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THE POLITICAL AND ECONOMIC IMPACT OF MEDIA OWNERSHIP STRUCTURES AND CONCENTRATION ON GLOBAL COMMUNICATION

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Abstract

The global media is not limited to disseminating information but also plays the role of fostering ideas, diffusing stories, and exchanging culture. The content produced by global media, however, may be subject to different ownership structures. The ways that different media ownership structures influence global communication in both economic and political significance are therefore worth exploring. This paper first introduces two types of global media ownership structures—state-owned and privately owned—and cites specific examples to parse how these two types of ownership structures may influence global communication economically and politically. The paper then critically discusses issues of media ownership concentration in western democracies.

Keywords: global communication; state-owned media; free media; authoritarianism; ownership structure; ownership concentration

Global media is not limited only to disseminating information in modern society but also plays the role of fostering ideas, diffusing stories, and exchanging culture alongside technological developments and mass communication (Flew, 2018). The availability and accuracy of information are therefore of utmost importance for the massive public, including voters, investors, consumers, and executives, to make rational decisions on daily matters in modern economies and societies. The content produced and diffused by global media may be subject to different ownership structures, however (Hamelink, 2015). It is therefore important to understand how different ownership structures of global media have influenced global communication in both economic and political significance. This paper first introduces two types of global media ownership structures—state-owned and

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privately owned—and cites specific examples to compare political and economic impacts of these two types of ownership structures. The paper then critically discusses media ownership concentration in western democracies. This paper adopts the political-economy approach to consider the essential relationship between power and wealth while analyzing media ownership structures and employs egalitarian thinking to assess the inequality and social injustices caused by ownership concentration.

Literature Review

State-owned media is fully controlled by the government financially and is editorially at the government's service, whereas privately owned media can be fully owned by individuals or by private corporations distinctly for commercial revenues. Moreover, governments may fund two noticeably different types of media, which are state-owned media and public-service media. Most public-service media, such as the BBC in the United Kingdom and the CBC in Canada, are directly or indirectly funded by the government, with a few exceptions receiving funds from foundations and businesses. Despite the financial tie with government, public-service media enjoys independent editorial rights and serves the interests of the general public. State-owned media, in comparison, is not only financially dependent on the government but also strictly controlled by the state in both financial decisions and editorial operations, thereby serving the interests of the state (Webster, 1992). The state media discussed in this paper is state-owned media rather than public-service media.

In the modern world, although state-owned media may be advantageous over privately owned media economically, it undermines political and market freedom by exploiting a nation's soft power, controlling the flow of stories, and manipulating information dissemination in global communication. Public interest theory, established under the premise that governments maximize the welfare of citizens, is notably the first media theory that compares the role of state-owned media and private media in mass communication. According to this theory, state-owned media appear to be more favorable than privately owned media on several grounds (Begoyan, 2009). First, information is a public good that is costly to keep from unpaid groups if it has been distributed to paid consumers. Additionally, high fixed costs and low marginal costs can be found in the media industry, as collecting and distributing information are significantly expensive, while the cost of reproducing can be relatively low. These two characteristics fundamentally determine that the ownership of global media may be by either wealthy individuals or the state. As a result, state-owned media may not only possess the economic strength to distribute information but also be able to maintain the neutrality of the information disseminated instead of serving the exclusive interest of a few wealthy individual owners (Begoyan, 2009).

In contrast, public choice theory holds that state media are more likely to distort information, manipulate public opinions, and preclude the public from accessing facts in order to entrench the power of the incumbent ruling class while private media tend to diversify public narrative by supplying alternative perspectives, verify information authenticity by engaging in independent investigation, and ultimately lead the general public to make informed decisions. In addition, the control mechanism of the free market—open competition between different private media—may also effectively ensure that the information circulated is unbiased and carefully verified (Djankov et al., 2003). Admittedly, given the public-good nature of information, state media may be better placed than private media in economic significance. In reality, however, state-owned media may ultimately undermine the free market and modern democracy because of the coercive dominance of the government and the absence of independent editorial accountability, while private media with market competition can sustain the checks and balances of modern democracy and serve the general public with truthful information.

