

communication

Michael Kunczik

Media giants

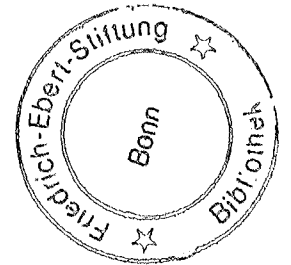
Ownership concentration
and globalisation

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Michael Kunczik

Media giants

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Foreword

This Communication Manual is not to regurgitate the “old” media and culture imperialism debate, although that has to be touched on at the beginning to make the current discussion, which keeps referring back to it, understandable in context. This work focuses mainly on newer developments and also analyses European experiences and strategies in warding off American media imperialism.

The global media scene has changed completely since 1995. In the USA there was a regular merger mania. It dramatically altered proprietary conditions and with that the structure of the media transnationals. For a while Walt Disney was the world’s largest media enterprise after it acquired ABC/Capital Cities. But since then the takeover of Turner Broadcasting (including CNN) by Time-Warner has been approved, so that Disney has dropped to second place. Inter alia in 1995 Seagram acquired 80% of the MCA shares. A new globally operating company, DreamWorks SKG, was founded. Microsoft is cooperating with NBC, Westinghouse has bought CBS. In Europe in 1996 Bertelsmann and the Cie. Luxembourgeoise de Teledifusion (CTL) have merged. In other words, in 1995-96 the media industry went through unprecedented changes. This has created many almost incomprehensibly complex conglomerates of software, communication technology and media companies, many of which are characterised by very intricate participations and strategic cooperations. In many cases reliable data were impossible to obtain.

This book attempts to treat unprejudicially the theme of media and culture imperialism, which to many has negative connotations. That is not to say, though, that the author does not take a stand. We are moreover aware that in some regions of the world there are certainly more important problems than the subject addressed here. Let two examples suffice:

1. The Organisation of African Unity (OAU) stated in Addis Ababa in September 1995 that every second African can neither read nor write. Accordingly 56% of the people in the countries south of the Sahara are illiterate. Illiteracy is described as “Africa’s Enemy Number One”. Related to our subject, this also means e.g. what does the introduction of a new software, such as Windows 95, mean for the many people who cannot even access a telephone? In such a situation the only answer can be increased development aid, which would then, however, be decried again by some authors as cultural imperialism.

2. Another problem region is southern Asia. More than 1,000 million people live in India, Pakistan, Bangladesh, Nepal and Sri Lanka, of whom 400 millions, or four out of 10, cannot read or write, and two thirds of those are women; 950 millions are without drainage, 300 millions live in absolute poverty and 280 millions have no access to clean drinking water. The former finance and planning minister of Pakistan, Mahbub-ul-Haq, gave the figures in February 1996 in an address in New Delhi. He does not put the situation down to lacking money, but to the lacking political will to tax mighty groups and to make sure they pay. Moreover, military budgets are bloated, Pakistan and India spending more than 20,000 million U.S. dollars a year on arms. These aspects are certainly more important to the development of the regions mentioned than possible negative effects of media and culture imperialism.

Technological developments since the early 90s have destroyed millions of jobs in the so-called developed countries. Those whose work has not been taken over by computers have to work harder and more than ever before. The societal inequalities in income distribution have grown in the USA, for example. All of this at the outset of the so-called information age has resulted from the survival struggle of enterprises under global deregulation. Since the 80s the buzzword in economic policy has been unrestricted global competition.

Just as the invention of the cotton gin by Eli Whitney in 1793 turned the life of society upside down in the Industrial Revolution, information technology has already influenced the lifestyles of millions, if not billions of people. And if not yet, then certainly soon. Media economic aspects are of central importance to the theme addressed here. All the same, this is no media economics text book. Economic concepts are explained only inasmuch as they need to be to make concentration processes understandable, for example. Just the mere intensive discussion of various forms of media concentration and their assessment by different criteria would mean a separate book. Moreover, it is argued here that many of the current developments in the media sector, especially the mergers in the USA, cannot be explained in media economic terms. Rather, it is obvious that in many cases purely personal motives – personal preferences and dislikes, power hunger, etc. – were of central importance.

A very difficult problem was the selection of enterprises, that is where to draw the line. With Robert Maxwell it was quite simple. The enterprise has collapsed and Maxwell is dead. It is more difficult with such enterprises as Telecommunications Incorporated and its Chief Executive Officer, John Malone. Although this enterprise trades mainly in the USA, its influence can be felt globally. It was attempted here to put the globally relevant aspects under scru-

tiny. In the cases of Silvio Berlusconi in Italy and the German Kirch group, as well as Havas (France) it was decided pragmatically that these are enterprises trading almost exclusively in Europe. No or very little information could be obtained about certain persons or enterprises. Typical of this are the activities of Sondhi Limthongkul and his Manager Group Company Ltd. which publishes the Asia Times. Sondhi, who characterises the West as the master of cultural imperialism, wants to contain Western media influence in Asia.

In conclusion, some references to sourcing and citation methods. Given the new technological developments, research in data banks has become self-evident, which means that the number of accessible sources has exploded. In addition, because of the topicality of the subject many “unscientific” sources have also been used (newspaper reports, television news, news agency despatches, personal communications, interviews, grey literature, i.e. also unpublished papers, publications of the European Community and Council of Europe, seminar works, etc.) whose exact documentation would have cost much space. If every reference made in this book had been documented, the annotations would have been more voluminous than the actual text. Sourcing was deliberately kept brief so as not to overload the manuscript with footnotes and to use source references sparingly. Just two examples to demonstrate: for the information that Murdoch gave up the online service Delphi in May 1996, the following source would have to be given: cf. Borchers, Detlef, Besser Fernsehen, in: <http://muenchen.bda.de:80/bda/int/zeit/archiv//daten/BULK20.TXT>. 19960610.html, 10.5.1996. The information that DreamWorks SKG produced the single Jesus for a Child with George Michael would have needed: cf. Farley, Christopher, J., Are they worth all the cash?, in: <http://pathfinder.com/@@BjAoNUAooqaet/time/magazine/domestic/1996/960129/entertainment.html>, 29.1.1996.

The following difficulties must also be taken account of in working with Internet sources: 1. there are no page references; 2. references to time and location of text generation are often lacking; 3. sources can disappear after some time or reappear under different addresses.

Research for the manuscript was completed on 30 May 1996. But I tried to cover events that occurred after then. I should be very grateful for criticism and suggestions. Although I have tried to research data most thoroughly I request to be informed of any mistakes that might be in the manuscript.

1. Introduction to the cultural imperialism debate

1.1 Historical roots of the cultural imperialism debate and current trends

The debate about cultural imperialism or the issue of one culture superimposing itself on another can be traced back to the 18th and 19th centuries in both its roots, the linguistic philosophical and the economic. In the 18th century German language philosophers argued against the French culture superimposing itself over the German and put forward theories why the influence of the foreign culture had to be warded off (cf. Kunczik 1993, 199ff). Johann Gottfried Herder (1744–1803) in his 1771 *Abhandlung über den Ursprung der Sprache* laid one of the decisive theoretical foundations for German nationalism. According to it language is always the expression of a particular way of thinking that has been shaped by the different life experiences and national characters of various peoples. Language was something alive and of central importance to people's identity. Language brings together things and events with the feelings they generate. Hence Herder regards language as the decisive characteristic of a nation. He argues that the existence of a language entitles the people to whom it belongs to their own, sovereign state. The speaking of a foreign language would be tantamount to a nation's destroying its own culture. If one forgot one's mother tongue and its original characteristics, one was condemned to live an *artificial life*. A people that gave up its language in favour of the language of another people lost its character and could no longer preserve its own ways. Herder turns in sharp polemics against the tendency of his German contemporaries to ape the French language and culture. The current French culture policy to ward off cultural superimposition by the USA, respectively the English language, is driven by precisely the same considerations as those Herder developed against superimposition by French culture (cf. Chapter 2.2.2).

The second root of the cultural imperialism debate is to be found with the German national economist, Friedrich List (1789–1840) who drew attention to the socio-cultural aspects of economic activity and demanded protective tariffs for Germany (cf. Kunczik 1993, 175ff). These tariffs were to protect industry against the superior might of foreign countries and enable training for better utilisation of productive forces.¹ By some detours, in which especially the fas-

¹ Only then would free trade be of advantage to everyone.

cist Romanian economist Mihail Manoilescu² played a part, this thought influenced the Latin American cultural imperialism debate of the 50s, 60s and 70s. Daniel Chirot and Thomas D. Hall argue that even the “father of dependency theory”, Argentinean Raúl Prebisch, is influenced by List via Manoilescu.

Especially intense in the 60s and 70s, the cultural imperialism debate focused mainly on the USA. The term cultural imperialism degenerated in connection with this debate to a slur word. Especially neo-Marxist authors proceeded from the premise of a targeted and coordinated action by the U.S. military-industrial complex. They held that the mass media were to serve to impose on peripheral societies values, behaviours and particularly consumption patterns and thereby to improve the capital utilisation of transnational enterprises. The solution to the problem often suggested was for the developing countries to uncouple and to find and go their own way. This older debate, in which the mass media were perceived as an ideological apparatus of Western imperialism, will not be addressed anew here since it has been extensively dealt with elsewhere (Kunczik 1993, 195ff).

But the “old” cultural imperialism debate of the 70s is not yet over. For example in the anglophone Caribbean it is continuing very intensively, as the reader by Hopeton S. Dunn, *Globalization, communications and Caribbean identity*, makes plain. It is argued in the Foreword that developments in telecommunications technology have not only created a new world society and a new form of international politics (1995, IX): “Accompanying homogenization of ideas and behaviour patterns reduce cultural diversity. This is particularly evident in young people who are the most exposed to the global media, the least immune, and who consequently exhibit a remarkable similarity in taste and consumption patterns.” Rex Nettleford states in *Inward Stretch Outward Reach. A Voice from the Caribbean* (1993, 129): “The hijacking of the region’s media, the invasion of the Caribbean people’s intellectual space, and the cultural bombardment of the entire region by every means possible from North America are the *weapons of war* used by those who would wish to save the region from itself.”

It must be noted in this connection that one of the most influential people in the American media industry, Herbert A. Allen (cf. Chapter 3.4.2) said in an interview after merger mania had broken out in the USA that the entire world was becoming one single culture. He said we all watch the same things, all

dress alike, all speak the same phrases – and bore each other to death. To Allen this is no exaggeration, but certainty.

Given the new technological developments (e.g. digitalisation of television) the American media concerns are striving to secure all the world’s markets for themselves. Peter Crawley of the consulting firm International Creative Management came to the conclusion that in addition to Europe, Hollywood will in future also need China and India, Southeast Asia and Latin America as markets. But such dimensions could only be coped with by an all-encompassing media enterprise with the necessary resources and creative talents. In March 1995 TIME characterised the situation as follows: “Today, and tomorrow, any ambitious entertainment outfit must be an all-purpose, universal-joint conglomerate – for two big reasons. First, the media in the U.S. are converging, one on top of the other, even as the computer, phone line and TV screen are converging into the brave new integrated system of tomorrow. Second, the globalization of the U.S. entertainment industry is roaring forward unabated, making Hollywood an exhilarating, sky’s-the-limit export factory.”

In relation to our topic, the present is characterised by two central trends in technology and media policy. The argument advanced by Eric Hobsbawm in *Industry and Empire* (1968, 13) that the Industrial Revolution marks the most fundamental transformation of human life since history has been held in written documents is no longer valid. We are seeing a technological change without precedent in human history. The new communication and information technologies will probably have much more dramatic consequences for human life. We are quite obviously in a situation William F. Ogburn (1922) called *cultural lag*. Various areas of life are changing in complex societies – e.g. technology, law, education, science, religion – at varying speeds, with the changes in the technical sector happening fastest. The rest of culture is slower and has to adapt to given situations; even communication science cannot keep up. The argument can be continued as follows: if science has fallen so far behind the development of technology, how then can rational planning or policies in the media sector be possible? The new situation created by the fusion of communications and computing to information technology is so complex that only one thing is certain: simple and ever valid recommendations or prognoses cannot be made. In the face of this there is a tendency among politicians to withdraw in resignation and to leave the responsibility to technology and the free play of market forces.

2 The *Theory of Protection and International Trade* was published in 1929.

Which brings us to the second trend bearing on national and international media and communication policies. A worldwide trend to deregulation is discernible. The communication sector, which for a long time was subject to regulation, has become a free area in many states. Media transnationals operate globally and with their activities set media policy markers that national governments often can only react to. Rupert Murdoch with his News Corp. (cf. Chapter 4) is no unique case because a merger mania has broken out in the USA that peaked in 1995 and brought into being ever larger media conglomerates (cf. Chapter 3). The aim of the mergers is clear. Especially vertical integration is to ensure that the enterprises do not go under in the merciless race for the right places in the beginning information age. One of the main reasons why these mega mergers have become possible is that in the USA the ban on mergers between television networks and production companies (e.g. film studios) has been dropped (cf. Chapter 3.3). But there are other enterprises now operating globally that need to be looked at here. Suffice it to name Bertelsmann (Germany), Globo (Brazil) or Televisa (Mexico).

Alvin Toffler, the internationally known prophet of societal developments, takes the view that the conventional categorisation of the world into capitalism v. communism or North v. South has been overtaken. A third wave³, he suggests, set off after World War II, marked by computers, satellites, new information systems such as the Internet and Cyberspace, had swept up humankind. Instead of the muscles, the brain was now being potentiated, an era of knowledge was beginning. The new raw material was knowledge. A polarisation was coming about between cognitariat and proletariat. Toffler sees a new splitting of societies into "the fast and the slow". The new economic form of the 21st century "will work at nearly real-time speeds" (1990, 35f): "The acceleration effect, by making each unit of saved time more valuable than the last unit, thus creates a positive feedback loop, that accelerates the acceleration." The result will be, if Toffler is right, the assertion of a new economic imperative, "Survival of the fastest".

It will be one of the most important future tasks of politics to observe whether the megatrend posited by Toffler actually happens. Moreover, the prophecy of societal trends can develop its own dynamic, i.e. it is possible that a *wrong* definition of the situation, a wrong prognosis, causes a behaviour which makes the *wrong* perception reality. Robert K. Merton (1967, 146) has pointed out that the deceptive correctness of the *self-fulfilling* prophecy eternalises

³ The first wave began eight to ten thousand years ago and led to agrarian culture. The second wave was set off by the Industrial Revolution and led to the potentiation of muscle power through technology.

the rule of error. Conversely, a correct definition of the situation can also lead to a self-stultifying prophecy. People's behaviour changes so strongly vis-a-vis the course of events that would have taken place without the prognosis that the prophecy does not become reality. The Toffler prognosis already influences American policymaking because the opponent of President Clinton, Newt Gingrich, who also cultivates(d) close contact with Murdoch, even regards Toffler as his chief philosopher, as it were. The William I. and Dorothy S. Thomas' (1928, 572) famous sentence is still valid: "If men define situations as real, they are real in their consequences."

