The FCC's cross-ownership decision will help bring American media into the new century.

Should We Fear Media Cross-Ownership?

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The Federal Communications Commission's June decision to overhaul ownership rules governing media companies could significantly alter the American media landscape. The rules, which have their origins in the 1930s and which were expanded in the 1940s, 1960s, and 1970s, govern such matters as how many television stations a firm can own in a broadcast market and what percentage of the national viewing audience the firm's stations can potentially reach.

One of the new provisions that has not garnered much attention is the relaxing of a rule prohibiting media companies from owning a broadcast station and newspaper in the same market. The FCC adopted that prohibition in 1975 and the Supreme Court upheld it in 1978.

Defenders of the prohibition claim it is needed in this era when large public conglomerates dominate the broadcast media but the newspaper industry is fragmented and predominantly in private or family-controlled hands. Eliminating cross-ownership restrictions, according to the defenders, could significantly reduce the number of independent "voices" available to the public.

As a practical matter, those concerns are misplaced. Not one of the major broadcasters has recently evinced any interest in owning significant U.S. newspaper assets. Disney actually disposed of all of the newspaper assets it obtained in its Cap City/ABC acquisition. Only Rupert Murdoch's News Corp. owns any U.S. newspapers, and that is limited to the money-losing *New York Post*. Given Murdoch's financial constraints and pending satellite-TV acquisition, he is unlikely to consider a major U.S. newspaper consolidation in the near future.

Practicalities aside, there is something surprising about the arguments of those who seek to preserve the current structure of the media industry as a means to protect viewpoint diversity and independence. The explosion of sources of news and information over the last decade — primarily through cable, satellite and the Internet, as well as a dramatic increase in the number of television and radio stations and free weekly newspapers — should have muted concerns that a single monolithic news source could arise to dominate American media. This is particularly the case when we look forward to the next decade with the same drivers — technological and entrepreneurial innovation — poised to continue to expand the breadth and depth of available information channels through digital cable and broadband Internet.

When the broadcast/newspaper cross-ownership restrictions were adopted, the three television networks of the time held more than 90 percent of the viewing audience and only 17 percent of households subscribed to cable. The cross-ownership rules were only a part of the broad collection of regulations put in place in the 1960s and 1970s (most others have since been modified) to prevent one party from owning more than a single local media outlet. In the media environment of 1975, this regulatory per-

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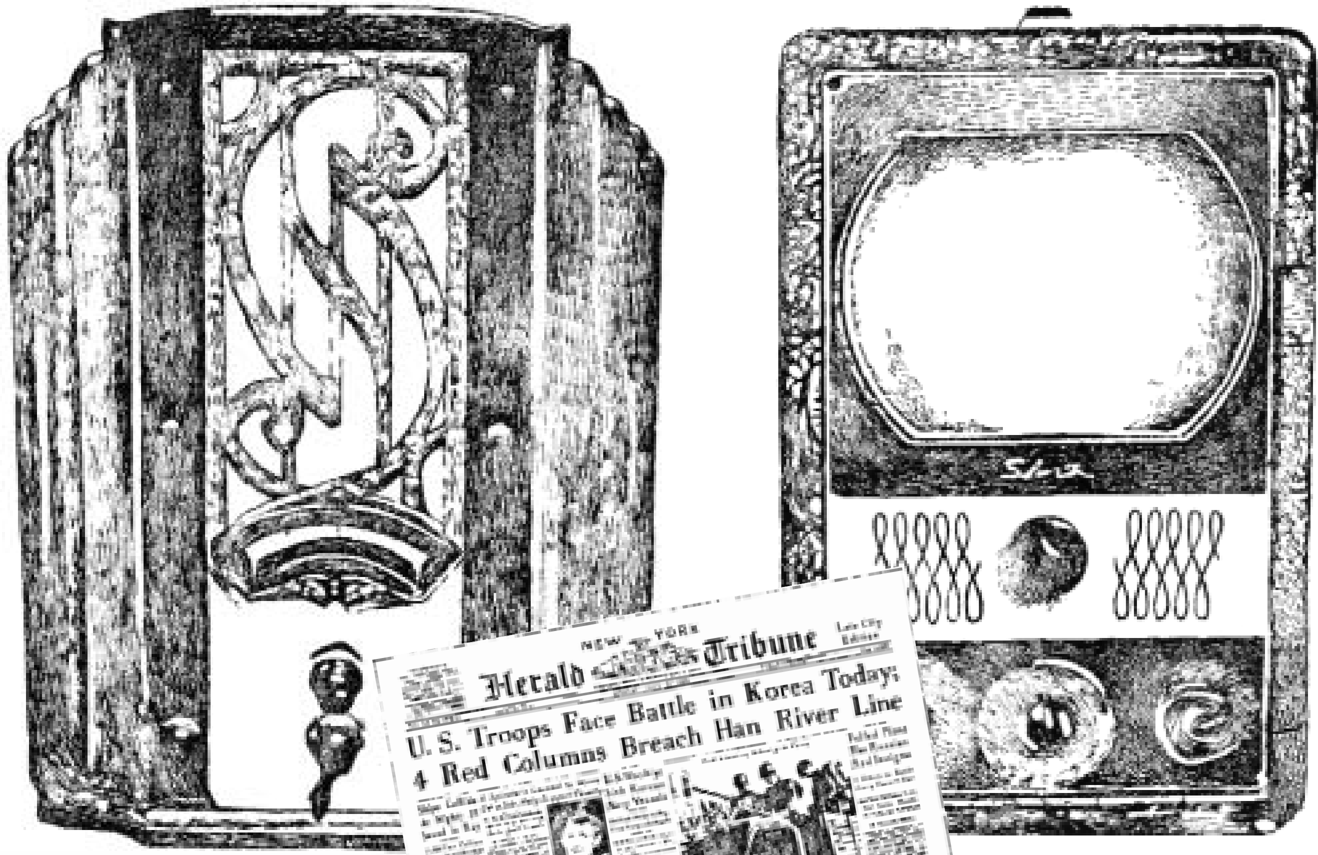
New York Herald Tribune
Late City Edition
U. S. Troops Face Battle in Korea Today;
4 Red Columns Breach Han River Line