In a study examining the media ownership structures of 97 countries, researchers found ample evidence favoring the public choice theory; no empirical evidence has been established to support the public interest theory. The research found that a greater number of state-owned media tends to result in a lower level of freedom of press, which is represented by a higher number of jailed journalists and a greater number of media closed by the government (Djankov et al., 2003). Moreover, heavy internet restrictions and censorship can be found in countries with a substantial number of state-owned media, such as China, Iran, and Venezuela, which casts doubts on the premise of the public interest theory that state-owned media serve benevolent purposes (Djankov et al., 2003). Additionally, state-owned media are more likely to reshape global communication that favors the state by expanding its soft power. Nye (2006) defines soft power as the key to success in world politics and demonstrates that politics becomes a race for legitimacy, awareness, and credibility after digitalization vanishes national boundaries. The ability to spread stories and to convince story recipients is becoming vital to global power grip; therefore, through the expansion of soft powere, state media would be able to justify the legitimacy of totalitarianism, gain international support, and promote national branding globally.

Originally, the information revolution in global communication appeared to be an opportunity for western democracies to gradually liberalize the autocratic states by broadcasting democratic values through global media, but authoritarian regimes have turned the table on democracies by imposing domestic censorship and exploiting the openness of the democratic societies they broadcast to (Walker, 2016). The combination of China's domestic censorship and international broadcasting through state-owned media, for instance, has created an alternate reality domestically and beautified China's image internationally (Lim & Bergin, 2018).

Empirical Findings and Discussion

State-Owned Media in Global Communication

The rise of China's soft power in Africa may notably exemplify how state-owned media exploit soft power to influence global communication in economic and political discourses, which will be introduced in infrastructure, service, and content sectors. Two types of Chinese media outlets—fully state media and ostensibly private media—can be found in China's media presence in Africa. China Global Television Network (CGTN), the global English-language media outlet previously known as CCTV-9 and CCTV News, for example, is fully owned by the Chinese government and was officially launched in 2016 as a propaganda machine based in Beijing with coverage of more than one hundred countries. In addition, China Mobile, a Chinese state-owned telecommunication company providing mobile voice and multimedia services, is also an active presence in Africa, serving the interest of the state.

Huawei, ZTE, and StarTimes, in comparison, are ostensibly privately owned and, by definition, pursue profit maximization, although in fact, they all receive substantial financial support from the Chinese government and may be obliged to comply with Chinese laws and regulations. According to *China Daily* (2014), $163 million was provided to StarTimes, a Chinese electronic and media company, to expand its businesses in Africa by the Export-Import Bank of China from 2012 to 2014, and another $60 million loan was approved for further development in 2014. Additionally, Huawei, a Chinese telecommunication-equipment company providing information and communications technology infrastructure and smart devices, has received as much as $75 billion from the

Chinese government to grow from a start-up to one of the world's largest global telecom-equipment companies, which presumably results in strong state control over its business operation (Yap, 2019). Similarly, ZTE, a Chinese technology-manufacturing company specializing in telecommunication, is also propped up as a leading global company by receiving heavy subsidies from the Chinese government for its research and development expenditures (Atkinson, 2020). As a result, despite the fact that Huawei, ZTE, and StarTimes are ostensibly privately owned, their strong financial ties with the Chinese government and their obligation to comply with Chinese law have led them to being state-controlled in nature.

In the information technology-infrastructure sector, according to the Center for International Media Assistance (CIMA), China invested more than $5 billion in telecommunication infrastructures for dozens of African countries from 2000 to 2013 (Yudico, 2017). Moreover, Chinese telecommunication companies, including Huawei, ZTE, and China Mobile, have dominated telecommunication infrastructure and undersea cable all across Africa, fundamentally creating a solid basis for state-owned media to control the content broadcast in Africa, promote China's model, and serve China's military presence in Djibouti (Yeophantong & Wang, 2019). The Zambian and Ugandan governments, for instance, contracted with Huawei to install network surveillance and censorship instruments to monitor their own citizens as a result of the countries duplicating China's authoritarian model (Yudico, 2017). Furthermore, China's undersea cable in Africa, built by a state-owned telecommunication company, also enables encrypted data transmission from Africa to Beijing, serving China's Djibouti military base. Additionally, in the media service sector, StarTimes, China's primary television service provider in Africa, offered pay-television channels to more than 30 African countries with 10 million subscribers. The economic affordability (only $4 per month) and adequate quality secured comparative advantages for StarTimes over western television service providers, allowing Chinese state media to further enhance its capability to propagate China's version of stories (Marsh, 2019). Finally, in the content sector, content broadcast by state-owned media may always rest with the political interests of the ruling power because of the lack of independent editorial accountability. State media may therefore be able to redefine the norm of freedom of the press, induce self-censorship, create an alternate reality, and ultimately justify the legitimacy of totalitarianism in the international community (Walker, 2016). Content provided by Chinese state media in Africa, such as CGTN, may therefore favor Chinese authority and create a positive image of China abroad. Additionally, even outside of Africa, CGTN has frequently appeared on the public stations of foreign countries, such as Peru, to disseminate state propaganda abroad, which is known as the "borrowed boat" strategy (Cardenal et al., 2017). Hence, although state-owned media may be economically advantageous over privately owned media, its economic benefits cannot offset its erosion of political freedom and the fact that it jeopardizes democratization in global communication.