1.2 Definition of terms: culture, nation, imperialism, media imperialism

Culture encompasses a people's entire societal heritage, i.e. all notions, opinions, values and norms shared by the members of a society. The definition made by Edward B. Tylor (1981, 1) is still usable for this book. According to Tylor culture is "that complex whole which includes knowledge, belief, art, morals, law, custom and any other capabilities and habits acquired by man as a member of society". The anthropologists Alfred L. Kroeber and Clyde Kluckhohn (1952, 157), who subject 164 definitions of culture to critical analysis, come to the conclusion: "...we think culture is a product; is historical; includes ideas, patterns, and values; is selective; is learned; is based upon symbols; and is an abstraction from behavior and the product of behavior." This broad definition of culture will be adhered to in the following since the current debate about the "*clash of civilizations*" also proceeds from such a definition. Samuel P. Huntington (1993a, 24) perceives civilisation as a cultural entity and regards culture as "defined both by common objective elements, such as language, history, religion, customs, institutions, and by the subjective self-identification of the people".

No differentiation is made here between high culture and mass culture. A telenovela and a piece by Shakespeare are treated in principle as cultural products of equal value which can be assigned to different "taste cultures" reflecting the given societal conditions (e.g. levels of education, income and origin) existing in a heterogeneous society. The term nation is used in the definition of the French scholar of religion, Ernest Renan, who delivered a famous speech about the term at the Sorbonne on 11 March 1882. In it he defined nation as a large, solid connectedness strong enough to produce the wish to continue life together. Renan uses a metaphor to explain the existence of a nation. It was a plebiscite taking place from day to day, just as the existence

of an individual was an ongoing confirmation of the principle of life. National cultures⁴ have often been formed artificially. In *Nationalism and its alternatives* Karl W. Deutsch (1969, 3) quotes a European saying that precisely meets this possibility: "A nation is a group of persons united by a common error about their ancestry and a common dislike of their neighbors." Rituals, symbols, etc. are devised to create new loyalties and/or destroy old ones, to delineate new territories and to assert ideas. Often these are "invented traditions" (Hobsbawm and Ranger 1993).

Nations are no homogeneous entities, as Benjamin Disraeli observed already in 1845 when he argued that a nation can consist of two nations: the Privileged and the People. Disraeli (Sybil, bk. II, ch. 5) describes the relationship between the Nation of the Rich and the Nation of the Poor: "Two nations; between whom there is no intercourse and no sympathy; who are as ignorant of each other's habits, thoughts, and feelings, as if they were dwellers in different zones, or inhabitants of different planets; who are formed by a different breeding, are fed by a different food, are ordered by different manners, and are not governed by the same laws." This formulation, unfortunately, can still be applied to many present-day nations.

The term imperialism is characterised by its mainly being associated with negative emotions, having a highly insecure definition of meaning and mostly being used as if everyone knew what it meant. Here cultural or media imperialism, which are used synonymously, refer to a situation in which a country's media, respectively the ownership of the media, the contents they disseminate or the distribution structures for certain contents, e.g. films, videos, satellite or cable television, are dominated by another country without the country concerned exercising a reciprocal influence (Boyd-Barret 1977, 17). That is to say, media imperialism is perceived as a structural characteristic, whereby it must not be overlooked that totalitarian regimes without respect for human rights like to use the term to shift attention away from their own misdeeds.

The cultural imperialism debate almost always had and has nationalistic, respectively anti-colonial traits. The starting point of the debate is everything alien, whose damaging influence has to be warded off. Foreign cultures are

⁴ No further attention is to be paid here to the question of whether there are different national characters and connected with that different national cultures, since this has already been done elsewhere; cf. Kunczik (1990). It is assumed here that people of different races, respectively nations, are equal in principle but that there are differences between societies and cultures.

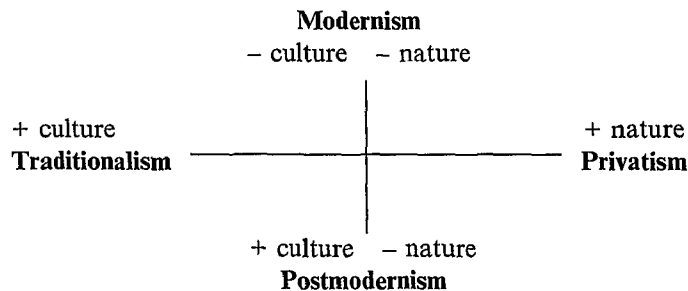
regarded as a kind of illness that consumes the identity of one's own nation, e.g. Westtoxication. The authors who campaign against cultural imperialism do not take into account that there is much proof of mutual fructification of cultures. In the Mediterranean region, for example, especially such cultures as the Greek and Roman that were open to foreign influences were the most dynamic and vital. However, it is often asked whether the transfer of our electronic media technologies to the Third World does not pose the danger of our media culture being adopted selectively and at the end of the day having a destructive effect on grown cultures and communication structures. Oliveira (1993, 119) notes in respect of Brazil that because of the success of TV Globo (cf. Chapter 5.2) "the days of cultural imperialism are numbered". Especially the Latin American telenovela has become a kind of reverse media imperialism. But Oliveira (1991, 204) has also accused TV Globo of adapting its programme contents to those of American telecasters: "Overall the media tend to stimulate the adoption of Western life-styles among those who can afford them, and induce frustration among the rest."

1.3 Cultural identity: modernism and postmodernism

Identity encompasses three dimensions: the relationship to history, social and political categorisations and expectations of the future. Personal identity means all elements, aspects and factors allowing a person to say I which convey to that person an awareness of self. Correspondingly cultural identity means everything enabling a group to say we. The anthropologist Jonathan Friedman posits four poles, each determined by the relationship to nature and culture, which define the cultural space of modern capitalist societies, namely modernism, postmodernism, traditionalism and primitivism. That results in the identity space, depicted here according to Friedman (1994, 93):

Modernism, a result of enlightenment, is defined as a mental attitude that puts the individual at the centre but denies the creature component of the human being as well as nature. Nature has to serve economic progress. Culture is no value as such but merely an organisation principle subordinated to the needs of the individual. Society is secular and the belief in progress dominates. At the middle level Friedman posits traditionalism and primitivism. Traditionalism, which reflects the need for a fixed place in a continuously changing society, is perceived by Friedman (1994, 92) as a conservative, respectively neo-conservative mental attitude in the context of modernism: "It is the aspect that is represented by culture, defined as a system of rules and etiquette peg-

Illustration 1: Identity space according to Friedman (1994, 93).



ged to a totalistic cosmology that provides ultimate meaning to existence, defining man's place in the universe as well as the significance of all activities."

The primitivism juxtaposed with traditionalism embraces nature at all levels, while traditionalism is repressive towards human nature. Both traditionalism and primitivism harmonise with one parameter of modernism each. In the case of primitivism it is the negative attitude towards the culture and in the case of traditionalism the negative attitude towards nature. Each is in opposition to modernism in one parameter. In primitivism it is the attitude to nature, in traditionalism the attitude to culture.

Postmodernism contrasts with modernism (Friedman 1994, 93): "It emphatically challenges the obliterating effect of modernity on culture while, via its absolute relativism, it praises the value of all culture and all nature. From this position modernism is denaturated as well as decultured. Postmodernity represents a return to both, a return to the concrete." Postmodernism accentuates differences. The other possesses value as such. Postmodernism contains the notion of the relativity of identity and truth. It is a way of thinking that attempts to overcome the monistic thinking and contrasts between cultures as well as between culture and nature (ecology).

In Friedman's concept it is these four poles that mark out the space within which identities constitute themselves in modern societies, with heterogeneity of identities being characteristic of modern society. The individual can simultaneously move towards varying identity poles in various areas of life, with heterogeneity being able to appear both synchronously and diachronically. Such a notion of identity space avoids the pinning down of societies to a single identity. Although the testing of such an identity space by empirical

research is likely to be difficult, this offers a frame of references enabling the concept of identity to be made more precise by several dimensions. Perhaps one can monitor changes in values and tensions within societies.

The vagueness of a term does not make it socially irrelevant. The robbery or destruction of another nation's cultural heritage can strain relations between states for decades, even centuries. For example, Russia, in breach of international law, still refuses to repatriate cultural goods robbed from Germany in World War II, e.g. the treasures of Troy. On the other hand, Germany had the fortune that after the war 24 American Monuments, Fine Arts and Archives Special Officers signed a manifesto already on 7 November 1945 in the American occupation zone by which they protested successfully against German works of art being taken to the USA. It was morally untenable, they argued, because the war was over. The manifesto held further that no historic injury is as longlasting and causes as much justified bitterness as taking away part of a nation's cultural heritage.⁵

The events in the Balkans are impressive examples of the impact of the destruction of other cultures. A prospectus published in German in 1994 by the Croatian tourism promotion agency, "Croatia – A small country for a big holiday", says: "Croatia is still struggling to defend the achievements of Western civilisation against the barbaric aggression from the Orient." In the course of this "defence" the Croats destroyed the world famous Stari Mostar, the bridge over the river Neretva, built during the reign of Sultan Suleiman the Magnificent. Without doubt an act of barbarism. The cultural heritage of the enemy, described as barbarian, was destroyed. The Council of Europe called this "cultural cleansing", a deliberate destruction of cultural heritage like churches, mosques, etc. One of the most revolting incidents was the attempt of the Serbs to destroy Dubrovnik. It is estimated that about 250 Orthodox churches and more than 500 Catholic churches and monasteries were destroyed or severely damaged in Croatia, while nearly 1,500 mosques are said to have been destroyed in Bosnia. The aim of such crimes against humanity, according to the 1954 Hague Convention, is to destroy the cultural identity of people and to make them desperate, to convince them that they have lost their cultural roots and their motherland.

⁵ The initiator of the manifesto was awarded the Grand Cross of Merit of the Federal Republic of Germany for this in 1996. Because of the protest, works of art already taken to Washington, including the bust of Nefertiti, Rembrandt's Man with Golden Helmet, Botticelli's Venus, Ruben's Andromeda and Cranach's Rest on the Flight into Egypt, were taken back to Berlin on orders from President Truman.

1.4 Evolution of societies: Western democracy as the end product?

1.4.1 Boundless optimism: the West is Best

The notion that the final conditions of societal development could be prognosticated or proved is traditional in Euro-American sociology. The idea of a state ruled only by objective criteria was already developed by the founding father of sociology, Saint-Simon (1760-1825) who believed in the possibility of a classless society shaped by the moral of a general duty to work and in which the biggest importance accrued to industry. In the perfect industrial system of the classless society government changes from power over people to administration of things. This corresponds to the ideal of the classless, communist society or the pure meritocracy. In this society there was to be obedience by the incompetent to the competent. European sociology believed in the rational development of society. Even Karl Marx argued in the *Foreword* of *Das Kapital* that the natural laws of capitalist production would assert themselves worldwide. According to Marx (1966, 12) the industrially developed country shows the less developed country its own future. Herbert Spencer, the famous English sociologist, also thought he had recognised the end of societal development. He believed that English society had reached a point at the end of the 19th century at which reason in the form of acceptance of the laws of nature determined human behaviour. Talcott Parson (1964), one of the most influential postwar sociologists, argued that democracy with elected leaders and general suffrage was the end product of societal evolution. Daniel Lerner, finally, in *The Passing of Traditional Society* (1958) saw the West overall as the trailblazer of a supposedly globally operating modernisation process in which the mass media played a decisive part. Lerner's book decisively influenced the media policy of UNESCO and many developing countries. UNESCO proceeded from a boundless and actually unfounded optimism in regard to the effective power of the media. It was thought that the media would spread modern, western thinking and democracy around the world. The logic that governed development aid in the media sector was that the mass media would form modern personalities able adequately to fulfil their vocational roles in modern institutions, for example factories. This would bring on economic growth. It was thought that the *vicious circle of poverty* could be broken. Economic growth, one hoped, would lead to greater political stability and the formation of democratic systems.

After the collapse of the Soviet Union, Francis Fukuyama in 1989 spread his hypothesis about the alleged *End of History*. According to it, world history

has changed fundamentally. There has been a *triumph of the West, of Western values*. The term End of History means that Western, liberal democracy represents the end point of the ideological evolution of humankind. Fukuyama, too, is a dreamer. The present looks different. Ethnic and religious affiliation is again of great importance to conflicts and not just in the Balkans but also in Asia and Africa (e.g. Rwanda and Burundi). Apparently immigrations also produce new hybrid ethnicities with quite new cultural identities. A new term for mass murder and expulsion has become normal usage: ethnic cleansing.

1.4.2 The clash of civilisations?

Samuel P. Huntington, professor for international relations at Harvard University, has reignited the debate about the problems of a world culture with his essay, *The Clash of Civilizations?* (1993a). Huntington (1993b, 192) regards the possibility that there might be a world culture in the near future as unlikely: "A universal civilization can only be the product of universal power." Related to the issue of cultural imperialism that means that apparently the media do not change the central values of different cultures. No globalisation came about. Huntington holds (1993a, 25): "Civilization identity will be increasingly important in the future..." World politics is entering a new phase. In the past 40 years one had thought in the Cold War paradigm in analysing the political situation. *Clash of civilizations* means according to Huntington that the central aspect of global politics in the coming years is "that the fundamental source of conflict in this new world will not be primarily ideological or primarily economic. The great divisions among humankind and the dominating source of conflict will be cultural. Nation states will remain the most powerful actors in world affairs, but the principal conflict of global politics will occur between nations and different groups of civilizations. The clash of civilizations will dominate global politics. The fault lines between civilizations will be the battle lines of the future." There had always been the awareness of belonging to a certain civilisation but that had been pushed aside by the global constellation of the Cold War.

In line with this concept, all conflicts so far have been first and foremost conflicts within western civilisations. Huntington (1993a, 23) speaks of "Western civil wars" – without doubt a greatly constricted world view. Huntington (1993a, 24) states: "Arabs, Chinese and Westerners, however, are not part of any broader culture. They constitute civilizations. A civilization is thus the highest cultural grouping of people and the broadest level of cultural identity people have short of that which distinguishes humans from other species." He

names these different civilisations (1993a, 25): “Western, Confucian, Japanese, Islamic, Hindu, Slavic-Orthodox, Latin American and possibly African civilization.”

