



Media capture in the digital age

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Media ownership has historically been driven by just three motivations: power, public service, and profit. Power was the primary motivation in the early years of news until mass-market journalism turned the industry into a profitable business. Digital media are changing that equation again. With profit on the decline for news outlets, we are likely to see both the best and worst of times in news, with investments in journalism propelled both by personal interest and public interest.

Introduction

The rise of digital media is making news production less commercially attractive without decreasing its political and social significance, meaning news media are less profitable but still powerful. This development means that countries with a twentieth century history of relatively independent private media that maintain a degree of journalistic autonomy in part through their profitability—like the United States and parts of Western Europe—are likely to see a twenty-first century resurgence of more captive, politically instrumentalized news media.

This type of media—subsidized by proprietors, social and political groups, or governments—is common in most of the world, and we also know it from the past. To understand why this form of captured media will increase, we need to examine the basic rationales for owning and operating media (power, public service, profit), how the balance between them has changed over time (and how this has shaped journalism), and what the rise of digital media means for how compelling each rationale is for investing in news.

Three basic rationales for investing in news

Consider the three basic rationales for owning and operating media. The first is *power*. All sorts of media are or have been subsidized by other actors to exercise power—to change the world, or to keep it exactly as it is, to get a bigger slice of the pie, or to defend what one has. The second is *public service*. Public service is about politically mandated delivery of a service to the public, in whole or in part funded with public resources; in the case of media, this is accomplished through organizations that aim to serve a broad audience and enjoy a degree of autonomy from government (those publicly funded that are not independent of government are better seen as state media operated to exercise power). It can also take the form of non-profit media indirectly benefiting from public support through, for example, favorable tax legislation. The third is *profit*. Private enterprise invests in many different kinds of media, from upmarket financial newspapers to tabloids, from talk radio to television documentaries, to make money.

These rationales are rarely the *only* motivation for owning and operating a media organization. (Though Gannett Chairman Al Neuharth allegedly once, when asked at a meeting how to pronounce the media company's name, answered that the emphasis was on “net—as in money.”) They are ideal types. Similarly, the dominant rationale will not determine everything people in an organization do; plenty of journalists working for media organizations operated for power or profit are committed to public interest journalism, and some working at public service media are

in it for the money. But it provides a starting point for understanding why there are media organizations rather than no media organizations, why thousands of journalists are employed to do journalism, and why large sums are invested in news. The three main reasons are power, public service, and profit.

From power to profit

Historically, journalism and news media were primarily based on the first rationale, power. What we now know as newspapers developed out of official gazettes published to promote and publicize government actions and newsheets circulating inside information useful for various elites (Pettegree 2014). Pamphlets and journals were published by political and religious reformers who wanted to change the world. The writers behind them, and the gazettes and journals that were institutionalized enough to appear regularly and survive over time, neither had nor sought the kind of autonomy, independence, or impartiality to which many journalists and news media today at least aspire. They were organs of influence, and funded to be organs of influence, whether by parts of the establishment or by anti-establishment forces.

In the nineteenth and especially the twentieth century, however, the third rationale, profit, became more and more important. News has always been at least in part a business (John and Silberstein-Loeb 2015). But how much of what we refer to as “the media” is primarily a business, and how big a business it is varies over time and across countries. In the United States, the profit motive became a more central and important part of the media, especially after the “commercial revolution” that started with the first penny papers launched in the 1830s (Schudson 1978). Newspapers before then were sold by subscription and aimed at the elite. The penny papers explicitly sought a wider, more popular readership, and found it, attracting audiences and, increasingly, advertising. They became large, profitable businesses in the process.

Penny papers like the *New York Herald*, the *New York Sun*, and the *New-York Daily Times* (it has since dropped “Daily” and hyphen) changed the news industry not only through their commercial success, but also by investing in more active news-gathering and by enabling the development of a journalistic profession more oriented toward serving their reading public than their proprietor. The relationship between money and journalism was never simple or without friction, but most penny papers were at least in principle committed to the idea of a “free press” and political independence, rather than partisanship or patronage. Their commercial success helped enable the development of news media and journalists with a degree of autonomy and independence from the political interests frequently behind media published in the pursuit of power (Schudson 1978).

The profit motive thus grew more important over time, and private enterprise gradually displaced politically interested proprietors as more news organizations professed independence and fewer declared a partisan affiliation or other political

motivation. Power was never completely driven out, but profit became the primary motivation for investing in news in the United States. Newspaper publishing became big business. By 2000, total advertising and sales revenues were at an estimated \$60 billion, and more than 1,400 daily newspapers employed more than 56,000 journalists.

Both radio and later television broadcasting in various ways went through broadly similar developments, from early stages where many different motivations, including power (for political or religious reform) and public service co-existed, to a more commercially dominated and profit-oriented environment (Barnouw 1968). In 2000, television broadcasting alone was an over \$85 billion-dollar industry, radio an over \$20 billion-dollar industry, and television and radio broadcasters together employed an estimated 12,000 correspondents and reporters. While there were other media in the United States motivated by power (small journals of opinion running at a loss) or public service (public media supported by grants, donations, etc.), these for-profit newspapers and broadcasters defined the media industry, and, for good and ill, produced and distributed the overwhelmingly majority of the news ordinary people relied on. This is the industry that has been deeply disrupted by the rise of digital media.

