Dyer-Witheford, a "technology-as-domination" perspective dominates much of the political economy of communications, as characterized of Schiller and Smythe, as well as Mosco and Garnham. These theorists, according to Dyer-Witheford, see machinery as consolidating and deepening capitalist power; neo-Luddism descends into a dystopian, radical pessimism, which views technology as a demonic power that converts the worker into a living appendage. Yet while Dyer-Witheford focuses on the increased competition between workers subsumed within increasingly transnational combines, he largely omits discussion of the competition between capitals, invoking this form of capitalist social relations only in his critique of "scientific socialism" *a la* Mandel. Dyer-Witherford (1999:137) acknowledges this criticism of the autonomist approach but does not effectively answer it. For it seems inexplicable that, in focusing on the circle of struggle and attempting to understand how autonomous elements of the working class are recomposed/decomposed, a proper understanding of the competition of capitals is not fully incorporated into the analysis. John Roberts, "The Labour of Subjectivity, The Subjectivity of Labour: Reflections on Contemporary Political Theory and Culture," *Third Text* 16, no. 4 (2002): 375, although sympathetic to the autonomist Marxist position and its emphasis on the resilient subjectivity of labor, argues that the Autonomists' notion of labor resisting capital is overstated: "The forms of capital as a social relation have . . . significance. That is, capital accumulation is as much driven by the competition between capitals as it is by class struggle."

127. K. Marx, *Capital: A critique of political economy*, vol. 1 (London: Penguin, 1992), 1048. For a discussion of the significance of artisanal forms of production see Garnham, "Contribution to a Political Economy of Mass Communication"; Miège, *The Capitalization of Cultural Production*.

128. Leys, *Market-Driven Politics: Neoliberal Democracy and the Public Interest*, 91–95.

129. Ryan, *Making Capital from Culture: The Corporate Form of Capitalist Cultural Production*, 104–14.

130. With the move from a bureaucratic to an entrepreneurial mode of organization in cultural industries such as the music industry, the moment of material production and the fixed capital costs involved have often been taken on by successful creative workers in an attempt to gain more autonomy in the creative process. Given the critical role large capitals retain over distribution, the resistance to a reduction in their direct control over the moment of production has not been great.

131. Miège, *The Capitalization of Cultural Production*; Lacroix and Tremblay, "The 'Information Society' and Cultural Industries Theory."

132. Lois S. Gray and Ronald L. Seeber, eds., *Under the Stars: Essays on Labour Relations in Arts and Entertainment* (Ithaca and London: Cornell University Press,1996); Gerald Sussman and John A. Lent, eds., *Global Productions: Labor in the Making of the "Information Society,"* The Hampton Press Communication Series—International Communication (Cresskill, NJ: Hampton Press Inc., 1998); see also Richard Saundry, "The Limits of Flexibility: The Case of UK Television," *British Journal of Management* 9(1998); Gillian Ursell, "Labour Flexibility in the UK Commercial Television Sector," *Media, Culture & Society* 20(1998); Ursell, "Working in the Media." For a more general discussion of the move toward lean production see K. Moody, *Workers in a lean world: Unions in the international economy* (New York: Verso, 1997).

133. Miège, *The Capitalization of Cultural Production*; Mosco, *The Political Economy of Communication*; see also Ryan, *Making Capital from Culture: The Corporate Form of Capitalist Cultural Production*; Schiller, "The Information Commodity: A Preliminary View."

134. Miège, *The Capitalization of Cultural Production*, 33; Ryan, *Making Capital from Culture: The Corporate Form of Capitalist Cultural Production*, 106.

135. Mosco, *The Political Economy of Communication: Rethinking and Renewal*, 160. See also Leys, *Market-Driven Politics: Neoliberal Democracy and the Public Interest*; Schiller, "The Information Commodity: A Preliminary View." Leys makes a similar case and cites Burtson's analysis of production techniques in the world of transnational owned and operated "mega-musical'." Burtson, "Spectacle, synergy and megamusicals: The global-industrialization of the live-entertainment economy," in *Media Organisations in Society*, ed. J. Curran (London: Arnold, 2000). The recurring pattern in such processes of deepened commodification, argues, includes "'industrializing' the labour process to reduce labour costs, substituting capital for labour, substituting material goods for a service and getting consumers to undertake the labour," a model similar to other McDonaldized/ Disneyfied service industries. Leys, *Market-Driven Politics: Neoliberal Democracy and the Public Interest*, 96; George Ritzer, *The McDonaldization of Society*, Revised New Century ed. (Thousand Oaks, CA: Pine Forge Press, 2004); Alan Bryman, "The Disneyization of Society," *Sociological Review* 47(1999).

136. Murdock, "Back to Work: Cultural Labor in Altered Times," 24; see also Edna Bonacich, "Labor and the Television

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Industry," *Social Semiotics* 15, no. 3 (2005); Hesmondhalgh, *The Cultural Industries*; Ryan, *Making Capital from Culture: The Corporate Form of Capitalist Cultural Production*; Justin Wyatt, "High Concept and Market Research: Movie Making by Numbers," in *The Film Cultures Reader*, ed. Graeme Turner (London: Routledge, 2002).

137. Indeed logics, from this perspective, come to characterize not different sectors of the cultural industries but different segments of a workforce across an increasingly integrated industrial branch.

138. Harry Braverman, *Labour and Monopoly Capital: The Degradation of Work in the Twentieth Century* (New York: Monthly Review Press, 1974).

139. John Holloway, "The Abyss Opens: The Rise and Fall of Keynesianism," in *Global Capital, National State and the Politics of Money*, ed. Werner Bonefeld and John Holloway (London: Macmillan Press Ltd., 1995), 23. See also John Holloway, "The Red Rose of Nissan," 32, no. 143–164 (1987).

140. Richard Saundry, "Employee relations in British television—regulation, fragmentation and flexibility," *Industrial Relations Journal* 32, no. 1 (2001).

141. Michael Denning, *The Cultural Front: The Laboring of American Culture in the Twentieth Century* (New York: Verso, 1997). See also Andrew Ross, "The Mental Labor Problem," *Social Text* 18, no. 2 (2000): 19.

142. Mosco, *The Political Economy of Communication: Rethinking and Renewal*, 160. See also Herman Schwartz, "Round Up the Usual Suspects! Globalization, Domestic Politics, and Welfare State Change," in *The New Politics of the Welfare State*, ed. Paul Pierson (Oxford: Oxford University Press, 2001), 29, for more general comments about the assumptions of Baumol's "cost disease."

143. Murdock, "Back to Work: Cultural Labor in Altered Times," 25.

144. Peter Leisink, "The International Restructuring of the Media Industries," in *Globalization and Labour Relations*, ed. Peter Leisink (Cheltenham: Edward Elgar, 1999).

145. Various websites have tracked the patterns of retrenchment in the media industry. *See* Media Layoffs 2006, I Want Media.com. Retrieved December 2, 2006, from www.iwantmedia.com/layoffs.html

146. Gillian Ursell, "Television production: Issues of exploitaton, commodification and subjectivity in UK television labour markets," *Media, Culture & Society* 22(2000).

147. Castells, *The Rise of the Network Society*, 276. On this topic compare Mark Deuze, "The Media Logic of Media Work," *Journal of Media Sociology* 1, no. 1/2 (2009); Jim McGuigan, "Creative labour, cultural work and individualisation," *International Journal of Cultural Policy* 16, no. 3 (2010); Mark Banks and Katie Milestone, "Individualization,Gender and Cultural Work," *Gender, Work and Organization* 18, no. 1 (2011).

148. John Storey, Graeme Salaman, and Kerry Platman, "Living with enterprise in an enterprise economy: Freelance and contract workers in the media," *Human Relations* 58, no. 8 (2005). D. R. Eikhof and A. Haunschild, "Lifestyle meets market. Bohemian entrepreneurs in creative industries," *Creativity and Innovation Management* 13, no. 3 (2006). Pierre-Michel Menger, "Artistic Labor Markets and Careers," *Annual Review of Sociology* 25(1999).

149. Storey, Salaman, and Platman, "Living with enterprise in an enterprise economy: Freelance and contract workers in the media."

150. Christopher Bodnar, "Taking it to the Streets: French Cultural Worker Resistance and the Creation of a Precariat Movement," *Canadian Journal of Communication* 31, no. 3 (2006).

151. Nicholas Garnham, "Concepts of Culture: Public Policy and the Cultural Industries," *Cultural Studies* 1, no. 1 (1987): 33. See also Mark Banks and David Hesmondhalgh, "Looking for work in creative industries policy," *International Journal of Cultural Policy* 15, no. 4 (2009); Hesmondhalgh, *The Cultural Industries*; David Hesmondhalgh and Sarah Baker, *Creative Labour: Media Work in Three Cultural Industries* (London: Routledge, 2010); David Hesmondhalgh and Sarah Baker, "Creative Work in the Cultural Industries" (paper presented at the International Symposium "Transformations in the Cultural and Media Industries" September 2006); Ursell, "Television production: Issues of exploitaton, commodification and subjectivity in UK television labour markets"; Ursell, "Working in the Media."

152. See, for example, Michele Gershberg, "Tech, media hiring boosted by move to digital," *Reuters News*, May 17 2007

153. Leisink, "The International Restructuring of the Media Industries."

154. Wasko, *How Hollywood Works*, 48–49.

155. Gray and Seeber, eds., *Under the Stars: Essays on Labour Relations in Arts and Entertainment*; Janet Wasko, "Challenges to Hollywood's Labor Force in the 1990s," in *Global Productions*, ed. Gerald Sussman and John A. Lent (Cresskill, NJ: Hampton Press Inc., 1998). Vincent Mosco and Katherine Mckercher, "Convergence Bites Back: Labour Struggles in the Canadian Communication Industry," *Canadian Journal of Communication* 31, no. 3 (2006).

156. For a discussion of "autonomous work" see Lacroix and Tremblay, "The 'Information Society' and Cultural Industries Theory," 46; David Hesmondhalgh and Sarah Baker, "Creative Work and Emotional Labour in the Television Industry," *Theory Culture & Society* (2008); David Hesmondhalgh and Sarah Baker, "A Very Complicated Version of Freedom: Conditions and Experiences of Creative Labour in Three Cultural Industries," *Poetics: Journal of Empirical Research on Culture, the*

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Media and the Arts 38, no. 1 (2010); Paul Thompson, Michael Jones, and Chris Warhurst, "From conception to consumption: Creativity and the missing managerial link " *Journal of Organizational Behavior* 28, no. 5 (2007); cf. Deuze, "The Media Logic of Media Work," for a discussion of a single 'media logic' shaping work conditions.

157. Christopherson, "The Divergent Worlds of New Media: How Policy Shapes Work in the Creative Economy," 555.

158. Alexandra Scheele and Thorsten Schulten, "Employees at Pixelpark multimedia agency elect works council," *EIRO Observer*, no. 4/01 (2001).

159. Bruce Kogut, "Designing global strategies: Comparative and competitive value-added chains," *Sloan Management Review* 26, no. 4 (1985):16; see also Michael Porter, *Competitive Advantage* (New York: Free Press, 1985). With regard to the media sector see also Gillian Doyle, *Understanding Media Economics* (London: Sage Publications, Ltd., 2002); Bernd W. Wirtz, "Reconfiguration of Value Chains in Converging Media and Communication Markets," *Long Range Planning* 34(2001); Insa Sjurts, "Strategies in the global media market: Patterns of action, approaches to explanation and prospects for success" (paper presented at the 12th International Conference on Cultural Economics, Rotterdam, 2002); S. Krätke, "Global Media Cities in a World-wide Urban Network," *European Planning Studies* 11, no. 6 (2003). For a more recent examination of the place of workers within such production networks see Catherine McKercher and Vincent Mosco, "Getting the Message: Communications Workers and Global Value Chains," in *Getting the Message: Communications Workers and Global Value Chains*, ed. Vincent Mosco, Catherine McKercher, and Ursula Huws (London: Merlin Press, 2010).

160. Schiller, "The Information Commodity: A Preliminary View."

161. Aida A. Hozic, *Hollyworld: Space, Power and Fantasy in the American Economy* (Ithaca and London: Cornell University Press, 2001). N. M. Coe and Jennifer Johns, "Beyond production clusters: Towards a critical political economy of networks in the film and television industries," in *Cultural Industries and the Production of Culture*, ed. A. J. Scott and D. Power (London: Routledge, 2004); Jennifer Johns, "Video games production networks: Value capture, power relations and embeddedness" *Journal of Economic Geography* 6 (2006); Krätke, "Global Media Cities in a World-wide Urban Network."

162. Richard A. Peterson and N. Anand, "The Production of Culture Perspective," *Annual Review of Sociology* 30(2004): 316.

163. Wayne, *Marxism and Media Studies: Key Concepts and Contemporary Trends*, 2003; Michael Wayne, "Working Title Mark II: A critique of the Atlanticist paradigm for British Cinema," *International Journal of Media and Cultural Politics* 2, no. 1 (2006).

164. Paul M. Hirsch, "Cultural Industries Revisited," *Organization Science* 11, no. 3 (2000): 356.

165. Aksoy and Robins, "Hollywood for the 21st century: Global competition for critical mass in image markets," 11; Hesmondhalgh, *The Cultural Industries*, 151–54.

166. D. Shapiro et al., "Flexible specialisation in the cultural industries," in *Regional development and contemporary industrial response: Extending flexible specialisation*, ed. Huib Ernste and Verena Meier (London: Belhaven Press, 1992); cf. Scott Lash and John Urry, *Economies of Signs and Space* (London: Sage 1994) and their discussion of the "limits of flexibility."

167. For example Aksoy and Robins, "Hollywood for the 21st century: Global competition for critical mass in image markets"; Helen Blair and Al Rainnie, "Flexible films?" *Media, Culture & Society* 22(2000); Coe and Johns, "Beyond production clusters: Towards a critical political economy of networks in the film and television industries"; Goldsmith Media Group, "Media Organisation in Society: Central Issues"; David Hesmondhalgh, "Flexibility, post-Fordism and the music industries," *Media, Culture & Society* 18, no. 3 (1996); Michael Wayne, "Post-fordism, monopoly capitalism, and Hollywood's media industrial complex," *International Journal of Cultural Studies* 6, no. 1 (2003).

168. Mosco, *The Political Economy of Communication: Rethinking and Renewal*.

169. Garnham, *Emancipation, the Media, and Modernity: Arguments about the Media and Social Theory*, 52. See also Hesmondhalgh, *The Cultural Industries*, 61; A. Kerr and R. Flynn, "Revisiting globalisation through the movie and digital games industries," *Convergence: The Journal of Research into New Media Technologies* 9, no. 1 (2003): 101. Lash and Urry, *Economies of Signs and Space*, 123–37; Miège, *Les industries du contenu face à l'ordre informationnel*, 25–26; Janet Wasko, "Show Me the Money: Challenging Hollywood Economics," in *Toward a Political Economy of Culture: Capitalism and Communication in the Twenty-First Century*, ed. A. Calabrese and C. Sparks (Lanham: Rowman & Littlefield Publishers, 2004).

170. Wayne, "Post-fordism, monopoly capitalism, and Hollywood's media industrial complex"; on the contractual model of business activity in the cultural industries see Caves, *Creative Industries: Contracts between Art and Commerce*. For a discussion of concentration without centralization see Bennett Harrison, *Lean and Mean: Why Large Corporations Will Continue to Dominate the Global Economy* (New York: Basic Books, 1994), 8, 47. See also Giovanni Arrighi, Kenneth Barr, and Shuji Hisaeda, "The Transformation of Business Enterprise," in *Chaos and Governance in the Modern World System*, ed. Giovanni Arrighi and Beverly J. Silver (Minneapolis: University of Minnesota Press, 1999).

171. Gary Gereffi, John Humphrey, and Timothy Sturgeon, "The Governance of Global Value Chains," *Review of*

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International Political Economy 12, no. 1 (2005): 81. See also Peter Dicken et al., "Chains and networks, territories and scales: Towards an analytical framework for the global economy," *Global Networks* 1, no. 2 (2001); G. Gereffi, "A Commodity Chains Framework for Analyzing Global Industries," in *Duke University* (1999); J. Henderson et al., "Global production networks and the analysis of economic development," *Review of International Political Economy* 9, no. 3 (2002).

172. Leys, *Market-Driven Politics: Neoliberal Democracy and the Public Interest*, 15.

173. Castells, *The Rise of the Network Society*, 192; on the "networked enterprise" see Castells, *The Rise of the Network Society*, 150–201.

174. Aksoy and Robins, "Hollywood for the 21st century: global competition for critical mass in image markets"; Hesmondhalgh, "Flexibility, post-Fordism and the music industries."

175. Wayne, *Marxism and Media Studies: Key Concepts and Contemporary Trends*, 63.

176. Thornton, Jones, and Kury, "Institutional Logics and Institutional Change iIn Organizations: Transformation in Accounting, Architecture, and Publishing."

177. Walter W. Powell, "Neither Market nor Hierarchy: Network Forms of Organization," in *Research in Organizational Behavior*, ed. L. L. Cummings and B. Shaw (Greenwich: JAI Press, 1990); Castells, *The Rise of the Network Society*, 199; see also Rifkin, *The Age of Access. How the Shift from Ownership to Access is Transforming Capitalism*, 23. Castells asserts that "small and medium businesses [are able] to link up with major corporations, forming networks that are able to innovate and adapt relentlessly. Thus, the actual operating unit becomes the business project, enacted by a network, rather than individual companies or formal groupings of companies." Castells, *The Rise of the Network Society*, 165.

178. As Garnham notes, it is crucial to "distinguish between the organization of the firm as a set of property relation and control over income flows, a set of principle/agents relations directed at accumulation through profit on the one hand and the organization of a specific production or labor process on the other. The relationship between the two has always been variable, both as between firms and sectors and historically. But its dialectic is contained and has to be contained for a capitalist mode of production to continue, within the bounds of property relations. Thus whatever the flexibility of the network enterprise, the flexibility and porosity of organizational boundaries must always be limited. Garnham, "Information Society Theory as Ideology: A Critique," 109; see also Bob Jessop, "The State and the Contradictions of the Knowledge-Driven Economy," in *Knowledge, Space, Economy*, ed. John Bryson et al. (London: Routledge, 2000).

179. Gereffi, Humphrey, and Sturgeon, "The Governance of Global Value Chains."

180. Bob Jessop makes the following point about Castell's "networked enterprise" and "virtual firm": " . . . unless the 'virtual' firm becomes co-extensive with all those involved in production, the contradiction is still reproduced on the side of the social relations of production. For, whereas every capital wants free access to information, knowledge, and expertise, it also wants to charge for the information, knowledge, and expertise that it itself can supply." Jessop, "The State and the Contradictions of the Knowledge-Driven Economy," 70.

181. J. Cornford and R. Naylor, "Cutting edges in strange places: New media debates and the computer and video games industry in the UK," *CURDS Discussion Paper*, no. 01/01 (2001); Hozic, *Hollyworld: Space, Power and Fantasy in the American Economy*.

182. Coe and Johns, "Beyond production clusters: Towards a critical political economy of networks in the film and television industries"; Johns, "Video games production networks: Value capture, power relations and embeddedness"; Schiller and Mosco, "Introduction: Integrating a Continent for a Transnational World"; see also Gereffi, "A Commodity Chains Framework for Analyzing Global Industries"; Gereffi, Humphrey, and Sturgeon, "The Governance of Global Value Chains"; Henderson et al., "Global production networks and the analysis of economic development"; Philip Raikes, Michael Friis Jensen, and Stefano Ponte, "Global commodity chain analysis and the French Filière approach: Comparison and critique," *Economy and Society* 29, no. 3 (2000).

183. Neil Brenner, "Between fixity and motion: Accumulation, territorial organization and the historical geography of spatial scales," *Environment & Planning D—Society & Space* 16, no. 4 (1998); Caves, *Creative Industries: Contracts between Art and Commerce*; Krätke, "Global Media Cities in a World-wide Urban Network"; Allen J. Scott, "The Cultural Economy of Cities," *International Journal of Urban and Regional Research* 21, no. 323–39 (1997); Allen J. Scott, "The cultural economy: geography and the creative field," *Media, Culture & Society* 21(1999); A. J. Scott, "The US Recorded Music Industry: On the Relations between Organization, Location, and Creativity in the Cultural Economy," *Environment and Planning A.* 31(1999); Allen J. Scott, *The Cultural Economy of Cities* (London: Sage Publications, Ltd., 2000); Allen J. Scott, "A New Map of Hollywood and the World" (paper presented at the ERSA conference, 2002).

184. Henderson et al., "Global production networks and the analysis of economic development," 441; see also Castells, *The Rise of the Network Society*, 192; Marjoribanks, *News Corporation, technology and the workplace: Global strategies, local change*.

185. Lacroix and Tremblay, "The 'Information Society' and Cultural Industries Theory," 53.

186. Anthony Smith, *The Age of the Behemoths: The Globalization of Mass Media Firms* (New York: Priority Press

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Publications, 1991), 22.

187. Garnham, *Emancipation, the Media, and Modernity: Arguments about the Media and Social Theory*, 3, 22–24.

188. Peter A. Hall and David Soskice, eds., *Varieties of Capitalism: Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001).

189. Garnham, *Emancipation, the Media, and Modernity: Arguments about the Media and Social Theory*, 54.

190. M. Granovetter, "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology* 91(1985): 483. The notion of habits and values connect crucially with the analysis of institutions, as emphasis is placed on the manner in which predictable and shared expectations and common values are embedded in, and reinforced by, specific social institutions. The notion that individuals are not inherently economic rational, utility-maximizing agents, but are affected by institutional and cultural situations is a chief line of difference between the "new" institutionalism, which accepts this proposition as point of theoretical departure, and "old" institutionalism, which argues that the individual cannot be "taken for granted."

191. Stewart Clegg, *Modern Organizations: Organization Studies in the Postmodern World* (London: Sage Publications, Ltd., 1990), 12,150–51. See also Ryan, *Making Capital from Culture: The Corporate Form of Capitalist Cultural Production*, 18.

192. Geoff M. Hodgson, "What is the essence of institutional economics," *Journal of Economic Issues* 34, no. 2 (2000); J. Rogers Hollingsworth and Robert Boyer, eds., *Contemporary Capitalism: The Embeddedness of Institutions* (Cambridge: Cambridge University Press, 1997); Andrew Sayer, *Moral Economy* (Lancaster Department of Sociology, Lancaster University, LA1 4YL, UK, 2004).

193. N. W. Biggart and M. F. Guillen, "Developing difference: social organization and the rise of the auto industries of South Korea, Taiwan, Spain, Argentina," *American Sociological Review* 64, no. 5 (1999); Benjamin Coriat and Giovanni Dosi, "The institutional embeddedness of economic change: An appraisal of the 'evolutionary' and 'regulationist' research programmes," in *Institutions and Economic Change*, ed. Klaus Nielsen and Björn Jonsson (London: Edward Elgar, 1998); Neil Fligstein, *The Transformation of Corporate Control* (Harvard University Press, 1993); Hugo Radice, "Globalization and national capitalisms: theorizing convergence and differentiation," *Review of International Political Economy* 7, no. 4 (Winter 2000).

194. Karl Polanyi, *The Great Transformation* (Boston Beacon Press, 1957). For a discussion of Marx's supposed vision of a purified capitalism see Geoff M. Hodgson, "Varieties of Capitalism from the perspectives of Veblen and Marx," *Journal of Economic Issues* 29, no. 2 (1995).

195. Colin Hay, "Contemporary capitalism, globalization, regionalization and the persistence of national variation," *Review of International Studies* 26(2000): 512; David Coates, "Paradigms of Explanation," in *Varieties of Capitalism, Varieties of Approaches*, ed. David Coates (London: Palgrave, 2005), 20.

196. David Held and Anthony McGrew, *Globalization/Anti-Globalization: Beyond the Great Divide*, 2nd ed.,(London: Polity, 2007); David Held et al., eds., *Global Transformations: Politics, Economics and Culture* (Stanford: Stanford University Press, 1999).

197. See Garnham's brief discussion of this in relation to the media, Garnham, *Emancipation, the Media, and Modernity: Arguments about the Media and Social Theory*, 23.The processes that govern such social configurations have been referred to in the literature using different terminology, e.g. "interlocking complementarity," Hall and Soskice, eds., *Varieties of Capitalism: Institutional Foundations of Comparative Advantage*, or "'system coherence," Richard Whitley, "Societies, Firms and Markets: The Social Structuring of Business Systems," in *European Business Systems*, ed. R. Whitley (London: Sage, 1992); Christel Lane, *Industry and Society in Europe* (Aldershot: Edward Elgar, 1995).

198. H. Radice, "Responses to Globalisation: A critique of progressive nationalism," *New Political Economy* 5, no. 1 (2000): 7.

199. Peck and Theodore, "Variegated capitalism."

200. Philip McMichael, "Incorporating Comparison within a World-System Perpective: An Alternative Comparative Method," *American Sociological Review* 55(1990): 390.

201. Mark Beeson, *Competing Capitalisms* (London: Macmillan Press Ltd., 1999); Hay, "Contemporary capitalism, globalization, regionalization and the persistence of national variation."

202. *inter alia* Alexander Börsch, "Globalisation, shareholder value, restructuring: The (non)-transformation of Siemens," *New Political Economy* 9, no. 3 (2004); Yao-Su Hu, "Global or Stateless Corporations Are National Firms with International Operations," *California-Management-Review* 34, no. 2 (1992); G. Morgan, P. H.Kristensen, and R.Whitley, eds., *The Multinational Firm: Organizing across National and Institutional Boundaries* (Oxford: Oxford University Press, 2001); Louis W. Pauly and Simon Reich, "National structures and multinational corporate behaviour: Enduring differences in the age of globalization," *International Organization* 51, no. 1 (1997); W. Ruigrok and R. van Tulder, "The myth of the 'global' corporation," in *The Logic of International Restructuring* (London: Routledge, 1995); Razeen Sally, "Multinational enterprises, political economy and institutional theory: Domestic embeddedness in the context of internationalization," *Review of*

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International Political Economy 1, no. 1 (1994); Richard Whitley, *Divergent Capitalisms: The Social Structuring and Change of Business Systems* (Oxford: Oxford University Press, 1999).

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204. Hall and Soskice, eds., *Varieties of Capitalism: Institutional Foundations of Comparative Advantage*; see also Susan Christopherson, "Why Do National Labor Market Practices Continue to Diverge in the Global Economy? The "Missing Link" of Investment Rules," *Economic Geography* 78, no. 1 (2002); Peter Dicken, "'Placing' Firms: Grounding the Debate on the 'Global' Corporation," in *Remaking the Global Economy: Economic-Geographic Perspectives*, ed. Jamie Peck and H. W-C. Yeung (London: Sage Publications, Ltd., 2003).

205. K. Ohmae, *The Borderless World* (London: Harper Collins, 1990). See also Dicken, "'Placing' Firms: Grounding the Debate on the 'Global' Corporation"; Bill Pritchard and Robert Fagan, "Circuits of Capital and Transnational Corporate Spatial Behaviour: Nestlé in Southeast Asia," *International Journal of Sociology of Agriculture and Food* 8(1999).

206. See *inter alia* David Coates, *Models of Capitalism: Growth and Stagnation in the Modern Era* (Cambridge: Polity Press, 2000); David Coates, "Models of Capitalism in the New World Order: The UK Case," *Political Studies* 47, no. 4 (1999); John Scott, *Corporate Business and Capitalist Classes* (Oxford: Oxford University Press, 1997); Ronald Dore, William Lazonick, and Mary O'Sullivan, "Varieties of Capitalism in the Twentieth Century," *Oxford Review of Economic Policy* 15, no. 4 (1999); Michel Aglietta, "Capitalism at the Turn of the Century: Regulation Theory and the Challenge of Social Change," *New Left Review*, no. 232 (1998).

207. Coates, "Models of Capitalism in the New World Order: the UK Case," 650.

208. Coordinated market economies therefore subsume, albeit problematically, what have been viewed as distinct Rhineland Capitalism and the state-led "developmental" model characteristic of the Japanese and other Asian economies.

209. Hugo Radice, "'Globalization' and national differences," *Competition & Change* 3(1998); B. Nooteboom, "Voice- and Exit-Based Forms of Corporate Control: Anglo-American, European, and Japanese," *Journal of Economic Issues* 33, no. 4 (1999): 845–61.

210. Nicola Phillips argues that while "the former category seems relatively unproblematic in its correlation with the 'Anglo-American' model in the bulk of the literature, the utility of deploying a single category for the study of 'the rest' is open to considerable question. Its analytical value for understanding the differences between the German, Swedish and Japanese models seems to be minimal." Nicola Phillips, "International Political Economy, Comparative Political Economy and the Study of Contemporary Development," in *IPEG Papers in Global Political Economy* (2004), 11.

211. As an earlier example of a similar dichotomous model, see Albert, *Capitalism vs. Capitalism: How America's Obsession with Individual Achievement and Short-Term Profit Has Led It to the Brink of Collapse*.

212. These five central areas of coordination according to Hall and Soskice, eds., *Varieties of Capitalism: Institutional Foundations of Comparative Advantage*, are: i. *industrial relations*—how to coordinate bargaining with labor over wages and working conditions; ii. *vocational education and training*—how to secure suitable skills; iii. *corporate governance* —how to respond to problems of corporate governance thereby gaining access to finance; iv. *interfirm relations*—how to deal with interfirm cooperation and competition, especially over skills; and v. *employment*—how to overcome the problems of adverse selection in employment.

213. Peter A. Hall and Daniel W. Gingerich, "Varieties of Capitalism and Institutional Complementarities in the Macroeconomy," Max Planck Institute for the Study of Societies, www-management.wharton.upenn.edu/guillen/Hall/Hall.MPIfGSpaper.pdf.

214. In regard to corporate ownership patterns more generally, see also R. La Porta, F. Lopez-de-Silanes, and A. Shleifer, "Corporate ownership around the world," *The Journal of Finance* 54, no. 2 (1999).

215. Geoffrey Kay, "Notes on Moshe Machover's 'The Nature of this Epoch,' " *Critique* 23(1991).

216. Scott, *Corporate Business and Capitalist Classes*, 3.

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218. Ben H. Bagdikian, *The New Media Monopoly* (Boston: Beacon Press, 2004); Neil Chenoweth, *Virtual Murdoch: Reality Wars on the Information Highway* (Secker & Warburg, Random House, 2001).

219. Leo Panitch and Sam Gindin, "Euro-capitalism and American Empire," in *Varieties of Capitalism, Varieties of Approaches*, ed. David Coates (London: Palgrave, 2005), 140.

220. Marjoribanks, *News Corporation, technology and the workplace: Global strategies, local change*.

221. On the institutional social choice model see S. Tolliday and J. Zeitlin, "Introduction: Employers and Industrial Relations Between Theory and History," in *The Power to Manage? Employers and Industrial Relations in Comparative Historical*

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Perspective, ed. S. Tolliday and J. Zeitlin (London: Routledge, 1991).

222. Smith, *The Age of the Behemoths: The Globalization of Mass Media Firms*, 22.

223. Coates, *Models of Capitalism: Growth and Stagnation in the Modern Era*, 226.

224. Susan Strange, "The future of global capitalism: or, will divergence persist for ever?" in *Political Economy of Modern Capitalism: Mapping Convergence and Diversity*, ed. Colin Crouch and Wolfgang Streeck (London: Sage, 1997), 184.

225. William M. Dugger and Howard J. Sherman, "Comparison of Marxism and institutionalism," *Journal of Economic Issues* 28, no. 1 (1994).

226. Coates, *Models of Capitalism: Growth and Stagnation in the Modern Era*, 260.

227. Linda Weiss, "Globalization and the Myth of the Powerless State," *New Left Review* (1997); Hall and Soskice, eds., *Varieties of Capitalism: Institutional Foundations of Comparative Advantage*.

228. Greg Albo, "Contesting the "New Capitalism,' " in *Varieties of Capitalism, Varieties of Approaches*, ed. David Coates (London: Palgrave, 2005); Gregory Albo and Travis Fast, "Varieties of Neoliberalism: Trajectories of Workfare in the Advanced Capitalist Countries" (paper presented at the Annual Meetings of the Canadian Political Science Association, Congress of the Humanities and Social Sciences, Dalhousie University, Halifax, Nova Scotia, 30 May 2003); see also Neil Brenner, J. Peck, and Nik Theodore, "Variegated neoliberalization: geographies, modalities, pathways " *Global Networks* 10, no. 2 (2010); Wolfgang Streeck and Kathleen Thelen, "Introduction: Institutional Change in Advanced Political Economies," in *Beyond Continuity: Institutional Change in Advanced Political Economies*, ed. Wolfgang Streeck and Kathleen Thelen (Oxford: Oxford University Press, 2005).

229. Nikolai Bukharin, *Imperialism and World Economy* (New York: Monthly Review Press, 1929), 17. See also Alex Callinicos, "Periodizing Capitalism and Analysing Imperialism: Classical Marxism and Capitalist Evolution," in *Phases of Capitalist Development: Booms, Crises, and Globalisations*, ed. Robert Albritton et al. (London: Palgrave, 2002); Mark Glick and Robert Brenner, "The Regulation Approach: Theory and History," *New Left Review*, no. 188 (1991).

230. Radice, "'Globalization' and national differences"; Radice, "Globalization and national capitalisms: Theorizing convergence and differentiation."

231. Bob Jessop, "The Social Embeddedness of the Economy and Its Implications for Economic Governance (draft)," Department of Sociology, Lancaster University, www.comp.lancaster.ac.uk/sociology/soc016rj.html; Bob Jessop, "Institutional (Re)Turns and the Strategic-Relational Approach," Department of Sociology, Lancaster University, www.comp.lancs.ac.uk/sociology/soc046rj.html; C. Palloix, "The Self-Expansion of Capital on a World Scale," *Review of Radical Political Economics* 9 (Summer)(1977); John Weeks, "The expansion of capital and uneven development on a world scale," *Capital & Class*, no. 74 (2001).

232. Philip McMichael, "World-Systems Analysis, Globalization, and Incorporated Comparison," *Journal of World-Systems Research* VI, no. 3 (2000); McMichael, "Incorporating Comparison within a World-System Perpective: An Alternative Comparative Method."

233. Crouch and Farrell as cited in Coates, "Paradigms of Explanation," 18.

234. Christoph Dorrenbacher, "Fleeing or Exporting the German Model?—the internationalization of German Multinationals in the 1990s," *Competition & Change* 8, no. 4 (2004).

235. Albo, "Contesting the "New Capitalism,' " 79–80.

236. Streeck and Thelen, "Introduction: Institutional Change in Advanced Political Economies," 1.

237. Coates, "Paradigms of Explanation," 19.

238. Radice, "Globalization and national capitalisms: theorizing convergence and differentiation," 732; see also H. Radice, "The national economy: A Keynesian myth?" *Capital & Class*, no. 24 (1984); Radice, "'Globalization' and national differences"; Hugo Radice, "Globalization and the Convergence of National Business Systems," in *International business organization: subsidiary management, entry strategies and emerging markets*, ed. F. N. Burton, M. Chapman, and A. Cross (London: Macmillan Press Ltd., 1999).

239. Callinicos, "Periodizing Capitalism and Analysing Imperialism: Classical Marxism and Capitalist Evolution"; Holloway, "Global Capital and the National State" or in Bukharin's terminology, "internationalisation of economic life" see Sam Ashman, "From World Market to World Economy," in *100 years of permanent revolution: Results and prospects*, ed. Bill Dunn and H. Radice (London: Pluto Press, 2006); Radice, "The national economy: A Keynesian myth?"

240. Dick Bryan, *The Chase Across the Globe: International Accumulation and the Contradictions for Nations States* (Land Cove: Harry Howell, 1995).

241. Ben Clift and Jonathon Perraton, "Introduction," in *Where Are National Capitalisms Now?* (London: Palgrave, 2004).

242. Tod D. Rutherford, "Convergence, the institutional turn and workplace regimes: The case of lean production," *Progress in Human Geography* 28, no. 4 (2004).

243. Colin Hay, "Two Can Play At That Game . . . Or Can They? Varieties of Capitalism, Varities of Institutionalism," in *Varieties of Capitalism, Varieties of Approaches*, ed. David Coates (London: Palgrave, 2005); Raimund Hasse and Håkon

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Leiulfsrud, “From disorganized capitalism to transnational fine tuning?: Recent trends in wage development, industrial relations, and ‘work’ as a sociological category,” *British Journal of Sociology* 53, no. 1 (2002); Peck and Theodore, “Variegated capitalism.”

244. Bertelsmann’s Foundation has increasingly focused on transatlantic policy networks and in 2008 sought to deepen this connections through the establishment offices in the United States.

245. The list of the initial GBDe office-holders serves to underline the fiascos that collectively engulfed many of the e-commerce strategies of the leading media multinationals. Bertelsmann’s Thomas Middelhoff was the Business Steering Committee overall chair and the spokesperson for the European/African subcommittee, which also included Vivendi’s chairman and CEO, Jean-Marie Messier; Gerald Levin was the spokesperson for the Americas subcommittee, which also included Steve Case, at the time AOL-Time Warner’s chairman.

246. In 2009 GBDe named was changed to the Global Business Dialogue on e-Society.

247. William K. Carroll, “Transnationalists and national networkers in the global corporate elite,” *Global Networks* 9, no. 3 (2009); William K. Carroll and Colin Carson, “Forging a new hegemony? The role of transnational policy groups in the network and discourses of global corporate governance,” *Journal of World-Systems Research* 9, no. 1 (2003); William K. Carroll and Meindert Fennema, “Is There a Transnational Business Community?” *International Sociology* 17, no. 3 (2002).

248. Donald Sassoon as cited in Panitch and Gindin, “Euro-capitalism and American Empire,” 156.

249. Kees Van Der Pijl, *The Making of an Atlantic Ruling Class* (London: Verso, 1984).

250. Jeremy Tunstall, *The Media Were American: U.S. Mass Media in Decline* (Oxford: Oxford University Press, 2007), 282–83.

251. Panitch and Gindin, “Euro-capitalism and American Empire,” 150.

252. John Grahl, “The European Union and American Power,” in *Socialist Register 2005: The Empire Reloaded*, ed. Leo Panitch and Colin Leys (London: Merlin Press, 2004), 296.

253. Clyde W. Barrow, “The Return of the State: Globalization, State Theory, and the New Imperialism,” *New Political Science* 27, no. 2 (2005).

254. Miège, *Les industries du contenu face à l’ordre informationnel*, 59.

255. Schiller, “Hard Times: Digital Capitalism 2002,” 5.

256. Christopherson, “The Divergent Worlds of New Media: How Policy Shapes Work in the Creative Economy”; Susan Christopherson and Danielle van Jaarsveld, “New Media after the Dot.Com Bust: The persistent influence of political institutions on work in cultural industries,” *International Journal of Cultural Policy* 11, no. 1 (2005).

257. Mosco, “Citizenship Works”; Mosco and Mckercher, “Convergence Bites Back: Labour Struggles in the Canadian Communication Industry.”

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Chapter 3

Global Media, Regulation, and the State

3.1 OVERVIEW

This chapter provides a general overview of state action in regard to media corporations, outlining the crucial changes in the regulatory practices toward media, and cultural and information production more broadly. Policy changes by national states and their international governance regimes in the last 30 years have directly facilitated the development of large-scale corporations in the media and cultural production sectors. The degree to which capitals have been given room to restructure their activity, in the context of the internationalization of production and finance, and the competition for markets is of critical importance. These constitutive and reactive policy shifts have accelerated the centralization of corporate control and enabled the deeper commodification of cultural production.

The development of media policy has been the outcome of social forces working in and through the state, pushing for often-contradictory goals that can be schematically defined as economic, sociocultural, and political in form. The dominant rationales for regulation have thus varied historically, both within and between individual states and at an international level.[1] Dissimilar regulatory regimes for different media and distinct institutional conditions for various forms of cultural production reflect this change; in some media systems for instance, the development of a "free press" tradition within broadly laissez-faire capitalism contrasts with the development of public service broadcasting within the context of a nascent "welfare" capitalism. Complex processes of commodification have been advanced, halted, or indeed reversed. Yet not surprisingly, given the contested and contradictory rationale for state action, private interests have often prevailed alongside, or against, solely public concerns regardless of the dominant goal directing policy.

What marks the changes that have taken place over the last 30 years, and which gained momentum in the 1980s and 1990s, is the way in which the economic and private interest have been explicitly pushed to the fore with regard to policy making: sociocultural and political issues have been refashioned either to comply with economic goals or viewed as fortuitously met through their achievement. Reflecting, and influenced by, the contradictory deepening of commodification processes across societies, particularly within public sectors, these changes can be described as "marketization."[2] This is a process encompassing "all forms of public intervention that increase the size of the market sector within the communication and information industries and give entrepreneurs operating within it increased freedom to manoeuvre."[3]

Despite clear and continuing differences, it is possible to point to a common pattern of

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marketization in a raft of media policy positions. The balance between elements of policy designed to commercialize, liberalize, privatize, and internationalize media operations within their domain has differed from state to state; yet overall, despite discernible “varieties of neoliberalism”, the international trend has been shaped in recent history by a clear shift away from “national cultural regulation” to “international economic statecraft”.[4] This push to transform media policy cannot be seen in isolation but must be understood as part of a wider process of societal restructuring undertaken in and through capitalist national states and increasingly directed via the projects and processes of neoliberalization.[5]

Beyond establishing the basic “rules of the game,” capital requires the state to actively regulate and facilitate social and economic processes. Since the late 1970s, an accelerating process of “marketization” in the realm of media has underscored that national states have provided the catalytic architecture for the increased social power of media corporations. Indeed the struggle over general social restructuring after the end of the Long Boom became focused on the institutionalized form of the state precisely because it is through the state that the wider process of restructuring must take place. While in the process capitalist states acted to unsettle established institutional arrangements, often adversely affecting individuals’ capitals and sectors to increase overall capital “mobility,” this has often depended on the institutional expansion of the state itself and, of course, on greater regulation. Individual capitals have also enthusiastically embraced the outcomes of a more market-oriented role for the state to meet their needs, such as more “flexible” labor markets. However, their strategic requirements often call for specific state intervention and support.[6] Neoliberal rhetoric calls for the state, as a primary actor, to “retreat from the field” of economic activity for the sake of “free markets.” What has in fact happened is that the interpenetration of private media ownership and political practice has become a global norm. It is clear that, when necessary, the rule of capital quickly replaces any pious convictions regarding the rule of markets.[7]

The chapter expands on these points in the following sections. After reviewing the basic rationales and forms of media policy and the marketized forms of regulatory restructuring in this area, the question of how to understand these shifts is addressed. While the shorthand term “neoliberalization” therefore captures a project of restoring class power that has been apparent in advanced capitalist states since the late 1970s, it is important not to simply equate it with a unified political program or monolithic ideology. The danger here, as Gamble observes, is that analysis succumbs to ideological determinism in which neoliberalism is reified into “a phenomenon which manifests itself everywhere and in everything.”[8] In the realm of media and cultural policy, as in other fields of activity, there is a need to see neoliberalism in the composite forms it takes in particular governmental doctrines and political projects, in different times and places. The general shift in media policy frameworks toward marketization includes not only distinct subprocesses—whose intensity and configuration have varied form regulatory apparatus to regulatory apparatus—but have also occurred in distinct waves of implementation around the globe. This differentiated evolution and uneven geographical development highlights (beyond the strong and continuing opposition to this new form of social rule) the unstable and contradictory components of the “neoliberal state” form itself. The

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continuing regulatory developments, shaped by competing interests in and between states, have involved experiments that continue to "emerge within unevenly developed institutional landscapes that have already been shaped and reshaped by a wave-like succession of market-disciplinary reforms."[9]

Central in the examination of the unfolding of neoliberalization processes is the enhanced capacity of corporations and their lobbyists to enact policy in their own interests and more broadly to shape the "realities" of the policy process; here, for example, Des Freedman has provided a compelling account of the intimate relationship between key corporate media interests and policymakers.[10] Yet an analysis of the instrumental power of corporations within media and communications policy networks and the specific forms of state-corporate nexus that result, needs to alloyed with a recognition that their recent success has depended on the changing social structural conditions of state action. For that reason I examine how the neoliberal reorganization of state institutions—involving the reorganization in what has been described as capitalist and territorial logics of power—have expanded the scope of corporations to restructure and accumulate. In doing so I eschew notions of one-sided power transference in favor corporations during the recent phase of globalization and instead examine, from the perspective of Marxist theory, the social relations that bind states and capitals together in the context of ongoing capitalist economic and geopolitical competition. I argue that beginning from the conception of states as a form of fetishized social relations give better insights into the role of unequal relations in the interstate system, of imperialism and the continuing dominance of the United States. in the realm of media policy. In sum, the expanded structural capacity of Time Warner, News Corp., and Bertelsmann has been facilitated by states, which have provided the principal framework for the increased social dominance of corporations more generally and have specifically promoted processes of "marketization" in the media realm.

3.2 THE REGULATORY FRAMEWORK OF THE MEDIA

Notwithstanding the noted important variations in media policy, it is possible to categorize three essential (and related) objectives that have guided state intervention in the structure and practices of media and cultural production more generally.[11] These can be designated as economic, political, and sociocultural policy rationales.

First, the regulation of the basic economic foundations of public institutions and private companies has had a profound and lasting impact on their organizational form. Whereas all economic activity is, at some point, dependent on these forms of state intervention, the specific configuration it has taken in relation to media and cultural production has been motivated by these sectors' special economic features.[12] The state has been particularly involved in supporting activity where private capital investment and accumulation has been forestalled or impeded by "market failures" associated with the characteristics of the markets for particular commodities. Here it was evident that there were distinctive "inadequacies" in communications and cultural markets relating to their public good, externality, and "experience," good qualities that warranted state intervention, principally including copyright,

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subsidy, and patronage. The associated concept of “merit goods” has been used to explicate the limits of market decision making—the “frictionless,” rational basis of social interaction assumed in neoclassical economics—where the allocation of resources via a price mechanism would fail to reflect the “inherent” value for these goods and services to society.[13] Since World War I, the use of the radio spectrum and the operation of telecommunication networks in Western industrialized economies have been regulated to ensure their commercial efficacy. It was argued that there were inherent problems associated with the newly ascendant communication technologies, with respect to their “scarcity”—and or “natural monopoly” characteristics.

These latter imperatives begin to overlap with the other two essential rationales of state intervention in the post–World War II period: the pursuit of sociocultural and political objectives consistent with the welfare-state model. The scope of this action, and the forthrightness of its political objectives, has depended on the comparatively social democratic or liberal character of states and political systems (see Figure 3.1). “Political” initiatives have included ensuring democratic accountability and “a plurality of media voices” that supported the exercise of the rights of free speech. The means of achieving these goals have included state ownership, stringent antimonopoly law or public subsidies. In the area of broadcasting and telecommunications, these initiatives were justified via public service or public utility philosophies. The state has also been active through enacting privacy legislation and engaging in various forms of censorship.[14] Other initiatives have responded to the issues of “heritage” preservation and accessibility in the areas of cultural production, including the “mass communication” of radio and television. Although inherently shaped by class power and contestation, such initiatives were nevertheless associated with an enlarged notion of citizenship and expanded suffrage in the postwar social compromises. They contributed to national and societal integration and stabilization and responded to linked political, cultural, and national citizenship rationales, through the implementation of an array of initiatives aimed at supporting cultural production and creation. Particularly in smaller countries, such endeavors were coupled with the quest for preservation of national cultural identity and national sovereignty.[15]

As noted, the role of the state in relation to the media has been driven by competing and often contradictory rationales; moreover, these have taken on further institutional complexity through the different regulatory philosophies attached to distinct media forms. This diversity is evident in the national media systems that developed in the United States, Germany, and Australia, which although sharing some similarities and displaying more or less direct influence, can be seen to have formed a very different basis for the development of Time Warner, Bertelsmann, and News Corp.[16] Important distinctions between national states’ approaches to different types of media and cultural products have been layered onto the aforementioned contradictory and competing objectives, producing distinct sets of regulatory and policy regimes. This is apparent not only in technological distinctions between different media but also in the manner in which basic industry logics have played a significant role. In turn, the development of such industry logics reflects the wider historical, political, and economic context of the media’s

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organizational development. Thus, areas of cultural production engaged in the creation and manufacture of editorial commodities (for example, recorded music and books) while covered by myriad legislative and regulatory controls, have been generally freer from (liberal-democratic) state intervention than those guided by press/flow logic, the printed press and even more so electronic media, which have been major objects of state concern.[17] Yet even here, there has been a clear difference between states in the degree to which the "free market" press, broadcasting, and telecommunications have remained within the close embrace of the political system.[18]

A final point that should be noted is that the manner in which the institutionalization of "public interest" within communication systems took place differed between two principal forms: regulation and public subsidy. The notion that unrestrained capitalist enterprise was not commensurate with public interest is inherent in both the public service and public utility philosophies widely associated with broadcasting and telecommunications. However, public subsidy, dominant in Europe, attempted to limit the deleterious impact of the private interest of owners and advertisers by suspending solely commercial imperatives. Broadcasting and telecommunications were operated as public utilities funded out of taxation (subsuming license fees) in an effort to guarantee all citizens "universal" access to the primary communication networks and ensure quality programming motivated by a desire to provide information, "culture" and education as well as entertainment. In Europe the methods of securing "public interest" through a subsidy model diverged in terms of both questions of finance and ownership as evident in distinct pure, mixed, and duopoly models of public service broadcasting. It also varied in the degree to which communication systems succumbed to, or openly incorporated, partisan politics, most apparent in integrationist models of public broadcasting in Germany and France.[19] Nevertheless the subsidy approach stands in contrast to the dominant strategy in the United States, where regulation attempted to "ring-fence" the harmful operation of capitalist competition on ownership, financing and service provision within the communication and cultural sectors through a form of regulatory "balkanization".[20]

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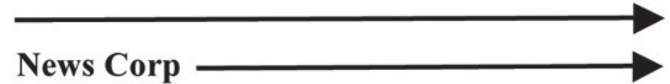
North Atlantic or Liberal Model:

Limited state role; commercial media; market mechanisms (North America, Great Britain and Ireland)

Time Warner



Northern European or Democratic Corporatist Model:

Limited, yet active state role; commercial media; media tied to organized social and political groups (Austria, Belgium, Denmark, Germany, Netherlands, Norway)

Bertelsmann

Mediterranean or Polarized Pluralist Model:

Strong state role; media integrated into party politics; weaker commercial media (France, Greece, Italy, Portugal and Spain)

Emerging Communications Industry Policy paradigm 1860-1945:	*Public Service Media Policy Paradigm (1945–1980/90):*	*Neoliberal policy paradigm (1980/90 onwards):*
National strategic and economic concerns dominate media policy	Socio-political concerns dominate media policy	Economic and national strategic concerns dominate media policy

Figure 3.1 Media Policy: Models and Paradigms

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As a heuristic device a temporal-spatial typology of media regulation can be provided by combing the much cited work of van Cuilenburg and McQuail with Hallin and Mancini (see Figure 3.1). Whereas the former propose three broad media policy periods, Hallin and Mancini produced a typology that defines three distinct media system models and many variations among individual countries in relation to these "ideal types" across North America and Western Europe.[21] In regard to the development of Time Warner, News Corp., and Bertelsmann, the regulatory contexts of the Liberal and Democratic Corporatist Model in the

public service and emerging (neoliberal) policy period are most significant. Of course, there are clear limitations with the model represented in the figure. First, it implies a clear-cut and linear progression between the different policy periods, something that van Cuilenburg and McQuail are at pains to counter in their analysis. Similarly, Hallin and Mancini argue that it is not their intent to minimize the differences among national media systems; yet their inclusive typologies, partly premised on geographical regions, have been rightly critisized for doing just this and understating the important differences between countries included in each model, with Britain and the United States most often cited in this regard. However in regard to the development of News Corporation, the inclusion of Australia within the Liberal Market Model poses problems not least because of the political linkages or clientelism that has characterized the *realpolitik* of close connections between political parties and the media within Australia. This connection is more characteristic of the Polarized Pluralist Model; indeed, Hallin notes that this characteristic has come to shape the U.S. media system in the current period.[22] An important consideration arising from these points is the heterogeneity within policy frameworks that underpinned the variegated, if broadly common, regulatory changes that have occurred from the 1980s onward. Moreover on the basis of such changes, associated with processes of diffusion and dependence, some have argued that the national characteristics of media systems have become less and less important.[23]

3.3 POLICIES OF MARKETIZATION: MEDIA REGULATIONS RESTRUCTURED

The complex and contradictory regulatory apparatuses associated with the media have often provided great consolation for private interest. Enterprises, such as Rupert Murdoch's, prospered through the accomplished use of policy "loopholes" and exceptions. Nonetheless, despite emerging threats to the status quo and pressures on existing forms of regulation, the broad consensus regarding the inclusion and weighting of policy considerations remained steady during what, in simplified terms, can be called capitalism's "Golden Age" of post–World War II recovery. The dominant Keynesian-welfare state compromise during the period provided the wider framework for so-called public service policy consensus.

In the early 1980s this policy consensus began to unravel in advanced capitalist countries at a time when states' stances toward forms of economic regulation in general were altering fundamentally, and the emerging new information and communication technologies promised economic and industrial growth base on convergence and the "Information Society."[24] Within this context a new hierarchy of policy concerns emerged even in those societies where the social dimensions of citizenship rights had been more expansive. Here the developed commodity fetishism of the "Information Society" thesis has been marshaled to support the extension of the broad-based commodification and commercialization of public information, broadcasting, and telecommunication systems that, as Mosco states,

> . . . once tended to be organized according to a different social logic, one based on universality, equality, social participation, and citizenship, which, for all of its well-chronicled shortcomings, broadened the grounds of social action now increasingly reduced to a market logic that equates rights with market power.[25]

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Here the belief in the efficiency and utility of "free-markets" has been a central component of both the ideological and institutional manifestations of neoliberal strategies aimed at "modernizing" the economy and creating an "enterprise culture."[26] Despite distinct manifestations and internal contradictions, the organizing principle of the neoclassical market concept underpinned a process of structuration by which neoliberalism appeared as a "coherent" body of thought and action. First, this involved reconceptualizing fields not solely governed by market logic, such as communications systems, as respondent to the rights of consumers as opposed to the rights and obligations of citizens. Second, market criteria as a mode of evaluation and action are imposed on the operation of all sectors—public and private—to the detriment of concepts of "public interest" and standards of public service. Finally, the scope of the market sector is increased through the conversion of nonmarket spheres into fields of capital accumulation. State regulatory initiatives explicitly consistent with these "free-market" processes of marketization can be broadly subdivided into three institutional forms: commercialization, liberalization, and privatization.

Murdock has provided one of the clearest delineations of these institutional processes.[27] Commercialization and corporatization takes place when the state instigates market standards that encourage or compel public-sector organizations to pursue commercial opportunities more aggressively and to adopt corporate forms of organization. In some cases, the ensuing emphasis on market position and profitability is adopted with enthusiasm by public institutions starved of funding and facing fixed or rising costs. Liberalization is championed by its supporters as introducing much-needed competition into areas such as broadcasting and television services; the state is called on to intervene by facilitating the creation of competing providers of services that had previously not been deemed compatible with market regulation. Moving beyond commercialization and liberalization, the state may intervene by denationalizing strategic public assets through their sale to private investors. Whereas such forms of privatization are viewed as decisively establishing market control, in practice the after-sale environment varies depending on the specific form of continuing state involvement, in terms of the percentage of shares retained and the nature of regulatory oversight, as well as in terms of the extent to which any foreign ownership is permitted.

These three institutional reconfigurations are often interrelated and act to reinforce processes of marketization. Public policy has been guided by the need to reduce the regulatory burden on the commercial exploitation of these spheres; regulators' remit becomes that of keeping a general watch on corporate performance through the light touch of annual or periodic regulatory audits.[28] The autonomous workings of the "market" have been understood to be commensurate with the notion of "public interest"—although in some notable instances this criterion itself has been explicitly jettisoned. Yet the reality of the "free-market" model is that, rather than dispersing or creating new sources of countervailing power, liberalization and privatization have had a significant impact on patterns of ownership by reinforcing and extending the power of (international) business operations. Moreover, the processes of commercialization and corporatization have hastened the process by undermining the rationale for public funding. News Corporation has, for example, run a forceful campaign against the

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BBC's £3.6 billion annual license fee on the basis that the public broadcaster is a commercial competitor. Such challenges have been strengthened by EU regulations that delimit state aid to public broadcasters.[29]

These changed modes of state intervention go beyond cultural media and communications regulation yet nevertheless have been essential for providing the basis for the expanded capital accumulation of News Corporation, Time Warner, Bertelsmann, and other media corporations. It is important to focus on a changed mode of state intervention shaped by the neoliberal reorganization of state institutions. Intertwined with shifting boundaries set by state regulation, including the boundaries that close nonmarket spheres to commodification and profit-making, is a new stage of "internationalization" of the state, understood in terms of states becoming more and more attuned to promoting and/or accommodating to capital accumulation on a world scale. As national states this focused on policies that "mediate" and support international competitiveness, a goal that ultimately falls on the shoulders of labor. The departments of the state have been reordered to augment the role of agencies dealing with economic internationalization and subordinate those dealing with welfare and labor policies.[30] Similarly, a host of state functions concerned with economic matters, such as central banks, regulatory agencies, and special development projects, have been insulated from democratic structures by increasing their operational autonomy. As well, the entire state apparatus has been internally restructured through processes of marketization, privatization, and deregulation that, in the communications and cultural sphere as elsewhere, have been guided by a reinvigorated process of "accumulation through dispossession."[31]

As an ideal-type, this form of neoliberal state restructuring has produced what has variously been described as the Competition, Catalytic, or Schumpeterian-Workfare state.[32] At a fundamental level these wider changes in the actions of states in the last 30 years represent a particular "social form of class rule" within capitalism associated with processes of neoliberalization.[33] Some researchers of media and communication policy, however, argue that neoliberalism has been overemphasized as an *explanans* for current policy configurations. Terry Flew, an advocate for creative industry and now creative economy approach to media analysis, has argued, for example, that the most common accounts of neoliberalism are neo-Marxist in orientation and tend to equate it with a hegemonic *master concept* that fails to connect with intricacies and forms of differentiation within media policy. Going further, Flew critiques the notion of neoliberalism itself and instead substitutes the Foucauldian concept of forms of liberal governance that subsume both Keynesian economics and the present more market-based system of regulation. [34]

Yet Peck, Brenner, and Theodore noted that "market rule," even when established within transnational rule regime in the 1990s, does not equate with a singular regulatory template. Instead, neoliberal policies themselves have been haphazard and engendered "regulatory failure"; yet they have produced cumulative effects that have provided the basis for further waves of neoliberal "reform" and regulatory experimentation and policy transfer. The development and spread of neoliberalism cannot be equated with a straw-man depiction that is equated with, and reduced to, the theoretical positions of the Mont Pelerin Society and the

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Chicago School of economics; neoliberal regulatory practice is "much more about learning by doing (and failing) within an evolving framework of market-oriented reform parameters and strategic objectives." There is therefore "no 'pure' form of neoliberalism, only a range of historically and geographically specific manifestations of neoliberalisation-as-process."[35]

How are we to account properly for the differentiated yet global pattern of policies that established the essential infrastructural and juridical conditions for accentuated corporate and commercial expansion in the fields of culture and communication, both within states' territorial domain and internationally through the increasing dominance of global forms of media governance? It is helpful to distinguish, following Brenner, Peck, and Theodore, three interrelated analytical dimensions of neoliberalization processes (see Figure 3.2). These include specific regulatory experimentations, beginning in the 1970s, to roll back market constraining policies and roll out market disciplining ones; systems of interjurisdictional policy transfer, developed or appropriated during the 1980s, to provide "prototypical" neoliberal regulatory solutions; and transnational rule-regimes, emerging in the 1990s, which involved supranational institutional arrangements setting the parameters for new rounds of neoliberal regulatory experimentation. In the field of communication and media policy the last dimension is associated with a new form of global neoliberal governance, involving rules, agreements, and practices developed by transnational corporations, supranational organizations, including WTO, ICANN, and NGOs, which has empowered a cadre of experts from particular epistemic communities and new forms of governmentality.[36]

In the realm of media and cultural policy the wavelike succession of market-disciplinary reforms has been outlined succinctly by Hesmondhalgh.[37] He noted that the first wave of marketization in the media and communications sectors occurred in the United states in the early 1980s in the area of telecommunications and broadcasting (the divestiture of AT&T and the Cable Act of 1984) and in the altered stance of the key regulator (the Federal Communications Commission). Following the American initiatives, pressure for change gathered pace in advanced industrial states, setting off a second major wave throughout Western Europe, Canada, Australasia, and Japan from the late 1980s. Germany and France were particularly important sites of regulatory experimentation in Europe, as their policies of marketization, evidencing little concern for the likely anti-European and pro-American consequences, reverberated in a series of deregulatory waves throughout Europe over the next decade.[38] Within this process systems of public and private interjurisdictional policy transfer became much more evident. This type of regulatory reorienting has not been confined to mature capitalist economies. The third major wave of policy marketization occurred from 1989 onward in "transitional and mixed societies" and has spread across much of the world since then. It has been globalized as part of loan conditions to developing countries and through policy shifts in the "transitional" economies that comprise some of the largest populations in the world: China, Russia, and India.[39]

As note these waves of reregulatory marketization have also importantly occurred at an international level, with states developing new arrangements within the last two decades. These developments have helped to reinforce certain common parameters of marketization and

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commodification, which have principally enabled the richest nations, and their resident transnational corporations, more control over global communication policies. This is not to suggest that global media governance has superseded national regulation; there is no simple correspondence between the scope of media regulation nationally and its international scope.[40] Important processes of national media regulatory experimentation have continued to take place, guided explicitly by the notion of technical convergence among media, the most internationally significant of which was the United States' Telecommunications Act of 1996. Nevertheless, via a deepening of neoliberalization processes, the economic rationale for regulatory form and substance at an international level, specifically in relation to trade, is now directly challenging national regulation for the societal role of the media.

At this international level, governments and corporate officials are increasingly coordinating technology, service, and pricing agreements that are largely outside the traditional, formal, and publicly accessible sites of regulatory activity. Whereas the World Trade Organization represents the dominant new apparatus of international regulation in the area of media and communications, long existing bodies of global media governance such as the International Telecommunications Union (ITU) have been fundamentally restructured to comply more fully with the principles of marketization. The processes of policy transfer and rule regime formation have also involved intergovernmental agreements to promote trade, both regional (for example, the North American Free Trade Agreement) and bilateral (for example, Australia–United States Free Trade Agreement) and transnational integrations (for example, the European Union).

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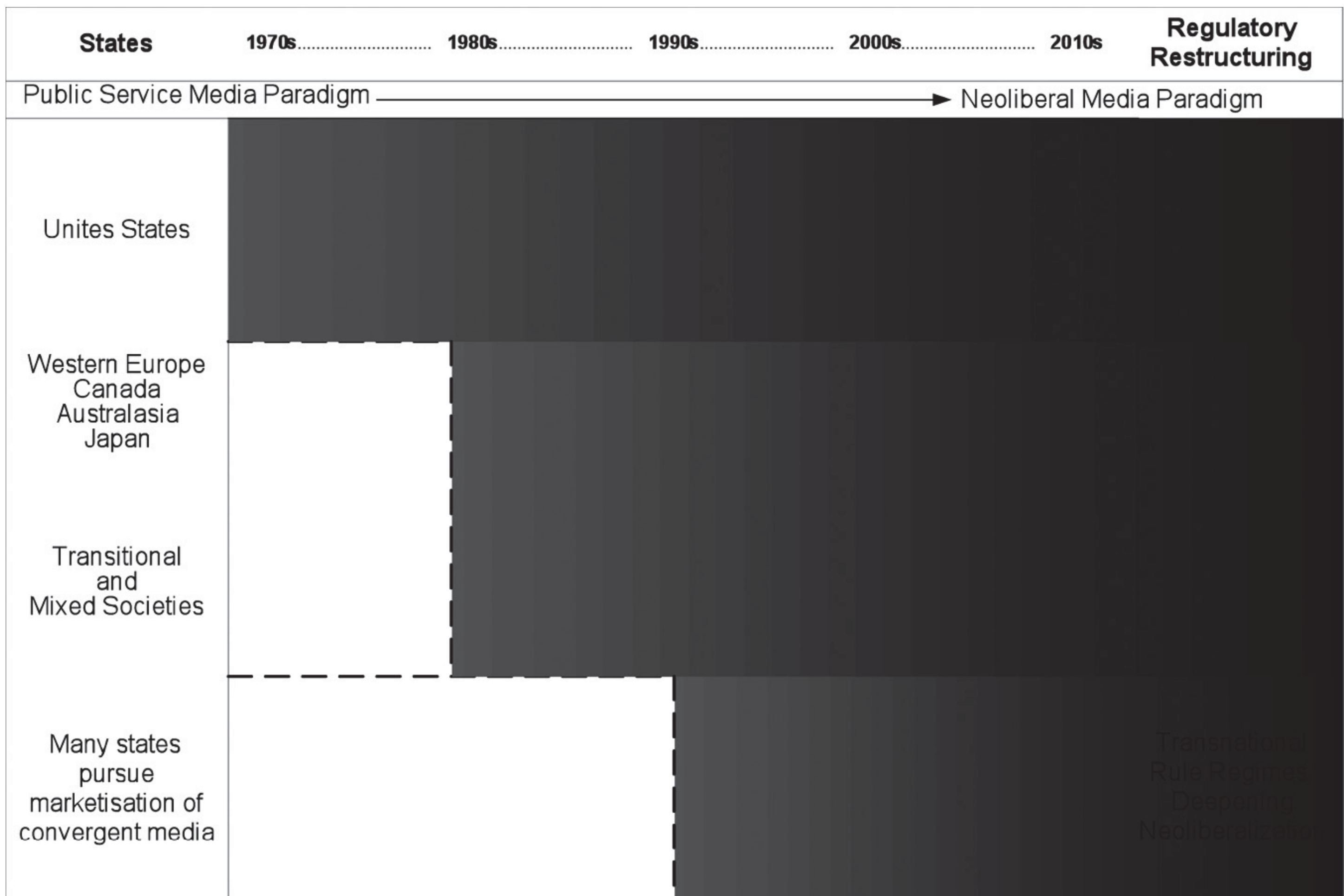

Figure 3.2 Waves of Neoliberalization in Communication Regulation

The coalescence of a transnational rule regime has been argued to have nonreducible, emergent properties as a domain of policy creation and enforcement; indeed, in the field of critical international political economy this idea is sometimes expressed as form of "new constitutionalism" associated with market disciplinary regulation that is supported by a worldwide infrastructure of neoliberalized institutional forms. Des Freedman avers, however, that despite the increasing policy pressures exerted by these global governance institutions, "we should be careful not to under-estimate the existing loci of power: media conglomerates and the neo-liberal, activist states that support their activities."[41] This advice remains relevant today, but of course had much greater salience during the late 1970s and 1980s when Time Warner, News Corporation, and Bertelsmann began to expand and restructure their operations. In tracing the patterns of change that have allowed such international media conglomerates to develop, it is important to have a clearer understanding of relative influence and power with regard to the formation of global policy regimes.

3.4 ANALYZING NEOLIBERAL REGULATORY EXPERIMENTATION

As an activist neoliberal state, the role of the United States figures prominently. The U.S. state has advanced U.S.-based multinational communication and cultural industry corporations by

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aggressively exporting its policies of privatization and deregulation (both unilaterally and through multilateral and global institutions) under the banner of "free-flow in information" and subsequently under the aegis of free-trade, a central doctrine of neoliberal globalization.[42] I will return to the role U.S. imperialism in the media and communications sphere later in the chapter; here we need to address the manner in which these media corporations' international development has depended on regulatory experimentation within multiple states from the late 1970s onward. In providing a gloss for the changes Hallin argues that "world media are converging toward a liberal system more or less like the system that prevails in the United States, [where] transformation is driven by . . . shifts in global political economy that have reduced the role of the state and increased that of the market."[43] For an array of writers in the early 1990s, regulatory changes that expanded the role of the market were viewed as chiefly driven by TNCs. Although working from different normative stances, this so-called constraints view of state transformation viewed TNCs as dominating the political and economic landscape and imposing their "global dreams" on nation–states, whose powers have been severely restricted if not curtailed.[44]

The role of TNCs in providing regulatory direction and details is hard to underestimate. The have played a central role in processes regulatory experimentation and policy transfer and have supported the formation of transnational rule regimes of marketization. As was argued in Chapter 2, TNCs corporations devised private forms of authority in relation to communications regulation through institutional arrangements such as the GBDe. Moreover, corporations such as Bertelsmann, News Corp., and Time Warner are able to marshal large negotiating resources and employ sophisticated lobbying techniques at a national and supranational level.[45] Indeed, Colin Leys argued that often TNCs are profitable precisely because of their political capacity to place enormous pressure on governments to enact policy in manner that is consistent with their profit-making interests.[46] Surveying the dominance of policies of marketization across the international landscape at the beginning of the new millennium, Murdock and Golding noted that "the future shape of the converging media marketplace will be determined primarily by transnational corporations . . . as national regulators . . . recognize and accept the commercial "realities" of transnational convergence."[47] For example, large corporations have sought to gain greater regulatory control over intellectual property rights; maintain the internationally unregulated nature of commercial satellite broadcasting, via the "free-flow of satellite signals"; and deregulate and instigate market relations in international telecommunications.

Given that the formation and maintenance of markets is intensely political, it is not surprising that such specific pro-business institutional modifications have been sponsored by a comprehensive strategy of private firms, sometimes involving interfirm collaboration in a long-term approach, to influence opinion leaders, public opinion, political parties, and the civil service.[48] Here News Corp. has been conspicuous in becoming ensconced in the national politics of three Anglophone countries—Australia, Britain and the United States—whereas the US$10 million book advance to Bill Clinton in 2001 from Bertelsmann's Knopf—the most ever paid for a nonfiction book—is unlikely to be as openly politically motivated as News Corp.'s book deals with U.S. Republican Newt Gingrich and Deng Xiaoping's daughter. The

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employment of the ex-chief antitrust lawyer of the U.S.'s Department of Justice, Joel Klein, represented a more obvious—if short lived—example of attempting to establish important links within a national political field. Bertelsmann has been far more active in this regard, through its "independent" think tank, the Bertelsmann Foundation, that has, for example, been energetically establishing links within the Chinese and Indian states. In 2008 the Bertelsmann Foundation cemented its North American connections with the establishment of a U.S. base of operations with the aim of acting as a conduit between German and U.S. "lawmakers."

Returning to issue of clientelism addressed earlier, for some authors the clear global trend has been interpenetration of private media ownership and political influence, producing what one has referred to as "paternal-commercial" media systems, as part of what is described as "political capitalism"—a position at odds with the notion of unfettered market forces posited by Neoliberals.[49] Indeed, there is a clear contradiction between open competition—promoted as the most effective way to secure the core interest criteria of diversity of service and universal access—and the desire of national states to facilitate the development of national players with sufficient critical mass to compete in a converged international media marketplace. Murdock and Golding note that the "tension between promoting competition and creating national champions is being rapidly resolved in favour of the largest corporations."[50]

It is precisely this form of facilitation and the recognition of political capitalism, as conceived by Weber as a more general condition, [51] that has promoted a well-developed sceptical position regarding the extent of loss of "state capacity" at the hands of TNCs and globalization more generally. This sceptical position has directly challenged the view that the present phase of neoliberal globalization is unprecedented or more broadly marks a qualitative shift in the workings of the international economy. The state-centered theorists argue that regulatory experimentations, which have been presented as the result of inexorable globalization or rampant TNCs, have in fact been chosen, more or less freely, by governments, perhaps in response to special domestic interests. Indeed, these governments' "political construction of helplessness" misrepresents their ability to reverse overall policy direction, through either old policy mechanisms or the newly developing powers of the "catalytic state."

As a central exponent of the "catalytic state" argument, Linda Weiss concludes that global economic integration is in fact reinforcing and augmenting the role of domestic institutions within the advanced capitalist states as governments are enlisted in "multi-faceted efforts" to cope with the increased demands produced by integration.[52] Globalization, she argues, will in fact "continue to heighten rather than diminish national differences in state capacity and the associated advantages of national economic coordination."[53] Indeed, the different adaptive capacity of states means that some states will be facilitators of corporate internationalization. Rather than being "hollowed out" by the devolution of power to new governance institutions, the adaptiveness of nation states also extends to their "entwinement" with transnational and supranational power networks (for example, WTO, EU). *Pace* the "constraints school," for Weiss these factors underline "the state's centrality to social life" and its resilience to any "power shift" to the transnational realm.[54] Experiments involving reregulation of media policy from the late 1970s are but one instance of nation–states seeking to initiate economic

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restructuring in national innovation systems in the contexts of greater economic integration. Such forms of regulatory competition may involve the so-called Delaware effect in which regulatory standards are lowered to maintain and attract investment and to promote national champions; however, those proffering the catalytic capacities of the state are keen to note that innovation and the capture of economic rents may actually drive up regulatory standards, the so-called California effect.[55]

There is much in agreement between this neoinstitutional position and that offered by Marxist analysis. For Marxists the close relation between TNCs and the state comes as no surprise. Rather than suspending links within national states, individual "transnational" capitals multiply the number of states—and national capitalist networks—in which their influence is directed.[56] The central importance attributed by Weiss and others to the national state's role in furthering international corporate development and transnational networks of governance is also not problematic.[57] Finally, the assertion that distinct institutional differences continue to mark state configurations and reflect different "state capacity" is, in a limited sense, reasonable. Although the "new institutionalists" offer typologies that emphasize different institutional practice, state traditions, cultures, and political programs, Marxists conceive these as instances of uneven development within a unitary capitalist world system. Moreover, there is shared consensus *contra* the hyperglobalists that TNCs are not reducing this pattern of uneven development if for no other reason than TNCs seek to increase profitability across the interstate system through a process of "regulatory arbitrage."[58] The response of private media companies to Television Without Frontiers (TWF) initiative within the European Union provides a clear example of this process. Indeed, the international media sector offers numerous instances: complex and contradictory regulatory apparatuses associated with the media have more readily permitted transnational operations, such as Murdoch's News Corp., to use competition between different regulatory regimes to further their accumulation strategies. As noted earlier and detailed in Chapter 7, News Corp.'s relationship with the Australian, British, and U.S. states is exemplary in this regard.

Where Marxist accounts differ with those of statecentric advocates of the catalytic state is over the latter's use of Weberian construct of the state. Here the market and the state are accepted as separate, pregiven ontological forms; a corollary is the assumption of a clear and unambiguous boundary between state and society, when in reality such a division is "partial, unstable, and variable."[59] Going beyond a focus in the changing contours of the state–economy relations in the quest for a state's own unique "national" interests, a focus on class relations and political balance between capital and labor as expressed in and through the state allows us to more fully address how the change in national interests is established, that is, the manner in which questions of political or social welfare as an element of national welfare have become more marginal within media policy making.[60] It permits another layer of analysis to be added to the observation of van Cuilenburg and McQuail that the origins of communications policies lie in the interaction between the pursuit of national interests by states and the operations of commercial/industrial enterprises. Moreover an examination of class relations allows us to understand the global change in these policy weightings via continuing forms of regulatory

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experimentation without overemphasizing the external influence of transnational corporations or global governance regimes on media policy. This is because Marxist accounts proceed from capitalist states' *mode of existence* as interdependent political entities in a complex interstate system and as overseers of territorially defined zones of relatively deeper economic integration within a single, highly differentiated world economy.

Marxist analysis requires examining the specific historical form of the capitalist state along three dimensions—that is, the economic, the political, and the territorial.[61] The first step in interrogating how states' actions encompass "a new form of social rule of capital" is to begin by understanding the capitalist state as an aspect of the "social relations of production" of capitalism; that is it a *capitalist* state because it is the political mode of existence of capitalist class relations of domination and exploitation. Fundamentally this is an outcome of the particular manner in which surplus labor is extracted through the wage relation.[62] As the "political," it is a fetishization of these social relations, and the state's own continued existence is tied to the promotion of their reproduction as a whole, including the reproduction of its own particularization as well as that of "the economy." Being juridically autonomous from particular interests, the state is essentially capitalist not because it responds to the directives of the bourgeoisie but because, in their very form of existence, the institutions of the capitalist state are inscribed with the rule of capital.[63]

Internationalization of markets is not viewed as recent or external relationship to national states, which is only now encouraging interaction between "competition states." Rather than zero-sum games of power transference that favors either footloose transnational capital or the capacities of the state, in the last 30 years such processes of neoliberalization have expressed contradictory attempts by the state to stave off ongoing crises of overaccumulation and uneven development.[64] Particularly in times of crisis such projects of restructuring unavoidably disrupt established practices, alliances and settlements. Given this, their "rationality" is often most comprehensible from the perspective of national states as a political moment in a global system of accumulation.[65]

An important distinction must be made between this level of abstraction, in which capitalist social relations are understood to constitute a global totality as reflective of the nature of the capitalist relation itself and indicated by capitalism's historical development, and the fragmentation of the political into the interstate system of "national" states, marked by the principles of territoriality and jurisdiction. National states historically emerged as political nodes within this interstate system, and this embeds a contradiction between the world scale of accumulation and the national form of the state and class relations.[66]

As with other areas of concrete state policy, the specific processes of neoliberalization in the realm of media and cultural policy reflect the manner in which state institutions confront conflicting interests over the nature of state action. Here it becomes evident that state is not a monolithic entity that can pursue a single coherent strategy because competition and conflict between different capitals and class fractions are reproduced within, and affect the development of, distinct state institutions.[67] This means that "a common development (the neo-liberal reform of the state, for example) conceals a large number of different (and competing)

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strategies to achieve a redefined relation to a global capital in the process of restructuring."[68] In turn, this also reflects the variation of "national" struggles over neoliberalism, that is, struggles over its institutional forms. [69] For not only are states differentiated by their distinct but essential relation to global accumulation, but the separation of the state from civil society allows for the organization of social forces, often transparently impelled by class interest, for the purpose of representation and the shaping of the form of political rule.[70]

Given the nature of cultural commodities and the sociocultural and political objectives for their regulation, these conflicting interests are at least partially concerned by considerations over the attributed nationality of capital. It should be noted that the advancement of some capital interests at the expense of others through policy positions associated with the political project of neoliberal globalization cannot be viewed as straightforwardly reflecting a division between "national" and "foreign" capital. As argued in the preceding chapter, this is not only because nation–states are overseeing "national economies" already deeply penetrated by capitals with close ties with other "national economies"—a process that is argued to put the transnational corporation toward at the center of market-driven domestic politics. It is also because the facilitation and promotion of certain paths of accumulation, those premised on more "globalized" circuits of capital (particularly finance)—will privilege "foreign" and "national" capitals alike and "internationalize" factions of national capitalist classes.[71]

Nevertheless, the nation–state's ongoing central role in organizing, sanctioning, and legitimizing class relations within capitalism shape these global class interpenetrations and contradictions.[72] Given this role, we cannot underestimate the economic significance of the legal distinction of "foreign" versus "national" capital. National states clearly do distinguish between the nationality of ownership, and the existence of such differentiation in regulation plainly affects the patterns of accumulation of individual capitals. A crucial political success of capitals in this regard has been to establish the supposition that local private ownership equates with local collective social benefit.[73] This is especially so in regard to the question of communications and cultural production because the concept of a national culture plays a significant role in the ongoing decomposition of global social relations into national imagined communities in a manner that helps secure consent, as well as underwrite the legitimacy of the national state. The state remains interested in policing the symbolic activities of its population, even though cultural production is increasing subsumed under industry and trade policy.[74] Nevertheless, the critical point to underscore is that the politico-legal definition of capital as having a national identity is the result of an ongoing process of fetishization, that is, a contested historical process. As the history of News Corporation's development adduces, the politico-legal definition of nationality is flexible, and its importance in media policy formulation shifts over time.[75]

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3.5 MEDIA, THE IMPERIAL STATE, AND U.S. HEGEMONY

In terms of an interstate system, the role of the U.S. state has paramount importance as the core political agent in facilitating an enlarged global market place for information and cultural commodities through the rapid development of legal structures at a national and international

level. As in the majority of fields, it has sought global influence through its identification with and promotion of neoliberal globalization in its own image. As Albo has argued, "the pursuit of this strategy has transformed imperialism and compelled emulation of the American model in the world market on terms favourable to the remaking of its 'informal empire.' "[76] It is evident because in part the trigger for the establishment of social relations in other national media systems that more closely represented an American policy model was the deliberate policy of internal liberalization instigated by the U.S. state in the 1980s. This is a policy that can be viewed as an unprecedented move by the world's hegemon to enhance the scope for capital accumulation by opening a strategic industry to substantial foreign ownership.[77] While the liberalization of the U.S. media landscape in the 1980s was far from comprehensive (navigation of which has had a differential effect on, for example, Bertelsmann and News Corp.'s expansion in the area of broadcasting), the transnationalization of the "U.S." media industry and the creation of globally competitive media corporations based outside of the United States helped to engender an international shift toward commercialization and liberalization as trading partners responded through the increased marketization of their domestic communications systems.

The U.S. state has played a role in all four of the waves outlined in Figure 3.2, and it remains the case that it exercises disproportionate power in shaping the infrastructure, including communication policy frameworks, within which the process of global accumulation proceeds. Yet the United States does not ultimately exercise power and influence on behalf of its own "national" capitalist agenda, constituted apart from the interests of international capital. As in other areas, dominance and hegemony here are based on containing the contradictions inherent in the rivalry and cooperation concerned in ensuring the expanded reproduction of accumulation in this sector on a global scale and (temporally) securing more favorable conditions for capital accumulation within its national state boundaries. That is, its attempts to impose order are not merely in the interests of U.S. capitalist competitiveness, but rather in the interest of global capitalist accumulation, in which U.S. capitalism claims a disproportionate share.[78] The process of regulatory transformation is not, therefore, primarily an issue of national geopolitics, although the historical development of national territorially bound states may make it appear so.[79] The driving force has been corporate and commercial interests, conspicuously represented in the institutional form of transnational companies. Some of these firms have rejected national identities and more or less regard themselves as global concerns; nevertheless they are either based in the United States or have a large part of their profit-making operations located there.

While Herbert Schiller speaks of the unusual vision, initiative and decisiveness of the U.S. state over a 50-year period to ensure the ever-expanding role for its commercial communication sector, Comor offers a more nuanced perspective.[80] He argues that although the United States was the *provocateur par excellence* of post-1945 international communications, the lack of a single coherent strategy among the different levels and institutions of the state hampered U.S. policy formulation regarding international media marketization in the early 1980s and the processes of interjurisdictional policy transfer.[81] A "policy vacuum" therefore

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existed at the time when a clear discrepancy had emerged between the capabilities of the U.S.-based cultural industries (and the wider domestic service sector) and international regulatory frameworks. Yet the U.S. state lacked the institutional capacity to apply advantageous interstate policy pressure. In this context, U.S.-based transnational corporations sought to influence the regulatory process of foreign nation–states by convincing the executives of other Triad-based TNCs (European, Japanese, as well as Canadian-based firms) of the economic benefit of free flow and free trade of information, principally the lower cost of services as per neoliberal theory.[82] Corporations such as Warner Communications championed the role of intellectual property rights in these expanded areas of trade.[83] In the mid 1980s and early 1990s American state officials followed the lead of the private-sector interests by starting to reconceptualize free flow as involving free trade issues, a process that placed the U.S. Trade Representative (USTR) in the role as America's principal agent of foreign communication policy. The new policy framework was expressed initially via pressure on the ITU and through bilateral trade agreements; however, the goal became the multilateral extension of the agenda through the "GATTisation of international communications."[84]

The United States has since made considerable progress in its push to include cultural industries into a framework of international free trade regimes.[85] This has included the areas of communication services, intellectual property, cultural goods, and telecommunications.[86] Under the aegis of the WTO, these new forms of "global governance" have acted to normalize and legitimize increasingly austere forms of capitalist expansion largely through the Americanization of commercial law, in effect deepening and broadening the processes of neoliberalization.[87]

As at a national level, these international neoliberal forms of regulation display a reliance on the rule of law that reflects an aversion to democratic processes.[88] Via international networks of officials, professionals, and managers, increasingly fragmented public regulatory functions are now more formally legitimized through the technicist paradigms of specialists than through the political processes of national states.[89] In this sense we see one aspect of what Peter Burnham has referred to as "politics of depoliticization," that is "the process of placing at one remove the political character of decision making," or what Paschal Preston has referred to in an evocative phrase as the "hollowing out of politics."[90]

Yet contestation still abounds in many areas of international law; since 1993 in the area of the international regulation of cultural industries we have seen the continued deferral of U.S. attempts to fully implement the GATS to the area of "audio-visual trade."[91] The ascendancy of international economic regulation of media and cultural production has coincided with a weakening of the UN system. Yet the decision by national states at the UNESCO general conference in October 2005 to approve the Convention on Cultural Diversity, protecting cultural diversity and artistic expression, once more underlined the basis of the claims for "cultural exemption" from trade laws where the chief concern is in no small part the role of the American state in directing the processes of transnational rule regimes of marketization.[92] This signals that "global governance", *pace* any suggestions of an emergent transnational state,[93] is still dependent on support from a system of "national" states for the enforcement of

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compliance. Although the United States may remain uniquely preeminent within the interstate system, the continued centrality of many national states makes the institutions of global governance anything but depoliticized, global, homogenous structures.[94] Rather as Sol Picciotto and Jason Haines noted, "these professional and ideological fields are themselves the sites of conflict and contestation, involving the renegotiation and redefinition of the boundaries between, and indeed the nature and forms, of the state, the market, and the firm."[95] In a clear example of an evolving framework based on learning by doing, the United States has pursued a number of policy avenues to achieve its trade interests in media-related industry sectors; since its withdrawal from UNESCO in 1985, the USTR has also continued to pursue these interests through unilateral and bilateral agreements.[96]

These forms of arrangements, such as the 2005 Australia–United States Free Trade Agreement, and indeed the Convention on Cultural Diversity,[97] nevertheless indicate that despite the lack of support for the United States' multilateral GATS proposals, even in their more moderated forms, substantial privatization, deregulation and commercialization of the cultural industries is likely to continue because "the marketized world view that underpins them is already firmly entrenched" internationally.[98] Further trade talks on audiovisual matters are likely to be justified by the continued marketization of media industries undertaken by national states, permitting "accumulation via dispossession" and capital restructuring through mergers and acquisitions. This drive is also evident in the spread of the concept of the "creative industries" in the European Union, Australia, New Zealand, Singapore, Taiwan, Korea, China, and India. This framework aims to extend and reinforce the recognition of the intellectual property and to encourage states internationally to respect such property and its associated copyright payments. Given the imbalance in the production and control of copyrighted cultural commodities, this broadening of intellectual property compliance serves to reinforce the position of major U.S.-based cultural corporations.[99] In reality, this reframing of cultural production as a basis of innovation-based growth and the capture of greater rents within global cultural production networks highlights the manner in which the underlying parameters of marketization have been established through transnational rule regimes.