Huntington (1993a, 25ff) sees six reasons for future conflicts occurring along the cultural fault lines:

1. Differences among cultures are not only real; they are basic.
2. The world is becoming a smaller place; increasing interactions intensify civilisation consciousness. Whereas the policies of the United Nations proceeded from the assumption that improved communication had a conflict dampening effect, here the opposite is claimed: improved communication exacerbated conflict.
3. Processes of modernisation and social change throughout the world are separating people from long standing identities; they also weaken the nation state as source of identity. In much of the world religion has moved in to fill that gap. Fundamentalist movements will give orientation aid. The demystification of the world⁶ prophesied by Max Weber will not come about and there will be a new mystification, a return to the irrational and the rule of priests, and a decline of the intellectuals.
4. The awakening of the “civilisation consciousness” was driven by the West which had reached the pinnacle of its power. At the same time there was occurring in the non-Western civilisations a “return to the roots phenomenon”. Although the elites of these civilisations had hitherto been linked to the West, the masses of their populations had remained rooted in their traditional cultures. There was a will to shape the world in a non-Western way, for which the necessary resources were also available (Asianisation in Japan, Hinduisation in India, re-Islamisation of the Middle East are named as examples).
5. The central values of a culture are stable and cannot become the subject of compromise, as was usual in political conflicts. In ethnic conflicts the ques-

6 Max Weber (1964, 317) discusses the practical consequences of intellectualist rationalisation by science and scientifically oriented technology and concludes that demystification is the fate of our world: “The increasing intellectualisation and rationalisation does not mean an increasing general knowledge of the conditions governing one’s life. It means something else: the knowledge of or belief in that if only one wanted to one could experience it at any time, in other words that there were no mysterious, unpredictable forces, ... that, rather, one could dominate all things, in principle, through calculation. But that means demystification of the world.”

tion was, “What are you?” Even more strongly than ethnic affiliation, religion discriminated between people with exclusivity claims. Although one could be half French and half Arab, one could not be half Moslem and half Christian.

6. Economic regionalism was on the advance. The significance of regional economic zones such as the European Community, based on European culture and Western Christianity, or the North American Free Trade Area would increase, wherein the growing together of the Mexican, Canadian and U.S. American cultures was important. Japan would get difficulties because it was a unique culture. Common cultural foundations, on the other hand, favoured the economic growing together of China, Hong Kong, Taiwan, Singapore and other Chinese communities abroad.

The clash of civilisations is said to be happening on two levels. At the micro level groups are fighting which collide along the fault lines between civilisations over the control of territories and over who dominates whom. At the macro level states from differing civilisations fight for military and economic power, for the control of international institutions and the dominance over third parties, trying all the while to assert their political and religious values (Huntington 1993a, 29). The decisive dividing line in Europe is seen at the eastern frontier of Western Christianity in the year 1500. Huntington (1993a, 31) takes the view that “the Velvet Curtain of culture has replaced the Iron Curtain of ideology as the most significant dividing line in Europe”.

The struggle between Arabs and the West had peaked in the Gulf War when in 1990 the USA defended a number of Arab states against the aggression of another Arab state. Since then NATO has focused ever more strongly on this region. According to Huntington (1993a, 32) the struggle for the new world order emanates from the Moslem world. The orientalist Bassam Tibi (1995) also puts the conflict between Islam and the West down to geographic proximity. The two civilisations had always been in contact, changing between friendship and hostility. Europe took over from Islam the heritage of ancient Greece; the Renaissance in Europe was unthinkable without the highly developed Islamic civilisation of the Middle Ages. Conversely, in the 19th century Islamic intellectuals tried to learn from Europe. Now Islamic fundamentalism was again trying to make the Mediterranean a frontier. In these endeavours Islam was quite as missionising as Christianity was and still is in parts.

Tibi argues that Western culture is the only one to have become a world culture, i.e. it was able to expand beyond its original civilisatory framework.

Christian missionising and colonial expansion was followed by secular Western universalism, i.e. the struggle for democracy and human rights. But these values were opportunistically ignored in the West whenever that was advantageous. Actually, Western politicians were hardly disturbed at all about there being no democracy and human rights in oil states. After the end of the Cold War and after the West's self-doubt was also carried to the Islamic world by the mass media, the differences had become visible again. Now Islamic fundamentalists were openly claiming the leading role held up to now by the West.

Huntington (1993a, 35) holds that countries of the same civilisation support each other. This kin-country syndrome was replacing "the ideology and traditional balance of power considerations as the principal basis for cooperations and coalitions". The present is characterised as the West versus the Rest. Huntington sees the West currently at an extraordinary peak of power in relation to other civilisations. Decisions in the UN Security Council or in the International Monetary Fund reflected the interests of the West (1993a, 39): "The very phrase *the world community* has become the euphemistic collective noun (replacing the Free World) to give global legitimacy to actions reflecting the interests of the United States and other Western powers." Huntington (1993a, 40) argues further, and quite correctly (cf. Chapter 1.4.3): "Western ideas of individualism, liberalism, constitutionalism, human rights, equality, the rule of law, democracy, free markets, the separation of church and state, often have little resonance in Islamic, Confucian, Japanese, Hindu, Buddhist or Orthodox cultures." The efforts of the West to assert such 'values in other civilisations were generating a reactionary force against a "human rights imperialism", the turning to traditional values and/or religious fundamentalism. Huntington (1993B, 188) cites as an example the confrontation at the Vienna Human Rights Conference between the West "denouncing *cultural relativism*, and a coalition of Islamic and Confucian states rejecting *Western universalism*".

Whereas from the technological resources (communication and transport) the world could be turned into a *global village*, according to Tibi the civilisations are drifting apart. Structural globalisation and cultural fragmentation were happening simultaneously. Tibi (1995) writes: "The more the Europeans question their own values and deny themselves, the stronger will become the civilisatory awareness of the others who regard the West as decadent and bankrupt and hence also want to replace it in world leadership." The alleged decadence of the West is taken for a fact in Asia (cf. Chapter 2.3.1). Tibi (1995), who regards globalisation as our destiny, argues that given the global migrations, the conflict of civilisations is also happening within the West: "The multicultural society is no magic formula because it amounts to the West's giving

itself up." Tibi, too, sees the West becoming weaker but sees no solution in Islamic hegemony: "The solution has to be in building bridges between the two civilisations on the basis of mutual respect and trust." However, this "solution" amounts to empty words if it is not spelt out more precisely.

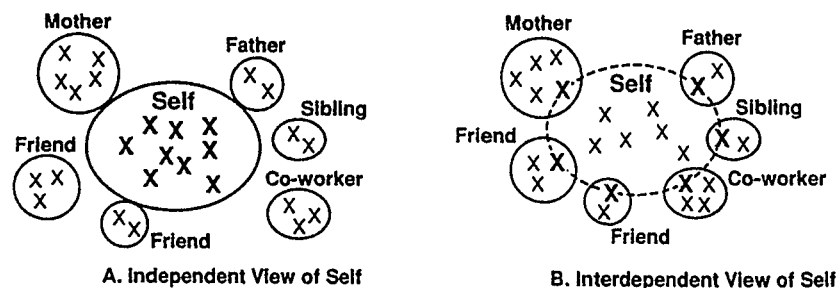
The vision of conflicting civilisations is the counter point to Fukuyama's concept of the end of history. Huntington represents a cultural pessimism rooted in the tradition of historical cyclic theories (civilisations coming and going; e.g. Oswald Spengler, Arnold Toynbee) and mass psychology. Huntington's world view seems to stem from the period from the end of the 19th to the early 20th centuries. He is in the tradition of Rudyard Kipling, who wrote in 1889: "Oh, East is East, and West is West, and never the twain shall meet."

1.4.3 Individualism versus collectivism: Western values worldwide?

The writer and novelist, V. S. Naipaul, who is known throughout the world, has argued that Western civilisation is the "universal civilisation", that "fits all men". The sociologist, Daniel Bell (1976, 16) defines the essential characteristic of Western civilisation as follows: "The fundamental assumption of modernity, the thread that has run through Western Civilization since the 16th century, is that the social unit of society is not the group, the guild, the tribe, the city, but the person." Quite along the same lines is the argumentation of the social psychologist, Harry C. Triandis (1990, 42): "Perhaps the most important dimension of cultural difference in social behavior, across the diverse cultures of the world, is the relative emphasis on individualism vs. collectivism." I will not differentiate further here between the various forms of individualism and collectivism. Moreover, Triandis uses oversimplification. He maintains, for example (1990, 45): "Individualists must conquer frontiers ... in order to feel they are good people, whereas collectivists are satisfied to cultivate their own habitat." Among the collectivists are counted Islamic peoples, Japan and China, however, who by no means restricted themselves to cultivating their own habitats.

Collectivism means that loyalty to a group (e.g. family, tribe, nation) is rated higher than one's own personal interests. People who live in cultures that differ in this dimension exhibit some marked differences in their views of themselves, the views they hold of others and the relationship between the two. Hazel Rose Markus and Shinobu Kitayama (1991, 226) have depicted the independent view of self and interdependent view of self graphically.

Illustration 2: Conceptual representation of the self (A: Independent construal. B: Interdependent construal), according to Markus and Kitayama (1991, 226).



In many Western cultures belief in the independence of various persons dominates. Satisfaction of individual needs, development of own personality, etc., serve as indicators of this. This independent construal of the self is depicted in Plate 2A. The large circle represents the self and the other circles represent certain other persons. The crosses represent the various aspects of the self in relation to others. The interdependent construal of the self (Illustration 2.B), by contrast, bases on the assumption that people are inter-connected (fundamental connectedness). One perceives oneself as part of a longer-lasting social relationship, as dependent on others and the others dependent on oneself and others. Appropriate social relations hold the highest rank. One's own behaviour is not driven by individual needs but by the anticipated expectations of the others and the norms. Thus the Japanese word for self, *jibun*, means "one's share of the shared lifespan" (Triandis et alii 1990, 1,007).

In collectivistically oriented cultures behaviour is governed predominantly by the norms of the ingroup and the hierarchical structure of social relationships is emphasised. Triandis et alii write (1990, 1,007): "Usually the father is the boss and men superordinate women. ... Furthermore, harmony and saving face are important attributes in collectivist cultures. ... Collectivists tend to think of groups as the basic unit of analysis of society. Individualists tend to think of individuals as the basic unit of analysis of society." In other words, in the West people focus on other people; in the East people focus on other groups.

In respect of the effect of mass media, Triandis et alii (1990, 1,008) maintain: "Exposure to the modern mass media also increases the shift from collectivism to individualism, because most television programs are produced in the indi-

vidualistic cultures." That impermissibly construes a direct link between content and effect. Such speculations about media effects are popular and can even be found in standard works on research into developing countries. I need only refer to the learning and work book, *Entwicklungspolitik*, by Franz Nuscheler, in the fourth edition of which (1995, 184) it is claimed without reference to empirical findings: "Anyone who has experienced television in the Third World is no longer surprised at the 'rising expectations' resulting from a constant and aggressive manipulation of desires." No data is presented to substantiate this. It must be made clear that no conclusion can be drawn from contents about the effect of the mass media. The constant consumption of Dallas does not turn recipients in Africa, Asia and Latin America into a whole lot of Jrs, whereas series peopled with such repulsive characters might lead to a negative image of the USA.

In *Nebraska Symposium on Motivation* 1989 Triandis reviewed more than a hundred cross-cultural studies of individualism and comes to the conclusion that differentiation between individualism and collectivism is the key to understanding the differences between various cultures. The social psychologist pithily summed up his findings to the New York Times (December 25, 1990, 41): "In short, the values that are most important in the West are least important worldwide."

“As far as the world economy is concerned, it is interlinked.”
Kurt Tucholsky, German author (1890–1935)

2. Globalisation of culture?

2.1 Definition of globalisation

Globalisation is a term that has dominated discussion for some time as a catchword in respect of world economic processes, cultural superimpositions and so on. It is by no means a new term. Karl Marx and Friedrich Engels wrote in 1847/48 in the Manifesto of the Communist Party (1848, 44): “Modern industry has established the world market... This market has given an immense development to commerce, to navigation, to communication by land. This development has, in its turn, reacted on the extension of industry; and in proportion as industry, commerce, navigation, railways extended, in the same proportion the bourgeoisie developed, increased its capital” According to Marx and Engels (1848, 45) the bourgeoisie “resolved personal worth into exchange value, and in place of the numberless indefeasible chartered freedoms, has set up that single, unconscionable freedom – Free Trade”. Marx and Engels describe the consequences of globalisation (1848, 46f): “The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country. To the great chagrin of Reactionists, it has drawn from under the feet of industry the national ground on which it stood. All old-established national industries have been destroyed or are daily being destroyed. They are dislodged by new industries, whose introduction becomes a life and death question for all civilized nations, by industries that no longer work up indigenous raw material, but raw material drawn from the remotest zones; industries whose products are consumed, not only at home, but in every quarter of the globe. In place of the old wants, satisfied by the productions of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations. And as in material production, so also in intellectual production. ... National one-sidedness and narrow-mindedness become more and more impossible, and from the numerous national and local literatures, there arises a world literature.”

A century and a half have passed since Marx and Engels made their diagnosis and the worldwide interlinkages have become much more intensive. The

Frankfurter Allgemeine Zeitung, a leading German daily newspaper, noted on 23 March 1996: "The volume of world trade is currently five times what it was at the end of World War II. Globalisation means not only expansion of trade between countries, but the intensive division of labour is showing more and more in production factors wandering, especially the mobile capital. Economic location competition is developing between countries. Globalisation in the economic sector describes a development which moves the world economy closer to the theoretical ideal of perfect markets, i.e. competition no longer takes place only within the framework of national states. The OECD (Organisation for Economic Development and Cooperation) perceives globalisation as a process through which markets and production in various countries are becoming more and more inter-dependent, because of the dynamic of trade in goods and services and the movements of capital and technology. The new form of economic globalisation, compared to the 19th century, is that not just trade, but the enterprises themselves are crossing borders. National states become *hosts* (Kiel Institute for World Economics) who have to entice the mobile capital. Economic globalisation is not a process that has to happen but rather the result of a coordinated policy of liberalisation and deregulation of the leading industrial states.

Whereas the economic concept of globalisation is quite clear, the term globalisation is also used in many other contexts (cf. e.g. Featherstone et alii 1995). Friedman (1995, 69) distinguishes between two versions of the globalisation theories. The first "has focused on globalization as a recognition of what is conceived as increasing worldwide interconnections, interchanges, and movements of people, images and commodities". The second is the global systems approach that is characterised as "a kind of global historical political economy ... which has ... begun to tackle questions of culture and identity in global systemic terms". However, both concepts strongly overlap each other. Robert Robertson (1992, 8) argues: "Globalization refers both to the compression of the world and to the intensification of the consciousness of the world as a whole".