MORGAN BALLARD

spective was at least understandable, if not necessarily justified. But the contemporary belief that such rules are necessary to preserve a "diversity of voices" ignores the overwhelming evidence that the marketplace of ideas has never been more robust. This suggests either a deeper confusion on the part of supporters of the old rules or a hidden agenda.

Many of the arguments against cross-ownership seem based on idealized notions of the media industry's historical and actual structure. A more detailed look at the changes in the industry landscape over the past century — focusing on newspapers — suggests that cross-ownership and further consolidation might actually further the articulated objectives of opponents to regulatory change. Furthermore, the multiplicity of channels now available to secure "objective" news may also suggest a more fundamental reconsideration of the role of journalists and the proper mix between news and opinion.

A VERY BRIEF HISTORY OF NEWSPAPERS

The original patriarchs of the great newspaper dynasties of the late nineteenth and early twentieth centuries, with one significant exception, did not share contemporary notions of journalistic objectivity and independence. Instead of conducting impartial investigative reporting, those papers' writers and editors worked with an explicit political agenda. This was most vividly demonstrated in William Randolph Hearst's use of his media empire to further his own various political campaigns until he formally retired from politics in 1930. But other press barons equally had no embarrassment whatsoever about the particular political point of view their newspapers represented.

The one exception to that mindset was Adolph Ochs of the *New York Times*. Ochs, whose famous 1896 pledge "to give the news impartially, without fear or favor" has been systematically misquoted by generations of Ochses and Sulzbergers ever since, was absolutely committed to the notion of not being associated with any political faction. Yet Ochs — who ended his formal schooling at the age of 14 — did not take up the ideal of "objective" reporting based on any grand journalistic philosophy. As Alex Jones and Susan Tuft make clear in their 2000 book *The Trust: The Private and Powerful Family Behind the New York Times*, Ochs had been deeply affected by the anti-semitic attacks on Pulitzer in particular, and held a deep-seated belief that "as a Jew, political visibility was a luxury he could not afford."

Whatever one thinks about Ochs' innovation of an "impartial newspaper," it certainly was novel in a city where 15 independent newspapers, each with its own political constituency, were operating. But change was on the horizon.

Evolution The introduction of electronic media in the twentieth century — television in particular — steadily eroded newspapers' dominance as a source of information on current

events. As a result, it became harder and harder for newspapers to profit by targeting a niche market of politically like-minded readers. Instead, the papers began to pursue a broad, heterogenous audience — and to do so, they had to have less biased, more mainstream content. Over time, a massive shake-out occurred as competing papers fought for the political center in an effort to capture the broadest readership.