The deepening of neoliberalization has not, however, ended processes of regulatory experimentation, including responses to "market failure" induced by earlier "reforms." The contradiction between the world scale of accumulation and the national form of the state impels constant intervention from state managers to secure the uncertain reproduction of the multifarious circuits of total social capital.[100] This element of necessity should not be obscured by the countless contingencies in concrete state policies. The legitimacy of the state, its access to revenues, and regulation of class relations are all dependent on the process of securing the conditions under which production can be undertaken within the national space in a manner that is profitable by international criteria imposed by the world economy. Capitalist states must regulate capital–labor relations, manage the macroeconomy, and act as lender of last resort, as dramatically underlined by the global financial crisis of 2007 to 2009. Although generally distanced from direct involvement in capital accumulation, the state must maintain the juridical, regulatory, and infrastructural framework to facilitate and promote these processes

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via the different circuits of capital. A central aspect of this process is the regular amendment of corporate law to enable or respond to processes of concentration and centralization.[101] As noted, in an era of neoliberal marketization such amendments have been conspicuous in the realm of media and communications policy. To a large extent this is because they pose problems for the other rationales for legitimate state action in the sector, such as safeguarding pluralism and diversity.

3.6 COMPETITION AND CONCENTRATION OF MEDIA MARKETS

In interpreting the shift in corporate law congruent with the marketization of communication policy, Peter Golding observes that the conventional account of "media-state relations constructs a narrative of gradual emancipation, in which occasional eruptions of heroic defiance, coupled with the awakening liberalism of late modernity, have steadily withdrawn the shackles of state control and oppression from liberty of expression."[102] Freedman also notes that "contemporary media policies are now littered with positive references to diversity and pluralism."[103] However, although a purely economic approach to media regulation has not materialized, the issues of media diversity and pluralism have been largely incorporated within the rhetoric of competition and choice. In part this is achieved by conflating evidence of a multiplicity of media content with a diversity of media sources or expanding the field of analysis on which media diversity is assessed.[104]

Given these changes there has been support for sole application of general competition law and mounting calls for empirical proof for the need to sustain sector-specific ownership regulation. Yet, to the extent that shifts in the structural regulation of media ownership are assumed to guarantee central elements of sociopolitical regulation, such as diversity of opinions, contemporary regulators are confronted by the so-called deregulation paradox in which deregulatory competition policies (unexpectedly) produce greater levels of concentration and the aforementioned "market failure."[105] In this context the emphasis of state regulation tends to be fixated on concerns regarding competition and concentration of media markets and how diversity *qua* competition can be measured. Illustrative examples of this can be drawn from the United States, Germany, and Australia.

Two common measures are used to assess concentration and competitiveness within media and cultural industries. The first is Herfindahl-Hirschman Index (HHI), ranging from 0 and 10,000, which is equal to the sum of the squares of the market shares of all market participants. In the United States the Antitrust Division of the Department of Justice uses the HHI to determine if there are high, moderate, or low levels of concentration. The second is the "concentration ratio," or "CR," of an industry, which is commonly measured as the percentage of total revenue in an industry segment going to the top four (CR4) and the top eight (CR8) companies. Threshold levels indicating high levels of concentration are when the top four companies control 50 percent or more of market's revenues or if the top eight companies control 75 percent or more. Another measure, the Lorenz Curve, has also been used to provide a graphical representation of concentration within a media industry. As per the structure-conduct-performance model of industrial organization economics used in these assessments,

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higher concentration levels are considered to potentially allow the larger companies within a market to reduce competition through collusion and other forms of anticompetitive behavior; however, Edwin Barker for one argues that it is questionable whether there is a straightforward correspondence between the standard antitrust goal of reducing market dominance (power over prices) and the goals of media pluralism and diversity.[106] The primary usefulness of these measures is tracking concentration trends over time.[107]

The antitrust evaluations of these measures are based on the changes in market structure associated with the quantity theory of competition, discussed in Chapter 1, and although concentration ratios can also be applied to measure concentration/competition across media industries, they are more commonly used to examine the proportion of revenues controlled by participants in specific media markets.[108] Given this, Albarran, Freedman, and Just noted that the methodological tools used by media regulators are inadequate given the changing market boundaries and an increased degree of activity across discrete media markets.[109] Despite waves of conglomeration or *across-industry* concentration, there is a lack of a generally accepted measure to assess even the economic implications of such integration.[110] Moreover, in contrast to the United States, there is no consensus agreement with regard to what measures should be used in assessing concentration processes in Europe. Concentration ratios, the HHI, and the Lorenz Curve are not recognized as usable instruments across European countries.[111] In fact, early attempts by the European Union to introduce a measure of plurality within European broadcasting markets was defeated because a measure of concentration in and across European media markets was viewed as potentially disadvantageous to different national media champions.[112] Moreover as Just noted in an increasingly convergent media environment with changing market structures, and indeed definitions, a central question is what actually constitutes the relevant market.[113] The evolution of media markets has created confusion about how media markets are defined and identified. Just refers to a

> certain analytical helplessness on the part both of policy makers and scholars concerned with media concentration issues [giving rise to] a general discussion as to whether the convergence of media and telecommunications, together with the concomitant blurring of boundaries, requires a broadened product market definition, even whether all media (be they mass media or point-to-point communications, content or delivery) should be grouped in one product market.[114]

Although such an approach has its free-markets advocates, the questions associated with social and political objectives, even if largely subsumed within current policy paradigms, remain salient. Therefore, new measures for assessing market power and diversity in communications are being introduced; yet they stay wedded to the dominant perspective that effective competition within commercial media is the level of competition within *national* media markets. In Europe, public service broadcasting remains an important element on the promotion of legitimate levels of plurality and diversity; however, even here, as noted, European competition laws regarding state aid is affecting the assessment of appropriate state investment.

An oft-cited instance of how market concentration and media diversity is perversely defined, within the context of general policy commitment to establish more permissive cross-media limits, is the regulatory changes proposed in the United States in 2003 by the Federal

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Communications Commission (FCC). These changes, supported by a new Diversity Index, were the outcome of the FCC's third biennial ownership review.[115] This review process itself was mandated by Section 202(h) of the Telecommunications Act of 1996, which required the FCC to engage in the serial review of ownership policies to "determine whether any of such rules are necessary in the public interest as the result of competition . . . and repeal or modify any regulation it determines to be no longer in the public interest."[116] In 2004 this review process was extended to a quadrennial exercise. Nonetheless, the 202(h) provision, reportedly drafted by lobbyists for News Corporation, made certain that deregulatory pressure would be maintained within the FCC in future years.[117]

The coupling of competition with the public interest is telling; market competition is associated with, if not equated to, "a diverse and robust marketplace of ideas" which the 2003 FCC Report and Order argues "is the foundation of our democracy." Reduced ownership controls are necessary because, new digital media, convergence, and the functional equivalency between media ensure that competition is rife and marked by a "cacophony of voices vying for the attention."[118] Through this conception of increasing cross-media competition, the FCC was able to map pluralism and diversity to be onto a much larger field of independent media companies. Under such conditions structural ownership regulation could be guided by general antitrust rules.

The 2003 FCC Report and Order extended earlier regulatory reforms that shared this premise. Following the removal of a national cap on radio station ownership as part of the 1996 Act, in 1999 the FCC relaxed the control on broadcasting licenses in local markets based on HHI considerations. Companies such as News Corp. could own two stations as long as there were at least eight other competitors and the company's second station was not among the top four competitors. Signaling the shift to a broader conception of the market itself, the FCC rules allowed a single company to own 2 TV stations and 6 radio stations in a market if there are at least 20 competitors among all media outlets: cable, newspapers, and other broadcast stations.[119] The FCC's 2003 proposed changes included raising the 35 percent national audience cap to 45 percent; replacing a ban on newspaper/broadcast and radio and television cross-ownership with a flexible set of cross-media limits; lifting a ban on cross-ownership, thus allowing a single company to own both a TV station and a daily newspaper in the same market, as long as the market had at least three stations; easing restrictions on TV station ownership to allow one company to own two stations in midsized markets and three stations in the largest markets; adjusting radio ownership rules so that a single company could own between three and eight stations in a single market depending on the number of competing "radio voices"; and limiting concentration among among the top four networks but not disallowing these established broadcasters to operate additional broadcast networks (such as Viacom's ownership of the UPN network).[120]

The proposed rule changes were based on the Diversity Index, a quantitative measure based on the HHI that was used not to assess specific markets but rather to provide baselines for the general deregulatory principles. The DI provided a weighted measure of different companies' share of local information and news media outlets (broadcast TV and radio, cable television,

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newspapers, and Internet) to determine the degree of concentration in the "market of ideas." The weighting was based on the relative use of each medium by consumers by Nielsen Media Research. This highly empirical analysis of diversity was viewed as central to the FCC Commissioner's goal of "rebuilding the factual foundation of the Commission's media ownership regulations."[121] This quantitative approach was, as Blevins and Brown argue, consistent with the view that media regulation was as primarily a matter of economic policy and not a political issue. In fact, the DI contained a number of methodological problems and in *Prometheus Radio Project v. FCC* the Third Circuit Court of Appeals remanded the FFC's proposed rule changes in 2004, essentially leaving the existing rules in place. Controversy surrounding the relaxed ownership limits led Congress, in 2004, to step in and set a statutory limit on the national television ownership rules at 39 percent. Despite the stay of the new regulations and the success of a diverse grouping of NGOs in mobilizing and politicizing the issue of media regulatory change, the in-built deregulatory bias of the quadrennial review remains in effect.[122]

A similar process of relaxation of cross-media laws was emerging in Australia. From April 4, 2007, new media ownership laws took effect. The Broadcasting Services Amendment (Media Ownership) Act of 2006 (BSA) signaled the most significant change in ownership regulation in 20 years. The conservative Coalition government invoked both media convergence and the diversity of new digital media to sanction a shift in the existing regulatory environment. It argued that the existing limits on cross media and foreign ownership were not only obsolete but also impeded market efficiencies in terms of greater competition and economies of scale and scope.[123] Indeed the existing legislation was "fundamentally anticompetitive" because it locked media companies into one platform (television or newspapers) and effectively locked foreign investors out of these industries (the existing foreign ownership limited investment in TV to 15 percent and to 25 percent in newspapers).[124] Following the introduction of earlier cross-media laws, Broadcasting (Ownership and Control) Act 1987, newspaper concentration, as per the CR4 measure, had steadily increased from 81.5 percent to 92.2 percent in 2004; the HHI index had climbed from 3530 and 4246. Broadcast television concentration ratios also rose during this period to 76 percent (CR4) and 1578 (HHI). Nonetheless according to the government, regulatory change was required to allow new entrants into the Australian media industry.

Although they are more permissive than the preceding laws, the 2006 Ownership Act still retained limits on cross-media holdings, but in a form that favored established firms, particularly free-to-air television operators. The legislation kept existing restrictions, such that no owner may control more than two commercial radio licenses or one commercial television license in a license area, and television broadcasting licenses cannot exceed an aggregate reach of more than 75 percent of the national television audience. Grafted onto these existing requirements were new provisions that allowed companies to control media across two of the three major categories—radio, television, and print. Further restrictions limit ownership changes by requiring a minimum of five media "voices," that is commercial media groups, in mainland Australian capital cities and a minimum of four media groups in regional areas.

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Although the media remained a "sensitive" area requiring Treasury oversight of foreign investment, foreign control rules that specifically related to the media were repealed.

Critics argued that this simplified diversity test, the so-called 5/4 voices, would allow far too great a level of consolidation among established media interests, with the number of significant media groups in Australia's two biggest cities, Sydney and Melbourne, potentially reduced by half. Given the "voice" requirement, companies that initiated any takeover process would enjoy considerable first mover advantage, particularly in regional areas where there is little room for further consolidation. Moreover, the legislation does not take into account the disproportionate power of certain media "voices," either singly or in conjunction with control over supplementary media outlets—the new cross-media 5/4 rules would not consider ownership of pay television, newspapers out of the license area, magazines, or Internet sites.[125] Despite the fact that new forms of media were used to justify the relaxation of cross-media rules, they were not included in the diversity tests. Furthermore earlier policy suggestions to allow cross-media ownership provided that editorial separation was maintained between operations was dropped, with restrictions placed only on content sharing between television stations.

Lesley Hitchens notes the Australian policy-making process that underpinned the legislation compared unfavorably with what had taken place in the United States and U.K. with its deregulatory Communications Act 2003.[126] Although the policies had broadly similar, that is neoliberal, objectives in which the citizen and consumer were conflated, in the United States and U.K. regulatory changes had been associated with lengthy policy debates. Yet although the policy processes itself was truncated, relaxation of media ownership provisions had been an objective of the Coalition government since it attained office in Australia ten years earlier. Given that the directions of the changes had been long anticipated by industry, it was unsurprising that the new Media Ownership Act set off a series of merger and acquisition deals. These centered primarily on established television and newspaper assets and not new media operations. Somewhat less expected was that foreign private equity firms would emerge as the sector's principal "new entrants" in this first wave of ownership changes.[127]

Private equity were also playing a conspicuous role in the German media sector at this time, as media operations restructured in the context of the country's specific regulations. In Germany the media sector is regulated through a federalist system where responsibility is constitutionally located with each Länder or state government. Since 1987 an Inter-State Treaty (Rundfunkstaatsvertrag, RStV) has regulated media ownership and concentration in broadcasting between the different states. Initially ownership controls were based on license limits (two per broadcaster) and shareholder restrictions. This regulatory paradigm was affected by the regulatory competition between the Länder, which aimed to support and attract media investment in their territories. As analyzed in Chapter 5, it reinforced the dominance of two commercial "broadcasting families" (Senderfamilien) controlled by the Bertelsmann (RTL) and the ProSeibenSAT.1 Media group (formerly the Kirch Group). In 1996, the Länder produced a new model for controlling ownership concentration—a 30 percent television audience share model as a threshold for "predominant impact on public opinion"—which

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effectively sanctioned the dominance of these groups.[128] Indeed, at the time it was argued to be the most dramatic move toward liberalization of media ownership in Europe, permitting Bertelsmann to consolidate its television holdings.[129] Although the share dropped to 25 percent if a broadcaster had dominant operations in media-relevant fields, the new audience thresholds did not threaten the licenses of the two groups. In 2002 the CR4 measure for the top four broadcasters, including RTL, ProSeiben, and the public broadcasters ARD and ZDF, was 90.9 percent; by 2009 this measure had dropped slightly to 90.1 percent.

Together with the audience share model, in 1997 the Länder instituted the Commission on Concentration in the Media Industry (Kommission zur Ermittlung der Konzentration im Medienbereich KEK) as an independent regulatory body with nationwide jurisdiction to harmonize competition regulation between the states. Whereas the Federal Cartel Office (Bundeskartellamt—BKA) retained its responsibility for evaluating media mergers and acquisitions in relation to general competition law (Act Against Restrictions of Competition-Gesetz gegen Wettbewerbsbeschränkungen GWB) and its specific provision for media enterprises, the KEK assesses issues of media plurality and diversity in national broadcasting. Both institutions have the authority to proscribe mergers and acquisitions in relation to broadcasting; in contrast, newspaper ownership is solely regulated by the BKA and the general competition law. In the case of mergers or acquisitions of newspaper, magazines, news agencies, television or radio operations, a twentyfold actual turnover amount is taken into account when BKA assesses the competitive implications.[130] Just notes that in Germany, in the run-up to the introduction of the seventh amendment to the Restraints of Competition Act 2005, there had been discussion on lowering this threshold to a tenfold turnover and in cases where this threshold was broken allowing mergers between publishing companies as long as editorial independence was guaranteed. Despite concerns about the national print industry, amplified by the arrival of foreign private equity companies in the sector, these muted amendments did not emerge.

In 2005 Axel Springer AG, Germany's largest press company, sought to merge with the country's second-largest commercial broadcaster, ProSiebenSAT.1 Media AG.[131] Given the diversified scope of the firm's operations, the proposed merger offered a new challenge for the audience-share model. In response the KEK sought to ascertain the potential merged company's percentage of cross-media market share. To assess the influence of various media on the diversity of opinion, it developed weighting criteria to assess the equivalent television audience share of various media. The three criteria—a medium's suggestive power or communicative richness, its availability and immediacy—offered a more nuanced weighting than the FCC's Diversity Index, but both attempted to quantify plurality and diversity according to a broad "marketplace of ideas." On the basis of its analysis the KEK determined that the merged company would have an equivalent market share well in excess of the 30 percent audience limit for television and so for the first time rejected a change in shareholder structure, claiming that otherwise Axel Springer would gain a dominant influence over public opinion.[132] Following the decision on Springer, in September 2008 the 10th Inter-State Treaty introduced representatives from the Länders' media authorities on to the board of the KEK in a move

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interpreted by some as an attempt to relax the technocratic yet hitherto effective implementation of concentration regulations.[133]

In sum, the different process of trying to define and respond to processes of media concentration within national markets for the policy goals of plurality and diversity in the examples of United States, Germany, and Australia have contradicted with the assumed need for competitive concentration levels at an international scale. It is this latter issue that appears to be a dominant concern. Moreover it is important to note that processes of cross-jurisdictional policy transfer, coupled with overarching parameters of supranational organizations such as the WTO, have reworked the frameworks within which both market-disciplinary *and* market-constraining regulatory projects emerge at a national level. Diversity and pluralism are subsumed with economic regulation, albeit sometimes with an acknowledgment of incommensurability of the methods of regulatory practice. Rather than retreating from the foregrounding of economic considerations, in this context we see strengthened attempts to define, and provide measure for, market competition in and across media markets as means to defend the objectives of political and social welfare.

3.7 CONCLUSION

In an article entitled *eEmpires,* Rita Raley draws on the work of Herbert I. Schiller, Robert McChesney, Armand Mattelart, and Daya Thussu, as well as Harvey and Arrighi's distinction between capital and territorial logics, to argue that a new type of capitalist order has emerged that is distinct from past forms of imperialism.[134] Heavily influenced by Michael Hardt and Toni Negri, as well as Castells, *eEmpires* states that this Informational Capitalism is marked by the "obsolesence" of nation states and the ascendance of a supranational economic, political, and communicative network. The expansion of mass media and communication, information, and electronic technologies is central to this network; yet the article criticizes Thussu's depiction of Rupert Murdoch as a new electronic emperor.[135] Apparently there is no single, central agent, whether nation, subject, or corporation, operating the network of the "Electronic Empire." The Empire now has the power to operate and continually reconstitute itself.

Chapter 2 has already critically examined the notion that corporations, as institutions of capitalist classes, have given away nebulous business units populated by "networkers" engaged in immaterial labor. The notion that the capitalist state has faded is equally spurious (a view starkly rebuked by the great credit crash of 2007–2009). Nation–states have provided the principal framework for the increased social dominance of corporations by promoting processes of "marketization" in the media realm (and more broadly as part of what Colin Leys refers to as "total capitalism").[136] When veiled in the familiar dichotomy of the markets versus states, these processes of heightened commodification encourage notions of electronic empires controlled by corporations such as News Corp. In fact, such expanding commodification points to the continued importance of the nation–state and the dominant U.S. state in the international order.

The appropriate formulation of contemporary imperialism, the continuing relevance of terms such as interimperial rivalry, super-imperialism, and ultra-imperialism, and the

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commensurability of Marxist and realist notions of geopolitics remain open areas of debate.[137] It could be argued that in Arrighi's terms, the U.S. state provided "leadership against [its] own will" because, while reinforcing the scope for capital accumulation within a world communication industry dominated by U.S.-based operations, it in fact further enhanced stated supported competition within this sector of the world economy.[138] Policy responses to the U.S. "leadership" created and intensified interstate competition, which, in turn, for some analysts presaged the destabilization of the hegemon's power. Indeed, while investment capital flowed into the rapidly consolidating global industry, some argued that this corporate triumph was actually "a façade for erosion" as ownership and occasionally management of U.S.-based media and entertainment companies shifted into "foreign hands."[139] Such nationalist conceptions obscure the ongoing dominance of American-based media companies, particularly in world audiovisual markets, where they enjoy a continuing "cultural primacy," albeit a primacy that is waning.[140] Claims for the erosion of U.S. leadership also neglect the fact that the major capitalist states, led by the United States, engage in high levels of cooperation based on marketized world views and distinctive levels of economic integration; their economic competition, althoughe not indicating open interimperialist rivalry,[141] nonetheless contradicts any notion of a smooth space of eEmpire. Instead, broadly speaking, the U.S. state represents the economic interests of major non-American communication and media corporations.[142] Given this, it still remains appropriate to talk about a transnational corporate cultural order "bearing a marked American imprint."[143]

In the following chapters the effects of the changing regulatory environment, in context of the wider shifts associated with neoliberal globalization, will be assessed in relation to the strategies and development of Time Warner, Bertelsmann, and News Corp. Although such changes have given these companies greater room to maneuver and restructure, within the limits imposed by existing operating practices and wider institutional forms, the corporations have also confronted the determining pressures of financialization within the cultural industries.

NOTES

1. Jean-Guy Lacroix and Gaetan Tremblay, "The 'Information Society' and Cultural Industries Theory," *Current Sociology* 45, no. 4 (1997); Sean Ó Siochrú, Bruce Girard, and Amy Mahan, *Global Media Governance: A Beginner's Guide* (Lanham: Rowman & Littlefield Publishers, 2002); Nicholas Garnham, "Media Policy," in *The Media: An Introduction*, ed. Adam Briggs and Paul Cobley (Harlow: Longman, 1998); Sean Ó Siochrú, "Global Institutions and the Democratization of the Media," in *Who owns the Media: Global trends and local resistances,* ed. Pradip N. Thomas and Zaharom Nain (Penang: Southbound, 2004).

2. Elmar Altvater, "What Happens When Public Goods are Privatised?" *Studies in Political Economy,* no. 74 (2004); David Hesmondhalgh, *The Cultural Industries* (London: Sage Publications, Ltd., 2002), 88; Colin Leys, *Market-Driven Politics: Neoliberal Democracy and the Public Interest* (London: Verso, 2001), 84; Vincent Mosco, *The Political Economy of Communication: Rethinking and Renewal* (London: Sage Publications, 1996), 142.

3. Graham Murdock, "Redrawing the Map of the Communications Industries: Concentration and Ownership in the Era of Privatization," in *Public Communication—The New Imperatives: Future Directions for Media Research*, ed. Marjorie Ferguson (London: Sage, 1990), 316.

4. Des Freedman, *The Politics of Media Policy* (Cambridge: Polity, 2008); Kenneth Dyson and Peter J. Humphreys, "Regulatory Change in Western Europe: From National Cultural Regulation to International Economic Statecraft," in *Broadcasting and new media policies in Western Europe: a comparative study of technological change and public*

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policy, ed. Kenneth Dyson (London: Routledge, 1988).

5. Neil Brenner, J. Peck, and Nik Theodore, "Variegated neoliberalization: geographies, modalities, pathways," *Global Networks* 10, no. 2 (2010); Neil Brenner, Jamie Peck, and Nik Theodore, "After Neoliberalization?" *Globalizations* 7, no. 3 (2010); Adam Tickell and Jamie Peck, "Making Global Rules: Globalization or Neoliberalization?" in *Remaking the Global Economy: Economic-Geographic Perspectives*, ed. Jamie Peck and H. W.-C. Yeung (London: Sage Publications, Ltd., 2003).

6. Leys, *Market-Driven Politics: Neoliberal Democracy and the Public Interest*, 82.

7. Dick Bryan, "The Rush to Regulate: The Shift in Australia from the Rule of Markets to the Rule of Capital," *Australian Journal of Social Issues* 35, no. 4 (2000); Gregory Albo and Travis Fast, "Varieties of Neoliberalism: Trajectories of Workfare in the Advanced Capitalist Countries" (paper presented at the Annual Meetings of the Canadian Political Science Association, Congress of the Humanities and Social Sciences, Dalhousie University, Halifax, Nova Scotia, 30 May 2003).

8. Andrew Gamble, "Neo-Liberalism," *Capital & Class*, no. 75 (2001): 134; see also Brenner, Peck, and Theodore, "Variegated neoliberalization: Geographies, modalities, pathways"; Wendy Larner, "Neo-liberalism: Policy, Ideology, Governmentality," *Studies in Political Economy*, no. 63 (2000). While Tickell and Peck define neoliberalization as "a common tendential *form* of . . . restructuring process" by which market rule and discipline is extended principally by the means of the state power," Gamble warns against the overinflation of the term in a manner thath elides structural changes in state policy that has not been couched in the discourse of "governance by markets." Tickell and Peck, "Making Global Rules: Globalization or Neoliberalization?" 165.

9. Brenner, Peck, and Theodore, "Variegated neoliberalization: geographies, modalities, pathways,":218.

10. Freedman, *The Politics of Media Policy*.

11. Here the term *media policy* is used to encompass all the institutional means of state intervention, including legislation, regulations, support programs, specific regulatory institutions, and fiscal measures.

12. This regulation includes legal property rights (contract and company law and competition law); the formation and reproduction of labor markets, taxation regimes, infrastructure provision, and subsidy policies. As discussed in Chapter 2, differences in such regulation are viewed as central elements in the research on the varieties of capitalism.

13. Gillian Doyle, *Understanding Media Economics* (London: Sage Publications, Ltd., 2002), 64–66; Nicholas Garnham, *Capitalism and Communication: Global Culture and the Economics of Information* (London: Sage Publications, 1990), 38–40; Lacroix and Tremblay, "The 'Information Society' and Cultural Industries Theory"; Robert W McChesney, "Theses on Media Deregulation," *Media, Culture & Society* 25, no. 1 (2003): 131.

14. Noam Chomsky, *Media Control: The Spectacular Achievements of Propaganda*, 2nd ed. (New York: Seven Stories Press, 2002); Edward S. Herman and Noam Chomsky, *Manufacturing Consent: The Political Economy of the Mass Media* (London: Vintage, 1988); Armand Mattelart, *Mapping World Communication*, trans. Susan Emanuel and James A. Cohen (Minneapolis and London: University of Minnesota Press, 1994).

15. Nicholas Garnham, "Towards a Political Economy of Culture," *New Universities Quarterly* 31, no. 3 (1977); Garnham, "Media Policy"; Peter Golding and Graham Murdock, "Culture, Communication and Political Economy," in *Mass Media and Society*, ed. James Curran and Michael Gurevitch (London: Edward Arnold, 1991).

16. Peter J. Humphreys, "The Institutional Frame for a Media Democracy" (paper presented at the Public Communication and the New Media, Working Paper No. 131, 2000); Robert W. McChesney, *Rich Media, Poor Democracy: Communication Politics in Dubious Times* (Chicago: University of Illinois Press, 1999).

17. The state's role concerning the publishing logic industries has been similar to its role in many other sectors. Where subsidies or grants have been provided, this has generally reflected concerns over the least industrialized activities of these sectors and to the issues alluded to of the externalities and public and merit goods qualities of cultural commodities. See Lacroix and Tremblay, "The 'Information Society' and Cultural Industries Theory," 102–03.

18. Overall, the differences in policy approach to the media have meant that although publishing logic industries has been affected by the shift toward marketization of policy processes and aims based on the Neoliberal image of the market, the most profound changes in media and communication policy—and which in turn has had a profound impact on the other cultural industry sectors—has been in the area broadcasting and telecommunication. For a discussion of the bases for the challenges to Public Broadcasting Services in Europe in particular, see Hesmondhalgh, *The Cultural Industries*.

19. Peter J. Humphreys, *Mass media and media policy in Western Europe* (Manchester; New York: Manchester University Press, 1996), 122; R. Negrine, "Models of media institutions," in *The Media: An Introduction*, ed. Adam Briggs and Paul Cobley (Harlow: Longman, 1998). Cf. Daniel C. Hallin and Paolo Mancini, *Comparing Media Systems: Three Models of Media and Politics* (Cambridge: Cambridge University Press, 2004).

20. Dean Alger, *Megamedia: How giant corporations dominate mass media, distort competition, and endanger democracy* (New York: Rowman & Littlefield Publishers, 1998); Graham Murdock and Peter Golding, "Digital Possibilities, Market Realities: the contradictions of communications convergence," in *A World of Contradictions—Socialist Register*

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2002, ed. Leo Panitch and Colin Leys (London: Merlin Press, 2001), 113; Jeremy Tunstall and David Machin, *The Anglo-American Media Connection* (Oxford: Oxford University Press, 1999), 41.

21. Whereas van Cuilenburg and McQuail see these historical periods as distinguished by the changing balance between the pursuit of national interests by states and the operations of private enterprises, Hallin and Mancini posit that stable connections can be identified between media and political systems in four central dimensions: the degree of state regulation and participation in the media system, the structure of media markets, the partisan political nature of the media (political parallelism), and the extent of journalistic professionalism. Hallin and Mancini, *Comparing Media Systems: Three Models of Media and Politics*, 11.

22. Paul K. Jones and Michael Pusey, "Political communication and 'media system': The Australian canary," *Media, Culture & Society* 32, no. 3 (2010); Daniel C. Hallin, "Not the end of journalism history," *Journalism* 10, no. 3 (2009).

23. Barbara Thomass and Hans J. Kleinsteuber, "Comparing Media Systems: The European Dimension," in *Media in Europe Today*, ed. Josef Trappel, et al. (Bristol: Intellect, 2011). Hallin and Mancini believe the most powerful force for homogenization of media systems is commercialization that has transformed both print and electronic media in Europe, yet this has been limited by the differences in legal and political institutions.

24. Proselytisers of the post-Industrial age and their corporate sponsors argued that new information and communication technologies were the chief determinants of change. By purportedly posing fundamental dilemmas for policy frameworks based on discrete media technologies and institutions, the emerging technologies made leisurely discussions about regulatory change seem impractical if not impossible. Whereas the changes in the regulatory environment cannot be reduced to the technologically determined, functional requirements of an emerging "information society," it is not surprising that the direct challenge that digitalization and convergence posed, at least rhetorically, played a powerful legitimising role in attacks on preexisting forms of media policy and regulation. These combined with policy proposals based on the simplifying premise of the inclusive and perfected market of neoliberal thought (which allowed the three general regulatory concerns to be collapsed into one, as citizen became coreferential with consumers). Against the reality of an inherently contradictory process of regulation was posed the vision of a revolutionary, albeit technocratic, model of state practice. Paschal Preston, *Reshaping Communications: Technology, Information and Social Change* (London: Sage Publications, Ltd., 2001), 178. See also Gerald Sussman, *Communication, Technology and Politics in the Information Age* (London: Sage Publications, Ltd., 1997); Nick Witherford, "Autonomist Marxism and the Information Age," *Capital & Class* 52(1994); Nick Witherford, "Cycles & Circuits of Struggle in High Technology Capitalism," *Common Sense* 52, no. 18 (1995).

25. Vincent Mosco, *The Political Economy of Communication*, 2nd ed. (Los Angeles: Sage Publications, 2009), 144.

26. Negrine, "Models of media institutions," 229; Paula Chakravartty and Katherine Sarikakis, *Media Policy and Globalization* (Edinburgh: Edinburgh University Press, 2006).

27. Murdock, "Redrawing the Map of the Communications Industries: Concentration and Ownership in the Era of Privatization"; Graham Murdock "Digital Futures: Television in the Age of Convergence," in *Television Across Europe: A Comparative Introduction*, ed. Jan Wieten, Graham Murdock, and Peter Dahlgren (London: Sage Publications, Ltd., 2000); Mosco, *The Political Economy of Communication*.

28. Murdock and Golding, "Digital Possibilities, Market Realities: The contradictions of communications convergence," 116–17; Freedman, *The Politics of Media Policy*, 51.

29. Sarah Lyall and Eric Pfanner, "The Beeb Is Struggling to Tighten Its Belt," *New York Times*, April 24, 2011; Peter Humphreys, "EU state aid rules, public service broadcasters' online media engagement and Public Value Tests: The German and UK cases compared," *Interactions: Studies in Communication & Culture* 1, no. 2 (2010).

30. Here the discussion of the "internationalization" of the state abstracts from particular states or the state system.

31. 2005 David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2005), 160–65; David Harvey, *The New Imperialism* (Oxford: Oxford University Press, 2003); see also David Hesmondhalgh, "Neoliberalism, imperialism and the media," in *The Media and Social Theory*, ed. D. Hesmondhalgh and Jason Toynbee (London: Routledge, 2008); Graham Murdock, "Cosmopolitans and Conquistadors: Empires, Nations and Networks," in *Communications, Media, Globalization and Empire*, ed. Oliver Boyd-Barrett (Eastleigh: John Libby Publishing, 2006); Dan Schiller, "Hard Times: Digital Capitalism 2002" (paper presented at the Reflections on the Social Impact of American Multinational Corporations: International Colloquium, L'université Stendhal Grenoble, France January 11–12, 2003).

32. For the competition state see Susanne Soederberg, Georg Menz, and Philip G. Cerny, eds., *Internalizing Globalization: The Rise of Neoliberalism and the Decline of National Varieties of Capitalism*, International Political Economy Series (Houndmills: Palgrave MacMillan,2005); on the catalytic state, see Linda Weiss, "The state-augmenting effects of globalisation," *New Political Economy* 10, no. 3 (2005). See also Bob Jessop, "Towards a Schumpeterian workfare state? Preliminary remarks on post-Fordist political economy," *Studies in Political Economy* 40(1993). For a discussion of these concepts in relation to media policy see Chakravartty and Sarikakis, *Media Policy and Globalization*; Maria Michalis, *Governing European communications: From unification to co-ordination* (Lanham: Lexington, 2007).

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33. Greg Albo, “Neoliberalism, the state, and the left: A Canadian perspective,” *Monthly Review* 54, no. 1 (2002).

34. Terry Flew, “New Media Policies,” in *Managing Media Work*, ed. Mark Deuze (London: Sage 2011).

35. Brenner, Peck, and Theodore, “Variegated neoliberalization: Geographies, modalities, pathways,”: 216; Tickell and Peck, “Making Global Rules: Globalization or Neoliberalization?” 165.

36. Sandra Braman, “The Emergent Global Information Policy Regime,” in *The Emergent Global Information Policy Regime*, ed. Sandra Braman (Houndsmill: Palgrave MacMillan, 2004); Chakravartty and Sarikakis, *Media Policy and Globalization*.

37. Hesmondhalgh, “Neoliberalism, imperialism and the media”; David Hesmondhalgh, *The Cultural Industries*, 2nd ed. (London: Sage, 2007).

38. Tunstall and Machin, *The Anglo-American Media Connection*, 190.

39. Dwayne Winseck, “Wired cities and transnational communication: New forms of governance for telecommunications and the new media,” in *Handbook of New Media: Social Shaping and Consequences of ICTs*, ed. Leah A. Lievrouw and Sonia M. Livingstone (London: Sage Publications, Ltd., 2002).

40. Ó Siochrú, Girard, and Mahan, *Global Media Governance: A Beginner's Guide*.

41. Des Freedman, “Cultural policy-making in the free trade era: An evaluation of the impact of current world trade organization negotiations on audio-visual industries,” *International Journal of Cultural Policy* 9, no. 3 (2003): 286. On the “new constitutionalism” see, for example, Stephen Gill, “European governance and new constitutionalism: Economic and monetary union,” *New Political Economy* 3, no. 1(March 1998).

42. Edward A. Comor, “Governance and the Nation-State in a Knowledge-Based Political Economy,” in *Approaches to global governance theory*, ed. Martin Hewson and Timothy J. Sinclair (Albany: State University of New York Press, 1999); Edward S. Herman and Robert W. McChesney, *The Global Media: The New Missionaries of Corporate Capitalism* (London and Washington: Cassell, 1997), 152; Robert W McChesney and Dan Schiller, “The Political Economy of International Communications: Foundations for the Emerging Global Debate over Media Ownership and Regulation,” in *Technology, Business and Society Programme Paper Number 11* (United Nations Research Institute for Social Development, 2003), 7; Dan Schiller, *Digital Capitalism: Networking the Global Market System* (Cambridge: Massachusetts Institute of Technology Press, 1999), 40–46.

43. Hallin, “Not the end of journalism history.”

44. For example, see the work of Richard J. Barnet and John Cavanagh, *Global Dreams: Imperial Corporations and the New World Order* (New York: Simon & Schuster, 1994); David C. Korten, *When Corporations Rule the World* (San Francisco: Kumarian Press, 1995). Although often couched in terms of a radical critique, such formulations largely fail to consider class relations. Radice has cogently argued this perspective obscures developments in the manner in “which unpaid surplus-labour is pumped out of direct producers” within the overarching capitalist system; instead “the central political issue [becomes] one of ‘Globalisation versus the national state.’ ” Hugo Radice, “Taking Globalisation Seriously,” in *Socialist Register*, ed. Leo Panitch (London: Merlin Press, 1999), 3; see also Jonathan Moran, “The Dynamics of Class Politics and National Economies in Globalisation: The Marginalisation of the Unacceptable,” *Capital & Class*, no. 66 (1998).

45. Hesmondhalgh, *The Cultural Industries*, 140; R. Hodson and T. A. Sullivan, “The World of the Large Corporation,” in *The Social Organization of Work* (Belmont: Wadsworth, 2002), 385; Charles Lewis, “Media Money,” *Columbia Journalism Review* 39, no. 3 (2000); McChesney, *Rich Media, Poor Democracy: Communication Politics in Dubious Times*, 74; see also Robert W McChesney, “Media Giants Have a Pal at the FCC,” *Monthly Review* (2001); Tunstall and Machin, *The Anglo-American Media Connection*; Jeremy Tunstall and Michael Palmer, *Media Moguls* (London: Routledge, 1991).

46. Leys, *Market-Driven Politics: Neoliberal Democracy and the Public Interest*, 15–16.

47. Murdock and Golding, “Digital Possibilities, Market realities: The contradictions of communications convergence,” 119.

48. Murdock and Golding, “Digital Possibilities, Market realities: The contradictions of communications convergence,” 116. See also Humphreys, *Mass media and media policy in Western Europe*; Freedman, *The Politics of Media Policy*; McChesney, *Rich Media, Poor Democracy: Communication Politics in Dubious Times*; Jeremy Tunstall, *Communications Deregulation: The unleashing of America's Communications Industry* (Oxford: Blackwell Publishers, 1986); Tunstall and Machin, *The Anglo-American Media Connection*; Jeremy Tunstall and Michael Palmer, “Euro-media moguls,” in *Media Moguls* (London: Routledge, 1991). For a general discussion of the role of TNCs in this regard see Leys, *Market-Driven Politics: Neoliberal Democracy and the Public Interest*, 85–86.

49. Slavko Splichal, “Privatization: The cost of media democratization in East and Central Europe?” in *Who owns the Media: Global trends and local resistances*, ed. Pradip N. Thomas and Zaharom Nain (Penang: Southbound, 2004), 63, 65; see also Andrew Calabrese and Colleen Mihal, “Liberal Fictions: The Public-Private Dichotomy in Media Policy,” in *Handbook of Political Economy of Communications*, ed. G. Murdock, H. Sousa, and J. Wasko (Oxford: Blackwell, 2011); Hesmondhalgh, *The Cultural Industries*, 126; Colin Sparks, “Media theory after the fall of European communism: Why the old models from East and West won't do anymore,” in *De-Westernizing Media Studies*, ed. J. Curran and M.-J. Park (London: Routledge,

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2000).

50. Murdock and Golding, "Digital Possibilities, Market Realities: The contradictions of communications convergence," 117. Thus, as Golding notes, "the globalised nature of communications poses severe questions of practicalities of both performance evaluation and for regulation. As the EU found, what transnational regulatory bodies may believe to be in the 'public interest' may not convincingly be so from the perspective of the nation state. Moreover, the nation state may not always see the public interest as distinct from that of major multinational private sector players." Peter Golding, "New Technologies and Old Problems: Evaluating and Regulating Media Performance in the "Information Age," in *The Media in Question: Popular Cultures and Public Interests*, ed. Kees Brants, Joke Hermes, and Lisbet van Zoonen (London: Sage Publications, Ltd., 1998), 15–16. Here a real contradiction emerges between the two aspects of "globalization": the internationalization of the state, understood in terms of states becoming more and more attuned to fostering and/or accommodating to capital accumulation on a world scale; and the continued national locus of the owners and boards of directors of the leading multinational corporations belying the process of international class formation of recent years, especially transnational integration among the capitalist classes. See Leo Panitch, "'The State in a Changing World': Social-Democratizing Global Capitalism?" *Monthly Review* 50, no. 5 (1998).

51. In *Economy and Society*, Weber describes political capitalism as where profit opportunities derive from connections with political authorities and contrasts this with rational capitalism, where profits opportunities derive from the free market. See Richard Swedberg, "Max Weber's Vision of Economic Sociology," *Journal of Socio-Economics* 27, no. 4 (1998).

52. Linda Weiss, "Globalization and the Myth of the Powerless State," *New Left Review* (1997); Weiss, "The state-augmenting effects of globalisation"; L. Weiss, "Introduction: Bringing Domestic Institutions Back In," in *States in the Global Economy Bringing Domestic Institutions Back In* (Cambridge: Cambridge University Press, 2003); L. Weiss, *The Myth of Powerless State Governing the Economy in a Global Era* (Oxford: Polity Press, 1998).

53. Weiss, "Introduction: Bringing Domestic Institutions Back In," 212.

54. Weiss, "The state-augmenting effects of globalisation," 352.

55. Alison J. Harcourt, "Institution-driven Competition: The Regulation of Cross-border Broadcasting in the EU," *Journal of Public Policy* 27, no. 03 (2007).

56. C. Harman, "The state and capitalism today," *International Socialism*, no. 51 (1991); Peter Gowan, Leo Panitch, and Martin Shaw, "The State, Globalisation and the New Imperialism," *Historical Materialism* 9(2001); Herbert I. Schiller, "Media, Technology, and the Market: The Interacting Dynamic," in *Culture on the Brink: Ideologies of Technology*, ed. Gretchen Bender and Timothy Druckrey (Seattle: Bay Press, 1994).

57. As has Panitch argued, "Today's globalisation . . . is authored by states and is primarily about reorganising, rather than bypassing, states." Leo Panitch, "Globalisation and the state," in *The Socialist Register: New World Order?* ed. Ralph Miliband and Leo Panitch (London: Merlin Press, 1994), 63; Leo Panitch, "Rethinking the Role of the State," in *Globalization: Critical Reflections*, ed. James H. Mittelman (New York: Lynne Rienner, 1996), 85. This reality clearly undermines the common rhetoric regarding globalization, which underplays the central importance played by the state in facilitating the development of the more global aspects of capitalism, with the international media sector being no exception.

58. Sol Picciotto (cited in Leys, *Market-Driven Politics: Neoliberal Democracy and the Public Interest*, 17) remarks, "The growth of the TNC, in the characteristic form of an international network of related companies carrying on businesses in different countries in a more or less integrated way, is to a significant extent attributable to the opportunities it has to take advantage of regulatory differences, or 'regulatory arbitrage.' " On this topic see also Sol Picciotto, "Introduction: Reconceptualizing Regulation in the Era of Globalization," in *New Directions in Regulatory Theory*, ed. Sol Picciotto and David Campbell (Oxford: Blackwell Publishers, 2002); Edward S. Herman, "Globalization as an Arbitrage Process" (paper presented at the Reflections on the Social Impact of American Multinational Corporations: International Colloquium, L'université Stendhal Grenoble, France, January 11–12, 2003). Elsewhere Picciotto has noted, "[H]aving secured the minimalist principles of national treatment for foreign-owned capital, TNCs have been the staunchest defenders of the national state. It is their ability to exploit national differences, both politically and economically, that gives them their competitive advantage." Sol Picciotto, "The Internationalisation of the State," *Capital & Class*, no. 43 (1991): 46. For a brief discussion of these processes in the media sphere, see, for example, Golding's discussion of News Corporation's relations with U.S. and British states. Golding, "New Technologies and Old Problems: Evaluating and Regulating Media Performance in the "Information Age," 14.

59. Bob Jessop, "Bringing the State Back In (Yet Again): Reviews, Revisions, Rejections, and Redirections," *International Review of Sociology* 11, no. 2 (2001): 155. Sceptical of the ideological basis of the "hyperglobalist" conceptions of the global corporation, a growing number of writers have sought to delineate critically the relations between nation–states and TNCs. Unfortunately, the same categories of analysis—national states and global markets—have been accepted by the increasingly influential state-centered, neo-institutionalist theorists. Although this position provides a useful counterweight to the wish-fulfilment rhetoric of "hyperglobalists," it is based on premises that pose severe limitations and that reflect the impoverishment of state theory. However, the central premises of state-centered, neoinstitutional theory are derived from the matrix of Max

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Weber's work on the modern state. The Weberian methodology of beginning from the empirical specificity of autonomous institutions underpins the view of state autonomy. As Panitch noted, "[T]here was a remarkable paradox in this development. The state autonomy perspective that emerged in the 1980s involved the theoretical assertion of the institutional autonomy of the state at the very time when the structural power of capital and the strategic and ideological reach of capitalist classes has become perhaps never more nakedly visible." Leo Panitch, "The Impoverishment of State Theory," in *Paradigm Lost: State Theory Reconsidered*, ed. Stanley Aronowitz and P. Bratsis (Minneapolis: University of Minnesota Press, 2002), 92.William Robinson, among other writers on the state and globalization, argues that the problem of statecentric approaches theorization derives from: "In the Weberian construct, the economic and political in Weberian terms, "markets and states" are externally related separate and even oppositional, spheres, each with its own independent logic. Nation–states interact externally with markets. Consequently, globalization is seen to evolve the economic sphere, while the political sphere may remain constant, an immutable nation–state system. State managers confront the implications of economic globalization and the footloose transnational capital as an external logic." William I. Robinson, "Social Theory and Globalization: The Rise of a Transnational State," *Theory and Society* 30, no. 2 (2001): 162.

60. Michael Wayne, *Marxism and Media Studies: Key Concepts and Contemporary Trends* (London: Pluto Press, 2003), 90.

61. Harvey, *The New Imperialism*, 26, 33; Hannes Lacher, "Making sense of the international system: The promises and pitfalls of contemporary Marxist theories of international relations," in *Historical Materialism and Globalization*, ed. Mark Rupert and Hazel Smith (London: Routledge, 2002); Leo Panitch and Sam Gindin, "Superintending Global Capital," *New Left Review*, no. 35 (2005): 102–04, 12; see also Giovanni Arrighi, *The Long Twentieth Century* (London: Verso, 1994).

62. This position has been developed extensively by the "open Marxism" of S. Clarke, J. Holloway, S. Picciotto, W. Bonefeld, and P. Burnham and via the "political Marxism" of Ellen Meiksins Wood; see, for example, Peter Burnham, "Capital, Crisis and the International State System," in *Global Capital, National State and the Politics of Money*, ed. Werner Bonefeld and John Holloway (London: Macmillan Press Ltd., 1995); Simon Clarke, "State, Class Struggle, and the Reproduction of Capital," in *The State Debate*, ed. Simon Clarke (London: Macmillan Press Ltd., 1991); Clarke, "'The State Debate' "; John Holloway and Sol Picciotto, "Introduction: Towards a Materialist Theory of the State," in *The State and Capital: A Marxist Debate*, ed. John Holloway and Sol Picciotto, (London: Edward Arnold, 1978). This approach begins by questioning what is distinctive about capitalism that gives rise to the fetishization of social relations in the form of the capitalist state. The answer is that the rise of capitalism, as a distinct set of social relations, was marked by the "specific economic form in which unpaid surplus labour is pumped out of the direct producers [which] determines the relationship of domination and servitude," K. Marx, *Capital: A critique of political economy*, vol. 3 (London: Penguin, 1991), 927. It is this form within capitalism, the 'free' contact of wage labor and the abstraction of coercion from the immediate process of exploitation, that historically gives rise to the institutional—but also artificial—separation of the political realm and the economic realm as distinct moments within the same social relations. There is a more or less clear "formal" division between capitalist exploitation, conducted within the "private" economic realm of civil society on the basis of a contract of formal equivalence between capital and labor, and the coercive political realm of the state linked to the "public" sphere of individual citizens. See John Holloway and Sol Picciotto, "Capital, Crisis and the State," in *The State Debate*, ed. Simon Clarke (London: Macmillan Press Ltd., 1991), 112–13; John Holloway, "Global Capital and the National State," in *Global Capital, National State and the Politics of Money*, ed. Werner Bonefeld and John Holloway (London: Macmillan Press Ltd., 1995), 120–21; see also, Ellen Meiksins Wood, "The Separation of the Economic and Political in Capitalism," *New Left Review*, no. 127 (May-June) (1981). Ellen Meiksins Wood, *Empire of Capital* (London: Verso, 2003), 10–14.

63. For discussion see Greg Albo, "Contesting the 'New Capitalism,' " in *Varieties of Capitalism, Varieties of Approaches*, ed. David Coates (London: Palgrave, 2005), 78; Andreas Bieler and A. D. Morton, "Globalisation, the state and class struggle: A "Critical Economy" engagement with Open Marxism," *British Journal of Politics and International Relations* 5, no. 4 (2003); Lacher, "Making sense of the international system: The promises and pitfalls of contemporary Marxist theories of international relations," 151.

64. Simon Clarke, "The globalisation of capital, crisis and class struggle," *Capital & Class*, no. 75 (2001): 85.

65. The capitalist state's "autonomy" as an orchestrator of accumulation is most evident at such times of crisis. Established alliances with individual capitals and former "class compromises" and regulatory objectives are all affected by the compulsion to guarantee capital valorization inside their "national" territorial confines within the limits of the world economy. Indeed, as Andrew Gamble has argued, as a political and economic strategy, this is because "Neo-liberalism gives priority to capital as money rather than capital as production. In a period of rapid restructuring this has the advantage of enabling policies to be adopted which clear the decks, removing subsidies and protection, and freeing up capital from fixed positions. It allows capital to regain mobility, dissolving the spatial and institutional rigidities in which it had become encased . . . The contribution of neo-liberalism to the restructuring of capitalism was therefore to provide a means by which capital could begin to disengage from many of the positions and commitments which had been taken up during the Keynesian era," Gamble, "Neo-Liberalism," 130–

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31.

66. For Wood, this means "the political form of globalisation is not a global state but a global system of multiple states, and the new imperialism takes its specific shape from the complex and contradictory relationship between capital's expansive economic power and the more limited reach of the extra-economic force that sustains it," Wood, *Empire of Capital*, 6. See also the introductory comments of Panitch and Gindin, "Superintending Global Capital."

67. For instance, the state must establish the rules within which competition occurs and mediate the contradictory interests of different parts of capital; however, in doing so the state cannot stand above the process of accumulation and resolve contradictions by imparting unity and coherence to the process The reason for this is that, as Bryan states: "'Capital,' or total capital, does not have a coherent a priori common, good which the state must secure, beyond the subordination of labour to the surplus-value-producing process. This is because total capital is but an aggregation of individual capitals, each with a particular path of accumulation. In securing the conditions of accumulation, the nation state will implement policies which advance the interests of some parts of capital at the expense of other parts of capital, and not out of some higher aggregate good, but simply because competition makes capitals' requirements of state policy incompatible," Dick Bryan, *The Chase Across the Globe: International Accumulation and the Contradictions for Nations States* (Land Cove: Harry Howell, 1995), 87. Clarke, "The State Debate," 50; see also Comor's comments specifically relating to the "global information infrastructure," Edward A. Comor, "The United States and the Global Information Infrastructure: Orchestrator, Functionary, or Mediator?" *Prometheus* 15, no. 3 (1997): 360.

68. John Holloway, "Global Capital and the National State," *Capital and Class*, no. 52 (1994): 37; Greg Albo, "Capital, Labour and the New Economy" (paper presented at the Real Work in a Virtual World: The Human Impact of Organizational Transformation in A Digital Global Economy, Vienna, Austria, May 12–13, 2003).

69. P. Bratsis, "Unthinking the state: Reification, ideology, and the state as a social fact," in *Rethinking the State: Miliband, Poulantzas and State Theory*, ed. S. Aaronwitz and P. Bratsis (Minneapolis: University of Minnesota Press, 2002); Bob Jessop, "Globalization and the National State," in *Rethinking the State: Miliband, Poulantzas and State Theory*, ed. S. Aaronwitz and P. Bratsis (Minneapolis: University of Minnesota Press, 2002); Leo Panitch and Sam Gindin, "Euro-capitalism and American Empire," in *Varieties of Capitalism, Varieties of Approaches*, ed. David Coates (London: Palgrave, 2005).

70. Both of these moments of the state, as a fragment of global system of capitalist accumulation and the institutional condensation of the relationship among classes and class fractions must be taken into account. Jessop has attempted to address both moments in his notion of the strategic selectivity of capitalist states. Bob Jessop, *State Theory: Putting Capitalist States in their Place* (Cambridge: Polity Press, 1990). Strategic selectivity refers to the "state tendency to privilege certain class fractions and social forces over others [which] results from the evolving relationship between inherited structures and strategies emerging to harness state institutions towards particular socio-economic projects." Neil Brenner, "'Glocalization' as a State Spatial Strategy," in *Remaking the Global Economy: Economic-Geographic Perspectives*, ed. Jamie Peck and H. W.-C. Yeung (London: Sage Publications, Ltd., 2003), 201. In simple terms, the state is both determined by, and determining of, relations between capitals. For an often arcane yet insightful debate between Jessop's strategic-relational approach and the social relations of production approach of "Open Marxism" see Werner Bonefeld and John Holloway, eds., *Post-Fordism and Social Form: A Marxist Debate on the Post-Fordist State* (London: Macmillan Press Ltd.,1991).

71. Leys, *Market-Driven Politics: Neoliberal Democracy and the Public Interest*; Prabhat Patnaik, "Capitalism in Asia at the End of the Millennium," *Monthly Review* 51, no. 3 (1999); Clyde W. Barrow, "The Marx problem in Marxian state theory," *Science & Society* 64, no. 1 (2000). Clyde W. Barrow, "The Return of the State: Globalization, State Theory, and the New Imperialism," *New Political Science* 27, no. 2 (2005): 136.

72. Panitch, "Globalisation and the state," 67.

73. Bryan, *The Chase Across the Globe: International Accumulation and the Contradictions for Nations States*.

74. D. Freedman, "National culture or international trade? The media policy of the UK Labour Government," in *Global International Policy: Among and Within Nations*, ed. S. Nagel (New York: Marcel Dekker, 2000). The internationalization of the world's states creates a new contradiction: intensified under neoliberalism the law of value imposes an international discipline that undermines the domestic space for states to pursue legitimation functions. In part this is why the marketization of media policy has been accompanied by attempts to support "national media champions"—for it appears that "concerns about media concentration and profit orientation are less acute when it is "their" capitalists doing the growing and profiteering." Wayne, *Marxism and Media Studies: Key Concepts and Contemporary Trends*, 115.

75. The issue of nationality of ownership, as a populist political issue, also exists as a pragmatic basis of alliance between individual capitals which can ride populism to their own advantage.

76. Albo, "Contesting the "New Capitalism," 80. See also Leo Panitch, "The New Imperial State," *New Left Review* 1, no. 2 (2000); Leo Panitch and Sam Gindin, "Global Capitalism and American Empire," in *Socialist Register: The New Imperial Challenge*, ed. Leo Panitch and Colin Leys (London: Merlin Press, 2003); Leo Panitch and Sam Gindin, "Finance and the American Empire," in *Socialist Register 2005*, ed. Leo Panitch and Colin Leys (London: Merlin Press, 2004). For a critique

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see Alex Callinicos, "Imperialism and global political economy," *International Socialism*, no. 108 (2005); Alex Callinicos, *Imperialism and Global Political Economy* (Cambridge: Polity, 2009).

77. No doubt, this dramatic policy shift itself may be related to the late-1980s efforts by the United States to realign the international monetary system, which in turn prompted a huge infusion of foreign direct investment in the United States. Dan Steinbock, *Triumph and Erosion in the American Media and Entertainment Industries* (London: Greenwood PubIishing Group, Inc., 1995); Dan Schiller, "Hard Times: Digital Capitalism 2002" (paper presented at the Reflections on the Social Impact of American Multinational Corporations: International Colloquium, L'université Stendhal Grenoble, France January 11–12, 2002). The deleterious effect of the dollar's high valuation was addressed in the Plaza Accord of September 1985.

78. Robert W. McChesney et al., "Empire and the Media: A Socialist Project Interview with Robert McChesney," *Relay*, no. 2 (2004): 19; Panitch and Gindin, "Superintending Global Capital," 104.

79. See the discussion of communications and imperialism in Dwayne R. Winseck and Robert M. Pike, "Communication and empire: Media markets, power and globalization, 1860–1910," *Global Media and Communication* 4, no. 1 (2008). For a contrasting analysis of the relation between capital and territorial logics see Callinicos, *Imperialism and Global Political Economy*.

80. Herbert I. Schiller, "Striving for communication dominance," in *Electronic Empires: Global Media and Local Resistance*, ed. Daya Kishan Thussu (London: Arnold, 1998); Comor, "The United States and the Global Information Infrastructure: Ochestrator, Functionary, or Mediator?"; Edward A. Comor, *Communication, Commerce and Power* (London and New York: Macmillan and St. Martin's Press, 1998); Comor, "Governance and the Nation-State in a Knowledge-Based Political Economy."

81. Panitch argues in an article on the "informal empire" of the United Sates that too often American state strategies have been overcredited with coherence and political actors have been accorded too much clarity and foresight. Panitch, "The New Imperial State."

82. Schiller, "Media, Technology, and the Market: The Interacting Dynamic."

83. Michael Perelman, *Steal This Idea: Intellectual Prooperty Rights and the Corporate Confiscation of Creativity* (New York: Palgrave, 2002), 33.

84. Edward A. Comor, "The re-tooling of American hegemony: U.S. Foreign Communication Policy from Free Flow to Free Trade," in *Media in Global Context: A Reader*, ed. Annabelle Sreberny-Mohammadi, et al. (London: Arnold, 1997), 203.

85. Des Freedman, "Cultural Policy-Making in the Free Trade Era: An Evaluation of the Impact of Current World Trade Organization Negotiations on Audio-visual Industries," *International Journal of Cultural Policy* 9, no. 3 (2003); Des Freedman, "GATS and the Audiovisual Sector: An \Update," *Global Media and Communication* 1, no. 1 (2005); Freedman, *The Politics of Media Policy*.

86. Freedman lists four important examples of U.S. success. First, the General Agreement on Trade in Services (GATS), overseen by the newly formed World Trade Organization (WTO), included "communication services" among wider provisions that limited the "trade distortive" effects of national regulation. Second, the Agreement on Trade Related Aspects of Intellectual Property (TRIPs) secured holders rights far more vigorously than the preexisting arrangements overseen by the World Intellectual Property Organization (WIPO). Third, free trade discipline was applied to telecommunications through the 1997 World Telecommunications Agreement. Finally, the United States has used membership to the WTO as a point of leverage to attempt to discipline countries that are viewed as having protectionist adiovisual policies. Freedman, "Cultural policy-making in the free trade era: An evaluation of the impact of current world trade organization negotiations on audio-visual industries," 286–87.

87. Albo, "Contesting the "New Capitalism"; Panitch and Gindin, "Superintending Global Capital"; Saskia Sassen, *Losing Control? Sovereignty in an Age of Globalization* (New York: Columbia University Press, 1996).

88. Harvey, *A Brief History of Neoliberalism*; Linda Weiss, Elizabeth Thurbon, and John Mathews, *How to Kill a Country: Australia's Devastating Trade Deal with the United States* (Sydney: Allen & Unwin Pty Ltd., 2004).

89. Sol Picciotto, "Networks in international economic integration: Fragmented states and the dilemmas of neo-liberalism," *Northwestern Journal of International Law & Business* 17, no. 2/3 (1997).

90. Peter Burnham, "The Recomposition of National States in the Global Economy: From Politicized to Depolitized Forms of Labour Regulation," in *National States and the Regulation of Labour in the Global Economy*, ed. Tony Elger and Paul Edwards (London: Mansell Publishing, 1999), 47; Paschal Preston, *Reshaping Communications: Technology, Information and Social Change* (London: Sage Publications, Ltd., 2001), 177. Although for a more positive assessment of the recent World Summit on the Information Society (WSIS), see Marc Raboy, "The World Summit on the Information Society and Its Legacy for Global Governance," *Gazette* 66, no. 3–4 (2004).

91. Mary E. Footer and Christopher Beat Graber, "Trade Liberalization and Cultural Policy," *Journal of International Economics and Law* 3, no. 1 (2000); Freedman, "Cultural policy-making in the free trade era: An evaluation of the impact of current world trade organization negotiations on audio-visual industries"; Christopher Beat Graber, "Audio-Visual Policy: The

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Stumbling Block of Trade Liberalization," in *The WTO and Global Convergence in Telecommunications and Audio-Visual Services*, ed. D. Geradin and D. Luff (Cambridge: Cambridge University Press, 2004). Sassen, *Losing Control? Sovereignty in an Age of Globalization*, 19.

92. As Freedman notes, in "the audiovisual sector, a full implementation of GATS could, in theory, lead to the scrapping of mechanisms like licence fees, screen quotas, press subsidies and public service content obligations that have traditionally been applied to ensure cultural diversity, media pluralism and national sovereignty," Freedman, "GATS and the audiovisual sector: An update," 124.

93. William I. Robinson, "Capitalist Globalisation and the Transnational State," in *Historical Materialism and Globalization*, ed. Mark Rupert and Hazel Smith (London: Routledge, 2002).

94. Donald G. Richards, *Intellectual Property Rights and Global Capitalism: The Political Economy of the TRIPS Agreement* (New York: M. E. Sharpe, 2004), 108–09.

95. Sol Picciotto and Jason Haines, "Regulating Global Financial Markets," *Journal of Law and Society* 26, no. 3 (1999): 60.

96. Andrew Calabrese and Marco Briziarelli, "Policy Imperialism: Bilateral Trade Agreements as Instruments of Media Governance," in *The Handbook of Global Media and Communication Policy*, ed. Robin Mansell and Marc Raboy (Oxford: Wiley-Blackwell, 2011).

97. Here, for example, Mattelart argues that the UNESCO Convention on Cultural Diversity protection, while emphasising "national" cultural sovereignty, does not seek to guarantee diversity at a national level through, for example, the promotion of restrictions on cross-media ownership. A Mattelart, "Cultural diveristy belongs to us all," *Le Monde Diplomatique*, November 2005.

98. Murdock and Golding, "Digital Possibilities, Market Realities: The contradictions of communications convergence," 116. This analysis is also supported by Freedman, "Cultural policy-making in the free trade era: An evaluation of the impact of current world trade organization negotiations on audio-visual industries"; Freedman, "GATS and the audiovisual sector: An update."

99. Gaëtan Tremblay, "Industries culturelles, économie créative et société de l'information," *Global Media Journal—Canadian Edition* 1, no. 1 (2008): 80.

100. This entails that the law of value principally via the global flow of money and the rule of law confine national states within the limits imposed by the contradictory accumulation of capital within a global economy. For "open Marxism," this relation is foremost mediated by money, as money under capitalism serves as an abstract form of labor. That is, labor that has been expended and that the world market has valorized as socially useful, and as a social form of power that the national state is committed to preserving.

101. Panitch and Gindin, "Superintending Global Capital"; Behzad Yaghmaian, "Globalization and the State: The Political Economy of Global Accumulation and Its Emerging Mode of Regulation," *Science & Society* 62, no. 2 Summer (1998); Tony Smith, *Globalisation: A Systematic Marxian Account* vol. 10 (Leiden: Brill, 2006).

102. Golding, "New Technologies and Old Problems: Evaluating and Regulating Media Performance in the "Information Age," 8.

103. Freedman, *The Politics of Media Policy*, 77.

104. Graham Murdock, "Large corporations and the control of the communications industries," in *Culture, Society and the Media*, ed. Michael Gurevitch, et al. (London: 1982).

105. Richard A. Gershon and Abubakar D. Alhassan, "AOL Time Warner & WorldCom Inc.: Corporate Governance and Diffusion of Authority," in *6th World Media Economics Conference* (HEC Montréal, Montréal, Canada, May 12–152004).

106. C. Edwin Baker, *Media Concentration and Democracy: Why Ownership Matters* (New York: Cambridge University Press, 2007), 56. See also Eli Noam, *Media Ownership and Concentration in America* (New York: Oxford University Press, 2009), 41.

107. A central problem in analysing these trends is the limited amount of work that has been done in this area. Eli Noam's recent work on media concentration levels in the United States is an important recent contribution to this field of analysis. Noam is part of the International Media Concentration project, which is conducting research on levels of concentration in media systems around the world.

108. Alan B. Albarran, "The media and the communication industries: A 21st. century perspective," *ComHumanitas* 1, no. 1 (2011); A. B. Albarran and I. B. Mierzejewska, "Media Concentration in the U.S. and European Union: A Comparative Analysis," in *6th World Media Economics Conference, May 12–15* (Montreal, Canada, 2004); A. B. Albarran, "Media Economics," in *The SAGE Handbook of Media Studies*, ed. John Downing et al. (London: Sage, 2004); Alan B. Albarran, *The Media Economy* (New York: Routledge, 2010); Alan B. Albarran and John Dimmick, "Concentration and Economies of Multiformity in the Communication Industries," *Journal of Media Economics* 9, no. 4 (1996).

109. Albarran, *The Media Economy*, 48; Freedman, *The Politics of Media Policy*; Natascha Just, "Measuring media concentration and diversity: New approaches and instruments in Europe and the US," *Media, Culture & Society* 31, no. 1

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(2009).

110. Albarran, "Media Economics," 302.

111. Werner A. Meier, "Media Governance: Valuable Instrument of Risk Discourse for Media Ownership Concentration," in *Convergence and Fragmentation: Media Technology and the Information Society*, ed. Peter Ludes (Bristol Intellect, 2008).

112. Chakravartty and Sarikakis, *Media Policy and Globalization*, 102.

113. Just, "Measuring media concentration and diversity: new approaches and instruments in Europe and the US," 109.

114. Just, "Measuring media concentration and diversity: New approaches and instruments in Europe and the US," 105, 09.

115. Freedman, *The Politics of Media Policy*; Tim Dwyer, *Media Convergence* (Milton Keynes: Open University Press, 2010); Baker, *Media Concentration and Democracy: Why Ownership Matters*; Just, "Measuring media concentration and diversity: New approaches and instruments in Europe and the US"; Noam, *Media Ownership and Concentration in America*.

116. Telecommunications Act of 1996, Section 202h, 110, Stat. at 111–112

117. Freedman, *The Politics of Media Policy*, 108; Jock Given, "Cross-Media Ownership Laws: Refinement or Rejection?" *University of New South Wales Law Journal* 30, no. 1 (2007); Dwyer, *Media Convergence*.

118. See Given, "Cross-Media Ownership Laws: Refinement or Rejection?" In the 2002 review, the FCC concluded that its media ownership rules "inadequately account for the competitive presence of cable, ignore the diversity enhancing value of the internet and lack any sound basis for a national [television] audience reach cap." It also noted the growth in the numbers of traditional media outlets.

119. David Croteau and William Hoynes, *Business of media*, 2nd ed. (Thousand Oaks: Pine Forge Press, 2006), 92.

120. Dwyer, *Media Convergence*.

121. Philip M. Napoli, "Bridging Cultural Policy and Media Policy," *Journal of Arts Management, Law, and Society* 37, no. 4 (2008).

122. The FCC is now reviewing the rules, taking into account changes since then in the media market and the way people are using media. In June 2006, the FCC adopted a Further Notice of Proposed Rulemaking FNPR51 to address the issues raised by the United States Court of Appeals for the Third Circuit and also to perform the recurring evaluation of the media ownership rules required by the Telecommunications Act. It lifted the absolute ban on newspaper/broadcast cross-ownership and now allows a newspaper to own one television or radio station in the 20 largest markets.

123. Commonwealth of Australia, "Parliamentary Debates," October 11 2006.

124. 2 Commonwealth of Australia, "Parliamentary Debates": 11

125. Simon Curtis et al., "Too Soon: The Government's Media Ownership Proposals," *Media International Australia Incorporating Culture and Policy*, no. 119 (2006); Lesley Hitchens, "Australian Media Reform—Discerning the Policy," *University of New South Wales Law Journal* 30, no. 1 (2007); Franco Papandrea, "Media Diversity and Cross-Media Regulation," *Prometheus* 24 no. 3 (2006).

126. Hitchens, "Australian Media Reform—Discerning the Policy."

127. Rodney Tiffen, "Media ownership changes 1987 and 2006: From Alan Bond to CVC," *Media International Australia* 2007, no. 122 (2007); Christopher Warren, "The Price of Freedom: New Media Ownership Laws and a Free Australian Press," *UNSW Law Journal* 30, no. 1 (2007); Dwayne Winseck, "The State of Media Ownership and Media Markets: Competition or Concentration and Why Should We Care?" *Sociology Compass* 2, no. 1 (2008). The Communications Minister Helen Coonan noted that in a "dynamic new world . . . [the] proposed reforms will enable existing players to make the most of emerging digital technologies and give them the flexibility to structure their businesses to be globally competitive media companies and continue to deliver quality services to their audiences," Helen Coonan, "New Media Framework for Australia," www.minister.dcita.gov.au/coonan/media/media_releases/new_media_framework_for_australia. The technology and consumer-driven nature of the changes were argued to largely invalidate concerns that an increase in structural flexibility would undermine media diversity. The Minister conceded that there will be "some consolidation but I don't think it's going to be at the expense of diversity because I think the media landscape has simply moved on," Warren, "The Price of Freedom: New Media Ownership Laws and a Free Australian Press," 275.

128. Peter Humphreys notes that the "new law could be seen as a largely symbolic re-regulation to conclude a marked process of deregulatory competition," Peter Humphreys, "Globalization, Regulatory Competition, and Audiovisual Regulation: The French, German, and UK Cases," in *International Communication Association* (Marriott, Chicago, IL, May 20, 2009), 20.

129. David A. L. Levy, "Regulating digital broadcasting in Europe: The limits of policy convergence," *West European Politics* 20, no. 4 (1997).

130. This specific media assessment device is stipulated in Section 383 of the GWB. Under the GWB, there is a general obligation to notify the relevant authority of mergers prior to their completion if: (1) Both the undertakings involved had a combined worldwide annual turnover of more than €500 million during the business year preceding the merger; and (2) At least

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one of the undertakings concerned had a domestic annual turnover of more than € 25 million during that year.

131. ProSiebenSAT.1 Media AG, the television section of Kirch's media empire, which had been acquired by Haim Saban and a group of private equity investors after the insolvency of the Kirch Group in 2002. Announced in 2005 Axel Springer AG, the merger deal was valued at around € 2.5 billion.

132. The KEK estimated that after the merger, Axel Springer would have a market share equivalent to a broadcaster's 42 percent audience share 22 percent of which audience share by the ProSiebenSAT.1 group, 25 percent related media markets, less a bonus of 5 percent granted for securing diversity through regional and third-party programs.

133. Further, in 2008 the 10th revision of the Inter-Land Treaty on broadcasting RStV introduced a further new inter-Land regulatory authority called the Kommission für Zulassung und Aufsicht ZAK, which alongside the directors of the Länder private media regulatory authorities also had some independent expert members. From September 2008, the ZAK has been responsible for granting licenses and overseeing nationwide private commercial radio and TV program services, thereby removing any remaining incentive for deregulatory competition among the Länder, namely their ability to offer attractive general regulatory conditions to attract media investment.

134. Rita Raley, "eEmpires," *Cultural Critique*, no. 57 (2004). For distinction between capital and territorial logics, see Harvey, *The New Imperialism*; Arrighi, *The Long Twentieth Century*.

135. Daya Kishan Thussu, ed. *Electronic Empires: Global Media and Local Resistance* (London: Arnold Publishing, 1998).

136. Colin Leys, "Total Capitalism," *Relay*, no. 17 (2007). cf. Kevin Robins and Frank Webster, "Cybernetic Capitalism: Information, Technology, Everday Life," in *The Political Economy of Information*, ed. Vincent Mosco and Janet Wasko (Madison: University of Wisconsin Press, 1988).

137. Alexander Anievas, ed. *Marxism and World Politics: Contesting Global Capitalism* (London: Routledge, 2010). See also John Bellamy Foster, "The New Geopolitics of Empire," *Monthly Review* 57, no. 8 (2006); Ray Kiely, "Capitalist expansion and the imperialism—globalization debate: Contemporary Marxist explanations," *Journal of International Relations and Development* 8(2005). Ray Kiely, "United States Hegemony and Globalisation: What Role for Theories of Imperialism?" *Cambridge Review of International Affairs* 19, no. 2 (2006); Leo Panitch, "American Imperialism and the Illusions of Interimperial Rivalry Today," *Relay*, no. 2 (2004); Leo Panitch and Sam Gindin, "'Imperialism and global political economy': A reply to Callinicos," *International Socialism* 109(2006); Gonzalo Pozo-Martin, "A Tougher Gordian Knot: Globalisation, Imperialism and the Problem of the State," *Cambridge Review of International Affairs* 19, no. 2 (2006).

138. Arrighi, *The Long Twentieth Century*, 29.

139. "A World View," *Economist*, November 27 1997.

140. Jean K. Chalaby, "American Cultural Primacy in a New Media Order: A European Perspective," *Gazette* 68, no. 1 (2006); Jeremy Tunstall, *The Media Were American: U.S. Mass Media in Decline* (Oxford: Oxford University Press, 2007).

141. cf. Alex Callinicos, *Bonfire of Illusions: The twin crises of the liberal world* (Cambridge: Polity, 2010); Callinicos, *Imperialism and Global Political Economy*.

142. McChesney et al., "Empire and the Media: A Socialist Project Interview with Robert McChesney."

143. Herbert I. Schiller, "Not Yet the Post-Imperialist Era," *Critical Studies in Mass Communication* 8, no. 1 March (1991): 15; see also Dan Schiller, *How to Think About Information* (Chicago: University of Illinois Press, 2007), 135–39.

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Chapter 4

Time Warner

4.1 OVERVIEW

This chapter deals with the history, organization, and operations of Time Warner, which for most of the last two decades has been the largest international media firm. The corporation is distinguished by the sheer size of its cultural production and its ability to exploit the largest library of cultural commodities, in some cases stretching back over the life of the various incarnations of the corporation. What is more, this library consists of more recognizable brands than that of any other media firm in the world.[1] The size of Time Warner's operations at the midpoint of the new millennium's first decade can be illustrated through a few examples: in 2005, Warner Bros. Pictures produced US$3.3 billion in worldwide box office revenues, and enjoyed the fifth consecutive year in which it produced over US$1 billion in revenue in both the U.S. and international box offices. Time Warner's collection of cable programming and networks included HBO and Cinemax, which together had approximately 40 million subscribers in the United States, and TNT and TBS, were the leading advertising-supported cable networks. Time Warner Cable, which was divested in 2009, is the second largest cable system operator in the United States. Its cable systems had 11 million subscribers, of which almost half (5.4 million) have signed up for digital services. It is the strength of its position within the United States that has allowed Time Warner to become ever more prominent in international multichannel television markets through the localization of it branded content.[2] In the area of publishing, Time Inc. has also become increasingly international in focus, having established itself as the leading magazine publisher in the U.K. as well as the United States and in 2005 producing over 145 magazine titles worldwide.[3]

Nevertheless, Time Warner's operations are still principally based in the United States, where approximately 80 percent of its 2004 revenues (US$42 billion) were produced, down from 82 percent in 2002. That leaves US$8.5 billion produced principally through the sale of U.S. copyrighted products abroad, which, to place it in perspective, represents 40 percent of News Corp.'s entire revenues for 2004 (see Table 1.1). Still, clearly in terms of the location of its total assets, Time Warner's process of transnationalization of productive capital is barely advanced when compared to News Corp. or Bertelsmann. This pattern of development reflects the dominant position that Time Warner has amassed within the prime international media market, the United States, as well as the success that U.S.-based capital, backed by the American state, has enjoyed in terms of opening up international cultural markets.

To examine Time Warner's development in terms of the themes raised in the preceding chapters, this chapter first presents a brief historical overview of the company's development

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that traces structural factors that have shaped its present configuration. The sweep of the historical narrative incorporates the rise and subsequent development of the Time Inc. and Warner Bros. corporations from the first decades of the twentieth century, when new technologies, media formats, and distribution systems were then transforming the information and entertainment landscape. However, although crucial to establishing the basis of continuity and change, this historical overview is chiefly undertaken so as to contextualize the main focus of the analysis. This is the development of the corporation in the years since the Time Inc. and Warner Communications Inc. (WCI) merger was completed in 1990. The focus here is on the shifting relationship between, and differing importance given to, the corporation's Filmed Entertainment operations (TV production, cable networks, and Hollywood studios) and its Cable Systems, which via deregulatory policy has become part of a single industry, and the corporation's Publishing and Music operations. This involves a consideration of the effects of the emerging centrality of club logic on other cultural production models used within the corporation. Furthermore, the chapter examines the shifting interaction between different cultural industry segments' industrial economics and the financial constraints that drove these operations and the corporation as a whole. Here an important consideration is the manner in which aspects of so-called Liberal Market Economies were accentuated with the development of "neoliberal globalization." Clearly, the central contradictions in finance capital as analyzed by Harvey, between the potential to increase capital productivity and profit rates and the harmful, unproductive speculation became evident in the development of Time Warner over this period.[4]

4.2 THE DEVELOPMENT OF TIME INC. AND WARNER COMMUNICATIONS INC.

4.2.1 The 1920s–1950s: The Search for Growth and Stability through Conglomeration

Though incorporated within a year of each other, the successful development of Warner Bros. and Time Inc. followed different trajectories, including a qualitative difference in terms of their integration with banking and investment capital, yet both exemplified the commodification of culture and information within the nascent "corporate professional era" of cultural production.[5] Warner Bros.' history can be traced back to the first years of the twentieth century and the beginning of the boom in commercial film in the United States, as new organizational practices created permanent and growing audiences for the new medium "on a scale that would be unimaginable for any established forms of entertainment."[6] Although the success of Warner Bros. is often linked to the introduction of sound technology in 1926, their actual success was based on their access to investment capital via East Coast financiers. This permitted the company to pursue a strategy of vertical integration, increasing its control over production and distribution and expanding into exhibition, and hence establishing it as a commercial equal with the existing "majors."[7] Within less than ten years after Warner Bros. was incorporated (1923), it would emerge as one of Hollywood's Big Five vertically integrated studios (behind Paramount and Loews but leading Fox and RKO).

Time Inc. had been established in 1922 with a small share subscription of US$85,675

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organized by wealthy associates of Yale University graduates Henry Luce and Britton Hadden. Their publishing venture, *Time,* launched in 1923, proved enormously successful because it was the first publication to give comprehensive, if superficial, commentary on national and international news every week; as such, it responded to the provincialism of American newspapers dominated by daily and agency news.[8] *Time* production costs were kept low because, as a “rewrite sheet”, it relied parasitically on major newspapers, and its revenues were secured by focusing not simply on advertising and newsstand sales but by pursuing a subscription model that in effect made *Time* a semiprivate good.[9]

By the beginning of the 1930s, the Hollywood majors had developed into “monolithic factories” utilizing the “studio system”,[10] in which the exploitation of “stars” became increasingly important as both the center of an assembly line approach to manufacturing films and sophisticated retailing techniques.[11] This system was reinforced by the Depression era; Warner Bros. and the majors faced financial constraints, as declining admissions combined with the multi-million-dollar costs of technical upgrades for production and exhibition. Warner Bros.’s cost-cutting measures in production, following large-scale losses between 1930 and 1933, and its dearth of “bankable” stars, was reflected in the studio’s “brand” of gritty low-life melodramas based on dramatically developed newspaper articles (particularly in the form of gangster films).[12] In contrast to the movie studios, Time Inc. enjoyed continuing financial success during the 1930s, despite launching *Fortune* magazine four months after the stock market crash. The company added *Life* to its *Fortune* and *Time* magazine roster in 1936, but it relied primarily on the news magazine’s enormous profits (Time Inc. enjoyed a corporate record profit of US$2,249,823 in 1935).[13] More than the pilfering of newsprint, its success was based on a distinctive “Lucean” style of writing. As Swanberg argued,

> Businessmen found [*Times*] concision saved them time and innocently believed its claim to be “Curt, Clear, Complete” . . . its readers clearly were not buying news. They were buying Time’s own scenario, which was manufactured in the Chrysler Building, more than on the world’s newsfronts.[14]

Given this manufactured reality and the increasing reliance on a portion of publicity rents based on Hollywood’s star system, Michael Denning rightfully refers to the development during this period of a “studio system of Time and Life.”[15] Nonetheless, it was during this period that the notion of a “magazine priesthood,”[16] important later in terms of professional subjectivity and autonomy, was developed.

In the 1950s both Warner Bros. and Time Inc. faced the emergence of television as a new competitor for audiences’ time and money and hence advertiser’s dollars. The development of this new cultural industry was accompanied by the diversification of both companies’ operations and revenue streams. Nevertheless, while Time Inc. entered this period in a comparatively strong position, Warner Bros. and the other film corporations were faced with the need to restructure significantly to maintain their international dominance after the “Golden Age of Hollywood.” Two developments proved critical in this regard: the 1943 de Havilland lawsuit and the 1948 Paramount Anti-Trust Decree.[17] The de Havilland decision, in which long-term contracts with no fixed completion date were deemed illegal, was followed by a labor strike on the Warner lot in 1945.[18] Lasting eight months, the strike saw many of the

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corporation's principal "named" talent leave. Nonetheless, this destabilization of the "star" system would prove fortuitous; on May 3, 1948, the U.S. Supreme Court ruled that the studio must sell their cinema chains. Representing 93 percent of all their capital investment that year, as compared to 5 percent for production, the cinemas represented crucial fixed capital by which they could underwrite their risky investment in film.[19] Puttnam observed,

> Faced with the demand to sell their cinemas, the studios could no longer afford the high fixed cost of keeping permanent roster of stars directors, writers and other personnel on the pay-roll. In the late 1940s and early 1950s contracts with talent were renegotiated . . . As a result the whole system began to unravel.[20]

Nonetheless, Asu Aksoy and Kevin Robins persuasively argue that rather than unraveling, Warner Bros. and its fellow studios would survive the antitrust divorcement through their maintenance of control over the distribution and finance of movies on a worldwide scale—the dominant point in the circuit of capital in the film industry.[21] For instance, by the time Warner Bros. sold its cinema chain in 1951, the corporation was already engaged in a deal to finance and distribute films by an independent producer, Fidelity Pictures. Moreover, in a relatively short space of time the studios came to understand that rather than a threat as initially perceived, television would increase their control over distribution in the years to come.