This corresponds to the notion, respectively the slogan, of Marshall McLuhan of the global village. According to McLuhan (1962, 47) the new communication media have created a global village. This author sees us living in just one compressed space resonating to jungle drums. The spatial dimension had disappeared, the world had shrunk to the format of a village, in which "everything happens to everyone at the same time" (Carpenter and McLuhan 1967, XI). The global village was again putting the oral experience that had been characteristic of pre-literal societies back into the centre. Participation rather than passivity was demanded. Through simultaneous participation in experi-

ences a tribal world culture was to be created. Whereas every medium so far had used a particular sensory channel most, the electronic media (television) were so designed as to convey a minimum of information while at the same time demanding a maximum of involvement of the senses. McLuhan holds that the medium is the message. Contents were basically meaningless because the media had the power to determine our forms of absorption. I will not here address further the speculations of McLuhan which he makes without reference to empirical study, but a global simultaneous dissemination of certain information is no longer anything unusual. For example, after the 1994 elections in South Africa millions of people around the world experienced Mandela's success live, as they previously had his release from prison (1991). The fall of the Berlin Wall was also a global media event.

Concepts such as global, international, transnational, multinational, etc. often overlap. Globalisation means processes of social change that have effects on humanity as a whole, in which borders no longer play more than a subordinate role. In the communication sector globalisation at the present time means that an oligopoly of offerers is dominating the scene. Globalisation does not mean the formation of a kind of global governance in the sense of a world information order developing by consensus.

Nor is globalisation a synonym for homogenisation of societal conditions or for political integration. Globalisation is no unidimensional process but can happen asymmetrically and contrastingly (e.g. it can lead in some fields to a strengthening of national state structures). The present discussion of globalisation has been strongly influenced by Immanuel Wallerstein's (1979, 155) world-system theory which states "that social action takes place in an entity within which there is an ongoing division of labor, and seeks to discover empirically whether such an entity is or is not unified politically or culturally...". The assumption that there is a society in the traditional sense is dropped within the framework of this neo-Marxist theory. That, by the way, is not a privilege of this approach. Margaret Thatcher characterised the economic globalisation trend as follows: "There is no such thing like society, there are only individuals." Wallerstein does not regard individuals but systems as the analytical unit. Culture theories assuming a worldwide homogenisation process (convergence theories) are often closely related to cultural imperialism concepts, e.g. when they posit a worldwide Americanisation (Coca-Colonisation⁷,

7 The French communist party warned in the late 40s of a Coca-Colonisation after the Coca Cola company had applied for a filling licence in France. The party also tried to get a law passed by the national assembly aimed at banning Coca Cola as a poison; cf. Pendergrast (1994, 242).

McDonaldisation) and the dominance of a mass consumer culture connected with that.

Globalisation is a process happening on many levels. It encompasses the mobility of people (emigration, tourism, guest workers, etc.), the fast worldwide spread of new technologies, the world-spanning finance market and, of course, the worldwide flow of information and entertainment by which also certain ideas, respectively ideologies, can be disseminated worldwide (e.g. the idea of environmental protection) (cf. e.g. Appadurai 1990). In some cultural fields (youth culture, esp. pop culture) it is possible to speak of a worldwide standardisation. The fact is that Western pop culture which, in addition to film, television and music, also includes fast food, cigarettes, jeans and so on has spread worldwide. U.S. Americans can move worldwide in an environment of soft drinks, Big Macs and jeans familiar to them, at the same time consuming American entertainment (film, television, pop music) and informing themselves from American media (e.g. CNN). (That is not to say that there is no more to the culture of the West than these aspects.) Stevenson (1990, 5) hits the mark: "Probably more people around the world know Michael Jackson and Rambo than know who is the President of the United States, maybe even the leader of their own country."

But the number of people who can be regarded as true cosmopolitans is very small. Although masses of people move about as tourists, their travels are restricted mainly to certain enclaves. Cosmopolitans are diplomats and comparable vocations as well as cosmopolitan oriented intellectuals. Moreover, the world market has spawned a few new professions working internationally, such as lawyers, finance consultants, entrepreneurial consultants and so forth. Centres of the global (capital) markets are places like Tokyo, Singapore, New York, London, Zurich and Frankfurt. Prototypes of these new global actors are people like Nicholas Leeson, who ruined Britain's oldest private bank, Barings, with speculative trading at the Singapore International Monetary Exchange, losing 827 million pounds Sterling. Or George Soros, who in autumn of 1992 attacked the Bank of England, speculated on a falling Sterling value, keeping his rate despite support buying by the Bank of England and with that earning a billion dollars in a very short time and at the end of the day pushing the United Kingdom out of the European Monetary System. Global cultural centres are, for example, Hollywood for film and Paris for fashion. English has become the world language. When representatives of various cultures, e.g. Japanese and Europeans, communicate they do so mostly in English (or what they think is English).

2.2 Examples of the struggle against cultural superimposition

2.2.1 The Asian debate: the decadence of the West

The debate about the alleged decline of the West is especially intensive in Asia. Lee Kuan Yew, the former prime minister of Singapore, argued in 1993 that many Asians have come to reject "the American view" that "out of contention, out of the clash of ideas and ideals, you get good government" and a healthy economy. The Malaysian education minister, Najib Tun Razak stated in 1995, "We certainly do not want to reach a stage of living in a decadent society, like in the West."

The inferred decadence of the West was also the theme of an interview the prime minister of Malaysia, Mahatir Mohamad, gave the German weekly news magazine, *Der Spiegel* (34/1995) in August 1995. Mahathir at that time had already been the country's head of government for 14 years during which time it has experienced rapid economic upswing. Mahathir pilloried the alleged decline of the West and its moral and economic decomposition. Firstly, the prime minister, to put it mildly, has a somewhat distant relationship to journalism. He once said, for example, that the best thing to do with journalists is to shoot them dead. He characterised the Western media as "a many-headed hydra which sours everything on which it breathes". In response to the journalists' remark that he was an autocrat, the prime minister answered, "I am a democrat. Do you think there is only one form of democracy and only one authority who may interpret it – the West?" Asked whether he wanted to redefine human rights to take more account of Asian values the prime minister replied, "In an Asian democracy you have to respect the wishes of the majority. While you can give freedom to minorities and also the individual, such freedom must not be exercised so as to negate the rights of the majority. We still think that we should show respect for old people, for our families, for the entire community." In response to the interviewers' suggestion that that was, after all, a Western position, Mahathir said, "I am sorry to say, but you do not regard the family as important any more. We still have intact extended families."

Replying to the contention of the journalists that families were not intact in Asia (e.g. because three quarters of all husbands in Thailand went to prostitutes, more than two thirds of all Chinese regarded extramarital affairs as acceptable and the divorce rate in Malaysia was as high as in the West), the prime minister said: "But we would never allow men to marry men and women women. Even incest does no longer seem taboo in your countries. One

day, fathers will marry their daughters and mothers their sons." Asked where he got his information from, he said, "I watch CNN, Star TV..." – satellite programming his citizens were not allowed to watch, interjected the journalists – "...this is where they show all those so called liberal discussions. And where I learn that in Germany you allow people to kill the Turks and burn their houses." These remarks make clear that one of the most influential men of Malaysia lives at least partially in a pseudo-world constructed by television; a world of literary images that has nothing to do with reality.

The prime minister went on to suggest that some aspects of the human rights convention needed rethinking. "Europeans and Americans always seem to think of themselves as the better people. We are tolerant, too – to a certain degree. In this country anybody who decides to walk around naked will be arrested. You, however, let them get away with it. What gives you the right to set the standards for the entire world's behaviour? We cannot accept that a minority terrorises a majority on the basis of what you call human rights. If they undermine wealth and stability, why should we welcome them?"

In respect of the advance of Western mass culture ("Don't Malaysian young people play with a Macintosh, eat at McDonald's, dance to Michael Jackson?") Mahathir replied that if he ate a hamburger it did not mean he changed his value system overnight. To prevent the collapse of values, he said, Malaysia promoted healthy activities for young people like sport, mountain hiking, music making. It wanted to instil fundamental values in them and to make clear to them that the decline is due to the loss of values, that the rights of the individual did not rank over those of the community, but the contrary.

In many ways the discussion of Asian values is the attempt to save the past of the closed, traditional society with clearly identifiable hierarchical structures. Gangloff (1995) reports the efforts of Asian countries (including Japan) under no circumstances to allow themselves to be stripped of their cultural identity by Western TV and film wares. Dominant themes therein are sex and violence. But even an animated drawn film like *Dennis the Menace* (the horror of adults) was banned in China because it undermines the traditional respect for elders. So how threatening must *Beavis and Butt-head* of MTV be?⁸

The imputed decadence of the West is also a popular theme with some Islamic authors. The book by Sayid Mujtabi Rukni Lari, *Western Civilisation through*

8 Sometimes coincidences also play a part. For example, *The Simpsons* have no chance in Japan because they have four fingers which in Japan is the hallmark of members of the Yakuza gangster clan.

Muslim Eyes, (Guilford 1977) is almost a parody of anti-Westernism. Everywhere only the collapse of morals is seen: crime, love of animals, alcoholism, other drugs, sexual promiscuity. Emancipation becomes a symbol of prostitution. Prostitutes had been driven bankrupt because emancipated women now did the business for nothing.

The image of the decadent West is also cultivated in the Chinese culture. Thus in a revelation of the Chinese god Shang Di (whatever priests or interest group may have been behind it) the following vision was announced in Taiwan in 1977 (quoted from Antes, 1994, 20f): "I see that on this earth the Chinese nation is the country where rites and music are cultivated, the state in which real culture exists. This is why China from the past to the present day could not be dominated by another nation. People nowadays only ape the European and American lifestyle. Fathers and sons don't love each other. Husband and wife do not live together in harmony, older and younger brothers fight each other. Masters and servants are without uprightness, there is no reliability among friends. ... Marriages are entered and are divorced again. When such conditions are spread generally, how could the true tradition of the Dao be restored? Regard the following examples: in the European and American nations it is such that when people are old and at the end of their lives, one only waits for them to close their eyes and die. One calls this the new culture. Incessantly one researches feverishly for weapons to destroy humankind. One calls that the new morality! It is dreadful! And we Chinese, we go and give up our own culture and morality that we have taken over from our ancestors to adopt the so-called New Culture and New Morality of other people. If one continues like this, our Chinese nation will soon have disappeared."

Here the tried and true old method is used to glorify the past and hold it up as the model. In truth, though – the good old days, they were terrible. The film of the Taiwanese director, Tsai Ming-Liang, *Rebels of the Neon God* (1993), which won awards at festivals in Turin, Tokyo and Nantes, shows how degraded Chinese culture has become under the influence of Western culture (immorality, cultural collapse, punks, love hotels, video hire). *TIME* magazine (January 8, 1996, 16) reports that Christmas celebrations have become fashionable among the urban set in China. The ministry of public security reportedly identifies Christmas as a day for potential unrest because the celebrations bring groups of people together. The government-owned *Workers' Daily* criticised the Christmas craze and gave a stiff warning to youths who "madly go after Western life-styles".

The information minister of Malaysia, Yb Dato'Mohamed, does not regard the discussion of Asian values as anti-Western but as "reassertion of traditional values by a newly confident Asia that is thriving economically and culturally". He said in a speech in 1995: "In fact, there are many in the West who subscribe to these Asian values – such as the strength of the family unit and the campaign against pornography and violence in the media." Seen as a whole, however, it can be assumed, especially in regard to Asia, that a new self-confidence is widespread which involves at least a partial rejection of Western values.

2.2.2 The cultural Maginot Line⁹

In Europe, the debate about losing cultural identity under the influence of American mass culture has been particularly intensive in France, although France itself puts considerable effort into exporting its own culture. When after World War II Coca-Cola wanted to return to the French market the advertising slogan "Buvez Coca-Cola" was used, i.e. without the proper definite article "le" or "la". Grammar-conscious French howled that the lack of the article was a violation of the French language (cf. Pendergrast 1993, 241).

The high rank given to the language is already shown in Article 2 of the constitution: "La langue de la République est la français." In January 1996 a so-called Toubon law (Loi Toubon), which is to help keep the French language pure, was used in France for the first time. Law No. 94-665 of 4 August 1994 was introduced on the initiative of the then French culture minister, Jacques Toubon.¹⁰ Twenty-four articles regulate the use of French in public life. According to it, among the things that must be in French are awards, receipts, guarantees, inscriptions, advertising, official documents, certificates and contracts. It goes without saying that French is the language of science and teaching. Radio and television must broadcast in French. It was argued that the law was needed because the cultural identity of the people depended on the

language and that cultural values were more important than the laws of the market. This is an initiative against international levelling and the use of Anglicisms distorting French. Of course there was derision and mockery in France. People cracked jokes about a word police and vocabulary inspectors. Under the law all product descriptions and user instructions must also be in French. In January 1996 a cosmetics store in Chambéry was sentenced to a 1,000 franc fine because the labels on some of the products it was selling had not been translated from English into French. The action had been brought by an association for the defence of the French language. I also mention in passing that in Algeria, a former French colony, war is being made on the French language.

Since 1 January 1996 French radio stations broadcasting mainly English-language music to compete for young listeners have had to abide by a quota ruling enacted by the French government, for which not only culture minister Toubon but also communication minister Carignon are responsible. Under the ruling 40% of the music programmes broadcast between 6.30 a.m. and 10.30 p.m. are to consist of French products. Furthermore, French musical talent is to be promoted. Half of the 40% airtime is to be reserved for young talents, i.e. not only such established artists as e.g. Johnny Hallyday (perhaps he will soon have to frenchify his name because it sounds so English!), Patricia Kaas, Patrick Bruel or Jean-Jacques Goldman are to be played. But no-one knows where to draw the line between old star and newcomer. The implementation regulations of the culture bureaucracy are not available yet. The media authority has a broad range of sanctions for non-compliance at its disposal, from fines to withdrawal of the broadcasting licence. It is unclear, however, how the culture purists are going to deal with French Rap singers who mix English and French. Jacques Rigaud of the Luxembourg media enterprise CLT, which operates RTL, RTL2 and Fun Radio in France, describes the quota regulation as absurd and laughable. "Quotas is as if you wanted to make all radio the same". A backer of the quota idea, by contrast, is the old chanconnier, Charles Aznavour, who regards such regulations as unavoidable. He says it is simply a question of survival of the French culture.

Jacques Chirac, who allowed atom bombs to be tested at Mururoa Atoll despite worldwide protests and a loss of image by France, is inspired by the idea of preserving and strengthening his country's grandeur by defending the French language worldwide. Although one of the worst strike waves for a long time was rolling across France, Chirac flew to Cotonou, Benin, in December 1995 to pronounce to the 6th francophone summit attended by

⁹ The "Maginot Line" was an elaborate defensive barrier in northeast France constructed from the 1930s. Named after its principal creator, André Maginot, war minister from 1929–31, it consisted of a series of strong points interconnected by rail, with support positions, the entire complex either underground or protected by heavy concrete. The line covered the French-German frontier, but not the French-Belgian, through which the Germans attacked successfully in 1940. In a symbolic sense the term Maginot Line is used in Europe for „futile defence“.