Newspapers became less polemical as their role became less that of interested advocate and more that of chronicler of record for the community. The industry moved from a paradigm in which many strongly opinionated newspapers competed in various media markets to a paradigm in which a single daily paper dominated most markets, and that paper's editorial policy carefully restricted political opinion to the editorial and op-ed pages. Contemporary newspapers still face highly competitive marketplaces, however; but today their competitors are radio, television, cable and satellite networks, and increasingly the Internet.

William Randolph Hearst's newspaper empire lost its influence precisely because of his belated realization that, in the words of David Nasaw's 2000 biography *The Chief*, "in mass circulation journalism it was best to disguise one's political opinions [because] the more a publisher paraded his views, the more likely he was to alienate those who disagreed with him." Economics rather than philosophy drove the current ideal of objective journalism.

The changes in ownership structure initially occurred naturally as part of generational shifts. As ownership became more diffuse among the heirs of media moguls, generational and economic pressures led those families to seek outside capital and, increasingly, outside management. The moves did not necessarily imply the heirs lacked commitment to continuing in the newspaper business; rather, in many instances, the decision to bring in non-family investors and managers was made precisely to ensure the longevity of family ownership by running the enterprises on a sounder fiscal basis. Nonetheless, the price of those initiatives was increasingly to divorce the families from decision-making at their newspapers

Today, only a handful of cities have a second independently operated daily paper. A dozen more have two papers with independent editorial functions (often a morning and afternoon paper), but have combined everything else through a so-called joint operating agreement (JOA). New York, which by the middle of the twentieth century had lost more than half of its independent papers, is now the only city with three competing daily papers, and two of them do not appear to be profitable.

The nation's three largest newspaper companies are now broadly held by the public. Yet, they account for less than 25 percent of total daily U.S. newspaper circulation. All of the dozens of other newspaper companies in the United States are either privately held or are public companies in which media families retain control through a special class of high voting shares. While there are varying levels of family involvement at the nine major family-controlled U.S. public newspaper companies, only three — the Washington Post Company, Belo (owner of the *Dallas Morning News* and *Providence Journal*), and Media General (owner of the *Tampa Tribune* and *Richmond Times-Dispatch*) — have maintained a family member as CEO.

THE TIMES MIRROR ACQUISITION

In considering the implications of history on the current policy debate, it is worthwhile to examine the controversy surrounding the 2000 acquisition of the Times Mirror Company, owner of such newspapers as the *Los Angeles Times*, *New York Newsday*, and *Hartford Courant*, by the Tribune Company, owner of the *Chicago Tribune* and *Orlando Sentinel*. As a result of the deal, the Tribune Company was able to achieve TV/newspaper cross-ownership in four major markets by utilizing a loophole in the existing regulatory regime. At over $8 billion, the cash and stock deal was the largest newspaper transaction in history, and it shifted ownership of one of the most highly respected journalistic assets — the *Los Angeles Times* — from family to "corporate" control. Many of the same criticisms now levelled against the FCC's relaxing of cross-ownership rules were also levelled against the Times Mirror acquisition. The effects of the acquisition are clearly relevant to the debate over the FCC's new rules.

The Times Mirror sale is representative of the increasingly faltering efforts to hold together newspaper dynasties born in the late nineteenth and early twentieth centuries. Although many of those dynasties survive in some form or another, family members today frequently have limited involvement in overseeing the papers. In most cases, corporate governance has long since been transferred to boards dominated by individual family members and trustees representing unwieldy inter- and intra-generational interests, while day-to-day management and editorial decision-making has shifted to publishing and business professionals without family ties.

The Times Mirror sale was only the largest of an unprecedented wave of U.S. newspaper transactions during the year 2000. With a total value approaching $15 billion, that year saw more newspaper asset sales than the previous 10 years combined. Most of those deals — the Chandler family's Times Mir-

> With the onset of the age of electronic media, industry economics, rather than philosophy, gave rise to the current ideal of objective journalism.

ror, the Pulliam family's Central Newspapers, and the Thomson family's community newspaper chain — reflected a realization that, in the current industry environment, those assets were simply more valuable in the hands of broad-based media companies with the resources to fully realize the potential of the newspaper franchises.