On the other hand, the disinvestment of the cinema chains posed the central problem of how to raise funds for financing production without the security of cinema circuits. Garnham argues this problem was only finally solved satisfactorily by the absorption of the film companies into larger conglomerates or their own diversification to form more widely based conglomerates.[22] Warner Bros.'s shift toward this form began in the 1950s with connections to television production and more significantly through the formation of Warner Bros. Records in 1958, a response to the maturation of the recorded music industry: the development of stereophonic playback equipment affordable to ordinary consumers had sparked a record boom in late 1950s and early 1960s. Warner Bros. Records would emerge as the basis one of the six major music companies that dominated the industry from the 1950s through the 1990s.[23]

In the early 1950s, Time Inc. was faced with the problem of finding new areas of investment to turn its rising profits into capital. The company was experiencing the windfall of a rapid advertising expansion that had been set off by the Korean War and the subsequent "long economic boom." From 1952 to 1956, advertising revenues accruing to magazines expanded from US$615,800,000 to US$794,700,000, or 29 percent. The revenues of Time Inc.'s new *Life* magazine grew 41.8 percent during this period; in 1956, it contributed nearly 70 percent of corporate earnings.[24] Nonetheless, the company's treasurer argued that Time Inc. "had created enough magazines for any one company based largely on national advertising revenues."[25] Therefore, as well as new magazines (for instance *Sports Illustrated,* first published in 1954) Time Inc. also purchased a pulp and paper company, Eastex, and expanded into television broadcasting.[26] By 1956, the company was described in the trade press as the "Most Diversified US Publishing House."[27] To control this diversification *Time's* management was instructed "to talk not just of profit but of the percentage of profit."[28] At the end of the 1950s this focus on the "percentage of profit" would underline how important the nonpublishing operation's profits and cash flow had become, as the corporation's magazines,

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and *Life* in particular, were affected by television. At the same time, magazine operations would account for only 56 percent of Time Inc.'s pretax profit.[29]

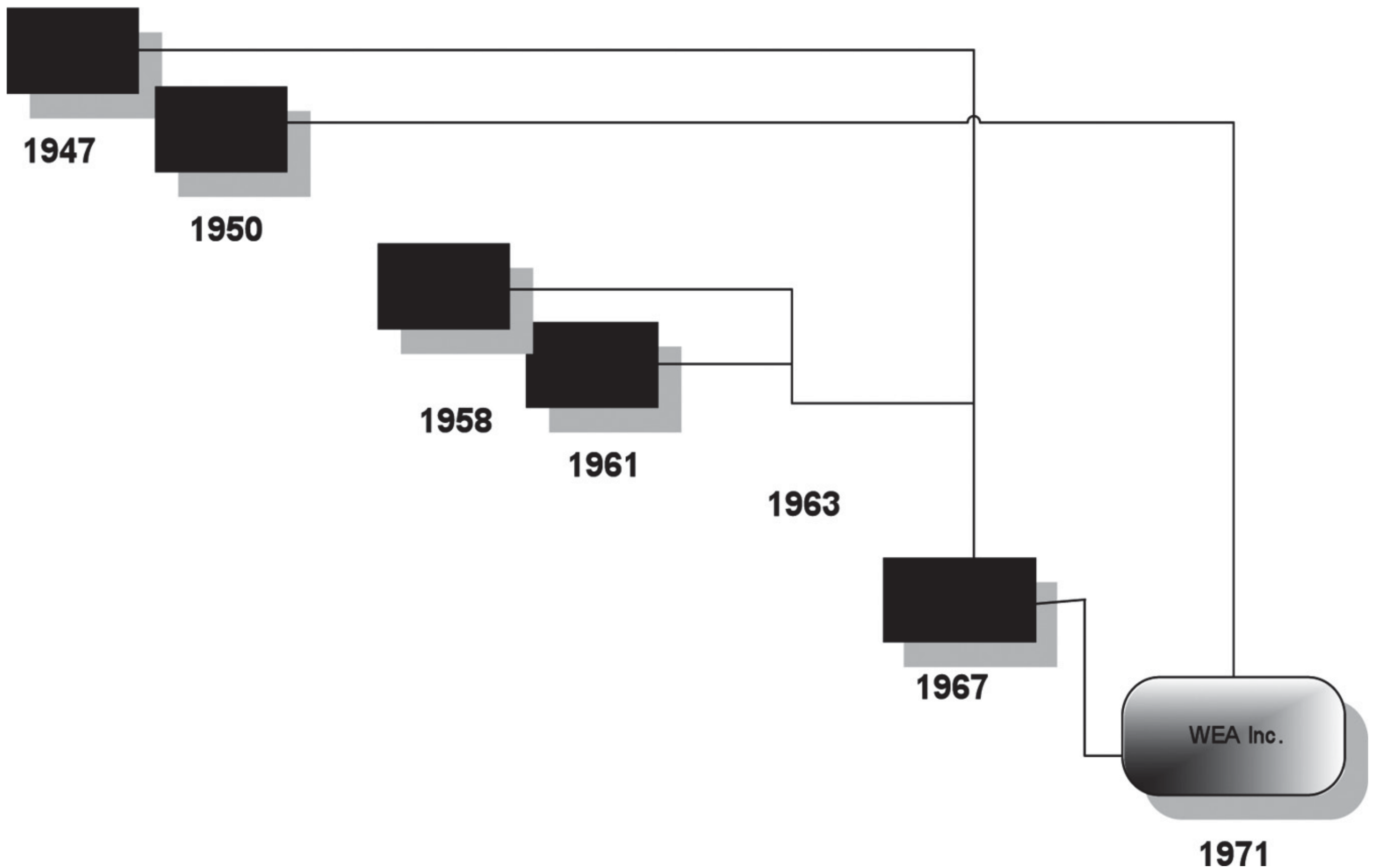

Figure 4.1 Formation of WEA (Warner-Electric-Atlantic) Inc. 1947–1971

4.2.2 The 1960s–1980s: Refining Conglomerate Strategies and Investing in Cable

While well under way in the late 1950s, the development of conglomerate corporate structures as the preferred corporate form, both within the media and cultural industries and the wider U.S. economy, accelerated exponentially in the 1960s. The period 1960 to 1969 spanned the third great wave of mergers and acquisitions in the United States. The "bull market" fueled what were essentially paper deals, and conglomerates were able to acquire much larger companies with their company's overpriced stock. At the basis of this third great merger wave was the practice of pooling of profits from newly acquired companies to boost profit reports and thus stock prices. Indeed, accompanying this change in corporate form was the associated rise of a professional management stratum that ran corporate strategy from the vantage point of overall corporate profits and stock prices. Between 1962 and 1969, 22 percent of the companies included on the *Fortune* 500 list of largest manufacturing companies were acquired. The vast majority of mergers formed conglomerates (over 80 percent) and were generally brought about with an exchange of stock. A company's stock price, therefore, was

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critical: a high market valuation extended the scale and scope of merger and acquisition possibilities for acquiring firms.[30]

In May 1964, Time Inc. had listed its stock on the New York Stock Exchange to use more readily the equity market for acquisitions. Three important directions were followed: further expansion into forest products through the acquisition of Templeton Industries; into filmmaking and television; and last, book publishing, spurred on by the great success of Time-Life books. Of great consequence later, in 1965 Time Inc. expanded into the nascent cable television industry by purchasing 20 percent of Sterling Manhattan Cable. Following Luce's death in 1967, Time Inc. went through a highly significant process of management and organization restructuring. As the conglomeration wave subsided, and Time Inc. experienced a marked decline in revenues and profitability, the company reassessed the businesses with which it was associated. Although Time Inc. had begun to acquire broadcasting stations in the 1950s,[31] the overall direction of broadcasting television's growth and particularly its deleterious impact on magazine advertising revenues worried Time Inc. executives; the magazine business appeared to have reached a relative state of "maturation." Responding to an internal memo that stated that "the field of development for Time Inc. is surrounded by amateurism,"[32] Time Inc. moved away from the loosely articulated conglomerate form that had developed up to that point and focused more discerningly on the communications field. The outcome was that the company decided to get out of radio and television, whose development was seen to be constrained due to the protection of the major broadcasting networks by the FCC, and into programming and ownership of cable systems. It would also move further into forest products while remaining committed to the future of existing and new magazines.

The year 1969 marked the beginning of a serious process of corporate restructuring at both Time Inc. and Warner Bros. (now known as Warner-Seven Arts after its acquisition by in 1967). The wider corporate environment had also changed fundamentally. A significant slowdown in the U.S. economy, and more specifically changes in laws covering the accountancy practice of profit pooling in 1970, marked the end of the third great merger boom and Wall Street's passion for conglomerates.[33] Time Inc. introduced new divisional management positions as well as new stringent forms of intracorporate financial control. This included charging divisions "interest" for corporate capital and announcing a financial goal of a 10 percent return on capital. Between 1970 and 1972, the number of employees in the corporation's publishing operations was reduced by 15 percent, straining relations with the Newspaper Guild.[34]

This same period laid the basis for the transformation of a rapidly expanding conglomerate with interests in the cultural industries, Kinney Service Corporation.[35] Kinney's 1969 purchase of Warner-Seven Arts exemplified an industry trend in which conglomerates acquired all but the 20ᵗʰ Century Fox, Colombia, and Disney studios throughout the decade, beginning with MCA purchase of Universal Studios and ending with Kirk Kerkorian acquisition of MGM.[36] In 1971, Kinney's CEO, Steven Ross, spun off his nonmedia subsidiaries into National Kinney Corporation and pooled his media companies into Warner Communications Inc. In the space of three years, the conglomerate, which had described itself as "a unique one-stop shopping

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complex for banking, corporate, institutional and real estate communities," was transformed into a "leisure and entertainment company."[37] WCI's corporate restructuring produced a company whose main properties were first its recorded music operations, which produced the majority of its revenues and profits, and second its movie studio and cable operations. As Gomery noted, it also marked the beginning of a "new era" in Hollywood: the return of the fully vertically integrated conglomerate as the basis for the formation of Hollywood-cable-TV complex.[38]

Together with Kinney's three existing record labels—Warner Bros., Reprise, and Atlantic—the acquisition of Elektra Records in 1971 placed the combined group's sales third behind CBS and EMI. Following the emerging industry practice, the creative managers at these labels were given autonomy and permitted to compete among themselves but were supported by a central distribution system established in 1971: the U.S.-focused WEA Corp. (Warner Elektra Atlantic) and WEA International (distributing U.S. artists abroad and also developing indigenous local artists).[39] Whereas the music businesses had been restructured from a position of strength, Kinney set about restructuring its movie studio in the aftermath of "the Recession of 1969," an industry crisis whose severity prompted U.S. federal government tax initiatives that amounted to a subsidy for the industry during the 1970s and early 1980s.[40] Kinney's, and subsequently WCI's, response conformed to industry practice that was largely forged elsewhere. This involved the introduction of a "new breed" of corporate management, supported by corporate finances, that began to "rationalize" the operating costs of the studios, a process that would accentuate the studio's shift toward a film financier–distributor role; the reduction of the number of films produced in preference for the "event" or "blockbuster" film; the introduction of saturation marketing campaigns; the development of film libraries for sale to television and video; and the production of movies and series specifically for the television market.[41]

These developments were of course linked. The rising costs of blockbuster films, including the outlay on talent-agency represented "stars," meant that the fate of a studio could ride on the success of such large-scale productions. In response, the majors experimented and followed two major strategic paths. One was to spread the risks of production through joint-finance, presale ancillary rights for TV and video, merchandising ancillary product tie-ins and nonrefundable exhibition guarantees with cinemas; and the second was to withdraw further from production and assume the status as motion-picture financiers and distributors.[42] As noted, the conglomerate structure provided further support for this strategy—by 1977, WCI ranked 214th in the *Fortune* 500.[43] By the end of the 1970s, WCI's revenues had jumped through diversification in several directions: it had expanded into publishing (Warner Books); cable television (Warner Amex cable, including MTV, which briefly became a marketing arm for its music division); video (Warner Home Video); and video games (Atari). Moreover, Thomas Schatz and Robert Gustafson both point to Warner Corporation's influential use of presold properties and synergistic marketing franchises, as first exemplified by the range of cultural commodities associated with the 1978 Superman movie.[44] Indeed, not only would synergy and cross-promotion become an industry standard but the "blockbuster" model would also

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increasingly be transferred to other cultural industries.

WCI played in many cases a seminal role in reinforcing the new corporate structure of the music and movie industries, yet these initiatives were largely in line with overall industry patterns in these cultural industries. In contrast, its expansion into cable demonstrated a willingness to embrace new technologies of distribution that set it apart from the other Hollywood-based entertainment conglomerates of the time. In the process, as Gomery noted,

> Warner's Steven J. Ross would lead a new set of entrepreneurs to innovate the business strategies by which the Hollywood companies would take full and complete advantage of all possible television "windows of release" in every market of the world.[45]

Indeed, its innovative approach to new distribution technologies shared greater affinity with Time Inc.'s development of cable, an affinity that would see the two corporations' strategic paths increasingly converge.

Despite some modest attempts as evidenced in the Time-Life Film division, Time Inc.'s development during the 1970s displayed very little "synergy" between its divisions. The divisions developed separately in a manner that set the company apart from the actions of WCI. The pressure of increased corporate profitability placed a heavy burden on the magazine operations, as television and the deep 1970s recession played havoc with the profitability of the magazine group's operations. While the company invested in the future of cable programming, its initial strategy had been to leave the heavy capital investment requirements associated with its cable systems—Time-Life Cable Communications. However, it was unable to find a way to recover the huge investment in the systems and so instead was pulled further into the industry. The company's decision to underwrite the growing losses at Sterling Manhattan Cable in return for stock had by 1973 seen it amass an 80 percent stake in the company and control of its premium movie channel, Home-Box Office, which had been established a year before. Time Inc. had earlier sought to sell its 15 percent stake in the cable firm American Television and Communications (ATC); nevertheless, in 1978 the corporation purchased all of ATC's shares to support its position in the rapidly consolidating cable industry.

The decision to purchase ATC also reflected the changing balance between Time Inc.'s different operations. The ability to weather the capital drains that the magazine and cable were imposing was initially derived from the paper and timber group, which continued to grow at a fast rate in the early to mid 1970s, as the merger with Temple Industries in August 1973 increased the scale of operations. Losses at Time Inc.'s video group grew as HBO expanded its cable system coverage using expensive regional microwave technology. Nevertheless, at that time changes were underway within the industry: in 1969, the National Cable Television Association (NCTA) identified satellite distribution as a more cost-efficient way to aggregate cable audiences nationally due primarily to its economies of scale. In 1972, the FCC authorized commercial satellite use in its "Open Sky" policy after intensive direct lobbying from communication and large cable companies as well as from the Nixon administration. The majority of the cable industry (i.e., small cable operators), however, remained reluctant to invest in a cable-satellite distribution system. To change the market for its premium services,

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in September 1975 HBO, in conjunction with ATC and Teleprompter, the U.S.'s largest cable operator, presented via satellite the heavyweight boxing championship fight from the Philippines (the "Thrilla from Manila"). Its success led HBO to become the first in the cable industry to use satellites for regular transmission of television programming, with the programming firm helping some cable operators buy the reception technology. By 1977, HBO was available on 350 local systems in 45 states. After losing several million dollars in 1975 and 1976, in the latter part of the 1970s the video group, led by HBO, became the largest and fastest-growing profit producer in Time Inc., contributing nearly 50 percent of all the corporation's earnings.[46] As compared to the increasingly profitable but "mature" magazine division, the video group appeared set for continuing dramatic growth: in December 1981, HBO expanded its programming schedule to 24 hours a day, seven days per week.[47]

4.2.3 1980s–1990s: Managing New Competitive Pressures

Despite this success, in the early 1980s both Time Inc. and WCI confronted troubled corporate structures, increasingly influential stock markets, and outside competition; consequently both underwent significant reorganization based on vertical integration and control of audiovisual distribution. During the 1970s, WCI had enjoyed an unbroken record of success, as the new management had reworked the corporation's various cultural industries into a decentralized, yet coherent and mutually reinforcing conglomerate structure. This extended beyond the various "synergistic." cross-promotional exercises to the practice of transferring profits from one division to another to hide underperformance or cyclical downturn that afflicted the cultural industries, and thus strengthening the conglomerate's performance on the stock market.[48] Cognizant that such practice was dependent on a relatively limited revenue base of recorded music and, to a lesser degree, filmed entertainment, in the latter part of the decade WCI attempted to "transform" this revenue base through diversification.[49] Indeed, led by its Atari video game subsidiary, the opening years of the 1980s marked the pinnacle of Warner's revenue diversification strategy. In 1982, Atari produced 50 percent of the corporation's US$4 billion in revenues and well over 65 percent of its profits.[50] At the same time, the corporation's cable ambitions were aggressively pursued through the Warner American Express joint venture (Warner-Amex was formed in 1982). Warner Amex, the country's sixth-largest cable system operator, captured seven large city cable franchises, more than any other company had.[51] Beyond allegations of corruption, Warner-Amex's franchise success was based on generously low subscription rates coupled with promises of state-of-the-art infrastructure installation as demonstrated by the firm's commercial interactive cable service, QUBE, offered originally in Columbus, Ohio.[52]

The end of 1982 marked the beginning of major problems for both WCI and the Warner-Amex joint venture. WCI's Atari subsidiary collapsed as the competition of 15 new competitors in the nascent video game industry exposed its uncoordinated overproduction.[53] The games manufacturer's subsequent loss of revenue and profit revealed the manner in which its conglomerate parent had manipulated its own share price and prompted questions regarding the state of the rest of its operations. In particular, its music labels were experiencing the effects of

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severe industrywide downturn that had emerged at the beginning of the decade.[54] In 1983, Rupert Murdoch announced he would seek to gain control of the conglomerate and began to amass shares. To escape News Corp.'s bid, WCI and Chris-Craft bought blocks of stock in each other's company. Far from a passive investor, Chris-Craft's chair, Herbert J. Siegel, compounded the effects of the Atari collapse by forcing the reduction in the corporation's workforce and its areas of diversification. Pressure also mounted from the corporation's creditors over broken bank loans covenants and from the credit rating agencies Moody's and Standard and Poor's. WCI jettisoned its peripheral activities contained within the "Consumer Electronics & Toys," "Other Operations," and the shadowy "Leisure Division."[55] Many of the ventures that it had acquired between 1976 and 1982, whether profitable or not, were divested between 1982 and 1985, reducing WCI's indebtedness from US$1 billion in 1984 to below US$300 million in 1985. A central outcome was that Warner Bros.' filmed entertainment emerged as the principal engine driving corporate growth.[56]

The Warner-Amex joint venture had also found itself overcommitted, overburdened with debt, and losing money. During 1983, the firm reduced its workforce, attempted to renegotiate onerous franchise deals in some of the larger cities, sold over 17 systems, and began clustering its cable systems around major metropolitan areas, a practice that increased economies of scale and decreased costs. It also merged its pay cable venture, The Movie Channel (TMC), with Viacom's Showtime. By 1985 Warner-Amex's debt had been reduced to US$550 million, its huge losses had been eliminated (it in fact forecast a US$17 million profit for the year), and the 1984 Cable Act held out the deregulatory promise of increased profits. Nevertheless, having righted the joint venture, in May 1985 American Express sought to buy out WCI and sell Warner Amex to TCI and Time Inc. for US$900 million. Instead, WCI bought American Express's share for approximately US$450 million and subsequently sold two of Warner-Amex programming ventures to Viacom for US$510 million—its two-thirds interest in MTV Networks and its 19 percent stake in ShowTime/TMC. Meehan argues that within the context of WCI's precarious financial situation, the value placed on the distribution capacity of the Warner Amex Cable systems becomes clear.[57]

WCI took another two years to recover from Atari's reversal of fortune. In 1986, WCI's recorded music, filmed entertainment, and cable operations produced record earnings figures, and in March 1987, the corporation's share market value returned to its 1982 level.[58] The corporation's music division, the Warner Music Group (WMG), had rebounded to be the most profitable in the industry, having set the pace in the adoption of an open production system based on "independent" satellite labels;[59] the early adoption of the more profitable compact disc music format and the focus on the "blockbuster" power of individual releases (for example, Prince's *Purple Rain*, 1984) rather than on generalized sales increases. The corporation's filmed entertainment operations had been number one at the U.S. box office in 1984 and 1985 and were expanding their revenue from licensing films to television and from television series production. While Warner Cable's was only the sixth-largest multiple cable-system operator (MSO) in the country, its value had risen by over US$1.3 billion since they had been acquired from American Express.[60] Indeed, cable would prove to be enormously

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valuable to the corporation in the decades to come and would form the basis of the merger between Time Inc. and itself.

In August 1987, soon after WCI had announced its financial recovery at its annual general meeting, Time Inc.'s senior executives drafted a memo stating that their "primary long-term objective" should be to bring about the consolidation of Time Inc., WCI, and the Turner Broadcasting System, Inc. (TBS; in which by then Time owned a stake), so that "the new Time Inc." would be "an entertainment-oriented communications company."[61] A number of factors had led Time Inc., the venerated magazine publishing company, to this point. First, in 1981 the financial press had begun to note the recurrent speculation on Wall Street that Time Inc. was an impending takeover target due to the rich fixed assets of its two primary operations, cable TV and forest products. In March 1982, an internal report commissioned by Time Inc. acknowledged this "identity crisis" and averred that the corporation's undervalued stock would not rise unless there were fundamental changes to the "current mix, objective and strategy" of Time Inc.[62] More pointedly, the report concluded that, while revenues were now almost evenly split between publishing, cable and video, and forest products, the "timely divestiture of forest products is a strategic imperative for Time Inc' due to its "low strategic potential" and high capital investment requirements.[63] In December 1983 Time Inc. spun out of the forest products business, generating close to $US2 billion for reinvestment.[64] The corporation was refocussed on cable and publishing, yet increasingly its operations were driven by the preoccupation with the profits to be derived from cable systems and programming, which had generated two-thirds of Time's pretax income in 1982.[65] Second, this focus was reinforced by the corporation's new cohort of top managers, who had risen wholly, or in part, through the corporation's cable division and were more attuned to the dictates of the "investment community." Third, despite attempts to underline the corporation's renewed focus, it was confronted by a persistently low stock market valuation. Revenue growth from its magazine group was stable, and the corporation was perceived to be incapable of commercializing new ideas. The disastrous *TV-Cable Guide* publishing project, which collapsed only five months after it began publication in 1983 and cost the company $47 million in direct costs (over $100 million in total), reinforced this view; just as important, the debacle saw Time Inc. stock price slide US$750 million over a two-week period.[66] Although still the dominant cable programming firm in the industry and the biggest "profit center" at Time Inc., HBO's revenue growth had also been affected by the competitive success of videocassette rentals, the slowdown in the rate of new cable system construction, and the listless marketing of the programming service by cable operators.[67] In the area of cable systems, Time Inc.'s involvement in a consortium buyout of Westinghouse Cable in 1985 and its subsequent joint venture with Houston Industries in 1986 allowed the corporation to maintain its position as the second largest MSO, with 2.5 million subscribers in 1987, without burdening its balance sheet with debt. Nevertheless, Wall Street analysts were critical of Time Inc.'s less than aggressive approach to the renewed processes of consolidation in the cable industry, which followed the 1984 Cable Act, and argued that the company could have acquired greater parity with Tele-Communications Inc.'s (TCI) 3.6 million cable subscribers.[68]

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In July 1989, Time Inc. and WCI completed a corporate merger that made it the largest media company in the world. The merger was a logical consequence of the restructuring of capital that had been occurring in the U.S. entertainment industry for over a decade. The deal brought together complementary assets and was entirely consistent with the drive to centralize ownership within the so-called new Hollywood that had been facilitated by the regulatory stance of the FCC, the FTC and the U.S. Justice Department. The new company had a major presence in television/film program production, including Warner Bros. studios and Lorimar Television Entertainment, which together produced revenues of US$2.7 billion of the company's US$10.8 billion revenue for 1989. Lorimar was the leading television production firm in the world, and Warner Bros. held the biggest share of the U.S. "box-office" for 1989. The company also controlled multiple "windows" for its filmed entertainment: theatres, videocassettes, cable, and broadcast television. Together with Paramount Communications Inc. (PCI), it held a 50 percent stake in 373 U.S. theatres and separately owned three multiplex cinemas in the U.K. HBO Video joined the Warner Home Video distribution subsidiary, which had over 1800 films on videocassette. Warner Bros. was a major supplier of programming to the cable industry via services that included the newly merged firm's own HBO (17 million subscribers) and Cinemax (6 million subscribers). Time Warner's cable operations consisted of ATC, with 4 million subscribers, and Warner Cable, with 1.7 subscribers, making the corporation the second-largest cable MSO in the U.S. Time Warner also held an 18 percent interest in TBS, which included CNN, TNT, Headline News, and a broadcast television station (WTBS) carried on many cable systems. The firm also operated seven major-market television stations via its B.H.C. subsidiary. Together with these assets, Time Warner also had one of the foremost international recorded music and music publishing operations and an expanded publishing division that included the U.S.'s largest magazine publisher (see Table 4.1).

Table 4.1 Time and Warner's Operational Revenues 1988 (US$ million)

Time	*Revenue*	*Warner*	*Revenue*
Magazines	1752	Film	2096
Cable Programming	1052	Music	2040
Books	891	Cable TV	456
Cable Systems	812	Publishing	139
Total	4507		4731
Total merged: US$9,328 million			

Source: C. Alexander, "A deal heard round the World," Time 133 no. 12 (1989), 55.

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Under the terms of the agreement, the acquisition of Warner by Time would take place through an exchange of stock with an agreed-on exchange ratio and without the incursion of significant debt. PCI, the recently renamed and restructured Gulf & Western conglomerate, argued that Time Inc. was in effect selling itself because under the terms of the deal Warner shareholders would gain 62 percent of Time's shares. PCI placed a US$10.7 billion counter bid for Time

Inc. The Time-Warner merger appeared to offer Time shareholders little in the way of immediate return, whereas the executives of both Time and Warner were set to reap an enormous share bonus from the companies' merger. In contrast, PCI's proposal initially offered shareholders a US$50 premium, later increased to a US$75 premium (or US$12.2 billion) on Time's US$125 individual share price. To avoid taking PCI's proposal to their shareholders, on June 16, 1989Time Inc.'s management opted to buy WCI outright for US$14.9 billion. Time would in effect become far too debt-laden for PCI to buy, and the revised plan did not require shareholder approval. PCI sued Time Inc. in the corporate friendly state of Delaware, claiming the decision was clearly contrary to the best interest of the shareholders. On July 14 the state's Chancery Court blocked Paramount's bid for Time and backed Time's board in its decision to acquire Warner without shareholder approval, stating that executive "directors, not shareholders, are charged with the duty to manage the firm,"[69] a decision that underlines De Vroey's important distinction between the economic and legal ownership of corporations.[70]

Time Warner's representatives answered criticisms of the implications of merger's scale with the stated belief that by the year 2000, five or six transnational media corporations would form an international oligopoly and that their unreservedly patriotic plan would

> create a combined *American* entity with the resources to compete globally with anyone in our industry. . . . For *America*, Time Warner ensures a powerful presence among the international giants competing against each other across the planet. . . . No serious competitor could hope for any longer to have success unless building on a secure home base it achieved a major presence in all the world's important markets.[71]

4.3 THE FORMATION OF TIME WARNER: INTO THE 1990S

The merger of Time Inc. and Warner Communications Inc. and the fate of Time Warner since the beginning of the 1990s are often attached to the organizational expression of new media disruptive effects. Following the corporation's own narrative of development, this period has been punctuated by frequent claims about "transformative deals" and "turning points" for the communications industry. Yet the development of the company demonstrated a steady corporate expansion punctuated by two major business combinations—the purchase of TBS and the "acquisition" by America Online (AOL). The first cemented a long-term strategic aim and proved highly effective in securing the dominance of Time Warner in the cable television industry. The second major deal, some five years later, although capable of being seen as further extending Time Warner's control over digital forms of subscription-based distribution, proved to be one of the worst mergers in U.S. corporate history. To understand the context of these processes of centralization it is useful to place Time Warner's development not only in terms of the specific trajectories of media industries but also in terms of the wider corporate economy. To spell out the importance of this wider context, it is useful to step back from the more detailed corporate narrative of Time Warner and provide a broader indication of the relation of finance capital to changing nature of capitalist operations in the United States.

The merger of the two corporations, Time Inc. and WCI, had survived the hostile bid for Time Inc. by Paramount through the assumption of US$11.8 billion in debt, the vast majority of which was constituted in bank loans. As the merger was completed in the early 1990s, the U.S.

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economy entered into a three-year slump, as the credit machinery that had powered the booming 1980s within the United states began to breakdown—most dramatically expressed in the collapse of the high-yield-debt "junk bond" market and the emergence of the savings and loan crisis. The sustained intervention of the Federal Reserve and U.S. government helped to avert a severe debt deflation that would have led to insolvency in an estimated 20 to 25 percent of U.S. companies, whose financial capacity—the ability to service and obtain credit —had become dangerously stretched.[72] Unlike the 1973–75 and 1980–82 recessions, interest rates remained low; profit levels—boosted by a decade of "downsizing"—stalled but did not fall; and stock prices climbed by 20 percent.[73] The equity bull market that began in 1982 continued with comparatively brief interruptions into the mid 1990s.[74] This set the basis for conditions that both enabled and drove a new round of consolidation in the media in the ensuing decade, not primarily through bank debt but through the currency of inflated stock.[75]

While the processes of financialization were more broadly underway, as Henwood observes, the recycled term "New Economy" itself ironically denotes that the United States boom of the 1990s was in large part characterized by an ordinary speculative bubble, rather than a disjunctive new economic paradigm.[76] This bubble was gathering pace prior to investors' fascination with the telecommunication/Internet sector, which followed Netscape's stunning 1995 Initial Public Offering (IPO). Nevertheless, this sector provided a Schumpeterian justification for the behavior of analysts, investors, and managers whose institutional basis lay elsewhere.[77] The result, as Garnham argued, "was speculative competition between investors for a share of the future excess monopoly profits that the winners in this winner-takes-all market would achieve, and it was upon this that valuations were based."[78]

Many corporations that had earlier avoided potential bankruptcy had faced a debt trap, compelled to take on more debt to buy growth to service interest payments. By 1999, Time Warner was paying US$1.3 billion annually as interest on US$17.8 billion of debt. As the speculative bubble and its accompanying New Economy narrative inflated, concerns about debt and indeed profits were put to one side in favor of "Internet economics." Within this context, the Internet service provider AOL enjoyed a valuation of US$165 billion, approximately twice that of Time Warner, even though AOL had one-fifth of the revenue (US$4.8 billion as compared to US$26.8 billion) and 15 percent of the workforce of the media corporation. Nevertheless, this valuation allowed AOL to announce in January 2000 that it was acquiring Time Warner, with AOL shareholders gaining 55 percent of the newly merged conglomerate. By 2001, the technology bubble had burst, and AOL Time Warner stock was down 70 percent. In January 2003, AOL Time Warner reported a US$98.7 billion loss from the previous year, making it the highest recorded loss in U.S. corporate history. AOL Time Warner stock had by then fallen by nearly 90 percent; its debt had reached US$29 billion. Symbolizing the failure of the AOL Time Warner deal, the corporation officially changed its name back to its original form, Time Warner Inc., on 16 October 2003.

Although the changes associated with the AOL merger are the most dramatic chapter in Time Warner corporate history, the corporation underwent a number of restructurings and joint-venture formations since its formation that were not primarily the outcome of expansionary

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synergistic strategies of management, or of issues of industrial organization that relate to changing market structure. For instance, in 1993 the corporation was restructured into two primary parts, one focused on the production and distribution of audiovisual entertainment and the other on music and publishing. This structure was then altered in 1995 to news, telecommunications, and entertainment as a means to tap Wall Street's interest in "content" in the "information age". More centrally, therefore, the changes in the corporate form of Time Warner related to the changing nature of capitalist operations in the United States under the hegemony of finance capital. That is, the development of Time Warner in the 1990s clearly displays the interplay between competing logics of cultural production and their expression in industrial organization as well as the more overarching influences of socioeconomic "logics"—that is, the development of corporate structures within "Anglo-Saxon" capitalism guided by ascendant neoliberal policy settings.

4.4 TIME WARNER: THE IMPORTANCE OF CORPORATE DEBT AND ITS RELATION TO CORPORATE STRUCTURE

Debt has played a major role in shaping the structure and strategy of this media corporation. Access to capital through various debt devices and preferred stock options has allowed Time Warner to build and defend its position as the U.S.'s second-largest cable operator (or multiple system operators—MSO). A review of the historical development of Time Warner's cable activities calls into question some of the basic assumptions about "Liberal Market" or "Anglo-Saxon" capitalism that are based on idealistic notions of the "efficient market": first, that the operations of public corporations are marked by high levels of transparency, and second, that a focus on a public corporation's share price renders managers sensitive to current profitability. Time Warner was never accused of using "off-the-book" accounting practices to the same extent as the U.S. cable company Adelphi Communications;[79] nonetheless, as argued earlier, the valuations of Time Warner's assets have not been premised on transparency.[80] Moreover, the pressures arising from the debt and share price valuations of Time Warner have been mediated by the decisions of its management. In the 1990s, Time Warner management selectively transferred such pressures to other operating areas as it pursued the goal of deepening the corporation's control over digitalized cable networks within the United States.

The early 1990s marked the temporary end of corporate America's reliance on highly leveraged transactions as a means of expropriating wealth from companies facing limited investment opportunities at heightened levels of profitability. After a year of expressing disquiet about aggressive banking activities, in October of 1989, federal banking regulators defined "highly leveraged transactions" (HLTs) to include any transaction that resulted in a leverage ratio (debt as a percent of total capital) higher than 75 percent. Although not formerly regulating against such transactions, the federal banking regulator's actions made new bank debt largely unavailable and led many nervous financial institutions to seek to shed their existing HLT loans.[81] As Richard Clurman claims, the Time Warner deal was the last HLT before this change in the financial climate: Warner's Ross triumphantly boasted, "[w]e beat the rule by about three weeks."[82]

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Although deep recession had been avoided, this latest credit environment posed problems for the newly formed and highly indebted media corporation. Cash flow from the corporation's ensemble of cultural industries was able to cover the heavy interest and dividend payments as well as debt pay down and some new investments, albeit with a downturn in advertising revenue in the magazine division.[83] Yet a more serious issue of debt restructuring loomed as the company faced a March 1993 deadline on US$4.3 billion of bank debt—a sum unserviceable by internal funds.[84] With the Federal Reserve's informal proscription on HLT's still in place, the corporation faced enormous fees in any attempt to refinance the debt. Short of selling assets—a move counter to the Warner strategy of critical mass—a bid to raise equity at the time was the only way to raise the capital required to service the debt. Indeed, this was the situation faced by most U.S. nonfinancial corporations, who "finally used the stock market for its alleged purpose from 1991 to 1993, raising a total of US$67 billion total in net new equity . . . to pay off old debts."[85] What distinguished Time Warner's equity raising venture was its coercive nature, effectively attempting to extract US$3.5 billion from the corporation's shareholders. In August 1991, Time Warner succeeded in placing a US$2.76 billion rights offering on the stock market after initial trouble with shareholders and the Securities and Exchange Commission (SEC). Debt was reduced from US$11.8 billion to US$8.9 billion. As per general corporate practice at the time, Time Warner sought to replace old, high-rate debt with new, lower-interest-rate debt, and long-term debt for short-term debt.

Further attempts by Time Warner to reduce debt via the sale of "noncore" assets—the Warner Chappell music publishing business, nonstrategic cable franchises—was eschewed in favor of recasting its cable, filmed entertainment, and programming companies into a separate entity as a basis for raising capital through international strategic partnerships.[86] In late October 1991, Toshiba and Itoh announced that they would spend US$1 billion for a 12.5 percent stake in the newly formed Time Warner Entertainment Company (TWE), which comprised businesses that provided 51 percent of Time Warner's total sales and 59 percent of operating earnings. Having formed TWE, Time Warner transferred US$7 billion in debt to the new company and used the US$1 billion in cash from the Japanese companies to reduce the parent company Time Warner's remaining debt to US$900 million.[87] The two Japanese companies, which held equal stakes, were liable for the debt only up to the size of their investment.[88] Though a smaller investment than Time Warner had originally sought, the terms of the deal was astoundingly favorable to the corporation—although in the process of forming TWE, Time Warner was forced to acquire the outstanding shares in ATC, so the company could be combined with Warner Cable and be rolled into TWE and issue US$1.63 billion debt notes.

In reformulating the company into two sections, TWE and Time Warner's music and publishing operations, the effective "de-merger" echoed the original plans of Time and WCI to form links through their entertainment assets while keeping their music and publishing activities separate. Ownership of the magazine division was seen as sacrosanct, but notions were entertained of establishing a music operations joint venture with MCA and floating the new company.[89] Yet the primary focus remained on extending capital investments through TWE, eventually lowering its stake in the entertainment subsidiary to around 50 percent.

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The deal never led to the global strategic partnerships with European media firms such as Canal Plus, Hachette, or Bertelsmann that had first been envisaged.[90] Rather the southwestern Regional Bell Operating Company (RBOC), U.S. West, became a major partner. The two companies had shared a growing involvement within cable operations in Eastern Europe (via both programming and equity in cable systems). More important, U.S. West's new injection of capital was warranted by the opportunities that were being opened up by federal regulators in the United States, who were determined to enable competition between telephone companies and cable operators. In May 1993, Time Warner agreed to sell a 25 percent stake and veto over management decisions in TWE to U.S. West for US$2.55 billion.

The injection of capital, heralded as laying the basis for heightened convergence between media telecommunications, quickly became a major problem for Time Warner. Wall Street analysts viewed the structure of the Time Warner and TWE arrangement as too complex and as merely a vehicle for obfuscating different forms of debt (see Figure 4.2). By 1996, the companies' combined total debt, including the US$2.5 billion in debt taken on with the Turner Broadcasting System acquisition, stood at US$25 billion, held through 25 different tranches of debt and over ten series of preferred stock options. Moody's Investors Service rated the debt as below investment grade (BBB). Just as important, the level of control which U.S. West enjoyed over Time Warner's cable and entertainment assets was viewed as unsustainable, a point underscored by the RBOC's lawsuit against the US$7.5 billion Time Warner–TBS merger. Investors and analysts argued that the corporation would need to be broken up so the value of assets could be realized.[91]

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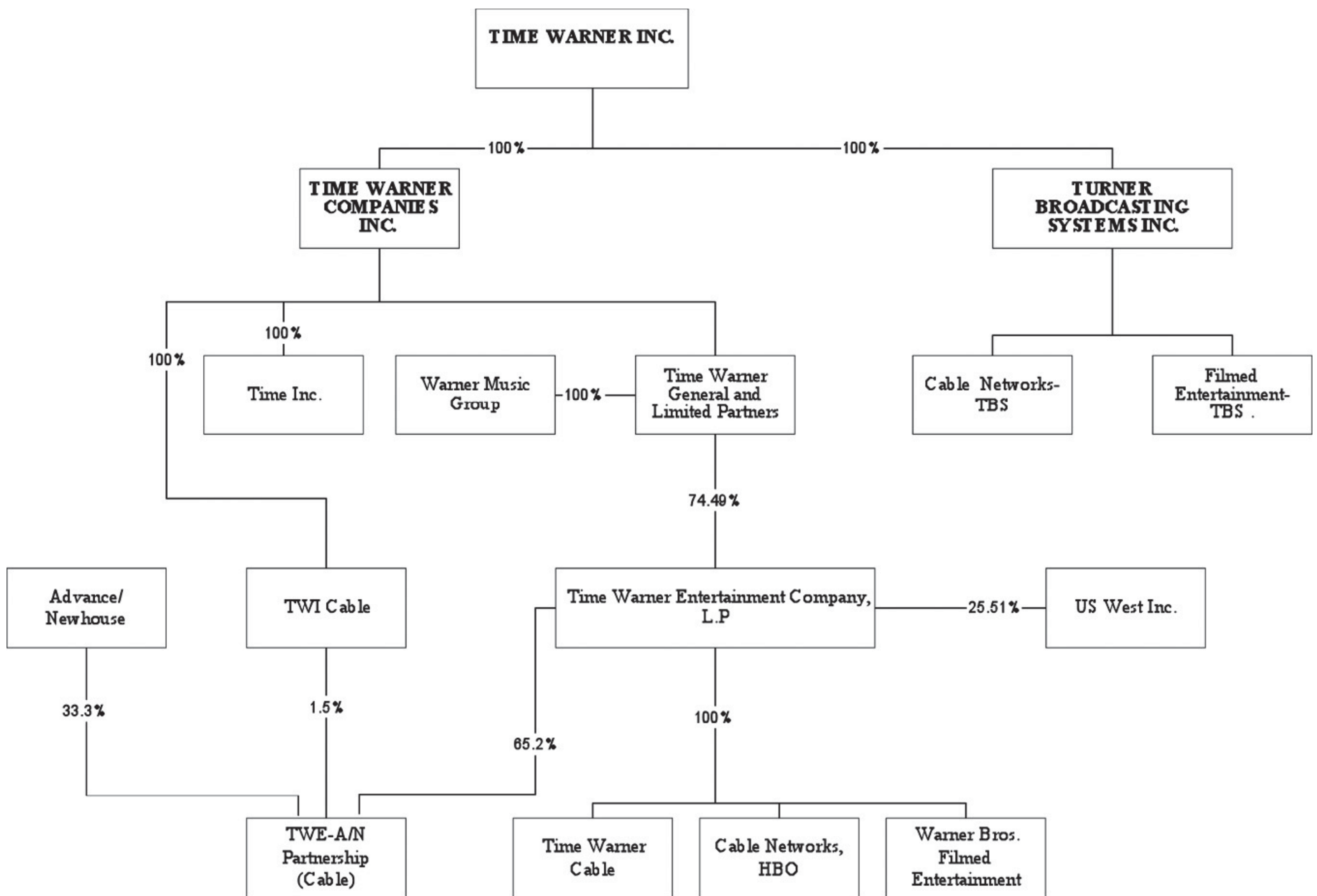

Figure 4.2 Time Warner Organization Chart

However, by 1998 Time Warner's situation had improved considerably. Since 1993, an additional US$5.5 billion had been spent on acquiring more cable systems that collectively serviced 12 million subscribers; nonetheless, investors were less concerned with the debt level due to gains in cash flow. After debt had peaked above six times annual cash flow (EBITDA) in 1992, revenue growth across its divisions had seen this ratio drop to approximately 3.2 by 1998. Spurred on by a deregulated cable industry in which by 1998 cable rates had increased by four times the rate of inflation,[92] Time Warner's cable systems together with its cable programming services accounted for 77.2 percent of its operating income. In late 1998, the corporation's debt was raised to investment grade by Standard and Poor's, reducing the cost of borrowing. Wall Street analysts were enthusiastic about Time Warner's announcement that the corporation would cut operating expenses across its divisions by 3 to 5 percent following the TBS acquisition.[93] Just as important, cable and interactivity were embraced: new digital technologies were now viewed as promising high profits from Internet and telephone services. Speaking on behalf of investment analysts, Merrill Lynch's Jessica Reif remarked, "[w]e're super, super bullish."[94]

Since 2003 and the aftermath of the AOL Time Warner merger, debt has reemerged as a major factor affecting Time Warner strategy and structure. Despite instigating a "downsizing" and

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“rationalization” process almost immediately across the corporation in January 2001, the corporation’s self-imposed financial targets were not met, and earnings projections had to be revised. As with the Time Warner merger ten years earlier, perceived synergies never materialized. Falling well short of overinflated targets had damaged relations with investors; the situation deteriorated in June 2002 when it emerged that since at least 1999, AOL had overstated its revenues by almost US$200 million through circular transactions with some of its advertising and e-commerce customers. A series of class-action lawsuits ensued, as did criminal investigations by the Securities and Exchange Commission and U.S. Department of Justice. Further investigations proceeded into the US$400 million of advertising Bertelsmann AG had purchased from the company after AOL and Time Warner had agreed to purchase the German corporation’s 50 percent stake in AOL Europe. The inflated price for this stake in April 2000 was US$6.75 billion.[95]

In late August 2002, another US$2.1 billion in debt was added to AOL Time Warner’s balance sheet, which already carried approximately US$26 billion in net debt. Continuing consolidation in the cable industry had seen Comcast poised to gain control of U.S. West’s original stake in TWE, which prompted AOL Time Warner to buy the cable giant’s 27.64 percent stake in the limited partnership. In January 2003, following Standard and Poor’s initiation of a review of AOL Time Warner‘s investment grade credit rating, the corporation announced that it would “monetize” nonstrategic or noncore assets to reduce consolidated net debt to approximately US$20 billion by the end of 2004. The “noncore” assets sold included all of the Warner Music recorded music, music publishing, and CD and DVD manufacturing businesses, for US$3.65 billion. An unsuccessful attempt was made to sell the Time Warner Book Group, but the Time-Life Inc. direct marketing business was sold for a nominal amount. Other divestitures including sports teams, and the settlement of a lawsuit against Microsoft helped reduce net debt to US$22.705 billion by the end of 2003.[96]

Despite some outstanding financial results from media corporations in the United States, disquiet about the future of traditional media in the digital age drove shares of “old” media firms 25 percent below the S&P 500.[97] *USA Today* observed, “America Online’s ill-fated acquisition of Time Warner in 2001 probably did more than any other single event to prompt investors and analysts to reassess their assumptions about media.”[98] In August 2005, erstwhile raider and now shareholder “activist” Carl Icahn began action to force Time Warner to do something to boost its relatively low share price. Despite tapping into the general impatience with media firms on Wall Street, Icahn was unsuccessful in his push to have Time Warner break itself into four separately traded public companies: AOL, Time Warner Cable, Time publishing, and a single film and TV network company. Time Warner’s management vigorously defended the benefits of vertical integration within the audiovisual sector and the general merits of corporate size; nevertheless, the corporation announced further cost cuts and an increase in its declared share-buyback to US$12.5 billion. Icahn’s initiative was further blunted by the news in February 2006 that Time Warner had successfully sold its book publishing unit to the French firm Lagardère for US$537.5 million. Given the parlous state of Time Warner, earlier questions about the possible “monetization” of Time Inc. returned

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—“[c]an traditional publishing provide the kind of growth required by a public company?”[99] This, of course, is an odd question for Time Inc. publishing, which has been part of a publicly listed company since 1964.

4.5 THE FILMED ENTERTAINMENT COMPLEX OF TELEVISION, FILM, HBO, CABLE: CONTROLLING COMPETITION AND BUYING GROWTH

The general forces shaping the cable industry in the 1990s marked the development of Time Warner Cable systems and networks. This industry was marked by the potential introduction of new competition in the form of telecommunications entering the market; the cessation of new cable system growth as cable systems passed 95 percent of the population; and a rapid consolidation in the ownership of cable MSO ownership as the major corporations fought for control over market share in distribution.[100] The capital costs for an upgrade to digital would be enormous, and it was perceived that, with cable saturation soon approaching, growth would be slow in the cable industry. In this context, visions of convergence on the information highway —ensuring stock analysts expansive new revenue streams from interactive services—played an important role in maintaining access to capital.[101] Due to these factors:

> The cable TV systems industry has undergone perhaps the most striking consolidation over the past 15 to 20 years. It has gone from a “ma and pa” industry of the 1970s to an enterprise in which 6 giant firms control over 80 percent of the market.[102]

As Wasko notes, although regulators and the industries continued to insist on a difference, integration that began in the early 1990s meant that it was increasingly difficult to distinguish between the cable television and film industries.[103] Although the commercialization and expansion of media systems across Europe and Asia meant that Hollywood faced expanding markets, as Aksoy and Robins observed, it was the search for critical mass, particularly within the American market, that was key to controlling these new developments.[104] With the development of new distribution methods, Warner, along with the other major studios, had sought to control the ends of distribution through what Susan Christopherson refers to as virtual vertical integration.[105] This was crucial as, for example, large cable system operators increasingly dictated the terms on which cable networks would operate and indeed exist.[106] Control over the distribution networks within the primary U.S. market and elsewhere was crucial to the maintenance of individual capitals’ global expansion strategies. Emerging competitive threats to distributive control thus acted as a major fillip in the shift toward technology over globalization as the key trope of corporate strategy at Time Warner.

As Jeremy Tunstall and David Machin argued, cable had emerged as the basis on which various communication media could merge into a single whole.[107] However, the studios feared that, with the advent of digitalization and regulatory shifts (encapsulated in the 1992 Cable Act), telephone companies would gain a greater control over the means of distribution. Cable regulation acts allowed the major telcos to enter the cable market outside their primary operating area. In the early 1990s, the RBOCs, mindful of their own stock prices and the need for fresh areas of growth, announced that an array of new interactive services would be

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"immediately" available via their telephone lines using new technologies such as ADSL and ISDN to provide "integrated broadband networks." Such services, including video-on-demand, had the potential to devalue billion-dollar cable infrastructures largely because the new technologies would allow them to be simply "overbuilt." This possibility was in fact blocked until the passage of the Telecommunications Act of 1996. Nevertheless, telephone companies of course dwarfed the dominant media players and were guaranteed access to programming under the 1992 Cable Act. The same provision was crucial in the emergence of DBS systems, such as DirecTV, as credible competitive threats. The new studio-cable-TV combines felt compelled to act.

Thomas Eisenmann observes that cable-system operators, particularly those controlling large city systems, sought to acquire "a 'critical mass' of at least 3 million subscribers, and . . . upgrade their plant to deeply integrated broadband networks."[108] Under these circumstances, the largest five MSOs (TCI, Time Warner, Continental, Comcast, and Cox) were particularly acquisitive. In the period 1994 to 1995 Time Warner completed cable acquisitions that equaled 34 percent of their total subscribers at the beginning of 1994.[109] In 1994 it formed a joint partnership with Advance Publications and Newhouse broadcasting, through its TWE joint venture, to expand its cable holdings of 7.3 million subscribers by 4 million and bought 3 Summit Communications cable systems in North Carolina and Georgia; in a three-week period in early 1995 it purchased the Houston Cable Industries stake in KBLCOM—Paragon Cable, which it had formed as a joint venture in 1985, for US$2.3 billion and bought Cablevision Industries for US$2.76 billion. It was forced to refinance these purchases through a US$9 billion dollar loan administered by Chemical Bank. An attempt to restructure TWE to shift the programming out of the highly capital intensive partnership was blocked by U.S. West, who later in that year attempted to block Time Warner's purchase of TBS, whose programming ware would not be added to the limited partnership. Over the period of 1995 to 1996, Time Warner aggressively expanded its cable systems, building its subscriber base to 11.5 million. The basis of this move was to build regional clusters in designated market areas to increase profitability through both marketing cost reductions and advertising increases. To preserve and extend the value of its operations, Time Warner established itself as the leading integrated cable company through the acquisition of cable network programming and expanding the functionality of its cable systems.

4.5.1 Turner Broadcasting System

The most important move in Time Warner's tightening grip on the Hollywood-cable-TV complex was achieved with the purchase of Turner Broadcasting Systems, the Atlanta-based cable programmer, announced in September 1995 and completed in October 1996.[110] As with the Time Inc. Warner Communication deal, Gerald Levin referred to this acquisition as a "transforming transaction." Indeed, the acquisition of TBS's CNN had been the second component of Levin's 1987 strategy to transform Time Inc. into a central force in the Hollywood-cable-TV complex—as an "entertainment oriented communications company." To augment the successful pay TV services like HBO, Levin believed that Time Warner needed an

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advertising supported cable network to form the basis of content on the corporation's cable distribution systems. While Time Warner competed with TCI to be the largest cable systems proprietor, TBS was the largest proprietor of successful cable networks. Their merger would create the leading vertically integrated capital in the cable industry.

Despite some obvious benefits of the deal, it ran counter to the debt-reduction strategy that was then the focus of Time Warner. Both companies had been negotiating for six months for Time Warner to sell its 21.9 stake in TBS.[111] While Warner sought to pare down its debt, TBS wanted greater freedom to pursue the CBS TV network. However, after the intervention of TBS's investment adviser, Michael Milken, in the spring of 1995 Time Warner announced that it would in fact purchase the 82 percent of TBS it did not own; the merger involved a US$8 billion stock swap, the majority of which would comprise newly issued Time Warner script.[112] There was pressure for Levin to act. Shifting government regulation, including the 1995 amendment to the Financial Interest Rule and the Syndication Rule (FinSyn), which had limited vertical integration, had contributed to a year of heightened media merger activity. Other conglomerates such as News Corp. and General Electric were assessing an acquisition of TBS. Moreover, there was growing disquiet among investors over the performance of Time Warner, both in terms of the overall corporate debt (US$16 billion) and the operation of individual divisions. As the stock price fell, the number of calls for Levin's resignation rose. The TBS deal was an obvious way to buy growth and provide a fillip for Time Warner's poorly performing stock. Acquiring TBS involved the assumption of more debt; however, it would provide an initial distraction from Time Warner's operating problems and would significantly improve the corporation's overall cash flow, allowing it to retire debt more quickly.

Although motivated by wider corporate imperatives, the TBS deal was crucial to the pattern of vertical integration that Schatz refers to as the return of the Hollywood studio system.[113] In 1994, Warner Bros. had announced that US$2 billion would be spent to launch a fifth broadcast network, to protect its TV production capability and ensure in-house products for HBO and other cable programming services. In this regard the cable and broadcast networks of TBS gave Time Warner, first, a guaranteed outlet for its media products.[114] Second, if Time Warner owned TNT, the Cartoon Network, or CNN, it could generate advertising revenues from the programs as well as subscriber income from monthly cable users and gain advantage over other cable programmers because Time Warner could threaten to favor its own cable networks with lower and more desirable channel slots. TBS would have Warner Bros. to manufacture its television programs and Time Warner Cable to distribute its networks on cable. Third, the addition of several "smaller" film studios (Castle Rock, New Line, Fine Line) would augment Warner Bros.' mainstream films with more specialized fare. Fourth, TBS's massive film and TV series holdings gave Time Warner the largest library in existence with movie holdings of over 3,900 films. Fifth, the Time Warner news division now enjoyed both cable and print components. Finally, the TBS deal also gave Time Warner a stake in a number of sporting teams.

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4.5.2 Time Warner and the Superhighway

While Time Warner secured its dominance in cable programming through the TBS acquisition, it was also seeking to ensure its increasingly vast cable distribution systems maintained their central influence within the U.S. cultural industries. "Interactive TV" had been abandoned by the cable industry in the 1980s as technically feasible but too costly; however, in the 1990s Time Warner's top management once more pushed interactivity as a centerpiece of the "digital transformation" of the company.[115] The potential competition from the telecommunication firms, which had underpinned the strategic alliance with the RBOC, U.S. West, was a driving force in this regard, as the concept of "technology" replaced "globalization" as the basis of Time Warner's *modus vivendi*.[116] Three digital initiatives undertaken by Time Warner are particular noteworthy, not for their success but more for the strategic orientation they indicate: the Full Service Network experiment, the Pathfinder website, and the development of Roadrunner cable modems. Although none of these initiatives were unique within the cable and wider media industry, they did lay the basis for the combination with AOL in 2001.

In December 1993, Time Warner announced that the corporation's suburban Orlando, Florida, cable system would shortly feature a "Full Service Network" that would deliver interactive television to 4000 consumers.[117] Although it was only one of 17 trials either proposed or underway by telephone and cable companies at the time, it was by far the grandest project to be announced.[118] Time Warner proclaimed that it would invest up to US$5 billion to upgrade the millions of homes serviced by Time Warner Cable to Orlando-style FSN systems; before long 14 million Americans would be connected to the FSN.[119]

After numerous delays, Time Warner Cable introduced the system in December 1994. Early scepticism about the FSN soon proved to be entirely warranted. Recognizing that digital cable FSNs would need to gain advertising revenue as well as fees from video-on-demand and other services to survive, Time Warner sold access to the system for interactive advertising. Major corporations—such as General Motors, Toyota, and BMW—were charged an exceptional US$200, 000 for the privilege of access to what emerged to be between 5 and 50 participants as the scaled-back system commenced operation at the end of 1994—the corporation was forced to concede that these were all Time Warner employees. Major advertising agencies became disgruntled due to the difference between the new media promise and the reality; claims that FSN's original subscriber target of four thousand would be reached by the end of 1995 failed to reignite their interest in the project. One advertising executive noted that "Our focus has shifted to the World Wide Web . . . [With FSN], there was a lot to be learned in how to create an interactive ad, and that was valuable. But . . . the way to go is the Web."[120]

Time Warner was moving onto the Internet as well. In November 1994, one month before the introduction of the FSN project, Time Warner announced the establishment of its "Pathfinder" Internet site, which primarily highlighted Time Inc.'s magazines. However, this initiative, although one of the earliest open corporate sites on the World Wide Web, was beleaguered by diverse management and technical and content problems. It was increasingly viewed as an unwelcome drain on operating profits within Time Inc. While Time Warner's top management stressed the need for a cross-corporate embrace of new media initiatives, this was of course

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accompanied by increasing pressure for enlarged revenues and higher rates of return from each individual division.

By 1995, major cable companies had abandoned earlier highly publicized plans to embark on major broadband cable construction and to develop "multimedia" services via interactive television. The interactive TV trials were encountering serious technological setbacks and expensive holdups; besides, the rapid development of the Internet promised to be a far more cost-effective way of delivering multimedia services, including streaming video. The focus of corporate attention thus turned to the deployment of cable modems as means of leveraging the cable infrastructure for high-speed access to the Internet. In September 1996 after a long delay once again, Time Warner rolled out its cable modem Roadrunner high-speed data (HSD) service initiative in Akron and Canton, Ohio (Time Warner Cable Sys—Time Warner Speeds To Market With Roadrunner 1996). Whereas other companies such as Viacom and TCI (with its @Home system) were also undertaking trials for cable modem access to the Internet, Time Warner claimed that its Roadrunner system was the first fully working system to offer enough bandwidth to run feature movies and keep large numbers of users connected.[120]

The Full-Service Network trial closed in early 1997. It was never economically viable due to its scale and cost of technology: each Silicon Graphics set-top box cost US$5,000.[121] One analyst noted that the "Full Service Network will go down in history as a very expensive technological whiz-bang trial that never really did much, other than provide Time Warner with some marketing data"; more acidly *Time* magazine described it as the "most expensive pizza delivery system ever invented." [122] Nonetheless, as with the Warner Amex Cable QUBE venture, Time Warner gained important technical and marketing experience in relation to video-on-demand and other interactive services.[123]

Table 4.2 Roadrunner High-Speed Data Services Expansion

Date	*Locations*	*Cable Home Access*	*Subscribers*
June 1997	7	725,000	10,000
December 1998	24	7 million	180,000
December 1999	37	13 million	555,000

Sources: "Cable Notes," Warren's Cable Regulation Monitor, March 15 1999; Margaret Kane, "Suddenly high-speed is big bucks," ZDNet News, January 19 1999; "Technology," Warren's Cable Regulation Monitor, January 17 2000.

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The development of the DirecTV DBS system and advertising-supported online services, particularly AOL, within this period clearly posed a threat to Time-Warner's development of enhanced interactive digital services and its cable subscriptions more generally. Indeed, in reaction to the perceived threat of DBS the cable companies pooled funds to launch the Primestar DBS service.[124] Time Warner also increased the pace of the deployment of its Roadrunner HSD service (see Table 4.2).

In December 1997, Road Runner announced plans to merge with U.S. West's Media One Express, also a cable modem online service provider. In June 1998, the respective HSD assets

of Time Warner, Inc., TWE, and the Time Warner Entertainment-Advance/Newhouse Partnership cable alliance, as well as those of U.S. West, renamed the MediaOne Group in June 1998, were added to the Roadrunner Joint Venture. Microsoft, in a manner similar to its move to "re-energize the cable industry" via a US$1 billion investment in Comcast Corp, invested with Compaq US$425 million in the Road Runner Joint Venture, significantly accelerating the expansion of the service.[125]

By the end of 1999, Time Warner Cable claimed to have 430,000 digital service subscribers and in 2000, via "an aggressive roll-out of digital cable service", the majority of Time Warner's cable divisions were expected to commence offering digital services. While the promise of interactive television had moved closer, its promise had largely already been delivered in the shape of the Internet. The chief technical officer for Time Warner Cable noted that the company "had hoped it would happen faster for sure. . . . There was a theory that interactive TV would have been the way this all happened. In hindsight that wasn't realistic."[126] As Wasko observed, one of the problems with interactive cable strategies is that they center on Video-On-Demand and Hollywood studios—even when part of the same conglomerate as the cable operators have been reluctant to supply content because of its effects on a distribution system based on various release "windows"—video rentals in particular.[127]

By early 1999, Time Warner's attempts at marrying its cable and media assets on the Internet had been ineffective; in fact, few of the other media companies had done any better online. In April 1999, the closure of the Pathfinder portal was announced after approximately US$100 million had been spent on the site. Valuable experience was garnered about refining and enhancing marketing efficiency on the Internet: over a six-month period a new Internet strategy based on individual Time Warner brands replaced Pathfinder. In what was viewed to be a far more lucrative business model, each branded site allowed Time Warner to go after a more precisely differentiated audience while developing advertising deals across a range of media: a growing imperative in the global advertising market.[128] Nonetheless, as Joseph Turow argued, it was becoming increasingly clear that the Internet provided an attractive, and comparatively inexpensive, digital option for customized media and expanded direct marketing by which media corporations and their advertisers could gain the loyalty of desirable audience members.[129]

In mid-1999, a new division Time Warner Digital Media was established under the direction of Time Warner's chief financial officer, Richard Bressler. The unit's purpose was to develop and implement a companywide digital media strategy, to fund and oversee digital media initiatives across Time Warner's divisions, including advertiser-supported websites such as Warner Bros. Entertaindom.com, and to identify and pursue digital media-related investment opportunities.[130] By the end of 1999, negotiations had begun with AOL, the U.S.'s largest Internet service provider.[131]

The AOL acquisition of Time Warner was announced ten years to the day after Time Inc. merged with Warner Communications, on January 10, 2001. The deal was widely described as the triumph of "new" media over "old." Nevertheless, this framework needs to be discarded in favor of two other considerations. First, the acquisition, the largest in U.S. corporate history,

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marked, as discussed, the high point in the speculative bubble that in its latter stages had centerd on dot.com stock. As Philippe Bouquillion argues, to describe the ensuing collapse of the conglomerate's share price simply in terms of an industrial failure neglects what a financial coup the deal was for AOL's shareholders.[132] Second, rather than marking a strategic disjuncture, the deal was consistent with the Time Warner's established strategy of the expanding the scope of targeted media distribution—even if provisionally, as in the case of the Full Service Network or the Warner Amex Cable QUBE initiative. Time Warner would have access to the leading U.S. Internet platform for reaching customers online, and AOL's 20 million subscribers would raise the number of subscribers associated with the new conglomerate to over one hundred million.[133]

Schiller notes that after the combination, AOL Time Warner garnered less than one-quarter of its revenues from advertising, yet advertising remained important.[134] AOL used a "walled garden" strategy whereby the company attempted to section off part of the public Internet into a propriety environment; its customers' activities were tracked so that they could be surrounded with advertisements appropriate to their demographic characteristics and behavior patterns.[135] "Walled gardens" thus provide revenue through access charges and premium advertising rates based on information-rich customer relationships.[136] Through the acquisition, AOL could offer well-known Time Warner brand name products—movies, television programs, and magazine content—to make its service more attractive. The content for AOL was a loss leader however. The main aim was boost subscriptions to its dial-up Internet service. Instead of being dependent on local telephone lines and satellite delivery, AOL would have access to Time Warner's system of high-speed cable modems and Time Warner's 13 million cable-TV customers.

Ben Bagdikian remarks that according to its proselytizers AOL Time Warner was "synergy perfected."[137] Nonetheless, the synergies between the Internet and Time Warner's established cultural industry models, including the distribution systems, proved to be weak. While viewed as initially offering the largest possibilities, online music operations illustrated this clearly. Other possibilities such as film distribution also seem limited, and organizational incompatibilities emerged across the corporation's divisions.[138] AOL itself was affected by the decline in advertising expenditure after the end of dot.com bubble, and this was accompanied by the appearance of low-cost alternatives to AOL dial-up service and the emergence of high-speed broadband Internet access. As subscribers left AOL's core business (subscriber numbers fell 30 percent since 2002), the company was forced to break down the walls of its site and offer free software, e-mail, and other services to broadband customers as part of a strategy to move toward a straight advertising financed model.

Despite the ongoing problems with AOL, Time Warner has continued to expand its cable holdings (including half of the bankrupt Adelphia system—see Table 1.2). Up until 2009 Time Warner Cable accounted for more than one-third of the company's operating profit before depreciation and amortization. The Internet helped to drive growth as customers flocked to the cable unit's high-speed Internet and Internet-telephone services, helping it produce double-digit earnings and revenue growth.

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4.6 MUSIC: EXPANDING REVENUE STREAMS AND FALTERING BUSINESS MODELS

Prior to the merger of Time and Warner, Warner's Chief Financial Officer, Bert Wasserman, had described the record business as "utopia."[139] This was for good reason, as the music business had a stable role as the "cash cow" of the entertainment industry. While requiring vastly less capital than cable, the record industry was more profitable than films, television, or publishing.[140] In terms of cash flow (EBITA), the music business contributed US$558 million in 1990; 36.4 percent of Time Warner's revenues or US$2.931 billion was generated by the music business in the same year. By this time the music operations had obtained what Rebee Garofalo describes as the sector's dominant organizational form: "Transnational entertainment corporations, which promote music as an ever-expanding series of 'revenue streams' . . . no longer tied to a particular sound carrier."[141]

Whereas at the allocative corporate level the issue of restructuring the mountain of Time Warner's debt loomed large, the managers of the decentralized operating divisions were initially told to continue to operate as if the debt did not matter. In the case of the music operations in particular, this advice was central to corporate survival. Expansion of the music operations' revenue and operating income was central to Time Warner's stock valuation and its ability to finance its cable plans. Hence, the accompanying strategies that had increased the music operations' cash flow dramatically in the second half of the 1980s—energetic expansion into international markets and sources of music copyright revenue, particularly those associated with new media—were intensified in the early 1990s.

In the mid 1990s, a secular sales decline in the global recording industry, combined with a decline in the Warner Music Group's (WMG) market share, witnessed a significant reversal in WMG's position within Time Warner. As David Hesmondhalgh remarks, given the transformation of the major music corporations primarily into holders of extensive musical rights, the notion of crisis and irreversible decline in the music business needs to be challenged.[142] Nevertheless, WMG's contributions, in terms of revenue and EBITA, stagnated in the last half of the 1990s (see Table 4.3): in 1999, WMG's operating income was less than one-third of publishing's, less than one-quarter of film entertainment's, and one-twentieth of cable's. Stan Cornyn noted, "[D]own on Wall Street, 'numbers' meant more than tunes. In 1999, Wall Streeters glancing at the WMG numbers just shrugged." [143] In fact, by the end of the decade the Music Group was a significant weight on Time Warner's stock price: in August 1999, the corporation's share price tumbled after Merrill Lynch forecast another earnings decline within the music division.[144] In a research note, ING Barings argued, "[G]iven that the entire music division represents only 10 percent of the company's cash flow, one would have to argue that the division is practically worthless to justify such a violent reaction in the stock."[145] As outlined later, WMG's tactics concerning staff, recording artists, customers, and new distribution systems became ever more aggressive as WMG's market position declined at the same time that the industry as a whole entered a historic downturn. In January 2003 Time Warner announced a debt reduction program to Wall Street that aimed to reduce overall corporate debt by US$8 billion; in October and November 2003 Time Warner sold its

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complete music operations for US$3.65 billion.[146]

Table 4.3 Warner Music Group's Economic Performance 1995–2003 (US$ Millions)

Year	*Revenue*	*EBITA*	*Operating Income*
1995	4,196	595	321
1996	3,949	653	361
1997	3,691	467	166
1998	4,025	493	213
1999	3,834	452	179
2000	4,148	518	(288)
2001	4,,036	419	(498)
2002	4205	482	(1,313)
2003*	2,923	282	(9)

Source: Time Warner 10K & 10Q SEC Filings
***** First three quarters

As noted, WMG's management had sought to internationalize the music operations, which compared to the other music corporations were American-centric. Through new affiliate operations, or through acquisitions and joint ventures, WEA International, renamed Warner Music International (WMI) in 1990, continued its headway into international markets, particularly in Europe, as well as Asia, South America, and Australia. In spearheading its expansion WMI sought to ensure that a dual company structure was replicated in eight major countries in which it operated (the U.K., Germany, Japan, Australia, Italy, Spain, France. and Brazil). This structure featured the East West label, specializing in domestic recordings, and WEA, specializing in predominantly U.S.-sourced material. Time Warner called WMG its "most global division": after dropping to 52 percent in 1993, in 1994 to 1995, 57 percent of its revenues came from outside the United States from operations in approximately 70 countries.

Both WMI's activities and those of the wider Music Group were also marked by an increased focus on operational diversification into ancillary markets: in the first half of the 1990s, two dozen new companies were purchased whole, or in part, often as joint ventures with other media conglomerates.[147] To some extent, this strategy responded to the decline in unit sales associated with the loss of distribution of the Geffen music label, as well as Island and the foreign distribution of MCA Records that particularly affected the Atlantic label. Indeed, the diversification strategy was most evident in the makeover of the Atlantic label, which was renamed the "Atlantic Entertainment Group."

Nonetheless, diversification was also driven at the divisional level, which confronted an 8 percent decline in worldwide unit sales in 1991, the expression of not only a major recession but also a forewarning of an industrywide decline that appeared secular rather than cyclical (decline in market share). The executive management within Time Warner and WMG believed that the Group would not continue to grow without entering into new businesses such as digital music cable services, record clubs, direct marketing, and tours.[148] This drive for expansion often ran counter to the favored business practices of the label executives. The record club

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Columbia House (50 percent owned by Time Warner) in particular emerged as a *bete noir* for music retailers and label executives; nevertheless, its growth in sales in the first half of the 1990s provided important profits for the overall Music Group. Moreover, the club's ability to allow music companies to "snuggle closer to the listener" underscored the increasing importance that customer relation management (CRM) and its attendant technologies would play for these companies.[149]

The various threads of this aggressive new growth strategy, buttressed by tightened corporate control, troubled Time Warner's Chief Financial Officer, Bert Wasserman, and the outgoing WMG Chief Finance Officer, Sheldon Vogel, who were more accustomed to high rates of return from lower levels of capital investment. Wasserman noted,

> Jerry [Levin] figured . . . that to get double-digit growth out of Records, coming out of an eight-hundred-million-dollars base, it wasn't going to happen in the United States only. Whether or not it could happen around the globe, we weren't sure. Some of it happened with the CD. Jerry was looking for *other* areas of growth. I told him I thought the way [Warner Music Group chairman, Robert] Morgado was acting was harmful. Jerry brushed it aside. "He sees the future," he told me.[150]

Still, Wall Street analysts were pleased by the overall developments within the industry; financial scrutiny and conglomerate control were bringing greater investment security to an industry still associated with entrepreneurial control and artistic flourish.[151] In 1993, an Anderson Consulting analysis of WMG suggested that, following the consolidation of inventory control for the Group's three labels in early 1991, greater consolidation of "back office" functions would bring an improvement in profit margins. Subsequently, in 1995 Warner Media Manufacturing and Distribution (WMMD, later renamed WEA Inc.) was formed, combining the Group's manufacturing, distribution, and packaging into one unit.[152] The efficiency drive within the more industrialized aspects of WMG's reproduction and distribution operations affected almost five and half thousand employees. The processes involved the well-worn patterns of industrial rationalization: the drive for greater "flexibility".[153]

Concomitant attempts to reengineer WMG's "label side," as part of a greater drive to increase profits ultimately proved harmful to the corporate bottom line, principally due to executive payoffs amounting in total to US$200 million. In August 1994 the three major U.S. labels were subsumed under a new corporate structure—Warner Music U.S.—as part of an attempt to establish greater centralized control over the creative executives in the separate "baronies" of WMG. Within four months of the restructure, as new pressures were brought to bear on cutting artist rosters and staff levels, three senior creative executives at Warner Bros. Records and Elektra announced their intention to leave. As established operating practices were destabilized, tensions arose between the U.S. operations and the overall WMG, including the international operations. In May 1995, the head of WMG was replaced by Michael Fuchs, chair of HBO. Fuchs subsequently sacked the head of Warner Music U.S. and disbanded the new structure,[154] closed nonperforming direct marketing operations at a cost of US$85 million, and ended the company's association with Interscope records, whose "gangster-rap" artists had proven to be an unconscionable public relations burden for Time Warner (signaling a partial withdrawal from the important rap genre).[155]

However, to smooth the way for the TBS merger, in November 1995, Time Warner CEO

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Gerald Levin dismissed Fuchs before the erstwhile programming executive could further "rationalize" the music division. The decision, connected with the restructuring of Time Warner into three divisions—entertainment, news, and telecommunications—brought to an end WMG's high-level managerial instability. Overall management of WMG was transferred to Time Warner's filmed entertainment co-chief executives, Robert Daly and Terry Semel. Despite 15 months of instability, Warner Music remained the largest and most powerful record company: at the end of 1995, WMG had extended its preeminent position while other music corporations lost market share. Expectations that Daly and Semel could steady WMG and ensure its fortunes rested on their "intrinsic" understanding of creative workers, gained through their long association with the film industry: a WMG label executive argued that Daly and Semel "understand creative talent, the nature of artists and agencies and that this is a business of hits and misses."[156]

In fact, it was increasingly evident that the "cultures" of both the music and filmed entertainment companies were transforming, driven by the rising costs of "talent" and promotion and the concomitant reliance on superstar acts.[157] Cornyn cites the competitive environment in which Warner Bros. resigned the band R.E.M to a five-album agreement worth US$80 million as a key instance of this change.[158] The investment soon appeared ill considered, forcing music executives to rehearse exhortations about the need to focus on promoting new artists rather than relying on sales from veteran superstar acts. Nonetheless, as Garofalo argues, the music industry was "now taking its cue from the success of Thriller . . . they [began] trimming their rosters in the hope of finding the next Michael Jackson."[159] Despite the cant about the return to Steve-Ross-style management under Daly and Semel, such rationalization was telling of the intensified focus on profitability within the WMG. At a time when the growth of the recording industry appeared to have stalled, the co-chairman of the Atlantic Group argued that music executives "have to change the way we do business or go bankrupt. We want to release fewer records and work them longer to make them hits . . . It's all about bottom-line profits."[160]

4.6.1 Corporate Rationalization in the Context of Declining Profits and Intensifying Competition

Mounting concerns about bottom-line profits led to processes of rationalization that were not simply associated with the management of catalogs, a task pivotal to editorial cultural industries; rather, they reflected practices that were more interindustrial in character. In June 1996, WEA Manufacturing Inc. announced 430 work positions would be eliminated over a 3- to 12-month period; numerical flexibility at its Pennsylvania plant would be achieved using temporary employees; rumors spread that the company was "getting rid of the troublemakers." An additional 87 technicians and production workers were fired in April 1997 in response to intensified competition and the closure of VHS production.[161] In March 1996, Atlantic Records dismissed 35 staff members; in late September, the group began a more thorough "streamlining" process that affected all areas of the group: its workforce, its artist roster, and its affiliations with labels and producers. Atlantic dismissed approximately 13 percent of its

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500-person workforce, covering its promotion, marketing, and artists and repertory departments. The group also announced it would drop at least 50 bands and artists from its roster by the start of 1997; end all joint ventures, including those with Matador, Mammoth, and Celtic Heartbeat Records; and consolidate “independent” in-house labels: TAG, Lava, Mesa Blue Moon, and Code Blue. Atlantic cut its new releases in 1997 to 57 from 147 in 1995. At the same time as Atlantic was eliminating staff, Warner Bros. Records and Reprise Records began a year and a half process of reducing their combined workforces: one-third of their more than 500 employees were purged.[162]

These processes of rationalization were well under way when, in early 1997, Time Warner’s executive management directed its divisions to cut operating expenses from 3 to 5 percent over a 3-year period as part of the process of “bedding down” the TBS acquisition.[163] Moreover, they were undertaken before the third major decline in the history of global music industry had fully materialized.[164] Clearly, however, the processes were reinforced and legitimized by these changes in the corporate and, more important, industry environment. Since the advent of the CD format in the early 1980s, steady growth had been an ever-present condition in the music industry: according to the International Federation of the Phonographic Industry, global record sales soared from US$14 billion at retail in 1986 to US$40 billion in 1995. However, as Andrew Leyshon et al. noted, 1995 marked the end of this “golden era.”[165] One study claimed that global music sales fell from US$41.5 billion in 1995 to US$38.5 billion in 1999; Merrill Lynch estimated that the overall music industry contracted 1.5 percent a year from 1995 to 2000.[166] Corporate anxieties rose as the decline deepened in the new millennium: the *Economist* notes that between 1999 and 2003 the sales of recorded music shrank by a fifth.[167]

While a significant downturn in the global sales of recorded music is undeniable, the apportioning of blame by the music companies and their representative bodies solely to the advent of digitalized peer-to-peer file sharing networks (Napster and its like) and increasing levels of “piracy” appears dubious.[168] Whereas some, such as Leyshon et al., offer other explanations for a secular decline in music sales, Hesmondhalgh challenges the very notion that the industry malaise is irreversible rather than being cyclical in nature.[169] The extent of discretionary consumer spending and its relationship to the commercialization of new technologies of storage and retrieval has long played a crucial role in the vicissitudes of this cultural industry: the downturn in the late 1990s mirrors those in the 1930s and late 1970s and early 1980s in this respect. Recording industry representatives have largely ignored this fact; instead, they have been motivated to exaggerate the degree of the crisis and stress the role played by “piracy.” There are number of reasons for this: first, the crisis has been used to justify their attempts to transform through “legislation and litigation” the emerging world of digitized music filesharing into a lucrative new revenue stream—the “celestial jukebox”—by creating an artificial scarcity of intellectual property on the Web; second, it has legitimated further industry consolidation, and; third it has underwritten highly successful attempts to modify and extend copyright law, including the so-called Mickey Mouse copyright law (the Sonny Bono Copyright Term Extension Act of 1998) and an odious 1999 legislative amendment that that made all recording contracts “works for hire” within the record industry.[170]

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Even if the fate of the recorded music industry is separated from that of the wider music business, the depth and permanence of the crisis is questionable given its relationship to new managerial practices within a cultural industry guided by the publishing logic. As Gilbert Rodman and Cheyanne Vanderdonckt argue, it is likely that per-album profits increased at the same time that unit sales declined because the number of new albums released and the rosters of active artists were both slashed by the major record companies.[171] Reducing a label's repertoire, and hence leveraging risk for the sake of profitability, has been a response to competitive pressure within and across media and entertainment corporations rather than to a fundamental change in the recorded music industry itself.

The major record companies had also colluded to raise the standard list price of new CDs, both increasing per-album profits and protecting their back catalogs from the harmful effects of the consolidation of music retailing in the 1990s.[172] In 1993, the U.S. Federal Trade Commission (FTC) began investigations into these practices, and in 1995 retailers commenced private legal action against WEA. It was not until May 2000, however, that the FTC ruled that WMG, together with the other major record companies (Universal Music Group, EMI, Sony, and Bertelsmann Music Group) had acted illegally through the "minimum advertised price" (MAP) system to discourage retail discounting of CDs.[173] Tim McCourt and Patrick Burkart observe that since 1998 CD prices in the United States have risen by approximately 12 percent.[174] As per a FTC consent decree, the major record companies disbanded the MAP price-fixing scheme, which the Commission argued had gouged consumers by approximately US$480 million in a four-year period. A subsequent string of lawsuits over this price-fixing, including private class-action and federal action by attorney generals of 43 U.S. states, concluded in July 2003 with a combined settlement of a meager US$143 million against the major record companies. It appears that, despite the changes in business practice in the mid-1990s, the major record companies were not likely to go bankrupt.

4.6.2 Varied Responses to Declining Market Share

Nonetheless, WMG's competitive position had suffered in the four years since its overall management had been coupled with Time Warner's filmed entertainment. WMG's operations were particularly affected by the partial withdrawal from the rap/hip-hop genre and by the decision not to acquire expensive catalogues through acquisitions.[175] After long holding the No. 1 position in the total share of the U.S. market, including back catalog sales, WMG dropped to second position behind the Universal Music Group (UMG), which had been formed in December 1998, when Seagram's Universal bought PolyGram in an US$11 billion deal. While holding this position, its total market share continued to slip (see Figure 4.3). As Table 4.4 illustrates, by 1999 WMG's market share of new album releases, within the U.S. and globally, had fallen to fourth position relative to the other major record companies. Beset by a dearth of hits and delays in releases by major artists, which is key to music companies' blockbuster strategy, WMG's economic performance reflected its loss of U.S. market share and its continuing weakness in international markets.

In mid-August 1999, Roger Ames was appointed WMG's chair and chief executive officer,

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eight days before Merrill Lynch's Jessica Reif Cohen's negative analysis of WMG sent Time Warner's stock price plummeting. Reif Cohen's note argued that WMG's declining market position could no longer be offset by cost cutting within its operations.[176] Ames, former head of PolyGram and "well respected in the investment community,"[177] brought what Gerald Levin called a "world-wide perspective" to WMG's operations. This management argot translated almost immediately into steps to create critical mass by merging WMG's operations with EMI. In January 2000, Time Warner announced its intention to merge WMG with EMI to create a US$20 billion company controlling more than 25 percent of the world music market, more than 2,500 artists and producing sales of approximately US$8 billion per year—surpassing the leading position of UMG. The *Financial Times* noted that the deal had "industrial logic in bucketloads."[178] The merger, under WMG management control, would cement the company's dominance in certain areas such as music publishing, marketing, and promotion; balance and expand its global market share of music sales; and provide greater scope for rationalization and cost cutting in areas such as manufacturing and distribution (including up to 3,000 jobs). However, after an extended period of review, the European Commission drafted a recommendation that argued the merger should be blocked due to concerns that such "industrial logic" would in fact lead to "collective dominance" (oligopoly) by the major music corporations. In October 2000, Time Warner and EMI withdrew the merger proposal when it appeared that it was jeopardizing the European Commission's approval of the proposed merger of Time Warner and AOL

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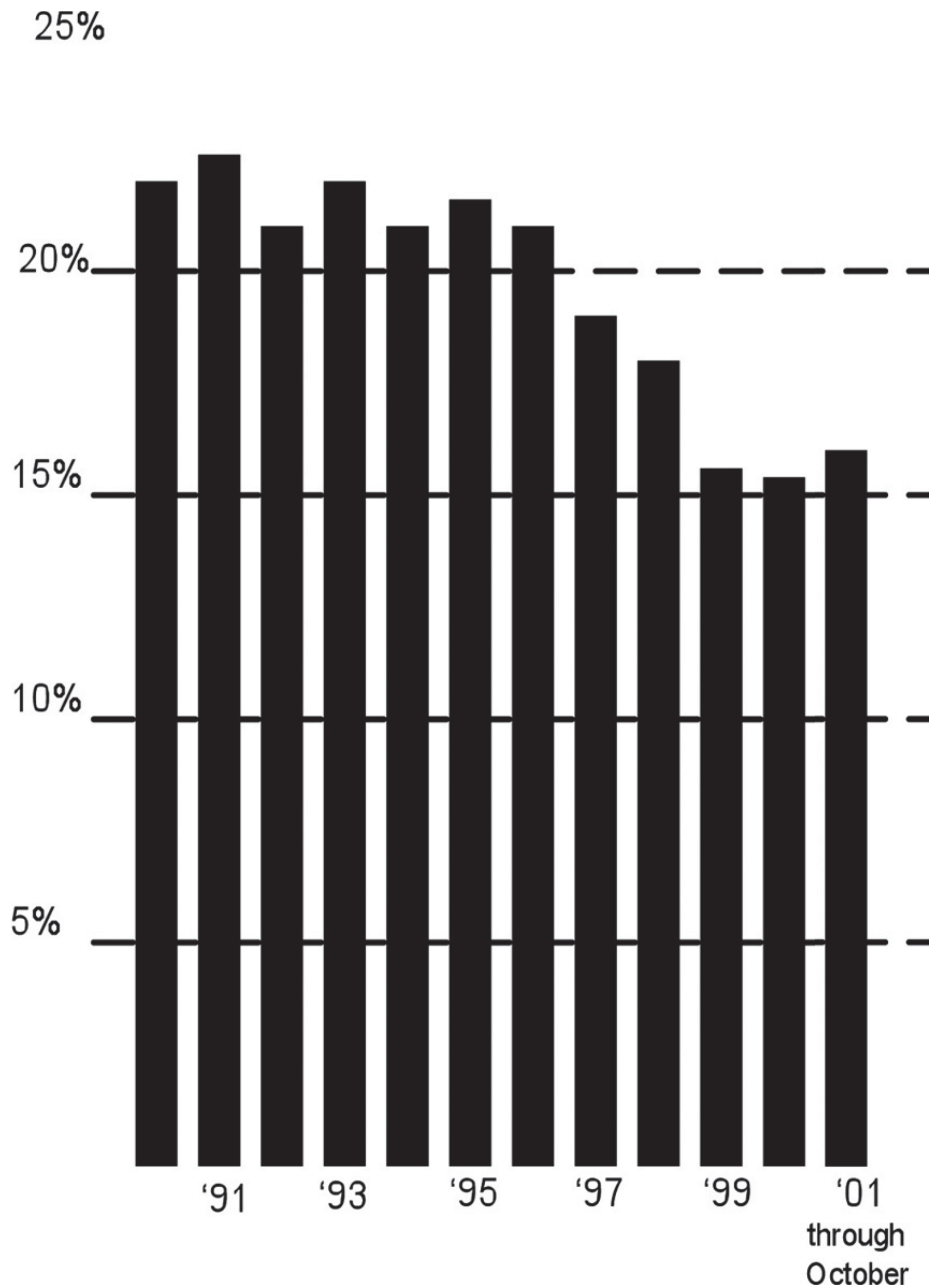

Figure 4.3 Warner Music Group's Share of U.S. Album Sales 1990–2001 (%)

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Table 4.4 Total Market Share for New Music Recordings (%)

1999 Global Sales		*1999 U.S. Sales*	
Universal	21.8	Universal	28.1
Sony	19.0	Sony	19.5
EMI	12.9	BMG	15.2
Warner Music	11.9	All others	13.0
BMG	11.9	Warner Music	12.8
All others	22.5	EMI	11.4
Total	100	Total	100

Source: Charles Goldsmith, William Boston, and Martin Peers, "EMI, Bertelsmann Unit End Merger Talks—Deal Might Have Altered Face of Music Industry; What Now for the Two?" Wall Street Journal, May 2, 2001.