¹⁰ He later became minister of justice.

heads of government of 49 countries with French-speaking populations¹¹ a new political dimension of francophony. Chirac called for creation of a joint “political identity” of the French-speaking countries. He said the francophony budget, to amount to 5.3 billion francs in 1996, would not be cut.¹² At the next summit in Hanoi in 1997 a secretary general for francophony is to be elected who “will make the French voice ring in the world”. Chirac also wants to become active on the data highways and fight against the predominance of the English language. The participants in Cotonou pledged in a resolution “to defend the French language in international organisations”. In 1995 a total of 105 million people spoke French regularly and another 55 million occasionally. It is these people Chirac wants to protect from the “monoculturalism of the American type”. Chirac wants to stop the process of “décadence”.

On the history of the francophonie summit it has to be noted that General de Gaulle, who was himself sceptical about the francophony project, in February 1969 allowed the passage of the Bourgiba-Senghor project aimed at an institutional union of the francophone countries. The initiative had been launched by the culture minister (and novelist and art historian) André Malraux. In 1970 the Treaty of Niamey was signed and the agency for cultural and technical cooperation (Agence de coopération culturelle et technique, ACCT) set up. In 1986 the first “sommet de la francophonie” took place in Versailles. Chirac, then prime minister under Mitterrand in the first cohabitation, created the post of a state secretary for francophony. Chirac is a “Pompidou pupil”. Pompidou espoused the following theoretical basis for the idea of the “unité francophone”: “The soul of our people finds its immediate expression in the French language. We cannot conceive of any historical greatness that is not in the very first instance a spiritual one. The cooperation with the francophone countries enables us to bring together all peoples using French across the barriers of race, social condition, political regime and economic system.” How strongly such language philosophy can impact on media policy was made clear by President Chirac in December 1995 with his answer to the question, “Are you worried about American cultural imperialism?” “No, not all, because the Americans do fantastic things in many cultural domains. However, I do not want to see European culture sterilised or obliterated by American culture for economic reasons that have nothing to do with culture. That is why I am for the cultural exception, and especially for production and

distribution quotas. I am very firm on that point.” This position is not left unchallenged even in France. The Catholic intellectual, Jean-Marie Domenach, for example, contended, “There is no more ‘French thought’, as we called it thirty years ago when Sartre, Camus, Malraux and Mauriac expressed a vision of man and the world that was both French and universal. No quotas will compensate for the anemia of French creation. Maginot lines are meant to be skirted and the best defence remains a good offence.”

The culture minister in 1982, Jacques Lang, also voiced fears of American cultural imperialism, arguing that it “no longer grabs territory or rarely, but grabs consciousness, ways of thinking, ways of living” (Cantor and Cantor 1985, 511). That statement is clearly relativised when one considers that France has never much restrained itself in its policy to spread the French language and culture (e.g. Nyamnjoh 1988). According to Nyamnjoh “France can claim some amount of success in its desire to monopolise Francophone Africa”. France not only exports very many television programmes to francophone Africa (and also to Quebec), but, according to Cantor and Cantor (1985, 517) also the export of American television programmes to French-speaking countries: “marketing reality for... U.S. producers is that nations such as France stake out certain television territories as their own. Though they do not put matters in the language of cultural domination or hegemony, they know that they cannot sell programs directly to French-speaking African nations. Rather, they must sell the programs first to the French, who then dub them for resale to francophone nations.” The French also dominate in television news, television stations in French-speaking West Africa receiving daily a news transmission from Paris via satellite for re-transmission. Only about 10% of this telecast is news footage from Africa itself (Keune 1981).

2.3 Globalisation in the media sector

2.3.1 Globalisation versus segmentation

Media enterprises operating globally also take account of the fact that publics are segmented. To reach smaller, homogeneous segments of the public the media are diversifying more and more. Manfred Harnischfeger (1990) of the German media transnational Bertelsmann has argued that the supposition that in the 90s the growing together and globalisation of markets would lead to only a few media enterprises staying competitive worldwide, leaving them controlling the global development of the communication media, is too undifferentiated. Although globalisation had occurred in some sectors (film, music,

11 Some countries are members that one could only guardedly recognise as French-speaking, such as Bulgaria, Moldavia and Vietnam.

12 Figure provided by the assistant of the state secretary of the francophony ministry, Margie Sudre. Contributors to the budget are various ministries such as foreign relations, education and economic cooperation.

encyclopedias, scientific books and specialised literature), there was also further “fragmentation of styles”. There are limits to internationalisation of contents. Harnischfeger contends that the more specifically markets are planned, the greater the chances of transnational media offers are. In this context digital television cannot only mean that the carriage capacities of cable and satellite increase eight-fold, thereby reducing the hire costs of individual transmission places, but also that smaller target group programmes can also become profitable.

2.3.2 Worldwide soap culture

Although the emphasis is on violence and sex when the dangers of Western entertainment are debated, telenovelas and soap operas are the most watched television entertainment worldwide. The term soap opera was coined in the USA in the 1930s to describe a new genre, namely daytime serialised drama broadcast over radio, targeted at housewives and mostly sponsored by soap companies. The term was later taken over into daytime television series and later still to prime time series like *Peyton Place*, *Dallas* and *Dynasty*.

Western television entertainment has certain stereotype content structures that are the reasons for its success (Bosshart 1979). They lay the emphasis on such goals or ideals as love, success and safety, with the latter standing for rescue, protection, security and health. Men as a rule are self-confident, dominant, independent and aggressive. Women are generally domestic, emotional, striving for security and quite self-confident in the action contexts assigned to them. In the TV series the people interact with each other in a limited number of locations in such ways as to make ongoing developments unavoidable without the personnel having to be changed fundamentally. The figures must have close relations (family, neighbourhood, working life). It is important to keep tension going, which is why the relatively few protagonists are subjected to a veritable flood of fateful occurrences (love affairs, illness, failure, accident, abduction, etc.).

American series also dominate on foreign TV markets and have served there as the models for many national productions. The narrative structures of television series have been shaped worldwide by American examples. The No. 1 theme is love in all its variations. The most watched TV series worldwide in September 1995 was *Baywatch*, a surf, beach and lifesaving saga the American TV network NBC took off the air again after only one season (cf. Mitchell 1995). In Germany the series airs as *Baywatch*, in France as *Alerte à Malibu*,

in Venezuela as *Guardianes de la Bahía*, in Hebrew it is called *Ha-mifratz*. In India, from where Star TV has aired it since 1993, *Baywatch* is one of the five top English-language series. The series was sold in 1995 to television stations in 103 countries and reaches 2.3 billion viewers outside the U.S. (where it also came back on air). Emily Mitchell suggests it is successful because “It offers watchers the momentary pleasure of escape into a mirage of glorious beaches, bronzed gods and goddesses in small crimson swimsuits and heroic beach guardians who pull off at least one daring rescue in every episode. Ah, if only life were really like *Baywatch*.” That short summation of content explains why the series is also ridiculed as *Babewatch* – you can watch it without concern even with little children or even let them watch it on their own.

David Hasselhoff, the leading man and one of its executive producers, argues that “If people are in a place with turmoil or have trouble on a personal level, they can turn on *Baywatch*, and it’s a world they can dream about like a boy dreams about a first kiss, or a girl about a first boyfriend”. In Italy alone every Thursday about one and a half million people flee into the illusory world under the Californian sun, where instead of violence there are love, passion, adventure and intrigues. And very important: sex is restricted to looking at beautiful bodies in bathing suits. According to *TIME* magazine, not even Lebanese government censors see cause to reach for their scissors. TV critic Alain Plisson of the newspaper, *L’Orient-Le Jour*, argues, “It is healthy and clean. There’s no hanky-panky. You can let your kids watch it.” For the Indian TV critic, Amita Malik, the programme represents “the sheer health of American youth” and the characters “are the gorgeous products of a hard-working and affluent society”.

The female lead in *Baywatch*, blonde Pamela Anderson, even became the subject of a competition in Germany in 1995. More than 2,500 German blondes vied to be found looking most like Pamela (Pamela look-alike contest; concluded 5.9.1995). When Britain’s Prince William moved into Eton he took a Pamela poster with him. The *Baywatch* cast are also available as Barbie dolls. The red swimwear of the company that supplies it for the *Baywatch* stars is selling well, especially the model Pamela wears. In 1996 *Baywatch* perfumes were due to come on to the market. *Baywatch* Man and *Baywatch* Woman is offered in bottles shaped like surfboards.

Probably the most watched kind of television is the telenovela that originated in Latin America (McAnany and La Pastina 1994). It dominates prime time in Latin America and helped to make TV Globo (cf. Chapter 5.2) and Televisa (cf. Chapter 5.3) successful. Where telenovelas reign supreme, U.S.

American media imperialism in the TV entertainment sector is no problem. Brazil is the first developing country to have succeeded since about 1970 to displace imports from the USA by programming of its own (Straubhaar 1991). Globo-TV has its own telenovela department and exports to about 100 countries. Worldwide Globo-TV is the broadcaster with the highest proportion of its own productions. Wang and Singhal (1992) estimate that in Brazil the typical prime time telenovela is watched by 60 million viewers.

Emile G. McAnany and Antonio C. La Pastina re-analysed 26 studies on telenovelas carried out in Brazil and Spanish-speaking Latin America. They found that telenovelas are aired in prime time and aimed at the largest possible audience. The authors (1994, 831) conclude that "This popularity results in many Latin Americans seeing the genre as a symbol of what is wrong in their societies...". However, no data is presented to substantiate that hypothesis.

Forerunner of the telenovelas were the *radionovelas* produced in the 40s; these were serial novels broadcast on radio. In Latin America, too, U.S. American soap, toothpaste and food companies sponsored the radionovelas to secure their sales (cf. Frey-Vor 1990). According to Armbruster (1986) the first Brazilian telenovela was introduced by *Colgate Palmolive*. The reason was that this genre had previously been used successfully in other Latin American countries. Telenovelas cannot simply be equated with north American or European soap operas. They are a genre in themselves which differs in aims, themes and duration from the soaps (cf. Rogers and Antola 1985, 24ff). Claudius Armbruster (1986, 331) writes on the Brazilian telenovela that it merges novel, theatre and screenplay texts with a number of television, film and theatre techniques. "Its specific characteristics are the open, potentially endless form, the daily presence and its markedly national, Brazilian character."

This author contends that since the mid-60s Brazilian telenovelas have reflected Brazilian reality. Armbruster (1986, p. 334) writes: "The nationalisation of the television narrative is the cause of the success of the telenovela genre. It coincides with the Brazilian 'economic miracle' ... which is swelling the market and the advertising budgets and is demanding a professional commercial television." The modern Latin American telenovela has more typical characteristics:

- it airs daily,
- is interrupted several times by advertising,
- ends with a cliffhanger,

- mostly after a few months finishes with a happy end and
- works with a so-called multiplot.¹³

In Brazil typical telenovelas comprise 150 to 200 episodes, i.e. aired daily, a broadcasting duration of six to nine months (Frey-Vor 1990). Mexican telenovelas are of similar length (180 episodes on average), although in one case 800 episodes were reached. The essential difference between Brazilian and Mexican telenovelas is that the end of most Brazilian ones is still open when shooting begins so as to be able to respond to viewer opinion (Klindworth 1993, 537).

The telenovelas are about the same themes as the soap operas – love, intrigues and so on, the clash between good and evil, with the good winning in the end. At the centre are mostly highly complicated love relationships ("love triangles") or a seemingly impossible love because of class differences. This *Snow White plot* usually tells the story of a poor girl who after all kinds of difficulties finally gets to marry a rich man (Armbruster 1986). Other popular themes, according to Armbruster (1986, 337) are "persecuted innocent, just revenge, the return of people thought dead, mysterious ancestry, swapped identities, mistaken identities, separated twins or siblings, orphan in search of his/her parents, wrong testament..."

Given the success of soap operas and telenovelas it has to be asked whether a global culture is going to become a culture of the trivial? The answer has to be a yes, which by no means means cultural pessimism. These are contents which touch the majority of people. Here are just a few examples of their success: "In 1980, 400 million people around the world tuned in to *Dallas* for the episode that saw J.R. Ewing felled by a bullet" (TIME, September 25, 1995, 74). TIME goes on to report that *The Bold and the Beautiful* has a viewership of 200 million people, spread across more than 80 countries, including Egypt where it was a hit for three years. According to TIME, when the show was aired between 9 p.m. and 10 p.m. Cairo's gridlock eased, but Moslem fundamentalists fumed, blaming the series for undermining public morality. They forced the show off the air. A censored version, minus steamy bedroom scenes, came back. "So now the B&B faithful use satellite dishes in order to view the uncensored broadcasts by Israeli, Turkish and Italian stations." The television soaps, called *musalsalat*, are highly successful in Egypt. Abu-Lughod (1993) assumes that the audience might include a majority of Egypt's people.

¹³ A multiplot consists of various subplots supporting a central plot. That makes it possible to take further or end individual plots without having to end the entire series.

Soaps are also a big success in India (cf. Chapter 6.3). The same holds for China. China launched its first national soap opera in 1990 (Wang and Singhal 1992). *Ke Wang* (Aspirations) was the first domestically produced, long-running soap opera. The series was highly popular and had a viewership of at least 550 millions. *Ke Wang*'s main purpose was to entertain, but it was also to convey values like social morality, familial harmony, appropriate role for women, preservation of traditional culture and so on. Kazhak television has been showing a soap aimed at "gently putting Kazhaks in the right mood for capitalism".

2.3.3 MTV: global youth culture

MTV was the pioneer of global specialised TV and according to Sumner Redstone, the owner of Viacom (Video and Audio Communications, cf. Chapter 3.8), in April 1996 reached 270 million households. Introduction of MTV in 1981 (in Europe in 1987) was a watershed event in the development of media music offers. For the first time there were round the clock video clips and advertising as programming. The purpose was to sell music and products offered in its environment.

Warner Communications and American Express in 1981 invested \$20 million in Music Television (MTV), the first non-stop TV format for video clips. After two years the venture was making a profit. That was largely due to pop star Michael Jackson¹⁴, whose album/video *Thriller* became the most successful MTV product in December 1992. On the video Jackson dances fast and angularly; a top class audiovisual pop performance. Because of financial difficulties of the whole enterprise, Warner sold MTV, although it was returning profits, to Viacom in 1985. Viacom in turn was taken over in 1987 by the National Amusements Inc (NAI) of the multi-billionaire Redstone.

