

# Lecture 23

## Democracy & the media

November 29, 2006

# I. The problem

- Democracy requires well-informed citizens.
- This requires a press that is not manipulated by the state = a “free press”.
- But it is very expensive to produce and disseminate information.
- Therefore the organizations which are best able to disseminate information tend to be large, very wealthy corporations.
- Does this provide sufficient good information for citizens of a democracy?

## II. Markets and the media

# 1. The Standard View

- The free press = the free market press = free from government regulation
- Assumptions: *perfect competition* and “*consumer sovereignty*”
- Professionalism of journalists insures “objectivity”

## 2. Problems with the Standard View

### Problem #1. Advertising and profit maximization

Profit-maximizing news media make money almost entirely because of *advertising*. The marketing objective is to be viewed by people who are as attractive to advertisers as possible = people with money to buy things.

### Consequences

- news is geared to what is of interest to the affluent, not the average person
- news is designed to be inoffensive to advertisers
- news that is relevant to the “public interest” or “common good” is marginalized
- newspapers want to avoid offending anyone very much.
- reporters and editors are almost always severely constrained by the interests of media owners and advertisers.

## 2. Problems with the Standard View

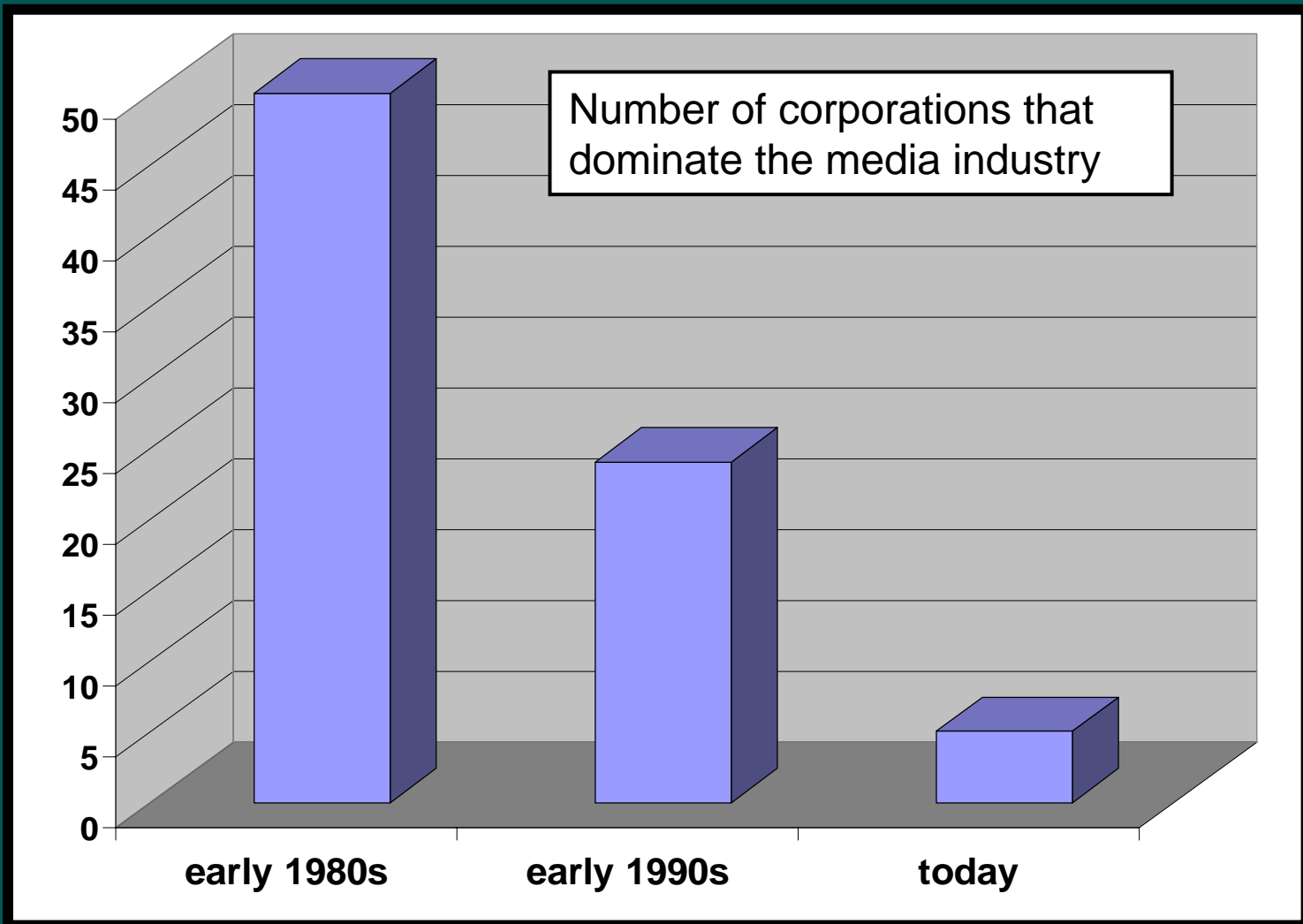
### Problem #2. From competition to Oligopoly

A profit-driven, market-oriented newspaper and media system has an inherent tendency to lead to concentration: huge newspaper chains in which most cities have only one newspaper. This eliminates competition

### Consequences

- Competition over quality declines; cost saving is central issue.
- Cheaper to have media filled with news from syndicated sources than hire one's own journalists.
- Increased reliance on press reports and "media events" as sources of news. News is increasingly generated by elites in their own interests rather than by independent journalists. Public relations and Press releases = 50-70% of "news".