In late January 2001, approximately two weeks after the AOL–Time Warner merger, the corporation decreed that it would reduce its 85,000 combined workforce by approximately 3 percent. At WMG 600 staff would be eliminated, saving the corporation a projected US$20 million per annum. The vast majority (500) accepted early-retirement buyout packages, with some of these positions being filled with new employees on lower salaries. Once more, the layoffs were not only part of broader corporate objectives, that is, as one music executive noted, making "sure Wall Street feels good about the merger"; they were also in response to WMG's position in a contracting market.[179] As Leyshon et al. remarked, during the economic recession of 2001 to 02 "the major record companies [resorted] to classic strategies of corporate restructuring to tackle problems of declining sales and falling markets."[180] Between 2000 and 2002, the music industry cut about 20 percent of its workforce through reorganizations and layoffs.[181]

The Group's restructuring and rationalizing initiatives once more affected staffing levels at the Warner, Elektra, and Atlantic labels;[182] joint venture labels Qwest, Giant, and Tommy Boy Records were bought out and consolidated; "backroom" support functions at WMG were further centralized; WEA distribution reduced its staff, shut three U.S. regional sales offices, and refocused its activities to strengthen its marketing capacity. At the international level, the Group also centralized marketing and promotion activities by eliminating the division between U.S. and international marketing functions: centrally set, global priorities would more fully override local album promotion strategies. AOL Time Warner management announced that WMG would not only become more internationally focused—international sales accounted for only 55 percent of WMG's revenue, approximately the same level as that of the mid 1990s—the Group would also set the "benchmark" for the new cross-promotional activities at AOL–Time Warner. [183] Thus the elements that had marked out corporate strategy at the beginning of the 1990s—internationalization and "synergies"—were once more stressed.

In this sense, Leyshon et al. are correct to argue that the music industry was responding to uncertainty by intensifying and adjusting existing modes of operation.[184] Adjusting and adapting these modes to a commercialized Internet proved difficult. Constrained by Time Warner's overall corporate Internet strategies, WMG was comparatively slow in this new field.[185] In contrast to other companies such as Universal, WMG did not actively seek Internet partnerships for promotion or technology and it was the last of the major music companies to enter the commercial download market in November 2000. Time Warner's executives argued, nonetheless, that the forthcoming AOL combination would provide WMG with a unique ability to shape the record industry's future on the Internet. To push ahead with this synergistic transformation, in January 2001 AOL Time Warner formed the AOL Music unit to oversee its online music operations.

Rather than demonstrating that the dominant record firms were "bureaucratic behemoths" unable to come to terms with digitalization and the Internet, their slow embrace of the online distribution of music was symptomatic of the difficulties associated with developing and institutionalising a new, commercial model for the Internet.[186] For instance, a central problem for WMG, as with other record firms, was that it needed to gain permission from music

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publishers—often part of the same corporation—for the development of legal music services. The same copyright law designed to ensnare Napster—the 1998 Digital Millennium Copyright Act—also threatened to make commercial digital music services illegal.[187] Arguments centerd on which form of copyright should apply to new subscription services, based on music downloads, often only rented, and the on-demand streaming of music, and at what level. While a temporary agreement was reached in September 2001, concerned remained among recording artists about the makeshift royalty model being adopted that threatened to reduce significantly their incomes. Many major musical acts withheld their music from the online services.[188]

Early scepticism about the "transformative" nature of AOL Music's relationship with WMG also soon proved correct.[189] Problems ranged from AOL posting Gnutella music filesharing software on its website, to ongoing disputes about the level of royalties that web-radio outfits, such AOL's Spinner, should pay music companies including WMG. While WMG was opposed to the initial music subscription model that AOL Music proposed, AOL refused to distribute the original version of Music.Net (a legal digital subscription service started by three major music companies WMG, BMG, and EMI, together with RealNetworks Inc.) because of its limited functionality and hence desirability to users. WMG sought to extend the editorial model based on artificial scarcity of intellectual property to the Internet; AOL, interested in selling broadband and dial-up access, sought a subscription model built on "traffic, usage, loyalty and commitment,"[190] a model that was much closer to the advertising funded "broadcasting" mode of operations of Kazaa, Gnutella, and Morpheus.[191]

Despite these problems, it was clear that the online music industry was rapidly being transformed from "a free-for-all of startups and questionable legality to a subset of the global record business."[192] Under pressure from U.S. Department of Justice anticompetitive investigations, in November 2002 the five major music companies agreed to license their catalogs to both the Music.Net and Pressplay music services.[193] Consequently, in February 2003 AOL accepted the modified and expand version of Music.Net. As the major record companies, through trade associations such as the Recording Industry Association of America, stepped up their litigation against individual users of illegal music file sharing services, these new commercial music services offered the record companies important advantages. Here digitalization permitted a significant extension of the commodification process through the intermeshing of Digital Rights Management (DRM) and CRM software: "[i]n combination, these software applications make a new kind of lock that also surveys its users and reports on their behaviour."[194] While promoters of CRM claim it enables music producers to "know" their audiences, the software is limited chiefly to the description rather than prediction of music consumption. Nonetheless, it promised to reduce considerably record companies marketing uncertainty.[195]

The rapid development of commercial music services in 2003 did not alter the intracorporate position of WMG. A Senior Media Analyst for Wall Street's Sanford C. Bernstein noted that, despite the focus on profitable "synergy" between AOL and WMG, the majority of the Music Group's 2002 cash flow of US$482 million was derived from WEA's manufacturing of film DVDs.[196] The parlous state of the recording industry, together with the collapse in AOL Time

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Warner's stock price, propelled the resumption of preliminary talks with EMI in February 2003. Discussions regarding a 50:50 merger of BMG and WMG's recording operations, at an advanced stage in May, faltered in June 2003 as Bertelsmann backed out of a separate deal to buy the AOL Time Warner book division. As the discussions with Bertelsmann continued, in July 2003 AOL Time Warner announced that it had sold its U.S. and German disc manufacturing and distribution operations to Cinram International Inc. for approximately US$1.05 billion.

In September, merger talks with EMI recommenced after negotiations with Bertelsmann had collapsed. While highly concentrated industries pose barriers to entry for potential competitors, they also pose problems for companies wishing to exit sectors: an offer from EMI, although the most lucrative was rejected by AOL Time Warner because of continuing concerns that such a deal would be blocked by European competition regulators. In November 2003, AOL Time Warner had accepted an offer of US$2.6 billion for WMG (including its music publishing division Warner Chappell) put forward by a private consortium led by Edgar Bronfman, Jr.

4.7 MAGAZINES AND BOOKS: "CASH FLOW CONTRIBUTORS" TO "NONCORE ASSETS"

Before the merger, WCI's management viewed Time Inc.'s publishing operations as "stagnant properties"; yet Time's magazines produced enough excess cash to invest in operations that would allow a higher rate of return.[197] The prospects for further growth appeared limited due to increasing competition for the attention of consumers/advertisers and the dominant position Time Inc. magazines already held. To maintain and extend cash flow and profits, emphasis was placed on both growth and reduction of costs through consolidation.[198]

The ability to maintain profits and revenue were badly affected by the 1990 to 91 recession that produced the worst media advertising downturn in years. In 1991, the division's cash flow, as measured as EBITDA, fell by 33 percent to US$246 million. Although the recession affected the entire magazine industry, it impinged on Time Warner's titles for a longer period than smaller competitors, and the division underwent several years of restructuring.

In September 1991, Time Warner announced a major reorganization aimed at producing annual savings of US$30 million.[199] This included budget cuts of more than 10 percent across-the-board; the merging of sales forces of various magazines to focus on intermagazine corporate accounts; the closing of some news bureaus; and deep staff reductions of 605 jobs for all the magazines.[200] The Newspaper Guild, which represented over 1,100 editorial workers at Time Inc, was able to protect the employment of only 9 workers.[201] Subsequently, *Time* magazine's format underwent a major redesign. While the advertising market began to recover in the first half of 1992, the division's reorganization did not stem the advertising downturn at the publishing division; while *People, Sports Illustrated,* and *Money* continued to be some of the most profitable magazines in the business,[202] Time Inc.'s advertising revenue was millions of dollars lower in 1992 to 1993. Indeed the centralization of the company's sales forces was attributed as being in part responsible for the slower recovery for the advertising downturn as

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compared to Time Warner's smaller competitors.

By 1993 the overall Publishing division had substantially recovered, with cash flow (EBITDA) rebounding to above the level set in 1990 (US$372 million). The division's revenues accounted for US$3.3 billion of Time Warner Inc.'s US$14.5 billion in revenue, a rise of 4.7 percent over 1992's figures. The rise in revenue was attributed to record circulation revenues, growth in book publishing, and cost reductions.[203] Its advertising revenue increased by only 1.8 percent in 1993 compared to double-digit increases for its competitors; overall, the company's total share of magazine advertising revenue fell from 18.2 percent to 16.8 percent between 1992 and 1993. Despite claims that advertising had become less important for its operations, in September 1993 the division further "rationalized" its operations in a bid to become "a lean and entrepreneurial company"; it decentralized the advertising systems of individual magazines, focused top management more purely on advertising, and cut out layers of "middle management" at its magazine and book operations, further centralizing control. Tough double-digit targets for profit growth were set.[204]

During this period of restructuring, speculation mounted among "industry observers" in the press and financial communities that the magazines and publishing division would be "spun-off", that is either wholly or partially sold. Stripped of its former HBO and cable television operations, Time Inc.'s status as the sole repository of print operations appeared incongruent within a corporation distinctly focused on electronic media. Moreover, valued at between US$3 billion and US$5 billion, the division's sale would greatly help the corporation address its overhanging debt. In early 1992, Time Warner's new chief operating officer, Levin, reaffirmed his commitment to Time Warner's book and magazine divisions. Levin assured staff that "layoffs aren't a way of life" but noted that Time Inc. must "maintain and enhance profit margins."[205] Nevertheless, just as layoffs persisted at Time Inc. so too did rumors of the division's sale. Time Inc. executives were still denying divestiture in early 1994, as Levin unveiled the corporation's expansive new plans for interactive cable. While it was acknowledged that central management had set "very aggressive benchmarks" in terms of earnings growth and reduced operating costs, a Time Inc. executive stated, "We've made a lot of cuts already. Our margins are the envy of the industry."[206] R. K. Brack, then Time Inc.'s C.E.O., was more forthcoming about the strategic importance of Time Inc. to Time Warner:

> The financial wizards could figure a lot of different ways to "monetize" various assets. But the publishing business and the music business, as part of Time Warner, are very important strategically in terms of the cash flow they contribute. The music business is number one in that area and we're right behind them.[207]

By 1994, the company had stabilized after the severe advertising recession and years of restructuring. In fact, the division showed the greatest growth across the entire corporation in the second financial quarter of 1994. For the first six months of 1994, the number of advertising pages had risen by 8.2 percent over the previous year. Circulation figures also rose. An important fillip had been provided by one-time, special issues of *Life*, *People* (its twentieth Anniversary issue), and *Sports Illustrated* (Time Warner was an official sponsor of the Winter Olympics). Media investment analyst Jessica Reif noted, "[T]hey did a great job at doing the special-interest issues and capitalizing on existing copyrights." The upswing in the

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magazine operations complemented the already relatively strong performance of Time Inc.'s book publishing. With estimated revenues of US$260 million, Time Warner trade publishing (Little, Brown, Warner Books) was the nation's sixth largest trade house in 1994. Yet to maintain growth rates the company would need to further its established strategies. To this end, the company increasingly focused on (1) new-product efforts based on spin-offs from existing magazines, (2) smaller special-interest magazines, (3) electronic interactive properties, (4) and international expansion. The initiatives helped drive earnings growth (measured in EBITDA percentage growth per year) into the midteens, a rate generally maintained from 1993 to 2001.[208] Yet the focus on cost reduction remained ever-present.

In 1994, the Internal Revenue Service (IRS) began investigating the use of contract workers at Time Inc. magazines. The Newspaper Guild had been challenging the use of temporary and contract workers at Time Inc. since 1990. The Department of Labor began investigating the matter in 1996 and in 1998 sued Time Inc. for violating the ERISA act by inappropriately using contract and temporary workers—a measure employed to deny hundreds of workers health care and retirement benefits. The Department of Labor claimed that the company had deliberately engineered breaks in the workers' period of employment to ensure that the workers did not meet eligibility criteria for benefits. Time Warner claimed that it was a symbiotic relationship and that the suit by the DOL represented an "assault on the creative community";[209] however, later in 2001 it agreed to settle the case by paying US$5.5 million and by providing benefits to any worker that could prove wrongful employment categorization in the period 1992 to 1997. Responding to Time Warner's claim that the suit was "an assault on the creative community," the Newspaper Guild President said: "Time's got it backwards—they've been assaulting the security and basic rights of these creative writers, artists and photographers for years."[210]

In 1993 the setting up of the Time Inc. New Media division had formalized Time Inc.'s push into new, electronic interactive media. The principle outcome of this new media push was the announced establishment of the "Pathfinder" Internet site in November 1994, one of the earliest open corporate sites on the World Wide Web. At the time, commercial consumer computer networking in the United States was largely dominated by three proprietary online services: H&R Block's CompuServe, the Sears/IBM Prodigy, and AOL—organizations that charged substantial interconnect fees for access to their domain of proprietary sites.[211] In contrast, Pathfinder represented a proto-Web portal that provided links to electronic editions of Time Inc.'s magazine and book publications as well as a limited amount original content created exclusively for the Internet. Revenues would be sought through advertising, magazine subscriptions, and other products.

From the start, Pathfinder was beset with problems, from technical provisions and content quality to constantly shifting management. The portal was unanimously criticized as chronically failing to live up to its promise. Pushed to meet high growth targets through entrepreneurial verve, the heads of Time Inc.'s magazines, which were meant to provide Pathfinder's content, offered as little cooperation for this centralized initiative as they could.[212] While it brought in US$2.5 million in advertising revenue per annum, Pathfinder reputedly incurred losses of over

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US$10 million a year. In November 1995, the head of Time Inc., Don Logan, remarked that Pathfinder gave a new meaning to the term "black hole" and subsequently initiated reforms that were viewed as downgrading interactive media and refocusing Time Inc. on its core magazine operations. Tellingly, Logan stated, "I believe that electronic publishing is a real business. . . . But what's not clear yet is how to generate revenue."[213] Less than four years later, Time Inc.'s disastrous Pathfinder portal was disbanded after consuming capital in the range of US$80 million to US$100 million in first half of 1999.[214] However, Time Warner defended the Pathfinder site, arguing that it provided valuable lessons on issues such as securing intellectual property rights and ensuring that the existing distribution structures and pricing arrangements were not destabilized through cannibalistic practices.

Indeed, it emerged that Time Inc. had infringed workers' rights in another area: its use of intellectual property rights of written material for the reproduction on electronic databases and CD-ROMs. Once again, it pertained to "freelancers." In 1992, focusing on both Time Inc. and Simon & Schuster book publishers, the United States' National Writers Union (NWU) and the Authors Guild initiated a day action against what they argued to be unfair royalty schedules for freelance writers.[215] In 1993, the president of the NWU, Jonathan Tasini, acted as the lead plaintiff in a class-action suit filed on behalf of freelance journalists against New York Times Company, Newsday, and Time Inc. The suit (*Tasini et al. vs. The New York Times et al.*) argued that the companies had resold and republished articles electronically from their print archive without the freelancers' permission or remuneration.[216] Despite an initial setback in a federal district court in 1996, on 24 September 1999, the Second Circuit Court of Appeals upheld the plaintiffs' case, and on 25 June 2001, the U.S. Supreme Court ruled in their favor. Both courts ruled that the electronic reuse of freelance work without the authors' express permission constitutes copyright infringement.[217] Time Inc.'s response to the ruling has been typical among the defendants: it deleted freelance articles from its electronic databases and where possible required that freelancers sign "work-for-hire" contracts as a condition of the purchase of a story, by which copyright—the right to reuse work in any form—is "voluntarily" assigned to the publisher. As protesting journalists noted, the "work-for-hire" contracts allowed AOL Time Warner "to recycle articles again and again or to rework them for use in print, online, on television, and in other advanced media without paying for such reuse.".[218]

4.7.1 Acquiring Magazines and Selling Books

Since 1993, Time Inc. had enjoyed continuous growth and remained by a wide margin the U.S.'s largest magazine publisher: in 1999, it accounted for 22.5 percent of magazine advertising expenditure in the United States. By 2000, internal growth appeared less capable of meeting corporate profit targets, and the publishing division focused on acquisition rather new publications. The launch of new magazine titles was suspended. In October 2000, Time Inc. successfully outbid other publishing groups to gain control of the Times Mirror Magazines. Time Inc. paid US$475 million to the Tribune Company, at a time when rising production costs and falling newsstand sales prompted a renewed focus on consolidation in the U.S. consumer magazine industry. Nonetheless, the price was much higher than initially forecast for an

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underperforming group of 20 titles that extended Time's portion of magazine advertising expenditure by 2.5 percent. The acquisition provided room for economies of scale in production and a more developed range of sports-related titles; more broadly the deal underscored the value that centralization played in Time Inc. division's "important cash-generation function and [to meet] Wall Street's insistent pressure to see growth."[219]

The 2001 to 02 economic recession intensified this competitive drive: while a global decline in advertising revenues affected the magazine industry, AOL Time Warner's management remained committed to aggressive financial targets for the corporation.[220] Time Inc. International's CEO and president remarked that the resultant "big sea change at Time Inc. has been our focus on acquiring businesses of scale."[221] Consequently, the U.S. publisher's international strategy shifted—operations in Asia were scaled back as the mature European industry became the center of attention.[222] In 1997 Time Inc. had displayed interest in purchasing the United Kingdom's leading consumer magazine publisher, the International Publishing Corporation (IPC), when the company was put up for sale by Reed Elsevier. At that point, Time earned just 6 percent of its magazine revenues internationally, mainly from the international editions of U.S. titles such as *Time, InStyle,* and *Fortune.*[223] In 2001 discussions recommenced with IPC's new owners, the British private equity firm Cinven Ltd. In July, Time Inc. acquired IPC for US$1.64 billion. Although no longer holding the dominant producer status that had characterized it in the 1970s, IPC produced seven out of Britain's 20 leading consumer magazines.[224] The purchase expanded Time's catalog from 60 to 140 magazine titles and helped raise revenues at the world's largest magazine company by 7 percent in the first quarter of 2002. As Time Inc. extended its international reach, it instigated cost-cutting measures to raise its operating income to the mandated levels: in 2001, over 1,200 staff were eliminated through a mixture of layoffs, attrition, and an early-retirement plan; six IPC magazines and two American magazines were shut; and the closure of *Asiaweek* underscored the company's strategic shift away from Asian markets.

By early 2002, the collapse of AOL Time Warner's share price was well underway. In September 2001, the corporation publicly conceded that its grand financial targets would not be met; in January 2002, the corporation's humble forecasts were confirmed by a 4 percent rise in total revenues for the 2001's fourth quarter; in March 2002, it announced the write-off of US$54 billion of goodwill, and; in April 2002, AOL Time Warner's plummeting stock had removed more than US$160 billion from the company's market value. Despite concessions regarding financial targets and a change in management at Time Inc. (as part of a wider corporate reorganization in July 2002), the plight of AOL Time Warner continued to propel the processes of rationalization. Cost savings of US$100 million were allocated for 2003, including the consolidation of marketing and distribution functions for individual magazines and the closure of underperforming magazines *Mutual Funds* and *Sports Illustrated Women.* On the editorial side of Time Inc.'s operations, editors at eight major Time Inc. magazines were replaced in a yearlong process, stretching over 2002 to 2003, which reportedly changed a "fusty magazine culture of seemingly endless forgiveness . . . into something more Darwinian."[225]

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In January 2003 as part of the drive outlined by CEO Parsons to reduce overall corporate debt and maintain AOL Time Warner's credit rating, Merrill Lynch was commissioned to find a buyer for the Time Warner Book Group (TWBG). Altough the US$400 million asking-price for the group would not in itself significantly reduce the corporation's US$29 billion debt, it reflected the new CEO's argument that "convergence" was no longer the dominant concern for AOL Time Warner; instead, the company would seek to be "best in class" in the industries in which it was involved.[226] The Book Group's major imprints—Warner Books and Little Brown—were performing well but the Group was only the fifth-largest trade books publisher in the United States (see Tables 4.5 and 4.6). In 2002 the group had achieved its highest total revenue of more than US$400 million, and with EBITDA of US$40 million an operating margin of approximately 10 percent.[227] This represented 7 percent of Time Inc.'s overall revenues and 3 percent of its operating income. A record number of bestsellers had laid the basis for TWBG's admirable results, yet the very concept of bestseller had drastically changed in the 1990s—sales of five million hardcover copies now denoted a "runaway" bestselling text. This entailed a major increase in the cost of marketing, production, and leading authors' contracts. As with other cultural industry sectors guided by an editorial logic—the film and music industries—a search for greater profits combined with "the unnerving uncertainty of the marketplace . . . [had] triggered the blockbuster and hit mentality that permeated, and in many ways undermined, much of trade publishing in the years after 1980."[228] The publisher of TWBG's Little, Brown & Company had already resigned in 2001 after pressure had mounted for the imprint to change the model on which it sought to market its book catalog as Little, Brown's sales force was merged with Warner Books, renowned for its "Hollywood-style" promotions.[229]

In May 2003, advanced sale talks commenced with Bertelsmann after the initial interest of several other publishers and buyout firms evaporated. The original sale price had reportedly fallen by US$ 0 million; nonetheless, in June, Bertelsmann decided not to acquire the Group due to its own protracted debt reduction process.[230] As relations between the German and American corporations' management frayed, TWBG enjoyed what would be only a temporary reprieve: in the competition for corporate investment and support, AOL Time Warner's new Media and Communications Group chairman preferred the predictability of the magazine subscription business compared to the high risks and low margins of book publishing.[231]

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Table 4.5 Time Warner Book Group: Revenues and U.S. Market Share 1997–2004

Year	*Net Revenue—US$ Millions*	*Market Share*
1997	$310	3.10%
1998	$310	2.90%
1999	$298	2.61%
2000	$300	2.67%
2001	$297	2.67%
2002	$350	2.82%
2003	$350	3.00%
2004	$350	4.30%

Source: Albert N. Greco, Clara E. Rodriguez, and Robert M. Wharton, The Culture and Commerce of Publishing in the 21st Century (Stanford, CA: Stanford University Press, 2006), 13–15.

Table 4.6 Top Five Trade Publishers' Revenue (US$ Millions)

Publishers	*2003 U.S. Net Revenues*	*2004 U.S. Net Revenues*	*2004 Global Revenues*
Random House	$1,400	$1,330	2,200
HarperCollins	$920	$920	1,329
Penguin	$902	$900	1,440
Simon & Schuster	$640	$640	750
Time Warner Book Group	$350	$350	465

Sources: Albert N. Greco, Clara E. Rodriguez, and Robert M. Wharton, The Culture and Commerce of Publishing in the 21st Century (Stanford, CA: Stanford University Press, 2006), 15; Jim Milliot, "Top Five Pubs Take Half of Sales," Publishers Weekly 252, no. 17 (2005): 8.

In 2003, the apparent predictability that accompanied 11 consecutive years of earnings growth ended within Time Inc. as a whole. While total revenues increased by 2 percent to US$5.53 billion, the publisher's cash flow declined 17 percent to US$955 million, and its operating profits declined 25 percent to US$664 million. An US$82 million operating loss at the division direct-marketing arm, Time Life contributed to the decline in operating profit, which included the costs of dismissing one hundred staff in preparation for the firm's divestiture in December 2003. Nevertheless, the figures also reflected a larger problem: an ongoing decline in Time's "male-oriented" news and business titles and a weak advertising market for magazines. In 2004, *People*, *Sports Illustrated*, and *Time* were still ranked in terms of magazine advertising expenditure as the U.S.'s number one, two, and four magazines, respectively; overall Time Inc.'s magazines accounted for approximately 24.2 percent of the total U.S. advertising revenue in consumer magazines. However, growth among these magazines appeared limited, with an accelerating shift of advertising expenditure from print to the Internet within the United States. The purchase of the subscription management company Synapse and the move toward "self-renewing" subscription programs for its magazines could not make up for advertising shortfall; indeed, Time Inc. faced investigations by U.S. states into its both its inflated circulation figures, which determine advertising rates, and its subscription practices.[232] In 2005, the magazine division instigated a hiring freeze and then fired 455 staff between December 2005 and April 2006. A further 289 staff, the majority from the "editorial" operations, were sacked in January 2007, after an employment contract negotiated with the Newspaper Guild expired.[233] This represented 6.5 percent of Time Inc.'s 12,000-strong workforce and particularly affected *Time*, *People*, and *Sports Illustrated*.

Time Warner's central management, convinced that the advertising decline was not merely cyclical, called for further action. Consequently, in January 2007 Time Inc. sold 18 magazines, or approximately a third of its U.S.-based titles, to the Swedish Bonnier group for an estimated US$225 and announced that it would further "streamline" its operations and seek to become a "digital multiplatform player." Time Inc. would attempt to compete with the segmented and targeted nature of Internet advertising by focusing once more on the Internet as a primary source of advertising revenue growth.

4.8 CONCLUSION

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The affects of the AOL acquisition of Time Warner, a deal that supposedly announced the "transformative" arrival of a new 21st-century corporate media model, are still influencing the corporation's development. Nevertheless, even after the ignominious collapse of AOL, Time Warner's share price and the divestiture of its music and book publishing operations, the corporation remains the world's largest media company with revenues of over US$43 billion a year. This chapter has placed emphasis on how the accentuated processes of centralization that created Time Warner reflect the central themes addressed in chapters 1, 2, and 3e.

First, the manner in which competition in its various forms has affected the structure and operation of the corporation has been addressed throughout the chapter. It is clear that a focus on market-based level of competition fails to capture the full extent of these processes, particularly when the processes are assessed on a competitive model that generalizes across different sectors of the economy. The nature of media industry, and in particular the extreme economies of scale and the importance of economies of scope, mean "concentration is, in different forms, the essence of survival in the media sector."[234] Time Warner has enjoyed the broad advantages that accrue to capitals that develop into a leading player in a number of cultural fields, advantages that have allowed it be not only nationally but also internationally dominant as well. The formation of Time Warner reflects this competitive drive for "critical mass" among a decreasing number of firms. Moreover, the historical development of Time Warner, both together and in a combined form, reflects the increasingly salience of intrasectoral and intracorporate competition. The reliance on outside financing and management of debt, together with growing influence of the stock market, were all shown to have a major impact on strategies and patterns of growth that have characterized Time Warner. Intracorporate competition, consciously pursued by management in the 1950s as a way to control processes of diversification, intensified in the 1980s as the nature of financial intermediation changed the competitive environment.

Second, this chapter also examined how the nature of this financial intermediation has reflected not only the abstract characteristics of economic coordination within the U.S., the exemplar "Liberal Market Economy." It has also reflected the historical role that financialization has played in the attempts of a class of capitalist owners to restore and extend their income and power after the end of the so-called Long Boom. At Time Warner, as elsewhere, the impact of such changes has been dependent on a new stratum of professional managers who endorsed the rules of the owners.[235] Their eagerness to gain control of the key hubs of production and distribution in the cultural industries reflected their commitment to running a financially driven media conglomerate guided by "profit margins," "cash flow," and "shareholder value." By the late 1980s Time Inc.'s president and chief operating officer was referring to Time Inc. as "a superb collection of franchises in key market positions,"[236] a clear example of what Crotty describes as the "financial" conception of the corporation where stock price maximization is achieved through the constant restructuring of a "portfolio" of assets.[237]

Third, this managerial outlook has clearly affected the development of Time Warner's different cultural industry operations. Despite the arguments about the convergence between print, broadcasting, and telecommunications, which have been used to justify mergers and

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acquisitions, it is not surprising that Time Warner's current president, Jeff Bewkes, has given short shrift to "the synergy message his predecessors preached to shareholders."[238] The specificity of different cultural industries has been reduced with, for example, a unique form of financing—subscriptions, one-off sales, advertising—no longer characterizing each cultural industry. Cross-promotion, marketing, and the abstraction of content have also increased. However, it is clear that while a "transindustrialism" has emerged within Time Warner's TV, film, and cable operations, its music and publishing operations' primary role was in providing revenue and profits to augment the development of these interconnected areas. Such operations, and the cultural workers within them, remain vulnerable under the "financial" conception of corporation, as consumer time and advertising finance shifts to different media platforms. It is telling that Time Warner's operational areas that have been characterized by the one-off sales as per the editorial logic—music and book publishing—have been divested to reduce debt. While the Time Warner magazine empire remains in place, the corporation's vast cable distribution systems and the diverse finance sources that their "club logic" can generate is contributing to the pressure the corporation's magazine operations face. It is within this political economic context, in which Time Warner's magazine operations are frenetically attempting to reduce costs, garner greater revenue from the internet and impose costs on smaller capitals, that the question "[c]an traditional publishing provide the kind of growth required by a public company?" be posed.[239]

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24. Prendergast, "The World of Time Inc.: The Intimate History of a Changing Enterprise," 9; see also Robert T. Elson, *The World of Time Inc.: The Intimate History of a Publishing Enterprise,* vol. 2: *The Intimate History of a Publishing E*nterprise (New York: Atheneum, 1973), 404.

25. Elson, *The World of Time Inc.: The Intimate History of a Publishing Enterprise,* 336.

26. While Warner Bros. attitude toward television became increasingly negative after its efforts to gain a foothold in the industry was obstructed by the FCC, Time Inc.'s initial reaction was one of concern given the impact that the new medium would have on national advertising revenues and retail sales of its magazines, particularly *Life*. (Elson, *The World of Time Inc.: The Intimate History of a Publishing Enterprise,* 257.) To put this threat in perspective, between 1952 and 1956 advertising expenditures in TV rose from US$45.4 million to US$1.2 billion. (Elson, *The World of Time Inc.: The Intimate History of a Publishing Enterprise,* 404.) Time's corporate management finally acquiesced to pressure from the company's treasurer to move into television broadcasting as both an investment and a defensive measure. This was despite initial strong opposition from other members of management to becoming involved in the new medium, which was viewed as far removed from the practice of "quality journalism" (Elson, *The World of Time Inc.: The Intimate History of a Publishing Enterprise,* 168.) By 1958, Henry Luce felt that TV was not a threat; rather he noted "this is for us a time of opportunity, . . . TV may continue to hold its huge audiences—but what TV is, is now understood, i.e. mostly junk and old movies and westerns. It's not much of a 'window on the world.' " (cited in Elson, *The World of Time Inc.: The Intimate History of a Publishing Enterprise*, 433.)

27. Elson, *The World of Time Inc.: The Intimate History of a Publishing Enterprise,* 338.

28. Elson, *The World of Time Inc.: The Intimate History of a Publishing Enterprise,* 337.

29. Prendergast, "The World of Time Inc.: The Intimate History of a Changing Enterprise."

30. Kinney National Services, Inc., later to acquire Warner Bros and be known as Warner Communications Incorporated, developed precisely through this form of action. For a discussion of the conglomerate wave, see Connie Bruck, *Master of the Game: Steve Ross and the creation of Time Warne,* (New York: Simon and Schuster, 1994), 45.

31. Time Inc. had begun to purchase VHF TV and radio broadcasting stations in 1952. By 1962 it had thee NBC-affiliated stations (Indiana, and Grand Rapids and San Diego), one CBS affiliate (Denver), and one unaffiliated station (Minneapolis). In 1964, after the sale of the Minneapolis station, Time Inc. bought a UHF NBC-affiliated station in California. Although pretax profits at the broadcasting operations had increased from US$3 million in 1960 to US$6 million in 1970, in 1972 four of the TV stations were sold to McGraw-Hill; the Grand Rapids station was divested in 1982. Prendergast, "The World of Time Inc.: The Intimate History of a Changing Enterprise," 135, 273–74.

32. Prendergast, "The World of Time Inc.: The Intimate History of a Changing Enterprise," 271.

33. Bruck, *Master of the Game: Steve Ross and the creation of Time Warner*.

34. Prendergast, "The World of Time Inc.: The Intimate History of a Changing Enterprise."

35. Based on service operations, a funeral parlor, car parks, and cleaning, in 1967 Kinney had expanded by acquiring the comic book publisher, National Periodical Publications; the Hollywood talent agency, Ashley-Famous; and the cameras and lenses manufacturer Panavision. Bruck, *Master of the Game: Steve Ross and the creation of Time Warner*.

36. Cook, *Lost Illusions: American Cinema in the Shadow of Watergate and Vietnam 1970–1979*.

37. Richard M. Clurman, *To the End of Time* (New York: Simon & Schuster, 1992), 50.

38. Douglas Gomery, "Hollywood corporate business practice and periodizing contemporary film history," in *Contemporary Hollywood cinema,* ed. Murray Smith and Steve Neale (New York: Routledge, 1998), 51–54.

39. Bruck, *Master of the Game: Steve Ross and the creation of Time Warner;* Stan Cornyn, *Exploding: The Highs , Hits, Hype, Heroes, and Hustlers of the Warner Music Group* (New York: Harper Collins Publishers, 2002).

40. Cook, *Lost Illusions: American Cinema in the Shadow of Watergate and Vietnam 1970–1979;* see also Miller's 2005

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critique of the "free market" Hollywood cultural policy model. Toby Miller, "Hollywood, Cultural Policy Citadel," in *Understanding film: Marxist perspectives*, ed. Michael Wayne (London: Pluto Press, 2005).

41. Cook, *Lost Illusions: American Cinema in the Shadow of Watergate and Vietnam 1970–1979*; Garnham, *Capitalism and Communication: Global Culture and the Economics of Information*; Douglas Gomery, "Economic and Institutional Analysis: Hollywood as Monopoly Capitalism," in *Understanding film: Marxist perspectives*, ed. Michael Wayne (London: Pluto Press, 2005); Thomas Schatz, "The New Hollywood," in *The Film Cultures Reader*, ed. Graeme Turner (London: Routledge, 2002).

42. Aksoy and Robins, "Hollywood for the 21st century: global competition for critical mass in image markets"; Janet Wasko, "Show Me the Money: Challenging Hollywood Economics," in *Toward a Political Economy of Culture: Capitalism and Communication in the Twenty-First Century*, ed. A. Calabrese and C. Sparks (Lanham: Rowman & Littlefield Publishers, 2004).

43. Cook, *Lost Illusions: American Cinema in the Shadow of Watergate and Vietnam 1970–1979*, 307.

44. Schatz, "The New Hollywood"; Thomas Schatz, "The Return of the Hollywood Studio System," in *Conglomerates and the Media*, ed. E. Barnouw et al. (New York: The New Press, 1997); Robert Gustafson, "'What's Happening to Our Pix Biz?' From Warner Bros. to Warner Communications Inc.," in *The American Film Industry*, ed. Tino Balio (Madison: University of Wisconsin Press, 1985).

45. Gomery, "Hollywood corporate business practice and periodizing contemporary film history," 51.

46. Patrick Parsons, "The Evolution of the Cable-Satellite Distribution System," *Journal of Broadcasting & Electronic Media* 47, no. 1 (2003); Jeremy Tunstall, *The Media Were American: U.S. Mass Media in Decline* (Oxford: Oxford University Press, 2007); Brian Winston, *Media Technology and Society—A History: From the Telegraph to the Internet* (London and New York: Routledge, 1998).

47. Bruck, *Master of the Game: Steve Ross and the creation of Time Warner*, 252.

48. Gustafson, "'What's Happening to Our Pix Biz?' From Warner Bros. to Warner Communications Inc."

49. Stephen Prince, *New pot of gold: Hollywood under the electronic rainbow, 1980–1989* (New York: Macmillan Press Ltd., 2000), 9.

50. "Atari Swells Warner Profit," *New York Times*, February 10, 1982; Bruck, *Master of the Game: Steve Ross and the creation of Time Warner*, 167, 98.

51. Laura Landro, "Warner Amex's Aggressive Cable Strategy Is Dealt Some Setbacks as the Losses Grow," *Wall Street Journal*, October 8, 1982; Steve Knoll, "Drew Lewis succeeds Hauser at Wamex; Reagan aide to run cable biz," *Variety*, December 29, 1982.

52. Eileen R. Meehan, "Technical Capability versus Corporate Imperatives: Towards a Political Economy of Cable Television and Information Diversity," in *The Political Economy of Information*, ed. Vincent Mosco and Janet Wasko (Madison: University of Wisconsin Press, 1988).

53. In response to the collapse in profitability, Atari sacked 1,700 workers in California, roughly a quarter of its U.S. workforce, and announced it was shifting production to Hong Kong and Taiwan. The restructuring at Atari marked an important point in the so-called new international division of cultural labor. A union official that had been attempting to organize the plant said, "Atari's closure is unique because it's the first time a major layoff in Silicon Valley destroyed a major work force and transferred their jobs overseas. Most of the firms leave their domestic people intact and by attrition or expansion go overseas." Tim Shorrock, "Atari Moves to Asia," *Multinational Monitor* 4, no. 4 (1983).

54. See Simon Frith, "Video Pop: Picking up the pieces," in *Facing the Music*, ed. Simon Frith (New York: Pantheon, 1988); Robert Burnett, *The Global Jukebox: The International Music Industry* (London; New York: Routledge, 1996); Eric W. Rothenbuhler and John M. Streck, "The Economics of the Music Industry," in *Media Economics: Theory and Practice*, ed. Alison Alexander, James Owers, and Rod Carveth (New Jersey: Erlbaum, 1998). The downturn materialized as massive overcapacity in production and increased competition as music companies faced retailers reluctant to stock the majority of their record catalogs. As the number of returns from retailers shot up, "the phrase, 'shipping platinum' began feeling as inspiring a slogan as 'enjoying alcoholism.'" Cornyn, *Exploding: The Highs, Hits, Hype, Heroes, and Hustlers of the Warner Music Group*, 268. In response the "majors" cut back significantly on the number of releases their individual labels made from 1978's high of 4000 LPs; Peter Hall, "The Sweet Sound of Success: MTV, Video, Compact Discs and Cassettes Revive Pop Music Industry," *FW*, September 4, 1985, 72. In explaining the market downturn, record companies pointed to the deleterious effects of home taping, the lure of computer games, and video as factors that affected their market. Laura Landro, "Merger of Warner Unit, Polygram Angers Troubled Record Industry," *Wall Street Journal*, April 12, 1984; Anne B. Pillsbury, "Warner's fall from grace," *Fortune*, January 10, 1983.

55. Bruck, *Master of the Game: Steve Ross and the creation of Time Warner*, 215.

56. Prince, *New pot of gold: Hollywood under the electronic rainbow, 1980–1989*.

57. Meehan, "Technical Capability versus Corporate Imperatives: Towards a Political Economy of Cable Television and

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Information Diversity," 184.

58. Bruck, *Master of the Game: Steve Ross and the creation of Time Warner,* 221–22.

59. This open production system was based on "multilayered system of ownership or interest in a diversity of subsidiary labels and distribution, promotion and artistic development contract with smaller labels"; Rothenbuhler and Streck, "The Economics of the Music Industry," 209–10; see also Burnett, *The Global Jukebox: The International Music Industry,* 62; David Hesmondhalgh, "Flexibility, post-Fordism and the music industries," *Media, Culture & Society* 18, no. 3 (1996); Paul D. Lopes, "Innovation and Diversity in the Popular Music Industry, 1969 to 1990," *American Sociological Review* 57(1992): 62.

60. Bruck, *Master of the Game: Steve Ross and the creation of Time Warner,* 231.

61. Bruck, *Master of the Game: Steve Ross and the creation of Time Warner,* 236.

62. Clurman, *To the End of Time*, 70–71.

63. Prendergast, "The World of Time Inc.: The Intimate History of a Changing Enterprise," 567.

64. Clurman, *To the End of Time*, 70–71

65. Dan Steinbock, *Triumph and Erosion in the American Media and Entertainment Industries* (London: Greenwood PubIishing Group, Inc., 1995).

66. Christopher Byron, *The fanciest dive: What happened when the giant media empire of Time/Life leaped without looking into the age of high-tech* (New York: W.W. Norton, 1986), 12; George Mair, *Inside HBO: The Billion Dollar War between HBO, Hollywood, and The Home Video Revolution* (New York: Dodd, Mead & Company, Inc., 1988).

67. Mair, *Inside HBO: The Billion Dollar War between HBO, Hollywood, and the Home Video Revolution*, 141, 56.

68. Bruck, *Master of the Game: Steve Ross and the creation of Time Warner,* 254; Clurman, *To the End of Time,* 78; Bruce Nussbaum, "Time's Nick & Dick Show—Nicholas Is Remaking The Media Giant Under Munro's Aegis," *Business Week*, August 3 1987, 61.

69. Prince, *New pot of gold: Hollywood under the electronic rainbow, 1980–1989*, 67.

70. Michael De Vroey, "A Marxist View of Ownership and Control," in *Capital and Labour: A Marxist Primer,* ed. Theo Nichols (Glasgow: Fontana, 1980). See also Graham Murdock, "Large corporations and the control of the communications industries," in *Culture, Society and the Media*, ed. Michael Gurevitch et al. (London: 1982).

71. Cited in Prince, *New pot of gold: Hollywood under the electronic rainbow, 1980–1989*, 67, 69; italics added.

72. Doug Henwood, *Wall Street* (London: Verso, 1998), 158. Henwood makes a telling comparison between the levels of U.S. corporate debt in the early 1990s as compared to that at the time of the Great Depression. He notes that in 1990 "[t]otal debts of nonfinancial corporations NFCS were almost 15 times pretax profits, compared with under 11 times in 1929. Interest payments claimed 39 percent of pretax profits, compared with 14 percent in 1929."

73. Henwood, *Wall Street,* 157–60.

74. Robert W. Parenteau, "The Late 1990's U.S. Bubble: Finacialization in the Extreme," in *Financialization and the World Economy,* ed. Gerald A. Epstein (Cheltenham: Edward Elgar, 2005).

75. Robert W McChesney and Dan Schiller, "The Political Economy of International Communications: Foundations for the Emerging Global Debate over Media Ownership and Regulation," in *Technology, Business and Society Programme Paper Number 11* (United Nations Research Institute for Social Development, 2003), 13.

76. Doug Henwood, *After the New Economy* (New York: The New Press, 2003).

77. Parenteau, "The Late 1990's U.S. Bubble: Finacialization in the Extreme."

78. Nicholas Garnham, "Contradiction, Confusion and Hubris: A Critical Review of European Information Society Policy," in *Contradiction, Confusion and Hubris: A Critical Review of European Information Society Policy,* ed. P. Verhoest (Brussels: ENCIP, 2004), 13.

79. The Rigas family, founders of the Adelphia cable company, were charged with fraud that included concealing $2.3 billion off balance sheet liabilities and forced to forfeit US$1.5 billion in stolen corporate assets in what the Securities and Exchange Commission (SEC) called "one of the most extensive financial frauds ever to take place at a public company." "Cable," *Communications Daily,* April 26, 2005.

80. Indeed in late 2004 and early 2005 the Securities and Exchange Commission (SEC) and the Justice Department brought separate charges against Time Warner for fraudulent round-trip transactions in which AOL Time Warner effectively funded its own advertising revenue by giving purchasers the money to buy surplus advertising on AOL's network. Online advertising revenue and Internet subscribers were key measures that analysts and investors used to evaluate the company. The most prominent of these advertising deals was a US$400 million agreement with Bertelsmann (discussed further in chapter 5). The SEC also charged Time Warner with aiding and abetting securities frauds at other companies, including Homestore and PurchasePro.com. Time Warner agreed to pay US$300 million in a settlement of civil fraud charges with the SEC and US$210 million to resolve charges of criminal securities fraud with the Justice Department. Time Warner also agreed to restate three years of financial results by approximately $500 million and to open its books to an independent examiner. Subsequent charges by the SEC against eight AOL Time Warner executives in 2008 alleged that more than US$1 billion worth of nonexistent

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advertising revenue was reported to investors from 2000 to 2002 via round-trip and back-to-back schemes. Aline van Duyn and Joshua Chaffin, "Time Warner settles with SEC," *Financial Times,* March 21, 2005. Joanna Chung and Richard Waters, "Former AOL Time Warner staff charged with web adverts fraud," *Financial Times,* May 20, 2008.

81. Thomas R. Eisenmann, "The U.S. Cable Television Industry, 1948–1995: Managerial Capitalism in Eclipse," *Business History Review* 74, no. 1 Spring (2000): 25. The debt market revived after federal banking regulators relaxed their attitudes toward highly leveraged transactions in 1992.

82. Clurman, *To the End of Time*.

83. Susan Duffy, "Time Warner: Debt Burden? No Problem," *Business Week*, October 22, 1990, 82; Gershon, *The Transnational Media Corporation: Global Messages and Free Market Competition*.

84. Duffy, "Time Warner: Debt Burden? No Problem," 82.

85. Henwood, *Wall Street,* 161.

86. Bruck, *Master of the Game: Steve Ross and the creation of Time Warner,* 291.

87. Geraldine Fabrikant, "Toshiba and Itoh Agree To Time Warner Deal," *New York Times,* October 30, 1991.

88. Y. Ono and J. M. Schlesinger, "C. Itoh, Toshiba Forge Time Warner Link—Firms to Invest $1 Billion to Create Partnership for Movie, TV Businesses," *Asian Wall Street Journal,* October 30, 1991, 1.

89. Bruck, *Master of the Game: Steve Ross and the creation of Time Warner,* 299.

90. "That‘s not all, folks," *Economist* 321, no. 7731 (1991).

91. Mathew Schifrin, "The mess at Time Warner," *Forbes,* May 20, 1996.

92. McChesney, *Rich Media, Poor Democracy: Communication Politics in Dubious Times,* 66.

93. Claudia Eller, "Time Warner Chief Levin's Bet On Cable Now Looks Smart," *Los Angeles Times*, September 6 1998; Aaron Pressman, "Cable Industry Looks to Future with Digital Networks," March 3 1998; Geraldine Fabrikant and Bernard Weinraub, "Time Warner's Magic Kingdom," *New York Times,* November 2, 1998.

94. Pressman, "Cable Industry Looks to Future with Digital Networks," para 10.

95. See note 79 for a discussion of the outcomes of this investigation.

96. David D. Kirkpatrick, "AOL Time Warner Cancels Auction for Book Division," *New York Times,* June 6, 2003; David D. Kirkpatrick, "AOL Results Do Not Shake Investor Worry," *New York Times,* July 24, 2003. Over 2003 the corporation initiated sales of its 50 percent interest in Comedy Central for US$1.225 billion and its interest in Hughes Electronics Corporation. The Turner Winter Sports teams the Atlanta Thrashers, an NHL team, and the Atlanta Hawks, an NBA team, were sold. A US$750 million payment from Microsoft, extracted to settle the Netscape antitrust lawsuit, further lowered the corporation's debt levels.

97. "King content—Old media," *Economist* (2006).

98. Lieberman cited in D. Croteau and W. Hoynes, *Business of media,* 2nd ed. (Thousand Oaks: Pine Forge Press, 2006), 271.

99. David Carr, "Contemplating Time Warner without Time," *New York Times,* September 18, 2006, 1.

100. Patrick R. Parsons, "Horizontal Integration in the Cable Television Industry: History and Context," *Journal of Media Economics* 16, no. 1 (2003).

101. Mark Robichaux, "Scrambled Picture: How Cable-TV Firms Raised Rates in Wake of Law to Curb Them," *Wall Street Journal,* September 28, 1993, A1.

102. Robert W McChesney, *The Problem of the Media* (New York: Monthly Review Press, 2004), 179.

103. Janet Wasko, *How Hollywood Works* (London: Sage Publications, Ltd., 2003). See also Jeremy Tunstall and David Machin, *The Anglo-American Media Connection* (Oxford: Oxford University Press, 1999), 54.

104. Aksoy and Robins, "Hollywood for the 21st century: Global competition for critical mass in image markets."

105. Susan Christopherson, "Flexibility and Adaptation in Industrial Relations: The exceptional Case of the U.S. Media Entertainment Industries," in *Under the Stars: Essays on Labour Relations in Arts and Entertainment*, ed. L. S. Gray and R. L. Seeber (Ithaca: Cornell University Press, 1996), 101.

106. McChesney, *The Problem of the Media*.

107. Tunstall and Machin, *The Anglo-American Media Connection,* 53.

108. Eisenmann, "The U.S. Cable Television Industry, 1948–1995: Managerial Capitalism in Eclipse," 38.

109. Eisenmann, "The U.S. Cable Television Industry, 1948–1995: Managerial Capitalism in Eclipse," 39.

110. A key advance in the 1990s was the integration of the U.S. film, TV, and home entertainment industries into a far more coherent, vertically integrated system, a Hollywood-cable-TV complex, one that reflected that, while the domestic theatrical market shaped consumption patterns, the majority of the revenue for motion pictures comes from home consumption. While cable ownership was central to this transformation, consolidation from the mid 1990s also saw all four U.S. broadcast TV networks controlled by global media conglomerates and directly aligned with a Hollywood studio. See Thomas Schatz, "New Hollywood, New Millennium," in *Film Theory and Contemporary Hollywood Movies*, ed. Warren Buckland (New York: Routledge, 2009); Thomas Schatz, "The Studio System and Conglomerate Hollywood," in *The Contemporary Hollywood Film*

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Industry, ed. Paul McDonald and Janet Wasko (Malden: Wiley-Blackwell, 2008)

111. The negotiations centerd on TBS or TCI purchasing the shares; however, talks had stalled because Time Warner was seeking a price significantly above the market valuation of the shares. TCI's involvement as per a mutual buy-sell agreement among TCI and Time Warner that had been entered into when these companies became the largest 2 of 14 cable companies to contribute to the bailing out of TBS with US$550 million of investment for approximately one-third ownership in 1987 as TBS struggled with the debt from the purchase of the MGM film studio.

112. Michael Burgi, "Time, Turner talks continue," *Mediaweek*, April 3, 1995. Ted Turner received US$2.5 billion and an 11.3 percent stake in Time Warner. As well as becoming the company's largest stockholder, Turner was appointed vice chairman of Time Warner while remaining CEO of TBS. Through its affiliate, Liberty Media, John Malone's TCI would emerge as Time Warner's second-largest shareholder after Turner.

113. Schatz, "The Return of the Hollywood Studio System."

114. Steinbock, *Triumph and Erosion in the American Media and Entertainment Industries*.

115. Mary Lu Carnevale, "Ring In the New," *Wall Street Journal*, February 10, 1993; Robert Marich, "Interactive about to reach 'critical mass': Interactive video technology has Hollywood talking to electronic giants," *Hollywood Reporter*, April 19, 1993.

116. Bruck, *Master of the Game: Steve Ross and the creation of Time Warner*, 349.

117. Michael Reid, "Click, clunk, shop," *Economist*, March 4, 1995.

118. Eisenmann, "The U.S. Cable Television Industry, 1948–1995: Managerial Capitalism in Eclipse." At the commencement of the Orlando project, Levin described the venture as "a turning point for the communications industry" "Time Warner Closing Expensive Full-Service Network Project in Orlando.," *Communications Daily*, May 1, 1997. The statement reinforced his earlier predictions at the "Superhighway Summit" conference, held in January 1994 in Los Angeles, that cable and digital interactivity were forces to be reckoned with. While such pronouncement caught the attention of the investment community and computer industry companies, Levin's predictions were also scoffed at by some industry executives who had become sceptical of "500 channels" pronouncements; Eller, "Time Warner Chief Levin's Bet On Cable Now Looks Smart."

119. With much fanfare it was announced that the FSN, utilizing fibre optics, digital compression, digital switching, and storage devices and "more lines of computer code than was needed to put men on the moon"; Reid, "Click, clunk, shop." Companies such as AT&T, Silicon Graphics, and Hitachi would provide primary technical support for the FSN project. As part of the so-called Admission Agreement by which U.S. West invested in TWE, TWE had already agreed to upgrade a substantial portion of its cable systems by the end of 1998. $US1 billion of U.S. West's investment was allocated to the provision of new systems; Bruck, *Master of the Game: Steve Ross and the creation of Time Warner*, 350. This upgrade would include the broad deployment of a two-way hybrid fibre optic/coaxial cable system, generally to 750 MHz capability, in order to provide expanded programming options, high-speed Internet access, and other services. In 1992, Time Warner's cable division won a special Emmy Award for entwining thick coaxial cable with slender fibre optic strands so that cable subscribers could both send and receive information; Amy Harmon, "How Blind Alleys Led Old Media to New," *The New York Times*, January 16, 2000.

120. Patrick McKenna, "Time Warner's Roadrunner Cables the Internet to Ohio," Reuters News Service—Business Briefing.

121. John Motavalli claims the true cost of the set-top box was closer to US$20 thousand a unit. John Motavalli, *Bamboozled at the Revolution: How Big Media Lost Billions in the Battle for the Internet* (New York: Penguin Putnam Inc., 2002).

122. Eben Shapiro, "Time Warner to Pull Plug at Year End on Interactive-TV Network in Florida," *Wall Street Journal*, May 1, 1997, B5; Bernard Baumohl et al., "Biz Watch," *Time*, May 12, 1997, 67.

123. Harmon, "How Blind Alleys Led Old Media to New"; Meehan, "Technical Capability versus Corporate Imperatives: Towards a Political Economy of Cable Television and Information Diversity"; "Time Warner Closing Expensive Full-Service Network Project in Orlando."

124. R. C. Endicott, "100 Leading Media Companies," *Advertising Age*, August 19 (1996). Revenue from online and DBS, representing six companies, grew 96 percent to $US2.19 billion in the 1995 financial year. In December 1996, Time Warner had announced the purchase of 1 million digital set top boxes, valued at $US450 million; H.A. Jessell, "TW buys 1 million digital boxes," *Broadcasting & Cable*, December 16 (1996). The set-top boxes would substantially increase the number of channels that could be provided over a standard analogue system, by delivering digitally compressed signals that occupied less bandwidth. According to Jim Chiddix, chief technical officer for Time Warner Cable, the boxes would produce a service "superior" to the DBS services, which had started cutting into the corporations cable subscriptions Jessell, "TW buys 1 million digital boxes."

125. Microsoft Corporation and Compaq Computer Corporation each contributed approximately US$212 million for respective 10 percent convertible preferred equity interests in the joint venture, as well as control over the technical committee that makes equipment and strategic choices for the Roadrunner network.

126. Harmon, "How Blind Alleys Led Old Media to New," 1.

127. Wasko, *How Hollywood Works*, 151. For an updated view of changes in film distribution, see Janet Wasko, "The Death of Hollywood: Exaggeration or Reality?" in *Handbook of Political Economy of Communications*, ed. G. Murdock, H. Sousa,

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and J. Wasko (Oxford: Blackwell, 2011).

128. Dan Schiller, *Digital Capitalism: Networking the Global Market System,* (Cambridge: Massachusetts Institute of Technology Press, 1999); Dan Schiller, “Deep Impact: The web and the changing media economy,” *Info: the journal of policy, regulation and strategy for telecommunications information and media* 1, no. 1 (1999); Joseph Turow, “The Organizational Underpinnings of Contemporary Media Conglomerates,” *Communication Research* 19, no. 6 (1992).

129. Joseph Turow, “Audience Construction and Culture Production: Marketing Surveillance in the Digital Age,” *Annals of the American Academy of Political and Social Science* 597 (2005).

130. In December 1999, TW Digital Media launched a digital media investment fund to invest up to US$500 million in cash and noncash e.g., advertising and promotion currencies in noncontrolling equity investments in companies engaged in e-commerce, vertical and interactive content, technology, infrastructure, and other digital media-related activities. As of March 1, 2000, investments made by the company in digital media include OpenTV, ReplayTV, Intervu, Snowball, Fortune City, WebMD, Bolt, Inc., ARTISTDirect, DealTime, and NetSales.

131. Harmon, “How Blind Alleys Led Old Media to New.”

132. Philippe Bouquillion, “The Formation of Cultural and Communication Industry Poles: between financial coups and the integration of industrial production lines,” (Maison des Sciences de l’Homme Paris-Nord Université Paris 8, 2005), 7; see also Edward S. Herman, “The AOL-Time Warner Merger: Billboarding the Information Superhighway,” www.zmag.org/Sustainers/Content/2000–01/16herman.htm

133. Richard Siklos et al., “Welcome to the 21st Century,” *Business Week* (2001).

134. Dan Schiller, “Hard Times: Digital Capitalism 2002” (paper presented at the Reflections on the Social Impact of American Multinational Corporations: International Colloquium, L’université Stendhal Grenoble, France January 11–12, 2003).

135. Patricia Aufderheide, “Competition and commons: The public interest in and after the AOL-Time Warner merger,” *Journal of Broadcasting and Electronic Media* 46, no. 4 (2002); Turow, “Audience Construction and Culture Production: Marketing Surveillance in the Digital Age.”

136. AOL Time Warner’s co-chief operating officer, Bob Pittman, stated that “[t]he real value of this company is built around consumer relationships”; David Shook, “AOL Time Warner’s Secret: Subscriptions,” *Business Week Online* (2001). One buyer of media advertising noted more directly, the increased subscription base brings with it “a fantastic database” giving the new conglomerate “a phenomenal way of slicing and dicing their consumer database to deliver the specific target audiences that” advertisers want; Siklos et al., “Welcome to the 21st Century.”

137. Ben H. Bagdikian, *The New Media Monopoly* (Boston: Beacon Press, 2004), 31.

138. On film distribution see Andrew Currah, “Hollywood versus the Internet: The media and entertainment industries in a digital and networked economy,” *Journal of Economic Geography* 6 (2006).

139. Robert Wrubel, “The Warner Paradox,” *FW*, November 3, 1987, 18.

140. “The Music Business—Getting Ahead,” *Economist* (1995).

141. R. Garofalo, “From Music Publishing to MP3: Music and Industry in the Twentieth Century,” *American Music* (1999): 319; see also David Hesmondhalgh, “Digitalisation, Copyright and the Music Industries,” in *Unpacking Digital Dynamics: Participation, Control and Exclusion,* ed. P. Golding and G. Murdock (New York: Hampton Press Inc., 2006); Hesmondhalgh, “Flexibility, post-Fordism and the music industries.”

142. Hesmondhalgh, “Digitalisation, Copyright and the Music Industries.” Ssee also Gilbert B. Rodman and Cheyanne Vanderdonckt, “Music for Nothing or, I Want My MP3,” *Cultural Studies* 20, no. 2–3 (2006).

143. Cornyn, *Exploding: The Highs, Hits, Hype, Heroes, and Hustlers of the Warner Music Group,* 446.

144. Andrew Pollack, “Time Warner Shares Hit by Analyst Shift,” *New York Times,* August 25, 1999.

145. “Time Warner Inc. raised,” *Reuters News* (1999): para 3.

146. Ethan Smith and Charles Goldsmith, “Bronfman Group Wins Warner Music—Pact for $2.6 Billion Is Bet Private Ownership Holds Key to Restoring Industry “ *Wall Street Journal,* November 25, 2003; David D. Kirkpatrick, “Time Warner Sells Music Unit for $2.6 Billion,” November 25, 2003; Martin Peers, Ethan Smith, and Charles Goldsmith, “Warner Music Nears Acceptance of Offer by Bronfman Group,” *Wall Street Journal,* November 24, 2003; Anthony Bianco and Tom Lowry, “Can Dick Parsons Rescue AOL Time Warner? He’s a lot tougher than you think. An in-depth profile,” *Business Week*, no. 3833 (2003).

147. “The Music Industry—Are You Listening?” *Economist* (1995): 361.

148. Cornyn, *Exploding: The Highs, Hits, Hype, Heroes, and Hustlers of the Warner Music Group,* 360.

149. Michael Krantz, “These gizmos really do work,” *Mediaweek*, May 15, 1995.

150. Cornyn, *Exploding: The Highs, Hits, Hype, Heroes, and Hustlers of the Warner Music Group,* 378–9.

151. Cornyn, *Exploding: The Highs , Hits, Hype, Heroes, and Hustlers of the Warner Music Group;* Steinbock, *Triumph and Erosion in the American Media and Entertainment Industries.*

152. In the same year WMG added to its distributional range through the formation of Alternative Distribution Alliance ADA,

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a distribution company specializing in “alternative” rock music, operated as a joint venture with the labels Restless Records and Sub Pop.

153. For instance, greater functional flexibility was introduced into the CD manufacturing labor process as the “cell production” replaced the sequential, task-fragmented “batch production” method. “WEA pushes CDs into the next century with switch to cell production,” *Tape-Disc Business* 10, no. 12 (1996).

154. At the time Wall Street analysts criticized Time Warner for paying out more than US$100 million in severance to former music executives during 1995, among them Mr. Morgado, who received an estimated US$40 million to US$50 million, and Mo Ostin, the former chairman of Warner Bros. Records, Warner Music’s flagship label.

155. Ed Christman and Melinda Newman, “To Reverse Decline, WMG Restructures, Downsizes,” *Billboard,* April 7, 2001.

156. Jeffrey A. Trachtenberg, “Music Chiefs at Warner Try for Harmony,” *Wall Street Journal*, November 20, 1995, B1.

157. Hesmondhalgh, “Digitalisation, Copyright and the Music Industries”; “Musical Chairs,” *Economist* 337 no. 7946 (1995).

158. Cornyn, *Exploding: The Highs, Hits, Hype, Heroes, and Hustlers of the Warner Music Group,* 479.

159. Media Education Foundation, *Money for Nothing: Behind the Business of Pop Music* (Northampton, MA: Media Education Foundation, 2001), videorecording transcript.

160. Patrick M. Reilly, “Time Warner’s Atlantic Record Unit Poised To Become No. 1 Label,” *Wall Street Journal* (1997): B8.

161. Ken Stammen, “Morale low following word of impending layoffs of 430,” *Scranton Times*, June 27 1996; Borys Krawczenuik and Ken Stammen, “WEA changing business focus,” *Scranton Times*, July 11, 1997.

162. In October 1996, approximately 17 staff members from Warner’s Black Music Division were sacked; an additional 24 staff positions were eliminated over the next six months through attrition; in March 1997 approximately 90 jobs, or 16 percent of Warner and Reprises combined workforce, were sacked; finally in November 1998 another 45 employees were made redundant.

163. Eben Shapiro, “Who’s the Man? Ted Turner’s Moves Upset Time Warner’s Apple Cart,” *Asian Wall Street Journal*, March 25, 1997; Diane Mermigas, “Time Warner plans $500 million in cuts,” *Electronic Media*, March 3, 1997.

164. Hesmondhalgh, “Digitalisation, Copyright and the Music Industries.

165. Andrew Leyshon et al., “On the reproduction of the musical economy after the Internet,” *Media, Culture & Society* 27, no. 2 (2005).

166. On the 1995—1999 music sale decline see Mark Fox, “E-commerce Business Models for the Music Industry,” *Popular Music and Society* 27, no. 2 (2004): 201; the Merrill Lynch estimates are discussed in “Ageing rockers,” *Financial Times*, November 20, 2001.

167. “Music’s brighter future,” *Economist* 373, no. 8399 (2004). See also Leyshon et al., “On the reproduction of the musical economy after the Internet,” 177–78.

168. On the purported effects of piracy see, for example, Alec Foege, “For Warner Music, Online Opportunities,” *New York Times*, May 20, 2001, BU4.

169. Leyshon and his colleagues argue that the decline of unit sales is symptomatic of changes in the forms of music consumption, which itself reflects the wider success of the music business in expanding its copyright revenue streams. Peoples’ experience of music is increasingly ambient as it becomes mediated through other cultural forms rather than being dependent on buying music commodities. Leyshon et al., “On the reproduction of the musical economy after the Internet.” For a different perspective see Hesmondhalgh, “Digitalisation, Copyright and the Music Industries.” The changing nature of music commodities and their incorporation in other cultural commodities was, of course, the central argument mounted in the late 1980s by Frith, “Video Pop: Picking up the pieces.” One must note the vast *expansion* in revenues of the music industry since the late 1990s in the form of concerts, licensing, and publishing and merchandising.

170. Patrick Burkart and Tom McCourt, “Infrastructure for the Celestial Jukebox,” *Popular Music* 23, no. 3 (2004); R. Garofalo, “I Want My MP3: Who Owns the Internet Music?” in *Popular Music: Critical Studies in Media and Cultural Studies*, ed. Simon Frith (London: Random House, 2004); Hesmondhalgh, “Digitalisation, Copyright and the Music Industries”; Tom McCourt and Patrick Burkart, “When Creators, Corporations and Consumers Collide: Napster and the devopment of online music,” *Media, Culture & Society* 25(2003). The “Work for Hire” amendment was created at a time when Time Warner’s Dick Parsons argued that without an expanded and strengthened U.S. intellectual property system the “country will end up in a sort of cultural Dark Ages” cited in Michael Perelman, *Steal This Idea: Intellectual Property Rights and the Corporate Confiscation of Creativity* (New York: Palgrave, 2002). Parsons argued that U.S. culture would atrophy because artists would have no incentive to create. In fact, while recording artists’ creative verve had not been extinguished by the long history of one-sided recording industry contracts, the Recording Industry Association of America RIAA-sponsored amendment threatened to make master recordings the perpetual property of the record companies and in effect reduce artists to hired hands of the record companies. The short 1999 amendment, surreptitiously inserted into an omnibus appropriations bill and signed into law without debate, was overturned the following year under intense pressure from artists themselves; Garofalo, “I Want My MP3: Who

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Owns the Internet Music?" While the RIAA claimed that the amendment had been ill conceived and its effects unintentional, this grab for intellectual property reflected Time Warner's new operating practice in other areas such as publishing (see note 215).

171. Rodman and Vanderdonckt, "Music for Nothing or, I Want My MP3."

172. Cornyn, *Exploding: The Highs, Hits, Hype, Heroes, and Hustlers of the Warner Music Group*, 439.

173. By withholding cash payments intended for cooperative advertising from retailers that advertised CDs below the suggested "minimum advertised price," the Big Five artificially inflated CD prices.

174. McCourt and Burkart, "When Creators, Corporations and Consumers Collide: Napster and the devopment of online music."

175. Craig Rosen, "WMG assesses its future," *Billboard* 109, no. 35 (1997): 1.

176. For instance, between 1997 and 1999 WMG had cut its overall workforce by 8 percent from 12,996 to 11,919, an overall reduction of 1077. Gordon Masson, "EMI'S Merger with Warner Moves Closer to Fruition," *Billboard* 112, no. 28 (2000): 1.

177. Cornyn, *Exploding: The Highs, Hits, Hype, Heroes, and Hustlers of the Warner Music Group*, 451.

178. "Time Warner/EMI," *Financial Times*, January 25, 2000, 24.

179. The unnamed music industry executive stated "there are some idiosyncratic things about Warner Music which don't fall into [the Wall Street] cliché. . . . You can't maintain their sort of workforce after dropping so much marketshare." Sue Zeidler, "Warner Music gets fine tuned with AOL merger," *Reuters News Service*, January 25, 2001, para 3.

180. Leyshon et al., "On the reproduction of the musical economy after the Internet," 202.

181. Patrick Burkart, "Loose Integration in the Popular Music Industry," *Popular Music and Society* 28, no. 4 (2005).

182. Layoffs at that the labels included 40 staff at Warner Bros. Records, 35 at Elektra Records, and 36 at Atlantic Records. The operations of Atlantic's Nashville label were closed. While the Madonna-associated Maverick Records remained unaffected, WMG bought the 50 percent stakes it owned in three other labels: Qwest, Tommy Boy, and Giant Records. Giant's recording artists and approximately half its staff (20) were incorporated into WMG Reprise label; Qwest was shut down.

183. In regard to international sales, in comparison to WMG's sales balance, at the time markets outside the United States accounted for approximately 62 percent of global music sales.

184. Leyshon et al., 2005 see also Fox, 2004:208

185. Although WMG had begun to use the Web for promotional purposes in 1997, it was not until after its involvement in the Secure Digital Music Initiative SDMI in December 1998 that the Group began to create a global digitalized database of all its music assets.

186. Timothy J. Dowd, "From 78s to MP3s: The Embeddedness of Technology and the U.S. Market for Prerecorded Music," in *The Business of Culture: Strategic Perspectives on Entertainment and Media*, ed. Joseph Lampel, Jamal Shamsie, and Theresa Lant (Mahwah: Erlbaum, 2006); Hesmondhalgh, "Digitalisation, Copyright and the Music Industries."

187. Foege, "For Warner Music, Online Opportunities," 4; Zeidler, "Warner Music gets fine tuned with AOL merger." See also Leyshon et al., "On the reproduction of the musical economy after the Internet"; Perelman, *Steal This Idea: Intellectual Property Rights and the Corporate Confiscation of Creativity*.

188. Brian Garrity, "The Year In Business," *Billboard* 113, no. 52 (2001): YE-12; Brian Garrity, "All aboard the digital train?" *Billboard* 115, no. 38 (2003): 23; Brian Garrity and Scott Banerjee, "Portability carries questions: Biz debates model for subscription services," *Billboard* 116, no. 36 (2004): 3; Amy Harmon, "Copyright Hurdles Confront Selling of Music on the Internet," *New York Times,* September 23, 2002.

189. For example, see Martin Peers, "AOL May Not Be Able to Help Struggling Warner Music Snap Sales Slump," *Wall Street Journal,* January 13, 2000.

190. Martin Peers and Nick Wingfield, "Seeking Harmony, AOL and Warner Music Hit Some Dissonant Notes," *Wall Street Journal*, April 18, 2000, B1.

191. Fox, "E-commerce Business Models for the Music Industry."

192. Mathew Ingram, "On-line music has turned into a game for superpowers," *Globe and Mail*, May 23, 2001, B11.

193. Garrity, "The Year In Business": YE-12; Brian Garrity and Bill Holland, "Majors Face Antitrust Probe," *Billboard*, August 18, 2001, 1.

194. Burkart and McCourt, "Infrastructure for the Celestial Jukebox," 351.

195. Burkart and McCourt, "Infrastructure for the Celestial Jukebox"; Patrick Burkart and Tom McCourt, *Digital music wars: Ownership and control of the Celestial Jukebox* (Lanham, MD: Rowman & Littlefield, 2006); see also Hesmondhalgh, "Digitalisation, Copyright and the Music Industries"; Turow, "Audience Construction and Culture Production: Marketing Surveillance in the Digital Age."

196. Tim Arango, "Muddling the Mix: 25% of Warner Music Revenue Comes from DVDs," *New York Post*, February 3, 2003, 29. Peter Thal Larsen, "AOL Time Warner ponders DVD unit sale," *Financial Times*, March 8, 2003, 8; Peter Thal Larsen and Ken Ward, "Investors cheer Cinram's $1bn deal with AOL," *Financial Times*, July 19, 2003, 8.

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197. Clurman, *To the End of Time*.

198. For instance, in 1990, it became the largest publisher of regional magazines in the United States through the US$225 million acquisition of Lane Publishing Co; in the same year, the separate magazine and publishing operations were consolidated into Time Warner Publishing.

199. In 1991, publishing provided 25 percent of the company's total revenue. Yet it accounted for only US$246 million or 11 percent of cash flow. While this was ahead of cable programming at 8.6 percent, it was in contrast to the Warner record division, which contributed 25 percent, and cable systems, which provided a robust 39 percent of Time Warner's total operating earnings; Gershon, *The Transnational Media Corporation: Global Messages and Free Market Competition*, 150.

200. Clurman, *To the End of Time*.

201. N. J. Nicholas Jr., Time Warner's president and co-chief executive officer, remarked that cost-cutting "must be a way of life for any business that wishes to survive in the global marketplace . . . that process isn't going to end. It's now part of the way we do business." The Newspaper Guild noted that the total 1990 compensation of Time Warner's CEO Steve Ross was two-and-a-half times the salary of all 605 employees being let go. Kevin Goldman, "Time Warner's Ross Addresses Issue of His Pay," *Wall Street Journal*, September 26, 1991, B2.

202. Time Warner Publishing CEO claimed that most Time Warner magazines had profit margins of 16 percent compared to the industry average of 12 percent. Patrick M. Reilly, "Time Warner Magazine Group Gets Vote of Confidence from New Co-Chief Levin," *Wall Street Journal*, March 2, 1992, B6G.

203. "Time Warner Publishing Revenues Up 4.7% in 1993," *BP Report* 19, no. 3 (1994).

204. Meg Cox, "Time Inc. Begins a New Chapter on Its Restructuring—Plan Is an Effort to Cut Costs, Boost Slow Ad Sales at Publishing Operations," *Wall Street Journal*, September 20, 1993.

205. Reilly, "Time Warner Magazine Group Gets Vote of Confidence from New Co-Chief Levin," B6G.

206. Mary Huhn, "Time Inc. Sale Rumours Swirl," *Mediaweek* (1994): 3.

207. John Motavalli, "Brack outlines Time Inc.'s future," *Inside Media* (1994): 1.

208. Susan Orenstein and Ethan Smith, "Crunch Time at Time Inc.," *Industry Standard* 4, no. 22 (2001).

209. Jacob M. Schlesinger and Eben Shapiro, "U.S. Challenges Time Warner on Benefits," *Wall Street Journal*, October 27, 1998, B20.

210. "The Newspaper Guild/CWA Applauds Labor Department Suit against Time Warner over Treatment of Freelancers," *PR Newswire*, October 29 1998, para 4.

211. Schiller, *Digital Capitalism: Networking the Global Market System*.

212. Patrick M. Reilly, "Time Warner Rechecks Bearings of Pathfinder Web Site—Turf Battles Rage Over Who Will Tend the On-Line 'Virtual Garden' " (1995).

213. Deidre Carmody and Mark Landler, "Time Inc.'s Bosses Want Success on Paper," *New York Times* (1995): D1.

214. Nina Munk, *Fools Rush In: Steve Case, Jerry Levin, and the Unmaking of AOL Time Warner* (New York: HarperBusiness, 2004); Motavalli, *Bamboozled at the Revolution: How Big Media Lost Billions in the Battle for the Internet*; Alec Klein, *Stealing Time: Steve Case, Jerry Levin, and the Collapse of AOL Time Warner* (New York: Simon & Schuster, 2003).

215. "Free-Lance Writers Plan Day of Protest Aimed at Publishers," *Wall Street Journal* (1992).

216. The companies refused to pay freelance journalists for republication rights, arguing that was no difference in form between a print, microfilm or microfiche archive, and new archival and storage media such as online newspapers or magazines, electronic databases such as LexisNexis or CD-ROMs,

217. In September 2005, a lawsuit brought by several writers' groups including the National Writers Union against major publishers such as Time Inc. and the New York Times Company was settled with an US$18 million payment from the publishing companies.

218. David Goodman, Gordon Wiltsie, and Claire Walter, "Ski, Skiing Impose Work-for-Hire," *ASJA newsletter* 50, no. 6 (2001): 5.

219. David Carr, "Inheriting the Burden of Success at Time Inc.," *New York Times*, July 22, 2002, 1.

220. Low estimates for Time Inc's earnings growth target was 20 percent, at least twice the average for the consumer magazine industry for 1994–1998, 8.5 percent, according to Harold Vogel, *Entertainment Industry Economics* (New York: Cambridge University Press, 2001), 239.

221. Alkman Granitsas, "AOL's Time Inc. Pursues Bigger Buys Outside of Asia as It Pulls Back in Region," *Wall Street Journal*, March 6, 2002, B5G.

222. In the Asian region the closure of *Asiaweek* in 2002 was the most significant pullback in a systematic series of divestments. Over a 2001–2002, Time Inc. also sold off properties in Japan and Hong Kong and began transferring senior personnel to its new center of international business operations in London in 2002. Granitsas, "AOL's Time Inc. Pursues Bigger Buys Outside of Asia as It Pulls Back in Region," B5G.

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223. Valerie Block, “Rivalry Abroad Spurs Push to New Time Zone: Lagging Publisher Tries Overseas Deals, Local-Language Titles,” *Crain’s New York Business* (1997).

224. Howard Cox and Simon Mowatt, “Technology and Industrial Change: The Shift from Production to Knowledge based Business in the Magazine Print Publishing Industry,” *Research Papers in International Business: Centre for International Business Studies: South Bank University*, no. 27–02 (2002).

225. David Carr, “Refashioning Time Inc. from the Outside In,” *New York Times* (2003): 1.

226. Klein, *Stealing Time: Steve Case, Jerry Levin, and the Collapse of AOL Time Warner*, 284.

227. Jim Milliot, “Book Group has record year amid sale rumors,” *Publishers Weekly* 250, no. 5 (2003); Jeffrey A. Trachtenberg, “AOL’s Move Points Up Difficulty of Mixing Books and Other Media,” *Wall Street Journal*, January 24, 2003.

228. Albert N. Greco, Clara E. Rodriguez, and Robert M. Wharton, *The Culture and Commerce of Publishing in the 21st Century* (Stanford: Stanford University Press, 2006): 30; see also John Blesso, “Bookselling in the Nineties: The “Hollywoodization” of an Industry?” *The Authors Guild Bulletin*, no. Winter (1998); Verlyn Klinkenborg, “Nothing but Troubling News from the World of Publishing,” *New York Times*, January 27, 2003.

229. David D. Kirkpatrick, “The Clash of Publishing Philosophies at Time Warner,” *New York Times*, January 29, 2001; Jim Milliot, “Publishing Not Immune to Cuts at AOL Time Warner,” *Publishers Weekly* 248, no. 5 (2001).

230. Bagdikian, *The New Media Monopoly*, 127.

231. David D. Kirkpatrick and Andre Ross Sorkin, “AOL Is Trying to Find Buyer for Book Unit,” *New York Times*, January 23, 2003.

232. Time Inc. had shifted approximately 20 percent of its magazine subscriptions, including those for *Sports Illustrated*, *Fortune*, and *Money* to “self renewing” subscription model that needed to be proactively canceled by customers. The attorney-generals of twnety-three U.S. states began investigating the use of this model among publishers due to their reluctance to cancel subscriptions once they had access to customers’ credit card details. In March 2006, Time Inc. agreed to pay a total of US$8.8 million to settle a case brought by these states, including $4.3 million to U.S. customers whose subscriptions were automatically renewed between 1998 and May 2004. “Attorney General Farber Announces Settlement with Time over Magazine Subscription Practices,” *US Fed News*, March 21, 2006.

233. Joe Hagan, “Time Inc. Thins Managerial Ranks in Restructuring,” *Wall Street Journal*, December 14, 2005; Matthew Karnitschnig, “Book-of-the-Month Club to Turn a New Page,” *Wall Street Journal*, April 10, 2007.

234. Nicholas Garnham, *Emancipation, the Media, and Modernity: Arguments about the Media and Social Theory* (Oxford: Oxford University Press, 2000), 52.

235. Gerard Dumenil and Dominique Levy, “The Nature and Contradictions of Neoliberalism,” in *A World of Contradictions: Socialist Register 2002*, ed. Leo Panitch and Colin Leys (London: Merlin Press, 2001).

236. Nussbaum, “Time’s Nick & Dick Show—Nicholas Is Remaking the Media Giant under Munro’s Aegis,” 55.

237. J. Crotty, “The Neoliberal Paradox: The Impact of Destructive Product Market Competition and ‘Modern’ Financial Markets on Nonfinancial Corporations in the Neoliberal Era,” in *Financialization and the World Economy*, ed. Gerald A. Epstein (Cheltenham: Edward Elgar, 2005).

238. Matthew Karnitschnig, “That’s All Folks: After Years of Pushing Synergy, Time Warner Inc. Says Enough—Media Titan Is Selling Units, Downplaying Cooperation; Rivals Make Similar Moves—New Buzzword Is ‘Adjacencies,’ ” *Wall Street Journal*, June 2, 2006, A1.

239. Carr, “Contemplating Time Warner without Time,” 1.

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Chapter 5

Bertelsmann AG

5.1 OVERVIEW

Germany's Bertelsmann AG is one of the key multinational corporations in the "first tier" of global media concerns. It remains the only European company amongst the "big ten" firms.[1] The company's global empire was built upon an international system of vertically integrated book and music clubs. In the first decade of the twenty-first century it expanded its mass-market oriented publications business in China and India and deepened its control over direct-sale book and music clubs in the United States; yet, in recent years it has significantly reduced these international ventures and largely withdrawn from music industry operations. Bertelsmann has however long since diversified into magazines and newspapers, broadcasting and program production, new media, and online computer services; and today the center of gravity of its operations is the RTL group, Europe's largest television firm. Before its most recent divestitures, Bertelsmann had operations in almost 60 countries, and in terms of revenue, had emerged as the most internationally diversified of the "first tier" global media corporations; moreover, its balanced, yet diverse holdings in the audiovisual, music, and publishing/press industries positioned it amongst a few of these international corporations that deserve to be called a giant of the media industry.[2] Nevertheless, the German company's status as the world's largest media concern in the 1980s was eclipsed in the 1990s by accelerated development of global capital centered primarily on the American film and television industry.

5.2 BERTELSMANN AND THE GERMAN BUSINESS SYSTEM

Since its establishment in 1835, Bertelsmann has remained a family owned and operated business. In 2009 Reinhard Mohn, the great, great, grandson of the company founder, Carl Bertelsmann, died having overseen Bertelsmann's development into a leading media conglomerate in the second half of the twentieth century. His second wife Liz Mohn assumed control as member of the fifth generation of the family to head the firm. Liz Mohn is "only" the tenth wealthiest German; but she would rank first if Reinhard Mohn had not transferred the majority (68.8 percent) ownership of the family company to the non-profit Bertelsmann Foundation in 1993, formally separating economic ownership of Bertelsmann from legal ownership. Indeed, in the post-war period Bertelsmann had publicly presented itself as a unique form of private family company, one that had adopted modern forms of decentralized, hierarchical management. In 1971, there was an attempt to separate allocative and operational control of the company officially through its conversion into a non-public joint stock company (*Aktiengesellschaften* or AG), with the standard two-tiered board system of governance,

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comprising of the *Vorstand* or executive board and the *Aufsichtsrat* or the supervisory board.[3] Because of Reinhard Mohn's style of management, in 1998 the German newspaper *Zeit* declared him the "entrepreneur of the century."[4] This image was also congruent with the idea of Bertelsmann as an "anti-mogul company."[5] As will be seen, the dramatic expansion of this "anti-mogul" corporation in the post-war period necessarily incorporated to varying degrees fundamental characteristics of the (West) German political economy, a framework referred to as the Rhineish model of capitalism or *Modell Deutschland*, characteristics that still shape the corporation within the present period. Just as importantly, these institutional characteristics need to be seen as embodying class relations that essentially reflect, in substance, their basis in a world economy.