14 Jackson also stands for another product of American culture, Pepsi-Cola. According to Blount and Walker (1988, 148ff) Jackson was paid \$5.5 million for a commercial. Jackson insisted that his face be shown in it for no longer than two seconds. Later Lionel Richie and Don Johnson (*Miami Vice*) and the Rock legend, Glenn Frey, also advertised Pepsi. In 1987 Pepsi brought out a spot with two more mega stars, David Bowie and Tina Turner. That same year another Michael Jackson spot was produced. Blount and Walker (1988, 155) write: "Jackson's second deal is rumoured to have cost the company more than \$10 million." Pepsi also sponsored Jackson's tour of Japan. In 1986 Pepsi-Cola paid Jackson \$15 million to appear in two advertising spots with a total duration of 180 seconds and for consulting on a third spot. It was known that Jackson would not hold a Pepsi bottle, much less drink its contents. Clark (1988, 23) estimates the cost of producing and airing the spots at more than \$65 million. All this to sell a drink whose taste barely differs from that of Coca-Cola.

MTV specifically targets young people whose media consumption is different to that of adults, that is to say that there is an international youth media culture. The first sentence to air when the broadcaster started in 1981 was, "Ladies and Gentlemen, Rock 'n Roll!" The first video shown in the USA was "Video killed the radio star". The programme planners see their main task as reflecting "the spirit of Rock 'n Roll" (MTV Global Fact Sheet, October 1994). In the 50s and 60s this form of music was a symbol of the rebellion against the world of adults and has become the international symbol of youthful vitality. The target group are the 16 to 34-year-olds. MTV tried to overwhelm with a flood of colours, forms and sounds. According to Kemper (1995) it has about a billion young viewers who tune in for an average of one hour a day. MTV is the window to the pop culture; the virtual reality of being hip, with zapping increasing the likelihood that viewers will stick with MTV. In Peter Kemper's formulation MTV is "the visionary central organ of the Nintendo generation".

In the mid-90s MTV was the fastest-growing international telecaster whose success formula is as simple as can be: global presence combined with a product targeted at regional markets. Chairman Tom Freston told *Newsweek* (April 24, 1995, 45), "The container's the same. The content is different."

In an interview with the weekly German news magazine, *Der Spiegel*, Redstone put the success of MTV down to certain products, for example the Unplugged concert series, being aired internationally. Redstone does not see borders changing people's musical tastes. Of course it was good to love one's own country, he argued, but MTV was just as much part of the world. In MTV's self-perception it not only brings culture into a country from outside but "it also takes music and culture from your country and exposes it to others". In the USA, however, hardly any foreign music gets a run. Only exceptional phenomena, respectively super groups like U2 from Ireland, are aired. For MTV Europe the line is, "Continental bands are welcome – but groups such as Sweden's Ace of Base, which MTV Europe helped propel to stardom, would get scant air time if they sang in their native tongues".

In 1995 MTV comprised the following separate broadcasters, transmitting in seven languages (*Newsweek* April 24, 1995):

MTV USA (from 1.8.1981; English; c. 60 million households; it is planned to split MTV USA into smaller units – MTV Boston and MTV Pittsburgh are being planned – to give more space to local music and contents.

MTV Internacional (from 15.7.1988; English and Spanish; c. 13 million households in Argentina, Costa Rica, Dominican Republic, USA, Chile, Ecuador, Panama, Paraguay)

MTV Europe (from 1.8.1987; English; c. 61 million households)
MTV Brasil (from 20.10.1990; Portuguese¹⁵; c. 7.5 million households)
MTV Japan (from 1.12.1992, Japanese and English; c. 1.1 million households)
MTV Latino (from 1.10.1993, based in Florida; Spanish and English; 13 million households in Central America, Mexico, the Caribbean, USA and South America without Brazil)
MTV Asia (from 21.4.1995), there are two stations behind this, namely **MTV Mandarin** and **MTV India**
MTV Mandarin (broadcasts in Mandarin and can be received in Taiwan, China and Singapore; c. three million households)
MTV India (broadcasts in English and Hindi); no audience data; competitor is **Channel V**, a subsidiary of Murdoch's Star TV; **Channel V** is also a competitor in China; in January 1995 Warner Music Group took over 50% of **Channel V**; **MTV Asia** now cooperates with **PolyGram**.
MTV South Africa is in planning and is later to reach all of Africa.
MTV stations are also planned for **Russia** and the **Middle East**.

Brent Hansen, President of MTV Europe, describes the entrepreneurial philosophy as wanting to be a kind of friend. A friend one can visit whenever one feels like it. The presenters consciously hold themselves back (with the exception of Ray Cokes). The system banks on a worldwide commonality between young people who understand each other without a language barrier through the code of pop culture. According to Hansen youngsters in Germany, Spain and Great Britain have more in common with each other than with their parents. Reports and debates are about the struggle against racism, AIDS, unemployment and destruction of nature. MTV Europe even claims to be a pacemaker for European union. Newsweek (April 24, 1995, 46) quotes an MTV representative as saying, "No one exposures the ideal of a united continent more fervently than MTV Europe. ... All those politicians are sitting in stuffy old buildings talking about how to unite Europe. We're doing it."

The music video has to be regarded as a new art form. At least they have changed the advertising scene. Music publishers invest enormous sums in producing the clips. A three-minute clip by Madonna cost more than \$1 million. Certain clichés dominate in the clips: beautiful African women, beautiful Japanese men, motor cycles, leather jackets (black) and mini skirts (red). MTV, the visual radio station, has evolved a specific style. Kim Cleland writes (1995, 51): "Quick cuts. Layered graphics. Quicker cuts. Loud audios.

Multiple message. Frenetic bursts. Random segues. Crazy movement. The sum could only mean one thing: MTV." Music television is more than "just" television. MTV is used as an alternative music medium to radio and is important for the youth sub-culture. Information is collected about music and its artists. Television tends to be used more or less as only a by-product. The comic figures Beavis and Butt-head have become part of youth culture.

MTV is one of the most important players in the music industry. Without a doubt there is a connection between placings in a hit parade and clip advertising. MTV has become an important marketing tool of the pop culture and large parts of the leisure industry. The scenarios are casual and relaxed. Despite the reporting mentioned above, very little information is transported and discussion goes on. Entertainment is the thing. Most clips also include references to trade mark articles (drinks, cigarettes, sports shoes, leather jackets, baseball caps, etc.) which can become central elements of a new lifestyle. MTV airs mainstream Rock with jolly, mostly good looking people. Kemper sees a simple message – the world would be OK if everyone were in the right "groove". Very little data has been published about the effect of MTV.

Since 17.7.1994 MTV has had a place in the World Wide Web of the Internet called *MTV Prime Time Online*. In July 1995 four interactive programmes consisting of pictures, texts and chat groups were offered online (MTVO). MTV Vjs (video jockeys) present a programme called "*Butt-heads with Kennedy*" in which a particular subject is discussed for a whole week. Virtual dating takes place in another show, "*Singled Out Online*". "*Go to the Matt*" is a game show in which one can win MTV advertising products. "*The Love Doc*" addresses love and partnership.

MTVO is planning a large number of other shows and formats to be aimed at a global audience. *Viacom* itself runs a great number of other online activities, e.g. interactive CD and card shops. Also part of MTV is *VH-1* (*Video Hits 1*), which has been receivable throughout the USA since 1.1.1985 as a second broadcaster of the MTV network. From 30.9.1994 there has been *VH-1* for Great Britain and from 4.5.1995 for Germany. *VH-1* is MTV for adults. *VH-1* Germany targets music fans in the 25 to 45 age bracket. It plays classics from the 60s, 70s, 80s and 90s. The presenters speak German and the emphasis is on the German music scene. *Nickelodeon*, the MTV for children, has also operated in Germany since December 1995. The programming is exclusively aimed at and about children, with extremely fast and hectic cuts dominating here, too.

15 The Brazilian version of it.

The great impact *MTV* can make was shown when it started up in India in 1991. The broadcaster created contact with a Rock 'n Roll environment unknown until then. Videos were shown for 24 hours. Indian youth in the towns, not exactly pampered with entertainment, more or less overnight took on board the *MTV* fashion. Culture pessimists saw the end of Indian culture coming. But it turned out differently. Because of contractual agreements with *Star TV*, which beams to 52 countries, Viacom withdrew from *Star TV*. *Star TV* created a replacement given the name *Channel V* and meeting Indian tastes. The most popular programme is *The Great Indian Manovigyanik Show*, a celebrity showcase. About a third of the time no Rock music is aired. Instead, clips from Hindi movies are shown because 80% of the music sales in India comprise Hindi film music. Peppy presentation has created slogans that at least for a short time were used in everyday speech, such as the catchphrase, "You are a nonsense person". *MTV* itself has been back on the Indian market since October 1995 via a tie-up with Doordashan.

MTV is also making a discernible impact on Latin America. Although a single language, Spanish, is spoken in the transmission target area, there are very diverse musical traditions in it so that only a few musicians made supra-regional breakthroughs. *MTV Latino* supported a new style of music, Latin Rock, which according to *Newsweek* (April 24, 1995) had the following consequence: "Today, heavy play on *MTV Latino* has made *Los Fabulosos Cadillacs*, from Argentina, one of Mexico's hottest acts, while Mexican groups like *Caifanes* are gaining popularity in South America." In other words, *MTV* contributes to an homogenisation of the cultures.

"That's how this world lives. The big people who have access to 2, 3, 4, 8 million homes are playing leverage against each other." (Rupert Murdoch)

3. Merger mania

3.1 Definition of multimedia

The term multimedia has become a kind of magic formula. Politicians, social scientists, entrepreneurs, trade unionists, etc. use the term when they try to characterise the future, the 21st century. Mostly the term is used as if everyone knew what it meant. But there is no unequivocal and generally recognised definition of multimedia. Thomas Middlehoff, a member of the executive of the German media conglomerate Bertelsmann AG, notes on the debate about markets and societal consequences of multimedia products (1995, 2): "There is a lack of secure knowledge and realistic estimations." Despite this the world's third-largest media enterprise assumes that in 2005 half the entrepreneurial growth will come from the media business and that strategies have to be developed to address that.

The consulting agency, Booz-Allen & Hamilton, in a report to the office for the assessment of technological consequences of the Bundestag, the German House of Representatives, has characterised multimedia as a generic term for a wide variety of new types of products in the computer, telecommunication and media fields. The fundamental multimedia characteristics according to this report are interactive usage, the integration of various media types and digital technology. Interactive usage means that the user is not only a recipient but by using the relevant channels can feedback and thereby change contents, respectively trigger actions. Integration of various media types means that e.g. video and audio sequences can be combined with texts and data. Digital technology is used both for storage and later processing of the data on which the media are based.

Examples of such multimedia usage are teleshopping, the calling up of films from video banks (video-on-demand), homebanking, picture telephone, multimedia newspapers; research in multimedia data banks (e.g. libraries). Multimedia are differentiated on the personal computer by the kind of usage into offline and online. Offline means that the PC is not connected to a tele-

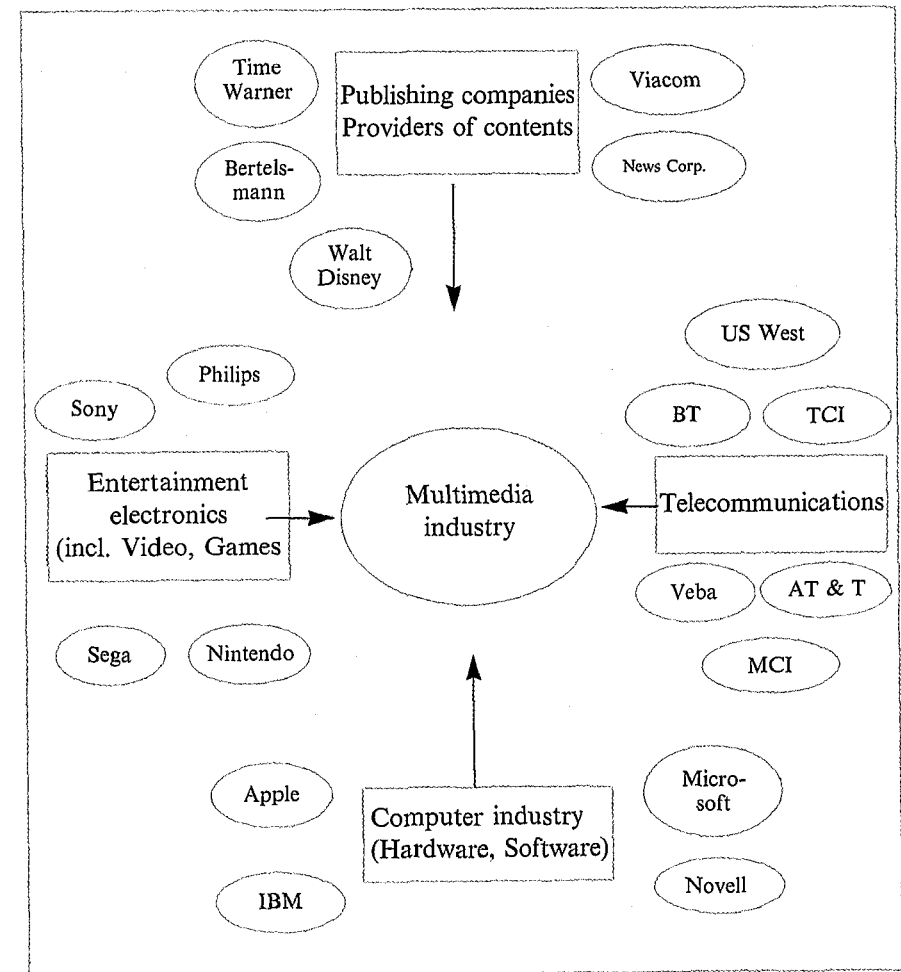
communication net and the data are transported e.g. on CD-ROM. Online means the user is connected through a net infrastructure to the telecommunication net.

The variant of offline multimedia usage for home entertainment that has currently (April 1996) moved into the focus of public debate is the *digital video-disc player* (DVD) which is a combination of CD player and video recorder. The technology is driven forward by Time Warner and Toshiba. Fumio Sato, the president of Toshiba, suggests, "DVD technology will be a key to the expanding multimedia world". Market prognoses say by the end of 1999 seven million DVD movie players will have been sold in North America. A video disc will be produced for less than \$1 while a videotape costs about \$2 to produce. Companies like Walt Disney and Time Warner, respectively Warner Home Video, which has the world's largest collection of feature films, will with great probability make substantial profits from this. Computer makers intend to instal DVD-ROM drives because they can store substantially larger amounts of data than CD-ROMs. With that the PC industry and the broadcasting industry are becoming compatible, so to speak. Hiroyuki Furukawa, a vice president of Toshiba America argues that "DVD encyclopedias could feature full-screen, full-motion videos instead of small, grainy snapshots".