Privately Owned Media in Global Communication

According to public choice theory, introduced above, privately owned media play a positive political role in global communication, unlike state-owned media. First, private media, if free from government intervention, may function as a watchdog to monitor government officials who are in power and may thereby render the government more responsible. Consequently, individuals who consume such media would be well informed in choosing political candidates, selecting goods, and making investment decisions (Djankov et al., 2003). Moreover, private media is considered an important component of democracy and an effective way to promote democracy globally, as it reinforces freedom of the press and preserves freedom of speech. For instance, The *Washington Post*, one of the oldest privately owned newspapers in the United States, uncovered the Watergate scandal, the most infamous political scandal in the history of the United States. Two exceptional watchdog journalists from the *Washington Post* revealed how President Nixon used federal agents to negligently influence his reelection, and their revelation led directly to the impeachment and resignation of President Nixon (Schudson, 2004). It is presumably impossible to uncover presidential wrongdoing without the involvement of private media.

In addition, Van Belle (1997, cited in Whitten-Woodring, 2009) suggested that two countries with privately owned media are less likely to enter into military conflicts with one another because the legitimacy of private media in both countries facilitates the dissemination of trustworthy information and creates a recognition of shared values. Private ownership may therefore play a positive role in fostering the story of multilateral trustworthiness and in maintaining peace at the global level.

Ownership Concentration: Phenomena, Causes, and Consequences

Although privately owned media may positively influence global communication in the above aspects, the profit-maximizing nature of private media in the era of digitalization tends to gradually raise social inequality and reduce information pluralism because of ownership concentration. The emergence of ownership concentration may be traced back to the early history of all relevant industries. Since the 1920s, the global film industry has been dominated by eight primary companies—Paramount, Warner Bros., 20th Century Fox, Loew's Inc., United Artists, Universal Pictures, RKO, and Columbia—that have controlled the production and distribution of movies around the globe (Hamelink, 2015). The concentration issue in the film industry is now even more serious, such that Disney, with its large scale of acquisition (including 20th Century Fox), accounted for nearly 40% of the U.S. box office in 2019, whereas its closest rival, Warner Bros., accounted for only about 14% of the box office in the same period (Whitten, 2019).

Furthermore, in the global news industry, the production and distribution of international news has been controlled by the "big four" news agencies—United Press International, Associated Press, Reuters, and Agence France-Presse—since the late 19th century (Hamelink, 2015). In addition, the telecommunication manufacturing industry has also been significantly consolidated since the 1960s, with 13 telecommunication manufacturers accounting for 90% of international supply in 1978 and only 5 telecommunication manufacturers accounting for 76% of the global market in 2019 (Hamelink, 2015; Weissberger, 2020). The above examples serve as compelling evidence of the unprecedented large scale of media ownership consolidation. The causes and consequences of ownership concentration may therefore be worth exploring.

From the economic viewpoint, ownership consolidation may be attributed to developments in global digitalization, high rates of merger, and the interlocking interests of companies. The emergence of new technologies seems to reduce the high fixed costs required to produce and distribute information under conventional technology and thereby facilitates the establishment of new media outlets to end the dominance of existing media tycoons, whereas in fact, digitalization reinforces the dominating capacity of existing media giants. As digitalization allows media content to be spread and stored online without physical interactions, the marginal cost of producing additional copies has been reduced to nearly zero, so media tycoons with large numbers of consumers are more likely to share the first-copy costs with more individuals than are new entrants, thereby reaching efficient economies of scale (Goodwin, cited in Brown, 1999). Moreover, in a highly digitalized world with mass communication, the attractiveness of media content becomes a key element in gaining investments from advertising agencies, which are considered the primary source of revenue for media outlets and consequently decide the fate of media companies. Large global media companies with more resources may therefore secure the comparative advantages over new entrants of absorbing investments from advertising corporations by substantially expanding investment in production and distribution to ensure a higher level of attractiveness (Herman & Chomsky, 1994).