Bertelsmann's development has been characterized by a high degree of decentralization, almost to the point of concealment. Historically the corporation's subsidiaries have been encouraged to use and keep their own name. Working under the concept of *auftragstaktik* (tactical autonomy), the managers of the over six hundred semi-autonomous "profit-centers" within Bertelsmann are encouraged to act as if they were independent entrepreneurs. Such decentralized management also draws on the notion of the *Mittelstand* (middle class) mid-sized companies that have a key place in the collective imagery of West Germany economic success. Although an increasingly elaborated "corporate constitution," empasizing, *inter alia*, the corporation's responsibility to society and encouragement of creativity and innovation, is designed to engender common purpose across the profit centers, their chief form of integration is through allocative control, at the corporate level, based upon stringent financial management. The overriding concept of *betriebsergebnis* (operating results) is utilized to monitor and manage the divisions. Unlike most family-owned German companies where accounting standards allowed for a high degree of managerial discretion, Bertelsmann's management was forced to pursue a clear policy based on the criteria of return on assets. In return for their entrepreneurial autonomy, the profit center managers had to meet a predetermined rate of return. As the Italian head of a print business acquired in the late 1960s recalled: "We actually bought our independence—for a minimum of 15 percent return on investment."[6] The corporation's finance department, one of the few business functions to be run centrally, keeps a firm grip on accounting and control-results and business plans are checked monthly by the finance department. Bertelsmann operates a strict internal market, charging its profit centers for use of Bertelsmann's printing facilities, for example, or for booking rooms in the company hotel in Gütersloh.[7]

Despite commanding a leading position in media markets all over the world and maintaining its status as the third-largest concern throughout the 1990s, Bertelsmann's presence within the media landscape has remained comparatively inconspicuous.[8] As noted, Bertelsmann is a deliberately low-key managerial company, strictly decentralized and allowing its brands to retain their separate identities. Since 1998, this has changed remarkably in a manner that places the corporation's organization and practice in a different light. New critical attention has been given to the corporation's activities during the Third Reich, and a renewed focus has been placed on the Mohn family and its continuing close involvement with the media company.[9]

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Recent developments have underscored that, despite the rhetoric and practice of a public corporation, Bertelsmann effectively remains a *Familienunternehmen*, with the Mohn family still firmly in control. Turmoil at the corporation in the first years of the new millennium over the growing role of Liz Mohn and two of her children, Christoph and Brigitte, as well as the ousting of the company C.E.O. Thomas Middelhoff in July 2002, were symptoms of the private nature of the company. More emphatically, in July of 2006 Bertelsmann paid €4.5 billion (US$5.7 billion) to gain control over the 25.1 percent of the corporation that the Canadian-Belgium company *Groupe Bruxelles Lambert* held in the firm (see Figure 5.1). This massive outlay was accompanied by the appointment of Christoph Mohn to the corporation's supervisory board in early November 2006; Brigitte Mohn subsequently joined the supervisory board in 2008 (see Figure 5.2).[10] Two shareholders now hold the corporation's economic shares, the non-profit Bertelsmann Foundation (77.4 percent), and the Mohn family (22.6 percent). The nonoperating holding company *Bertelsmann Verwaltungsgesellschaft mbH* (BVG), created by Reinhard Mohn in 1999 and controlled by the Mohn family, exercizes the combined 100 percent of voting rights held by the Bertelsmann Foundation and the Mohn family. The Mohn family's dominance over the BVG has steadily increased, notably at the expense of the corporation's executive management;[11] in October 2009, following Reinhard Mohn's death, Liz Mohn assumed his veto power within this body. Thus despite the outward complexity, Bertelsmann reflects the German pattern of extremely high levels of concentration in ownership; 35 percent of joint stock companies (AGs) have only one owner, and 71 percent have a shareholder that owns more than half of the shares.[12] This concentrated corporate ownership also reflects the relative lack of an equity culture within Germany and the comparative weakness of German capital markets.[13]

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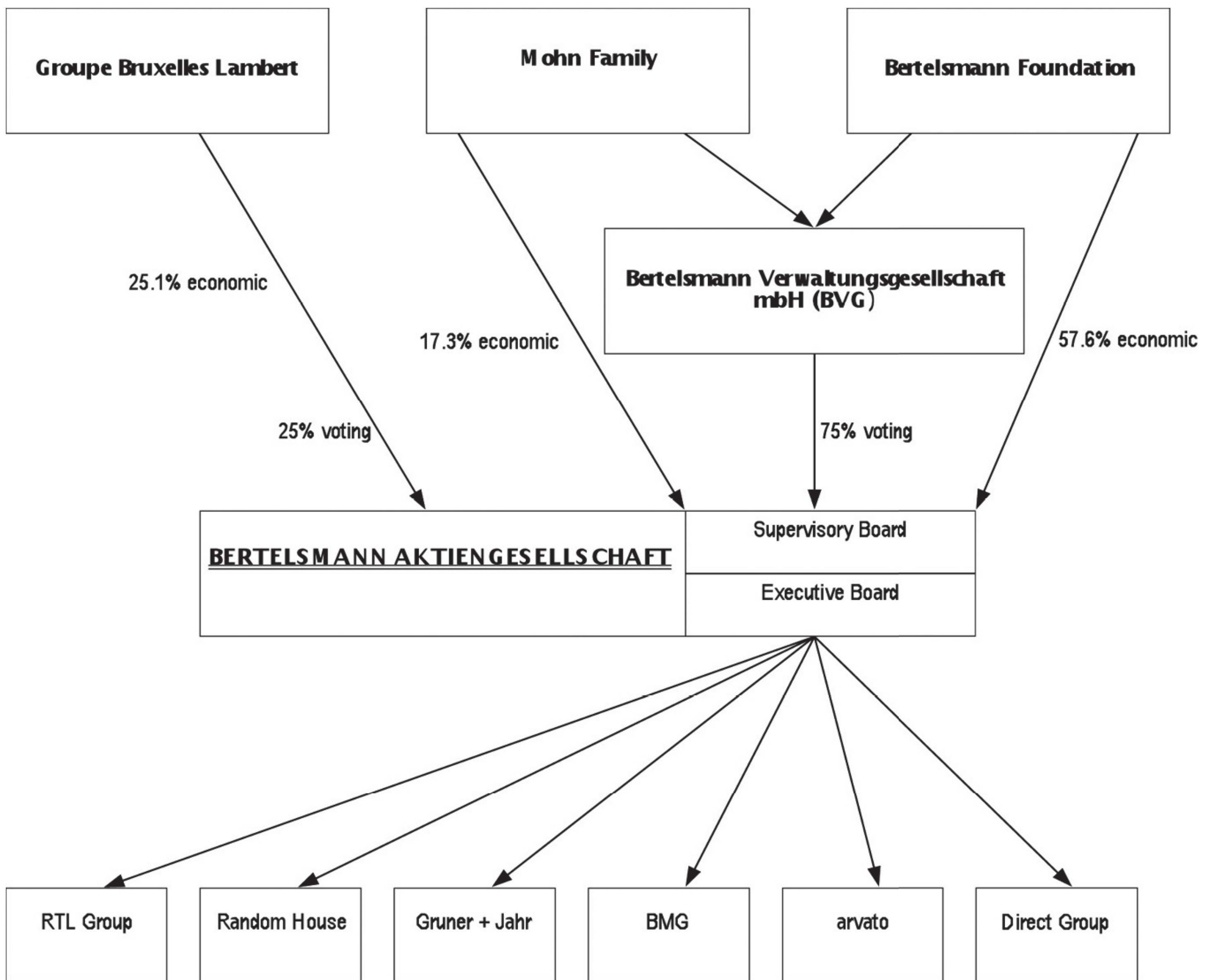

Figure 5.1 Ownership and Control of Bertelsmann AG in 2005

This lack of an equity culture was spawned by the specific characteristics of German industrialization that resulted in a strong industrial bourgeoisie that relied upon bank rather than equity financing. It has also been associated with a concomitant “insider” system of corporate governance and the notion of “stakeholder” capitalism, in which the firm was seen as enmeshed within specific outside interests, including intercorporate and banking linkages. The distinction between two levels of corporate decision-making facilitated the notion of “stakeholder” capitalism by permitting highly developed interlocking directorships, often reinforced by corporate cross ownership. Through the supervisory board, German corporations maintain tightly integrated business networks in which information and decisions can be easily relayed. Indeed, the function of the supervisory board plays a central role in the marked degree of inter-corporate coordination and internal organization that characterizes the German economy.[14]

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Supervisory Board

Dr. Gunter Thielen
Chairman
Prof. Dr. Jürgen Strube
Vice Chairman;
former Chairman of the Supervisory Board, BASF SE
Liz Mohn
--
Christoph Mohn
–
Dr. Brigitte Mohn
–
Dr. Wulf H. Bernotat
Chief Executive Officer, E.ON AG
Christa Gomez
Chairwoman of the Arvato Services Works Council;
Deputy Chairwoman of Bertelsmann's Corporate Works Council
Ian Hudson
Chairman of the Bertelsmann Management Representative Committee (BMRC)
Dr. Karl-Ludwig Kley
Chairman of the Executive Board of Merck KGaA
Dr.-Ing. Joachim Milberg
Chairman of the Supervisory Board of BMW AG
Erich Ruppik
Chairman of Bertelsmann AG Corporate Works Council, Gütersloh
Lars Rebien Sørensen
President and Chief Executive Officer, Novo Nordisk A/S, Bagsvaerd

Executive Board

Harmut Ostrowski
Chairman and Chief Executive Officer
Dr. Thomas Rabe
Vice Chairman and Chief Financial Officer
Dr. Bernd Buchholz
Chief Executive Officer, Gruner + Jahr AG
Markus Dohle
Chairman and Chief Executive Officer, Random House
Rolf Buch
Chairman , Arvato AG
Gerhard Zeiler
Chief Executive, Officer RTL Group

Bertelsmann Foundation

Executive Board
Dr. Gunther Thielen (chairman and CEO)
Liz Mohn (Vice-Chair)
Dr. Jörg Dräger
Dr. Brigitte Mohn

Board of Trustees
Prof. Dr. Dieter H. Vogel (Chairman)
Liz Mohn (Vice-Chairwoman)
Christoph Mohn
Prof. Dr. Werner J. Bauer
Wolf Bauer
Dr. Wulf H. Bernotat
Prof. Uwe Bicker
Prof. Klaus-Dieter Lehmann
Eduardo Montes
Prof. Elisabeth Pott
Prof. Dr. Thomas Rauschenbach
Dr. Wolfgang Schüssel
Klaus-Peter Siegloch

BVG Board

Liz Mohn
Chairwoman (power of veto)
Dr. Brigitte Mohn
Christoph Mohn
Prof. Dr. Dieter H. Vogel
Prof. Dr. Werner J. Bauer
Prof. Dr. Jürgen Strube

Figure 5.2 Membership of Bertelsmann AG's Boards

Rather than viewing the large universal German banks' representation on supervisory boards as a sign of bank dominance, more recent scholarship has emphasized their role in coordinating these intercorporate linkages.[15] Thus although a *Familienunternehmen*, Bertelsmann maintains important linkages with the German business community through the inclusion of outside directors on its Supervisory board, including long-term representation by Deutsche bank and Commerze bank executives. More recently, the large German insurance corporation has Axa Konzern AG has joined the board. The board has also represented publishers and executives from newspaper companies in the financial capitals of Frankfurt and Zurich (the *Frankfurter Allgemeine Zeitung* and the *Neue Züricher Zeitung*). Finally, linkages with the German state apparatus has been formed through the supervisory board; Manfred Lahnstein, the last finance minister of the German Social-Liberal Federal coalition government of the 1980s has been active on both the supervisory and executive boards of Bertelsmann. More extraordinarily, in

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the early 1990s the president of the Federal authority in charge of privatizing former East German industry (the *Treuhandanstalt)* sat on Bertelsmann supervisory board at the same time the German corporation was colonizing much of the former communist state's printing and publishing industry.[16]

Another defining characteristic of the Modell Deutschland economy was the idea of social partnership between employers and workers, a 'partnership' that effectively reflected the strength of organized labor in Germany before and after the fascist regime. In the post-war period, this partnership came to be linked to the insider system of corporate governance and codified through various pieces of *Mitbestimmung* (co-determination) law. Legislation in 1976 established that work councils and unions elect half of the supervisory board; however, German media companies had been exempted from such laws since 1952 under the principle of *Tendenzschutz* whereby companies with certain political, philosophical, or moral vocations were excluded.[17] Nevertheless, Bertelsmann has ensured that representatives of the corporation's workers hold over one-third of the seats on Bertelsmann's supervisory board. Rather than co-determining industrial strategy, these work council representatives have operated as another effective channel of communication for management decisions and have worked to involve "employees more in the affairs of the group, thus increasing their identification with the organization."[18]

Soubriquets such as "the enlightened capitalist" and "Red Mohn" have been given to Bertelsmann's proprietor because of his decision to treat work councils as "partners," remunerate his workers better than his competitors and introduce employee profit-sharing schemes.[19] Yet these initiatives have effectively undermined the role of unions within Mohn's corporation. This is an important consideration given that the majority of Bertelsmann's workers have been employed in Type One cultural industries, that is, the corporation's print division in Germany, a sector covered by the well-organized IG Druck union.[20] Historically, outside of its Gruner + Jahr subsidiary, the Bertelsmann corporation has not faced strike action.[21] Indeed, in the last decade and half, work councils in Bertelsmann's distribution and printing companies have taken the initiative in introducing greater work "flexibility" (that is, an unpaid increase in working time and a reduction in wages and salaries) and have entered into various such concession-inducing "pacts" with management—such as the "Pact for partnership 1997" at the Mohn GmbH printing plants.[22]

The development of the Bertelsmann Foundation also reflects a further characteristic of *Modell Deutschland*: the pronounced regulatory culture, emanating from deep roots in the German state tradition, in which the "public-interest" obligations of firms are emphasized. The Bertelsmann Foundation is a vehicle through which the Mohns have demonstrated their sense of *noblesse oblige*;[23] however, the substantive reason for its formation in 1977 was to provide an effective structure for the company's future in the event of Mohn's death when the inheritance from the billionaire would be subject to death duties. This could have possibly prompted the corporation's break-up and sale, or at the least diluted the family's control. In the interim, the Bertelsmann Foundation has emerged as the largest and most influential think-tank in Germany. It actively promotes policy within Germany and the European Union that, while

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espousing pluralism, social harmony, and efficiency, is based on the essentially free-market ideals of *ordoliberalism* and the social market economy that is, to put it briefly, "global capitalism with a human face." In Germany, it has been particularly influential in the area of social and labor policy and has been the basis of important linkages with like-minded members of the German state.[24] Although formally separated, the combination of Bertelsmann AG and the Bertelsmann Foundation offers enormous possibilities for affecting the regulatory landscape. The Foundation has been active in lobbying, for example, the European Commission for relaxed program quotas for new audiovisual services such as video-on-demand and pay television. In 2000, it held a conference on the German Communication Order, which was overseen by Mark Wössner, head of the Foundation and Chair of Bertelsmann's supervisory board. More recently, the Foundation has been active in promoting Chinese-German cultural awareness in a manner that has facilitated Bertelsmann's further expansion in the populous state.[25] Similarly, the Foundation has sponsored policy forums with Indian state ministers at a time when Bertelsmann AG is increasingly focusing on the sub-continent's cultural markets. It main focus, however, remains integrating transatlantic policy and business "communities."[26]

5.3 BERTELSMANN AND TRANSFORMATIONS IN THE GERMAN BUSINESS SYSTEM

Bagdikian cites the 2003 sacking of a popular editor at Bertelsmann's Random House, due to her repeated failure to meet "annual profitability targets," as an instance of the pressure placed on publicly traded companies to meet the financial expectations of the "Street."[27] He comments that the maintenance of both market capitalization and access to investment capital is dependent upon meeting expected earnings; at the very least such pressure led to the announcement of numerous dubious "expected earnings" forecasts in the late 1990s. Nonetheless Bertelsmann, as noted, remains a privately held company. Indeed, in a time when acquisition through stock-swaps based upon high market capitalization has replaced leveraged buyouts and debt-financed expansion as the primary means of corporate centralization, Bertelsmann's maintenance of a tightly held private ownership structure remains an anomaly amongst the leading international media firms.

The stock market in "Anglo-Saxon" countries has, for example, facilitated and propelled the series of mergers that transformed Time Warner; and through it, Rupert Murdoch has dispersed the legal ownership of News Corp. whilst extending his allocative and operational control over a dramatically enlarged and diversified means of production.[28] Bertelsmann's ownership structure has largely prohibited such an expansion strategy.[29] Concomitantly, the corporation's expansion has been characterized by relatively long-term investment strategies and incremental growth, which in its initial and intermediary stages was characterized by a circumvention of West Germany's strict media regulations and anti-cartel laws, through domestic and international market diversification.[30] Limited from further expansion within its core operations, the domestic market remains primarily an area for experimentation in new activities for this conservative corporation. Unlike some other German firms that have prepared themselves for cross-border merger and acquisition activity through share offering,[31]

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Bertelsmann's processes of internationalization has taken place in terms of overseas sales, that is, the circuit of realization, and the circuit of production.

The development of Bertelsmann thus reflects both the stringent media regulations that were initiated from the *Stunde Null* of the Allied Occupation and also the specific political economy of Germany. The West German post-war "economic miracle," which Bertelsmann has epitomized, was based upon the development of a combination of old and new factors which have provided a framework of long-term stability for German industry and the broader economy. Kenneth Dyson has argued that the factors associated with Modell Deutschland produced the paradox of "an economy whose actors . . . are used to being active in world markets and traditions of economic thought and practice that are strongly national, even provincial, in character."[32] Nonetheless, the contextual factors that have shaped Bertelsmann actions have themselves come under increased pressure and transformation within the last quarter of the twentieth century. This is the case not only concerning the marketization of German media policy; it also reflects the changing nature of the German national business system and the central role of the state. Indeed, what the recent developments in Bertelsmann operations more broadly underscore is that the factors that make up the German economic model are reflective of the strategies and orientation of the capitalist classes operating within its institutions and not merely the institutions of the German business systems themselves. As Bertelsmann has become more integrated within the international economy, it, like other German corporations, has sought to reproduce institutional thought and practice in a manner that reflects new competitive pressures: Reinhard Mohn has argued that "[t]he German national model is extinct. We must see that we behave in the context of globalization."[33] To appreciate these changes it is necessary to trace the historical development of Bertelsmann.

5.4 HISTORICAL DEVELOPMENT OF BERTELSMANN

5.4.1 Bertelsmann "Before the War": Mass Market Publishing under the Aegis of the State

The history of the Bertelsmann is usually divided into two eras—that is, the company's activities before and after the Second World War.[34] This understandable schema, supported and propagated by Bertelsmann and the Mohn family as a central corporate myth, unfortunately elides essential continuities. Bertelsmann traces its origins to the establishment of a publishing and printing house in July of 1835 by Carl Bertelsmann in Gütersloh, in the German Länder (federal state) of North Rhine-Westphalia, where the corporation is still headquartered. Reflecting the general development of print-capitalism across Europe, the C. Bertelsmann publishing house specialized in the production of Protestant texts, as part of the religious awakening movement of the Protestant community in East Westphalia. Although hymnals and religious pamphlets remained the central focus of the company for nearly the next one hundred years, the company diversified into fiction (such as Lord Byron and the Grimm Brothers) and non-fiction texts, as well as newspaper publishing. The C. Bertelsmann publishing house remained a small provincial Lutheran printing company up until the early 1930s, when it

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transformed itself into a mass-market publisher, with diversified and nationwide operations, through cooperation with the National Socialist (*Nationalsozialistiche Deutsche Arbeiterpartei*—NSDAP) regime. Previously Bertelsmann had asserted that the company expanded rapidly from 1921 when Heinrich Mohn, the fourth generation of the Bertelsmann family to head the company, focused the company's activities more fully upon consumer book and magazine publishing. The company's breakthrough to a mass reading audience was supported by promotional and advertising techniques such as window displays, competitions, and multi-novel sets. While its foray into popular literature, buttressed by mass-market techniques, was crucial, particularly during the international economic crisis, the basis of Bertelsmann's subsequent dramatic success was in fact the "nazification" of its editorial line as the National Socialists seized power in Germany in 1933. Although Bertelsmann continued to publish a large catalogue of texts, its support of the party was evident in the wide range of Hitlerian propaganda that it published long before the World War II, which expressed both belligerent volkish-nationalism and fervent anti-Semitism.[35]

The historians of the Independent Historical Commission (IHC), established to investigate Bertelsmann's activities during the Third Reich, have confirmed important elements of continuity between the traditional politico-religious characteristics of C. Bertelsmann's operations and publishing oeuvre and the National Socialists' dogma.[36] Nevertheless, they note that at the center of the company's operations during the Nazi regime was a disturbing moral relativism. They argue that Heinrich Mohn's capacity and readiness for conformity with the Nazi regime in the interests of his business was based upon a characteristic ambivalence that appears to have been nothing less than a matter of principle.[37] Mohn was never a member of the NSDAP or its affiliated German Christian church; yet "denazification" files held in the Düsseldorf state archives indicate that he was clearly a sympathetic benefactor of the Nazi regime.[38] While Mohn was not identified as being especially anti-Semitic beyond the long tradition of Christian anti-Judaism, he was nevertheless willing to publish increasingly strident anti-Semitic texts. One of the Commission historians, Reinhard Wittmann, commented that Heinrich Mohn's belief was that "companies could sell, or publish, whatever appealed to the widest audience while leaving ethical considerations to his rulers."[39] Swastika-flags may have hung at the company's headquarters in the summer of 1935, as C. Bertelsmann celebrated its hundredth anniversary; yet, the IHC conclude, "[w]ithout the determined will to place business goals above all other considerations, the firm would have never been able to build itself up." They note that "[a]bove all else, during the Third Reich, C. Bertelsmann remained a business enterprise whose publishing decisions were based on turnover, profit, investments, and other fiscal data."[40]

The hostilities of the Nazi regime greatly valorized C. Bertelsmann's profit and turnover, particularly through its paperback publishing operations. Shortly before Christmas 1939, Bertelsmann brought out special lightweight "field editions" that could easily be posted to frontline soldiers. Praised by Goebbels, Bertelsmann issued in total more than 20 million books and was easily the largest supplier to the army, as well as supplying the SS.[41] By centering production on these texts for German soldiers, Bertelsmann's sales grew by 2,000

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percent between 1935 and 1943; it was able to publish mass quantities of books while gainfully relying only a small repertoire of titles produced by house authors such as Paul Coelestin Ettighoffer and Werner von Langsdorff.[42] In April 1939, the company established new printing operations in Gütersloh and increased its workforce dramatically to keep up with demand. From 85 employees in 1921 the company reached a peak of 440 in 1939 before the demands of "total war" reduced numbers in subsequent years.[43] However, increased demand coupled with the threat of state sanctions, saw Bertelsmann's output actually increase. To cope with the high production volumes, printing was contracted to one hundred and nineteen presses throughout the "Reich."[44] At its German plants, double and triple work-shifts were introduced; from 1937, such intensification of labor and the increasing reliance on absolute surplus value production were explicitly ensconced in Nazi ideas of company management. A strongly paternalistic orientation on behalf of management had historically marked the capital-labor relations at C. Bertelsmann and Heinrich Mohn increasingly emphasized the "harmony between his house's tradition and the [Nazi] regime's economical and socio-political maxims."[45] Such fascist paternalism did not of course extend to the slave labor that Bertelsmann was found to have indirectly made use of through outsourced printing jobs in Lithuania and most probably in Latvia. While the IHC historians are unable to conclude that Bertelsmann's use of forced labor in the Baltic was motivated by a desire to save money, the company's profits dramatically expanded in this period.[46] In 1939, the company made a profit of 423,000 Reichsmarks on revenue of 3.1 million Reichsmarks; in 1941 at its wartime peak, Bertelsmann earned 3.3 million Reichsmarks on revenue of 8.8 million Reichsmarks.[47]

A fundamental component of Bertelsmann's post-World War II mythology was that the company was shut down because of its adherence to a Christian publishing tradition that offered moral resistance to the NSDAP regime. In part, this myth was based upon the forced closure in autumn 1943 of a small confessional publishing company (Der Rufer Verlag) it had earlier acquired. In fact, Bertelsmann had also been on the same list of culture industry organizations, including some sixteen hundred publishing houses, earmarked for closure as part of the "total mobilization" for war.[48] However, it had been belatedly spared via its commitment to limit publications to matters important to the war and through the intervention of prominent elements of the NSDAP regime such as the Wehrmacht's high command and the Nazi Party's Gauleiter of the Northern Westphalian party district. Nevertheless, Bertelsmann found it impossible to avoid a second round of publishers' closures that the Reich Chamber of Culture initiated in August 1944. In part, this was because in the interim criminal charges had been levelled against Bertelsmann's directors for the offences of paper hoarding, improper use of "Wehrmacht paper checks" and profiteering. In 1944, several executives were arrested, charged, and spent some months in jail; the chief executive, Heinrich Mohn, was spared because of poor health. In March 1945, the criminal charges were dismissed and a fine was imposed on Bertelsmann. While the group's 1944 closure would prove fortuitous after the war, the IHC notes that it hardly affected the firm's technical operations and that shortly after the termination of the legal proceedings, the company was planning to challenge the decision to close its publishing operations.[49]

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5.4.2 Integrated Expansion in the Periods of Reconstruction and Consolidation: 1946–1960

Even in West Germany, land of the post-war economic miracle, the rags-to-riches tale of Mr. Reinhard Mohn and the Bertelsmann group is special. When Mr. Mohn returned to Germany in 1946 from the prisoner of war camp in Kansas, his few goods stuffed in a potato sack, he found his family publishing business, Bertelsmann bombed to bits.[50]

Strapped for capital, the 25-year-old engaged in barter: and, using what presses he could get working, he printed labels for a local distiller in return for whiskey. He then traded the whiskey for bricks, to rebuild.[51]

Journalistic accounts of the development of Bertelsmann in the early post-war period have invariably focused upon the industrious figure of Reinhard Mohn, the fifth-generation descendant of Carl Bertelsmann and the epitome of the Protestant work ethic. Reinhard Mohn took over the company from his father after the war, and he is credited for its triumphant post-war "rebirth." However, it is clear that in 1946 Heinrich, and the key managers that had been with the company since 1921, were still fully in control when his 25-year-old son returned to the family business in Gütersloh. Such managers included Fritz Wixforth, the sales director whom from 1933 had succeeded in transforming C. Bertelsmann into a publisher of mass-produced, cheap editions of popular literature. Allied bombing of the nearby railway yards had damaged some of the company's buildings in Gütersloh; however, the central means of production, the company's printing presses, remained in operation.[52] While the publishing operations had been ordered to close in August 1944, in principal by the middle of 1944 no more editions of popular literature could be shifted anyway; the cessation of hostilities renewed the company's ability to valorize its production of cultural commodities. For instance, in 1945 and 1946, remainders from the "field editions" were unbound, placed in new bindings, partly reprinted, and distributed.[53] Overall Bertelsmann's experience under the NSDAP proved to be instrumental in its successful post-war resurgence: Reinhard Wittmann remarked, "[Heinrich] Mohn understood the importance of the mass market and of a good distribution system, two lessons he applied after 1945."[54]

Despite this apparent continuity in the operations of Bertelsmann, a powerful myth based on Bertelsmann's resistance and subsequent destruction was concocted and perpetuated by the Mohn family and management. In part, this mythology reflects a national attempt to draw a line between the Third Reich and occupied Germany—a social mentality that was keen to expunge any insinuation of political guilt or moral failure. As IHC historian Norbert Frei observed, "[t]he whole post-war image of Bertelsmann was built on a perception that was created after the war. It was possible because there was a significant loss of interest [after the war] and loss of understanding."[55] Yet there were economic considerations that also prompted the revisionism. To understand this necessity in full, Bertelsmann's post-war development needs to be placed in the context of the reformation of media regulations after the Allied occupation, as well as the reconstruction of the West German economy upon a free market model.

The unique circumstances of the complete reformation of the media system from the *Stunde Null* of Allied Occupation both prompted the story of Bertelsmann's resistance and shaped its

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activities within the post-war period. This reformation reflected the legacy of the right-wing *mogulism* of the German industrialist Hugenberg within the Weimar period and the NSDAP's capture and use of press, film, and radio, as the main propaganda instruments of a fascist state. After the unconditional surrender in 1945, the Allied Control Council forbade the defeated Germans from using any form of public communication whatsoever. The occupational forces were determined to break, once and for all, the hold that both the NSDAP and their bourgeois-nationalist supporters had upon Germany's media system. Thus the country's remaining broadcasting stations were appropriated and integrated into "re-education" programs; only in the late 1940s were these stations returned to the "denazified" German management, thus laying the foundations for the country's liberal-corporatist public-service broadcasting system.[56] The press was reintroduced under a system of licenses that were accompanied by regulations that stipulated the nature of the publication and the scope of its distribution. The Occupational forces made sure that (with a few exceptions) all former publishers (prior to 1945) were successfully excluded from this procedure. During 1945–1949 a system of licensed papers was established, based mainly on protection of the (relatively few) published papers. In 1949, the license system was abolished in favor of a market system, open to all, including even some of the old pro-Nazi publishers who had been able to keep their printing facilities untouched. Nevertheless, by 1949 the newly licensed press had become so strong that it dominated markets for years to come.

The manner in which the licensing process was introduced differed markedly between the occupied zones of the Soviets and the Western Allies; and while the Western Allies clearly aimed to install a media system free from central state control, in practice there was significant variation in the approach adopted by these different occupation authorities. The British, who administered the northern German occupation zone where Bertelsmann was based, had no reservations about issuing licenses to publishers with distinct political orientations; indeed, as the last occupation authority to introduce a licensing system in January 1946, the "denazification" regulations that prevailed in the British zone were, by comparison, initially mild. Thus when Heinrich Mohn failed to reveal his membership in the SS Sponsors Circle the British authorities made no inquiries, and Bertelsmann was accordingly awarded a license to produce books in March 1946.

However, in April 1947, after "denazification" policies in the British zone had been strengthened, Heinrich Mohn conceded to authorities that he had failed to complete his "denazification" forms properly. As the concerns of the British authorities mounted, Reinhard Mohn became centrally involved in negotiations over the company's license. To overcome the authorities disquiet, Reinhard submitted a list of the firm's production during the Third Reich that downplayed its role in supplying the German army. Moreover, he signed off on a dossier that claimed that the NSDAP had closed the family company after Bertelsmann had been "mercilessly pressured and persecuted" for a twelve-year period due to its religious orientation. Finally, Bertelsmann wrote to the British authorities that because of illness and age, Heinrich Mohn, then 62, was leaving as chief executive to be replaced by Reinhard, who immediately and successfully applied for the license.[57] Bertelsmann's 100-year tradition of

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publishing religious texts had been willingly sidelined in the 1930s; however, because Mohn had stressed his firm's Christian tradition—a tradition purportedly only interrupted by political interference in the last years of the war, Bertelsmann began printing theological texts once more to reassure the British authorities.[58]

Nevertheless, Bertelsmann's central focus remained the mass market of popular literature.[59] Bertelsmann's book publishing business developed rapidly in the immediate post-war period due to its expanded control over the crucial points in the circuit of capital: not only production, via the company's printing presses, but distribution and consumption as well. These latter moments in the circuit are crucial because books, as "editorial" cultural commodities, are characterized by chiefly intermittent one-off consumption patterns.[60] To overcome the problem such patterns of consumption posed for growth in the productivity of the company's circuit of capital, a problem exacerbated by the uncertainty of the use-value of these cultural commodities, Bertelsmann initiated the highly successful "Lesering" (reading ring) book club system in June 1950. The group's sales director Fritz Wixforth once again played a central role in developing the Bertelsmann book club's integrated model of direct distribution. It should be noted that, for a number of reasons, the Lesering was not an original idea. First, it was modelled on Bertelsmann's traditional business of selling theological texts directly to Evangelical clubs and associations.[61] Second, popular literature book clubs had been established in Germany after World War I. Finally, Bertelsmann was not the first to reintroduce the concept after the Second World War: for example in 1948, the Holtzbrinck publishing company established a direct mail order "reading ring"; and a year later Otto Stollenberg established a similar system. Nonetheless, Bertelsmann's economic strength lay in its size; Lokatis notes at the end the 1940s the company began buying smaller competitors to feed members cheaply into its direct mailing system.[62]

Rather than compete at the point of distribution, these book clubs proved to be highly successful because they operated through, rather than in opposition to, existing bookshops: Germany's five thousand book dealers were offered a 41.5 percent commission on each volume sold to Bertelsmann's members.[63] Memberships to the book clubs were also sold door-to-door; and the uncertainty of the cultural commodities' use-value was further reduced through the production of standardized products in the form of encyclopedias in 1952. The Lesering book clubs expanded rapidly in the 1950s within the Federal Republic of Germany (FRG). Six months after being established, they had attracted 52,000 members; by 1954 they had attracted 1 million members; and by 1960, 3 million.[64]

The West German economy recovered quickly in the 1950s and the decade proved to be very important for Bertelsmann, which solidified and expanded its position as a major cultural industry capital. The currency reform undertaken in June 1948 must be included amongst the crucial factors that underpinned the West German "miracle economy." The establishment of the Deutschmark freed "the market and lock[ed] the West Germany economy into the Western capitalist system."[65] Moreover, the conversion rate of Reichsmarks to Deutschmarks (10:1) heavily favored the industrial bourgeoisie over the financial strata within the German capitalist class. Together with other measures that restored the primacy of supply and demand in the West

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German economy, the currency reform encouraged investment, setting in motion the process needed to encourage capital formation and reproduction, especially within Department I capital goods aimed for international export.[66] Although hurting the economically vulnerable, the currency conversion helped to attract members to the book clubs. According to Meyer-Larsen bound books averaged 12 Deutschmarks in bookshops after the currency reform–"the same amount an accountant made in two days"; Mohn's Lesering books sold at half the price of books sold through traditional means. [67]

West Germany's gathering "economic miracle" encouraged Bertelsmann to expand its operations vertically through extending its printing capacity beyond printing texts and into general service printing. In 1956 the company established new offset printing facilities, laying the basis for its future role as one of Europe's leading offset printers. In the same year, the company diversified through the establishment of "Schallplattenrings," or record clubs, which mirrored Bertelsmann's moves into book clubs. The successful development of such direct-sale distribution networks depends crucially on controlling a catalogue of editorial commodities; yet the established music publishers in Europe or the United States refused to grant musical reproduction rights to Bertelsmann. In 1958, the company was thus compelled to replicate the successful pattern of upstream integration that underlay the book clubs. Bertelsmann established the Ariola Eurodisc music publishing company in Germany and Austria, through which it procured exclusive international distribution rights to individual and collective performances of classical and contemporary music from communist Eastern Europe, such as with the Czech Supraphon record company.[68] At the same time, it established the Sonopress record printing company.[69] Overall, Bertelsmann enjoyed annual revenue growth of 42 percent in the 1950s, with cumulative total revenue of US$125 million.[70]

5.4.3 Diversification and Decentralization 1961–1969

Wary of any insinuation of mogul-like domination in the media sector,[71] Reinhard Mohn increasingly delegated responsibility to Manfred Koehnlechner, who, as a 30-year-old lawyer, had joined the company in 1954 and was given the responsibility of reorganizing the sprawling conglomerate. The company's rapid growth in the 1950s had proven convulsive and disordered, and the company faced the problems of overlapping and incongruous activities. Three years later, Koehnlechner was made C.E.O., a position that he maintained until 1970; and, as Mohn's plenipotentiary, he was referred to as Bertelsmann's crown prince. The disordered expansion continued in the 1960s, as conglomerate growth witnessed, for example, the company's foray into poultry farms. Nevertheless, Koehnlechner oversaw Bertelsmann's crucial period of growth in the late 1950 and 1960s and the firm's expansion both internationally and out of the book publishing and printing industry into the world of electronic media.

In the 1960s, the company's international diversification in its book trade took place both in the context of the FRG media landscape and Mohn's conviction that "publishing could not survive unless it adapted the techniques of other industries oriented to the international market."[72] While books can be viewed as international commodities, a hierarchy of linguistic

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and cultural codes shape their pattern of consumption. In 1962 the company ventured outside of the "German" book trade market (Switzerland, Austria, and Germany) with the establishment of the "Circulo de Lectore" book club in Spain, an initiative that is distinguished by the aura of "high culture" with which it is associated. This operation formed the basis of further book club expansion in the Spanish geolinguistic market—Mexico and Venezuela. In 1966, Bertelsmann reinforced its position within the wider German market through the acquisition of a 60 percent share of the Austria's largest book club, "Donauland," and the purchase of a Swiss book club. These acquisitions augmented Bertelsmann's strengthened position in West Germany: in 1963, it had acquired the European Book and Recordclubs (Europäischer Buchklub and Europäischen Phonoclubs). At the end of the 1960s, it also acquired the Heinrich Vogel Verlag and another six hundred thousand book club members through a 50 percent share in Germany's oldest book club, the Duetschen Buch Gemeinschaft. These West German acquisitions were accompanied in 1970 by the formation of the France Loisirs book club as a joint venture with Presse de la Cite of Paris, France's largest publishing group. Overall Bertelsmann's international expansion added 1 million members to its direct mailing system; and by the end of the decade, membership with West Germany had increased to 3.6 million.[73]

After overseeing the development of the Ariola music publishing division, Koehnlechner initiated Bertelsmann's acquisition of the financially troubled Universum-Film AG (Ufa). Together with the Ufa-Theatre AG's chain of cinemas, the Berlin film production company became part of Bertelsmann's music division. Over the course of the 1960s, the film company became "West Germany's biggest film producer and distributor . . . like much of its book production the company specializes in films with mass market appeal."[74] Given the overall parlous state of the German film industry during this period and the dominance of the Hollywood film in cinemas this was not a miraculous accomplishment. Nevertheless, the film studio formed the basis of Ufa television productions (Ufa-Fernsehproduktion), producing films and commercials for West German's public television. While Bertelsmann's acquisition can be broadly seen as part of an overall stratagem for movement into the television business, the privatization of television broadcasting nevertheless lay some two decades off.[75]

During the 1960s, Bertelsmann had fully established itself as a diversified media multinational corporation. In 1969, following Bertelsmann's diversification into film and television, recorded music as well as computer learning systems, the book clubs accounted for only 39 percent of total corporate earnings, this despite international development of book clubs throughout the decade. Bertelsmann's rate of sales growth averaged 15 percent in the 1960s and total revenue for decade was US$435 million. By the end of the 1960s, Bertelsmann was equal in size to the Axel Springer newspaper empire and twice as large as its nearest competitor in Germany, the Holtzbrinck book club and publishing group.

Despite this relative economic strength, Bertelsmann's presence within the media landscape had remained largely inconspicuous when compared with the Axel Springer Verlag. Such an outcome was the result of conscious design: in 1959, Reinhard Mohn instigated the decentralization of Bertelsmann's company structure through the establishment of independent "profit centers." The influence of the "philosophy" of decentralization of Alfred Sloan, former

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head of General Motors, which espoused autonomy with strict financial controls, is often cited as a predominant influence.[76] Mohn noted "[w]hat we did learn in America was that our old patriarchal form of management had to be modernized."[77] This insertion of a modern management structure was not unusual amongst international media conglomerates—Time Inc. was undergoing a similar process of installing professionally trained and fiscally focused managers into its organization. However, Mohn's policy of decentralization was consistent with the continuing, substantial influence of Heinrich Mohn, who had died on the April 26, 1955. Indeed, it can be argued that Heinrich and Reinhard Mohn together shaped Bertelsmann through their decentralized style of leadership. As a matter of tactics during the Third Reich, the C. Bertelsmann Verlag had deliberately underplayed the size of its operations and its new business orientation in an effort not to draw the attention of the NSDAP's own Eher Verlag nor the regime's financial authorities.[78] Similarly, Reinhard Mohn's 1959 strategy of decentralization took place not only within the context of Germany's overarching media history but specifically in relation to the FRG's anti-cartel laws (July 1957's "Act Against Restraints of Competition"-ARC).[79] These contextual elements were decisive factors in the move to decentralize the rapidly developing company, which needed to ensure the accumulation of capital without drawing unwelcome anti-trust attention.[80] International expansion and depersonalization of capital management became its two primary strategies.

5.4.4 Gruner + Jahr and the Incorporation of Bertelsmann

A decisive refocusing of Bertelsmann's diversification materialized in 1969 when the company purchased a 25 percent stake in Gruner + Jahr (G+J) which was increased to a majority (74.9 percent) by 1973. This highly significant push into magazine publishing, both within the FRG and internationally, followed the general recession of 1966–1967, which witnessed a period of intense media concentration within the FRG.

From the 1950s, newspaper and magazine publishers were increasingly turning to advertising for the largest share of their revenue. By the beginning of the 1960s, advertising expenditure stood at 60 percent of newspaper and magazine companies' income. The dependence of the press on advertising contracts from industry made the sector particular vulnerable to the cyclical movements of the economy. Although the FRG had experienced four business cycles between 1950 and 1967, increased foreign demand had acted as an anti-cyclical measure, drawing the economy into an expansion phase of a new cycle. High growth rates of 8–10 percent during an expansion phase followed by levelling off to 5–7 percent during the subsequent economic slow-downs ensured a level of prosperity, which maintained the publisher's rapid increase in profits. However, the economic recession of l966–67 brought stagnation (FRG's GNP fell by 0.2 percent) and a fall of advertising revenues. A wave of closures and mergers ensued as many smaller newspapers were reduced to the edge of ruin.

Within this context, Bertelsmann was in a relatively strong position due to the vertical integration provided by its printing activities. The costs of typesetting and printing account for almost half of the total expenditure of smaller newspapers.[81] Bertelsmann printing operations provided the scope for the profitable operations of the Hamburg based-magazine operations. In

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fact, Gruner + Jahr had the most advanced production plant available at the time. The purchase of Gruner + Jahr was a decisive step in Bertelsmann's domestic growth in the 1970s. The acquisition of the fourth-largest magazine publisher in the FRG allowed Bertelsmann to tap into the increasingly competitive, yet expanding, expenditure on advertising within the country and provided the basis for international diversification.

The gradual acquisition of Gruner + Jahr also prefigured the conversion of the company into a joint-stock corporation (*aktiengesellschaft*) in 1971,[82] a move that the company noted marked the transition from a medium-sized family enterprise into a professionally managed large-scale corporation (and the sale of the poultry farms). In the previous year, 1970, Bertelsmann introduced a profit-sharing scheme with the company's German employees. With the German corporate context distinctly devoid of a public equity culture, the creation of non-voting profit-sharing certificates, offered first to employees and then to outside investors, provided Bertelsmann with an important source of capital. This, together with the cash flow and profits deriving from Gruner + Jahr, as well as the publishing and music activities, provided Bertelsmann with a firm basis for expansion. As noted, Bertelsmann's proprietor was dubbed "Red Mohn"'[83] a sobriquet that also needs to be understood within the context of the backlash during this time against the right-wing partisan activities of the Springer concern in West Germany.

In 1977, Bertelsmann purchased the Goldman paperback publishing company in the FRG as a basis to extend Bertelsmann's involvement in the development of the paperback market within Germany. In the previous year, the Federal Government of Germany, led by the Social Democratic Party, introduced stringent new anti-cartel laws that pertained specifically to media.[84] Although aimed primarily at the press sector and the fear of further concentration under the control of right-wing publishers, the law necessarily changed the already highly regulated media landscape.[85] While expansion was necessary, particular as a countertendency to the falling rate of profit within the context of the declining consumer market after 1978, the scope for further concentration within the mature and sophisticated German book market, dominated by Bertelsmann, Holtzbrinck, Springer, and Klett, was thus curtailed.

While Bertelsmann holdings within Spain provided the basis for the establishment of book clubs with Latin America, Bertelsmann future expansion hinged upon a number of acquisitions within Britain and the United States, as keys to the only language that is truly dominant in the worldwide exchange of cultural commodities. Thus in 1977 Bertelsmann established the Leisure Circle book club within Britain. More crucially, in the late 1970s Bertelsmann engaged in a number of Foreign Direct Investments into the United States' large internal popular culture market.

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5.4.5 Engines of Growth: U.S. Direct Foreign Investment and Commercial Broadcasting

In 1977, the same year that Bertelsmann purchased Goldman, the corporation also purchased a 51 percent stake of Bantam Books from the Agnelli family (whose main holding was the Fiat Motor Company) for US$36 million. It purchased the remaining 49 percent in 1981.[86] In 1978, the company expanded its presence in the record industry within the United States by

increasing its share of Arista records, controlled by Columbia Pictures records, from 25 percent to 100 percent. In 1979 Bertelsmann purchased the Brown Printing Co. in the United States and launched the American edition of Gruner + Jahr's *Geo* magazine which had proved to be highly successful in Europe since its launch there in 1976.

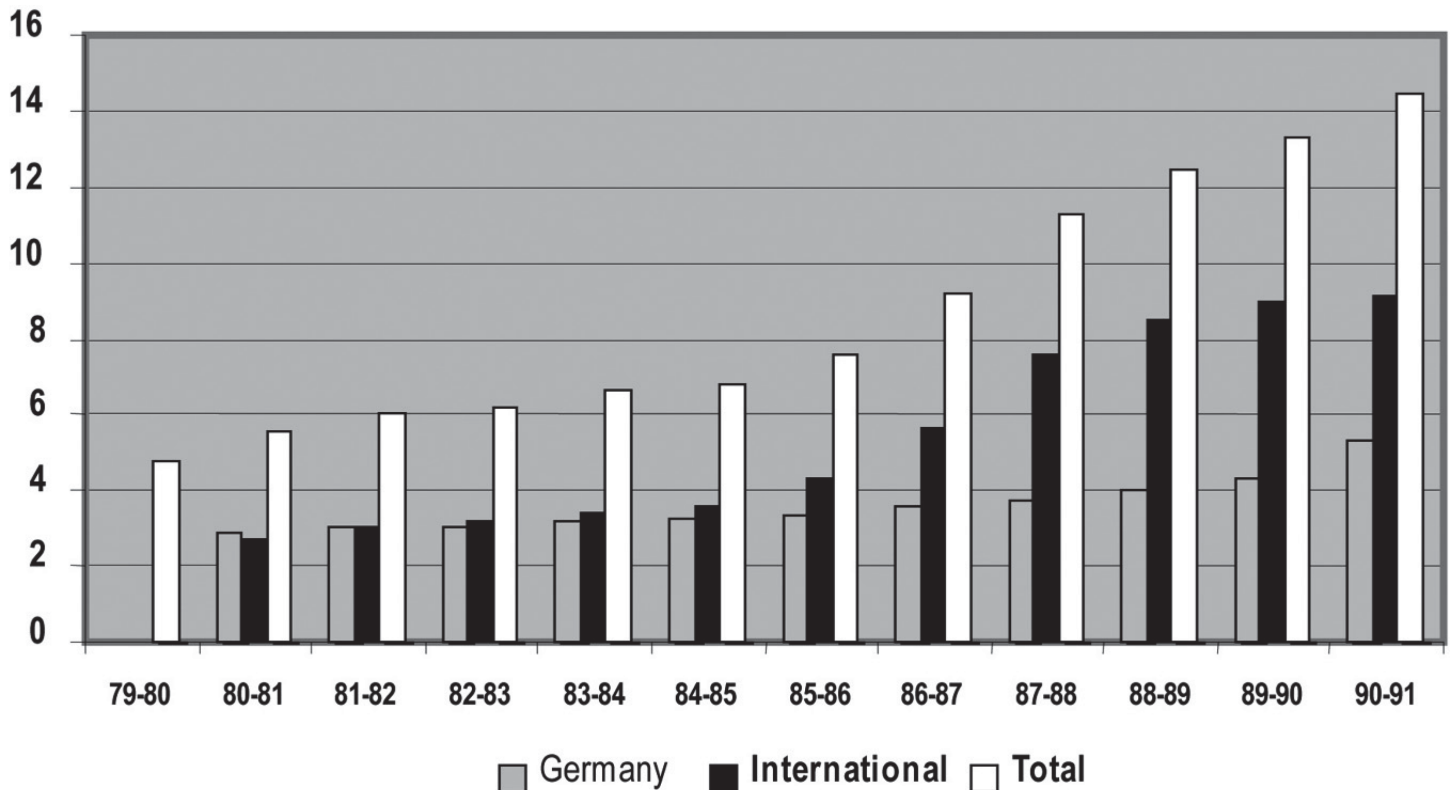

Figure 5.3 Bertelsmann's Revenue 1978–1990

However, the American version of *Geo* incurred losses estimated to be US$50 million and was sold in 1981.[87] This failure coincided with a period of relative stasis for the Bertelsmann group (see Figure 5.3). The FRG's third and worst economic recession in 1981 coincided with a decline in consumer spending within the majority of Bertelsmann's markets, with the record business in particular affected by pirated taping.[88] Prevented from maintaining its rate of profit through further market dominance of its core activities within the FRG, Bertelsmann responded by rapidly expanding into new markets.

A new era of commercial broadcasting had been initiated in the FRG by the momentous "FRAG Judgement" of the Constitutional Court, in June 1981,[89] and the election of the Christian Democrat, Christian Socialist, and Free Democrat (CDU/CSU/FDP) Federal Government in March 1983. This coalition government forcefully used its federal telecommunications jurisdiction over cable and satellite technology to pursue a "broadcasting revolution."[90] As a result, in 1982, under a new C.E.O., Manfred Fischer,[91] Bertelsmann announced that it would take a 38.9 percent share with the large Luxembourg commercial

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broadcaster, Compagnie Luxembourgeoise de Telediffusion (CLT) in a planned new commercial German language satellite television channel, "RTL Plus."[92] Due to the subsequent protracted political and legal disputations over new media policy between the CDU and SPD-governed Länder, who maintained sole sovereignty over broadcasting regulation, RTL plus began broadcasting "off-air" into the FRG in 1984 from the relatively unregulated Luxembourg Duchy, where it was to a large degree immune from the complexities of West German regulatory policies.

With the exemplar of Bertelsmann's flight of capital, a new dynamic of competitive media deregulation emerged between the Länder. The SPD-governed Länder's initially strident opposition to commercialization waned as they became engaged with the CDU Länder in media "Standortpolitik" (policies for attracting inward investment). The deadlock between the federal states was partially resolved in 1986 after the Constitutional Court's "Fourth TV Judgement" advocated a "dual broadcasting system" of commercial and public service broadcasting. The new mandatory inter-Länder treaty (Staatsvertrag) on broadcasting, incorporating commercial activities with strict controls on monopolization,[93] finally emerged in April 1987. After the suitably deregulated environment emerged, RTL Plus transferred "home" to take advantages of the inter-state rivalry of "Standortpolitik."

The new market diversification was not sufficient however to lessen the impact of Bertelsmann's relative stagnation upon the corporation's management structure. Manfred Fischer fell out with Reinhard Mohn when he failed to pursue the strategy of expanding Bertelsmann's core activities of publishing and music within the United States.[94] Mark Wössner, the former head of Bertelsmann's printing operations, replaced Fischer in 1983 and quickly pursued Mohn's preferred strategy.[95] Although by 1983 already some 51 percent of Bertelsmann's US$3.3 billion in sales were derived from operations outside of the FRG, under Wössner this was to increase dramatically.[96]

After failing to acquire the *U.S. News and World Report* in 1984, Bertelsmann expanded its presence in the book publishing and recorded music industries within the United States by making two substantial acquisitions in 1986: the large, but lacklustre, Doubleday Publishing (for US$475 million) and RCA Records (for US$330 million), a troubled unit of General Electric, which had been living off the residuals of old stars like Elvis Presley and Perry Como.[97] Bertelsmann became a major force in U.S. publishing, with immediate access to Doubleday's book club business, which then boasted a membership of 2.5 million subscribers, including members of the venerable Literary Guild. Bertelsmann Music Group (BMG) emerged as third-largest record company behind Warner Bros. and CBS records.

The purchase was followed by a period of consolidation: In 1987, the U.S. publishers were merged into the Bantam Doubleday Dell Publishing Group (BDD) and RCA Records and Bertelsmann's other record labels were integrated into a new division entitled BMG. By 1988, Bertelsmann had cut Doubleday's titles by one third. Dell publishing's trade magazines, other than its successful crossword puzzle publications, were closed. While the editorial and publishing departments were kept separate to maintain the marketing identity of each imprint, the group's sales, warehousing, accounting, and computer systems were merged; and the

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group's total workforce was reduced by 30 percent to approximately twelve hundred employees.[98] Streamlining also occurred at BMG. Prior to the acquisition of RCA, BMG was losing US$30 million per year at the operating level on revenues of US$630 million. Part of the BMG consolidation response therefore involved cutting 17 percent or US$15 million from U.S. overheads in the first year.

However, by the end of the decade the large U.S. acquisitions were not performing as well as had been expected. Notwithstanding Wössner's defense of the high price paid for Doubleday publishing, its operations continued to cause problems, running up large losses in the three years after their acquisition (approximately US$6 million in 1989). The subsidiary's book clubs had failed to perform at the levels anticipated. Moreover, Bertelsmann encountered problems with its decentralized management system—in particular, Doubleday's management expanded its booklist rapidly once more, pushing up costs.[99] Although RCA was streamlined before Bertelsmann's acquisition, and by 1989 was making profits of US$200 million on sales of US$2 billion,[100] Bertelsmann also suffered from management problems following its acquisition. In particular, several of RCA's top executives departed after disagreeing with Bertelsmann's management regarding strategies for raising BMG's 10 percent of U.S. market share.[101]

By comparison, although C.E.O. Wössner continued to express concerns regarding the long-term viability of commercial television within the FRG,[102] RTL Plus proved to be highly successful by the end of the 1980s. Although the initial uptake of RTL plus and its main commercial rival, SAT 1, was slow, during 1989 this situation changed dramatically, as each station captured a respectable percentage of the national television audience. To a significant extent, this increase flowed from a number of measures introduced by the CDU-led Government in support of commercial television.[103] RTL Plus's advertising revenue had increased from DM124.6 million in 1987–88 to DM1010.8 million in 1990–1991 on the basis of an 11.7 percent national market share, despite the market entrance of new public and private channels.[104] Thus after a start-up investment of DM400 million (US$240 million), RTL Plus reached profitability in 1990–1991—the first private German station to do so.[105]

Despite the varying fortunes of Bertelsmann's investments, developments during the period of assimilation of the large U.S. investments highlighted the importance of new market opportunities for the corporation: In 1988, the British Office of Fair Trading blocked Bertelsmann's 1987 attempt to acquire and merge Britain's largest book club, Book Club Associates, owned by WH Smith, with its pre-existing book club activities. Bertelsmann had to settle for a 50 percent stake. In December 1989 the France Loisirs book club, which controlled 78 percent of the French market, was fined FFr 20 million (DM6 million) for "misuse of its leading market position" by competition authorities; and in the same year Bertelsmann announced that it would sell or close its South American book club interests because the subsidiaries and associates had proven too costly to run. In the context of such restraints on development, and spurred by the devalued dollar, U.S. economic stability, and a segmented American magazine market, Bertelsmann foreshadowed that it sought to expand its print media activities in the United States through the acquisition of a magazine publisher, once the period

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of consolidation was completed.[106]

5.5 BERTELSMANN: THE 1990S AND BEYOND

At the beginning of 1990s Bertelsmann was a multinational media company with annual revenue of DM13.3 billion derived from three hundred and 50 wholly owned and 50 associated enterprises which employed approximately 45,000 workers. After the 1989 merger of Time and Warner, the German company was now "only" the second largest international media firm. In stark contrast to its Anglo-American rivals, such *as* Time Warner or News Corp., the German corporation was not weighed down with enormous debt. After a period of general corporate consolidation that had begun in 1987, Bertelsmann entered the 1990s with a sound financial basis for increased expansion. Following the spate of large-scale acquisitions in the latter half of the 1980s, Bertelsmann's total debt in the financial year 1990/1991 had been reduced to DM605 million. This was equal to only 0.65 times pre-tax profits or six months cash flow as compared to the average debt burden for US corporations of 15 times pre-tax profits.[107]

Nevertheless, Bertelsmann's competitors had strengthened their vertically integrated ability to exploit new electronic media by gaining tighter control over Hollywood's filmed entertainment assets.[108] The German media corporation openly acknowledge that "the real bottleneck" in achieving its goal of becoming a more balanced multimedia company throughout the 1990s, with strong assets in both print and electronic business, would be its "scarcity of outstanding creative product."[109] As such, based on numerous initiatives by Bertelsmann, there was continued speculation in the early years of the decade that the corporation would acquire a major film or music company in the dominant Anglo-American markets. Yet in the 1990s Bertelsmann, privately owned and driven by its focus on reliable return on assets, was locked out from merger and acquisition activity in the key U.S. audiovisual market, as rising equity values replaced debt as the main driver of increased corporate concentration.[110]

In fact, over the 1990s Bertelsmann would develop dramatically in the area of electronic media, particularly in relation to terrestrial, cable, and satellite TV within Europe. However, unlike its major international competitors, this development was primarily based on the flow model and its advertising finance, rather than the general push towards forms of direct commodification centered on "interactive" digital technology.[111] It should be noted that this was not despite several attempts on Bertelsmann's behalf. As Frank Böckelmann and Hersch Fischler observe, Bertelsmann's top management—Mohn, Wössner, and Middelhoff—equated U.S. developments with media's future and were guided by the behavior of the United States [112] market leaders. The success of pay-TV in the United States (and to a lesser extent France) inspired similar, yet ultimately unsuccessful attempts to develop digital pay-TV in Germany. Consequently, although editorial commodities—books and recorded music—were the dominant source of revenues at the beginning of the 1990s, operations that were predominantly advertising financed enlarged their share of revenues by a third over the decade, from 26 percent to 35 percent. By 2005 these industries, television, magazines, and newspapers would account for over 39 percent.

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With this shift, the economic contribution of different divisions within Bertelsmann changed considerably over the decade. The 1990s witnessed dramatic growth in first the music and then the book operations; nevertheless, it is television production and broadcasting that is now Bertelsmann's core business. Measured by the respective total revenue, the relative importance of the music business increased in the second half of the 1990s, from approximately 9 percent to approximately 30 percent, before falling to scarcely 11.6 percent in the 2005 financial year. From 14.3 percent in 1990–1991, the book publishing operations jumped to 30.5 percent of revenues with the consolidation of Random House in 1998. In 2005, Random House's revenue contribution had fallen and stabilized at approximately 10 percent. The revenue share of the book clubs and the music clubs fell from above 50 percent in the 1970s, to approximately 30 percent in the 1984/1985 financial year and to approximately 13 percent in the 2005 financial year. At the beginning of the twenty-first century, both the music and book direct marketing operations experienced half-year losses. Gruner + Jahr's position has also weakened. Under pressure from a shift in advertising spending towards television, the publishing subsidiary's revenue growth remained constant; hence, despite major international magazine acquisitions and expansion into newspapers in Germany and Eastern Europe, its relative sales contribution declined. From contributing 28.5 percent of revenues in the 1978/1979 financial year, by the year 2005 its portion of corporate revenues had halved to 14.2 percent.

While operating conditions vary from division to division, the significantly expanded importance of television within Bertelsmann's operations largely accounts for this overall pattern of relative declining revenue contributions. In the 1990/1991 financial year, Bertelsmann's electronic media operations, which included television, accounted for nearly 4.7 percent of total revenue. In 2002, Bertelsmann gained almost 23 percent of revenues from its RTL Group; five years later, this had increased to 27.7 percent. The only other division that appears to be expanding is the corporation's printing and industrial companies (now known as Arvato). Their overall revenue contribution rose from approximately 18 percent in the 1990/1991 financial year to 23.7 percent in 2005.

Although growth in flow media occurred primarily in Germany and Europe more widely, revenue growth in the North American market was driven primarily by editorial products—books and recorded music. Unwilling to purchase a film studio and incapable of bypassing TV foreign ownership laws in the manner of Rupert Murdoch, Bertelsmann's setback in the competitive acquisition of U.S. filmed entertainment assets is reflected in its revenue figures. Based on its record and book business, the U.S. portion of the German corporation's total revenues grew from less than 10 percent in the mid 1970s to approximately 26 percent in and the beginning of the 1990s. U.S. revenues stagnated at this ratio until 1997/1998. After the acquisition of Random House, they increased to 33.7 percent in the 1999/2000 financial year. By 2003, the percentage of U.S. revenue had fallen to 25.1 percent.

Bertelsmann made some major purchases during the 1990s and the early years of the new century. Bertelsmann's acquisition of Random House in July 1998 for US$1.4 billion dramatically overcame the "scarcity of outstanding creative product" in publishing. In 2001–2002, it bought out its partners in the RTL Group, via an exchange of 25 percent of its stock to

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gain majority ownership of the RTL Group. Nevertheless, Bertelsmann has sold companies just as quickly. In July 2002, the Mohn Family also got rid of its conspicuous C.E.O. Thomas Middelhoff. In autumn 2002, it divested its ownership stakes in the Internet businesses that had been acquired under the leadership of Wössner and Middelhoff. It also sold its recently acquired Springer Verlag technical publishing operations and merged its Music division with Sony.[113] Gruner + Jahr significantly wound back its 1990s expansion into the daily newspaper paper market with the sale in June 2002, of Berliner Verlag to the Georg von Holtzbrinck publishing group. Only the newspaper purchases in the former German Democratic Republic (GDR) were maintained. This corporation's actions belie the notion that it is characterized as "patient capital."

5.5.1 "Flow" Media: Bertelsmann's Advertising-Based Expansion in Europe

Bertelsmann, as noted, expanded its presence in advertising funded media within Germany and Europe in the first part of the 1990s. Important new investment opportunities had been opened up with the collapse of communist states including the Honecker regime in the GDR, symbolized powerfully by the fall of the Berlin Wall on November 9, 1989.

Unlike other major capitalist economies, such as the United States and the United Kingdom, the newly reunified Germany enjoyed a three-year advertising boom that underscored the country's position as Europe's primary advertising market. However, during this time, the pattern of advertising expenditure in Germany altered; a pronounced shift towards commercial television accounted for the major proportion of advertising growth.[114] In 1991, magazine-advertising revenues fell by one percent in western Germany, with women's magazines and general interest weeklies the hardest hit. Revenues from the mature newspaper market in western Germany also declined in the first years of the 1990s. This advertising shift had been foreseen and Gruner + Jahr was a 50 percent shareholder with Bertelsmann in the Ufa television company. Nevertheless, the changes posed important problems for the Gruner + Jahr' subsidiary publishing operations.

To protect Gruner + Jahr's status as the corporation's primary profit generator, Bertelsmann took advantage of new investment opportunities in East Germany and Eastern Europe, primarily in the new areas of growth in East Germany's newspaper publishing.[115] Gruner + Jahr also sought to increase productivity at its existing printing plants. Breaking with the Print Industry Employers' Federation, Gruner + Jahr introduced new, more flexible work contracts that allowed the company to print its flagship *Stern* magazine on weekends and eased regulations on laying off workers in return for the promise of better pay and conditions.[116] While the contracts broke an industry pact on working conditions, this action reinforced Gruner + Jahr's profitable position: the 74 percent owned subsidiary generated net profits equal to almost half of Bertelsmann net profits between July 1989 and July 1993.[117]

Peter Humphreys argues that with the advent of German Unification on October 3,1990, attempts at East German media policy reform by the short-lived Modrow reform-communist administration and the new Christian Democratic government were superseded, as the effective "takeover'" of the GDR by West Germany commenced.[118] As with other areas of regulation, it

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quickly became clear that East Germany's media markets would develop according to the principles and regulatory framework that had evolved in West Germany, despite the concerns regarding media concentration that had emerged within West Germany in the previous two decades. In fact, effective "colonization" of East Germany's print and publishing industries had begun before formal Unification. From March 1990, Bertelsmann and the other leading West German publishers pushed into the East German press market, effectively dividing it amongst themselves. Following Unification, the privatization and restructuring policies of the Treuhandanstalt ("Trust Agency" THA), directed at former state-owned companies, effectively sealed the domination of the FRG publishers.[119]

Thus in the 1990/1991 financial year, Bertelsmann invested half of its DM2.2 billion total investment on businesses in the newly liberalized eastern Germany, an outlay it represented as an altruistic commitment to the establishment of a "democratic society."[120] As well as starting a book club in December 1989, Deutsche Buch-Gemeinschaft, and pursuing vertical integration through the acquisition of the leading East German book publisher, Pössneck GmbH, Bertelsmann also pushed decisively into newspaper publishing in the former GDR.

Initially this involved distributing regional versions of the Hamburger Morgenpost, acquired by Gruner + Jahr in 1986, to Dresden, Chemnitz, and Mecklenburg-West Pomerania. This was soon followed in September 1990 by a 50/50 joint venture between Bertelsmann's Gruner + Jahr and the British Maxwell Group, which acquired the publisher of Berlin's biggest daily paper, *Berliner Zeitung*, (1988 circulation of 425,000), for between DM250 million (US$160m) and DM300 million. Formerly owned by the SED, Berliner Verlag was East Germany's largest and potentially most profitable publishing group, owning several other papers and magazines as well as the *Berliner Zeitung*.[121]

In September 1991, following protracted negotiations with the THA, Gruner + Jahr acquired 60 percent of Dresdner Druck-und Verlagshaus, publisher of *Sächsishe Zeitung*, eastern Germany's biggest regional newspaper covering the area of Dresden and East Saxony.[122] Through these ventures and acquisitions, Bertelsmann joined the ranks of Germany's top ten newspaper concerns (the fifth largest, albeit with 3.4 percent of the overall national market), a market position blocked since the post-war period of press licensing. These papers promised to be successful investments because they had such large circulations amongst East German populations. This expansion in Bertelsmann's core areas of publishing and print activities was also cautiously mirrored in expansion into the liberalizing markets of Eastern Europe.[123]

In 1992, the global economic recession finally materialized in Germany, prompting a prolonged slump in advertising. Gruner + Jahr forecast a 20 percent decline in domestic advertising volume in 1993 (and a 30 percent decline in foreign advertising). Despite a drop in advertising income, revenues at Gruner + Jahr newspaper division continued to climb, buoyed by circulation revenues from some of the largest subscription bases in Germany.[124] Whilst still not profitable, by 1992/1993, revenues at Bertelsmann newspaper operations had reached DM497 million; the following year profitability was achieved as revenues rose 13 percent to DM539 million.

The situation for Gruner + Jahr's German magazines within a deepening recession was not so

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positive. As the cost of airtime on the private television channels increased and television audiences became more segmented, some advertising money flowed back to the magazine sector as a means of reaching both general and more affluent target audiences. Nevertheless, at the same time the magazine market had become more competitive with the emergence of new general interest titles—most notably Burda's *Focus*, launched in January 1993. While *Stern*, Gruner + Jahr's financial backbone, increased its overall circulation revenues in 1993 its advertising income was severely affected by the combined impact of increased competition from commercial television and Focus.[125]

Bertelsmann's focus on television strengthened. The development of commercial television within the former GDR was hampered by the need of the five new Länder to establish new broadcasting laws, as required by the FRG's constitution; nevertheless, Bertelsmann continued to expand its commercial TV activities within the western Länder. In 1991 Bertelsmann invested approximately DM360 million in the new "Premiere" pay-TV channel within Germany, which went on air on February 28, 1991. Bertelsmann held a 37.5 percent stake, along with the French company, Canal Plus (37.5 percent), and the Munich based Kirch group (25 percent). In 1993 RTL Plus had surpassed the public networks in both ratings and advertising revenue. In that year the firm's net profits reached DM50, million and its advertising revenues climbed to DM1.9 billion.

Buoyed by the development of Premier and the increasingly profitable operations of RTL Plus, in 1993 Bertelsmann was involved with the launch of two new niche channels—the news and information channel Vox, launched in January and the youth entertainment channel RTL2, launched in March. Both channels were marked by diverse shareholdings that reflected the complicated German broadcast regulations. RTL 2 enjoyed relative early success due to programming centered on Hollywood movies and the pop music show *Bravo-TV*. Vox's development was far more difficult. From its inception, it was plagued with legal problems and drastically low ratings. A subsequent move towards entertainment programming provoked the collapse of the original five-company consortium that had backed the channel because of competing interests. Broadcast licensing authorities barred Bertelsmann from increasing its stake in the channel above 24.9 percent and excluded the possibility the CLT, Bertelsmann's partner in RTL Plus, could invest in the channel. Vox's operations were reduced to a skeleton staff, and it faced liquidation. In July 1994, Bertelsmann secured the channel and its valuable license when it persuaded the News Corp. subsidiary, News International (NI), to take a 49.9 percent stake in Vox gratis, the maximum allowed for a foreign investor. In early September 1994, after a further round of negotiations, the French pay-TV company, Canal Plus, agreed to take a 24.9 percent stake under the same conditions as NI. Although there were initial concerns that Bertelsmann controlled a blocking interest in Vox, the German media authorities and the European Union cleared the new shareholder structure.

Despite saving the station, Bertelsmann incurred debts arising from Vox estimated to be approximately DM450 million. Manfred Lahnstein, responsible for Bertelsmann's investment in Vox, was removed from the management of electronic media and given a position on the supervisory board. Industry sources stated that the severe troubles with the erstwhile news

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channel was an important factor in the subsequent decision to transfer responsibility for the electronic media division to BMG Entertainment, which principally included Bertelsmann's growing business in the United States, headed by Michael Dornemann. In June 1994, Bertelsmann AG altered its corporate structure to consolidate its previous seven divisions into four: Books, Gruner + Jahr, Industry, and BMG Entertainment.

Bertelsmann's Expansion into the United States: Steady Growth Strategies and Missing Economies of Scale

At the same time that Bertelsmann restructured its operations, the corporation made an acquisition central to its long-term strategy—procurement of a major magazine-publishing house within the United States[126] With its primary magazine market deteriorating, and its French, Spanish, and English magazines stagnant, in mid-June 1994 Bertelsmann Gruner + Jahr subsidiary acquired seven magazines from the New York Times Company for approximately DM370 million. The acquisition expanded Gruner + Jahr's existing U.S. magazine range, *Parents* and *Young Miss* (*YM*), with such venerable titles as *Family Circle* and *McCall's*.

The acquisition made Gruner + Jahr the fifth largest publisher of magazines within the United States and established Bertelsmann as amongst the leading 100 leading media companies in the United States (Endicott 1995; "World In Brief." 1995). The German management soon encountered problems with local staff and advertisers when it imposed its European magazine formula on its new U.S. operations. While other U.S. magazine companies were enjoying a significant turnaround in their operations in the mid 1990s, Gruner + Jahr operating profit margins fell below the 15 percent or more its magazines produced prior to the New York Times purchase.

After a dismal start to the 1990s in Bertelsmann's second largest market, the United States, the period 1990–1995 witnessed a decisive turnaround in the corporation's activities. Estimated to account for only 10 percent of the corporation's overall earnings, Bertelsmann's U.S. profits had failed to meet the corporation's expectations of the late 1980s. The purchase of Bertelsmann's new American headquarters in 1992, a New York's Time Square office tower for US$119 million clearly symbolized the corporation's strong commitment to the U.S. markets. Nonetheless, in contrast to the costly development of Bertelsmann's television activities, the strategies used to improve the American operations were far more consistent with Bertelsmann's generally conservative approach to business, based upon the financial concept of *betriebsergebnis*.[127] As the head of Bertelsmann's U.S. operations remarked:

> [I]f you make an acquisition, you have to look at it in very basic terms—is it giving you the return? We don't pay by paper money, we pay cash—as you know, we are a private company, so that is a very clear standard, a very clear measurement.[128]

In both publishing and recording, Bertelsmann invested heavily on internal restructuring and business growth. The "editorial" cultural commodities that both these industries produce depend heavily on the vitality of their catalogues to maintain sales and ensure economies of scale in distribution systems were realized; nonetheless, the consolidation of ownership of such catalogues varied considerably between these industries in terms of pace and cost. While the book industry rebounded relatively quickly, Bertelsmann's music arm BMG was affected

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by the rapid competitive concentration within the international music industry directed at controlling copyrights and major recording artist lists.

In the first years of the 1990s Bertelsmann's U.S. publishing operations were not profitable overall despite the sale of 39 Doubleday bookstores to the Barnes & Noble book chain (for approximately US$20 million in early 1990) and the renewed profitability of Doubleday book clubs after their operational restructuring. Moreover, despite writers such as Danielle Steel providing resilience to the Dell Publishing house, the U.S. recession had had a harmful effect upon the Bantam group's broad-based consumer publishing program, affecting the Bantam Doubleday Dell (BDD) division as a whole.[129]

On the basis of a strong new cycle within the U.S. economy, BDD's profitability increased significantly in 1992/93, with an estimated US$38 million operating profit on sales of US$640 million.[130] This increase was primarily achieved through reduced manufacturing and operating costs, the rationalization of publishing lists to take advantage of BDD's marketing strength in "lead title" and genre publishing, and the reduction of book returns. "Lead titles," from star performers including John Grisham, were marketed aggressively in succession through first Doubleday and then Dell. Tightly controlled distribution of such works witnessed book return rates of 2 percent to 3 percent on an industry average of 30 percent. Bertelsmann's two U.S. book clubs, The Literary Guild and Doubleday Book Club, both promoted Grisham as their main selection, which contributed to a 33 percent increase in their membership since the start of the 1990s. Bantam's sales were boosted by the successful utilization of Star Wars science fiction genre franchises.[131] By the end of 1993–1994, BDD was enjoying sales above the previous year's levels, establishing the group as the second-largest book publisher in the United States (see Table 5.1).[132]

Table 5.1 Top Trade Publishers' U.S. Revenue (US$ Millions)

Publishers	*1993*	*1995*	*1997*	*1999*
Bantam Doubleday Dell	655	670	660	-
HarperCollins	518	496	737	780
Holtzbrinck	42	259	300	300
Houghton Miffin	92	-	88	89
Penguin (Pearson)	340	349	1440	705
Random House	1700	1225	1250	1410
Simon & Schuster	518	855	975	590
Time Warner Book Group	260	817	310	298

Source: Greco (1997: 22); Greco, Rodriguez and Wharton (2006:13-15); Schifrin (1994a:119)

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BMG, although strong in Europe at the beginning of the 1990s, was still encountering problems in the United States with its market share there languishing at 10 percent.[133] Unwilling to pay exorbitant prices to acquire market share, Bertelsmann had been largely uninvolved in the accentuated consolidation of the world music industry since its 1986 purchase of RCA. During this process the leading "independent" record labels, Geffen, A&M, Island Records,

and Chrysalis had all been incorporated within the six major recording corporations.[134] Following this consolidation process, a lack of popular recording success had seen BMG's U.S. market share fall from third to fifth among the "majors": Warner, CBS, PolyGram, and EMI. This was despite the large investments in procuring artists and establishing new labels via satellite companies, a model BMG top executive attribute to Steven Ross at Warner Bros records.[135]

BMG's situation prompted one business analyst to remark that "[BMG's] getting slaughtered for lack of English-language hits. . . . They need a deal like they need life itself."[136] The possibility of such a deal emerged with the sale of Virgin Music in 1992; however, EMI outbid BMG for Virgin, pushing the German-owned company into fifth-place in the world music companies' ranking.[137] BMG continued with its professed strategy of "building from within: developing both artists and business, and achieving growth through existing labels, carefully selected joint ventures and acquisitions of flourishing creative centers."[138] Moving off a low base, this policy began to produce significant growth as the early 1990s progressed: in 1992–1993 BMG announced revenues of US$3 billion, a 20 percent sales increase and the second highest year-on-year growth reported amongst the music majors.[139] By 1994, with the help of "star" performers such as Whitney Houston and Kenny G, Bertelsmann had raised its share of both the world and American music markets to approximately 14 percent and 13 percent respectively, based largely on increased sales in the United Kingdom and Japan and on the success of the Arista label (which contributed over 10 percent of BMG's U.S. market share). Outside of the four major music markets, the United States, Japan, Germany, and the United Kingdom, BMG made a number acquisitions and investments, such as the large Italian Recordi music group in December 1994 for US$300 million and the Crescendo distribution company in India.[140]

However, in America BMG's majority acquisitions were confined to niche markets of adult alternative (Private Music) and New Age (Windham Hill). BMG also acquired a 20 percent stake in Zomba Jive Records, a deal that involved distributing the independent label's recordings within the U.S. market. In the future the Zomba deal would propel the growth of the music division. Nonetheless, the company's average share of the crucial U.S. market in the opening years of the 1990s had remained 5 percent behind Sony and 10 percent behind the market leader, the WMG. Given the fixed costs structure of the distribution side of the business, the difference in revenues based on the "audience" reached had a marked impact on the level of (un)profitability and cash-flow available to finance a high level of A&R spending and the strategy of "building from within." BMG had a first-division distribution infrastructure but a second-division catalogue.[141]

5.5.2 BMG Entertainment and "Americanization": Unrealized Pay-TV Ambitions

In response to this mismatch between distributive capacity and market share, BMG followed the lead of other European music companies and attempted to "Americanize" its senior management. In September 1994 Strauss Zelnick was appointed President and C.E.O. of BMG Entertainment North America.[142] Zelnick, a person intimately connected with both the film and

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computer games industry,[143] initiated the "rebuilding" of BMG's music operations (see Table 5.2) and reinforced the unfolding of Bertelsmann Music Group's revenue diversification strategy. Zelnick followed the increasingly dominant business-school model amongst the major record labels, by focusing initially on increased efficiency before seeking to expand the limited creative success of the BMG labels.[144] BMG multi-media activities were consolidated under the BMG Interactive Label, a minor partnership was formed with the American Broadcasting Corporation and BMG's cable music channel activities were extended to Latin America (Ya TV).

More generally, these ventures were viewed as a vehicle for Bertelsmann's tentative moves into wider multi-media alliances in the United States. In this regard, Zelnick's appointment presaged the further "Americanization" of the BMG Entertainment division overall, signalling the continuing desire of Bertelsmann's senior management to acquire a presence in the U.S. filmed entertainment industry. Yet the ability of Bertelsmann to pursue other ventures was limited by the exorbitant prices paid for filmed entertainment with the U.S. market.[145]

Table 5.2 BMG's U.S. Market Share for New Music Recordings

Year	Percentage
1991	8.2
1992	10.7
1993	12.0
1994	12.9*
1995	12.0
Average	11.2

Sources: 'Why can't BMG, EMI and PolyGram maintain 14 percent of the US market?' (1994 p.3); 'BMG Entertainment is the fastest growing Bertelsmann division' (1995 p. 12); * BMG's almost 1 percent increase in market share in 1994 represented extra sales of over $75 million.

In adopting a more distinctly Anglo-American structure based on product lines, rather than geographical considerations, the reorganization attempted to garner major benefits in cooperation and significant synergies between its far-flung operations and bring what the Economist described as a fusion between "'American' entrepreneurial flair without sacrificing 'German' fiscal prudence."[146]

The formation of BMG Entertainment plainly expressed this strategy, implicitly acknowledging the dire performance of the Bertelsmann-managed Vox TV channel. Bertelsmann's U.S.-based executives would now orchestrate the corporation's film and television operations, together with its music operations. The management change brought urgency—"American flair"—to the corporation's German television strategy. Michael Dornemann, the head of BMG Entertainment, was instructed to achieve a critical mass within the sector or sell the corporation's television business.[147]

This was one of the lessons that Bertelsmann had learnt from the Vox debacle. Bertelsmann held three minority positions in "free" TV: 37.1 percent in RTL, 7.8 percent in RTL 2, and 24.9

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percent in Vox. The purchase of large film packages could be made more lucrative if the standard package, which permitted three telecasts per film license, could be distributed across several channels—and if one company controlled these channels. Programming costs in the German television market had steadily increased and the copyrighted output of North American companies was largely monopolized by the Kirch group.[148] A second lesson was that advertising-financed television had reached saturation point, with Germans having access to an "over-abundant" number of television channels in Germany (25 free-to-air and cable based channels). Even at the highly successful RTL Plus, profits for 1994 dropped by 15 percent, compared to 1993, due to rising costs and increased competition.[149] Growth would come from appropriating market share or through the expansion of pay-TV services, which Bertelsmann clearly believed were the future of private television.[150] The last point, underscored by the difficulties encountered with rescuing Vox, was that future projects would require co-operation across Germany's entrenched party political lines and hence co-operation between the two major broadcasting groups—Bertelsmann and Kirch.

To justify the enormous sunken costs of digital television, Bertelsmann needed to gain access to the standard basis of rents for such operations—control of distribution networks and access to programming.[151] While Bertelsmann's Ufa enjoyed a strong position in sports rights and production in Germany, access to a major film archive has underpinned the expansion of pay-TV by media corporations within other markets. BMG Entertainment and its North American subdivision, gave Bertelsmann greater latitude to acquire, or find the right alliance or joint venture with, a significant North American audiovisual content producer, preferably a major Hollywood film studio. In terms of distribution, in April 1994 Bertelsmann announced a joint venture with the Kirch group and Deutsche Telekom to develop the next generation of digital pay television, including the development of set-top boxes, within Germany—Media Service GmbH (MSG). However, in July 1994, the EU's Directorate-General for Competition Policy (DG IV) expressed concerns that the MSG consortium would deleteriously affect the access of pay-TV suppliers from the other EU member states to the German market. The position of DG IV hardened over the next five months; and as a result Bertelsmann's initial attempt to enter into a gate-keeping role in the development of digital pay-TV, the proposed joint venture was abrogated.[152]

In September 1994, Bertelsmann announced a pay-TV alliance with Canal Plus, its partner in the Premiere pay-TV service, to co-develop and launch pay-TV channels in Europe, including cooperating in rights acquisition and the development of new digital technologies. Following this alliance Bertelsmann announced that 1995 would mark its transition from primarily a book and newspaper publisher, with commercial television operations, into a fully-fledged multimedia entertainment company.[153] This transition was based on the company's continuing initiatives to develop digital television pay-TV within Germany and its expansion into online services.[154] Bertelsmann's strategy was bolstered by the anticipated amendments to Germany's broadcasting regulation, whose deregulatory nature became increasingly certain over the course of 1995.

Bertelsmann had publicly linked the collapse of Vox to the ownership restrictions of the

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existing German state broadcasting treaty (Rundfunkstaatsvertrag) and argued that a primary source of its difficulty in the area of television stemmed from its lack of majority control.[155] In September 1994, the fifteen German state media authorities (Landesmedienanstalten—LMAs) signalled that that they would address the perceived deficiencies in the regulation and proposed a simpler model of broadcasting control based on audience share. Although not publicly acknowledged, by mid-1995 the majority of Social Democrat-led states had shifted their position with regards to a revised treaty favored by the Conservative (CSU/CDU) states, which permitted greater ownership rationalization and concentration. As Humphreys notes, the leading SPD state, North Rhine-Westphalia, had entered into "grand alliance" with the CSU-led Bavaria to push a policy position principally motivated by the *Standortpolitik* of securing media investment, designed to facilitate the digital expansion of the existing media corporations—Kirch and Bertelsmann.[156]

Although Bertelsmann was concerned by the implications that an audience cap could have for its digital television ambitions, such policy settings were clearly in the two corporations' favor.[157] In July 1995, Bertelsmann moved to gain majority ownership over RTL Plus. Not only would this give Bertelsmann control of Europe's most important advertising medium, but it would help it gain access to large programming supply deals with Hollywood, previously locked up largely by Kirch group, which were crucial to Bertelsmann digital TV initiatives.[158] Moreover, it prevented Compagnie Luxembourgeoise de Telediffusion (CLT) from using the commercial station as a basis for its own pay-TV drive (the proposed Club RTL), which would rival the Bertelsmann and Canal Plus pay-TV alliance.[159] With the backing of RTL's management, Bertelsmann engaged in a two-pronged strategy that involved buying out RTL's smaller shareholders and forming an alliance with the German publisher WAZ.[160] Despite legal challenges from CLT, by September 1995 the Bertelsmann-WAZ consortium (BW-TV) held 50.1 percent of RTL Plus shares; by the end of October, CLT conceded defeat after the German state premiers announced at a meeting in Bad Neuenahr that a new policy consensus that would replace broadcasting ownership restrictions with a liberal 30 percent aggregate audience share cap.[161]

As Bertelsmann sought to gain control of RTL Plus, its alliance with Canal Plus was also developing. Throughout 1995 the Bertelsmann-Canal Plus alliance had materialized, first in March 1995 through the formation of the Canal Plus-Ufa, a joint venture (together initially with Solomon International Enterprises) to purchase audiovisual programming.[162] The second element involved the creation in August 1995 of the Multimedia Betriebsgesellschaft (MMBG) consortium. Led by Deutsche Telekom, MMBG sought to create a standard digital decoder box using the Mediaguard technology developed by Bertelsmann and Canal Plus's SECA (Societe Europeennes Control d'Access) company. The consortium was confident that it would elude the anti-competitive regulation of the EU despite its inclusion of the majority of state and private broadcasters in Germany.

The most important material consequence of these Bertelsmann initiatives was an agreement in April 1996 to merge its Ufa Film and television subsidiary with CLT, its Luxembourg based partner in the RTL channels, to create a "power-house" European broadcaster with pay- and

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free–TV interests across Europe, together with radio and production facilities. The merger of CLT-Ufa was suggested by the CLT operations after CLT had effectively lost control of RTL Plus over the course of 1995, which produced 60 percent of the company's advertising revenue that had formerly been consolidated on CLT books. Over the same period CLT was marginalized from the digital TV development plans of Bertelsmann and Canal Plus; and attempts to develop its own digital bouquet fell through, with a major shareholder (Havas) and potential ally (News Corp.) backing the alliance formed by Bertelsmann and Canal Plus.