The development of DVD has another implication. The video compression chips that make DVD possible are the key component in the direct broadcast satellite business. By this means hundreds of channels can be made available to non-cabled TV users. Hughes Electronics Corp., which belongs to General Motors, and Microsoft are working on making PCs capable of receiving video programmes directly from satellites. If that succeeds, the fusion of PC and home entertainment will get even closer.

The basic technological prerequisite for the new communication revolution – the last large technological innovation was the introduction of satellite television and cabling in the 80s – is digitalisation, i.e. electronic signals are no longer transported analog, but are converted into a series of binary characters (0 and 1). Communication technologies separate up to now are merged by this, i.e. TV monitor, telephone and PC become a multimedia unit.¹⁶ The multi-

Illustration 3: Multimedia leads to the fusion of industries hitherto separate; taken from Bertelsmann-Dokumentation Herbst/Winter 1995.



media market coming into being is causing industries that operated separately from one another (cf. Illustration 3) to grow together – entertainment electronics, computer making, telecommunications and providers of contents are becoming a multimedia industry. There are plenty of examples of such fusion processes. The American telecommunication enterprise, MCI, whose major shareholder is British Telecom, has a stake in Murdoch's News Corporation. Sony is engaged in Hollywood. Through PolyGram NV Philips is not only one of the biggest firms in the music industry worldwide (its clientele includes

¹⁶ In Germany it has not been decided who will dominate the decoder market. In Britain Murdoch has a firm grip on the Pay-TV market with his Videocrypt encoding system and dictates prices to new providers. One of the possibilities of digital TV is that identical feature films can be transmitted at various times (e.g. to begin at 7, 7.30, 8 or 8.30 p.m.). A football game or car race can be transmitted from various camera perspectives. Pay-TV also has risks for the recipients. Thus it cost \$20 to view the box fight between Mike Tyson and Peter McNeely without commercial breaks. The fight lasted all of 89 seconds.

inter alia Sheryl Crow and U2), since April 1995 it has owned 50% of MTV Asia (MTV belongs to Viacom) and it is also very successful in the film business; *Filmed Entertainment* was founded in 1991 and has produced more than 30 films. Its biggest success was *Four Weddings and a Funeral*. That film cost \$5 million to produce and took in \$250 million at the box office. Germany's Bertelsmann is not only a publishing house (books and press) but is also active in the music industry (RCA) and is a central player on the European television market. Since March 1995 Bertelsmann has cooperated with American Online on the Internet in a \$100 million joint venture. Middelhoff has described the aim as building "a global competitive online network, to become a market leader worldwide". Almost the ideal type of the new multimedia enterprise is Microsoft which has become the world's biggest encyclopedia publisher, larger than Encyclopedia Britannica or the German Brockhaus (cf. Chapter 3.9).

Mostly prognoses for the multimedia market are extremely optimistic. Billions are already being invested. When the cooperation between Bertelsmann and American Online (AOL) was announced the AOL stock rose by 16% on Wall Street to \$82.25. When in August 1995 the software firm Netscape went to the stock exchange its shares exploded from \$28 to \$75. Enormous profits are expected.

The growing importance of the multimedia industry is also demonstrated by the TIME (June 17, 1996) special report about America's most influential and powerful people. Among the seven rated most powerful – although the selection criteria are arbitrary – all except President Clinton and Federal Reserve chairman Alan Greenspan are linked with the new industry: Bill Gates (Microsoft), Rupert Murdoch (News Corp.), Michael Eisner (Walt Disney Co.), Jack Welsh (General Electric (NBC Network)), Andrew Grove (Intel, which makes 75% of all microprocessors). Jack Smith of General Motors is placed eighth on the list of most powerful people. This enterprise is also active in the media sector: DirecTV, a subsidiary of Hughes Communications, was the biggest pay-tv company in the USA in 1996. Advertising Age (Vol. 65, Dec. 19, 1994, p. 16) also refers to Sumner Redstone of Viacom, already mentioned in Chapter 2.3.3, as "the most powerful individual in the communications world" after his takeover of Paramount Communications and the merger with Blockbuster Entertainment Corp.

The gigantic investments of the U.S. media and communication industry may, however, be inappropriate to the market. According to a study carried out in 1995 by the entrepreneurial consulting firm, *Mercer Management Consulting*,

the consumers, although impressed by developments in the multimedia sector, are by no means prepared to spend enough money to make the investments already made pay off.¹⁷ Communication, Information Entertainment was perceived as follows:

Communications Services

Local voice telephone

Videophone

Entertainment Services

Traditional basic and premium channels

Movie services (pay per view; near video on demand; video on demand)

Time-shifted TV

Interactive TV

Electronic Services

Shopping & Errands (The Mall; Classifieds; Home Banking; Tickets & Reservations; Food Shopping; Take out; Investments)

People Connection (Screen Chat; Post Office; Paramedic; Network Games; Yellow Pages; Home Monitoring)

Library & Information (News & Mags; Book Library; Local Events; Teach Me; Personal Jukebox; Weather & Traffic)

Mercer questioned a nationwide sample of 850 people in the USA. The company came to the conclusion that the industry is heading up a blind alley because the supply is growing faster than the demand. The opening of regional telephone and cable markets to competition and the simultaneous technological breakthrough in relaying technologies had brought into being in the USA data highways with enormous overcapacities. At the same time demand was concentrating on ever fewer offers. The overcapacity would force price cuts. The communication nets could hardly be operated profitably. Especially in the entertainment sector, the study found, the expected interest was not there. This held inter alia for video-on-demand. The 1995 market for private communication, entertainment and information of \$60 billion would grow to more than \$100 billion, but not before 2005 or even 2010. To connect a household to the necessary broadband cable net the providers will have to spend between \$1,000 and \$2,000 (other estimates assume \$2,500). But the average household was not prepared to pay more than about \$60 a month, which was

¹⁷ Cf. Mercer Management Consulting: Colliding Worlds. Separating the Virtual from the Reality. A Round Table for Senior Executives, New York, September 19, 1995, Selected Excerpts.

what was already being paid for telephone and cable TV. Growing demand is expected especially for electronic services such as telebanking, teleshopping and information services. This market would grow in the USA to \$11 billion. According to the Mercer findings firms investing billions appear to have made one mistake: they tested whether the multimedia offering functions technically. The question whether the demand is there for it was apparently not asked in the general euphoria. According to the Mercer findings the breakeven on network investment will not be reached by 2005. The expectations reflected in current stock prices would probably not be fulfilled by a long chalk. The result would be a "bloody stalemate". Mercer Management Consulting estimates that negative developments on the stock exchange are almost inevitable.

3.2 Economic aspects of media concentration

In the following terms like *media-multi* or *media giant* are used as synonyms for media concern. These are enterprises operating mainly in the media sector and/or holding a dominant position in a relative media market and, because of various interlinkages, possessing great economic power. The enterprises referred to in the following generally operate at national and international levels. Especially problematical in this is the demarcation of the relevant markets into types (e.g. one or more media) and locations (local, regional, national and international).¹⁸ The problems of market demarcation become especially clear when supervisory authorities are concerned with it. In Germany, for example, the State Broadcasting Treaty sets an upper limit of 30% market share for television. So if more than 30% of the viewers watch the channels of a certain enterprise (e.g. Bertelsmann), the enterprise has to withdraw from a channel. The setting of such media-politically relevant criteria and their implementation result from political negotiation. This also applies to the time dimension which e.g. covers the extent of the concentration processes in a certain period (e.g. a year).

Enterprise or media concentration exists if competition for a certain commodity on the market is restricted. Competition is the vying by market participants for business deals (i.e. market shares), wherein the exchange partners have the choice of several options (Bartling 1980, 10). Entrepreneurial concentration thus means an aggregation of market shares by one or a few providers. Concentration in the media sector always poses the danger of curtail-

¹⁸ The time demarcation of the relevant market can also be difficult, i.e. the question as to the period applied to defining a predominant position and media-policy counter measures being taken.

ing variety of opinion, although it is also argued that without large media enterprises there can be no multiplicity of opinion if they are so organised as to have that multiplicity within the individual media.

There are various processes and forms of entrepreneurial and hence media concentration. On the one hand, a concentration process can be started by overproportional internal enterprise growth, on the other hand by external growth, i.e. through fusions of enterprises. The primary cause of market power is external growth (Schmidt 1993, 126ff). There are three main forms of external growth:

- horizontal concentration in which the media enterprises involved operate in the same relevant market (e.g. the merger of two newspaper publishers);
- vertical concentration, involving media operating at pre-and/or post-production levels, i.e. those in a buyer-seller relationship (e.g. merger of film producers and television channels);
- diagonal (conglomerate) concentration in which the enterprises involved operate in various relevant markets (e.g. merger of a film studio with a whisky producer such as Seagram).

Diagonal concentration is the merger of enterprises operating neither in the same relevant market nor being in a buyer-seller relationship. The main motive is risk-spreading; in this case the enterprises operate in different markets. Diagonal fusions can lead to economies of scale. These come into being through cost-saving in the production of several products requiring some of the same inputs. This includes e.g. the multi-use of the same personnel in research, joint advertising, etc.. Linkage advantages lead to the creation of multimedia concerns. A typical example would be the expansion of an enterprise from the print media sector into the electronic media sector (Heinrich 1994, 123).

In many cases the form of concentration is not clearly definable; thus the merger of a TV network with a record company can be seen as both a horizontal and a diagonal form of concentration, depending on how the relevant market is defined. The causes of concentration processes cannot be separated from the expected consequences. Hoped-for advantages from mergers are primarily power, i.e. individual economic advantages through hindering and/or exploiting other market participants, and efficiency advantages (cost advantages from size). The principle of economies of scale says that with increasing output unit costs can be lowered. In horizontal concentration there is the danger that if the optimal enterprise size is exceeded the size advantages in the

long term turn into diseconomies of scale, i.e. lacking competitive pressure can cause lack of motivation in management and employees and/or produce encrusted and hence inflexible organisational structures. Vertical concentration can happen for market strategy reasons (securing acquisition and/or distribution channels; hindering competitors) and/or aim at realising transaction-cost economies. The market transaction mechanisms contain costs of using the price mechanism, such as the costs of finding exchange partners, gathering information about prices and goods, negotiating contracts, ensuring contract fulfilment and so forth. But as a rule the savings from such transaction costs are countered by additional internal enterprise organisation costs from the concentration (Heinrich 1994, 48). In the media sector, according to Jürgen Heinrich (1994, 122), seven different production or trading stages can be identified:

- "Production of production facilities (hardware), i.e. printing works, studios, outside broadcast vans etc. (phase 1),
- production of media contents (software), including e.g. films, pictures, reportages, articles (phase 2),
- agglomeration of the range of media contents in mass media, i.e. production of the newspaper, periodical or radio or TV programme (phase 3),
- dissemination of the mass media (phase 4),
- dissemination of software by non-mass medial distribution channels, e.g. cinemas, video markets and archives (phase 5),
- sale of advertising by media agencies (phase 6) and
- operation of pure distribution channels such as cable net and satellite (phase 7)."

Vertical concentration is especially advantageous for securing adequate input of media software in the mass media, i.e. from phase 2 to phases 3, 4 and 5. The advantages of vertical integration as well as the multiple marketing of films in cinema, as video cassette, in pay-TV and in "normal" television are made clear by Alexander Artopé and Axel Zerdick (1995, 34) with the example of the feature film, *Forrest Gump* (cf. Illustration 4) produced by Viacom. Profit windows here means the sale of a programme ware produced once through several technically different distribution channels.

One of the main problems in measuring concentration is that information is not readily available on many interlinkages, for example when so-called "sleeping partners" hold shares in enterprises. Also disputed is whether in the television market, for example, the market shares of individual broadcasters or the enterprises holding shares in the broadcasters should be assessed. The

Illustration 4: Possible use of profit windows and vertical integration in the USA in the example of the feature film "Forrest Gump"

Production and distribution stages			
Profit window	Stage I	Stage II	Stage III
Cinema	The film "Forrest Gump" is produced in the PARAMOUNT STUDIOS in Hollywood	PARAMOUNT Theatrical Distribution distributes the film	The film is played in one of Viacom's 349 cinemas
Pay-TV	PARAMOUNT Television Distribution distributes the film in Pay-TV	"Forrest Gump" is shown on the Viacom-owned Pay-TV channel Showtime	
Video	PARAMOUNT Home Video distributes "Forrest Gump"	"Forrest Gump" is hired out and sold in the 4,069 "Blockbuster" videotheques	
Television	PARAMOUNT Television Distribution distributes "Forrest Gump" in Free TV	A commercial channel belonging to the entrepreneurial group (United Paramount Network*) airs "Forrest Gump"	

Remark: Own, greatly simplified depiction of the profit windows and vertical integration for the USA. In reality there are, as already shown, more "profit windows", divided into home and export markets.

*Joint venture with Chris-Craft Industries.

role played by family relationships can also be problematical. For example, in Germany in 1996 the media entrepreneur, Leo Kirch, would have held almost 28% of the television market if one counted the shares held by his son. But it is not calculated that way in Germany, there is no relationship clause, i.e. relatives do not have to prove that they have no business relations with each other.

In addition to the concentration advantages already mentioned – economies of scale, transaction costs, risk spreading – it has to be noted that many enterprise mergers, especially those that took place recently in the USA, can be explained with the aid of the so-called *manager theories of concentration*. Such theories can explain the coming about of mergers that have no positive effects on profits, enterprise efficiency or the like but may possibly be useful to the management. At least the management of the firm doing the takeover gains advantages, for example increased job security, greater promotion prospects, reduction of the power of big shareholders by wider spreading of shares. The income of the management, respectively individual managers, also rises if, for example, it is coupled to certain data, and, not to be forgotten, so does the prestige. Thus Walt Disney's chairman and chief executive officer, Michael D. Eisner, was paid a compensation of \$14.8 million for organising the second largest merger in U.S. history with Capital Cities/ABC and for the subsequent 28% rise in the stock price.

A major reason for concentration tendencies in the media sector lies in a peculiarity of the ware "media content" (information, films, shows, etc.). For this ware there is *non-rivalry in consumption*, i.e. in principle any number of people can consume this ware simultaneously or consecutively without it being used up. That fact leads to it being profitable for the enterprise to reproduce the ware "media content" as often as possible. It is produced only once as the prototype and then replicated and distributed (blue print industry). The production costs are independent of the number of recipients, i.e. there is a continuous *fixed costs degression*. With that the unit costs fall with the rising number of recipients.

Another important peculiarity of media production lies in the linkage of recipient and advertising markets. As the famous German sociologist, Max Weber, stated already at the first German congress of sociologists in 1910, media produce for two markets, namely the recipients and the advertisers. The market value of the advertising is again dependent on recipient demand (*reach of the medium*). In other words, profit depends directly on the reach of the medium – growing reach, growing profit. That means that in the long term an enterprise can only increase its profit if it expands, i.e. increases its reach. This must lead to horizontal market concentration since in the long run no individual small enterprises can hold out against big concerns (cf. Heinrich 1994, p. 119f.).