Different developments around the world (less profit, more power and sometimes public service)

Before turning to the implications for media capture and the balance between the three different basic rationales of power, public service, and profit, it is worth pointing out that the United States is a special case and not representative of developments elsewhere. Even within the world of otherwise relatively similar high-income democracies, the details of this overall development varied in significant ways.

In the course of the nineteenth and twentieth centuries, the profit motive has generally risen in importance as mass media became more lucrative, but its relative dominance of the media industry as a whole differs from country to country. Some countries, for example in Southern Europe, never really developed the kind of widely read and relatively independent newspapers seen in the United States, and many publishers continue to be deeply intertwined with proprietors' wider commercial and political interests—who operate their media at least in part to exercise power (Hallin and Mancini 2004). In other countries, most importantly in Northern Europe and some commonwealth countries like Australia, Canada, and New Zealand, a large for-profit media industry grew throughout the twentieth century, but for-profit media never dominated the environment to the same extent as in the United States, as a broad coalition from across the political spectrum made an early and significant commitment to the idea of public service media, defining broadcasting as a public utility that should be developed in the national interest.

The most famous example of public service media is the British Broadcasting Corporation (BBC), which still is operating on the basis of the three pillars put

in place in the early twentieth century: (1) the commitment to inform, educate, and entertain; (2) a licence fee paid by most households receiving its services; and (3) a high degree of autonomy from government and Parliament secured through multi-year charters (Scannell 1990). The motivations for these public service interventions vary, but normally include the idea that society as a whole benefits from public investment in public service media that can serve underserved constituencies, tie people together through shared news and experiences, address market failures in areas including news and national culture, and heighten standards by leading by example. These motives have, at least in some countries, historically appealed to both the political right (interested in social cohesion and national culture/tradition) and left (interested in balancing for-profit media with public service media with a broader mandate and mission). How much is invested in public service media varies. In 2011, public funding for public service media varied from about \$50 per capita in France and the Netherlands, to over about \$90 per capita in the United Kingdom, to about \$130 per capita in Germany and several of the Nordic countries. The United States—with investments under \$4 per capita—is a clear outlier (Benson and Powers 2011).

Beyond high-income democracies, in countries that account for most of the world's population the situation is even more diverse. In low- and medium-income democracies, especially in those where the political process is vulnerable to special interests, many nominally independent media are operated by their proprietors to influence politics in ways that advance their political ideals or, more commonly, profit other business ventures, often in politically entangled areas like real estate, telecommunication, or resource extraction. It is estimated, for example, that at most a handful of the more than 400 news channels in Indian television actually make money (Mehta 2015). The rest are subsidized by their proprietors, many of whom are politically connected or active in politically sensitive industries. Similarly, many newspapers in Brazil are seen as deeply entangled with private and political interests that have little to do with making money off publishing, let alone delivering a public service (Harlow 2012). In semi-democratic and non-democratic regimes, state-control can be even more heavy-handed, through direct ownership and the appointment of senior editors and managers, or through tactical deployment of advertising budgets from government bodies and private companies affiliated with the ruling block in ways that reward loyal media and punish oppositional media (Yanatma 2016; Zhao 1998).

Power, public service, profit, digital media, and media capture

The historical development of the media industry and its gradual move from being primarily dominated by media operated to exercise power to being dominated by media operated to make a profit (in some cases with significant parts of the industry committed to public service) is important to understand, because it is the story

of how what social scientists call “media capture” came to be seen as an aberration in some countries, though it really is the historical and global norm.

The term “media capture” has been used by economists particularly interested in media being captured by governments in ways that influence their coverage in ways that reduce the degree to which they help people hold public power to account (Besley and Prat 2006). Media scholars have been quick to point out that media being captured by private commercial interests is at least as common, similarly influencing their coverage in ways that reduce the degree to which private power is held to account (Gross and Jakubowicz 2013). Basically, then, media capture is about what in journalism research is called “instrumentalization,” media being operated not for profit or for public service, but as an instrument for the pursuit of other interests, either purely political or tangled up between politics and commerce (Hallin and Papathanassopoulos 2002). It is about media being operated to exercise power.

The history and wider global outlook above is important to underline three things. First, most media have not for most of human history been independent, but captured. Second, many media in many countries around the world today, including some in high-income democracies, are wholly or partially captured, used as instruments by political actors, governments, or other self-interested proprietors to exercise power, to get what they want, or to prevent others from getting what they want. Third, power does not simply disappear as a dominant rationale in the media industry, but it may be relatively marginalized and crowded out if public service and/or profit become more important.

This is where we return to the rise of digital media. The growth of the Internet, and in particular the move from circa 2005 onward toward an increasingly digital media environment, has had three major consequences for news.

First, it has empowered billions of ordinary people who have access to more information from more sources in more ways at greater convenience and a lower price than ever before, and can furthermore create, comment on, and share content more easily than in the past. How and what we use it for in practice varies, but we are in principle empowered.