In the case of Times-Mirror, the Chandler family had previously handed the day-to-day operations of the company to Mark Willes, a respected former chief financial officer of General Mills with a reputation as a tough corporate turnaround artist. Willes had no Chandler family ties or newspaper experience. After achieving some initial success in reshaping the company, Willes named himself publisher and turned his attention to Times Mirror's flagship paper, the *Los Angeles Times*, with decidedly mixed results. Willes soon promoted a close confidant — who shared Willes's absolute lack of newspaper experience — to help him run the paper.

A scandal erupted when the paper agreed to publish a special "news" section on the opening of the $400 million Staples Center in Los Angeles. The *Times* failed to disclose to readers that it had agreed to split advertising revenues from the section with the Center — a violation of the media ethics rule that a journalist should not share revenue or have a business relationship with an entity about which it is writing a story. Willes later attributed that lapse in judgement to a "fundamental misunderstanding" of a publisher's role and of journalistic ethics.

Faced with the realization that its experiment with outside management had gone horribly wrong, the Chandler family negotiated the outlines of a deal under which they would relinquish control of Times Mirror to the Tribune Company, but the family would become the single largest shareholder of the combined company and continue to play a special role with the *Times*.

Backlash Shortly after the March 2000 announcement of the Tribune-Times Mirror deal, Katharine Graham, the grande dame of the *Washington Post* empire, used the pages of the *Wall Street Journal* to issue a plaintive cry in defense of family ownership of newspapers. Describing the Tribune acquisition of Times Mirror as a "once-unthinkable event," Graham argued forcefully for the proposition that "family ownership makes a difference." "I don't think it's an accident," Graham ruefully noted, "that the papers best known for quality in this country… are, or were until recently, family controlled." Graham also emphasized the importance of community roots, long-term perspective, and editorial independence.

Those qualities are undeniably important to the creation of great newspapers, but the connection between them and family ownership is tenuous. On the issue of quality, given the continued predominance of family-owned newspaper companies overall, it is no more surprising that most of the finest newspapers are family controlled than that most of the worst ones are as well. Indeed, the *Los Angeles Times* is the perfect example of a family-owned paper that has been both among the finest and the worst under different generational control and management. Furthermore, while the Chandler family involvement in Los Angeles is well established, their historic relationship to Hartford, Baltimore and other communities in which the Times Mirror Company published papers is not.

As far as long-term orientation is concerned, the only major daily newspaper start-up of the last 20 years is *USA Today* published by Gannett, one of the few broadly held public newspaper companies. Although originally derided as "McPaper," *USA Today* is now widely recognized as an important journalistic addition to the national scene. The paper required a $1 billion investment over a decade before it broke even — an investment that few if any family-controlled companies would be willing or able to make. Finally, with respect to family-owned papers' independence, for every heroic *Pentagon Papers*-like decision to publish in the face of governmental pressure, there is a corresponding case of a family patriarch putting his own economic or political agenda before the public's right to know. It diminishes the bravery of individuals and individual families to explain their extraordinary actions as inevitably accompanying the institution of family ownership.

As for Graham's concern that corporately owned papers are somehow lacking in journalistic quality, the Tribune Company itself is an example to the contrary. Originally a family run enterprise under the tutelage of press magnates Joseph Medill and Colonel McCormick, the now widely held public company is viewed as among the best-run newspaper companies, having also amassed an impressive portfolio of broadcasting and entertainment assets that include WGN-TV in Chicago, WPIX in New York, and KTLA in Los Angeles. The actual executive responsible for Tribune's publishing operations is Jack Fuller, a Pulitzer Prize-winning newsman. Among other books, Fuller is author of the 1997 *News Values: Ideas for an Information Age*, which espouses many of the same "values" endorsed by the *Washington Post*'s Graham. Surely the Chandlers can be forgiven for placing their legacy in the hands of a former Pulitzer Prize winner rather than a former cereal executive.

During the almost three years since the Times Mirror sale was completed, no one has seriously complained that residents of Los Angeles or Long Island have come under undue influence of the Tribune Company. And there are dozens of other cities that operated under a cross-ownership regime (including Chicago) before the Tribune acquisition. In all of those cases, the public is unlikely to even notice anything beyond some cross-promotional activities, much less feel that they are being deprived of adequate independent voices.