In the January 1997 merger of its Ufa film and television subsidiary with the Luxembourg-based commercial broadcaster, CLT, Bertelsmann emerged as the dominant partner within Europe's largest commercial broadcaster. Over three-quarters of CLT-Ufa's DM5.5 billion of revenues in 1998 were attributable to its 22 TV stations, located in ten countries. As Herman and McChesney have noted, the merger of CLT-Ufa had represented a significant step in addressing Bertelsmann's comparatively strategically weak position within global television market.[163]

5.5.3 The Purchase of Random House: Buying Critical Mass

On April 23, 1998, after first perusing the balance sheets of Viacom's Simon & Schuster and News Corp.'s HarperCollins, Bertelsmann announced that it would purchase the Random House publishing firm from S. I. Newhouse Jr.'s Advanced Publications for an undisclosed amount, estimated to be US$1.4 billion. Unlike the proposed merger between the giant Reed Elsevier and Wolters Kluwer publishing companies, which stumbled earlier in 1998 due to the stipulations imposed by the European Commission regulators, the Bertelsmann acquisition passed before the U.S. Federal Trade Commission (FTC) without changes, despite submissions against the acquisition being put before the FTC by the Authors' Guild and the Association of Authors' Representatives. The German media group announced that it had completed the purchase on July 1, 1998.

The merger of Random House, whose imprints include Alfred A Knopf, Pantheon, and Fodor's *Travel Guides*, with Bertelsmann's existing book interests in the United States — Bantam and Doubleday Dell—created the biggest trade book publisher in the English-speaking world, an entity twice the size of the next largest house, Simon & Schuster. The purchase increased Bertelsmann's share of the US$21 billion total book market in the United States from nearly 6 percent to 10 percent. More importantly, the new merged firm controlled approximately US$1.9 billion of the US$5.45 billion trade book industry in the United States or 35 percent. This percentage portrayed the more accurate position of dominance Bertelsmann purchased within the U.S. because these non-technical titles, bought by general readers, do not compete in the enormous textbook and professional book markets.

Bertelsmann's purchase came at a time when the sector was considered by many analysts to be ailing. In 1997 sales of consumer books stalled within the United States, sliding 3.4 percent to below 1995 levels, after growing less than 5 percent a year since 1992; in the United Kingdom consumer spending on books has fallen steadily since 1994. This downturn affected the least profitable sector of the book publishing industry, an industry itself that had the lowest

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operating margins of all the media industries.[164] A renewed drive to consolidation arose from the pressure to increase profits through greater control over the moments of production and consumption.

The economic malaise within the publishing industry in the late 1990s was not a new phenomenon. Furthermore, for more than a century, critics have decried the excessive concentration in the industry, its emphasis on best-sellers at the expense of smaller books, its impatience with book turnover rates, and its domination by fads. However, the late 1990s slump in the consumer book market coincided with other worsening developments that had tended to erode publishing companies' profit rates. On one side, publishers faced escalating advances paid to "celebrity" authors, and, on the other side, the increasing costs imposed by the growing consolidation of the "book-magazine-café" retailing superstores, such as Barnes & Noble and Borders.

Moreover, as more and more independent publishing houses have been integrated within media conglomerates, particularly in the United States and Britain, this cultural sector has been further absorbed into wider circuits of capital accumulation and greater intra-corporate competition. Pressure has mounted for the rate of profit in these conglomerates' book-publishing arms to be similar to the high returns achieved within the conglomerates' other subsidiaries, such as broadcast television, newspapers, and recorded music. New profit targets have therefore been established in the range of 12 to 15 percent.[165] Certainly, Bertelsmann's operations fit this general pattern. As Bertelsmann's attempts to develop a strategic position within the lucrative digital and pay-TV markets in Germany and throughout Europe continued to be thwarted by both the Kirch media group and European Commission regulators, the impetus for increasing the profitability within its other operating areas increased. Indeed, Böckelmann and Fischler argue that it is the operation managers in Gütersloh, who do not distinguish between the corporation's club memberships, television formats, magazines, printing orders, customer service, or book publishing activities, who set the 15 percent yield.[166]

In fact, the drive to secure the certainty of an increase in overall profits to levels comparable with other media segments reinforced the tendency for publishing houses to pay huge advances on royalties to procure "star" authors, for what were expected to be enormous best-sellers. Such an approach jeopardized the established operating practice based upon a small number of "hits" emerging from a wider catalogue of "failures." In the context of this strategy, Bertelsmann's purchase of Random House represented three remedies to the chronic squeeze on profits in publishing.

First, the acquisition allowed it to cut unit costs through operational "rationalization" of the more "humdrum" distribution, warehousing, publicity, and sales force activities. Second, it reinforced the capacity of the publisher's creative managers to drive a harder bargain with both authors' agents and retailers.[167] The scale of Bertelsmann's publishing interests promised to help reduce the number of bidders for authors' manuscripts and curtail, to some degree, the spiralling advances paid to established and marketable authors—a point that provoked the FTC petition from the Authors' Guild and the Association of Authors' Representatives.[168] The

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newly appointed C.E.O. of Bertelsmann's Random House Inc., Peter Olson, stressed that it was in fact possible for Random House Inc. imprints to competitively bid for the same author; nonetheless, the chances of such rival bidding seemed unlikely given the marked degree of centralized control amongst Bertelsmann's existing multiple imprints. As Robert Gottlieb, an agent representing Tom Clancy for the William Morris Agency, noted "[t]hey force executives to be team players as opposed to looking out for their own turf."[169] Bertelsmann's Bantam Doubleday and Dell subsidiary prevented its imprints from competing against each other for books. Bertelsmann was set to implement this policy throughout the group and require greater coordination of bidding between Random House Inc.'s imprints. The number of potential bidders for a best-seller will therefore be reduced from eight to five.[170] Third, the scale of Bertelsmann's publishing operations foreshadowed a reconfiguration of the power balance between the major publishers and the major book retailers, including the level of discounts and subsidies offered as well as possibly modifying the existing "sale or return" policy.[171] However, an immediate outcome was the further intensification of the alignment between the major publishers and retailing superstores, with pressure being applied for a greater sharing of data regarding sales trends and consumer demand.[172] Analysts noted that publishing companies were refining their business strategies for the twenty-first century: "the old model was signing big authors; the new model is marketing".[173]

The most important feature of this renewed marketing drive was the connection with the customer, an essential feature of Bertelsmann's book club business. Being the world's largest book club operator represented a distinct advantage given that less than half of all books are sold through bookstores in the United States. Indeed, analysts expected that the real strength of the German company's book clubs resided in the cybernetic commodities that its members' purchases produced, that is purchase records that allows Bertelsmann to select and market further titles to their members.[174] These book clubs presented the publishers from Bertelsmann's diverse range of imprints with valuable information concerning the desirability of a book's use value in terms of authors, content, and genre.

In all, Bertelsmann's oversaw 25 million book club members, located in nineteen countries. These direct marketing book clubs had remained the core business within Bertelsmann's Book Division, producing in 1998 over 60 percent of the Book Division's US$4.04 billion revenue. Nevertheless, during the 1990s the worldwide club business emerged as a problem area for Bertelsmann. For example, the number of members of its German clubs decreased between 1992 and 2000. This was despite the use of an increasingly aggressive discounting strategy by the book clubs that antagonized the German book trade association. Elsewhere Bertelsmann also restructured its book club operations. While the Random House acquisition was still being finalized, Bertelsmann purchased the full ownership of the United Kingdom based Book Club Associates from Reed Elsevier.[175] In the United States Bertelsmann expanded into the more profitable area of special-interest clubs in genres such as science fiction, history, and spirituality. In December 1999, Time Warner and Bertelsmann announced they would merge the distribution, warehousing, and administrative tasks of their respective Book-of-the-Month Club and Doubleday Direct operations in a new entity called Bookspan. More importantly,

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Bertelsmann pursued new markets in Eastern Europe and in China—in 1997 Bertelsmann's two-year-old joint venture with a Chinese state enterprise, Shanghai Bertelsmann Culture Industry, opened its first book club.

Industry commentators had predicted greater profitability from Bertelsmann's enlarged publishing and book club combination; however, while publishing imprints became more centrally coordinated, the competition to meet the designated rate of return often led to clashes between the clubs and publishing operations in areas such as procurement programs and rights management. Although the level of coordination had increased, problems emerged such as when the German book clubs signed a contract with the American author James Patterson. Random House already owned the German rights and demanded that the book club pay a higher rate for access to Patterson. Given such difficulties, it was unlikely that Bertelsmann would achieve an annual operating profit of 15 percent across its publishing operations. Indeed, shortly after the Random House acquisition, Peter Olson announced that profits rates would be "at least 10 percent" rather than the general 15 percent rate of return. To achieve this rate Olson note that Random House would need to remain "large enough," maintain commercially successful publishing programs, and arrange its administration, distribution, and marketing services more efficiently.[176]

In February 2003, during a decline in the German book industry, Random House sought to acquire the Ullstein Heyne List (UHL) Verlag, Germany's third-largest book publisher from the Axel Springer concern for a reported €100 million. The purchase by Random House, already Germany's largest publisher, would extend its share to 15 percent of the fragmented German trade book market but increase its position in the paperback section to close to 40 percent. The combined entity would be twice the size of its major competitor, Holtzbrinck. In May, the German Cartel Office (the Bundeskartellamt) blocked the deal, forcing Bertelsmann to retain only the Heyne paperback imprint and sell the rest of UHL to the Swedish Bonnier group.

Random House's Goldmann and Heyne imprints would now only control 28 percent of the paperback market. Nonetheless, publishers, agents, and booksellers remained opposed to the deal; because it would reinforce the Random House/Holtzbrinck/Bonnier dominance of the market as was already apparent in areas such as publishing rights and authors' contracts.[177] Between May and June Bertelsmann also considered acquiring AOL-Time Warner's Book Group, raising once more concerns that had been voiced in the United States over Bertelsmann's earlier purchase of Random House. As previously noted, critics such as André Schriffrin had already questioned the disbanding of the Random House Trade Group (RHTG) and the sacking of its chief editor because Bertelsmann claimed RHTG was "the only . . . division to consistently fall short of their annual profitability targets."[178] Indicating clearly the difficulties raised by a blockbuster and hit strategy, the *Financial Times* noted that the RHTG's chief editor "was undone by the very thing that made her so successful at attracting literary talent: generous advances."[179] Also fuelling concerns about the commercial focus of the Bertelsmann was the sale of its German literary fiction imprint, *Berlin Verlag* in April 2003. *Berlin* was sold because, "while financially healthy . . . [it] continued to miss the 10 percent margin that Bertelsmann is demanding from all its publishers."[180]

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5.5.4 Bertelsmann, the Internet, and E-Commerce: Competitive Threats to Club Logics

Over the ten years since the mid-1990s, Bertelsmann's online media strategy shifted from the involvement with connection services to the public to e-content and e-commerce to service provision aimed at business. In the process, despite being a privately held company, Bertelsmann became centrally involved in the "tech bubble" that affected many of its competitors. Moreover, via Napster, it prompted a managerial and legal fiasco within its music division, which had begun to enjoy the success of its steady growth strategy despite the cyclical decline in the music industry.

Under Thomas Middelhoff, head of Bertelsmann's newly formed Multimedia Division, the corporation initially pursued a strategy of investing in online distribution. Two activities are worthy of note. First, in March 1995, Middelhoff engineered both the acquisition of 5 percent of AOL, the United States' dominant online service, and the creation of the AOL-Bertelsmann joint venture, which after launching in Germany, Britain, and France in 1997 became Europe's biggest online provider with two million members.[181] Second, Bertelsmann also developed the MediaWays GmbH ISP as the national dial-up network for the AOL venture and for Lycos. Since 1995, Bertelsmann procured a number of strategic joint ventures and alliances, but it was relatively slow in integrating components of its Multimedia and giant "*Buch*" divisions and moving into the arena of online book selling.

By the mid 1990s in the United States, book selling had emerged as one of the largest Internet retail businesses, with initial successful operations such as Amazon.com followed by those of established bookstores such as Barnes & Noble. Bertelsmann entered the online book market tentatively early in 1998 with the establishment of the Boulevard Online Service, modelled on Amazon.com, which sold German language books published by a wide range of publishers.[182] Shortly afterwards, on February 25th, Bertelsmann announced its intention to enter the global online retail book business with the launch of BooksOnline (BOL) in Germany, France, Britain, Spain, and then the Netherlands on November 15, 1998.[183] In response to the timing of Bertelsmann's foray into online book retailing, Klaus Eierhoff, Chief Executive of Bertelsmann's Multimedia Division, stated, "We were late, but not too late. The financial power of Bertelsmann is rather bigger [than that of its competitors]".[184] After concluding talks with the Havas media company to jointly launch BOL in France, on October 6, 1998 Bertelsmann demonstrated its financial power by announcing that it was paying US$200 million for 50 percent of Barnes & Noble's Internet venture, reversing Bertelsmann's previous plans to enter the U.S. market on its own.[185] The CRM technology of the online book retailers was seen to offer similar services as Bertelsmann book clubs; thus, Thomas Middelhoff ranked the investment in Barnesandnoble.com as at least as important in the company's strategy as its purchase of Random House.[186]

As stock market valuations amongst new media companies were boosted by the "reality of the Internet economy,"[187] speculation mounted that Bertelsmann would need to move towards a stock float to compete. At the end of 1999, Bertelsmann decided to publicly float or sell its 49.5 percent portion of AOL Europe, and in March 2000 an option or "put" agreement was concluded with AOL agreeing to pay US$6.75 billion for Bertelsmann's original US$310

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million investment.[188] In June 2000 as part of a series of deals that the *Financial Times* described as producing “a new German-Spanish axis in European media,”[189] Bertelsmann sold its MediaWays business to the Spanish telecommunications company, Telefonica, for US$1.6 billion of Telefonica shares, to be converted into cash.

Bertelsmann’s sale of AOL Europe and MediaWays marked the corporation’s withdrawal from service provision in favor of e-commerce based on media products and services. As the *Economist* argued, Internet service provision “at least in Europe, remains dominated by former telephone monopolists that can use cost advantages to offer access at lower rates than new arrivals can.”[190] T-Online in Germany, Terra Networks in Spain, British Telecom in England, and Wanadoo in France were all rapidly overtaking AOL Europe.[191] Still, the sale of its Internet service operations was incredibly lucrative for Bertelsmann because it sold its interests near the height of the Internet stock bubble. Indeed, as Böckelmann and Fischler point out, Bertelsmann was centrally involved in raising the share prices of the acquiring companies, and Internet valuations more generally, through “round-trip” or “back-to-back” deals involving online advertising.[192] The US$6.75 billion dollar deal with AOL was contingent upon Bertelsmann acquiring US$400 million of online advertising from AOL. The Telefonica deal followed Bertelsmann’s commitment in mid-May 2000 to make a US$1 billion investment in advertising and electronic commerce in the new company Terra-Lycos, formed after Terra Networks paid a super-elevated price of US$12.5 billion for the U.S.-based company Lycos Inc., operator of the fourth-most-popular Internet portal site.[193] The Internet divestments contributed to Bertelsmann’s US$10 billion investment reserves, some of which was allotted to its new Bertelsmann e-Commerce Group that it established in June 2000.[194]

Despite the new focus, capital resources, and apparent business acumen, Bertelsmann’s announced strategy of becoming a global market leader in e-content and e-commerce was never realized. In April 2000 the corporation had already postponed a mooted initial public offering of online media retailer, BOL International GmbH because, according to the *Wall Street Journal*, “it had become clear that BOL.com couldn’t become a global leader.”[195] Amazon.com’s lead in online book and music retailing was too great. Unlike Bertelsmann’s belated BOL effort, its own Bertelsmann e-Commerce Group initiatives in the music industry proved to be far more destabilising.

5.5.5 The Napster Case: A Failed Strategy for Online Music Clubs

In January 2000, Bertelsmann’s Middelhoff had announced the ambitious plan to make Bertelsmann the leading company in the global music business by the end of 2000. BMG had developed quickly over the course of the late 1990s. In 2000, the U.S. market accounted for 57.3 percent of BMG’s revenues; from 7 percent of the U.S. market in 1986, BMG’s presence had grown to 17.1 percent of U.S. new album market share.[196] Nevertheless, the music industry as a whole was languishing in a cyclical downturn. In an attempt to gain greater control over BMG’s recording artists, the executive management of BMG had alienated its leading creative managers, the Arista label’s Clive Davis and Zomba Group’s Clive Calder.[197] Moreover, the industry’s downturn had led to a renewed focus on consolidation: less than a week after

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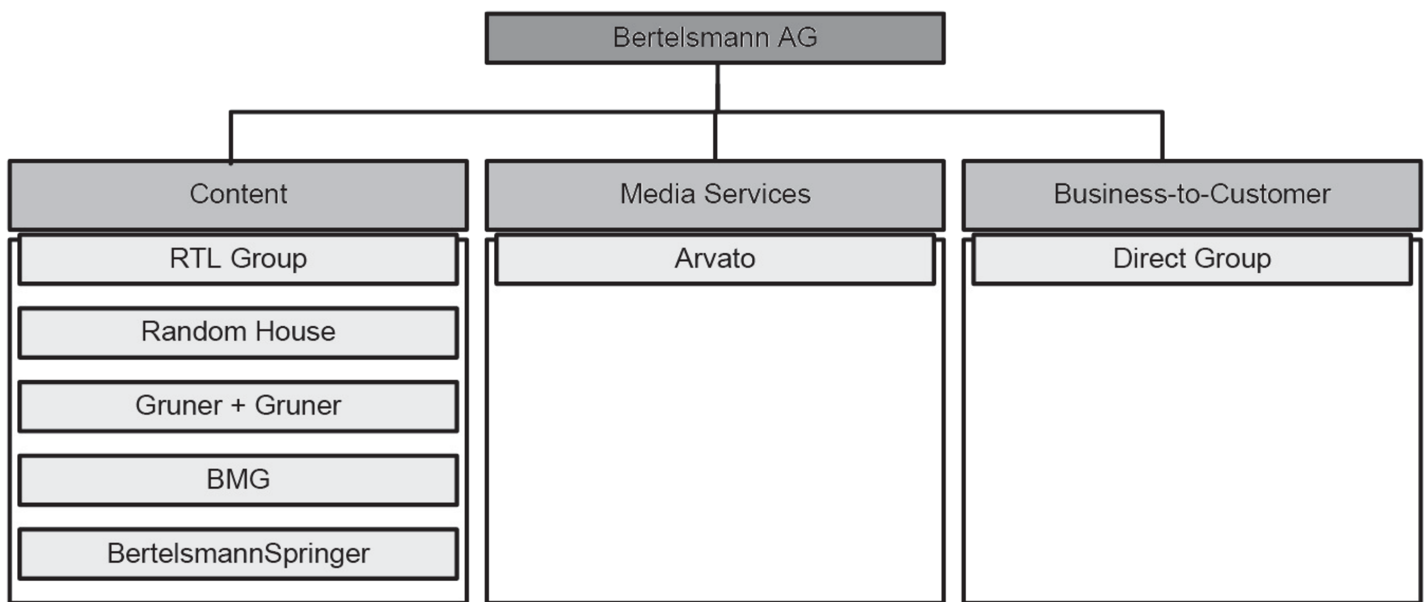
Middelhoff's pledge, EMI and WMG announced their proposed US$20 billion combination, a deal that would place Bertelsmann far behind the other "majors": UMG, Warner, EMI, and Sony.

Middelhoff warned that BMG would never overtake its competitors if its "executives sit back and wait to see which tactical move and strategic alliances the executive board develops in order to master the radical changes occurring in the communications marketplace."[198] The executive board's strategic alliance in fact materialized in late October 2000: through Bertelsmann's e-Commerce Group, US$120 million was invested in the Napster illegal file sharing operation. This was despite the fact that BMG and the other "majors" were suing Napster for copyright infringement and BMG's executive management team adamantly opposed the deal.

Figure 5.4 Bertelsmann's New Organizational Structure

Source: Bertelsmann Annual Report 2000/2001



The investment was dependent on Napster developing a legal fee-based business model; Bertelsmann wanted to gain access to its audience of 38 million users, whose "social-networking" and "community" characteristics were considered akin to Bertelsmann's record and book clubs. To cement this relationship, Bertelsmann's executive board engineered a wholesale restructuring of the corporation into media content, media service, and direct-to customer sections (see Figure 5.4). BMG's direct marketing, digital distribution, and record club operations were transferred to the new DirectGroup, which included Bertelsmann's e-Commerce Group. Nonetheless, for several reasons Napster collapsed and never proved to be the basis of the DirectGroup's e-Commerce dominance.[199] Following the Napster alliance and restructuring, BMG's top executive management—C.E.O. Strauss Zelnick and Chairman Michael Dornemann—resigned and subsequently two lawsuits from songwriters, publishers,

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Universal, and EMI sought as much as US$17 billion in damages from Bertelsmann for allegedly deliberately prolonging Napster's ability to break copyright law.[200]

5.5.6 Bertelsmann's Future? Television and the Share Market

Bertelsmann involvement in television increased dramatically during the last half of the 1990s. After the creation of the CLT-Ufa joint venture in 1997, Bertelsmann oversaw Europe's largest commercial broadcaster. Nonetheless, during this period Bertelsmann withdrew from pay-TV markets, despite the advent of highly favorable "market share" media re-regulation in Germany, substantial investments, the formation of several business alliances, and more generally the corporation's affinity with subscription based operations. After their attempts at creating separate competing digital pay-TV systems proved uneconomic, in June 1997 Bertelsmann and Kirch sought to create a new digital pay-TV venture by merging Premiere, their jointly controlled pay-TV operation with the Kirch group's unsuccessful DF-1 digital pay-TV channel. However, the alliance was vetoed by the EU's competition commission in May 1998, prompting Bertelsmann's subsequent withdrawal from the pay-TV market.

On 25March 25, 1999, Bertelsmann announced that CLT-Ufa would significantly restructure its television activities by abandoning its involvement in the development of digital television and by reducing its stake in Germany's sole pay-TV station, Premiere, from 50 percent to 5 percent. The group announced that it would use the DM1.565 billion (€ 800 million) proceeds of its sale to the Kirch group to strengthen its operations in free TV, rights trading and production in Europe. Although the Kirch group now controlled 95 percent of Premier, the Bavarian media conglomerate subsequently announced its insolvency on April 8, 2002; borrowing heavily to keep Premiere running and entice subscribers through an ensemble of first-run movies and prime-time soccer, Kirch group fell 1.6 million subscribers short of its break-even point (4 million subscribers).[201]

Bertelsmann's abandonment of pay-TV significantly diverged from the strategies of the major international media corporations such as Time Warner and News Corp., who in the face of mature advertising markets have sought to further the process of direct commodification of programming through digital pay-TV operations. Indeed, as the EU's largest market, media companies viewed Germany as the key market for such development because its "conquest" would provide an essential base for their expansion into the remainder of Europe's fragmented audiovisual markets.[202] As such, the withdrawal of the largest European commercial broadcaster from the most important market for digital pay-TV represents, while not a hiatus, was nevertheless a notable setback in the further commercialization and commodification of broadcasting within Europe.

Having abandoned its operations in pay-TV, in April 2000 Bertelsmann strengthened its position in advertising-finance television distribution and production by merging CLT-Ufa with the television operations of the U.K.-based media corporation, Pearson. The merger brought together the program-making capacity of Pearson with the broadcasting assets of CLT-Ufa and created the largest television company in Europe, the RTL Group.[203] Bertelsmann controlled 37 percent of RTL, while the Belgium financial firm GBL and Pearson controlled 30 percent and

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22 percent respectively; 11 percent of RTL's stock was also floated on the London exchange—which initially valued the whole of RTL at US$22.18 billion (€23.53 billion). Bertelsmann's broadcasting related operations now produced revenues of €4.1 billion or 20 percent of the corporation's total revenues, as compared to 3 percent in 1995–1996. Over the course of 2001–2002, the German corpor4ation bought out RTL's two other major shareholders and, in the process, an important new development dynamic was established within the German firm.

In February 2001, Bertelsmann bought GBL's 30 percent stake in return for 25.1 percent of its own stock. Although Bertelsmann paid a high premium for control of RTL, Reinhard Mohn's consent to the proposal was quickly forthcoming.[204] GBL would only acquire 25 percent of Bertelsmann's voting rights, leaving it unable to block important decisions. Moreover, while GBL had the option of selling its Bertelsmann shares on the Frankfurt stock exchange after a three-year period, Bertelsmann would have the right of first refusal. Given these provisions, Mohn saw no immediate challenge to Bertelsmann "unique corporate culture" or more importantly his family's control.[205]

Bertelsmann's C.E.O. and chairman, Middelhoff, concurred that with "75 percent of the company in our hands, we are preserving our corporate culture"; nonetheless he noted that "the 25 percent will introduce outside control—from analysts and people who [for example] would have told us five years ago that BMG's performance wasn't satisfactory."[206] Indeed, in 1999, Middelhoff had told employees that Bertelsmann would have to behave like a public company, even though it was privately held.[207] Under his leadership, the corporation sought access to capital markets through bond issues and by publicly listing some of its individual subsidiaries. For Middelhoff the GBL deal meant, "Bertelsmann's way to the stock market [was] now paved. The dogma is broken. . . . The initial public offering could give us more flexibility, make us more public-oriented and transparent."[208] In preparation for the corporation's expected IPO in 2004–2005, a number of programs were initiated to push cost reductions, develop "synergies," and increase the financial transparency of the firm. Bertelsmann announced publicly that its margins would rise from an average of 6 percent to 10 percent by 2003, despite the fact that the key music and book club businesses were at the time incurring losses and were not well positioned to achieve such results (see Table 5.3).[209] This restructuring was driven by what Middelhoff announced was his key objective for the coming year: turning Bertelsmann from a decentralized conglomerate "into an integrated entertainment company" so that it could "aspire to the trading multiple of AOL-Time Warner."[210]

Table 5.3 Bertelsmann's Divisional Revenue and EBITA 2000-2001 (€ Millions)

Divisions	*Germany*	*International*	*Total*	*EBITA*	*Return on Revenue*
RTL Group	2155	1924	4079	537	13.2%
Random House	177	1897	2074	95	4.6%
Gruner + Jahr	1185	1842	3,027	294	9.7%
BMG	428	3236	3,664	(6)	-
BertelsmannSpringer	395	354	749	68	9.0%
Arvato	1575	1417	2992	187	6.3%
DirectGroup	484	3283	3767	(53)	-
Total	6139	13897	20036	1207	6.0%

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Source: Bertelsmann Annual Report 2000/2001

Commentators noted that to prepare for the stock exchange Bertelsmann would need to assume the stock of minority shareholders in other major businesses, prompting the Jahr family in June 2001 to renounce the stock swap technique favored by Bertelsmann and note that the notion that it would sell its 25.1 percent stake in Gruner + Jahr to Bertelsmann was "absolutely out of the question."[211] Tensions with the Jahr family increased when it emerged that Middelhoff had begun negotiations to sell Gruner + Jahr's underperforming daily newspapers to the German WAZ group without notifying the Chairman and C.E.O. of Gruner + Jahr, Bernd Kundrun.[212] The Pearson group, anxious to repay debt, was more willing to sell its stake in RTL to Bertelsmann. In December 2001, the companies agreed to a sale price of €1.5 billion. As Table 5.3 shows, RTL was by then Bertelsmann's biggest single contributor in terms of revenue and EBITA, easily surpassing the next largest division, Gruner + Jahr. Nonetheless, one of the weakest years in European media advertising had seen RTL's share price fall after the firm made a number of profit warnings. Bertelsmann was able to acquire the 22 percent of RTL in a deal that effectively valued the European group at just 42 percent of its original market capitalization.[213] Middelhoff noted a wholly owned RTL would boost Bertelsmann's own valuation before its IPO and would solidify the corporation's shift "toward becoming a primarily TV- and Internet-driven, integrated media and entertainment group for the future."[214]

5.5.7 The Decline of Music and the Downfall of Middelhoff

After a process of restructuring that had seen many of its operations incorporated in the DirectGroup, the stand-alone core music operations of BMG were much more vulnerable: while over the preceding fifteen years these operations had averaged a 2 percent return on sales, Bertelsmann's executive management called for 5 percent in 2002, and 8 percent in 2003.[215] In 2001 BMG announced it would cut several hundred jobs to achieve more than US$100 million in savings as part of a shake-up of its music division, which in 2001 reported its first-ever loss, estimated to be more than €120 million (US$103 million) after restructuring costs and e-commerce investments of DM250 million–DM300 million. Bertelsmann also commenced looking at combining the remaining operations of BMG with another major record company. In November 2000, after the EMI-WMG deal collapsed following strong indications that the European Union Competition Commission would block the merger, Bertelsmann proposed merging BMG with EMI. Once more, the European Union indicated that such "collective dominance" amongst two European firms would not be permitted.

In June 2002, a different problem of integration was imposed on Bertelsmann. Clive Calder, the Zomba label's main shareholder, exercised a "put" option forcing Bertelsmann to buy the label's shares it did not own. Based on the multiple of earnings over the years 1999 to 2001, the price of this stake had been contractually fixed and Bertelsmann was forced to pay dearly for the earlier recording success of Britney Spears, N'Sync, and the Backstreet Boys. Early estimates valued the shares at over US$3 billion, a price that would push Bertelsmann's debt

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levels over the company's self-imposed limit of 1.5 times cash flow for at least eighteen months.

For Middelhoff, this posed problems in terms of the Bertelsmann's credit agency rating ahead of what he saw as necessary to compete in the global media industry: to list the company on the stock market by 2005. Middelhoff suggested to Reinhard Mohn that Caldor be offered 10 percent of Bertelsmann's non-voting shares in return for the Zomba label. Mohn, increasingly sceptical of share market driven management and concerned about the family's future control, refused.[216] Middelhoff responded that Mohn's intransigence would consign Bertelsmann to the status of a provincial publishing house.[217] Exacerbating the growing rift with the Mohn family, Middelhoff later publicly declared that the Zomba purchase would require the sale of the corporation's recently acquired BertelsmannSpringer technical publishing business, an announcement made to the press before the subsidiary's management or workers had been notified.[218] The BertelsmannSpringer decision also confirmed concerns held by Bertelsmann's Supervisory Board Chair, Gerd Schulte-Hillen, and the corporation's influential Chief Financial Officer, Siegfried Luther about the pace at which Middelhoff appeared to be willing to buy and sell media assets. On July 28, 2002, Middelhoff was asked to resign and in August 2002 was replaced by the chair of the Bertelsmann Foundation, Gunter Thielen, a confidant of Liz Mohn.[219]

Böckelmann and Fischler question whether Middelhoff's abrupt dismissal can be simply attributed to the growing concern that the family of Reinhard Mohn, and particularly his increasingly influential wife Liz, had regarding Middelhoff's stock-market based expansion strategies and his abrasive "U.S. style" approach to management.[220] According to the German media critics, an essential element in his demise was the Supervisory Board's alarm in June 2002 over the emerging revelations in the U.S. regarding AOL's use of advertising "round-trip" deals to manipulate its share price. Stories in the *Washington Post* and elsewhere threatened to bring scrutiny, and possible legal action, over Bertelsmann's US$6.75 billion AOL-Europe windfall.[221] In their account, Middelhoff was sacrificed to limit Bertelsmann's exposure to legal and regulatory action. Whatever the exact circumstances of Middelhoff's removal, the decision marked the beginning of a much more active role for the Liz Mohn and the Mohn family in the running of the German company.

5.5.8 Family Control and the Restructuring of Bertelsmann

The restructuring that was undertaken at Bertelsmann in the aftermath of Middelhoff's removal had many similarities with the restructuring that had been initiated at Time Warner. After Thielen took over, he implemented a strategy to return Bertelsmann's financial strength by focusing on "core businesses." Moreover, the notion of enforcing synergy through greater managerial centralization was eschewed in favor of the reemphasis on "managerial autonomy" and decentralization. Nevertheless, while also confronting mounting debt, the levels Bertelsmann faced were of course of a different order than those of Time Warner. The company still faced total debt levels of € 4 billion for which it had to organize a number of bridging loans despite managing to acquire Zomba records in November 2002 for US$2.7 billion,

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considerably lower than originally expected.

To reduce debt, Thielen announced that the company would enter a “short-term consolidation phase,” a decision underscored by the decision to shut the corporation’s mergers-and-acquisitions arm, BeCapital that had been established under Middelhoff. To help reduce debt the sale of BertelsmannSpringer went ahead with two private buyout firms, Cinven and Candover combining to purchase the technical publisher for € 1.05 billion in May 2003. Meanwhile the company had sought to pull back from its involvement in loss-making online ventures. Internet activities would be incorporated into the corporation’s “core businesses” or were sold or closed. While Internet ventures were shut across the corporation in subsidiaries such as Gruner + Jahr, the major focus of this reorientation was e-commerce activities of the DirectGroup. The BOL.com online book concerns were shut, or they were incorporated into existing book club activities across Europe. In other cases, such as with Amazon.com’s takeover of CDnow, Bertelsmann sought deals in which other companies would operate its Internet sites in exchange for it receiving a profit percentage. Bertelsmann’s stake in Barnes & Noble online book retailing business in the United States was sold.

Finally, to reinforce the position of Bertelsmann’s book and music operations Thielen pursued a number of purchases to increases the operation’s scale. The initial focus had been Time Warner assets in the area of books and music. In May 2003, Bertelsmann held discussions regarding a 50:50 merger of BMG and WMG’s recording operations; but these collapsed after Thielen called off the separate purchase of the AOL-Time Warner Book Group after pressure from Bertelsmann’s Supervisory chair, Schulte-Hillen. In November 2003, Bertelsmann announced it would form a new musical joint venture with Sony Music, Sony-BMG

Between 1999 and 2004 Liz Mohn’s influence within Bertelsmann had steadily increased. The rise of Reinhard Mohn’s second wife has been viewed amongst the financial press as representing a starkly conservative turn in the management of Bertelsmann and has been compared unfavorably with the role of the Murdochs in News Corp.’s development. Fears were raised that the Mohns, after years of stressing the independence of management, wanted to achieve greater operational control. In 1999, Reinhard Mohn placed his second wife Liz Mohn onto the eight-person board of Bertelsmann Verwaltungsgesellschaft GmbH (BVG) as the Mohn family representative. In May 2000, she forced out Mark Wössner, chair of both the Supervisory Board and the BVG because she feared that with Mohn’s death he would control too much power within the German corporation. Gunter Thielen replaced Wössner as BVG chair and Gerd Schulte-Hillen replaced Wössner as chair of the Supervisory Board. In late 2000, two of Mohn’s children joined Mohn on the BVG board. In 2001, after Mr. Wössner’s departure, Ms. Mohn joined Bertelsmann’s Supervisory Board; she also took over as managing director of the BVG while maintaining her position on the Bertelsmann Foundation committee. In July 2002, after Gunter Thielen had become the Bertelsmann Executive Chairman, Liz Mohn became chair of the BVG. In 2003, the bylaws of the BVG were changed so that three family members would always sit on the board. Decisions of the BVG would require a two-thirds majority under the new bylaws, thus giving the family an effective veto. In February 2003,

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Mohn publicly criticized the vanity and greed of managers of Bertelsmann. In the German weekly *Der Spiegel*, the Supervisory Chair Schulte-Hillen called Mohn's statements very aggressive and questioned the family's ability to make important decisions. Schulte-Hillen stated that when

> [I]t comes to major strategic questions, I would advise [Mr. Mohn] to always give decisive weight to business experience and competence. . . . If the family is allowed the kind of influence Mohn wants to give it, the risk of making bad decisions won't be any smaller.[222]

Schulte-Hillen went further and warned of the possibility of a matriarchal dynasty at Bertelsmann.

In November 2003, Gerd Schulte-Hillen resigned after differences of view with the executive chair Gunter Thielen. There were reportedly many disagreements, including the blocking of the purchase of AOL-Time Warner's Book Group by the Schulte-Hillen. Nevertheless, the final incident was the Supervisory Board chair's opposition to the arranged merger between BMG and Sony. Schulte-Hillen opposed the merger because it did not effectively deal with the issue of music piracy, the merged company Sony-BMG would assume the debt carried by Sony, and the joint venture would be barred from access to the lucrative Japanese music market. Schulte-Hillen was the only member of the fifteen-person supervisory board to oppose the deal. In 2004, an aged Mr. Mohn gave up all formal control of the company, leaving Ms. Mohn as the family matriarch.

Earlier in 2006, the Mohns directed Bertelsmann to buy back a 25.1 percent stake in Bertelsmann owned by GBL, by taking out a €4.5 billion loan. Mrs. Mohn stated "I am happy about the buyback. . . . It guarantees the independence of the company and its lasting and sustained development on the basis of our proven corporate culture."[223] Credit agencies noted that the buy-back could threaten the credit rating executives have worked hard to restore after Bertelsmann had been forced to purchase Zomba records. To help pay for the purchase, the Mohns agreed in 2006 that the family and the Bertelsmann Foundation would take a reduced dividend payment that, at between €100–150 million, was as much as 40 percent lower than the previous year's dividenbd. To help pay for the share purchase Bertelsmann sold its music publishing subsidiary to Vivendi's UMG.

5.6 CONCLUSION

Bertelsmann remains the most successful European media corporation operating today. Due to the rapid period of growth during the Second World War, due to effective state sponsorship, the German conglomerate emerged as a dominant book publisher and book club operator in the Federal Republic; and from the early 1960s it embarked on international expansion to become the most transnational of the German publishing companies. Between 1972 and 1982, the percentage of revenues derived from overseas markets increased from 28 percent to 51 percent. By 1992 international sales had increased to 63 percent with the approximately 21 percent of international revenues derived from the United States. Indeed, developments in the United States had a major impact on the activities of Bertelsmann and shaped many of the

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competitive pressures that the company experienced in the late 1980s and 1990s.

Under the leadership of Mark Wössner, Bertelsmann saw a balanced increase in revenues and profit during his entire fifteen-year tenure from 1983–1998: sales rose from DM6.2 to DM25.5 billion, and profits rose from 380 million to 1.73 billion. In other words, sales increased by 325 percent and profits by 355 percent.[224] Yet during this time, the balance between different cultural industries activities began to shift noticeably. In particular, this chapter examined the differing balance between the music and book operations in the United States and the development of commercial television in Germany and Europe through the RTL Group. Unlike Time Warner or News Corp., Bertelsmann has not gained control over a pay-TV distribution platform or film and cable network, and it remains committed to advertising based broadcasting.

This chapter has also examined Bertelsmann's characteristics in relation to the ideal-type characteristics that are associated with the German business system and more broadly with companies developing within Coordinated Market Economies. Although maintaining many of the central characteristics of German capitalism, such as tightly controlled corporate ownership, the chapter traced many of the pressures for fundamental change within the operating practices of the corporation. For example, the expulsion of Thomas Middelhoff, Bertelsmann's erstwhile C.E.O. and self-professed "American with a German passport" apparently marked the end of overt convergence with many of the central aspects of "Anglo-American capitalism," such as listing the company's shares on a stock exchange. However, while in subsequent years the Mohn family's control over Bertelsmann has been strengthened, the corporation's engagement with international debt markets has increased, leading to an increased "capital market focus." Such economic integration, associated with both globalized production and finance, are changing the substance, if not form, of many of the institutions of "German capitalism."

NOTES

1. See Table I in the Introduction. Compare with Ben H. Bagdikian, *The New Media Monopoly*, (Boston: Beacon Press, 2004); Edward S. Herman and Robert W. McChesney, *The Global Media: The New Missionaries of Corporate Capitalism*, (London and Washington: Cassell, 1997), 87.

2. David Hesmondhalgh, *The Cultural Industries*, 2nd ed., (London: Sage, 2007), 165; Stephanie Peltier, "Mergers & Acquisitions in the Media Industries: A Preliminary Study of the Impact on Performance" (paper presented at the 12th International Conference on Cultural Economics, Rotterdam, 2002), 1.

3. The Vorstand is responsible for overseeing the managerial hierarchy and therefore has operational day-to-day control, maintaining the ability to put the means of production to work. The Aufsichtsrat or supervisory board of non-executives has a representational and strategic function and is responsible for monitoring the activities of the executive board, the members of which it elects. The supervisory maintains high-level allocative control that is in turn reflective of the economic ownership of the major shareholders who elect its board members.

4. Thomas Schuler, *Die Mohns—Vom Provinzbuchhändler zum Weltkonzern: Die Familie hinter Bertelsmann*, (Campus Verlag, 2004), 287. QEd.: City needed? CE

5. Hans J. Kleinsteuber and Bettina Peters, "Media moguls in Germany," in *Media Moguls*, ed. Jeremy Tunstall and Michael Palmer, (London: Routledge, 1991).

6. Jean-Louis Barsoux and Charles Galunic, "Bertelsmann: Corporate Structures and the Internet Age," (Fontainebleau: Insead, 2000), 3.

7. James Arnold, "Media gets the message," *CFO Europe*, December 1999.

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8. Mary Williams Walsh, “Silent Giant,” *Los Angeles Times*, November 11, 1995. Valerie Block, “Despite Its Size, Bertelsmann Isn’t Well Known; Works To Raise NYC Image,” *Crain’s New York Business*, May 25, 1998.

9. Frank Böckelmann and Hersch Fischler, *Bertelsmann. Hinter der Fassade des Medienimperiums*, (Eichborn Verlag, 2004); Hersch Fischler and John Friedman, “Bertelsmann’s Nazi past,” *The Nation* 267, no. 22 (1998); Saul Friedländer *et al.*, eds., *Bertelsmann im Dritten Reich* (Gutersloh: Bertelsmann Verlag, 2002); Siegfried Lokatis, “Feldpost von Bertelsmann: Die Editionspraxis des Gütersloher Verlags im Dritten Reich,” *Neue Zürcher Zeitung*, March 8, 1999; Schuler, *Die Mohns—Vom Provinzbuchhändler zum Weltkonzern: Die Familie hinter Bertelsmann*.)

10. Reinhard Mohn had always enjoyed a strong influence on the supervisory board; yet with the ascendance of the Mohn family, Bertelsmann’s supervisory board has moved away from a *strategic control* form which, while marked by the capacity to control managerial behavior *ex post*, has greater autonomy from shareholders and towards a *managerial form* in which owners dominate (cf. Elmar Gerum and Nils Stieglitz, “Corporate Governance, Ownership Structures, and Corporate Strategy of Media Companies: The German Experience,” in *Corporate Governance of Media Companies* ed. Robert G. Picard, (Jönköping: Jönkoping International Business School, 2005).

11. In January 2008 the BVG membership was reduced from eight to six shareholders: three members of the Mohn family and three shareholders outside the family; breaking with earlier practice, an employee representative and the corporation’s CEO and executive board Chairman were not included in the BVG’s new structure.

12. Tony Edwards, “Corporate governance systems and the nature of industrial restructuring,” European Foundation for the Improvement of Living and Working Conditions, www.eiro.eurofound.eu.int/2002/09/study/tn0209101s.html; R. La Porta, F. Lopez-de-Silanes, and A. Shleifer, “Corporate ownership around the world,” *The Journal of Finance* 54, no. 2 (1999).

13. David Coates, *Models of Capitalism: Growth and Stagnation in the Modern Era*, (Cambridge: Polity Press, 2000); John Scott, *Corporate Business and Capitalist Classes*, (Oxford: Oxford University Press, 1997).

14. Kenneth Dyson, “The Economic Order—Still Modell Deutschland?,” in *Developments in German Politics*, ed. Gordon Smith, William E. Paterson, and Stephen Padgett, (London: Macmillan Press Ltd., 1996); Thomas Heinze, “Dynamics in the German system of corporate governance? Empirical findings regarding interlocking directorates,” *Economy and Society* 33, no. 2 (2004); Scott, *Corporate Business and Capitalist Classes*; Christel Lane, “Changes in Corporate Governance of German Corporations: Convergence to the Anglo-American Model?,” *Competition & Change* 7, no. 2–3 (2003). Dyson argues that, “[t]he stakeholder system of corporate governance has given a strongly national and stable character to German industrial structure and management. Companies have attached importance to retaining their German identity, to promoting cross-holdings of shares so that there is a stable core of owners, and to fending off threats of external takeover. Dyson, “The Economic Order—Still Modell Deutschland?,” 199. Since Dyson’s comments much research has been undertaken on the issue of changes in German corporate governance and the extent of continuity and fundamental change within its institutional structure and practice (see, for example Kenneth Dyson and Stephen Padgett, “Global, Rhineland or Hybrid Capitalism?,” *German Politics* 14, no. 2 (2005).

15. Coates, *Models of Capitalism: Growth and Stagnation in the Modern Era*.

16. Dr. Detlev Karsten Rohwedder had also been an undersecretary of state in the Federal Ministry for Economic Affairs and chairmen of the board of the Dortmunder Hoesch AG. He was assassinated in April 1991 by suspected members of the Red Army Faction opposed to the wholesale privatization of East German industry. Yet by this stage, West Germany’s large publishers had already effectively shaped the outcome of the privatization process Peter J. Humphreys, *Media and Media Policy in Germany: The Press and Broadcasting since 1945*, 2nd ed., (Oxford: Berg Publishers, 1994).

17. Humphreys, *Media and Media Policy in Germany: The Press and Broadcasting since 1945*.

18. Norris Willat, “Bertelsmann’s Parental Push,” *Management Today* (1979). In this article, Willat noted that not “surprisingly, Mohn is less than enthusiastic over Mitbestimmung, or worker participation as at present practiced by law in West Germany . . . His own opinion . . . is that ‘doesn’t help one man in the factory, and workers’ representatives are called on to do a job they aren’t trained for.’” Willat, “Bertelsmann’s Parental Push,” 92.

19. Schuler, *Die Mohns—Vom Provinzbuchhändler zum Weltkonzern: Die Familie hinter Bertelsmann*, 177.

20. Bernard Miège, *The Capitalization of Cultural Production*, (New York: International General, 1989).

21. Schuler, *Die Mohns—Vom Provinzbuchhändler zum Weltkonzern: Die Familie hinter Bertelsmann*.

22. Muneto Ozaki, “Labor relations and work organization in industrialized countries,” *International Labor Review* 135, no. 1 (1996); Thorsten Schulten, “Pact for partnership 1997 at Mohn printing shop,” *EIRO Observer* (1997); see also Anke Hassel and Britta Rehder, “Institutional Change in the German Wage Bargaining System—The Role of Big Companies,” in *MPIfG Working Paper* (2001).

23. The Foundation was established with the motto “Eigentum verpflichtet zur Verantwortung für die Gesellschaft”—which roughly translates as “Property obligates responsibility to society.” This slogan is essentially a paraphrasing of Article 14 (Property, inheritance, expropriation) clause 2 of the German Basic Law, which states that “Property entails obligations. Its use shall also serve the public good” (Martin Bennhold, “Die Bertelsmann Stiftung, das CHE und die Hochschulreform: Politik der

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´Reformen´ als Politik der Unterwerfung," in *Die verkaufte Bildung: Kritik und Kontroversen zur Kommerzialisierung von Schule, Weiterbildung, Erziehung und Wissenschaft*, ed. Ingrid Lohmann and Rainer Rilling, (Opladen, 2002). Q Ed.: City needed? CE

24. See Thomas Barth, ed. *Bertelsmann: Ein Medienimperium macht Politik* (Hamburg Ander Verlag, 2006); Bennhold, "Die Bertelsmann Stiftung, das CHE und die Hochschulreform: Politik der ´Reformen´ als Politik der Unterwerfung"; Oliver Schöller, "Bertelsmann geht voran!: Zur gesellschaftspolitischen Bedeutung eines deutschen Think Tank," *UTOPIE kreativ*, no. 155 (2003).

25. Christiane Schulzki-Haddouti, "The Urge for Expansion in Gutersloh: The Bertelsmann Foundation and its influence on policy," Ver.di, www.verdi.de/0x0ac80f2b_0x022c9308;internal&action=verdi_show_einfache_seite.action#.

26. Barth, ed. *Bertelsmann: Ein Medienimperium macht Politik*

27. Bagdikian, *The New Media Monopoly*, 126; see also Andre Schiffrin, "'Random' destruction," *The Nation* 276, no. 6 (2003): 7.

28. Robert W McChesney and Dan Schiller, "The Political Economy of International Communications: Foundations for the Emerging Global Debate over Media Ownership and Regulation," in *Technology, Business and Society Program Paper Number 11* (United Nations Research Institute for Social Development, 2003); Christian Pradié, "Capitalisme et financiarisation des industries culturelles (Capitalism and financialization of the culture industries)," *Réseaux* no. 131 (2005).

29. Werner Meyer-Larsen, *Germany Inc: The New German Juggernaut And Its Challenge To World Business*, trans. Thomas Thornton, (New York: John Wiley & Sons, Inc., 2000).

30. Kleinsteuber and Peters, "Media moguls in Germany," 195.

31. A. Hassel et al., "Two Dimensions of the Internationalization of Firms," *Journal of Management Studies* 40, no. 3 (2003).

32. Dyson, "The Economic Order––Still Modell Deutschland?," 194.

33. Wolfgang Kaden and Klaus Boldt, "Kontinuität durch Wandel," *Manager Magazin* (2001): para 3.

34. See for instance, Richard J. Barnet and John Cavanagh, *Global Dreams: Imperial Corporations and the New World Order*, (New York: Simon & Schuster, 1994).

35. Fischler and Friedman, "Bertelsmann's Nazi past."

36. Characteristic of inhabitants of the eastern Westphalian region, Mohn and the C. Bertelsmann company were imbued with the conservative Protestantism of a Christian revivalist movement that preached an authoritarian, anti-liberal, and nationalist philosophy and looked forward to a new, strong state that would reinstate the traditional values of the German "volk." That viewpoint easily meshed with that of the National Socialist German Workers' Party. See Saeed Shah, "The dark secret kept hidden for 50 years—how a global media empire was built on a lie," *Independent*, October 9, 2002.

37. Friedländer *et al.*, eds., *Bertelsmann im Dritten Reich*.

38. Fischler and Friedman, "Bertelsmann's Nazi past"; Friedländer *et al.*, eds., *Bertelsmann im Dritten Reich*; Shah, "The dark secret kept hidden for 50 years—how a global media empire was built on a lie.")

39. Bertrand Benoit, "Top German publisher destroys its own myth of role under Nazis," *Financial Times*, October 9, 2002.

40. Friedländer et al., eds., *Bertelsmann im Dritten Reich*, 560, 18.

41. Bertelsmann output (20.4 million copies) easily surpassed the National Socialists' own publishing house, Franz Eher Verlag (10.6 million copies) and its two most important 'civil' competitors, Insel Verlag and Reclam Verlag, which each produced by comparison slightly less than two million editions Lokatis, "Feldpost von Bertelsmann: Die Editionspraxis des Gütersloher Verlags im Dritten Reich"; Friedländer et al., eds., *Bertelsmann im Dritten Reich*.

42. Lokatis, "Feldpost von Bertelsmann: Die Editionspraxis des Gütersloher Verlags im Dritten Reich"; John Hooper, "Channel 5 owner admits profiting from Nazi era," *Guardian*, October 9, 2002.

43. Fischler and Friedman, "Bertelsmann's Nazi past"; Friedländer *et al.*, eds., *Bertelsmann im Dritten Reich*.

44. Bertelsmann had established contracts with 27 firms in Holland and Belgium, 13 in Latvia and Lithuania, 5 in the "Reich protectorate" of Bohemia and Moravia, and 1 in Transylvania. From August 1943, Heinrich Mohn also used at least nine Dutch "civil" workers in Gütersloh Friedländer *et al.*, eds., *Bertelsmann im Dritten Reich*.

45. Friedländer *et al.*, eds., *Bertelsmann im Dritten Reich*, 557.

46. Friedländer *et al.*, eds., *Bertelsmann im Dritten Reich*.

47.Matthew Karnitschnig, "Bertelsmann Admits Links to Hitler," *Wall Street Journal*, October 8, 2002.

48. Lokatis, "Feldpost von Bertelsmann: Die Editionspraxis des Gütersloher Verlags im Dritten Reich."

49. Friedländer *et al.*, eds., *Bertelsmann im Dritten Reich*; Fischler and Friedman, "Bertelsmann's Nazi past." On an earlier company chronology on the Bertelsmann website, removed after 1998, the company claimed that it was "closed by the Nazis . . . [as it was] a constant embarrassment to the ruling NSDAP because it blatantly refused to toe the party line." While the notion of resistance is now thoroughly discredited, the group's prosecution can be seen to have resulted from two interrelated challenges it posed to the regime. First, the company disregarded the demands made by the bureaucracy in the context of a

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“total war” economy in an effort to continue unconstrained with lucrative, ideologically conformist production. Second, it is not improbable that the group’s prosecution in 1943 was partially motivated by the desire of the National Socialists own publishing house to rid itself of a larger rival. Friedländer *et al.*, eds., *Bertelsmann im Dritten Reich*.

50. “The Media Company That Makes Murdoch’s Empire Look Small,” *Economist* 307, no. 7545 (1988), 63.

51. Edward Giltenan, “Reinhard Mohn: The Alfred P. Sloan of Publishing,” *Forbes*, October 5, 1987, 124.

52. Bertelsmann stated in the company’s earlier website chronology that “only the printing machines survived more or less unscathed.” Given the size of the company’s printing activities prior to and during the Second World War these would necessarily been sizeable operations.

53. Lokatis, “Feldpost von Bertelsmann: Die Editionspraxis des Gütersloher Verlags im Dritten Reich”; Friedländer *et al.*, eds., *Bertelsmann im Dritten Reich*.

54. Benoit, “Top German publisher destroys its own myth of role under Nazis,” 7.

55. Shah, “The dark secret kept hidden for 50 years—how a global media empire was built on a lie,” 3.

56. Kleinsteuber and Peters, “Media moguls in Germany.”; Humphreys, *Media and Media Policy in Germany: The Press and Broadcasting since 1945*.

57. Fischler and Friedman, “Bertelsmann’s Nazi past”1998; Karnitschnig, “Bertelsmann Admits Links to Hitler.”

58. Lokatis, “Feldpost von Bertelsmann: Die Editionspraxis des Gütersloher Verlags im Dritten Reich.”

59. Indeed, Friedlander *et al.* note that “[w]hat is constantly striking is [Bertelsmann’s] steady orientation toward a potential “mass market”: from the edifying pamphlets to the popular functional literature and Wehrmacht entertainment, and beyond to the book-clubs of the 1950s.” Friedländer *et al.*, eds., *Bertelsmann im Dritten Reich*, 562.

60. Miège, *The Capitalization of Cultural Production*.

61. Friedländer *et al.*, eds., *Bertelsmann im Dritten Reich*.

62. Lokatis, “Feldpost von Bertelsmann: Die Editionspraxis des Gütersloher Verlags im Dritten Reich.”

63. Henry Raymont, “Huge Book Club Gains In Germany,” *New York Times*, November 19, 1970. The Retail Price Maintenance (RPM) system in Germany, which prohibits selling books at a discount through book clubs or any other means, was one reason for the more cordial relations between Bertelsmann and independent bookshops, as compared to the situation in the United States and United Kingdom. A symbiotic, if often strained, relationship emerged as opposed to a directly confrontational relationship.

64. Raymont, “Huge Book Club Gains In Germany”; Frederick Studemann, “Europe’s Great Communicator,” *International Management* 1992.

65. Humphreys, *Media and Media Policy in Germany: The Press and Broadcasting since 1945*, 35.

66. Jeremy Leaman, *The Political Economy of West Germany, 1945–85*, (New York: St. Martin’s Press, 1988).

67. Meyer-Larsen, *Germany Inc: The New German Juggernaut And Its Challenge To World Business*.

68. Through Ariola Bertelsmann assembled one of the largest copyright catalogues of light music from the countries such as Soviet Union, East Germany, and Czechoslovakia. The success of the distribution network allowed Bertelsmann to negotiate more effectively to gain access to the records and cassettes of artists signed with other publishers, such as Hansa, Jupiter, Pye, and United Artists. Norris Willat, “Bertelsmann’s Parental Push,” *Management Today*, May 1979.

69. Willat, “Bertelsmann’s Parental Push.”

70. “The Media Company That Makes Murdoch’s Empire Look Small,” *Economist*, April 9, 1988; Studemann, “Europe’s Great Communicator.”

71. Kleinsteuber and Peters, “Media moguls in Germany.”

72. Raymont, “Huge Book Club Gains In Germany,” 115.

73. Raymont, “Huge Book Club Gains In Germany.”

74. Raymont, “Huge Book Club Gains In Germany,” 115.

75. The purchase of Ufa in 1964 came just three years after the coalition of forces for the introduction of commercial television in the FRG were delivered a significant blow by the West German Constitutional Court’s 1961 “TV Judgement,” which ruled that the public service requirements of broadcasting were inconsistent with private ownership. Humphreys, *Media and Media Policy in Germany: The Press and Broadcasting since 1945*. However, while the Ufa Production Company was restricted from operating as a basis for commercial television (a situation unchanged until 1984), it produced a number of films that were viewed on public television. In 1972, the Reich Group acquired Ufa-Theater AG and continued to operate them under the Ufa rhombus. The rights to the Ufa name remained with Bertelsmann.

In order to prevent the sale of the film rights from the former Ufa, the Friedrich Wilhelm Murnau Foundation was established by the Federal Government in 1966, it acquired the rights to the films of Ufa and Bavaria. Films from Ufa’s large back catalogue continued to be exhibited within the FRG, particularly upon Germany’s expanding public service networks. This included films produced during the NSDAP regime, which were aired frequently upon the national Second Channel (Zweites Deutsche Fernsehen) and the Bavarian regional channel (BR). Rentschler notes that in “1980 Nazi films accounted for 8.7

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percent of all features aired on West German stations, a total of 113 titles. By 1989 the number had risen to 169." Eric Rentschler, *The Ministry of Illusion: Nazi Cinema and Its Afterlife*, (Harvard: Harvard University Press, 1996), 4.

76. Giltenan, "Reinhard Mohn: The Alfred P. Sloan of Publishing."

77. Raymont, "Huge Book Club Gains In Germany," 115. Although it is reported that Reinhard Mohn became influenced by Sloan's managerial views while a prisoner within the United States, the profound influence of the United States upon (West) Germany after 1945 should be borne in mind. As Dyson notes, "German firms were integrated into an American-dominated international economic order; American managerial ideologies became more influential; and the old cartel structure of industry was modified by imported American anti-trust doctrines." While pressure for radical reform of West Germany's regulatory culture had abated by the 1950s, due to "the high quality of Germany's inherited capital stock, and the match between the huge post-war international demand for capital goods and the manufacturing strengths of the German economy" the principles of "American" regulation and corporate behavior were already established. Kenneth Dyson, "Theories of Regulation and the Case of Germany: A Model of Regulatory Change," in *The Politics of German Regulation*, ed. Kenneth Dyson, (Aldershot: Dartmouth Publishing Company Limited, 1992), 7.

78. Friedländer *et al.*, eds., *Bertelsmann im Dritten Reich*.

79. Leaman, *The Political Economy of West Germany, 1945–85*.

80. Kleinsteuber and Peters, "Media Moguls in Germany."

81. Humphreys, *Media and Media Policy in Germany: The Press and Broadcasting since 1945*, 82.

82. In 1973 the publisher Dr. Gerd Bucerius had traded his holdings in Gruner + Jahr for an 11.5 percent stake in Bertelsmann AG. This shareholding dwindled to 10.74 percent in 1979 as the result of a capital increase. After Bucerius death in 1995, his shares were transferred to his foundation, the "Zeit Stiftung," which gradually sold them back to Bertelsmann between 2000 and 2003

83. Schuler, *Die Mohns—Vom Provinzbuchhändler zum Weltkonzern: Die Familie hinter Bertelsmann*.

84. In the Federal Cartel Law of 1976, the critical definition of market dominance was more strictly put forward for the media than for other products. Kleinsteuber notes that the level for notification to the Cartel Office was lowered to DM25 million in the case of mergers between press companies. Since 1976, the Federal Cartel Office has intervened several times against attempts to merge press companies (e.g. it stopped Burda from buying into the Springer Company in 1981). Hans J. Kleinsteuber, "Federal Republic of Germany (FRG)," in *The Media in Western Europe: The Euromedia Handbook*, ed. Bernt Stubbe Ostergaard, (London: Sage Publications, Ltd., 1997), 81.

85. The increasing level of media concentration within the FRG since the mid-1950s, highlighted by the partisan right-wing publications of the Springer concern, drew mounting public criticism during the 1960s, culminating in the strident demands of the 1968 student movement. However, while the CDU where in power during the 1950s and much of the 1960s, such pressure for governmental examination of the process was circumscribed. The CDU-SPD "grand coalition" finally began to address such concerns in 1967 with the formation of the commission of inquiry to examine media concentration. However, the recommendations of the inquiry's subsequent report (The Günther report) were largely ignored. Nonetheless, in the aftermath of the student movement, Mohn began to outline the social charter of the Bertelsmann Corporation that included its pluralistic nature.

86. Milton Moskowitz, "Bertelsmann," in *The Global Marketplace*, ed. Milton Moskowitz, (New York: MacMillan Press, 1987), 70.

87. Despite Bertelsmann spending heavily on advertizing in the U.S., *Geo*, an elegant upscale monthly, launched as a competitor to National Geographic, "never reached its circulation goal of 300,000 (it stuck at 250,000) and attracted very little advertizing. In 1981 Bertelsmann sold *Geo* to Knapp Communications . . . which published it for another three years before killing it in February 1985" Moskowitz, "Bertelsmann," 71. Bertelsmann's management learned a clear message about the United States: "It's the biggest market, and a very demanding one––you cannot just export into it" Studemann, "Europe's Great Communicator."

88. "The Media Company That Makes Murdoch's Empire Look Small."

89. The "FRAG judgement" of June 1981 undermined the status quo of the broadcasting regime within the FRG, formerly governed by a liberal-corporatist public service broadcasting (PSB) monopoly. The ruling exposed the fundamental contradiction within the ruling SPD-FDP coalition government's approach to communication policy. The development of cable and satellite infrastructure was viewed as industrial policy, rather than media policy, by technocratic sections of the Government, particularly within the Ministry for Research and Technology. The creation of new communications infrastructure was seen as essential to the development of a modern information technology and telecommunications industrial sector. However, the SPD's *medienpolitiker* were determined to maintain the status quo of the PSB monopoly, despite the growing coalition of forces in favor of commercial services. The FRAG judgement ruled that the development of the new technologies undermined the "scarcity of frequencies" basis of the PSB monopoly and gave notice that there was no constitutional impediments to the development of commercial broadcasting Humphreys, *Media and Media Policy in Germany: The Press and Broadcasting*

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since 1945.

90. The new Minister for the Bundespost, Schwarz-Schilling, a leading CDU media policy maker, aggressively pursued the commercialization of broadcasting through the linking of the Bundespost's massive development of cable networks (at the rate of DM1 billion per annum) to the formulation of new media regulation within the respective Länder (Federal States).

91. Fischer replaced Reinhard Mohn in 1981, after his mandatory retirement, at age 60, from the Executive Board. Mohn, as principal shareholder, remained Chairman of the corporation's Supervisory Board.

92. Bertelsmann also attempted to invest in the Sat 1 commercial satellite project, financed by the conservative publishing groups, Springer, Burda, and Bauer, but was rebuffed by consortium. Humphreys, *Media and Media Policy in Germany: The Press and Broadcasting since 1945*.

93. After the Constitutional Court had pointed explicitly to the dangers of "monopolistic control over the expression of public opinion" the 1987 Staatsvertrag restricted single legal entities to ownership of one generalist national private commercial service plus one specialized radio or television service. In each case, the holding had to be less than 50 percent. The same shareholder was allowed to hold up to 24.9 percent of the shares in two other services. However, the treaty produced a context of broadcasting domination by a '*verflectung*,' an often-unstable interlocking web of major media organizations, in which the country's major publishers usually dominated. Humphreys, *Media and Media Policy in Germany: The Press and Broadcasting since 1945*.

94. John E. Pluenneke, "Bertelsmann's U.S. Invasion May Be Just Beginning," *Business-Week*, August 10, 1987.

95. Meyer-Larsen, *Germany Inc: The New German Juggernaut And Its Challenge To World Business*.

96. Pluenneke, "Bertelsmann's U.S. Invasion May Be Just Beginning."

97. Matthew Schifrin, "The Clive Factor," *Forbes*, May 23, 1994. The US$805 million dollar cost of these two American acquisitions saw Bertelsmann tap the international debt market for the first with a US$200 million seven-year issue. "Bertelsmann to sign $1.5bn MTN shelf prior to merger," *Euroweek*, no. n478 (1996).

98. Richard C. Morais, "The Latest U.S. Media Giant Isn't Even American," *Forbes*, April 25, 1988.

99. "Coming to America: The Sequel," *Economist*, 91/11/16, 1991. In 1990 Bertelsmann's top U.S. executive Donermann acknowledged that "there were problems with Doubleday . . . We may have expanded too fast" John Templeman and Susan Duffy, "Bertelsmann: When Being a Giant Isn't Enough," *Business-Week*, no. 3187(Industrial/Technology Edition) (1990). C.E.O. Wössner averred however that he remained confident that Bantam Doubleday Dell would reach the financial goals of its five-year plan, and added that Doubleday provides only 10 percent of Bertelsmann's U.S. publishing sales. But all of Bantam Doubleday Dell is believed to have earned about US$35 million on sales of about US$550 million in 1989, below Bertelsmann's targets "Bertelsmann AG Stumbles in US Media Expansion," *Wall Street Journal* 1990. High-level management changes occurred in 1989 and the BDD publishing list was further streamlined around popular authors with long-term contracts " Doubleday's President Nancy Evans Resigns.," *Dow Jones News Service*, no. C/C 3/92 (1990); Templeman and Duffy, "Bertelsmann: When Being a Giant Isn't Enough."

100. Templeman and Duffy, "Bertelsmann: When Being a Giant Isn't Enough."

101. "Bertelsmann AG Stumbles in US Media Expansion."

102. Sean Brierley, "Diversification Is The Name Of The Game For Europe's Leading Media Barons.," *Broadcast*, October 12, 1990.

103. Humphreys, *Media and Media Policy in Germany: The Press and Broadcasting since 1945*, 252.

104. Humphreys, *Media and Media Policy in Germany: The Press and Broadcasting since 1945*.

105. "TV Sector—Bertelsmann Tv Interests Go Quickly Into The Black.," *Euromoney Corporate Finance*, April 15, 1991.

106. Pluenneke, "Bertelsmann's U.S. Invasion May Be Just Beginning."

107. Bertelsmann Aktiengesellschaft, "Annual Report 1990/1991," (Gutersloh, 1991); Doug Henwood, *Wall Street*, (London: Verso, 1998).

108. Asu Aksoy and Kevin Robins, "Hollywood for the 21st Century: Global cCompetition for Critcal Mass in Iimage Markets," *Cambridge Journal of Economics* Vol. 16 (1992); Douglas Gomery, "Media Economics: Terms of Analysis," *Critical Studies in Mass Communication* Vol. 6, no. March (1989).

109. Bertelsmann Aktiengesellschaft, "Annual Report 1989/1990," (Gutersloh, 1990), 7.

110. Robert W McChesney and Dan Schiller, "The Political Economy of International Communications: Foundations for the Emerging Global Debate over Media Ownership and Regulation," (United Nations Research Institute for Social Development, 2003).

111. Jean-Guy Lacroix and Gaetan Tremblay, "The 'Information Society' and Cultural Industries Theory," *Current Sociology* 45, no. 4 (1997).

112. Böckelmann and Fischler, *Bertelsmann. Hinter der Fassade des Medienimperiums*.

113. Its withdrawal from the majority of its music publishing operations continued: in 2006 it sold its music publishing business to Vivendi, and in 2008 it sold its half share in the Sony-BMG joint venture.

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114. For example, while overall advertizing expenditure increased by 4.9 percent in 1991, expenditure on TV increased by 25 percent, maintaining a rate of expansion established in the previous two years. It should be noted that this growth was off a much lower base for television. Print was still the dominant form of advertizing medium commanding over 70 percent of advertizing expenditure during this period.

115. In 1991 West German newspapers lost DM190 million in advertizing revenue; however, overall advertizing revenue was up due to an extra DM542 million in advertizing from eastern Germany (Nicole Dickenson, "Campaign Report On European Media—Germany," *Campaign*, April 30, 1993, 11.

116. C. Rapoport and K. Cote, "Why Germany Will Lead Europe," *Fortune*, September 21, 1992

117. Bertelsmann Aktiengesellschaft, "Annual Report 1993/1994," (Gutersloh, 1994); Bertelsmann Aktiengesellschaft, "Annual Report 1990/1991"; Bertelsmann Aktiengesellschaft, "Annual Report 1989/1990."

118. Humphreys, *Media and Media Policy in Germany: The Press and Broadcasting since 1945*.

119. Wolfgang Hoffman-Riem, "The Road to Media Unification: Press and Broadcasting Law Reform in the GDR," *European Journal of Communication* 6 (1991); Humphreys, *Media and Media Policy in Germany: The Press and Broadcasting since 1945*. Rather than breaking up the previously monopolistic structures of the SED (Sozialistiche Einheitspartei Deutschlands—German Socialist Unity Party) press, particularly the regional papers, the Treuhandanstalt transferred these intact, usually to one or two commercial concerns.

120. Bertelsmann Aktiengesellschaft, "Annual Report 1989/1990," 5.

121. The formal acquisition of Berliner Verlag was delayed until March 1, 1991, due to difficulties in achieving governmental approvals. Due to the collapse of Robert Maxwell's company in 1992, following the tycoon's suspicious boating "mishap," Bertelsmann acquired complete control of Berliner Verlag.

122. Reflecting a desire to balance the political inclinations of the press within Germany, the THA insisted that the SPD acquire the remaining 40 percent of Dresdner Druck-und-Verlagshaus. In doing so as noted by Hoffman-Reim the THA's policy went beyond its delineated scope of action, Nonetheless, the move reinforced Bertelsmann's association with the SPD, despite the corporation empasizing that an agreement had been signed which protects the editorial autonomy from party influence. Hoffman-Riem, "The Road to Media Unification: Press and Broadcasting Law Reform in the GDR."

123. On July 1, 1990, the corporation acquired 41.2 percent of the Hungarian daily paper, *Népszabadság*, increasing its ownership to 50 percent in October 1991. "Bertelsmann Concern May Obtain Majority Stake In Leading Daily Paper," *Heti Vilaggazdasag*, August 16, 1997. Effective from July 1991 Bertelsmann also acquired the Officina Nova publishing house in Budapest. In the 1991/92 financial year Bertelsmann's cartographic publishers, book clubs, and music division also established Hungarian offices. The music division also established a subsidiary office in the then nation of Czechoslovakia. Gruner + Jahr Polska, a subsidiary of Gruner + Jahr of Germany, was formed in March 1993 and began operations with the purchase of the women's magazine *Claudia* from Jahr Verlag (1995). On June 29th 1994 Gruner + Jahr bought 51 percent of the shares of the most read Slovak daily "*Novy Cas.*" "Biggest Paper Bought By German Publisher." *CTK—Business News*, June 30, 1994.

124. E. Dahler, "Double Deutsche—RTL and SAT 1," *Marketing Week*, March 18 1994.

125. Meyer-Larsen, *Germany Inc: The New German Juggernaut And Its Challenge To World Business*.

126. In Germany Gruner + Jahr's response to Burda's *Focus*, the glossy weekly magazine, *Tango*, quickly failed, causing losses of DM61 million (William Boston, "Gruner + Jahr Studies Next Moves After Tango Flop," *Reuters News Service* (1995).

127. "Coming to America: The Sequel."

128. Tom Rubython, "Michael Dornemann: The best job in Europe," *EuroBusiness* 2000, 65.

129. Andrew Fisher, "Bertelsmann net income up 6 percent," *The Financial Times*, September 11, 1992; Studemann, "Europe's Great Communicator."

130. Mark Landler, "An overnight success—After six years," *Business-Week*, no. 3315 (1993).

131. Landler, "An overnight success—After six years."

132. Landler, "An overnight success—After six years."

133. Germany, Austria, and Switzerland constituted the BMG's "home" territories, which it dominates in a manner similar to Sony in Japan or Warner Bros. in the United States. In the early 1990s, this dominance translated into a 25 percent market share, producing approximately half of BMG's European sales. The "home" territories helped to compensate for BMG's under-performance in Europe's second- and third-largest national markets, France and the United Kingdom. Despite its poor performance in the U.S. market during this period, this market accounted for over one third of BMG's total sales (Jonathan Burton, "Michael Dornemann," *Chief Executive*. 20, no. 82 (Jan/Feb) (1993); "Coming to America: The Sequel," *Economist* 321, no. 7733 (1991).

134. Matsushita's entertainment arm, MCA, bought Geffen Records for $545m; Thorn EMI paid $150m for Chrysalis and $285m for SBK; PolyGram bought A&M and Island for a total of $750m.

135. "Coming to America: The Sequel"; Rubython, "Michael Dornemann: The best job in Europe"; see also David Hesmondhalgh, "Flexibility, post-Fordism and the music industries," *Media, Culture & Society* 18 (1996).

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136. “The Music Business: Mystery Dance,” *Economist*, 92/2/22 1992.
137. “The Music Business: Mystery Dance.”
138. “Bertelsmann Annual Report 1993/94,” (Gutersloh: Bertelsmann Aktiengesellschaft, 1994).
139. “BMG finds profit in Asia and cautiously moves into multi-media,” *Music & Copyright*, September 29, 1993.
140. “BMG Entertainment is the fastest growing Bertelsmann division,” *Music & Copyright*, March 15, 1995.
141. Nick Bell, “Small steps for a German giant,” *EuroBusiness*, February 1, 1994.
142. “Why can’t BMG, EMI and Polygram maintain 14 percent of the US Market?,” *Music & Copyright*, September 28, 1994.
143. R. Ohmann, “Zelnick, Strauss: Twentieth Century Fox,” in *Making and Selling Culture*, ed. R. Ohmann, (Hanover: Wesleyan University Press, 1996).
144. Although the scope for internal reorganization was more limited at BMG than at EMI or PolyGram, the new management set about “rebuilding” BMG by initially restructuring the core labels, RCA, and Zoo (eliminating 50 jobs), and closing or selling over 20 under-performing ventures, including the BMG Kidz unit and the “boutique” Imago label (after encountering heavy losses on BMG’s $50 million investment in 1990, approximately 30 workers were fired). Over $30 million a year in savings were also found via a cheaper way to manufacture compact disks. Don Jeffrey, “Challenges await Zelnick at BMG; hiring new head for RCA label a priority,” *Billboard* 106, no. 39 (1994); Judy Messina, “Executive Profile—Strauss Zelnick, 37.,” *Crain’s New York Business*, January 1, 1995.
145. “Bertelsmann Chief Calls U.S. Media Merger ‘Crazy,’” *Reuters News Service*, September 3, 1995.
146. “Ich bin ein Amerikaner,” *Economist*, June 18, 1994, para 8’; see also Judy Dempsey, “Conflict of cultures for media giant,” *The Financial Times*, September 18 1996. This reorganization formally recognized the transformation in the book publishing area, which in the preceding year had been moving away from its geographically distinct divisional structures (such as the Germany, Austria, Switzerland Book Division). Within Bertelsmann too, there was a growing awareness of the need for greater coordination between the businesses. Seven divisions were folded into four divisions: books, press, industrial holdings, and entertainment (since supplemented by three further divisions—multimedia, broadcasting, and professional information.
147. Rubython, “Michael Dornemann: The best job in Europe,” 65.
148. Thus, RTL Plus’ managing director, Dr. Helmut Thoma noted that RTL strove to emulate American strategy and programming structure. For instance, while RTL initially invested heavily—$395 million annually—on primarily American program formats, such as a German “Married with Children,” these shows failed to translate successfully with German audiences, and by 1995 the television company had decided to increase its direct investment in programming originating in America. “Profile—New States Man—Dr. Helmut Thoma.,” *Broadcast*, January 20, 1995.
149. Chris Forrester, “The Expanding Eurovision—France,” *Broadcast*, October 6, 1995.
150. Quentin Peel and Michael Lindemann, “A Costly Lesson on German TV- Vox is Limping off the Air,” *The Financial Times*, April 13, 1994.
151. Nicholas Garnham, *Emancipation, the Media, and Modernity: Arguments about the Media and Social Theory*, (Oxford: Oxford University Press, 2000), 52.
152. Peter J. Humphreys, *Mass media and media policy in Western Europe*, (Manchester: Manchester University Press, 1996). The decentralized and politicized nature of the German broadcasting regime also affected the development of digital pay-TV. With the increasing saturation of the advertising market, both Kirch and Bertelsmann turned towards the development of pay-TV and the control of the required digital decoder technology. Initially in the form of the MSG Media Service, the two corporations, together with Deutsche Telekom (formerly the Bundespost) intended to provide pay-TV services, including video-on-demand and a number of other advanced “interactive” services. The two largest commercial operators’ cooperation reflected not only ownership restrictions and the scale of the capital investment required. Moreover, there was a clear concern by each outfit to incorporate the widest support of the various Länder and LMA. However, this stratagem saw the project subsequently blocked by the German Cartel Office and the EU’S competition commissioner (DG IV), Karel Van Miert, because of the threat that the giant companies’ alliance posed to an open market for pay-TV—and indeed also for future digital communication services—in Germany. For further details see (“Pay-TV talks get nowhere,” *The Financial Times*, November 9, 1994; Emma Tucker and Michael Lindemann, “Brussels blocks German pay-TV venture,” *The Financial Times*, November 10, 1994.
153. David Molner, “Channel Serf-Ing.,” *Daily Variety*, October 24, 1995.
154. “Bertelsmann Has High Hopes For Multimedia Market.,” *Handelsblatt*, September 21, 1995.
155. David Molner, “Big Guns Wage Air Battle For RTL,” *Variety*, September 26, 1995; “Bertelsmann Chairman Attacks Media Laws, Defends MSG,” *Handelsblatt*, August 9, 1994.
156. Peter J. Humphreys, “Germany’s ‘Dual’ Broadcasting System: Recipe for Pluralism in the Age of Multi-Channel Broadcasting?,” *New German Critique* 78 (2000); Peter J. Humphreys and Matthias Lang, “Regulating for media pluralism and the pitfalls of Standortpolitik: the re-regulation of German broadcasting ownership rules,” *German Politics* 7, no. 2 (1998).

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157. Bertelsmann nevertheless initially attacked the market-share proposal, worrying that such controls may be extended to the development of multi-channel digital television operations, such as video-on-demand. On January 31, 1995 at the World Economic Forum Bertelsmann's C.E.O. Mark Wössner argued that the Federal government in Bonn must intervene, override the Länder and change the broadcasting law that restricted the corporate development of television and multimedia in Germany: "We call for the new multimedia business not to be classified as broadcasting. It is not broadcasting" (Christian-Edwards David Christian-Edwards, "German Publisher Says Deregulation Key To Multimedia," *Reuters News Service*, January 31, 1995: para 3). As it recommenced its work on a conditional access project (MMBG) (see below), Bertelsmann also called for the EU to deregulate the telecommunications market to allow for the development of digital technologies. "Germany's Media Mess," *Economist*, July 30, 1994; Judy Dempsey, "Going online for European expansion—Bertelsmann is moving into the electronic information services business.," *The Financial Times*, May 5, 1995. a, b; "Media Ownership In Europe," *Economist*, January 14, 1995. "Watching a glacier move," *Economist*, October 21, 1995. While a Federal override of the broadcasting regime did not occur, Germany's revised ownership rules did appear to be precisely designed to accommodate the type of "mega-merger" that Bertelsmann's Ufa later secured with the Luxembourg-based CLT. Humphreys and Lang, "Regulating for media pluralism and the pitfalls of Standortpolitik: the re-regulation of German broadcasting ownership rules."

158. Barbara Munzer, "Continued Legal Battles Put Rtl's Future In The Balance.," *Media And Marketing Europe* (1995). The main problem for Bertelsmann was that the Kirch group controlled the vast majority of Hollywood films rights within Germany—a fact that News Corp. had discovered regarding its own Fox movies when the company took over the majority share in the Vox channel. David Molner, "Big Guns Wage Air Battle For Rtl," *Variety* (1995). Commenting on Kirch's copyright stranglehold, RTL's Thoma compared him to the Nazi media baron Hugenberg, and stated that the mogul wanted "absolute power." "Profile—New States Man—Dr. Helmut Thoma." Thoma noted that "countries that had not had a Hugenberg [were] more strict about media concentration." According to Thoma, "Germany ha[d] not only the most liberal media laws [regarding media concentration] in the world, but they were also not being observed" (Humphreys & Lang: 1998,181). Kirch successfully challenged the remarks at the German Trade Court to which Thoma noted: "I am not allowed to repeat the comments about Kirch but now I don't have to. I only need to compare the situation with Kirch to the position of Italian media-mogul-turned president Silvio Berlusconi to show the danger." "Profile—New States Man—Dr. Helmut Thoma."

159. CLT was reluctant to use the SECA Conditional Access technology unless it received a share of the company. It assented to do so after pressure from its part-owner, Havas. However, Havas had greater difficulty in persuading the Luxembourg based company to drop its cable programming plans. In December 1995 rumours circulated that Bertelsmann, Canal Plus, and Havas would buy out a major shareholder of CLT to gain control of the company and merge its pay-TV initiatives with Canal Plus and Bertelsmann. CLT wavered in its commitment to the use of the SECA technology of Bertelsmann and Canal Plus—the Luxembourg-based company attempted to leverage the uncertainty this created for the two companies, particularly in regard to MMBG, to gain an equity stake in the SECA company

160. Bertelsmann's attempt to control RTL had been precipitated by a disagreement over financing over new programming. As Europe's most important advertizing vehicle faced increased competition from Pro7 and Sat1, its management sought to reduce its own television production operations and invest heavily in new Hollywood programming—including an upcoming large deal with Warner Bros Int. (von Gamm 1995; Molner 1995c). Bertelsmann successful strategy allowed the German firm to take its control up to 49.1 percent of the RTL and control an equal number of seats on the board as CLT (5) with another ally, the FAZ newspaper group, controlling the eleventh seat.

161. Fred Hift, "Ownership Changes Shake Up German Market.," *Electronic Media*, November 13, 1995; Molner, "Channel Serf-Ing. ."

162. "The Battle For Europe's Telly Addicts," *Economist*, April 22, 1995.

163. Herman and McChesney, *The Global Media: The New Missionaries of Corporate Capitalism*, 88.

164. The *Economist* places the operating margins of book publishing around 10 percent in 1996, comparable to films, but lagging behind the 17.5 percent of TV broadcasting. "Random thoughts," *Economist*, March 28, 1998. One management consultant noted that "[c]ompared with the rest of the (entertainment) industry, they are the least profitable of the content businesses." Alice Rawsthorn, Frederick Studemann, and Richard Waters, "Bertelsmann purchase set to open a whole new chapter: Acquisition of Random House may provide the scale needed to fight the squeeze on profits that has hit the publishing industry," *The Financial Times*, March 25, 1998, 42.

165. Stacey Perman, "The Book on Bertelsmann," *Time*, April 6, 1998.

166. Böckelmann and Fischler, *Bertelsmann. Hinter der Fassade des Medienimperiums*.

167. As opposed to the lean operations of Bantam Doubleday Dell, with profit margins above 10 percent, Random House has been posting single-digit profit margins. The Economist notes that Random House's "management has, in the past, paid more attention to wooing authors and giving good parties than to the bottom line, so there is plenty of scope for increasing efficiency (lots of redundancies, in other words)." "'Random' thoughts," 60. Cost cutting was unlikely to focus primarily on senior management, however, but rather on the "fuller utilization" of personnel and facilities through the consolidation of administrative

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and back-office functions. “Will New Random House Be Leaner Than Its Separate Predecessors?,” *BP Report*, March 30, 1998.

168. On May the 19, 1998, the Authors’ Guild and the Association of Author’s Representatives (AAR) filed a petition with the Federal Trade commission outlining their concerns and requesting the acquisition be blocked. Remarking on the acquisition, Paul Aiken, director of the Authors’ Guild stated “It’s just got to lessen competition in the marketplace.” Rawsthorn, Studemann, and Waters, “Bertelsmann purchase set to open a whole new chapter: Acquisition of Random House may provide the scale needed to fight the squeeze on profits that has hit the publishing industry,” 42. Richard Parkes of the AAR stated “[w]ith every round of consolidation in publishing, we’ve seen contracts giving less to authors and demanding more rights. We’re concerned what this unprecedented level of consolidation will lead to in that area” Jeffrey Benkoe, “Groups Opposes Bertelsmann/ Random House Deal,” *Reuters News Service*, April 23, 1998.