The second major reason for ownership concentration is likely to be the high merger rate. Economically speaking, the survival chances of information companies, especially in the era of digitalization, appear to be greater if small businesses become part of large conglomerates, as tremendous investments with enormous financial risks and advanced mass communication technology are required to reach a large enough audience for a company to financially survive in the global communication industry. As a result, the mass communication industry has a tendency to be consolidated into a handful of dominant media conglomerates that operate primarily for profits (Herman & Chomsky, 1994).

Given the above analysis, existing global media giants and advertising corporations exhibit more common interests than anticipated. The communication industry seemingly enjoys the free market and fair competition, but in fact, the interests of dominating tycoons are closely intertwined through various connections, such as joint ventures, joint ownership, joint directorates, and mutual agreements, in order to exploit monopolistic advantages and profit maximization (Herman & Chomsky, 1994). For instance, joint directorates can be found between IBM and Time, and mutual agreements can be seen between IBM and AT&T (Hamelink, 2015). As main competitors may reach a multilateral consensus regarding production, supply, sales, distribution, and price through those interlocking connections, it is safe to conclude that an authentically competitive market may be absent in the communication industry, which deters new entrants and exacerbates ownership consolidation.

Now that the phenomena and causes of ownership concentration have been discussed, attention can now be turned to the discussion, from an egalitarian perspective, of two primary consequences of ownership concentration: inequalities in the public sphere and loss of expression diversity. It is reasonable to believe that when a small group of very wealthy people are in charge of many media conglomerates, the combination of wealth and power may lead to significant inequalities in public decision-making and social justice, as unelected wealthy owners are more likely to prioritize their own interests by controlling the flow of stories to favor themselves than to hold themselves accountable to society (Hamelink, 2015). In addition, a high level of media ownership concentration may result in a unanimous single voice on certain issues and thereby reduce the pluralism of opinions and information.

Rupert Murdoch, who is one of the world's wealthiest and most influential men and controls 57% of newspapers in Australia, at least four national newspapers in the United Kingdom, substantial shares in Sky Group worldwide, and several high-profile U.S. newspapers (including WSJ), for example, undeniably plays a leading role in global politics, economics, and social issues (BBC, 2011; Evershed, 2020). It has been reported that Murdoch abused his power to gain commercial benefits by ordering his editors and journalists to run lobbying campaigns to weaken media ownership regulations and influence political candidates and government cabinets (Lidberg, 2019). Moreover, his son James Murdoch has publicly criticized his father's media outlets for disseminating misinformation about the ongoing climate-change discussion and for downplaying the severity of the climate crisis despite overwhelming scientific evidence that favors the urgent necessity of addressing climate change; this downplaying consequentially deters mutual consensus on climate change within the Australian government (Waterson, 2020). Additionally, the loss of voice diversity can be evident from the fact that media controlled by Murdoch spread a single voice supporting the Iraq War in 2003, even though the existence of weapons of mass destruction in Iraq—used as justification for the Iraq War—was never proven (Waterson, 2020). The above examples may justify the necessity of addressing the problem of ownership concentration in private media. Government regulations or laws that set maximum levels of individual media ownership appear to be indispensable.

Conclusion

Using the political-economy approach, this paper has comprehensively explained how ownership structures and concentration have influenced global communication. On the one hand, although state ownership appears to be economically superior, state-owned media is politically toxic, as it undermines the universal value of democracy by controlling the flow of stories, serving state interests, and propagating justification for totalitarianism. On the other hand, privately owned media tends to play the role of watchdog over governments and safeguard the world's peace, although its ownership-concentration problem may ultimately reduce information pluralism and increase social injustice. Hence, the transition of state-owned media to privately owned media, along with the mitigation of the ownership-concentration problem through legislation restrictions, is suggested globally.

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