THE BENEFITS OF CROSS-OWNERSHIP AND CONSOLIDATION

In addition to overstating its dangers, critics of cross-ownership and consolidation overlook a number of significant potential benefits. Scale can provide the organizations with the financial flexibility to respond to changing circumstances and invest in new initiatives that may not be immediately profitable. Even something as simple as expanded news coverage of important topics can become financially challenging without a broader base of assets over which to spread the cost. Wire stories, rather than independent reporting, increasingly dominate the content of local papers. Having the combined resources of the newsrooms of both a local TV station and newspaper could facilitate more original reporting. And in fact, a recent FCC-sponsored study based on markets where

owners already operate newspaper/TV combinations confirmed that cross-ownership appears to promote the quality and quantity of news and public affairs programming.

In the current industry structure, the real challenge to newspapers is not how to maintain multiple voices, but how newspapers' unique voice can be heard above the din of other media. Technological changes will continue to transform how the public receives news and how businesses advertise. Newspaper companies must have sufficient critical mass to ensure that they are not reduced to mere spectators in this unfolding drama. And the media regulatory regime should not limit those companies' flexibility as they explore different means of ensuring the continuing relevance of newspapers in an increasingly diverse media environment.

One cannot help wonder what "golden age" of news and information those who would block further industry consolidation are attempting to return us to. If it is the era when almost all Americans got their news from a combination of Walter Cronkite, David Brinkley, Howard K. Smith, and their local monopoly paper, then theirs is an argument for homogeneity hiding under the pretext of diversity. Even if one could imagine hypothetical transactions that would give a particular operator undue market power, it is hard to justify setting up a completely separate regulatory apparatus for addressing it outside of a traditional antitrust analysis. Indeed, as I argued in a *Wall Street Journal* editorial last May 2, even if it is theoretically true that analysing economic concentration is different from analysing "viewpoint" concentration, in practice this "argues for a looser not a stronger regulatory regime." Another FCC-sponsored study found that in half of the markets that already had cross-ownership, the political slant of the coverage was noticeably different between the TV and newspaper outlets.

The virtual cacophony of new channels of news and information that have emerged in recent years is reminiscent of the media environment of the early twentieth century. But there is one significant difference: Where the multiple newspapers that crowded the marketplace of ideas in the early 1900s each reflected its own political constituency and perspective, the twenty-first century's new voices largely respect the "objective" journalistic values that grew up in the second half of the twentieth century. The result has been a mind-numbing degree of sameness across many media outlets. The obvious question is whether journalism in general should shift its approach to reflect the new industry structure. Put another way, should the radically more diverse media environment in which we now operate give news outlets the freedom to be more opinionated and provocative than would have been appropriate in, say, the media environment of 1975?

The success of the Fox News Channel reflects the real opportunity in a world of multiple information sources to develop truly different voices. Whatever one thinks of Murdoch's politics, Fox News is clearly a new voice. And if the goal is really to increase diversity of thought, the public is better served by filling the new outlets with provocative analysis and opinion-encouraging debate rather than more of the same "just the facts ma'am" journalism. The only issue relating to encouraging more journalistic advocacy to complement pure journalistic reportage is to ensure that the public is not confused by which is which. Putting aside the "We report, you decide" moniker of Murdoch's channel, is anybody really confused by which approach to journalism Bill O'Reilly takes? Recent talk by various liberal groups about creating their own channel to counteract the influence of Fox, from this perspective, is an equally positive development.

CONCLUSION

As is frequently the case, the regulatory framework governing the media industry had not kept pace with changes in the underlying industry it seeks to regulate. Until the FCC's overhaul, the anachronistic rules governing cross-ownership seemed only moderately more sensible than the rules proclaimed by the victorious power-mad revolutionary in Woody Allen's "Bananas." Cable operators could own newspapers but not television stations in their markets. Television station operators could not own cable systems or newspapers. Cable system and satellite-TV operators and cable channel owners have no preset limit on how much of the country they can reach, but broadcasters were capped at 35 percent of the country (now raised to 45 percent). A broadcaster could only own a second station in a market if there were at least five stations in that market (and no more than one of the broadcaster's stations was among the top four stations in market share). And, even with the new rules, foreigners can own a multibillion-dollar media conglomerate but are barred from owning even a single rural radio station. Is any of this more sensible than the Allen character's dictate that we all change our underwear twice daily and wear them on the outside of our clothes to make sure we are not cheating?

An objective review of the health and diversity of the current media environment makes one wonder what exactly the government thought it was protecting the public from in keeping the cross-ownership prohibition in place for so long. If a particular transaction truly creates a risk that a single operator will control an overwhelming portion of the public's mindshare either locally or nationally, the antitrust laws could be used to protect the public interest. The FCC's new rules are a decidedly positive step in the right direction. R

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