169. I. Jeanne Dugan, “Boldly Going Where Others Are Bailing Out,” *Business-Week*, no. 3572 (1998). 46

170. “‘Random’ thoughts.”

171. Rawsthorn, Studemann, and Waters, “Bertelsmann purchase set to open a whole new chapter: Acquisition of Random House may provide the scale needed to fight the squeeze on profits that has hit the publishing industry.”

172. John Blesso, “Bookselling in the Nineties: The “Hollywoodization” of an Industry?,” *The Authors Guild Bulletin*, no. Winter (1998).

173. “‘Random’ thoughts.” The good performance of Bantam Doubleday Dell (BDD), Bertelsmann’s U.S. subsidiary reflects the changing strategy within the publishing industry. As noted in the Economist “[i]nstead of the old policy of sending out piles of books and watching them come back, BDD targets retailers by collecting point-of-sale information and using demographic models. The company runs a just-in-time supply chain to cut the costs of the expensive returns policy.” “‘Random’ thoughts,” 60. The same policies are now being adopted by the other major publishers. Thus after rising for three years, the levels of unsold book returns has fallen considerably in 1998. Doreen Carvajal, “Publishing Industry’s Focus Shifts to Limiting Returns,” *The New York Times*, July 27, 1998.

174. “‘Random’ thoughts”; Rawsthorn, Studemann, and Waters, “Bertelsmann purchase set to open a whole new chapter: Acquisition of Random House may provide the scale needed to fight the squeeze on profits that has hit the publishing industry.”

175. “Book Club Associates—Bertelsmann Keeps Buying . . .,” *BP Report*, June 29, 1998.

176. Böckelmann and Fischler, *Bertelsmann. Hinter der Fassade des Medienimperiums*.

177. Böckelmann and Fischler, *Bertelsmann. Hinter der Fassade des Medienimperiums*.

178. Schiffrin, “‘Random’ destruction,” 7.

179. Christopher Grimes and Stephanie Kirchgaessner, “Ann Godoff Finds Home At Penguin Putnam “ *Financial Times*, January 27, 2003, 27.

180. Anja Sieg, “Random sells Berlin Verlag,” *The Bookseller*, April 4, 2003, 10.

181. David Cowell, “Bertelsmann New Media Head Loves Traffic,” *Reuters News Service*, October 27, 1998; Dempsey, “Going online for European expansion—Bertelsmann is moving into the electronic information services business.” Judy Dempsey, “Online giant stirs: Judy Dempsey on the German media groups’ latest battleground.,” *The Financial Times*, September 13, 1995.

182. “What’s Driving Bertelsmann’s Foray Into Bookselling?,” *Subtext: The Book Busines in Perspective*, November 5, 1998.

183. *Bertelsmann entering global online retail book business “Bertelsmann entering global online retail book business: Chip Austin named President and CEO of Books Online Venture.,” Bertelsmann A.G., www.bertelsmann.de/bag/englisch/news/news/news/980225.html.*

184. “Making a mark,” *Economist*, October 10, 1998, 69.

185. Jeffrey Benkoe, “Bertelsmann Doesn’t See Partner In US Online Sales,” *Reuters News Service*, September 24, 1998.

186. William Boston, “Internet Reality Setting In At Bertelsmann,” *Reuters News Service*, October 8, 1998; William Boston, “New Bertelsmann Head Eyes Asia, Multimedia,” *Reuters News Service*, September 24, 1998.

187. Steve Gorman, “Online Notes,” *The Reuters/Variety Cyber Summary*, October 7, 1998.

188. Böckelmann and Fischler, *Bertelsmann. Hinter der Fassade des Medienimperiums*, 26.

189. Tom Burns and James Harding, “Middelhoff Jets Into Another Global Deal,” *Financial Times*, May 24, 2000, 32.

190. “Under e-construction,” *Economist*, June 8, 2000, para 6.

191. Alan Cowell, “Big Merger in Net Access for Europe,” *New York Times*, December 7, 2000.

192. Böckelmann and Fischler, *Bertelsmann. Hinter der Fassade des Medienimperiums*, 15–44.

193. Under the agreement the German corporation, which partly owns (44 percent) Lycos’ European arm, would receive premium carriage of its e-commerce content on the merged Terra-Lycos websites. The investment contract involved paying $325 million to Terra Lycos for advertisement and carriage of these e-commerce services during the first two years and up to $675 million in the subsequent 3 years. Stephan Kueffner, “Bertelsmann, Telefonica Quietly Forge Global Alliance,” *Dow Jones*

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News Service, June 6, 2000.

194. Justin Fox, "Thomas Middelhoff wants respect," *Fortune*, May 27, 2002. The U.S. Security and Exchange Commission subsequently began investigating the AOL-Time Warner deal and the manner in which AOL had maintained its share price through inflated "round-trip" advertising deals—these investigations were according to Böckelmann and Fischler intimately connected with Middelhoff's downfall at Bertelsmann. Time Warner settled securities fraud charges with the U.S. Justice Department in 2004 for $210 million, in a case involving payments from Bertelsmann. Böckelmann and Fischler, *Bertelsmann. Hinter der Fassade des Medienimperiums.*

195. William Boston, "Bertelsmann Plans To Unite Its E-Commerce Activities," *Wall Street Journal Europe*, June 5. 2000, 4.

196. Bertelsmann Aktiengesellschaft, "Annual Report 1999/2000," (Gutersloh, 2000), 44; Rubython, "Michael Dornemann: The best job in Europe," 62.

197. BMG management had engineered Davis's retirement and replacement with a younger Harvard Business School-trained label-executive, L. A Reid.

198. Chuck Philips, "Bertelsmann To Oust Its Top Two Music Execs In Overhaul," *Los Angeles Times*, November 6, 2000, 1. Chuck Philips, "BMG At Loss After Rival's Merger Stole Its Thunder," *Los Angeles Times*, February 2, 2000, 1.

199. First, its users quickly migrated to services that were more sophisticated, such as Gnutella; second, the other "majors" were reluctant to either license their music rights to Napster or provide access to compatible Digital Rights Management technology being developed; third, and most importantly, in July 2001 a U.S. District Court placed the service into liquidation and in September 2002 blocked Bertelsmann's acquisition of the insolvent company.

200. Jack Ewing and Tom Lowry, "Napster and Bertelsmann: It Seemed Like A Good Idea . . ." *Business Week*, August 2, 2004.

201. Granville Williams, *European Media Ownership: Threats on the Landscape—A Survey of who owns what in Europe*, (Brussels: The European Federation of Journalists, 2002), 15.

202. Stylianos Papathanassopoulos, "The Development Of Digital Television In Europe," *Media International Australia*, no. 86 (1998): 79.

203. The RTL Group was the largest broadcasting enterprise in Europe, reaching an audience of 140 million via 22 TV and 18 radio channels and operating the largest TV production facilities outside the U.S. At the time of the merger the CLT-Ufa group garnered 25 million listeners and 120 million viewers through its 18 radio stations and 22 TV stations. Pearson TV produced 10,000 hours of programs a year and had a 17,500-hour library While RTL already sold a range of TV programs and formats into the United States, Bertelsmann announced that if U.S. regulations altered to allow foreign ownership of television stations the company would seek to acquire broadcasting businesses there. Raymond Snoddy, "Merger should take Pearson on to a higher plane, if it can work," *Marketing*, April 13, 2000.

204. The deal was in line with its preferred strategy of controlling the businesses in which it is involved, nevertheless Bertelsmann paid a high premium for control of RTL: analysts noted that GBL's share of the RTL Group was valued at € 4.1 billion, half the estimated value of the 25.1 percent of Bertelsmann. John Carreyrou, "Frere Thinks Small—Belgian Investor Changes Tactics to Take Advantage of Consolidation—Bertelsmann Stake Reflects Gamble That a Minority Shareholder Can Profit, Too " *Wall Street Journal Europe*, March 9, 2001, 21.

205. Charles Goldsmith, "Companies: Bertelsmann Is Set To Acquire Control Of RTL Group—Deal With GBL Will Give It Stake in Broadcaster," *Wall Street Journal Europe*, February 5, 2001; Cecilie Rohwedder, "Bertelsmann Broadcast Deal Paves Way for Market Listing—Belgian Shareholder Could Unload 25 percent of European Media Giant—Transaction May Provide Currency for Future Acquistions," *Wall Street Journal Europe*, February 6, 2001; Schuler, *Die Mohns—Vom Provinzbuchhändler zum Weltkonzern: Die Familie hinter Bertelsmann*.

206. Rohwedder, "Bertelsmann Broadcast Deal Paves Way for Market Listing—Belgian Shareholder Could Unload 25 percent of European Media Giant—Transaction May Provide Currency for Future Acquistions," 1.

207. James Harding, "Bertelsmann puts its faith in the market," *Financial Times*, February 6, 2001.

208. Bernard Benoit and James Harding, "Bertelsmann share-swap could lead to 25 percent listing " *Financial Times*, February 6, 2001, 1; Thomas Knipp, "Going Public: Bertelsmann's Great Gamble," *Wall Street Journal Europe*, February 20, 2001, 8.

209. Jonathan Braude, "Bertelsmann trims fat ahead of IPO," *The Daily Deal*, June 6, 2001; Tony Barber and Tim Burt, "Middelhoff pays price for pushing too hard," *Financial Times*, July 29, 2002, 27.

210. Bertrand Benoit, "Bertelsmann closes in on its objectives," *Financial Times*, December 27, 2001, para 8.

211. Benoit, "Bertelsmann closes in on its objectives," para 13.

212. Böckelmann and Fischler, *Bertelsmann. Hinter der Fassade des Medienimperiums*, 294.

213. Benoit, "Bertelsmann closes in on its objectives."

214. Marcus Walker, "Bertelsmann Puts Focus On Television With RTL Deal " *Wall Street Journal*, December 26, 2001, A6.

215. James Harding, Thomas Clark, and Lutz Meier, "Bertelsmann's man on a mission wins mixed reviews," *Financial Times*,

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June 17, 2001. BMG's CD manufacturing was transferred to media services' Arvato group.

216. Bertrand Benoit and Tim Burt, "Middelhoff exit pulled plug on music shake-up," *Financial Times* (2002).

217. Schuler, *Die Mohns—Vom Provinzbuchhändler zum Weltkonzern: Die Familie hinter Bertelsmann*, 296.

218. Carol Hymowitz, "Arrogance and Refusal To Work With Others Led to Many Failures," *Wall Street Journal* (2002); Matthew Karnitschnig and Neal E. Boudette, "Why Middelhoff Is Out Even Without Worries About Shares or Debt—A Clash of Corporate Philosophies Spelled End for the Bertelsmann CEO—Business as a Means to Good Deeds " *Wall Street Journal Europe*, July 30, 2002, A1.

219. Tim Burt and Bettina Wassener, "A conductor with a light touch," *Financial Times*, March 22 2005.

220. Böckelmann and Fischler, *Bertelsmann. Hinter der Fassade des Medienimperiums* (Eichborn Verlag: 2004),20. Compare, for example with the account in Schuler, *Die Mohns—Vom Provinzbuchhändler zum Weltkonzern: Die Familie hinter Bertelsmann*.

221. As evidence for their theory that Bertelsmann's involvement with the AOL-Time Warner inflated-advertizing scandal proved decisive, Böckelmann and Fischler note that at the beginning of July, scarcely three weeks before Middelhoff was forced to resign, Bertelsmann's Supervisory Board had extended his contract as Chairman of the Executive Board for five years. Moreover, a week before his resignation he had announced in the *Süddeutsche Zeitung* that Bertelsmann's business strategy for the next few years would not involve further expansion, but would concentrate on "old economy" activities. Böckelmann and Fischler, *Bertelsmann. Hinter der Fassade des Medienimperiums*.

222. Matthew Karnitschnig, "Bertelsmann Spat Threatens Firm—Claim by Patriarch Mohn To Keep Blocking Minority Has Executives on Defensive " *Wall Street Journal*, February 18, 2003, B13.

223. Mark Landler and Doreen Carvajal, "Bertelsmann to Buy Back 25 percent Stake for $5.8 Billion " *New York Times*, May 26, 2006, 3.

224. Meyer-Larsen, *Germany Inc: The New German Juggernaut And Its Challenge To World Business*.

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Chapter 6

News Corporation

6.1 OVERVIEW

The development of News Corporation Ltd. (News Corp.) exemplifies, and has been decisive in causing, some chief changes in the media landscape in the last two decades and as such provides the quintessential case study of the modern media enterprise.[1] The context in which the corporation operates has been transformed by the latest wave of mergers and acquisitions that have further consolidated international media and entertainment. For some "[Rupert] Murdoch has arguably created a new kind of global media empire based on entertainment and infotainment. Such an approach can be summarized in what might be termed the 'Murdochisation' of media."[2] Noting the pervasive influence of News Corp. on the strategy and structures of companies in different national media systems, others have referred to "the Age of Murdoch."[3] It is tempting to focus on News Corp. through what can be argued as a radical critique of the transnational corporation—one that focuses on the power of the transnational corporation to redefine its operating environment for its own benefit. This chapter delineates News Corp. as both an agent for change and as a corporation that is structured by and reflects the institutional relations that shape its operations. In tracing the development of this corporation, the first section analyses how, as a corporation, of culture News Corp. is structured by institutional logics that define the cultural industry operations—that is the logic and contradictions of capitalist cultural production. It then addresses the historically specific organizational environments in which it developed so as "to build a model of the corporations of culture in an institutional as opposed to naturalistic, organizational sense."[4]

6.2 HISTORICAL DEVELOPMENT OF NEWS CORPORATION

News Corporation Limited was incorporated in Adelaide in 1979, and subsequently became the holding company for the national and international newspapers businesses that Murdoch had assembled over a period of slightly more than twenty years. By then Rupert Murdoch had already had a quarter century of experience running media companies in Australia and the United Kingdom. Today, this corporation has operations in a diverse range of communication and cultural industries with business segments that include audiovisual media—Filmed Entertainment, Television, Cable Network Programming, and Direct Broadcast Satellite Television—as well as print-based media—Newspapers, Magazines, and Book Publishing.

Across News Corp.'s operations, the logic of advertising financed, flow/press media industries remains predominant. According to a report by media buyer ZenithOptimedia, in 2005 News Corp. produced the second largest advertising-based revenues amongst

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international media corporations: US$ 16.726 billion or approximately 70 percent of its US$ 23.859 billion revenues, a figure only surpassed by Time Warner (US $29.834 billion out of total revenues of US$ 43.652 billion or 68 percent.[5] As has been noted in chapter 3, internationally such press/flow industries have been major objects of state regulation and oversight, and this itself has been an essential factor in News Corp.'s search for market dominance.

This case study does not attempt to provide the same level of detailed historical analysis of News Corp. that the preceding chapters provided in regards to Time Warner and Bertelsmann. Rather, the object of the discussion is the degree to which News Corp. reflects a corporation that has transcended institutional settings. The following overview presents an abridged history of News Corp.'s development that emphasizes the corporation's achievement of four areas of operating dominance: after 25 years of K. R. Murdoch's management the amassing of a critical mass of newspaper ownership in Australia; the formation of a dominant position within the British national press industry; the creation of the BSkyB satellite operation in the United Kingdom and the ownership, albeit brief, of the DirecTV satellite, which created an unprecedented level of vertical integration in the U.S. filmed-entertainment complex.

6.2.1 The Newspaper Foundation between 1950–1980s: Cash Flow and Debt Restructure

Over ten years ago, in News Corp.'s 1996 Annual Report, Murdoch stated that "News Corporation is a company that came from newspapers, owes its existence to newspapers and remains committed to newspapers. And as recently as 1993 they were still the largest contributor to our profits. This is our strength."[6] A year later, Murdoch noted that despite the talk of "the death of print . . . Print remains a very good business for News Corporation and the Company will continue to prosper in it."[7] Although in the last decade the septuagenarian's belief in the robustness of the newspaper business model" has wavered, News Corp.'s development has been marked by expansion into the newspaper business in times when electronic media, particularly television, has held greater allure for print-based media proprietors.[8]

In 1952, Murdoch had inherited two Adelaide newspapers from his father, Sir Keith Murdoch who had purchased these stakes in 1949. Over a twenty-one year period, from the commencement of his management of the *Adelaide News* newspaper in 1956, Murdoch's News Limited dramatically expanded its presence within the Australian newspaper sector. After acquiring the Mirror and Cumberland Newspapers in 1960, Murdoch launched the *Australian*, the country's first national daily, in 1964. While the *Australian* lost money, the company's other operations provided the necessary cash flow for Murdoch's subsequent significant international acquisitions. Nonetheless, News Corp. continued to pursue market dominance in Australian newspapers, while also expanding into the television business. In 1972 News Limited extended its presence within the major Sydney newspaper market with the A$ 15 million purchase of the *Daily Telegraph* and the *Sunday Telegraph* from Australian Consolidated Press. In 1987 News Corp. successfully acquired the Herald and Weekly Times (HWT) group for A$ 2.3 billion after receiving forewarning from the Hawke Labor

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government of the impending changes in the media regulations, which restricted media ownership of newspaper and television operations within the same city. Facilitated by the Labor Government, News Corp. restructured its Australian holdings, which now included HWT, and sold its television and radio stations. These divestments significantly reduced the additional capital required to purchase HWT: for an estimated A$ 1.4 million outlay, News Corp.'s purchase extended its share of the metropolitan press to 63 percent and its share of the Sunday press circulation to 77 percent.[9]

The acquisition itself was part of a debt restructuring exercise that was premised upon News Corp. expanding its asset base to address the corporation's gearing level. However, a counter bid for HWT by Robert Holmes a' Court forced the Murdoch family's private company, Cruden, to buy 56 percent of Queensland Press Limited (QPL), a company that held significant shares of HWT, for A$ 600 million. Nine-months later, following the October 1987 stock market crash, Queensland Press repurchased its own shares from Cruden. While such deals were shaped by pressure arising from the international circuits of capital to which News Corp. was now tied, they nonetheless precipitated News Corp.'s growing dominance of the Australian newspaper market, where its metropolitan press share of sales has increased to over 70 percent.

Indeed, with News Corp. firmly established in the United Kingdom and United States in the mid-1980s, the Australian Treasury and the Foreign Investment Review Board (FIRB) could have blocked News Corp.'s acquisition of HWT on the grounds that News Corp.'s newspaper dominance was not in the "national interest."[10] However, by this point News Corp. had long experience in evading national regulatory restrictions. As early as the end of the 1960s Murdoch's company had used Australian political connections to facilitate the transfer of money to the United Kingdom to establish his international newspaper operations.[11] In 1969, in the guise of News International PLC, the company moved into the U.K. market with the acquisition of *News of the World*, a London Sunday paper. Operations in the United Kingdom were extended the next year with the purchase of London's *Sun*—a paper that Murdoch made profitable through a marked tabloidization of its output. By 1971–1972, these English newspaper operations were making substantial profits. Undoubtedly it was the pre-eminent position that News Corp. established in the United Kingdom, particularly in subsequent years with the help of the British government, that produced the scale and scope of operations required to launch operations in the United States in the area of electronic audio-visual media.

The establishment of News America Publishing Inc. in 1973 formed the basis of the company's extension of its operations into the United States. In same year, the company bought the *San Antonio Express-News* and founded the *Star*, a tabloid that would compete with the renowned *National Enquirer*. Murdoch followed this up in 1976 by buying the *New York Post*. News America Publishing Inc. would later also act as publisher for the *Village Voice*, *New York Magazine*, *The Boston Herald*, and the *Sunday Boston Herald*. Although these newspapers gave Murdoch a public presence in the United States, specifically for their tabloid reputations, that failed to make large profits.[12] Indeed, the profit level of News Corp.'s American newspaper operations never matched those of the Australian and particularly British

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operations.

Diversifying its interests in the U.K.'s newspaper market in 1981, News Corp. bought the London Times Newspapers Ltd., the publisher of the prestigious *The Times*, *The Sunday Times*, and the *Times Literary Supplement* from the Thomson Organization. The deal would normally have been referred to the Monopolies and Mergers Commission. However, Murdoch, via the conservative Prime Minister Margaret Thatcher, exploited a loophole to exempt the deal from the monopoly-assessment procedure, on the spurious grounds that, but for Murdoch, the newspapers would have closed (in fact, the *Sunday Times* remained huge profitably).[13] Murdoch's acquisition of papers continued unabated. In 1983, the Chicago *Sun-Times* was purchased (and subsequently sold in 1986); and the *Today* newspaper was purchase from the Lonhro group in 1987. In the *Today* case, a similar legal contrivance was exploited as in 1981, when Thatcher exempted Murdoch's purchase of the paper from the assessment procedure. News International's dominance of the British national newspaper market had been secured.

Although, in the 1970s and 1980s News Corp. became the largest owner of mass circulation newspapers in the world, in the mid 1980s the corporation's focus shifted more decisively towards electronic media. Nonetheless, Tunstall and Machin observe that as late as 1986–87, newspapers (predominantly British and Australian) accounted for 38 percent of News Corp. revenue but 43 percent of profit.[14] In 1986–87, the United Kingdom accounted for 40 percent of profits on 25 percent of revenue. In 1989, following the HWT purchase, newspapers provided over 50 percent of the corporation's profits, of which its Australian revenue now contributed half.[15] Thus the longer term financial significance of newspapers was their role as reliable cash generator, which in turn contributed to News Corp.'s reputation as an owner of strong assets and hence to its ability to finance surging growth on the basis of large-scale debt financing. In particular, this international chain of papers would provide News Corp. with sufficient financial capacity to fund its subsequent push into a diverse range of other media, particularly television and film production and distribution in the United States and the United Kingdom. This was not simply in terms of cash flow: under Australian accounting laws between 1984 and 1987 News Corp. revalued its newspaper titles by an additional A$ 1.5 billion, in the process expanding it credit capacity by A$ 1.6 billion.[16] The newspaper properties also allowed Murdoch to form sufficient political alliances to infiltrate these highly regulated and largely oligopolistic/monopolistic market structures and, when necessary, adopt aggressive restructuring actions as when News International's printing facilities were relocated to Wapping in 1986 as part of what Murdoch called "sensible and reasonable" industrial reform.

6.2.2 Twentieth Century Fox and the Fourth American Television Network, 1980s–1990s: New Market Power and Internalized Competition

After establishing newspaper operations, News Corp. set up television operations in Australia, the United Kingdom, and the United States. The most significant of these ventures occurred in the United States in 1985; it marked a critical turning point for News Corp. In less than six months, the corporation embarked on an aggressive move to center itself in the U.S. film and television businesses. The American film industry had been ailing since the late 1970s; and the

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major studios had begun to be acquired by media conglomerates such Kinney Services (later Warner Communications). News Corp. went heavily into debt to purchase the Twentieth Century Fox film studio, which had been languishing at the bottom of the studio system. Originally, News Corp. purchased half of the Twentieth Century Fox in March 1985 for US$ 250 million, but it later bought the entire studio for US$ 575 million.

The purchase of a major Hollywood studio was critical to News Corp.'s future expansion plans in terms of providing programming. This interest had been ignited prior to the American television station purchases: two years earlier (1983) News Corp. had commenced its future dominant association with satellite broadcasting with the purchase of 68.8 percent of Satellite Television plc in the United Kingdom. Skyband was an American exercise that in 1982–1983 went nowhere; the notion—to transmit TV programming via one-meter dishes to a domestic U.S. public—was hopelessly underprepared, underfinanced, and underpublicized. In 1986, Murdoch, who had by then become a U.S. citizen to comply with F.C.C. rules on broadcast ownership, bought six Metromedia stations for nearly US$ 2 billion—with Marvin Davis. This purchase price represented a premium of 60 percent over the going rate (10 times annual cash flow) as these stations represented six of the top ten independent stations in the United States, giving News Corp. access to nearly 20 percent of U.S. homes with television sets—a reach comparable to NBC, ABC, or CBS.[17] News Corp. also accepted over US$ 1 billion of debt associated with the stations.

In 1986, under the stewardship of Barry Diller, News Corp. launched Fox Broadcasting Inc, which was the first new U.S. TV network since 1948. By June 1991, the network was producing US$ 550 million of advertising revenues and providing five nights of programming to its affiliated stations. Nevertheless, a huge financial burden had been imposed on News Corp. by years of serious losses. To finance these huge outlays, News Corp. had sought to squeeze more profits out its already highly profitable U.K. press operations. In January 1986, News Corp. moved its U.K. newspapers to the new printing presses at Wapping, with the old technology and five thousand print workers discarded (Tunstall & Machin, 1999,145). As one moment of a wider campaign against unions and industrial democracy within the United Kingdom, the Thatcher government provided support in the form of massive Metropolitan Police numbers and the introduction of anti-trade union legislation. With state support, Murdoch aimed to extract an extra A$ 150 million in annual profits from News International's London newspapers.[18]

Despite the massive debt levels incurred through the acquisition of the film studio and establishing the network, in the late 1980s News Corp. went on a further buying spree, picking up U.S. book publisher Harper & Row and the *New York Post*, as well as Triangle Publications. The acquisition of Triangle for an astounding US$ 3 billion provided News Corp. with the *TV Guide*, the *Daily Racing Form*, and *Seventeen* and other magazines. The purchase of the *TV Guide*, at an exorbitant premium, was especially important because it was the largest selling weekly magazine in the United States with a weekly circulation of 17 million copies. Indeed, together with the other Triangle publications, News Corp. became the largest magazine publisher in the United States in terms of circulation. Nevertheless, other motives

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beyond publishing loomed large, for the deal provided an important vehicle, in the form of *TV Guide*, for promoting the line-up of programs on the newly established Fox Television Network.

6.2.3 News Corp.'s Financial Crisis and the Formation of BSkyB in the 1990s: Reducing Competition and Maintaining Control

In recounting the reasons behind Rupert Murdoch's success, the *Economist* noted "[n]obody exploited the booming media industry of the late 1980s better than Mr Rupert Murdoch's News Corp.—and few borrowed more money to do it."[19] This rapid expansion and the insistence on financing by bank debt in order to maintain control of voting stock led to financial crisis in 1991. News Corp.'s reliance upon large, short-term bank debt had left the corporation with massive repayment (or rescheduling) obligations. By that year, the corporation was carrying an estimated A$ 10.4 billion (US$ 8.3 billion) in debt, including "preference shares," and needed to roll over A$ 2.6 billion and raise an additional A$ 600 million. Yet it was facing the same operating conditions that confronted the newly merged Time Warner: a major recession and a contraction in the debt structures that had propelled the "leveraged" centralization surge of the 1980s.

As Neil Chenoweth details, the News Corp. debt crisis emerged first in the details of a US$ 1.15 billion junk bond deal with Michael Milken to finance the Fox/Metromedia acquisitions.[20] As of March 1989, the junk bond repayments increased, with News Corp.'s share price; yet this debt, masquerading via preferred shares as equity, could not simply be refinanced because it underpinned News Corp.'s credit worthiness. This arrangement was only effectively restructured through the purchase of HWT and QPL's subsequent purchase of A$ 671.5 million of News Corp. shares from Cruden Investments. A second component was the so-called Pittsburgh National crisis that emerged as the weakest link in News Corp.'s debt restructuring. In October 1990, Citibank initiated a three-month process to reschedule A$ 7.6 billion of debt held by 146 banking institutions. The reluctance of the Pittsburgh bank, as well as other Australian and Japanese institutions, to be included in a new debt override agreement was due in no small part to a A$ 1 billion loan that had been raised by QPL to cover the Cruden exchange—that is, it was not News Corp.'s debt but related to Murdoch's stratagem of retaining control of the company. An additional A$ 450 million of Cruden Investment's debt had also been rolled into the restructuring plan. Eventually, the major "First Tier" financial institutions pulled the multitude of News Corp. lenders into line; yet, it was clear that the measures that Murdoch had originally utilized to stave off bank control had made the corporation's bankruptcy much more likely.

To meet the new conditions of the debt override agreement, News Corp. cut its international workforce by 6500 or 18 percent. It also sold media assets, in some cases for well below their purchase price, including the *Daily Racing Form* and its U.S. magazine holdings (except *Mirabella*, which was sold in 1995 to Hachette Filipacchi, and the *TV Guide*) as well as a 49 percent stake in the *South China Morning Post*. Some assets were too good, and indeed too expensive, to let go of however.

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In February 1989, News Corp. had relaunched its Sky channel as a new satellite television service for Britain using the medium power Luxembourg satellite Astra. A year later News Corp. held discussions with NBC, Cablevision, and Hughes Electronics about establishing a similar service in the United States in 1993: Sky Cable.[21] While this venture would pit News Corp. against the dominant cable operators in the U.S., in Britain Sky was set to compete with the British Satellite Broadcasting (BSB), a joint venture of Pearson and the existing independent television (ITV) companies. Although BSB had received the official franchise from the British Independent Broadcasting Authority (IBA) in 1986, its technically advanced and expensive service did not commence service until April 1990. Both this official initiative and News Corp.'s unofficial Sky required huge capital investments: by October 1990 News Corp. had invested £ 550 million, including £ 283 million in losses; BSB had invested over £ 850 million. In early October, News Corp., as part of its agreement with the consortium of banks, sought to merge Sky with BSB, a strategy that was quickly supported by the state-sanctioned satellite service.

The merger of British Sky Broadcasting and Sky Broadcasting was announced on the 2 November 1990. Murdoch had approached Thatcher, a "lame-duck" prime minister, four days earlier and informed her that current losses required News Corp. to merge Sky and BSB to create a single satellite-to-home operator.[22] Thatcher viewed Sky's survival as important because, in her opinion, its "news [was] the only unbiased news in the U.K."[23] Although Thatcher agreed to the merger of the two companies, Tunstall and Machin argue that this was clearly in breach of the letter and intent of the just ratified Broadcasting Act of 1990.[24] Whilst the two previous cases of the *Times* and *Today* newspapers circumvented media regulations on spurious grounds, the Act did not include an optional waiver clause.

Murdoch's ability to break this law resulted from the particularities of the conjuncture, a period of transition between two broadcasting laws and two British Prime ministers. In the case of the liminal state between the two broadcasting codes, the transaction took place during the hiatus of powers of the Independent Broadcasting Authority (IBA), and the satellite regulatory powers of its successor regulatory body, the Independent Television Commission (ITC). Indeed, Andrew Crisell notes that the ITC later instructed BSkyB to demerge or cease broadcasting by the end of 1992, but the satellite broadcaster, by then operating what was "in effect a second system of national broadcasting took no notice of the ruling.[25]

The merger of the two satellite operations was crucial to News Corp. controlling its spiralling debts, which were threatening to bankrupt the corporation. In its initial response, News Corp. sacked 600 employees from BSB, merged the five BSB networks with the four Sky networks, and renegotiated the contracts with Hollywood suppliers downwards to reflect the creation of a monopsony of satellite broadcasting within Britain. Through a number of other measures, which relied on the state, BSkyB was able to hold competition in abeyance and engage in monopoly pricing.[26]

By 1992, BSkyB had two million subscribers, the majority of which were on middle and low incomes, paying £ 17 per month for six channels. Households subscribing to BSkyB were faced with annual above-inflation increases, a predatory pricing policy disguised behind an

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increase in the number of channels made available to subscribers (expanded to thirty-one channels in 1996). Yet BSkyB enjoyed continuous growth largely because it was able to sign an exclusive live television rights deal worth £ 304 million with the FA Premier League (EPL) for the new league's football matches.[27] By 1994, BSkyB made its first profit of £ 94 million; as opposed to advertising, the bulk of its revenues were produced by its subscriber base, which within a year of signing the EPL contract had doubled to almost three million. By 1997, this had grown to 6.1 million customers or a quarter of U.K. TV households. In 1998 BSkyB's transition to a more expensive digital service saw numbers reduce. Nonetheless, by mid 2002, subscriber numbers had grown to 5.7 million, extending to nearly 9 million subscribers in 2005, or a third of U.K. television households.[28]

Through state support and acquiescence, BSkyB had emerged as a second dominant national broadcaster, an outcome that in 1999 Murdoch rewrote, in typical fashion, as competitive populism defying a regulatory elite:

> Ours is a company that has prospered by injecting competition into industries and countries that for a long time favored monopoly suppliers. . . . Britain is a case in point. Ever since television first became available, the government has favored BBC, allowing it to use tax revenues to finance whatever programming the elite thought appropriate to put on air. When we launched Sky Television, we had to cut through a thicket of rules, regulations and customs that were designed to preserve the broadcast monopoly—or, by then, duopoly—that had existed for decades. Through perseverance, and at considerable expense, we have been able to do that. But the battle is on-going: regulators yield power every bit as reluctantly as private monopolies. So we have to do more than accept passively the rules as given.[29]

6.2.4 The Global "Empire" of Satellite Distribution in the 2000s: News Corp.'s Competitive Capital Growth to Control Competition

In early 2000, in the context of the tech-stock share bubble and the acquisition of Time Warner by AOL, News Corp. announced that it would parcel its satellite broadcasting holdings and related technology units into one company, provisionally named Platformco or Platco, part of which it would sell to the public. By 20 June, 2000, when News Corp. filed an initial prospectus with the U.S. Securities and Exchange Commission, the venture had been renamed Sky Global Networks. The newly named venture would group News Corp.'s interests in BSkyB, STAR TV, Sky Brazil, Sky Mexico, Sky Multi-Country Partners, and Sky PerfecTV together with the NDS group and Gemstar-TV Guide International to create the "world's leading distributor of pay-TV," beaming entertainment and services to nearly 85 million households across Europe, India, Greater China, other regions in Asia, the Middle East, and Latin America. As part of this restructuring, the company combined many of its cable holdings into Fox Cable Networks, a new division of News Corp.'s subsidiary the Fox Entertainment Group. While the initial public offering of the satellite operations "spin-off" was continually pushed back, as venture partners were sought and the Internet bubble collapsed, News Corp. was working to gain control over DirecTV, the U.S. satellite company controlled by G.M. subsidiary, Hughes Electronics. Unlike the development of BSkyB in the United Kingdom, the development of News Corp.'s vertically integrated distribution system confronted entrenched competitors.

Robert McChesney argues that during this period satellite distribution was at the center of

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News Corp.'s push for global communication dominance.[30] The possibility of acquiring DirecTV would give News Corp. coverage of the most important television market and counter the significant distribution power of companies such as Time Warner. Indeed, the fortunes and future of the company were now inextricably tied to the business of satellite distribution of television and other interactive services. The purchase of a controlling interest in DirecTV would transform News Corp., a self proclaimed "minnow" in comparison to Time Warner, into the second largest international media corporation with the *ne plus ultra* of distributive vertical integration. With DirecTV's approximately 9 million satellite television subscribers, 26 million out of a world total of 65 million subscribers would be managed by companies controlled or part-owned by News Corp.[31]

In late May 2000, DirecTV's smaller rival, EchoStar, announced it was planning its own bid for DirecTV. To expedite its DirecTV acquisition plan News Corp. bought Liberty Media's 21 percent stake in Gemstar TV Guide International, as well as some Latin American television assets, in exchange for shares in News Corp. and the proposed Sky Global Network. The assets exchange would allow News Corp. to incorporate Gemstar's interactive television guide into the Sky Global investment vehicle; it would also give the project the added imprimatur of Liberty Media's John Malone, much favored on Wall Street.[32] To further support its bid amongst investors and analysts, News Corp. initiated a corporate-wide drive to reduce employment costs and enticed Microsoft to invest up to $US 5 billion for an 8 per cent stake in the proposed merged business, DirecTV Sky Global.[33]

It in fact emerged that because of the structure of GM's ownership of DirecTV, the car manufacturer's satellite DBS subsidiary would need to acquire Sky Global to avoid a massive tax charge. [34] To facilitate a revised proposal, by which Hughes would control 64 percent, and News Corp. approximately 36 percent, and operational control, of DirecTV Sky Global, News Corp. took some non-broadcasting assets out of Sky Global including half of Gemstar TV Guide. Nonetheless, John Malone's Liberty Media Group retained 18 per cent of News Corp.'s equity, the second largest block behind the Murdoch family. The stake temporarily remained "a passive investment position":[35] on the one hand Liberty Media, formerly Tele-Communications Inc., was owned by AT&T, the U.S.'s largest cable operator, a position that due to regulatory concerns effectively limited Malone's involvement in News Corp. On the other hand, AT&T was proceeding with its own plans to spin off Liberty Media to gain regulatory approval for its $US 44 billion merger with the former RBOC, MediaOne.

News Corp.'s desire to control distribution networks, particularly in the United States, has been driven by the need to develop and manage programming content that attracts a high premium across such distribution networks. It is worth retracing some of stages in News Corp.'s attempts to expand into the rapidly consolidating multi-channel market in the United States. As Murdoch wrote in 1996,

> [B]y owning distribution where possible and economical, we don't run the risk of being locked out. For example, here in the U.S. our fX cable channel is unable to gain access to millions of homes since cable operators are either unwilling or unable to give us the clearance.[36]

Control of highly valued content is also crucial. In this regard, as Murdoch argued, "sports is

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the universal language of entertainment."[37] News Corp.'s focus on gaining control of sports broadcasting rights, sporting teams, and sport competitions points to the fact that such entities constitute forms of *social monopoly* that cannot be easily reproduced; and thus generate substantial rents. The success of BSkyB, based on the acquisition of the Premiere League rights, had already proven the importance of sports programming to the development of new distribution platforms. BSkyB renewed its EPL contract for £670 million in 1997 and then for £ 1.1 billion in June 2000. This understanding is central to News Corp.'s unsuccessful attempt to purchase Manchester United, the world's most profitable soccer team, for US$ 1 billion in 1999. In the United States, a similar high-cost strategy was followed: in 1994, News Corp. established the credibility and financial basis of the Fox Network by spending US$ 1.58 billion to outbid other broadcasters for the rights to show National Football League (NFL) games for 4 years. Multibillion-dollar deals followed for the rights to both NFL and Major League Baseball (MBL). Nonetheless, News Corp. lacked access to cable distribution networks to launch lucrative local sports programming such as Disney's ESPN. In October 1995, News Corp. announced a deal with TCI to develop such a network. TCI contributed its Liberty Sports unit's 14 regional cable channels, which reached some 51 million U.S. subscribers. News Corp. paid more than US$ 300 million to Liberty Media and contributed its year-old fX cable network. Liberty's regional cable sports networks, the second biggest in the United States after ESPN, were relaunched with the Fox name.[38]

In 1996, News Corp. launched the Fox News Channel, a 24-hour "all-news" cable channel. The launch of the channel was hampered by Time Warner's decision to carry MSNBC—a new all-news channel from Microsoft and NBC—on half of its cable systems including the important New York franchise. For years, Murdoch has been frustrated by an inability to get carriage for his programming on other companies' distribution systems, especially on cable systems in the United States. As previously noted, the consolidation in the cable industry meant that large cable system operators could dictate the terms on which cable networks operated and indeed whether or not they existed.[39] The Fox News Channel would play an important role in extending News Corp's political influence within the United States.[40] News Corp. executives argued that they were determined to have whatever distribution was necessary to get the corporation's product to its customers.

Already in 1993, News Corp. had acquired 64 percent of STAR TV, an Asian satellite TV network. In 1995, News Corp. bought the remaining 36 percent of STAR and joined with John Malone's TCI, the U.S. cable TV leader, and two Latin American TV concerns to offer satellite TV service in Latin America. Nevertheless, it was the U.S. market, which was fundamentally important to the resilience and growth of News Corp. In the U.S., Hughes' DirecTV business and EchoStar, which together controlled two of three geo-orbital positions above the country (at longitudes 101° and 119° respectively), dominated the DBS business. In May 1995, News Corp. and MCI, the world's third-biggest long-distance telephone group, had announced an agreement by which MCI would invest US$ 2 billion for up to 13.5 percent of News Corp.'s non-voting shares; by December the alliance had begun to lobby the F.C.C. and in January 1996, News Corp. and MCI convinced the F.C.C. to take the satellite license back from the

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cable operators and to put it up for auction. In the auction process for the license, the rival Echostar satellite firm forced MCI and News Corp. to bid a crippling US$ 682.5 million to secure the key satellite orbit position (Longitude 110° W).[41]

In February 1997, after MCI had dropped out of the satellite partnership, Murdoch was forced to deal with EchoStar in an effort to merge News Corp.'s satellite interests into a new combined venture. EchoStar's chairman, Charles Ergen, and Murdoch announced the plan at the News Corp. analysts' meeting on 24 February, and promised their move would decimate the cable companies. The News Corp.-EchoStar direct-to-home satellite service, set to begin in 1998, was referred to as the Deathstar by alarmed cable operators.[42] Nevertheless, despite such hyperbole, for the new Sky to be a competitive threat, News Corp. needed the U.S. Congress to change U.S. copyright law to permit satellite to carry local television broadcasting signals as the cable operators were permitted.

By April 1997, it was clear that a special "Murdoch Clause" attached to an appropriation bill in Congress would be challenged. Meanwhile the cable operators had regrouped and had started refusing new deals to carry Murdoch's programming. News Corp. was forced to break its agreement with EchoStar and begin talks to join forces with the cable operators' satellite operation. News Corp. gave the cable operators its satellite license and satellites. In return, News Corp. took a 30 percent stake in a reformulated PrimeStar and undertook not to compete against the cable operators' joint venture. Nevertheless, as part of the conditions News Corp. had demanded in return for making peace, the cable operators agreed to carry his programming, a decision that secured the US$ 2.5 billion that the corporation had invested in Fox Sports, Fox News Channel, and the fX network. On 9 May 1997, EchoStar brought a US$ 5 billion suit for breach of contract against News Corp.;[43] a year later the U.S. Department of Justice filed suit to block News Corp.'s deal with Primestar. In November 1998 News Corp. and its partner, MCI Worldcom, exchanged their U.S. satellite interests for US$ 1.17 billion in shares in rival satellite broadcaster EchoStar Communications and EchoStar's suit was withdrawn.[44]

Undeterred, and with new cable distribution arrangements, News Corp. expanded its presence in U.S. multi-channel pay TV. In 1997, Murdoch noted in his Chief Executive's Review that News Corp. had made "significant progress on two key objectives—building an unparalleled global distribution platform and developing quality content with lasting and profitable brand names, which appeal to consumers faced with an increasing level of choice."[45] These reinforcing objectives were revisited in the following year's Chief Executive's Review where Murdoch argued that despite the audience fragmentation that was associated with "increasing choice," "the mass audience is there for big events such as the Super Bowl, the O.J. Simpson trial and the World Cup. These occasions are all the more startling because of the increased reach (and demand) provided by developing technology."[46] Thus, we see the search for forms of technological and social rents that permit News Corp. to gain super-profits—this is the basis of the corporation's strategy.[47]

News Corp. continued to expand and reassemble its programming and television software operations. In 1997, News Corp. achieved a cable-programming coup when the corporation's

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Fox Kids joint venture bought Pat Robertson's International Family Entertainment for US$ 1.9 billion. In 1998, the company bought the Los Angeles Dodgers and stakes in the new Los Angeles-area Staples Center sports arena. In 1998, News Corp. sold *TV Guide* to Tele-Communications Inc.'s United Video Satellite Group (renamed TV Guide, Inc.) for US$ 800 million in cash and a 44 percent interest in TV Guide Inc. The company also bought the 50 percent of Fox/Liberty Networks (now Fox Sports Networks) it did not own and transferred ownership to Fox Entertainment (the deal gave TCI/Liberty Media an 8 percent stake in News Corp.). The corporation's debt levels, paired down after the 1990 crisis, started to rise once more: between 1997 and 2001 its debt almost doubled to US$ 15.43 billion, while its total liabilities rose from US$ 13.6 billion to US$ 32.9 billion. A large portion (US$ 5.3 billion) of this outlay was for Chris-Craft's ten television stations; yet as well as thirty five stations in the U.S., News Corp had also amassed ten national cable networks and twelve regional sports services.[48]

While the Chris-Craft deal made News Corp. the largest U.S. terrestrial broadcaster, its efforts to gain control of DirecTV had been stymied by EchoStar, which with an US$ 18 billion offer in 2001 had outbid News Corp. Murdoch had already relied on the F.C.C. to waive the 35 percent U.S. audience share limit for the Chris-Craft deal; now he initiated a second intense lobbying campaign (spending US$ 10 million), which successfully resulted in the regulators blocking the EchoStar deal on antitrust grounds.[49] Having defeated EchoStar, in April 2003 Murdoch cajoled G.M. into a deal and purchased DirecTV for US$ 6.6 billion.

In the interim DirecTV's presence as a subscription-based television provider had continued to grow. When Murdoch originally sought control of DirecTV in 2001 the company had 8.7 million subscribers and sat in third position behind AT&T and Time Warner in terms of the number of subscriber homes reached. By 2004, after Murdoch received formal regulatory approval for the acquisition, DirecTV was the second largest subscription-based television provider in the United States (after Comcast) with 11.6 million subscribers. DirecTV had been a digital operation since 1994, but News Corp. planned to transform pay-TV services in the United States by adopting similar strategies and processes that had proved to be highly successful with its BSkyB operations. BSkyB used a telephone return path to provide "interactive television" to its subscribers: online gaming and gambling and interactive shopping from retailers such as Woolworth's and Domino's Pizza. The BSkyB digital subscriber base had doubled from 2.5 million in 2000 to almost 5 million in 2001 and the company's digital subscribers were spending 10 percent more (US$ 450) than they had on the previous analogue pay-TV films and programs.[50] The basis of BSkyB's success, of course, was its state-granted monopoly position not its technical savvy—critics of the DirecTV acquisition similarly described it as "the ultimate anti-competitive, content-distribution stranglehold media play."[51]

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6.3 CORPORATE OPERATIONS AND CULTURAL PRODUCTION LOGICS

Murdoch has recently provided a deceptively straightforward analysis of the developments of News Corp.'s industrial logic:

> We start with the written word. Then we get to TV, originally with the idea that it will protect the advertising base and it then progresses into a medium of its own with news, programs and ideas. You then look at TV and you say: 'Look, we don't want to just buy programs from a Hollywood studio, we'd better have one. . . . Then comes the issue of people who are going to deliver your programs. Cable is consolidating . . . Instead of having 20 gatekeepers, you are going to have three or four. For content providers, that is very bad news. So, you try to protect yourself in having some distribution power.[52]

The organizational scope of News Corp.'s operations covers an impressive array of cultural production activities, with recorded music production being one of the few areas where it does not have globally significant ventures. As noted, its principal activities in terms of operating income are in the areas of cultural production governed by "flow logic"—newspapers and free-to-air TV—in which advertising plays the primary role in financing its operations. The strength that News Corp. has derived from these areas emanates from the degree of vertical integration the company has pursued, a process which itself remains dependent on state support in terms of regulatory manipulation and abrogation and direct state involvement in the activities of the corporation. News Corp. has used these spheres to underpin its expansion into areas that are governed by a "publishing logic," and processes of direct commodification in which audiovisual operations have in turn been incorporated into the primary areas of operating profit through vertical integration. In 1994, filmed entertainment—motions pictures and television programming—provided 9 percent of News Corp.'s operating income; in 2004 filmed entertainment contributed 29 percent of overall operating income. The focus of News Corp.'s activities is satellite initiatives that appeared to be completed with the control of DirecTV—in May 2004, Rupert Murdoch noted that News Corp.'s operations "now have twenty seven million paid TV subscribers making News the biggest pay TV operator in the world. Next year, we will buy 15 million set-top boxes, which is one-third of all the purchases in the world."[53]

Over a forty-year period News Corp. has developed from its basis in newspaper publishing in two of Australia's medium sized states to one of the players in the development of a global oligarchy of commercial media production and distribution. The rapid pace of development in the field of international media, including the rapid transformation of Vivendi into the second largest media conglomerate, accompanied by a hurried subsequent decline, should not undermine the size of this feat. As Marjoribanks notes "newspapers have always been at the centre of the development of News Corporation, and the founding and subsequent globalization of News Corporation is related to the success of its newspapers."[54] Yet while the corporation itself argues that newspapers continue to be the bedrock of the organization, News Corp. continues to be the most aggressive player in the development of an international array of DBS systems, which provides the basis for Murdoch's trumpeted global communications network.[55]

Together with the globally pre-eminent position of News Corp.'s film and television productions, the satellite operations have provided the key element for the corporation's search for vertical integration on an international scale. Indeed, while the challenge to be the "world's best vertically integrated content, creation and distribution companies" confronts all international media conglomerates, it has often been noted that News Corp. is the foremost media corporation in terms of this model of development.[56] News Corp.'s strategy is to integrate vertically by controlling the distribution of the content it produces. The company has

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been prepared to invest in as much distribution capacity as is necessary to guarantee access to the audiences. The global satellite television operations are complemented in this respect with one of the largest television networks in the U.S and a burgeoning array of cable networks.[57] News Corp.'s Chief Operating Officer, Peter Chernin noted, "We don't want anybody interfering with our ability to access consumers with our content."[58] The advantages are offensive and defensive: offensive because the company can keep down costs by selling directly to in-house companies with regards to issues such as program syndication; and defensive in regard to the fact that vertical integration can make sure that its content finds easier paths of distribution that do not necessarily depend on operating units outside of the corporation. Nevertheless it ensures that other companies will accept the audiovisual content of News Corp., lest the corporation in turn withhold access to its own large-scale distribution networks. Its negotiating strength for access to the content production of other companies is also strengthened.[59] Chernin argued that while News Corp.'s vertically integrated model was much emulated throughout the media industry (for instance the Viacom-CBS content production and broadcasting combination), it remained the most advanced in the world: "in our minds we are ahead of the curve."[60] Moreover the ability to amass such a degree of integration is likely to be impeded by reluctance on behalf of regulators to permit greater concentration amongst News Corp.'s rivals.[61]

While News Corp.'s leading position in terms of international vertical integration is most pronounced in the area of audiovisual content production, its status as a diversified international media and entertainment conglomerate means that its operations must be understood as directly impinged upon and affected by the operational requirements of the corporation as a whole. While filmed entertainment, television, cable network programming, and direct broadcast satellite television might be analysed as distinct industry segments, and indeed are characterized by different and potentially competing economic strategies, today they effectively operate as one industry. The newspaper, magazines and inserts, book publishing, and "new media"—electronic television guide applications and online services—segments have increasingly become tied into the process of audience expansion and commodity realization of the audiovisual content production and distribution operations. Moreover, the cash flow contributions of the print publishing operations have been crucial to audiovisual transformation of News Corp. and have been in turn constrained and shaped by the economic requirements of these latter operations.

Although News Corp. is commonly defined by its satellite television broadcasting business, a "cosmic armada" of distribution platforms covering the United Kingdom and Europe, South America, and Asia, and for a short period North America with the DirecTV deal, the central elements in terms of operating profits, of the New Corp. continue to be those industries engaged in what Miège and others have described as those cultural industries governed by a general flow logic, which in turn can be said to subsume both the activities of electronic broadcasting and the more specific written press logic. These industries include News Corp.'s Newspaper activities, both within Australia and particularly the United Kingdom, the television broadcasting business within the United States and the magazine and insert

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operations primarily based within the United States. Following Miège, we can note that the objective of these industries is to create an audience because the financing of their operations is almost entirely assured by means of advertising. In this sense, News Corp.'s primary cash generating operations are dependent on the advertising outlays of companies within the economy, which is dependent upon both the buoyancy of the economy and the degree to which News Corp. can deliver the desired audience.

6.4 'MURDOCH EXCEPTIONALISM': TRANSCENDING NATIONAL SETTINGS AND ORGANIZATIONAL LOGICS

Discussions of News Corp. have generally noted that there is an "epic quality to the buccaneering story of how Murdoch went on to build News Corporation."[62] For a corporation whose growth has been marked by a number of critical turning points, 2003–2004 marked an important financial year for News Corp. Beyond the record US$ 1.685 billion in profits for the year, the media conglomerate had first, gained control over the U.S. satellite broadcaster DirecTV and, second, began the formal transfer of its headquarters to the corporate-friendly state of Delaware in the United States. Both events can be seen to be intimately related at a number of levels of analysis that exemplify key characteristics of News Corp.: the organizational form and practice that reflects the *de facto* personal possession of the corporation by Rupert Murdoch; and the operational strength of the corporation in terms of international vertical integration and market dominance.

The factors that are often used to differentiate News Corp., center on distinctive aspects of corporate power; the power that derives from an "electronic empire" that is under mogul domination and is what is arguably the "first vertically integrated entertainment-and-communications company of truly global reach,"[63] a claim the company itself repeated in its 1999 Annual Report. Such descriptions are usually commensurate with radical criticism of transnational corporations which places emphasis on action and agency of these corporations—particularly in regard to the comparatively diminished power of the nation states and forms of democratic control—as opposed to the structural context and constraint that affects their operations.[64] From the perspective of radical analysis of transnational media, News Corp. is *the* global media corporation. It is the epitome of the new corporate empire that have used their grasp of new technologies and overall financial and operational scope to escape the confines of the modern world of national culture and nation states and to become sovereign entities in their own right: electronic empires:

> News Corporation perhaps best exemplifies the concept of electronic empires . . . Murdoch's deterritorialized media empire will define the emerging contours of a new global media. . . . The digital globe under construction by Murdoch will lead to empires which have no territories but span the world, with the potential of being more powerful than the territorial-based ones of the past.[65]

A focus on the action and agency of corporations can be, in turn, easily conflated with a focus on the agent-owner. The degree to which "the business strategies and corporate cultures of a Transnational Media Corporation (TNMC) are often a direct reflection of the person or persons who were responsible for developing the organization and business mission" is

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debatable given the institutional structures and coercive capitalist forces involved.[66] The institutional structures relates not only to the established and specific models of strategy formulation in regards to capitalist cultural production. Thus News Corp., as well as being a chief facilitator and opportunist of the reformation of both individual states and the increasingly transnational inter-state system, and international business networks, displays elements of the institutional orders in which it has developed and in whose historical legacy its continues to operate. This is not to argue, however, that News Corp. is a decentralized entity in the mould of Castells' prominent notion of the "networked enterprise" comprised of autonomous localized project-based units.[67] The friction between centralized control and distinct operations mediated through different national institutional settings should not so easily be theorized out of focus.

News Corp.'s expansion, particularly concerning the initial extension into the centrally important markets of the United Kingdom and United States (with lesser examples of success in India and China), has demonstrated a keen and incisive insight into national trends and state development. As a "corporate *übermensch,*" Rupert Murdoch has been credited with the deft negotiation through the shifting balances of power expressed in changing regulatory patterns and broader political alliances. Nonetheless, News Corp. has relied significantly on the cultivation of specific national and local relationships and, as with all successful multinational capitals, those with particular state apparatuses have been central. Here there are numerous examples of favorable regulatory changes—including various readily discernable "Murdoch clauses." However, the reliance on the state goes beyond the issue of the restructuring of media markets. Indeed, the very survival of the corporation has depended upon it. When the corporation faced bankruptcy due to short-term debt in the early 1990s, pressure was placed upon the banking community in the three states in which News Corp. principally operated—Australia, the United Kingdom, and the United States —to permit the restructuring of its operations in a manner that helped to assuage its debt concerns. However, this reliance on the co-operation of three states was itself mediated through and dependent upon the neoliberal agenda of state restructuring in which these three nations had a uniquely linked relationship. That is, there was a unique historical connection thanks to previous uneven historical development of the imperialist chain between and within the United States, the United Kingdom, and Australia.

Rather than the Skocopolian interpretation of the states as individually sovereign actors, as offered in Marjoribanks work on News Corp.'s newspaper operations, a more insightful analysis needs to grapple with an understanding of these states as moments, albeit specific, of a greater totality of a global bourgeois society.[68] In a more concrete sense, these states were moving towards similar institutional restructuring thanks to the manner in which they related in an international state system and encompassed the global economy within their territorial bounds. The question that concerns us then is the way in which News Corp. has used the ongoing nationality of the state system and its transformation to further its internal expansion, concentration, and centralization and, consequently, the company's increasing control over surplus value production and capture within culture industries.

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6.5 MURDOCH: FIRST AMONG EQUALS OF MOGUL-DOMINATED MEDIA

A common refrain is that "Rupert Murdoch has indeed been relentless in building a one-of-a-kind media network that spans the world."[69] Such an assessment underscores another prominent factor that sets News Corp. apart—the degree to which Murdoch is seen as the personification of the "modern corporate entrepreneur" and thus key to understanding the company's operations: "The story of News Corporation is the story of Murdoch and his ambition to climb to the top. It is also about shrewd business gamesmanship and the art of winning."[70] Certainly, Murdoch has built the corporation through maintaining a relatively unique combination of three levels of capitalist control—"possession," that is, limited management or operational control; allocative control or ownership as a relation of production involving the power of assignment and disposition; and legal ownership—which has been functionally, separated in many other media corporations.[71] As one commentator noted, "Rupert Murdoch has always made it absolutely clear that he wants to run his business like a private company, except for whose capital he wants to risk.[72] In the process, Murdoch has both overseen a tremendous centralization of capital while resisting the degree of depersonalization of capitalist ownership that had occurred at least 'formally' in the case of Bertelsmann and, more substantively, in the case of Time Warner.[73]

John Scott notes that overall Australian corporations share the common Anglo-American pattern of ownership and control in which the development from personal to impersonal possession has been characterized by the growth of institutional holdings in large enterprises and their control via constellations of large financial interests.[74] Nevertheless, a far higher percentage of Australian based corporations have been marked by family control.[75] A central component of the maintenance of Murdoch family control was the introduction in 1990 of a two-tier voting system of ordinary voting shares and non-voting preference shares—introduced in the middle of News Corp.'s largest debt crisis, this measure was accepted as a *fait accompli* by the Australian Stock Exchange regulators. While News Corp. has restructured its reliance on debt, this non-voting stock has played a particularly important role as a currency for News Corp.'s growth. Murdoch's share of the preferential shares has fallen from 32 percent in 1994, when these "prefs," actual equity, not junk bonds, were first issued, to 5.61 percent in late 2004; his controlling share of ordinary voting shares has remained largely undiminished.[76]

This is not to discount the holdings of large financial interests in the corporation. In 1993 News Corp.'s top twenty shareholders held 82 percent of News Corp, the highest percentage amongst the largest twenty Australian companies by market capitalization.[77] As Table 6.1 demonstrates below, by 2004 84.9 percent of voting shares were held by the top six shareholders holders and 91.6 percent of the non-voting preferred shares were held by six shareholders. Apart from Cruden Investments, Murdoch's personal investment vehicle, the term *nominees* dominates the corporations' top shareholders. Commonly associated with banks, these nominee companies represent clients whom they are not required to name: banks, mutual insurance or superannuation funds, and occasionally individuals. While shareholder activism increased dramatically during the 1990s in Australia and internationally,[78] Murray notes that

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"finance capitalists intervene when they see their interests at stake in a crisis, and may then step in to suggest changes in strategy and board members, but they normally give day-to-day autonomy to the executive and the board." [79] Given the large fees investment banks receive from facilitating corporate acquisition and divestiture, the role of banks amongst News Corp.'s nominee shareholding companies is telling; over the last decade, and especially in the past five years, News Corp. appears to have generated more bank fees than shareholder dividends.[80] However, the role of other large 'institutional' investors—not least superannuation funds and organizations that advise them on how to vote their proxies—has increased.

Table 6.1 Who Owns News Corporation?

Ownership - Preferred Limited Voting Ordinary Shares		
	Number of Shares	Per Cent of Class
Citicorp Nominees Pty Limited	2,481,574,827	64.13
JP Morgan Nominees Australia Limited	361,339,703	9.34
Cruden Investments Pty Limited and Controlled Entities	217,187,778	5.61
National Nominees Limited	204,481,509	5.28
Westpac Custodian Nominees Limited	187,857,265	4.85
Liberty Media Corp.	93,023,256	2.40
Ownership - Common Equity		
	Number of Shares	Per Cent of Class
Cruden Investments Pty Limited and Controlled Entities	626,966,242	29.86
Citicorp Nominees Pty Limited	598,065,003	28.48
Westpac Custodian Nominees Limited	170,451,885	8.12
JP Morgan Nominees Australia Limited	169,314,475	8.06
National Nominees Limited	154,328,405	7.35
ANZ Nominees Limited	63,672,664	3.03

Source: News Corp.'s Annual Report 2004

This factor, for example, throws a somewhat different light on the formal transformation of News Corp. into a Delaware-based American media group. While from 1985 the center of News Corp.'s operations had moved decisively towards the United States, the corporation had benefited from long-term tax advantages and crucially flexible accounting practices by remaining domiciled in Australia.[81] However, in 2004 in the context of the DirecTV deal and future growth requirements, News Corp.'s management promoted the decision to reincorporate in America as sagacious "capital management"—the costs of accessing capital would be significantly reduced and the corporation's share price would be substantially improved.[82] From the perspective of capital efficiency, News Corp. had finally outgrown its 'home'; yet, issues concerned with the maintenance of Murdoch family control also seemed to be entangled in the decision.[83] For many, Murdoch's decision reflected in part a number of recent challenges to his unquestioned stewardship of News Corp.[84] The reincorporation would increase the company's shareholder base and rationalize the company's ownership structure in such a way so as to maintain the Murdoch family's controlling proportion of voting stock.[85] Moreover, while the courts in Delaware had underscored the prerogatives of management over individual

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shareholders fifteen years earlier in the case of the Time-Warner merger,[86] the new company's constitution gave News Corp.'s management—principally Murdoch and sons—control far beyond the norms of the small state's corporate law.[87]

The reincorporation of News Corp. was less than a certainty given the reservation of major institutional shareholders.[88] In part, this was because the transformation underlined that News Corp. is not only treated liked a private company, but is operated as a "functional dynasty"—certainly not a popular model in the post-Enron era of "good corporate governance." The Delaware move would effectively fortify the corporation's future control by Murdoch's scions—Lachlan and James.

The paradox is that the overall performance of the company has depended on Murdoch's "business model," a model that has made News Corp., while "not the largest media company . . . now the model to beat."[89] Central to the Murdoch style of business has been the wielding of both commercial and "directly political power"—particularly through the use of News Corp.'s newspapers and television operations to support political connections that will further the corporation's business strategy.[90] Partisan support of the Bush administration's invasion of Iraq during regulatory deliberations over the DirecTV deal provided yet another example.[91] Writers such as Bruce Page argue that dynastic installment of Murdoch's sons in key management positions is most likely to see this particular business model replicated:[92] "If the domination of News Corp by the Murdoch family goes, it all goes, because it will no longer be able to deliver the political goodies."[93]

The unending domination of News Corp. by the Murdoch family became less certain as it became clear that some large individual stakeholders lurked behind the anonymous nominee shareholder headings. In October 2004, Liberty Media announced that it had increased its voting shares in News Corp. from 9.2 percent to 17.2 percent by swapping some of its 22.3 percent of the non-voting shares. Liberty's exact position was publicly unclear because the majority of its News Corp. shares were in the form of American Depositary Receipts, which are held as a block by Citicorp Nominees or Chase Manhattan Nominees.[94] While News Corp. introduced a share-diluting "poison pill" measure to limit Liberty's control of News Corp. to 18 percent, the Saudi Prince bin Talal, a major shareholder of both the Citicorp bank and international media companies, sought to entrench the Murdoch family's control.[95] The Prince announced that together with the 6 percent of News Corp.'s non-voting stock held he also owned 4 percent of the voting stock, and he was prepared to exchange his small bloc of non-voting shares for sufficient voting shares to block any attempt at takeover.[96]

By attaining control of DirecTV and unfolding a plan to deepen his control over News Corp, Murdoch undoubtedly reinforced the perception that he as an avatar of business acumen;[97] in fact, doubt arises over dynastic plans precisely because the visionary halo does not extend to his sons. Murdoch is widely respected, if not liked, within the rarefied world of global media management. As the first person to control an international media company personally, his actions and strategies are closely studied.[98] In Australia, News Corp.'s stock market support has been comparatively low due to what has been referred to as the "Rupert discount,"—the outcome of the unorthodox and capricious nature of Murdoch's 'business gamesmanship' and

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the blithe regard his corporation has had for generating profits. Yet broader concerns, and lower valuations, stemming from the noticeable lack of a modern corporate management structure and practice have generally been overridden by a belief in Murdoch's entrepreneurial vision.[99] American investment analysts have been more sanguine; a characteristic refrain amongst them is that:

> Murdoch is someone who is going to lead. He has a great strategic mind. He can see how the world is changing ahead of time. . . . You can add up all these little investments like the newspapers and the Fox Network or you can say, "I want to own a piece of some of the best minds in media."[100]

Michael Wolff sounds a charier note when he states that:

> We admire (secretly admire, anyway) Murdoch because he's created an enterprise that only he would have created. News Corp is an eccentric, nonrational, highly personal company. You're not going to find another manager who could, or would ever try to, convince Wall Street that the parts of News Corp . . . make sense . . . It is not that his sons are uniquely unqualified . . . [rather] no one is qualified to run News Corp.[101]

Arguably, an element of transcending faith is closely linked with the rise of News Corp.—it both underwrites and empowers the ability of Murdoch to present News Corp. as the product of his views and values while remodelling perceptions of himself and thus his company (and indeed his relation to the company) in order to encompass shareholders and lenders, as well as regulators, in the visions being presented.[102] For instance, in reaction to regulatory concerns over foreign media ownership in many of the countries in which it operates, News Corp. has presented an intentionally confused national identity. Yet for some apologists, questions regarding the locus of control within a paranational News Corp. are superseded because Rupert Murdoch is an "international citizen."[103] The belief in Murdoch has become tied up more broadly with the wish-fulfilments of"'millennial" capitalism;[104] Daya Thussu quotes one commentator as saying that "Murdoch is . . . the personification of millennial global business where international frontiers do not exist, national politics are irrelevant and regulatory laws are minor hazards. The only thing that matters for him is the exploitation of markets for profit."[105]

6.6 NEWS CORP. GLOBAL SCOPE: THE QUINTESSENTIAL TRANSNATIONAL MEDIA *CORPORATION*

The acquisition of a controlling 34 percent stake in DirecTV underlined two factors that make News Corp. stand out: the degree to which the corporation is "vertically integrated" and the "global expanse" of its operations. The attainment of the North American link in the corporation's international array of commercial satellite operations completed its strategy of vertical integration;[106] in some instances the shift of News Corp.'s nominal headquarters to the United States has been portrayed as the logical result of this development.[107] The business press had viewed the long foreshadowed DirecTV deal as "the culmination of a long, buccaneering career" for News Corporation's founder, chairman, and C.E.O., Rupert Murdoch. Analysts noted that Murdoch would be "the first to combine entertainment content and digital distribution on a worldwide basis. 'AOL-Time Warner has done it but it is US-centric. Vivendi

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Universal has done it but it is transatlantic. News Corp has done it globally.'"[108] One analyst, Neil Chenoweth, perhaps unintentionally recalling the rhetoric surrounding the ultimately unhappy AOL-Time Warner and Vivendi Universal combinations, argued that DirecTV was "a transforming transaction for him [Murdoch]. He's just going to be an unstoppable colossus."[109]

Amongst News Corp.'s large range on international operations, newspapers remain an area of primary dominance; nevertheless, audiovisual content and distribution has marked out News Corp.'s development into a global media concern, and satellite television has been the defining feature of its global push. The ownership of these distribution systems gives News Corp. unrivalled control over what can be described as the "circuit of cultural commodity capital" or the "circuit of realization," that is vertically integrated control over the production, distribution, and realization of audiovisual products at an international level. It enjoys the economies of scale that come with the ability to aggregate audiences internationally. The organizational implications of News Corp.'s expanding model of vertical integration will be examined in detail later—here it is necessary to critically examine the global expansion of its media operations.

6.7 OPERATIONAL DOMAIN: JUST HOW GLOBAL IS NEWS CORPORATION?

The relative ease with which Rupert Murdoch and News Corp. have expediently redefined notions of nationality underscores that capitals must be designated as global, international, or regional not on the basis of territorial or legal distinctions but on the basis of their circuits of production and valorization.[110] Of course, how the state defines the individual capitals in terms of nationality has critical implications for which circuits of production and valorization are open for exploitation. Yet, in raising to an "art form the ability to persuade regulatory regimes of the exceptions appropriate to his own enterprises," it appears that national media regulation has been viewed as minor impediments to Murdoch.[111]

Tellingly there has been a shift from a "circuit of national capital"—News Corp.'s development of broadly "flow" cultural commodities (newspapers and television) based on regional and eventually national audiences within Australia—to an "international circuit of market constrained capital" through the heavy worldwide investment in newspapers starting with the papers in New Zealand and Britain.[112] Not only were these investments market constrained in the sense that the market for realization was confined to national audiences but these audiences were declining with regards to other media—principally television. Murdoch's success has in part rested upon the ability, via state support, to revitalize press operations at a time when newspaper audiences were generally in decline. News Corp.'s shift in the mid-1980s into the center of the Hollywood entertainment complex was enabled by the "cash-cow" status of these dominant printing operations. Although triggering a debt-laden crisis at the beginning of the 1990s, this key shift in focus of News Corp.'s operations to principally audiovisual content has allowed this TNC to realize a "global circuit of capital."[113] Murdoch inferred this development at the beginning of the 1990 as News Corp.'s push into satellite television began in earnest:

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> It is our policy to be very reserved with regard to global media. There is no such thing as a "global village." Most media are rooted in their national and local cultures. Nonetheless, when you ask me whether global communications networks are a reality, my answer unequivocally is yes [and] will be easier to achieve in television than in print. You always have to be very specific about the type of medium you're looking at. Books are, by nature, global media. . . . Movies are global media. . . . The development of private television channels as a result of deregulation in many markets is likely to widen the basis for international sales [. . . although . . .] they are very clearly separate national operations. But as I said, everything is changing all the time, and you never know where that will lead you.[114]

Australian media scholars, in their attempts to delineate the spatio-cultural dimensions of the global television production, have argued that News Corp. represents the most successful development of a regional capital within a "geolinguistic" field.[115] Indeed, John Sinclair, Elizabeth Jacka, and Stuart Cunningham use News Corp. to illustrate the counterflow in global media away from a simplistic American domination model: "From this base, literally on the periphery of the English-speaking world, [Murdoch] launched his ventures into the largest countries of that geolinguistic region, first Britain and then the USA." While McChesney, for one, argues that all cultures must be torn down and made anew if they stand in the way of profitability of international media corporations,[116] Sinclair is committed to examining media corporations as cultural industries, (an approach which is not as evident amongst his erstwhile co-authors). To understand the globalization of television production and distribution, he argues that "it is necessary, though not sufficient, to take language and culture into account as primary "market forces" which enable major producers and distributors of [audiovisual commodities] to gain access to markets outside of their national origin."[117] Certainly, English has gained a unique role as a central medium of the global economy, and productions from the Hollywood-TV complex seem to transcend readily geolinguistic boundaries and the barriers of cultural distance.[118] Nevertheless, the notion of geolinguistic boundaries—that is the notion that most media are rooted in their national and local cultures—enriches our understanding of the extent and limitations of the various "circuits of cultural commodity capital" that News Corp. oversees. The notion of language and culture as primary "market forces" for instance, reveals much about News Corp.'s shift from predominantly English to predominantly Hindi programming in its Indian Sky TV operations.[119]

However, viewing News Corp. as a player within distinct "geolinguistic" fields reveals less in terms of both the location and nature of "productive capital" controlled by the corporation or its relation to "circulation of money capital" including foreign direct investment (FDI). In this regard, the development of News Corp. within Australia, the United Kingdom, and the United States represented something far more significant than merely a geolinguistic region for English-language cultural commodities. While these regions reveal historical relations of colonialism expressed in terms of territorial patterns of language and culture and ultimately media consumption, News Corp.'s rise represents the continuing legacy of imperialism that relates to forms of power between specific capitals and states.[120] If globalization implies that international capitals become interiorized within the field of the different national states, establishing contacts with numerous state apparatuses,[121] then the strength of these connections will depend upon the degree to which these state fields are already shaped by international constellations of capitalist interests to which individual capitals belong.[122] What is more, the

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connections between state bureaucracies are much stronger. In this regard, in its expansions from Australia to the United Kingdom and to the United States, News Corp. represented importantly both an outsider and an agent of deregulatory change and "at the same time" an internally connected operative.

Moreover News Corp.'s position within Australia, the U.K. and the U.S. has significance far beyond the geolinguistic field of which these countries formed a part. As Jeremy Tunstall and David Machin's work on the special U.K.-U.S. media relationship makes clear, News Corp. was central to a wider push to transform the internal communication relations of these countries.[123] Overturning the social democratic/public service conventions in these national media systems was viewed as a means of invigorating internationally the process by which "capital's demands predominate in redefining the social purposes and institutional functions of world communications."[124] News Corp. is not just a player *within* a geolinguistic field but also a central player within the United States and United Kingdom, states that have actively promoted neoliberal marketization of media systems internationally. However, it should be noted that the successful Murdoch business model was developed and refined within the nationally constrained press and television operations in Australia. For instance, Murdoch gave Jack McEwan, the Australian Deputy Prime Minister, favorable coverage during the federal elections of 1963 and was rewarded by being allowed to transfer money to the United Kingdom to establish his international newspaper operations.[125] That is, News Corp.'s political output, ironically supporting a strong economic nationalist, was central to the facilitation of an international "circuit of market-constrained capital" within News Limited/News International. As Paul Jones has commented "If Robert McChesney is right in describing the US as the 'spawning ground' of neo-liberalism, then the undoing of Australia's half-formed social democracy has provided a very useful incubator."[126]

6.8 THE FORM AND RELATIVE SIZE OF NEWS CORP.

A focus on the shifting circuits of production and valorization that underscore the accumulation strategies of TNCs is important because there is a tendency to equate the tremendous size and scope of many TNCs with a misleadingly straightforward analysis of their supposed spatial behaviour,[127] especially when the analysis defines them as "deterritorialized" electronic empires. Indeed, while News Corp. has been identified as perhaps the only "global" media corporation,[128] based on broad economic measures, the Corporation is one of the smaller of the group of TNCs that dominate international media markets.

For instance, the centralization of capital under News Corp. has preceded steadily throughout the last decade—from US$ 19.671 billion in 1994, the corporation's total assets were approximately US$ 51 billion, or A$ 73.7 billion, in 2004. Yet while this represents more than twice the total assets controlled by Bertelsmann in 2004 (US$ 24.9 billion), it is dwarfed by Time Warner's US$ 120.3 billion. As Table 1.1 illustrated, in terms of revenue in 2003 the company lay seventh behind the restructuring Time Warner and the remnants of the transatlantic Vivendi-Universal operation, followed by the large American media concerns Disney and Viacom, the entertainment arm of Sony, and the German Bertelsmann corporation. More

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specifically in 2003, News Corp.'s revenues (US$ 17.5 billion) were US$ 1.9 billion less than Bertelsmann's US$ 19.4 billion in sales; yet it was only 42 percent of Time Warners US$ 41.8 billion revenues. In 2004, News Corp.'s total annual revenues were approximately US$21 billion.

The market capitalization of the corporation waxed and waned with the fortunes of the three stock exchanges where News Corp. has a significant listing; the Australian Stock Exchange, the London FTSE, and the New York Stock Exchange. In August 2000, News Corp.'s market capitalization stood at US$ 43.411 billion.[129] While the frenzied valuations of media assets had begun to unravel by November 2000, in early 2001 one valuation of News Corp.'s individual components totalled US$ 52 billion (See Table 6.1). By 2005, News Corp.'s market valuation stood at US$ 50.56 billion. By comparison, Time Warner's market capitalization, although having suffered a catastrophic collapse, was US$ 79.06 billion.

Unconsolidated assets, that is, assets not wholly owned by the company, comprise 30 percent of News Corp.'s US$ 50 billion-odd in market capitalization. These entities are viewed as key in the company's global expansion and, given the prevailing pattern of News Corp.'s management control or "possession" of these operations, analysts describes News Corp.'s organizational structure as akin to an "iceberg."[130] Effectively, more than half of its assets are off the News Corp.'s balance sheet. Murdoch has management control of a string of pay-TV ventures around the world, like BSkyB and Foxtel, and DirecTV where News Corp.'s stake is typically about 30 percent. Having gained control of Hughes, and restructured and renamed it as the DirecTV Group, the total value of these operations that Murdoch controls but does not wholly own, together with News Corp. itself, amounts to US$ 92.3 billion. News Corp. has engaged in a number of strategic alliances with other corporations; but it has in most cases sought to gain control of those operations. That is, management control has remained essential. Particularly for the satellite operations, the income revenue is not primary in itself—rather the management control of these operations means that this global content company has unlimited access to a global distribution system.

Table 6.2 2001 Market Value of News Corp. Properties (US$)

Property	*Value*
Fox network	203.5 Million
Fox stations	16.4 Billion
Fox News	4.5 Billion
Fox SportsNet/FX	6.4 Billion
STAR TV	4.8 Billion
Technology	2.5 Billion
Newspapers/UK	4.7 Billion
Newspapers/Australia	5.8 Billion
Newspapers/US	200 Million
Newspaper inserts	1.3 Billion
Book publishing	1.5 Billion
Heritage Media (Inserts)	1.1 Billion
Total	$52.0 Billion

Source: (Higgins 2001)

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In fact, where possible, News Corp. has strengthened its control over its content and distribution assets. In 2004, some of the primary associated entities were fully consolidated within News Corp.: the Fox Entertainment Group and Sky Italia.[131] The acquisition of DirecTV allowed News Corp. to consolidate its Latin American satellite holdings, establishing via the Pan Americana operations pay-TV monopolies in several countries that were dominated by formidable national media corporations: that is Mexico (Televisa) and Brazil (Globo). As many media conglomerates were deconsolidating, News Corp. executives were trumpeting the advantages of greater control.[132]

The extensive nature of News Corp.'s international holdings and directly managed operations, which are situated in North and South America, the United Kingdom and continental Europe, as well as countries on the edges of the Pacific and Indian Oceans (including Australia, India, China, and Japan), is revealed by the extent of its international operations in terms of assets, revenues, and operating profits. For the purposes of financial reporting, News Corp. divides its international operations into three principal areas—the United States, the United Kingdom and Europe, and Australasia.

A noticeable change occurred in 2004 with the percentage of assets in the United Kingdom and Europe increasing to 15.2 percent (following the 2003 purchase of Vivendi Universal's Italian pay-TV unit, Telepiú) and the region's share of News Corp.'s worldwide sales increasing to 28.9 percent.[133] Nevertheless, the United States remains the clear center of the corporation's operations (For example 69 percent of revenues in 2003).

It is this spread of business that has underpinned many of the claims concerning News Corp.'s "global" operations—Terry Flew and Callum Gilmour, for example, have focused upon News Corp.'s internationally dispersed assets.[134] However, on this basis Bertelsmann's asset and revenue spread is, *contra* Compaine, arguably more "global."[135] Moreover, the allocation of assets to precise territories is complicated by the fact that approximately 9.5 percent of News Corp.'s total assets are unallocated corporate assets. The tangible and intangible nature of current and non-current corporate assets—finance, patents, and copyrights—makes it hard to assess "globality" based upon a geographically dispersed assets base. Indeed, many of these unallocated corporate assets may in fact properly be "located" in the United States, a fact intentionally obscured by the arcane nature of News Corp.'s accounting and internal structure. As one tax expert noted:

> If you're in the business of selling information, that's totally portable—it can be anywhere, and there's no reason to assume that the copyright to films that you want to show should be sitting in Australia. . . . Why should they sit in Australia or the U.K. or the United States? There's absolutely no reason why a piece of paper, which is the right to show something, couldn't sit anywhere, so it could be sitting in the Cayman Islands, it could be sitting in the Cook Islands, it could be sitting in Hong Kong.[136]

One example of this is that the non-U.S. profits from movies made by News Corp.'s film company 20th Century Fox flow into a News Corp.-controlled company in the Cayman Islands, a Caribbean tax haven.[137]

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Table 6.3 News Corp's Assets, Revenues, and Operating Profits by Region (%) 1998–2006

	United States and Canada			Europe			Australasia and Other		
	Assets	Revenue	Income	Assets	Revenue	Income	Assets	Revenue	Income
1998	55.3	74	72	13	16	23	9.9	10	5
2000	52.8	74	67	11.1	16	26	7.9	10	7
2002	67.8	77	70	11.1	15	23	9.7	8	7
2004	82.1	57.8	**	9.1	28.9	**	8.7	13.3	**
2006	80.6	55.7	**	8.2	29.8	**	11.1	14.5	**

Source: News Corporation Annual Reports
** Income no longer categorised by geographic region

Indeed, the intra-corporate structure of News Corp. is one of the most complex of any TNC. The media empire of the Murdoch family is constructed upon a highly complicated web of corporate subsidiaries and non-equity partners. Under the present structure, News Corp., still headquartered in Adelaide, South Australia, acts as a holding company; and all of its media business activities are conducted through wholly owned and/or controlled subsidiaries and affiliates. While the holding company employs no one directly, in 2004 News Corp. employed a workforce of 38,000 in and through 1,132 such business units, incorporated in sixty one countries spread across five continents. Unsurprisingly, the majority of these units are incorporated in Australia, the United Kingdom, and the United States, reflecting the primary arc of the corporation's development. Yet, a relatively large proportion (for instance eighty eight of the corporation's four hundred and seventy seven wholly owned companies) are located in Offshore Finance Centers (OFC) in the Americas and in the Indian Ocean—Bermuda, Belize, the Cayman Islands, the British and American Virgin Islands, the Dutch Antilles, and Mauritius—all locations famed for their corporate secrecy and low or tax free business regimes.[138]

It comes as no surprise that News Corp.'s labyrinthine international corporate structure has permitted an especially sophisticated global taxation strategy. The company's increased ability to move finance capital across space in response to corporate objectives has *inter alia* allowed it to reportedly pay just 2 percent global tax annually since the mid-1980s.[139] Of course, the internationality of News Corp.'s relation with external financial capital has not always proved so amicable. While it permitted an aggressive reliance on debt as the basis of expansion in the 1980s, the fact that News Corp.'s networks of creditors were not chiefly based within a single national state posed severe problems in terms of coordinating the loans from 146 banks from around the world, as News Corp.'s crippling debt was restructured in the early 1990s.[140] Nevertheless, the use of Overseas Finance Companies (OFCs) continues to play a central role in News Corp. and the Murdoch family's operations. In November 2004, a week prior to the sale of Murdoch family companies to News Corp. they were moved to the Caribbean (as Carlholt) and listed on the Bermuda Stock Exchange. This measure enabled the Murdoch family to evade stamp duty of A$ 53.16 million and capital gains tax of up to A$ 1.2 billion.[141]

News Corp. is arguably distinguished by the aggressive tax avoidance measures it undertakes.[142] However, as with other media conglomerates, there exists below the network of

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corporate finance an even wider array of connections with specialist production firms, structured into a dense agglomeration and linked to News Corp. through contractual arrangements.[143] Here the social division of labor is marked by an undertaking of physical production activities by small-scale companies, which are dominated by large media and entertainment corporations who control both distribution networks and the ownership and management of intellectual property such as copyrights and product management. Such a division of labor allows transnational media conglomerates to engage in "virtual integration" while building up a global critical mass through control of distribution and finance and intellectual property ownership.[144]

Page has noted that:

> [a]lthough Murdoch and Newscorp have done a great deal to further media globalization . . . the notions he sketched out in the 1970s have since been elaborated—with the aid of philosophers––into a doctrine with many effects, which dresses Newscorp up into a polymorphous supra-national identity.[145]

Murdoch and News Corp.'s public relations machinery have done a lot to propagate this idea:

> News Corporation is determined to become fully global. We can and will become wholly international, establishing ourselves outside the English-speaking world in countries where the language and the culture are strange to us. We have an advantage in this. Our competitors, fine companies though they are, are inevitably dominated by a single national perspective. By contrast, we have international origins. Our senior management is multinational and becoming more so every day.[146]

The degree of complexity of News Corp.'s intra-corporate structures in part explains why News Corp.'s global business model has been variously described as that of a "global network enterprise,"[147] or as one based on the desire of Murdoch to create a nineteenth century vertically integrated corporation.[148] Such patterns reflect the desire of Murdoch to gain control over a vertically integrated company without having to enter into mergers or agglomeration of capital that would undermine his control of the business—certainly this is the central limitation of the network model—the degree to which it is constrained by capitalist property relationships. Nevertheless, for some, News Corp. epitomizes a decentralized organizational form.