# 3. Concentration of Media Ownership

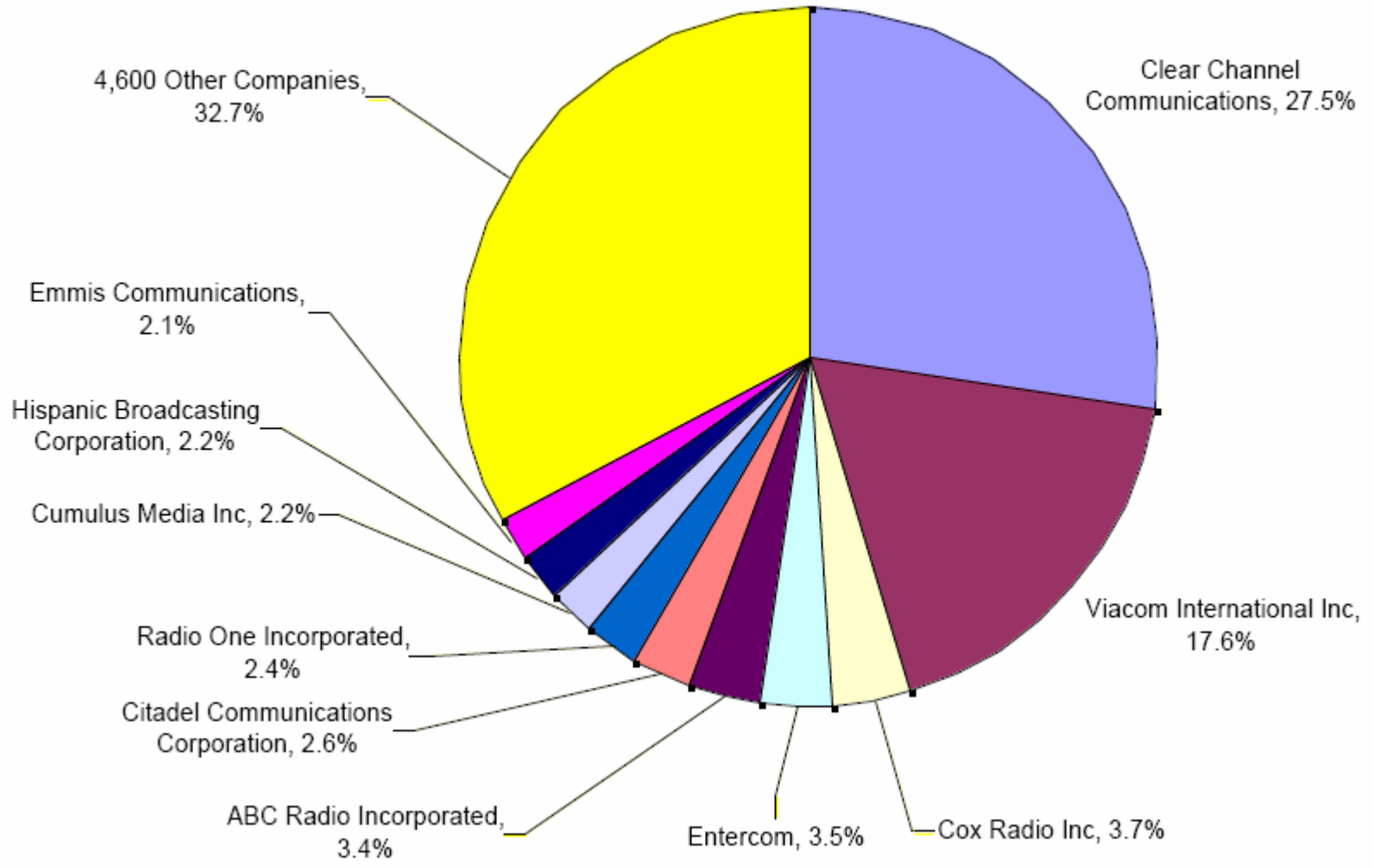


## 4. Deregulation: the case of radio

- Radio spectrum is part of the “public commons” and so its use has until recently been heavily regulated.
- Before 1996 a single firm could only own one radio station in a given market, and other restrictions across markets.
- 1996 Telecommunications Act removed most regulations on ownership.
- Now: Clear Channel Radio owns 1,200 stations nationwide = almost 30% of market controlled by one corporation.
- Note: almost no economies of scale in radio. What is more efficient is the ability to attract advertising which makes it very hard for local stations to compete for advertising revenues.



Radio Parent Companies' U.S. Revenue Share, 2001



# III. Alternatives

# 1. Three kinds of broadcast media: commercial, state, and nonprofit/community media

- The media system in the US is dominated by private commercial firms
- Other places in the world have a much stronger public, noncommercial sector paid to a significant extent by taxes. In the U.K. you pay a license fee to have a TV which pays for the BBC.
- Public broadcasting the US is heavily dependent on donations. Less than 15% from taxes.
- Problem for nonprofit, noncommercial community broadcasting is the free-rider problem: you can listen to public radio even if you don't pay for it. Only 10% of listeners contribute.

## 2. Toward a Democratic Media System

What would it take to create a vibrant, democracy enhancing media system in the United States? Some key elements would include:

- Need for a much more thorough, wide ranging public debate over the mass media. What kind of media system do we really want?
- Return airwaves to public control and treat as a public resource. It should be leased, and the rents from the leases should be used to support public sector broadcasting, including community and nonprofit radio. Rents could supply up to \$2-4 Billion/year subsidy.
- Media empires and conglomerates should be prohibited in the public interest: break up the chains.
- The public, noncommercial, nonprofit media sector should be the dominant sector in broadcasting, with the commercial sector adapting to this.