Second, it has been accompanied by the rise of a small number of centrally placed and powerful US-based large technology companies (most importantly Google, Apple, Facebook, Amazon, and Microsoft), which through their popular and widely used services and products structure large swaths of our media environment and dominate the digital economy both in terms of app sales and advertising. We are empowered, but so are the platforms.

Third, the combination of what digital media allow us to do, how we use them, and the companies that most successfully help us do it is basically threatening to destroy the business models of sales and advertising that for-profit news media

have historically relied on. This is critical, because it changes the balance between the three basic rationales of power, public service, and profit identified at the outset.

The US newspaper industry is a powerful illustration of the change. Though newspapers have garnered far more new digital users than they have lost print readers since 2000, declining print circulation and advertising means legacy revenues have fallen from about \$60 billion to about \$30 billion, and digital revenues only amount to \$3.5 billion—little more than a tenth of what has been lost on the print side. Newsroom employment has been cut in half, from about 60,000 to just over 30,000. Television has so far held up better business-wise, even as news budgets have been cut. But with the rapid rise of online video, many observers see the industry as ripe for a disruption that may rival that experienced by print (Nielsen and Sambrook 2016). For-profit news production is thus seriously challenged. Crucially, however, it remains politically and socially significant as news media produce most of the information we get about public affairs and help us connect with the world around us. News media are as a result less profitable, but still powerful.¹

This means that the profit rationale, while still important, and sometimes desperately so, longer-term is likely to be relatively less pronounced as part of the overall (news) media environment. In the twentieth century, news was a big and profitable business. In the twenty-first century, it will be a smaller and less profitable business, in large part because of the rise of digital media that has involved the commodification of much content, lowered advertising rates, and the rise of dominant technology companies, all at the expense of the news industry.

Whether the public service rationale will become a bigger part of the overall mix depends in large parts on the political and philanthropic scene in specific countries. But the power rationale is bound to become more pronounced simply because the barriers to entry are coming down and other media are under tremendous structural pressure. We already see this in the simple sense that the same digital media technologies that empower ordinary people to create, comment on, and share comment are used on a very large scale by political organizations, interest groups, civic associations, and private companies, often at least in part to advance their self-interest in the marketplace of ideas. The idea that every organization is a media organization has never been more true than today. We are also likely to see this in the form of increased media capture—of news organizations either being bought by or launched from scratch by self-interested actors in pursuit of power. How it develops will be highly context dependent and differ from country to country, influenced at least by four factors, namely (1) How politically and socially important are news media seen to be?; (2) What alternative means are available to political actors and others pursuing power?; (3) Do political actors and their allies have the resources to invest in news media?; and (4) Are there any regulatory or other constraints on media ownership and the like?

Everything else being equal, the barriers to a political (re)entry into the media industry are coming down. Consider just one illustrative example: the casino-magnate and major Republican donor Sheldon Adelson's secret acquisition in 2015 of the *Las Vegas Review-Journal* for \$140 million (widely considered to be about twice the market value), the main paper in a state where Adelson has extensive and politically sensitive business interests. Ten years ago, the paper might have cost half a billion. Now it is widely seen as beset by major conflicts of interests as it covers many stories involving its owner. Another example of Adelson's media activities is his free daily *Israel Hayom*. The biggest title in Israel in terms of circulation, critics call it "Bibiton" due to its support for Benjamin Netanyahu, the prime minister personally backed by Adelson. The journalist and opinion-writer Ben-Dror Yemini has described it as "endless capital with a political agenda." As the *Haaretz* journalist Amir Teig puts it, the Israeli newspaper business is "no longer a profit-oriented industry," but "an influence-oriented industry." Maybe this is what the future holds.

If so, this development will be powered by digital media that have made news less profitable as a business and cheaper to produce for political purposes. In many ways the relative decline of power and the resurgent interest in media run to exercise power will represent a return to the past and the global norm. It will be the opposite of what economists might expect, where the assumption has normally been that more competition would lead to less media capture (Ushioda 2012). This is likely so, provided functioning for-profit business models exist that can sustain a large number of independent players. That is not clear today. What is clear is that digital media are simultaneously empowering citizens, self-interested actors, and large technology companies while undermining the business models that for parts of the twentieth century gave some news media in some countries a higher degree of autonomy and independence than what most media in most of the world for most of history have enjoyed. In that sense, we may live in the best of times and the worst of times.

ENDNOTES

- ¹ Developments in public service media are a separate story. Basically, the underlying political rationale is in many countries under pressure from (a) private media who feel public service media crowd them out of the market; (b) parts of the political right who no longer consider the motivations that historically drew others on the right to public service media (social cohesion, national culture/tradition) are important enough or undersupplied enough to merit large-scale market intervention; and (c) the relative absence of a clear and broadly accepted justification of what the purpose of public service media are in an in some senses abundantly supplied media environment. The difficulties many public service media have had in making the shift from broadcasting to cross-platform media only compounds this as many reach primarily older audiences (Sehl, Cornia, and Nielsen 2016).

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