Eric Louw has identified News Corporation's global business model as being that of the "global network enterprise," where:

> We can find multiple (and proliferating) styles of control and decision-making being tolerated in different parts of the network, so long as those at the center of the web can gain from allowing a particular practice and/or organizational arrangement to exist in a part of their networked 'empire' . . . Murdoch's News Corporation has emerged as something of a model for this new form of neo-feudalistic cultural production. Various (privatized) niches are part of a single networked entity, [which] 'revolves' around a nodal 'coordinative' fulcrum of the 'Head Office,' which has a similar networking role as that previously played by feudal lords in the pre—bourgeois era. Murdoch is happy for each of his empire's niche components to run autonomously. He uses communication professionals, who understand each sector, to 'work' that niche for him. His power derives not from top-down control of each niche of his empire, but rather from the accumulative influence of reaching into so many different spheres. Allowing for 'difference' becomes a source of strength, just as it was for feudal lords in the middle ages. It is an organizational-style that is neo-feudal rather than managerialist.[149]

In News Corp.'s 1999 Annual Review, Murdoch noted, "We increased our dependence on the 21-member *Executive Committee*, which provides counsel and perspective across our worldwide operations."[150] This move undoubtedly reflects the organizational limitations of the vertical system of control that is epitomized in Murdoch's statement that, for better or worse,

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the company is a reflection of his philosophy—here we see a move towards a horizontal networked management arrangement much hyped by Castells. However, as was noted in chapter 2, we should not over emphasize the degree to which this horizontal devolvement has taken place—as evidenced in the structure and operating parameters of the Executive Committee. While the particular balance of charismatic and bureaucratic forms of organization within News Corp. may be characterized as "neo-feudal" arguments for a global network organization with autonomous niche components appear entirely unconvincing. In direct challenge to such conclusions, Schiller argues that "transnational corporate power over the audiovisual sector is not dispersing."[151]

An account of the abrupt resignation in 1999 of Rupert Murdoch's News Corp.'s top European executive, Letizia Moratti, who was previously chairperson of the Italian state-owned national broadcasting channel RAI Television illuminates this point. "It was clear," observed a reporter, "that Mr. Murdoch thought of her as more of a door-opener and a lobbyist than a hands-on manager."[152] Murdoch himself had earlier stressed that Moratti was valuable chiefly or her connections, essential in furthering his designs on the European audiovisual market: "She's a very distinguished citizen here, a popular one, and known throughout the broadcasting establishment in Europe. When things were difficult, she was able to pick up the phone and talk to any C.E.O. or cabinet minister." Nevertheless, even this distinguished citizen was apparently unable to wrest the power over merely regional strategy from her corporate parent. In Ms. Moratti's own words, "It was necessary to give News Corp. Europe a central role within the European strategies of the group, in order to consolidate the results achieved to date and to face challenges ahead. This belief is not shared by News Corp."[153]

As was argued in chapter 2, *pace* Castells' vision of a new techno-economic system, if capitalist social relations continue to characterize the global economy then the ownership relations of business organizations must also continue to involve vertical hierarchies.[154] Indeed, the increased concentration of multinational corporations on a global scale points to the continuing importance of the power derived from such vertical hierarchies. The Panoptic basis of operations that such concentrated forms gives rise to, the ability to strategically and competitively reorder operations within the conglomerate, is an advantage that today sets apart a small number of transnational companies. The foundation of Rupert Murdoch's 'genius,' argued Time Warner's Richard Parsons, was his ability to "see the whole world as the game board."[155]

6.9 CONCLUSION

The center of gravity of News Corporation has shifted to the United States as it primary operations have developed from newspapers, a medium dependent on regional and national advertising, to high-end filmed entertainment. While the output of its Fox studio produces revenues across the globe, the importance of the American market has progressively increased for this company in a way that distinguishes it from Bertelsmann. Now domiciled in the United States, News Corp. fits clearly into the Liberal Market model for economic firms; nonetheless, the development of News Corp. demonstrates that there is no direct link between ownership

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and control in the case of corporations. News Corp. has been run as a private company and, as such, its transparency and the manner in which its shareholding has been dispersed have reflected the need of Murdoch to maintain control. The decision in late 2006 to divest News Corp.'s controlling interest in DirecTV to maintain and solidify the Murdoch family's control of the overall corporation amply underscored the strain between the productive forms of organization and the limits of ownership and control. Whereas analysis of Bertelsmann often focus on the confining institutional conditions of German capitalism without proper consideration of substantive changes in these structures, analysis of News Corp. has focused too often on the agency of News Corp. and Rupert Murdoch in particular and their ability to transcend the dominant institutional forms and relations of the world economy.

NOTES

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2. Daya Kishan Thussu, ed. *Electronic Empires: Global Media and Local Resistance* (London: Arnold Publishing,1998), 7.
3. James Fallows, "The Age of Murdoch," *The Atlantic Monthly*, September 2003.
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5. Joe Mandese, "Time Warner Dominates Global Media Dollars, Google In Market Value *MediaDailyNews* (2007).
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9. Denis Cryle, "'Deals, debts and duopolies': the print media," in *Public Voices, Private Interests: Australia's Media Policy*, ed. J. Craik, J. James Bailey, and Albert Moran, (St Leonards: Allen & Unwin Pty Ltd., 1995); Keith Windschuttle, *The Media*, (Ringwood: Penguin Books, 1989), 100.
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11. Page, *Murdoch Archipelago*.
12. William Shawcross, *Murdoch*, (New York: Simon & Schuster, 1997).
13. Jeremy Tunstall and David Machin, *The Anglo-American Media Connection*, (Oxford: Oxford University Press, 1999), 145.
14. Tunstall and Machin, *The Anglo-American Media Connection*.
15. Cryle, "'Deals, debts and duopolies': the print media."
16. Thomas Moore, "Citizen Murdoch Presses for More: The Australian Turned American Is The First Global Media Master," *Fortune*, July 6 1987; Page, *Murdoch Archipelago*, 354. In a deferential article in the New York Times, Scardino noted that "Mr. Murdoch's methods for financing his expansion—regularly revaluing his properties in a rising market so that he can increase his borrowings against them—are unusual for the publishing industry in the United States, but the techniques have become common in real estate and are widely used in British Commonwealth countries." Albert Scardino, "His tools: heavy leverage, independent managers and a real zest for doing deals," *New York Times*, August 14 1988, F1.
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19. "The Morning After," *Economist* 316, no. 7668 (1990), 61.
20. Neil Chenoweth, *Virtual Murdoch: Reality Wars on the Information Highway*, (Secker & Warburg, Random House, 2001), 87.
21. Mark Lewyn, "Satellite Broadcasting: Stuck on the Launchpad?," *Business Week*, December 3 1990, 158.

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23. Page, *Murdoch Archipelago*, 419.
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34. Alan Kohler, "Murdoch Takes A Different Tack," *Australian Financial Review*, October 2, 2001. If G.M.'s subsidiary Hughes ownership fell below 51 per cent of the merged company, DirecTV Sky Global, under U.S. law G.M. would face a huge tax bill of $US 10 billion on an asset worth $US12 billion.
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37. News Corporation, *Annual report*, (Adelaide: News Corporation, 1998), para 16.
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51. Michael Wolf, "The Fox Trot," *New York Magazine*, June 25, 2001, para 8.:
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53. Sean Aylmer, “Flow Of News Dictates US Welcome,” *Australian Financial Review*, May 8, 2004, 13.

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59. Garnham, *Emancipation, the Media, and Modernity: Arguments about the Media and Social Theory*; “Global TV; Rupert Murdoch,” *The Economist*, July 10, 2004.

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62. Mark Balnaves, James Donald, and Stephanie Hemelryk Donald, *The Global Media Atlas*, (London: British Film Institute, 2001).

63. Shawcross, *Murdoch*, 399.

64. Graham Murdock, “Large corporations and the control of the communications industries,” in *Culture, Society and the Media*, ed. Michael Gurevitch, *et al.*, (London: Methuen, 1982).

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66. Richard A. Gershon, *The Transnational Media Corporation: Global Messages and Free Market Competition.*, (Mahwah, NJ: Lawrence Erlbaum Associates, 1997), 215.

67. Flew and Gilmour, “A Tale of Two Synergies: An Institutional Analysis of the Expansionary Strategies of News Corporation and AOL-Time Warner”; Eric Louw, *The Media and Cultural Production*, (London: Sage Publications, Ltd., 2001).

68. Marjoribanks, *News Corporation, technology and the workplace : global strategies, local change*. For a useful discussion of “global bourgeois society” and its connection to more concrete class relations mediated through the state, see John Holloway, “Global Capital and the National State,” *Capital and Class*, no. 52 (1994).

69. Fallows, “The Age of Murdoch.”

70. Gershon, *The Transnational Media Corporation: Global Messages and Free Market Competition.*, 195.

71. Jeremy Tunstall and Michael Palmer, “Media Moguls in Britain,” in *Media Moguls*, (London: Routledge, 1991); Daya Kishan Thussu, *International Communication: Continuity and Change*, (London: Arnold, 2000). These three levels operate in a mutually reinforcing manner—the deference that is given to Murdoch on the basis of his comparatively slender legal ownership is based upon the knowledge he retains through the possession and economic ownership of News Corp.’s operations. It is questionable if major shareholders and large institutional investors would be as passive if there were an attempt to pass full operational management and economic ownership to his children.

72. “Malone lifts stake in News to 23 per cent,” *Sydney Morning Herald* (2003); See also Ivor Ries, “With Friends Like This, Who Needs Full Control,” *Australian Financial Review*, April 7, 1999; Ries, “Why Murdoch Needs Malone.” While the same remark could, for example, have been made of Warner Communication’s Steve Ross, Murdoch has maintained legal control over the corporation through Cruden Investments since the corporation’s founding. “Murdoch simultaneously embodies two key constituencies. He held the majority of outstanding shares and dominated managerial decisions as well. To a large extent, News Corporation’s actions reflected his goals. The firm remains a throwback to the organizations of an earlier age before professional management became the corporate norm. To a greater extent than is usually the case, News Corporation is Murdoch. However, the earlier distinction still holds” Craig Freedman, “Citizen Murdoch—A case study in the paradox of economic efficiency,” *Journal of Economic Issues* 30, no. 1 (1996).

73. Michael De Vroey, “A Marxist View of Ownership and Control,” in *Capital and Labour: A Marxist Primer*, ed. Theo Nichols, (Glasgow: Fontana, 1980); Geoffrey Kay, “Notes on Moshe Machover’s ‘The Nature of this Epoch,’” *Critique* 23 (1991); Murdock, “Large corporations and the control of the communications industries”; John Scott, “Corporate Business: Comparative Perspectives,” (London: Sage Publications, Ltd., 1997). Query Ed. Need to confirm city/pub data.CE

74. John Scott, *Corporate Business and Capitalist Classes*, (Oxford: Oxford University Press, 1997).

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75. See also Michael Gilding, “Families and fortunes: Accumulation, management succession and inheritance in wealthy families,” *Journal of Sociology* 41, no. 1 (2005).

76. It should be noted that other American media companies engage a two-tiered voting systems that are similar to that used by Rupert Murdoch at News Corp. The best example is Viacom, where the executive chairman Sumner Redstone owns 28 percent of the company but controls 69 percent of the voting capital. Stephen Mayne, “Is News Corp the world’s biggest media company?,” www.crikey.com.au/articles/2003/10/21–0004.html.

77. Tom O’Lincoln, “Wealth, ownership and power: The Australian ruling class,” *Marxist Interventions* (1996).

78. Doug Henwood, *Wall Street*, (London: Verso, 1998); Scott, *Corporate Business and Capitalist Classes*.

79. Georgina Murray, “Interlocking Directorates: What Do They Tell About Corporate Power In Australia,” *Journal of Australian Political Economy*, no. 47 (2001), 22; see also Malcolm Alexander, “Big business and directorship networks: the centralization of economic power in Australia,” *Journal of Sociology* 34, no. 2 (1998). In 1993 Murdoch tried unsuccessfully to lure investors into issuing “super voting” shares. It was a turning point for corporate governance in Australia—the moment when institutions realized they could tell corporations to “clean up their act” Neil Chenoweth, “News Prefs: A Price Play Waiting To Happen,” *Australian Financial Review*, October 24, 2000; Kate Askew and Wendy Frew, “How Rupert was forced into a backflip,” *Sydney Morning Herald* (2004).

80. “News Corp—Separating Magic From Fact,” *Australasian Investment Review*, April 28, 2005.

81. Ben H. Bagdikian, *The New Media Monopoly*, (Boston: Beacon Press, 2004); Chenoweth, *Virtual Murdoch: Reality Wars on the Information Highway*.

82. News Corp. management argued that the move would increase its access to capital for future growth, in part by rationalising the corporation’s capital structure—through which, via its complex network of companies and trusts, the Murdoch family owned 28.7 percent of the corporation’s voting stock. The move would reduce the costs of raising capital by improving the corporation’s access to U.S. capital markets and increase the demand for News Corp shares by expanding its shareholder base through a listing on New York’s Standard and Poor’s 500 index. A more simplified capital structure would also entice more investors: the reincorporation would involve News Corp buying the Murdoch family out of Queensland Press, valuing the Queensland newspaper assets at A$ 2.5 billion. This 10 percent margin on what many analysts viewed as a fair price for the Queensland Press operations would allow Murdoch to maintain his voting rights at the same time as simplifying the company’s capital structure. Aylmer, 2003. Thus, the new listing and a more simplified capital structure would improve the market valuation for News Corp stock that had been devalued after the corporation issued 130 million American Depositary Receipts to pay for the purchased control of Direct TV.

83. Neil Chenoweth, “Family control is protected,” *Australian Financial Review*, August 19, 2004; Alan Kohler, “Rupert’s shareholders lose out,” *Sydney Morning Herald*, Sepetember 22, 2004.

84. This has included shareholder reaction to what many regarded as the blatant nepotism of installing his son, James, as head of BSkyB and the decision by News Corporation shareholders to vote down generous new share options to the News Corporation management team at the 2003 annual general meeting. But in terms of maintaining effective control, not the least of the potential challenges was the decision of Liberty Media’s principal, John Malone, in late January to increase his company’s stake in News Corp to 9.1 percent of voting stoke, and become the largest equity shareholder with 17 percent of overall economic stock. Geraldine Fabrikant, “In Surprise, Liberty Media Fattens Stake in News Corp.,” *New York Times*, January 22, 2004; Neil Chenoweth, “Malone, Murdoch’s New Best Friend,” *Australian Financial Review*, January 27, 2004; Neil Chenoweth and Sean Aylmer, “Malone Loosens Murdoch’s Grip On News,” *Australian Financial Review*, January 23, 2004. Emily Bell, “Rupert and the joys of nepotism,” *Guardian* (2003); Neil Chenoweth, “Give BSkyB Job To James, Says Lachlan,” *Australian Financial Review*, September 26, 2003.

85. After the reincorporation, Murdoch family interests would control 29.6 percent of the voting rights but only 12.6 percent of the shares Tim Burt, “News Corp in talks to allay concerns,” *Financial Times*, September 23, 2004.

86. Bill Saporito, “The Inside Story of Time Warner,” *Fortune*, November 20 1989.

87. Neil Chenoweth, “Heir apparent chalks up string of losses,” *Weekend Australian Financial Review*, Sepetember 18–19, 2004; Stephen Bartholomeusz, “Why Murdoch’s American dream is bad news for local investors,” *The Age*, September 18, 2004.

88. Burt, “News Corp in talks to allay concerns”; Neil Chenoweth and Ben Power, “Funds lash News Corp’s US Move,” *Australian Financial Review*, September 28, 2004; Neil Chenoweth, “The Men Who Could Sink Murdoch,” *Australian Financial Review*, October 2, 2004. Amongst the more concerned were Australian institutional investors, who in 2000 owned approximately 22 percent of News Corporation stock; in part they were concerned about the harmful effects on the Australian stock markets by the transference of the largest stock on the weighted indexes. The Australian finance journalist Kohler noted in 2001: “Some $25 billion of Australia’s retirement savings has been gambled on News Corporation because it happens to comprise almost 20 percent of the ASX200 index. This is an absurd bet, especially considering it is done in the name of lowering risk. Australia’s colossal pension fund bet on News Corp. is even more absurd when you consider it is not really an Australian

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company; it just happens to be a part of the local index because of a historical aberration. It was one of the first local corporations to relocate for growth, but kept its local listing." Alan Kohler, "The Great Asset Divide: It's So Silly," *Australian Financial Review*, March 31, 2001. Kohler, not an employee of the News Corp. press in Australia, later noted more emphatically that while the "bovver boys in News Corp papers are aggressively spruiking the deal, as you'd expect, with statements like: "News Corp has to shift to the US. No half-sane, half-intelligent person . . . believes otherwise," institutional investors were concerned by the fact that "The heart of the [reincorporation] deal—and possibly its main purpose—is that shareholders are being asked to hand greater control of the company to Rupert Murdoch and his heirs and to give up their protection against him selling control without a full takeover." Alan Kohler, "News Corp. move is a no-brainer for brainless," *The Age*, September 22, 2004.

89. Fallows, "The Age of Murdoch." Fallows lists this successful business model as encompassing a distinctive combination of "an instinct for mass taste, an appreciation of technology, a concept of strategic business structure, and a knack for exploiting political power." Similarly Thussu notes that what "distinguishes Murdoch, [is] his business acumen and a willingness to take risks . . . an extensive knowledge of media operations, a very pragmatic political agenda and an instinctive feel for the market." Thussu, ed. *Electronic Empires: Global Media and Local Resistance*.

90. John Street, *Mass Media, Politics and Democracy*, (London: Palgrave, 2001); Tunstall and Machin, *The Anglo-American Media Connection*.

91. Chenoweth, "How I Won The War." Indeed, as Chenoweth notes Murdoch's operations led support for three governments of the "coalition of the willing"—in the United States, Britain, and Australia—at time when regulation changes that would affect News Corp. were in a process of final development in all three.

92. Page, *Murdoch Archipelago*.

93. Wendy Frew, "The trick is all in the family," *Sydney Morning Herald*, October 4, 2003.

94. Chenoweth, "News Prefs: A Price Play Waiting To Happen."

95. Saudi Prince Al-Waleed bin Talal is the fourth richest person in the world with an estimated worth of $US 21.5 billion; he is Citicorp's largest shareholder and has stakes in numerous media companies internationally, including Time Warner and the Italian Mediaset. Ben Bagdikian, "Now Murdoch, Like The Bushes, Needs Saudi Money," *Z Magazine* (2004).

96. Bagdikian, "Now Murdoch, Like The Bushes, Needs Saudi Money"; Richard Webb, "Thrills galore on Murdoch's roller-coaster," *Sydney Morning Herald*, November 22, 2004; Geraldine Fabrikant, "Murdoch Moves to Avoid a Friendly Fight for Control," *New York Times*, November 17, 2004.

97. McChesney, *Rich Media, Poor Democracy: Communication Politics in Dubious Times*, 96

98. Thomas Frank, "Liberation Marketing and the Culture Trust," in *Conglomerates and the Media*, ed. Erik Barnouw, (New York: The New Press, 1997); Moore, "Citizen Murdoch Presses for More: The Australian Turned American Is The First Global Media Master"; Herman and McChesney, *The Global Media: The New Missionaries of Corporate Capitalism*.

99. Alan Kohler, "How Murdoch Is Killing Your Fund Manager," *Australian Financial Review*, March 4 2000. Kohler noted, "given all things institutional investors say they hold sacred, News Corporation should be the worst performer. It has a too powerful chairman-chief executive who practices breath-taking nepotism, its reporting standards are derisory, its structure is too complicated, and its executives make little or no effort to properly explain it to the market." Alan Kohler, "Go Figure: News is flying," *Australian Financial Review*, June 20–21, 1998.

100. Aaron Patrick, "Why Americans Love Murdoch More Than We Do," *Australian Financial Review*, October 21, 2000, 25

101. Wolf, "The Fox Trot."

102. "News Corp—Separating Magic From Fact"; Chenoweth, *Virtual Murdoch: Reality Wars on the Information Highway*. "For better or for worse, our company News Corp is a reflection of my thinking, my character, my values."—Rupert Murdoch specking on ABC News in 1997 cited in Terry M. Boardman, "Patten & Murdoch—David & Goliath," www.info3.de/ycms/artikel_1132.shtml. Indeed, when necessary Murdoch has argued that he is not in control of News Corporation when the ownership considerations have been the focus of regulatory scrutiny—see Page, *Murdoch Archipelago*.

103. Jessica Reif, "Risky Business: How To Build A Global Media Empire—April 1995," (San Francisco: Red Herring Communications, 1995). In a characteristically breathless endorsement of News Corp, Jessica Reif Cohen noted that" [Its] holdings make News Corp. the first media empire to achieve globalization. It would be hard to say that the company is Australian at its core, or British, or American, because its founder, Rupert Murdoch, is an international citizen. He understands the tastes of audiences, across continents, better than any media executive." Reif, "Risky Business: How To Build A Global Media Empire—April 1995." The emphasis on international citizen ties in with the utopian and humanist aspirations that Paul Sweezy and Harry Magdoff argue were originally the basis of the use of the term *multi*-national corporation. P. Sweezy and H. Magdoff, "Notes on the Multinational Corporation," in *The dynamics of U.S. capitalism: corporate structure, inflation, credit, gold and the dollar*, (New York: Monthly Review Press, 1972).

104. Paul Smith, *Millennial Dreams: Contemporary Culture and Capital in the North*, (London: Verso, 1997).

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105. Thussu, ed. *Electronic Empires: Global Media and Local Resistance*. While the omnipotence of the "Gods" of the information-sodden age has diminished somewhat since the end of the 1990s' tech-stock boom, the charismatic authority of Murdoch *qua* entrepreneur remains an important factor in terms of the operations of News Corp. and demonstrates "as the Frankfurt School used to say, that capitalist rationality sustains itself by sniffing the admixed vapours of positivism and magic" Smith, *Millennial Dreams: Contemporary Culture and Capital in the North*, 11; See also David F. Noble, "Prologue: Gods and Mortals," in *Global Productions: Labor in the Making of the "Information Society,"* ed. Gerald Sussman and John A. Lent, (New Jersey: Hampton Press Inc., 1998).

106. "Global TV; Rupert Murdoch"; Thussu, *International Communication: Continuity and Change*; Barr, *Newmedia.com.au: the changing face of Australia's media and communications*.

107. Terry McCrann, "News move story is straight up and down," *Australian* October 23, 2004.

108. James Harding, "An old man takes over the world," *Financial Times*, May 5, 2001.

109. Sophie Hares, "Murdoch straddles world stage with DirecTV deal," Factiva.

110. C. Palloix, "The Internationalization of Capital and the Circuit of Social Capital," in *International Firms and Modern Imperialism*, ed. H. Radice, (London: Penguin Books, 1975); Rhys Jenkins, "Theoretical perspectives on the transnational corporations," in *Transnational Corporations and Uneven Development: The Internationalization of Capital and the Third World*, (London: Methuen & Co. Ltd., 1987); Bill Pritchard and Robert Fagan, "Circuits of Capital and Transnational Corporate Spatial Behaviour: Nestlé in Southeast Asia," *International Journal of Sociology of Agriculture and Food* 8(1999); Dick Bryan, *The Chase Across the Globe: International Accumulation and the Contradictions for Nations States*, (Land Cove: Harry Howell, 1995); Dick Bryan, "The state and the internationalisation of capital: an approach to analysis," *Journal of Contemporary Asia* 17, no. 3 (1987).

111. Peter Golding, "New Technologies and Old Problems: Evaluating and Regulating Media Performance in the "Information Age,"" in *The Media in Question: Popular Cultures and Public Interests*, ed. Kees Brants, Joke Hermes, and Lisbet van Zoonen, (London: Sage Publications, Ltd., 1998).

112. It is interesting that Murdoch's opinion at the time, as expressed through his newspaper's editorial orientation, was populist/nationalist in orientation, beginning with a strong sense of Australian economic nationalism, and supporting popular-nationalist policy stances through the Sun newspaper in England. It was not until the late 1970s, when neo-liberal thought was ascending in the English-speaking world that Rupert Murdoch's social libertarianism transformed into a thorough-going economic libertarianism David McKnight, " "A World Hungry for a New Philosophy": Rupert Murdoch and the rise of neo-liberalism," *Journalism Studies* 4, no. 3 (2003).

113. Bryan, "The state and the internationalisation of capital: an approach to analysis."

114. Wolfgang J. Koschnick, "I can think of more important things than being loved by everybody.," *Forbes*, November 27, 1989.

115. J. Sinclair, E. Jacka, and S Cunningham, eds., *New Patterns in Global Television: Peripheral Vision* (Oxford: Oxford University Press, 1996), 24

116. McChesney, *Rich Media, Poor Democracy: Communication Politics in Dubious Times*.

117. John Sinclair, *Latin American Television: A Global View*, (London: Oxford University Press, 1999), 1; see also J. Sinclair, "Geolinguistic Region as Global Space: The case of Latin America," in *The New Communications Landscape: Demystifying Media Globalization*, ed. Georgette Wang, Jan Servaes, and Anura Goonasekera, (London: Routledge, 2000).

118. While the English language is the residue of English colonialism, it has come to represent the current economic and cultural expansion of North America. Yet insofar as English has become a global institution—one that, deeply entrenched in diverse parts of the globe, stands beside the extension of the global capitalist economy though intimately implicated with this economy—it has become increasingly detached from its traditional geolinguistic moorings.

119. Daya Kishan Thussu, "Localising the global: Zee TV in India," in *Electronic Empires: Global Media and Local Resistance*, ed. Daya Kishan Thussu, (London: Arnold Publishing, 1998); Geetika Pathania-Jain, "Global Parents, Local Partners: A Value-Chain Analysis of Collaborative Strategies of Media Firms in India," *Journal of Media Economics* 14, no. 3 (2001).

120. See, *inter alia*, Oliver Boyd-Barrett, "Media Imperialism reformulated," in *Electronic Empires: Global Media and Local Resistance*, ed. Daya Kishan Thussu, (London: Arnold Publishing, 1998).

121. Leo Panitch, " "The State in a Changing World": Social-Democratizing Global Capitalism?," *Monthly Review* 50, no. 5 (1998); C. Harman, "The state and capitalism today," *International Socialism*, no. 51 (1991).

122. Scott, *Corporate Business and Capitalist Classes*.

123. Tunstall and Machin, *The Anglo-American Media Connection*.

124. Dan Schiller, "World Communications in Today's Age of Capital," *Emergences* 11, no. 1 (2001).

125. Page, *Murdoch Archipelago*.

126. Paul Jones, "Regulating for freedom: media lessons from Australia," *Open Democracy* (2003). See also McKnight, " "A

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World Hungry for a New Philosophy": Rupert Murdoch and the rise of neo-liberalism." McKnight notes 2003:353 "[b]y the time of the election of Margaret Thatcher *The Australian* had articulated many of the ideological elements of what became known broadly as Thatcherism."

127. Pritchard and Fagan, "Circuits of Capital and Transnational Corporate Spatial Behaviour: Nestlé in Southeast Asia."

128. Benjamin Compaine, "The myths of encroaching global media ownership," *Open Democracy* (2001).

129. Lisa DiCarlo, "Stock Focus: Content Kings," *Forbes.com* (2001); Peter Kormendy, "News Corp eyes US cable channels," *Australian Financial Review*, April 17, 2001.

130. Chenoweth, "How I Won The War"; Mayne, "Is News Corp the world's biggest media company?."; Diane Mermigas, "News Corp. believes big is a benefit," *Hollywood Reporter*, April 8, 2005.

131. In late September 2004 News Corporation purchased Telecom Italia S.p.A.'s 19.9 percent stake in Sky Italia for €88 million US$ 151 million.

132. Mermigas, "News Corp. believes big is a benefit."

133. In 2004, 67 percent of News Corp.'s assets were located in the United States, 15.2 percent in United Kingdom and Europe, 8.2 percent in Australasia, which includes Australia, Fiji, Papua New Guinea, New Zealand and, less specifically, "Asia." As noted below, approximately 9.5 percent of total assets are unallocated corporate assets.

134. Flew and Gilmour, "A Tale of Two Synergies: An Institutional Analysis of the Expansionary Strategies of News Corporation and AOL-Time Warner." Grazia Ietto-Gillies, "Different conceptual frameworks for the assessment of the degree of internationalization," *Transnational Corporations* 7, no. 1 (1998). Gilmour and Flew appear to have incorrectly attributed the unallocated corporate assets of News Corp to its Asian and Latin American operations—this gives an impression of News Corp.'s global footprint that seriously misrepresents the nature of the corporation's international holdings.

135. Compaine, "The myths of encroaching global media ownership." In 2003, Germany accounted for 30.7 percent of Bertelsmann's assets and 44 percent of revenues; other European countries accounted for 38.6 percent of assets and 31 percent of revenues; the United States accounted for 25.1 percent of assets and 17.5 percent of revenue; whilst its remaining operations in other countries accounted for 5.6 percent of assets and 14 percent of revenues.

136. Kylie Morris, "Not Shaken, Not Stirred: Murdoch, Multinationals and Tax," in *Background Briefing* (Australia: ABC Radio National, 1998).

137. Paul Farhi, "Murdoch Empire Finds Business Not So Taxing Offshore," *Washington Post*, December 7, 1997.

138. Sheryle Bagwell, "Murdoch Pays Zero Tax For 11 Years," *Australian Financial Review*, March 22, 1999; "News Corporation's tax bill hits the headlines," *International Tax Review* 9, no. 3 (1998); Russ Baker, "Murdoch's Mean Machine. (Rupert Murdoch's Use of Media)," *Columbia Journalism Review* 37, no. 1 (1998); Prem Sikka, "The role of offshore financial centers in globalization," *Accounting Forum* 27, no. 4 (2003); Sol Picciotto, "Offshore: The State as Legal Fiction," in *Offshore Finance Centers and Tax Havens. The Rise of Global Capital*, ed. Mark P. Hampton and Jason P. Abbott, (London: Macmillan Press Ltd., 1999). According to News Corp.'s Full Financial Report, 2004, 477 business units in 29 countries are wholly owned by News Corporation Ltd. Of the 477 wholly owned companies, 313 were incorporated in Australia, the United Kingdom, and the United States.

139. Farhi, "Murdoch Empire Finds Business Not So Taxing Offshore"; Bill Pritchard, "The tangible and intangible spaces of agro-food capital" (paper presented at the Paper presented at the International Rural Sociology Association World Congress X, Rio de Janeiro, Brazil, 2000); Morris, "Not Shaken, Not Stirred: Murdoch, Multinationals and Tax."

140. Chenoweth, *Virtual Murdoch: Reality Wars on the Information Highway*; Harman, "The state and capitalism today."

141. Neil Chenoweth, "Murdoch dodges tax of $1.25bn," *Australian Financial Review*, March 23 2005; Stephen Mayne, "Rupert's $50m Bermudan tax lurk," *Crikey Daily*, March 22, 2005.

142. Morris, "Not Shaken, Not Stirred: Murdoch, Multinationals and Tax."

143. Aida A. Hozic, "Uncle Sam goes to Siliwood: of landscapes, Spielberg and hegemony," *Review of International Political Economy* 6, no. 3 (1999); Allen J. Scott, "The other Hollywood: the organizational and geographic bases of television-program production," *Media, Culture & Society* 26, no. 2 (2004); Allen J. Scott, "A New Map of Hollywood and the World" (paper presented at the ERSA conference, 2002); Allen J. Scott, *The Cultural Economy of Cities*, (London: Sage Publications, Ltd., 2000); Michael Storper and S. Christopherson, "Flexible specialization and regional industrial agglomerations," *Annals of the Association of American Geographers* 77, no. 1 (1987).

144. Susan Christopherson, "Flexibility and Adaptation in Industrial Relations: The exceptional Case of the U.S. Media Entertainment Industries," in *Under the Stars: Essays on Labour Relations in Arts and Entertainment*, ed. L. S. Gray and R. L. Seeber, (Ithaca: Cornell University Press, 1996). Asu Aksoy and Kevin Robins, "Hollywood for the 21st century: global competition for critical mass in image markets," *Cambridge Journal of Economics* Vol. 16 (1992); Joost Smiers, *Arts under Pressure: Promoting Cultural Diversity in the Age of Globalization*, (London: Zed Books, 2003).

145. Page, *Murdoch Archipelago*, 164–65.

146. News Corporation, *Annual report (*Adelaide: News Corporation*)*, para 11.

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147. Louw, *The Media and Cultural Production*; Terry Flew and Stephen McElhinney, “Globalization and the structure of new media industries,” in *The Handbook of New Media*, ed. L. Lievrouw and S. Livingstone, (London: Sage Publications, Ltd., 2002); Flew and Gilmour, “A Tale of Two Synergies: An Institutional Analysis of the Expansionary Strategies of News Corporation and AOL-Time Warner”; Timothy Kevin Marjoribanks, “Strategising Technological Innovation: The Case of News Corporation,” in *Media Organization and Production*, ed. Simon Cottle, (London: Sage Publications, Ltd., 2003).

148. Anthony Smith, *The Age Of The Behemoths: The Globalization Of Mass Media Firms*, (New York: Priority Press Publications, 1991).

149. Louw, *The Media and Cultural Production*, 64, 99–100; see also Flew and Gilmour, “A Tale of Two Synergies: An Institutional Analysis of the Expansionary Strategies of News Corporation and AOL-Time Warner.”

150. News Corporation, *Annual report*, (Adelaide: News Corporation, 1999), para 8.

151. Schiller, “World Communications in Today’s Age of Capital.”

152. Martin Peers, “Who’s News—News Corp.’s European Chief Executive Resigns After Dispute Over Her Role “ *Wall Street Journal*, September 29, 1999, B15.

153. Matthew Doman and Scott Hettrick, “At News Corp., a son rises,” *Hollywood Reporter*, October 5, 1999, 78.

154. Nicholas Garnham, “Information Society Theory as Ideology: a Critique,” *Society and Leisure* 12, no. 1 (1998); Greg Albo, “Contesting the “New Capitalism,”” in *Varieties of Capitalism, Varieties of Approaches*, ed. David Coates, (London: Palgrave, 2005).

155. Richard Parsons cited in Dan Schiller, *How to Think About Information*, (Chicago: University of Illinois Press, 2007), 120.

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Conclusion

In *Corporations and Cultural Industries* I have examined some of the key factors that have marked the development of the transnational media conglomerates Time Warner, Bertelsmann, and News Corporation. All three have expanded rapidly since the 1970s to be leading international agents in the commodification and integration of cultural production in the advanced and 'emerging' capitalist economies. These processes appear to be inexorable and certainly, commentaries in the trade press and elsewhere invoke a never-ending series of new developments, which purportedly pose far-ranging changes to how we will experience industrially produced communication and information. Stories about the levelling effects of 'social network' internet sites intermingle with those on the growing influence of highly concentrated private equity firms in the media and cultural sector. In order to tie together the various strands of the book's argument and to provide a basis to judge the implications of ongoing developments in the world's media and cultural sectors it will be useful to re-examine some of the central arguments raised in the early chapters of this book in the context of the case studies examined.

The primary aim of the book has been to analyse the way in which the development of the three corporations embody the expansion of capitalism into the realm of culture and information in manner which if unrelenting is also highly uneven. In the last thirty-five years this process has been accentuated but it has not been a straightforward process of expanding markets and enclosed cultural commons. It has been beset by contradictions and hence uncertainty for the very companies and countries that have driven the process. Indeed, the incorporation of capitalist cultural production within the institutional embrace of large transnational corporations has not entailed the smooth transference of cultural and information into profit making commodities. Different cultural goods and practices pose different problems in terms of commodification and realization and offer different rates of return on investment. Time Warner, Bertelsmann, and News Corp. have dealt with these problems in a competitive manner, investing and operating distinctly in diverse cultural industries.

The competitive search for new profitable areas of investment has driven the processes of commodification; but commodification has in turn driven competition. Once cultural production is evaluated primarily in terms of a 'for-profit' basis, it becomes entangled with investment calculations and comparisons that extend across the economy. However, a consequence of the competitive evaluation of distinct cultural operations, both within and between corporations, is the tendency for the specificity of the different models of cultural production to become reduced, even if this process is not always fully realised.

These processes of development within the cultural industries are frequently seen primarily as industrial and organizational issues that emerge from the capitalization of cultural

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production. However, this perspective obscures the fundamentally political nature of the development of these three corporations and the fact that this cannot be separated from the history of the advanced capitalist economies in which they have operated. Rather than being simply coordinators of industrial productions systems, Time Warner, Bertelsmann and News Corp. are also the institutional vehicles of capitalist classes which are driven by the imperatives of competition, profit maximization, and accumulation.[1] This period of accelerated cultural commodification coincides with the restoration of class power through the political project of Neoliberalism.[2]

Processes of financialization, as a strategy of this restoration and a consequence of the relentless processes of global integration, have seen expanding competitive pressures mark the strategies and actions of the companies as an international criteria of profitability has become increasingly dominant.[3] Nonetheless, this social logic of capital should not be assumed to produce a pattern of restructuring that leads to systemic convergence: for while

"capitalist development is driven by encompassing competitive imperatives to adapt to the world market and the laws of accumulation, . . . it is also always differentiated by particular strategies of social actors, mediating institutions and political conflicts."[4]

In examining these processes of differentiation this book has drawn upon three subsets of social science research that are rarely combined: the examination of the social logics and strategies associated with different types of cultural industries; the conditioning role of wider capitalist 'business systems' and; the role of nation states in expanding capitalist cultural productive and mediating the interests of individual capitals within an unequal interstate system. As integration reinforces competition, these differentiating elements drive a process of uneven development that is marked by processes of convergence and divergence.[5]

I OWNERSHIP MATTERS: THE STRUCTURAL CAPACITY OF CONCENTRATED OWNERSHIP AND CONTROL

Bertelsmann, News Corp. and Time Warner are powerful firms whose control over the circuit of international cultural production derives from the concentrated forms of capital contained within their corporate forms and their strategic position within various global production networks.[6] In analysing the power of these firms, *Corporations and Cultural Industries* has used the dominant frame in the political economy of communications, what Brett Christophers refers to as the question of "organized power" but is better referred to as *structural power*.[7] This is where power is essentially an 'inscribed capacity' that is linked to the social relations of production, from the location of capitals or workers within the economic system.[8] The essential power of capitals is tied to the ownership and accumulation of capital; at the same time this book has examined how the power of ownership is defined by structural imperatives of competitive accumulation, and how this imperative has taken on historically specific forms.

The question of the relation between ownership and the determination of corporate strategy is central to critical political economy. Nonetheless the relationship between the power of owners and the structural opportunities and constraints presented by a changing operating environment is complex and open to different understandings. The political economic approach

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of this book uses the analytical perspective of the duality of structure: capitals "operate within structures that constrain as well as facilitate, imposing limits as well as offering opportunities."[9] Yet it has sought to avoid some of the weaknesses of structuration theory by insisting on the historical specificity of structures as well as an ordering and prioritising of the analysis of these structures. Here capitalism is viewed as being marked by historically specific, relational and contradictory structures—the capital-labor relation, the competitive relation between capitals and the relation between forces and relations of production.[10]

As noted, specific power or *structural capacities* are conferred upon agents due to their position in the relations of production. The effectiveness of these capacities nonetheless varies and has been dependent on the social structural conditions under which capitals act; moreover as emphasised in Chapter One such structural conditions confront individual capitals with a series of choices, all of which turn around the imperatives of competitive accumulation. Recognition of structural capacities and imperatives forestalls recourse to an instrumentalist approach to large corporations, often associated with radical critiques of corporations that offer a voluntarist conception of managerial decision making: as Chapter Six examined, this is a particularly common prism for viewing Rupert Murdoch's News Corp. At the same time, an emphasis on competitive imperatives does not imply that ownership—be it in is operational or allocative modes—is not central in determining corporate strategy, as per mainstream economics' anti-managerial arguments about how the combined pressures of product markets, labor markets and capital markets constrains managers to act 'efficiently.'[11] Both approaches overlook contradictions in the system and the fact that for corporate owners "strategic choices exists, not because of the absence or weaknesses of structural determinations, but because these determinations are themselves contradictory."[12] In practice, as Mosco notes, strategic choice cannot be reduced to simple objective assessments of the 'bottom line' and requires attention to 'constitutive, interactive and micro-level power.'[13]

The approach adopted in this book has been cognisant of arguments for associational, networked or relational analysis of power which stress both the importance of how firm strategy is envisioned by managers (an aspect that is addressed in Chapter Two for example in relation to 'business models' based upon socio-economic logics and modes of rationality); and how managers' strategy is formulated and enacted within relational networks comprised of other economic and institutional agents (networks that in Chapter Two have been argued to be characterised by increasingly transnational connections, albeit heavily weighted towards transatlantic links).[14] The balance between relational and structural power of large capitals is open-ended, but this book's case studies of News Corp., Bertelsmann and Time Warner have shown how concentrated economic forms and tightly held ownership confers structural capacities to act, be it to expand media production, introduce new communication technologies or shape state regulatory policies.

An emphasis on structural capacity within capitalist social relations forestalls many of the shortcomings of arguments about networked power. While, as noted in Chapter Two, early work on networks tended to stress new forms of interpersonal trust and collaboration,[15] thankfully most recent work on production networks have left earlier uncritical assumptions

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about collaborative mutuality behind and have begun to address more directly questions of power within networks, including not only active consumers and 'produsers,' but capitals and organized labor.[16] However, the focus on power within networks tends to analyse this as a characteristic of the structure of these network forms themselves and the strength of associational power based upon the relations between agents within specific networks.[17]

A clear example of this tendency is Castells' extended discussion of multi-national media corporations that operate through a 'global network of media networks' which are in turn ensconced in a meta-network of media corporations and finance.[18] Here Castells speaks of concentrated ownership and the structural capacity of groups of individuals to control access to networks and to shape their form and function. Yet his notion of networked power is based on a conception of structural capacity where social structure is constituted by, and limited to, the institutional arrangements of networks:[19] explicitly following actor-network theory, Castells denies *underlying* social structures and causal processes and prioritises minute descriptions of micro-processes of power as a relational achievement internal to network forms of social organization. The 'flat ontology' that is presented offers a very limited understanding of structural capacity.[20]

In Arsenault and Castells account of News Corp, Murdoch's power derives from his position as 'meta-programmer' in global media networks and from his ability to *switch* or control connection points between different networks and participate in networked power associations both within News Corp. and broader media, finance and state networks. In this vision of relational power an important element of News Corp.'s development is strangely neglected. As analysed in the previous chapters, both News Corp. and Bertelsmann continue to display highly concentrated forms of family ownership and control exercised via foundations and holding companies. The concentrated wealth that the Murdochs and Mohns have amassed is a form of class power, and expression of a structural capacity within capitalism that, while undoubtedly buttressing the interpersonal networks of power that Castells indentifies, is not limited to them.[21] Yet structural capacity as the outcome of class relations is explicitly excluded from Castells' account.[22]

In contradistinction to such an account, I have argued that a fundamental basis for analysing the development of Time Warner News Corp. and Bertelsmann is the particular form and balance of global inter- and intra-class relations—class relations that underpin the capitalist mode of production whose method of surplus expropriation bathes all institutional formations —firms and states for instance—in a particular light. The balance of class relations has been altered in the last thirty-five years by the restoration of capitalist class power, the global integration of economic processes and the changing integration between finance and the so-called real economy. The emphasis on class relations in this book has important implications for how the resilience of the various institutional complexes through which capitalism operates is understood, particularly their social form, that is how they filter and condition social action.[23]

To summarize: While Time Warner, News Corp. and Bertelsmann development has been driven by encompassing competitive imperatives, the structural capacity emanating from their

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concentrated forms of ownership have allowed them to adopt differentiated strategies that while shaped by the resources of mediating institutions have attempted to transform and transcend these institutional barriers. There are undoubtedly important differences between these corporations in terms of how their structural capacity has been based on forms of ownership and control. While they are all large corporate structures, Time Warner was described as having moved furthermost down the corporate line because it more closely exemplifies the case where capital has become both the subject and the object.[24] In News Corp. and Bertelsmann case, highly concentrated forms of family ownership and control exercised via foundations and holding companies have allowed subject and object to remain separate. In appearance there is a large difference between News Corp. and Bertelsmann and Time Warner but in effect all are driven by processes of accumulation. The book has demonstrated how these processes of continual transformation under the structural pressure of capitalist competition have shaped both the general institutional practice of cultural industries and national institutional forms.

II PATTERNS OF GROWTH COMPARED: CONVERGENCE AND DIFFERENTIATION

The framework used for examining the development of Time Warner, Bertelsmann, and News Corp. (that is, the micro level of the firm), involves a macro and a meso-level of analysis. The former level of analysis outlined the particular approach taken to the issue of corporate concentration and competition. In particular, it documented the increasing degree of concentration within the global media sector and pointed out that a handful of cultural industry capitals have amassed extraordinary power to control their environment. Indeed, this analysis emphasised the point that the development of integrated media conglomerates, often identified as ‘national champions’ worthy of state support in the ‘global information economy,’ has given media corporations an increased set of monopoly powers.

Thus all three corporations have exhibited the importance of amassing highly concentrated market power. Amongst other instances, the examples of Bertelsmann’s dominance of international book publishing, Time Warner’s power within the United States’ vertically integrated filmed-entertainment industry and News Corp.’s dominance of newspaper industries in Australia and the U.K. have all been examined in the case studies. The scope and size of these markets were substantially different. Here the socio-cultural nature of media and cultural commodities had a determining influence on the nature of markets and the manner in which they have been regulated by national, international and global circuits of capital. While in all cases the role of state policy has been crucial in determining market structures, an important variable has been the degree to which a dominant market presence has permitted a direct influence on the political processes of different nation states, as News Corp.’s use of its press and television operations has most clearly shown.

While acknowledging these important developments, I argued for a particular understanding of the role that capitalist competition plays in the strategies and growth of transnational media corporations. This argument may seem counter-intuitive given the fundamentally ‘anti-

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competitive' strategies that media corporations engage in. Nonetheless, in contradistinction to some critical positions that emphasise the suspension of competition brought about by concentration, centralization, and collusion, it has been explained that the search for such a condition is quixotic. The development of Time Warner, News Corp. and Bertelsmann demonstrated that the establishment of the cultural, and more broadly informational, field as an expanded area of capitalist development has seen competition in its inter-sectoral, intra-sectoral and intra-corporate forms expand. Such an approach goes beyond the dominant quantity theory of competition based on the market structure of distinct commodity markets to incorporate competition along the circuit of capital. This is not to rely on abstract and ahistorical notions of 'free markets,' and to neglect the part played by national regulations and policies, concentrated market power, the unequal access to capital and so forth. Instead, these monopolies were argued to be the basis of ongoing competition. In fact, with financialization these monopoly powers set a 'bench-marked' rate of return that underpins what Suzanne de Brunhoff refers to as new class compromise between industrial and finance capital.[25]

Accounts of instances of pressures arising from intra-corporate forms of competition between the operating divisions of Time Warner, Bertelsmann, and News Corp. were developed. A crucial focus here is how competition is internalised in large corporations via mechanisms such as internal allocation of investment. In the course of the 1960s and 1970s this internal competition became expressed through a new breed of managerialism premised on MBAs and notions such as return on sales and return on investments. Such internal financial management systems in effect replicated stock market discipline within the firm. Despite different capital structures, this outlook became particularly pronounced within Time Warner and Bertelsmann. For instance, predetermined rates of return on investment were specified for operating divisions and the provision of central corporate finance to incurred interest payments.

In the case of all three corporations, the expansion into new media areas, while potentially more profitable, required greater levels of investment which in turn had discernible impact on existing operating areas. Time Warner's further development of cable distribution and programming had noticeable effects in terms of the pressure that was placed on its magazine and music operations. Bertelsmann's expansion into television production and distribution has placed greater pressure for commensurable levels of return on its book and printing operations. News Corp.'s infamous attempts to raise profitability at its new Wapping operations were linked to the capital pressure associated with its expansion into the vertically integrated film and TV industry in the U.S.

While intra-corporate competition was shown to have deepened within these corporations, it has also been mediated by the allocative and operational decisions of chief owners and managers. The case studies belie the practice of mainstream media economics in seeking to examine how unmediated "economic forces direct and constrain the choices of managers, practitioners and other decision makers across the media."[26] In this regard, a distinctive characteristic of News Corp. has been the long term commitments to specific acquisitions and operations, with the determination to acquire the Wall Street Journal and develop Star TV being two notable examples. Organizational tradition has shaped Bertelsmann's book club

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operations: objective economic pressures to consolidate the corporation's holdings around TV and service operations has seen the sale of the majority of the book club operations, yet the German clubs—the heart of its post-war growth—have been retained. While Time Warner's book, music and cable divisions have been divested recently, a similar commitment to Time Inc.'s magazines has for the moment forestalled the sale of this equally 'mature' operating unit. How these competitive pressures are handled in large part reflects the degree to which these companies have been affected by a general shift from personal forms of ownership and capital and more specific processes of financialization.

Financialization is a term that is increasingly used by critical scholars; indeed since the global economic crisis of 2007–2009 a vast literature on the topic has emerged.[27] Nonetheless, this has only reinforced criticism that, as with 'neoliberalism,' the term often lacks precision. As Ellen Meiksins Wood notes, arguments about financialization can be misleading because the role of finance-capital has so long been a major factor in the capitalist economy.[28] This is clearly so in regards to media and cultural industries, as for example in the case of the press or the film industries, where the first two elements of the above description were clearly central variables shaping accumulation and concentration.[29] It is for this reason that Wood argues against viewing the concept of financialization as marking a disjunctive point in the history of capitalism or as a different form of capitalism. Conversely, it is critical to note that the relation between finance and productive capital has been historically variable, differing within industries and corporations and having often discernible national differences. Hilferding's influential assumptions about the fusion of bank and industrial capital, derived from historically specific transformations in German capitalism, fail to reflect this fact.

A commonality of Time Warner, Bertelsmann, and News Corp. is that in recent decades all three have operated in broader business conditions shaped by the financialization of the global economy. The processes of financialization that provided the context for their accelerated development has involved the imbrication of several historical moments with regards to financialization: financialization as a development emerging from the end of the Long Boom and the crisis of over-accumulation in the 1970s; as an element of neoliberal policies enabling the restoration of capitalist class power; and the financial bubble stages of successive trade-cycle booms in which the dot.com bust and global financial crisis have had significant effects on international media conglomerates. Not only has the range of financial institutions increased in the last three decades, including pension funds, insurance companies, private equity firms and the financial arms of other non-financial corporations, but financialization also reflects the fact that finance capital, has reasserted it hegemonic control for the first time since the early 1930s. Recent financialization was shown to involve, first, the increasing centrality of financial institutions as corporate shareholders; second, the extensive use of debt to finance growth and acquisition and the increasing salience of serving debt in corporate decision making and; third, the rise of a 'financial' conception of corporate assets in which the corporation is seen as a 'portfolio' of liquid subunits that must be continually restructured to maximise the share price and that the resulting financial pressure to 'get the figures right' now plays a central role in creative decision making.[30] While financialization has been associated

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with particular institutional configurations of capitalism—the neoliberal 'model' now publicly discredited with the rupture of the global financial crisis—the changes in corporate management practices reflect a much more secular development in capitalist social relations that are likely to continue—capitalist integration and the deepening of credit money and market finance.[31]

There are important differences between the corporations in terms of these dimensions of financialization. The function that financial institutions *qua* corporate shareholders have played has varied considerably between the companies, placing them at different stages of financialization as per Pradié's model (see Figure 1.1).[32] From the mid 1970s Time Inc. and Warner Communications Inc.'s dispersed ownership ensured that the maintenance of share price and the managers' *de jure* control were central drivers of corporate strategy. Given the changing relations of intra-class power encompassed in the notion of financialization, Time Warner's dispersed ownership did not lead to 'managerial control' as understood by Berle and Means;[33] rather, Time Warner represents the clearest instance amongst the three case studies of what Scott refers to as an impersonal form of ownership and control under a system of polyarchic financial hegemony.[34] From the mid 1950s Rupert Murdoch also sought, principally through issuance of limited voting rights stock, to use dispersed legal ownership of News Corp. to extend his allocative and operational control over a dramatically enlarged and diversified means of production.[35] Murdoch's grip on the public company has entailed maintaining the support of large financial shareholders for an entrepreneurial vision that has involved large acquisitions and even larger banking fees. While Murdoch's control of a dominant block of shares has given him greater latitude to determine corporate strategy, this strategy has nevertheless been shaped by the financial characteristics of 'Anglo-Saxon' corporate capitalism in the last thirty-five years. As the 2006 decision to divest Direct-TV in return for a fortified position of economic ownership demonstrates, Murdoch's vision is in part shaped by the desire to maintain family control when competition among the 'regulating capitals' of the world media sector require more depersonalised, socialised forms of ownership. These same competitive accumulation pressures have also weighed on Bertelsmann and they were shown to have been the motivating force behind the executive management's desire to expand the capital base of the German company through a public listing. When these plans were seen to jeopardise the corporation's conspicuously tight ownership structure, the Mohn family reacted to the potential threats of financialization by securing absolute control of the corporation in 2006. Nonetheless, it is important to reiterate that this ownership structure has not precluded the adoption of management practices that have emphasised intra-corporate competition, reinforced in the last decade by an expanding recourse to international debt markets.[36]

Despite recent shifts in Bertelsmann's reliance on debt, the case studies highlighted clear historical differences in the role of debt and the adoption of financial conception of corporate assets. For the majority of its development, Bertelsmann's growth has been marked by a comparatively small reliance on international debts markets. Moreover its corporate debt has been policed within clear limits which have required short-term 'consolidation phases' and

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locked it out of the competitive acquisition of assets. In contrast, Time Warner and News Corp. have at times embraced substantial debts which have enhanced the companies' critical mass yet limited their corporate strategy. While News Corp. has faced similar conditions to Time Warner, its management of debt has reflected distinct problems associated with the maintenance of Murdoch family control. In contrast Time Warner's management have consistently taken on debt to finance growth. Such debt levels, when combined with share market considerations, have produced clear differences in the degree to which intra-corporate competition has been expressed in a financial conception of corporate assets. All three corporations recognised the importance of competitively restructuring corporate assets; for example, while Time Warner's management initially resisted calls for its 'investment portfolio' of operations to be broken up, the notion of 'core business' nonetheless replaced 'synergy' such that the Warner Music Group (and later its AOL and Cable operations) was divested. Although there were clear differences between the corporations in the 1990s, in this last dimension of financialization and in the process as a whole, as the Bertelsmann case study demonstrated, there were clear tendencies towards adopting the intra-corporate competitive practices of a more fully financialised corporation such as Time Warner. In the last decade these differences have been reduced as Bertelsmann has become more thoroughly integrated into international debt markets as the largest issuer of bonds amongst European media firms.

The book later developed another dimension of analysis of the wider macro-level conditions that have accentuated the processes of commodification and industrialization within the cultural industries. This involved examining the fundamental role played by national states, particularly in advanced capitalist economies in the restructuring of the operating environment in which the three case study corporations operated. *Contra* notions of the stateless corporation, Time Warner, Bertelsmann, and News Corp. have relied upon vital state support in their competitive endeavours. Despite facilitating the competitive advantage of individual capitals and their primary shareholders, this support is often represented as furthering the processes of national economic growth and developing new markets for consumption, employment, and investment. While delineating continuing patterns of distinct and uneven change in state regulation and policy, the book argued that such institutional variation nevertheless reflected an overarching social logic of Neoliberalism with respect to the changing regulatory framework enacted by nation-states and international governance bodies. Following this line of analysis, the book addressed how over the last thirty years broadly similar patterns of marketization have changed the media environment and enabled large-scale concentration. This did not simply give a general overview of patterns of change associated with marketization but also offered a theoretical analysis of the relationship between a broadly consistent policy of introducing what can be described as 'corporate-friendly' policies and the actions of individual states, particularly within the advanced economies, of trying to assist 'national media' champions. Here we saw important processes of differentiation concerning the manner in which the three corporations managed to have their interest represented across a highly unequal interstate system.

As well as dealing with the wider elements that have conditioned the operating environment

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of these corporations, the book showed the importance of examining the particularities of media industries, understood to be situated within particular national institutional contexts and following competitive strategies that reflect the historical development of different cultural industries. Capitals within these industries also have to grapple with the issues raised by technological development. Thus book commenced a meso-level of analysis with a discussion of the manner in which new media technologies have developed and been used by media companies. The histories of all three companies reflect the growing importance of new media technologies in the 1970s—particularly cable and satellite, which through regulatory assistance has led to a deepening of the place of television within popular commercial culture and within the operations of these companies. Against those discussions of technical innovation that can generously be described as naïve futurology but in most cases are outright corporate marketing, we have seen "the continuation, despite bombardments of technology, of all the institutions of our culture in forms subject to alteration but not revolutionary change."[37] New technologies, particularly those based on the application of digitalization, have destabilised aspects of the logics that govern these institutions, but they have not completely eradicated the specificity of the logics through the much-heralded processes of synergy or convergence.

This development has been explored through the notion of technological rents and the manner in which the utility of technologies is considered, based on their contribution to a profit increase for individual capitals. It is important to emphasise this consideration because all three corporations—Bertelsmann, News Corp. and Time Warner—have experienced different degrees of control over technological rents that arise from the control of media distribution and the maintenance and expansion of intellectual property. Indeed, this discussion is followed by an examination of the defining characteristics of different 'social logics' of media industries. Such social logics extend beyond simply the technologies to study the coordination of concrete institutional processes that unite production, circulation, and consumption. In so doing, they help form the institutional basis of different cultural industries that are often incorporated within one media corporation. Here two main models of cultural production were identified—a flow model of cultural production and an editorial model. It was noted that such models established primary modes of interaction between labor and capital within the cultural industries as well as the nature of the relations between capitals within subsidiary and subcontractor capitalism.[38] Furthermore, it was noted that principally through the hybridization of strategies based on the flow and editorial models, new emerging models have been superimposed on these well established socio-economic logics. The most important was the model of the private club.

Time Warner, Bertelsmann and News Corp. have sought to develop their operations in a manner that has been clearly consistent with the general flow and editorial models but which has also transcended these socio-economic logics. Broad uniformities in their strategies can be delineated. First, each has sought to diversify their financial basis by moving into industries whose socio-economic logics differ from that of their original operations; yet, rather than building a range of assets that cover the breadth of the cultural industries, these companies

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have become focused on a limited range of integrated industries where industrial synergies can be obtained. Second, the development of digital distribution networks and the underpinning of an ascendant club logic have affected the position of industries governed by other models in all three companies. Third, digitalization has provided opportunities to extend the process of direct commodification as well as develop new, more detailed advertising strategies; nonetheless, as noted, digitalization has posed new challenges to their existing strategies which have varied between industries covered by the same socio-economic logic, as for example in the case of the book and music industries. In the first decade of the new millennium the responses to these challenges reinforced the central role of advertising sponsorship for capitalist cultural production; nonetheless, as was noted in the introduction, the current crisis has renewed a scramble towards forms of direct commodification. Finally, the corporation's have adopted hybridised elements of the general models which have increased the flexible and precariousness nature of cultural industry work.

Beyond these broad similarities, important differences are apparent. Bertelsmann's focus has moved from book and music operations to magazines, newspapers, and most significantly commercial television. Unlike Time Warner and News Corp., Bertelsmann has not gained control over a pay distribution platform, a film company or a cable network and instead remains confined to advertising based broadcasting. Without these building blocks of pay-TV, Bertelsmann has not developed a club logic premised on digital distribution networks. Nevertheless, the development of new technologies has posed problems to the contractual 'club' characteristics of its book and music clubs. Bertelsmann was shown to be unable to extend its operations to meet the online challenge of Amazon.com; yet the position of its music operations have been more severely affected by the 'loss leading' activities of hardware manufacturers such as Apple with its iTunes distribution model.

While Time Warner's erstwhile music division was also affected, its place within the corporation was shown to have been long superseded by cable networks, which offered not only another revenue stream for the media conglomerate, but also control over a form of distribution that was seen to be key to the revitalization and indeed reinforced centrality of filmed entertainment within the cultural industries. Beyond competitively forbidding vertical integration, Time Warner's cable systems permitted the development of combined modes of financing based on club logics. The acquisition and development of Time Warner's vast cable distribution systems was shown to place mounting pressures on the corporation's music and publishing divisions not only in terms of generating higher revenues and profits but also in terms of the tensions that began to emerge between the cable system's club logic, extended through the addition of AOL, and the 'business models' of the corporation's music and magazine operations. While Time Warner sought to entice more pay-TV and internet subscribers into a contractual relationship via access to the intellectual property of its music and magazine operations, this club logic clashed with the editorial model of direct payment which remained the basis of these industries.

News Corp. development has seen it move from media industries characterised by the flow model—newspapers and 'free-to-air' TV into industries characterised by the editorial model.

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Although this has included its HarperCollins book publishing operations, the most important has been the Hollywood film company which formed the basis of an international, vertically integrated filmed-entertainment operation. While News Corp. have developed the potential of the club logic within its BSkyB operations, overall its TV operations have been more evenly balanced than Time Warner's between advertising based and subscription based financial models. Nonetheless, with the move to rethink its TV business model and assume full control of BSkyB, this balance is shifting.

As the recent strategies of Time Warner, News Corporation and Bertelsmann reveal, the relative importance of expanding flow and editorial logics within online operations remains contentious, with strategies shifting within and between corporations reflecting the continuing specificity of these logics within the corporations' operations. Here it is worth noting the key differences between Time Warner and News Corp.'s use of the internet to develop new markets and new modes of distribution because they demonstrate clearly the complicated relationship between profit motivations, techno-economic capacity, and the construction of consumer identity and habits. While Time Warner's acquisition of AOL was a notable failure, News Corp.'s 'Web 2.0' acquisitions, especially its 2005 purchase of MySpace for US$ 580 million, appeared for a time more successful. Yet the decline and subsequent transformation of MySpace is in itself revealing of the complex, and contradictory processes of commodification and industrialization of cultural sphere.

As this book has demonstrated, for Time Warner the advantages of club logics in the area of pay-TV had already been established.[39] The AOL subscription service, offering proprietary content and services, was viewed as providing the possibilities of an extended club model as explored earlier in the Orlando FSN and Ohio QUBE operations. As with these operations, AOL entered into contractual relations with individual subscribers. These subscribers were guided to an array of intellectual property (chiefly Time Warner's) and targeted by ever more technically advanced methods of advertising. Yet, whereas AOL had originally been built on a subscription model that operated across the various analogue networks of the Regional Bell Operating Companies (RBOC), its shift to Time Warner Cables high-speed broadband network limited its access to a large subscriber base: rivals broadband providers were unwilling to permit access without a larger access fee than AOL traditionally paid. The ability to expand controlled access to its proprietary content required substantial support, that is, associational power, from other firms within the sector. Moreover, AOL's club logic appeared much less suitable to the emerging cultural and social construction of internet practice. Here users are popularly perceived as wishing to actively construct online subjectivities rather than being corralled into AOL's 'walled gardens.' This reinforces Buscombe's (1985) argument that historically specific and ideologically determined habits and routines of users circumscribe the formation of the needs which any technology could profitably satisfy. Thus, while the strategies of large firms such as Time Warner can shape new institutional practice, the success of strategies is often dependent on contradictory social practices of consumer and the support of business rivals.

As opposed to the AOL's club logic, News Corp.'s MySpace operations offered 'free' digital

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commodities based on a technically advanced flow model. Advertising finance, central to News Corporation's development, is less at odds with the 'gift economy' cultural practices and consumption habits of predominantly 16–24 year old social networkers. Moreover, the MySpace business model aligned with the strategies of other companies as confirmed by the deal between News Corp. and Google.com, in which in return for US$ 900 million Google would provide all search capacities and click-link advertising for MySpace and Fox Interactive Media's stable of other internet operations until 2010. Without needing to provide expensive content,[40] the value of MySpace would emerge from the ability to glean the tastes, predilections and social narratives of users and connect this to click-link advertising selected by internet search engines—the apparently self-organized practice of the social networking site was commensurate with marketing and media firms' construction of internet users and audiences more generally as frenetic, attention-challenged and self-concerned (Turow 2005). Advertising finance would in turn permit News Corp.'s to heavily promote its own and other corporation's cultural commodities, giving MySpace an important intermediary role in the circuit of cultural commodity production.

In 2007 News Corp.'s market capitalization rose significantly as MySpace's advertising revenues grew to US $50 million a month; in March 2008 Time Warner responded with the acquisition of the Bebo social network site for US$ 850 million. Yet by this time rival social network sites such as Facebook, which contained less overt advertising and were easier to use, had overtaken MySpace. As Facebook became dominant, the online traffic of News Corp.'s site continued to fall, significantly undermining the value of its advertising. By the end of 2009 News Corp had acknowledged the dominance of Facebook. It shed 40 percent of MySpace's staff and wrote down the value of MySpace and its other digital businesses by US$ 450 million.[41] While News Corp.'s late internet strategy had been less disruptive for the corporation's other operations, without a 'walled garden' of copyright protected content it was subject to the very vagaries of social networking audiences that it had sought to capitalise on. Despite the closer alignment between advertising revenues and the dominant 'free access' culture of the internet, according to Rupert Murdoch News Corp.'s "underlying philosophy" had shifted to the view that subscription models will be the basis of online media businesses.[42]

As another aspect of its meso-analysis, the book critically examined how the processes of development amongst the three corporations also reflect wider capitalist institutional configurations that are often seen to involve distinctive national systems of coordination, including modes of governance and inter-capitalist relations. These capitalist institutional orders are often taken to be distinctive national varieties of capitalism. The book examined the three corporations' operations in relation to the ideal-type characteristics that are associated with different national varieties of capitalism and more broadly with liberal market and coordinated market economies. It was shown, for example, that News Corp. used its liberal market economic form and its connections within inter-national constellations of capitalist interests to expand into the crucial U.S. audiovisual market in a way that the tight ownership structure of Bertelsmann, characteristic of German capitalism, had prevented. Nevertheless Time Warner and News Corp.'s development was shown to be far from commensurate with an

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idealised Anglo-Saxon liberal market model based on forms of coordination that entail elements such as transparency, liquidity and market competition. Moreover, there was clear heterogeneity amongst these firms that belie a uniform model of practice within Anglo-American economies. Murdoch's capacity to amass an internationally competitive mass of operations while maintaining control was facilitated by the historically greater scope for 'creative' accountancy within Australia. When examining Bertelsmann it was shown that the company varied in important ways from the German, coordinated market model. A recent example is Bertelsmann's adoption of international (U.S.) accounting standards to facilitate access of international credit markets; nevertheless Bertelsmann has long adopted industry-specific norms and practices and management procedures that emerged within the U.S. operations. Moreover, Bertelsmann's push to engineer greater flexibility within its print operations, and indeed within the wider German economy, via the German system of co-determination demonstrated that formal institutional continuity may disguise forms of substantive change. In sum, the case studies within the book challenged the conception of national varieties of capitalism as "institutionally complete, coherent and complementary sets of institutions, which achieve and maintain stable sets of characteristics."[43] Given that such institutional configurations are based on more highly integrated regions of a world economy and overseen by state formations that form part of a wider, unequal interstate system, the book argues that these configurations are better interpreted as varieties of Neoliberalism rather than 'varieties of capitalism.'

Whereas at a more abstract level the book has argued that macroeconomic competition in the world economy has acted as a 'disembedding' force opening up space for the emergence of new forms of social rule, at a more concrete level these varieties of Neoliberalism have been shaped by the development of new modes of transnationalization and multilevel governance. Here the increasing role of international bodies—both transnational (the WTO) and regional (particularly the EU) have played a critical role in setting the rules of international economic relations which have in turn affected the operating environments for communications corporations such as Time Warner, News Corp. and Bertelsmann. For instance, the service regimes of the WTO, the General Agreement on Trade on Services, specifically brackets out the institutional specificity of national cultural sectors in favour of a rule based system that inherently advantages the large operations of international media firms.[44] Since the reform of the European Union's competition policy in 2004, economic efficiency has become synonymous with the increasingly concentrated operations of these firms. These 2004 reforms transfer oversight of the companies' acquisitions and mergers from European Member States to the European Commission in order to facilitate European media firms' competitive insertion into the world media sector.[45]

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III GLOBAL MEDIA CORPORATIONS: WHAT LIES AHEAD?

The processes of divestiture and 'de-convergence' amongst global media firms that gathered pace in the first decade of the new millennium have belied arguments about the simple industrial logic of global media firms such Time Warner, Bertelsmann and News Corp. By the

early 1990s they had developed through acquisition and mergers into gargantuan firms whose media-centred conglomerate forms, integrated operations and unrivalled economies of scale and scope had given them a commanding presence across the international media sector. Yet the new processes of corporate development that Anthony Smith associated with their expansion have been far from smooth or crisis free.[46] Although Comcast has acquired NBC Universal after its unsuccessful bid for Disney in 2004, the French firm Vivendi's run at creating a truly international media conglomerate appears to be the last of this sort of strategy.

While Time Warner, Bertelsmann and News Corp. have divested 'non-strategic' activities to become more focused on core areas, the degree of corporate restructuring has varied between them, indicating that a unified and coherent shift away from the conglomerate form is unlikely to emerge. Indeed, what is striking when reviewing the individual and collective histories of these corporations is how often uncertainty, failure and crisis have marked their strategies and operations. The shift in their corporate forms in the last decade continues to reflect the uneven and crisis ridden nature of capitalist development and more specifically the complex and contradictory commercialization and industrialization of cultural production. During this period Time Warner has become less diversified and focused on audiovisual and print 'content'; Bertelsmann and News Corp. remain relatively more diversified amongst those international media conglomerates. Yet while News Corp. remains a self described media and entertainment corporation, albeit one that is attempting to reorganise its business models to gain greater control and profitability, Bertelsmann today is more clearly a media and services corporation having significantly withdrawn from book clubs and music operations and expanded into an array of service industries through its Arvato division. The responses to some of the central pressures and development issues identified in this book—marketization of media policy within a competitive yet unequal system of states, financialization, the reproduction and coherence of cultural logics—will continue to have contradictory and uneven effects and an equilibrium in size and scope of operations is unlikely to be reached

While this book has focused on the affects of relatively recent processes of financialization on media companies, it is clear that the wider competitive pressures of capitalism, and the organizational responses they give rise to, do not bring about benign or self-correcting changes in the media and cultural industries. More specifically, the analysis presented in the book indicates that further research must be undertaken into the pressures arising from the forms of competition within what increasingly appear to be gargantuan media firms enjoying increasingly concentrated media markets. A second key issue is the degree of transnationalization and forms of multilevel governance in enforcing these trends. What contradictions are likely to arise from such institutional transformations? A third area that needs to be researched is the degree to which the search for synergies and the use of digital content on several media forms has contributed to reducing the autonomy and distinctness of the dominant socio-economic logics of the cultural industry. Analysis of future changes in the cultural industries will need to examine not only the continuing interrelationships between financialization and restructuring and commodification but also the wider context of 'neoliberal globalization,' which while pursued through various forms has increasingly placed

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media and cultural production in a unified capitalist basis.

NOTES

1. Ellen Meiksins Wood, *Empire of Capital*, (London: Verso, 2003), 15.

2. David Harvey, *A Brief History of Neoliberalism*, (Oxford: Oxford University Press, 2005), 74.

3. Dick Bryan, *The Chase Across the Globe: International Accumulation and the Contradictions for Nations States*, (Land Cove: Harry Howell, 1995), 33, 63.; Dick Bryan and Michael Rafferty, *Capitalism with Derivatives: A Political Economy of Financial Derivatives, Capital and Class*, (London: Palgrave, 2006).

4. Greg Albo, "Contesting the "New Capitalism,"" in *Varieties of Capitalism, Varieties of Approaches*, ed. David Coates, (London: Palgrave, 2005), 68.

5. John Weeks, "The expansion of capital and uneven development on a world scale," *Capital & Class*, no. 74 (2001).)

6. Even this seemingly incontrovertible understanding of 'value chains' is challenged by some adherents of the 'creative industry' framework who argue that 'social network markets' involve the mutual interrelationships amongst agents, networks and enterprise: "This is a complex open system in which everyone is an active agent, not a closed expert value chain controlled by 'industry.'" John Hartley, "From the Consciousness Industry to Creative Industries: Consumer-created content, social network markets and the growth of knowledge. In: Perren, Alisa and Holt, Jennifer (Eds.) " in *Media Industries: History, Theory, and Method* ed. Jennifer Holt and Alisa Perren, (New York: Blackwell, 2009), 239; Neil M. Coe, Peter Dicken, and Martin Hess, "Global production networks: realizing the potential," *Journal of Economic Geography* 8(2008). For discussion of the global production network perspective see Neil M. Coe and Jennifer Johns, "Beyond production clusters: towards a critical political economy of networks in the film and television industries," in *Cultural Industries and the Production of Culture*, ed. A. J. Scott and D. Power, (London: Routledge, 2004).; Jennifer Johns, "Video games production networks: value capture, power relations and embeddedness " *Journal of Economic Geography* 6 (2006); Jennifer Johns, "Manchester's Film and Television Industry: Project Ecologies and Network Hierarchies," *Urban Studies* 47, no. 5 (2010).; Dan Schiller and Vincent Mosco, "Introduction: Integrating a Continent for a Transnational World," in *Continental Order ? Integrating North America for Cybercapitalism*, ed. Vincent Mosco and Dan Schiller, (New York: Rowman & Littlefield Publishers, 2001).

7. Brett Christophers, *Envisioning media power: on capital and geographies of television*, (Lanham: Lexington Books, 2009).

8. Erik Olin Wright, *Class, Crisis and the State*, (London: New Left Books, 1978).; Erik Olin Wright, "Working-Class Power, Capitalist-Class Interests, and Class Compromise," *American Journal of Sociology* 105 no. 4 (2000).

9. Graham Murdock and Peter Golding, "Culture, Communications and Political Economy," in *Mass Media and Society*, ed. J. Curran and M. Gurevitch, (New York: Hodder Arnold, 2005), 63. see also Vincent Mosco, *The Political Economy of Communication*, 2nd ed., (Los Angeles: Sage Publications, 2009), 185–88.

10. Alex Callinicos, *Making History: Agency, Structure and Change in Social Theory*, 2nd ed., (Leiden: Brill, 2004).; Alex Callinicos, *The Resources of Critique*, (Cambridge: Polity, 2006).

11. Michael Rowlinson, Steven Toms, and John F. Wilson, "Competing perspectives on the 'Managerial Revolution': From 'Managerialist' to 'Anti-Managerialist,'" *Business History* 49, no. 4 (2007).

12. Richard Hyman, "Strategy or Structure? Capital, Labour and Control," *Work Employment Society* 1, no. 1 (1987): 30.

13. Mosco, *The Political Economy of Communication*, 188.

14. Martin Hess, "'Spatial' Relationships? Towards a reconceptualization of embeddedness.," *Progress in Human Geography* 28, no. 2 (2004).; Andrew Currah, "Hollywood, the Internet and the World: A Geography of Disruptive Innovation," *Industry & Innovation* 14, no. 4 (2007).; Christophers, *Envisioning media power: on capital and geographies of television*.

15. Walter W. Powell, "Neither Market nor Hierarchy: Network Forms of Organization," in *Research in Organizational Behavior*, ed. L.L. Cummings and B. Shaw, (Greenwich: JAI Press, 1990); Walter W. Powell, "The Capitalist Firm in the 21st Century: Emerging Patterns," in *The Twenty-first-century Firm*, ed. Paul DiMaggio, (Princeton: Princeton University Press, 2001).

16. Thompson, Parker and Cox have argued that "inter-firm collaboration, informal networks and knowledge flows [as] forms of economic coordination are primarily influenced by market competition, hierarchical coordination and inter-firm rivalry, significantly more than trust relations." Paul Thompson, Rachel Parker, and Stephen Cox, "Networks in the Shadow of Markets and Hierarchies: Calling the Shots in the Visual Effects Industry " in *EGOS 2009 : 25th European Group for Organizational Studies Conference* (Barcelona, Spain2009), 15. See also Susan Christopherson and Jennifer Clark, "Power in Firm Networks: What it Means for Regional Innovation Systems," *Regional Studies* 41, no. 9 (2007).; Selwyn Ben Selwyn, "Bringing social relations back in: (re)conceptualising the 'Bullwhip Effect' in global commodity chains," *International Journal of*

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Management Concepts and Philosophy 3/2(2008).

17. Gernot Grabher, "Trading routes, bypasses, and risky intersections: mapping the travels of 'networks' between economic sociology and economic geography," *Progress in Human Geography* 30, no. 2 (2006).; Tod Rutherford and John Holmes, "'The flea on the tail of the dog': power in global production networks and the restructuring of Canadian automotive clusters," *Journal of Economic Geography* 8, no. 4 (2008).

18. Castells understanding of these multi-national media corporations is presented through a broader analysis power with 'networked society' on the basis of the distinction between networking power, network power, networked power and network-making power. Whereas the first two forms of power refer to the ability to gate-keep and impose communication protocols and formats within media networks, Castells talks of networked power as the relational, 'power-over' facility of actors based upon their structural capacity within specific networks marked by distinct spheres of action. In the case of media networks, this amounts to the unevenly distributed managerial and decision making power over audience maximization strategies within the organizations that own or manage networks. Over-arching the first three forms of power within networks is the capacity to set-up and 'meta-program' (direct) a network itself by their owners and controllers of media corporations, that is network-making power. While Castells declares this to be the most crucial form of power, it is dependent on networked power within related corporate and financial networks, and importantly in the network of the state and political system. Amelia H. Arsenault and Manuel Castells, "The Structure and Dynamics of Global Multi-Media Business Networks," *International Journal of Communication* 2(2008); Manuel Castells, *Communication power*, (New York: Oxford University Press, 2009); Amelia H. Arsenault and Manuel Castells, "Switching Power: Rupert Murdoch and the Global Business of Media Politics: A Sociological Analysis," *International Sociology* 23(2008).

19. In an earlier piece, Castells notes that he "understand[s] power to be the structural capacity of a social actor to impose its will over other social actor(s). All institutional systems reflect power relations, as well as the limits to these power relations as negotiated by a historical process of domination and counter-domination." Manuel Castells, "Communication, Power and Counter-power in the Network Society," *International Journal of Communication* 1(2007): 239.

20. Ben Fine, "From Actor-Network Theory to Political Economy," *Capitalism, Nature, Socialism* 16, no. 4 (2005).; Ray Hudson, *Producing Places*, (London: Guildford Press, 2001).; Jonathan Joseph, "The Problem with Networks Theory," *Labor History* 51, no. 1 (2010).; Peter Sunley, "Relational Economic Geography: A Partial Understanding or a New Paradigm," *Economic Geography* 84, no. 1 (2008).

21. While the Rupert Murdoch and Liz Mohn are today 'only' ranked within the second one hundred billionaires their wealth confers structural capacity. Liz Mohn and her family's wealth of US$ 4.4 billion and the Murdoch's is US$ 6.6 billion in 2010. The Mohn's and Murdoch's have built the corporation through maintaining a combination of three levels of capitalist control—'possession,' that is, limited management or operational control; allocative control or ownership as a relation of production involving the power of assignment and disposition; and legal ownership—which have been functionally separated in many other media corporations.

22. Castells, *Communication power*, 421.

23. Michael Burawoy and Erik Olin Wright, "Sociological Marxism," in *Handbook of Sociological Theory* ed. Jonathan H. Turner, (New York: Springer, 2006), 473.

24. Geoffrey Kay, "Notes on Moshe Machover's 'The Nature of this Epoch,'" *Critique* 23(1991).

25. Suzanne de Brunhoff, "Value, Finance and Social Classes," in *Value and the World Economy Today. Production, Finance and Globalization*, ed. Richard Westra and Alan Zuege, (London: Palgrave, 2003).

26. Gillian Doyle, *Understanding Media Economics*, (London: Sage Publications, Ltd., 2002), 2.: cited in Murdock and Golding, "Culture, Communications and Political Economy," 62.

27. For Marxist perspectives on the financial crisis see, for example, Alex Callinicos, *Bonfire of Illusions: The twin crises of the liberal world*, (Cambridge: Polity, 2010).; Peter Gowan, "Crisis in the Heartland: Consequences of the New Wall Street System," *New Left Review*, no. 55 (2009).; Martijn Konings, ed. *The great credit crash* (London: Verso 2010).; David McNally, "From Financial Crisis to World-Slump: Accumulation, Financialisation, and the Global Slowdown," *Historical Materialism* 17, no. 2 (2009).; Leo Panitch, Sam Gindin, and Greg Albo, *In and Out of Crisis: The Global Financial Meltdown and Left Alternatives*, (Oakland: PM Press/Spectre, 2010).; and Hugo Radice, "Neoliberalism in crisis? Money and the state in contemporary capitalism," *Spectrum: Journal of Global Studies* 1(2009).

28. Ellen Meiksins Wood, "A Reply To Critics," *Historical Materialism* 15, no. 3 (2007).

29. Janet Wasko, *Movies and Money*, (New Jersey: Norwood, 1982).; Christian Pradié, "Capitalisme et financiarisation des industries culturelles (Capitalism and financialization of the culture industries)," *Réseaux* no. 131 (2005).

30. cf. Philippe Bouquillion, "Les industries de la culture, de l'information el de la communication dans le capitalisme," in *Les industries de la culture et de la communication en mutation*, ed. Philippe Bouquillion and Yolande Combes, (Paris: L'Harmatthan 2007), 179.; Philippe Bouquillion, "Incidences des mutations des industries de la culture et de la communication sur les contenus informationnels " *Les Cahiers du journalisme*, no. 20 (2009).

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31. Martijn Konings, “European finance in the American mirror: financial change and the reconfiguration of competitiveness,” *Contemporary Politics* 14, no. 3 (2008).; Thomas Sablowski, “Towards the Americanization of European Finance? The Case of Finance-Led Accumulation in Germany,” in *American Empire and the Political Economy of Global Finance*, ed. Leo Panitch and Martijn Konings, (Palgrave MacMillan, 2008).

32. Pradié, “Capitalisme et financiarisation des industries culturelles (Capitalism and financialization of the culture industries).”

33. Indeed, in the early 1990s, Time Warner’s CEO, Gerald Levin, publicly argued for the need to attract large shareholders with media expertise to support the long-term growth strategy the company had embarked upon. The acquisition of TBS in the mid 1990s cemented amongst Time Warner’s capital owners two large shareholders with such background (Ted Turner became the company’s largest shareholder with 11.3 percent followed by TCI’s John Malone); yet the pressure to meet Wall Street analysts’ expectations was not assuaged. Michael Oneal, “The Unlikely Mogul,” *Business Week*, December 11 1995.

34. Scott notes that such financial hegemony refers to the “collective control over the availability of capital . . . gives [numerous large financial institutions] the power to determine the broad conditions under which [these] enterprises must decide their corporate strategies.” John Scott, *Corporate Business and Capitalist Classes*, (Oxford: Oxford University Press, 1997), 139.

35. Moreover, Murdoch has expanded his international operations, across a diverse range of media, by the way of the minority controlling interests in several important subsidiary companies.

36. cf. Pradié, “Capitalisme et financiarisation des industries culturelles (Capitalism and financialization of the culture industries),” 87.

37. Brian Winston, *Media Technology and Society—A History: From the Telegraph to the Internet*, (London and New York: Routledge, 1998), 13.

38. Michael Wayne, “Working Title Mark II: a critique of the Atlanticist paradigm for British Cinema,” *International Journal of Media and Cultural Politics* 2, no. 1 (2006).

39. Even though in principal digitalised pay-TV networks could extend the limits of direct commodification through the exclusive use of pay-per-view programming and services, in practice it appears that the development of consumer loyalty and the encouragement of consumption is best achieved via a mixed subscription strategy comprising of basic services and thematic programming bouquets and incorporating pay-per-view and advertising supported channels Gaetan Tremblay and Jean-Guy Lacroix, “La Marchandisation et L’Industrialisation de la Culture, de L’Information et de la Communication,” in *Traité de la Culture*, ed. Denise Lemieux, (Sainte-Foy: Les Éditions de l’IQRC, Presses de l’Université de Laval, 2002), 278.

40. Indeed, the inclusion amongst ‘user-generated’ content of products reproduced more or less intact from media markets raised serious problems around intellectual property rights.

41. As clear illustration of the difficulties of running a second or third level successful social networking site, in 2010 AOL sold Bebo to a private equity firm in a deal reportedly worth less than US$10 million.

42. Nat Worden, “Ad Declines In Mass Media Seen As More Than Just Economic “ *Dow Jones News Service*, February 7 2009.

43. Richard Deeg and Gregory Jackson, “Towards a more dynamic theory of capitalist variety,” *Socio-Economic Review* 5(2007): 157.

44. Patricia M. Goff, *Limits to Liberalization: Local Culture in a Global Marketplace*, (Ithaca: Cornell University Press, 2007).; J. Kelsey, “Globalisation of Cultural Policymaking and the Hazards of Legal Seduction,” in *Media in the age of marketization*, ed. Graham Murdock and Janet Wasko, (Cresskill: Hampton Press Inc., 2007).

45. Bouquillion, “Les industries de la culture, de l’information el de la communication dans le capitalisme.”

46. Anthony Smith, *The Age Of The Behemoths: The Globalization Of Mass Media Firms*, (New York: Priority Press Publications, 1991).

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