Whereas fixed cost degression and increased reach lead to horizontal concentration, vertical concentration, as already mentioned, lowers the transaction

costs. Transaction costs are all the costs arising with the agreements about a trade exchange. They include (cf. Staehle 1990, p. 390):

1. *Approach costs* (information gathering about possible suppliers and/or customers and their respective conditions);
2. *Agreement costs* (negotiating costs, which depend inter alia on the intensity and duration of the negotiations, the costs of formulating the contract and the costs of agreement over unclarities, litigation costs);
3. *Control costs* (e.g. costs of schedule monitoring, quality control, etc.; possibly the control of whether secrecy agreements are being kept) and
4. *Adjustment costs* (e.g. costs which can be involved in asserting changes to agreed conditions, schedules, qualities, quantities, prices and durations of contracts).

Accordingly it is of interest to enterprises of various production phases to cooperate to cut transaction costs and to create competitive advantages over other enterprises for themselves.

As empty as the formulation may appear at first sight, the effects of an enterprise concentration on a certain market depends on various factors. Thus it is difficult to establish when an enterprise actually dominates a market because this requires the relevant market's being demarcated. It has to be asked whether the other competitors are really only those enterprises that produce the same ware, or whether other products are also of competitive relevance as long as they can be regarded as substitutes. It is also difficult to obtain precise information about the intensity of the competition relationships. In the media sector one might look whether only the competition between various telecasters is considered or whether enterprises in the print media sector belonging to the same concern are taken into account. Furthermore, certain market share thresholds have to be set, beyond which there is market domination. Also to be considered is the likelihood of other competitors coming into the market – what forms of market entry hindrances are there? In the case of media concentration the high fixed cost degression and the linkage between advertising and recipient markets form high access barriers since as a rule a newcomer cannot compete with the established size of an established supplier.

From an economic point of view there also has to be in media concentration a weighing of efficiency advantages for the individual enterprises and such negative consequences for the recipients as the assertability of higher prices in

the market. Heinrich (1994, 126) writes: "The linkage of advertising and recipient markets, i.e. above all the spiral of increasing reach/rising advertising prices/increasing profit founds a relative *aggressive marketing*, a marketing that must always be aimed at winning new recipients without losing the old." In addition to the economic consequences of media concentration, a threat to multiplicity of opinion can grow. In the case of horizontal media concentration it is to be expected that as the number of enterprises declines, so will the number of media offerings. Vertical mergers, on the other hand, do away with the market mechanism. The interplay of supply and demand no longer works because an enterprise operating in several production phases can influence all these phases. The only form of concentration to which no particular publicistic consequences (reduction of opinion variety) are ascribed is diagonal media concentration. But it does strengthen the effects of the horizontal and vertical concentration which Heinrich (1994, 134) summarises as follows: The possibility of the media owner's influencing media contents is widened. The possibility of misusing the editorial part for advertising grows. Multiple uses increase. Control through the market decreases. International competition is worsened and market access opportunities fall.

3.3 Rule changes: Prime Time Access Rule, Fin-Syn Rules and Telecommunications Reform Act of 1996

The year with the biggest movements in the American media market so far was without doubt 1995, the year of the mega mergers. The big mergers of media enterprises began in 1989 as the TIME publishing company, which inter alia owns cable TV networks, merged with Warner (film and music producer) and the Japanese hardware firm, Sony, bought Columbia Pictures Entertainment. The acquisition of Blockbuster and Paramount by Viacom in 1994 has already been mentioned. In June 1995 Seagram bought 80% of the Hollywood studio, MCA/Universal. At the end of July Disney announced the purchase of Capital Cities/ABC. A day later, on 30 July, Westinghouse announced the purchase of CBS. Also still in 1995 Time Warner followed with the takeover of Turner Broadcasting. Media enterprises of until then unprecedented sizes have been created which have completely changed the structure of international communication and will continue to change it. The newly created enterprises mean a further firming of the predominance of American media enterprises in the global framework.

According to the *Washington Post* of 4 February 1996 the 10 biggest players in the American telecommunication market are Disney, Time Warner, Viacom,

Murdoch's News Corp., Sony, TCI, Seagram (which owns MCA), Westinghouse/CBS, Gannett and General Electrics (NBC's corporate parent). These 10 enterprises control more than \$80 billion in revenues in that industry. Moreover, the scene is permanently in motion and new players can appear.

This development must be seen against the background that William A. Gamson et alii (1992, 374) described already in 1992: "The emergence of media conglomerates with a global market has led to an unprecedented integration of multiple media which can simultaneously market the same message in multiple forms through a dazzling array of new technologies." Ben H. Bagdikian, writing in the third edition of *The Media Monopoly* in 1990, argued that media concentration had led to the formation in the USA of a *Private Ministry of Information* (1990, X): "Governments can be voted out of office. But when corporations gain this level of centralized control over what the general public learns, the dominant corporations can, through their control of news and other public information, postpone public awareness for dangerously long periods." A danger to democracy is feared because multiplicity of information was being pushed back (1990, 243): "Contrary to the diversity that comes with a large number of small, diverse media competitors under true free enterprise, dominant giant firms that command the nature of the business produce an increasingly similar output. The greater the dominance of a few firms, the more uniformity in what each of them produces." This statement, though, is too great a simplification, since often media enterprises that are too small cannot produce good quality because they lack the financial resources. But leaving that point aside for a moment, Bagdikian (1990, 243) unfolds the following typical scenario for a media giant: "(A) magazine owned by the company selects or commissions an article that is suitable for later transformation into a television series on a network owned by the company; then it becomes a screenplay for a movie studio owned by the company, with the movie sound track sung by a vocalist made popular by feature articles in the company-owned magazines and by constant playing of the sound track by company-owned radio stations, after which the songs become popular in a record label owned by the company and so on, with reruns on company cable-systems and rentals of its videocassettes all over the world."

The main reasons of the merger wave in the USA are to be found in the Federal Communications Commission (FCC) having changed two regulations in force until recently in respect of the US-American television system. On 28 July 1995 the FCC put out of force with effect from 30 August 1996 the so-called *prime-time access rule* that had been valid for 25 years. The rule had "prevented the broadcast networks from supplying programs for one hour in the evening and

thus helped create a boom in syndicated game shows and tabloid magazine shows” (New York Times, July 29, 1995). One aim of the prime-time access rule had been to limit the market power of the networks. It was also intended to stimulate more news coverage of local events. But that failed to happen. With the rule now gone, all TV stations can air programmes syndicated by CBS, NBC, ABC or independent companies in the hour before prime-time starts (in the east that is from 7 to 8 p.m.). The New York Times quotes a media analyst, Dennis McAlpine: “The whole game of first-run syndication will dramatically change.” The networks would eventually begin to develop their own first-run shows for syndication during that hour. Most affected by the new regulation are King World Productions (syndicates Wheel of Fortune, Jeopardy, Inside Edition), Paramount (a unit of Viacom) and Fox’s syndication arm.

Much more significant is a second change of rules. Against resistance from Hollywood, the FCC lifted financial interest and syndication rules (“Fin-Syn Rules”) on 10 November 1995, opening the syndication market to the networks. Kleinstaub (1995, 35) describes these regulations as “a complicated web of FCC directives and consent decrees (court settlements)”. The Fin-Syn regulation had forbidden the networks to participate financially in production firms whose programmes they aired. Nor was it allowed to buy the rights to repeat broadcasting and to produce their own films for prime-time airing. The background to the regulation, which prevented the vertical expansion of the three big networks, was that the networks had been accused of misusing their demand power in the programme markets.

As a result of this regulation the television series were produced by firms – independents and Hollywood majors – that were independent of the networks. Naturally, the networks had always opposed and the film industry always welcomed limits on vertical concentration. The old rules prevented the networks from making hundreds of millions of dollars from syndication of such series as the Cosby Show or the like. John Kimelman (1995, 19) wrote in the Financial World on the significance of the change of rule, “...for decades the networks were not permitted to air a show more than two times. So they couldn’t reap the big profit from syndicating”. Bill Carter points in the New York Times to the consequences of this rule change (September 7, 1995, p. 6): “Certainly the recent moves by the Walt Disney Company to acquire Capital Cities/ABC and by Westinghouse Electric to buy CBS were fueled by the expectation that the networks would not be locked out of the syndication market.” Precisely what the Fin-Syn regulations were to prevent, happened in the fusion of Disney and Capital Cities/ABC – a network became junior partner of a Hollywood studio. In response to the changed situation, Time

Warner and Viacom entered the market for networks in 1995 with Warner Brothers Network and United Paramount Network. Fox TV (Murdoch) belongs to Twentieth Century Fox Studios. I re-emphasise: because the Fin-Syn restriction has been removed, the networks can now produce programmes themselves and also own the multi-use rights.

One of the arguments made for lifting the Fin-Syn restriction was that concentration processes had happened in Europe which America needed to counter with comparably strong enterprises. Another was the fusion of telecommunication and mass media, which has created huge new multimedia markets in which there was no danger of monopolies developing. There are, moreover, suggestions to allow the networks ownership of more than 12 stations. Herbert H. Howard (1995, 390) writes: “The FCC’s December 1994 rule-making proposal, when implemented, would allow a broadcast firm to own an unlimited number of TV stations, with the percentage ceiling to be raised gradually to 50 percent of the nation’s TV households.”

The new Telecommunications Reform Act of 1996, signed into law by President Clinton on 8 February 1996, also addresses the concentration processes. According to a statement from the White House the Act will prevent undue concentration of television and radio ownership: “The Act limits the number of stations one entity can own to stations that reach up to 35 percent of all national TV viewers, and keeps existing rules that forbid one company from owning two TV stations in a local market, or a newspaper and TV station in the same market, or a newspaper and cable in the same market. The Act also maintains the ownership ban of a cable company and a broadcast company in the same market.”

3.4 Decision-making in organisations

3.4.1 Theory and practice – top decision makers

Decision-making processes have been the focus of organisation and management teaching and research since about the 60s. Especially Richard M. Cyert and James G. March have emphasised in their 1963 standard work, *A Behavioral Theory of the Firm*, that an enterprise can be characterised as “adaptively rational”, i.e. as a social system that responds in its decision-making to internal and external tensions and compulsions. By no means is decision-making rational in the sense of classical economics, under which pro-

fit maximisation is sought by an enterprise completely informed about itself and the environment.

Enterprises are not at all monolithic, but “shifting multiple-goal coalitions”. Entrepreneurial aims are often very vague (e.g. profit-making) and even if these vague supreme aims are generally accepted, that does not ensure that there is also consensus about the ways and means of achieving them. Different departments, respectively persons, as a rule pursue different aims because one sees oneself as the central point of the enterprise (local rationality). In other words, between the sales department that wants to sell a product at any price, the accounting department that is responsible for the financial security of an enterprise and e.g. production there can be substantial differences of interests.

In enterprises managers, other staff, shareholders, customers, suppliers, regulating institutions (e.g. the FCC), lawyers, courts, trade unions, taxation authorities, local government, etc. can all be involved in such processes of coalition building and negotiating. Since comprehensive treatment of the theories of internal organisational decision-making processes would need a separate publication, I only emphasise here not to proceed from the illusion that human behaviour in the economic field is rational. Apart from that economic teaching has not yet managed analytically to post entrepreneurial performance. Whereas there have been no big problems theoretically to analyse the production factor work, this does not succeed for the performance of an entrepreneur. Rupert Murdoch, Ted Turner or Bill Gates and their respective social networks cannot be reduced to a formula.

In addition, organisation research, with few exceptions, has been unable to examine the decision-making at the top of big enterprises. The top decision makers let no-one see their hand. An exception is a study done in Great Britain by C. S. Wilson and T. Lupton on *The Social Backgrounds and Connections of Top Decision Makers*.¹⁹ Since the big media deals were also decisively influenced by interpersonal contacts, I shall briefly introduce the study here although it has nothing to do with international communication. It was found that a major part of the power potential of top managers and owners of enterprise does not emanate from property over which control is exercised, but is a result of the social relationships one is imbedded in. From there one obtains important information and it is there that contacts are made that can be of decisive importance.

19 In: Rothschild, K. W. (ed.), *Power in economics*, Harmondsworth 1971; first 1959.

Wilson and Lupton can document this with references from the so-called *Bank Rate Tribunal*²⁰. Family relationships, membership in exclusive clubs, attendance at the right school (Eton leads far ahead of Winchester, Harrow and Rugby) and the right university (Oxford and Cambridge) are important to building up information networks which are often impossible to see through from the outside. A witness, Lord Kindersley, director of the big banking house of Lazard Brothers, apparently sincerely tried to explain to the Parker Tribunal the criteria and information on whose basis deals worth millions are decided in the London City. Trying to explain how a decision to sell gilt-edged securities came about, he said, “I have had a feeling – I have been here listening to the evidence in the last day or two – that there is some lack of understanding as to the way my firm works”.

Not time-consuming analysis of the money market is always the basis for decision-making, but, according to Wilson and Lupton, important, especially under time pressure, is informality in relationship between decision makers. Wilson and Lupton (1971, 221) write: “A good example of this came out during the examination of Lord Kindersley by the Attorney General. The Attorney General was asking Lord Kindersley why he, and not Mr. Crobbold, had gone to see Lord Bicester about the possible effect of the Bank Rate rise on the Vickers issue and on relations between the City and the Bank of England. Lord Kindersley replied: I consider it perfectly natural that I should be allowed to go and talk to a colleague on the Bank of England. ... I do not think that Lord Bicester would find it in the least surprising that I should come to him and say to him: Look here, Rufie, is it too late to stop this business or not?”

A comparable informality characterises the way Murdoch operates, who has always sought contact with the mighty, be they called Margaret Thatcher, Ed Koch (ex-mayor of New York) or Newt Gingrich (cf. chapter 4). Many of the big media mergers came about out of a markedly informal atmosphere, are based on closest personal relationships and in some cases are due to personal fancies (e.g. of the Seagram heir, Edgar Bronfman; cf. chapter 3.12). One knows one another, exchanges ideas and knows what to expect of one another. Insiders explain that Sony's failure in Hollywood is partly due to the fact that Sony and/or its representatives in Hollywood were not “in”, leading to enormous losses (cf. chapter 3.11). The kinds of strategies implied by economic theories are only partially suitable to explaining many mergers. Often

20 Cf. Parker Tribunal, *Proceedings of the Tribunal Appointed to Inquire into Allegations that Information about the Raising of the Bank Rate was Improperly Disclosed*, HMSO 1957.

the decisive factors are spontaneity and striving for power. Preston Padden, News Corp. president of telecom and television, explains the mode of operation of News Corp., respectively of Rupert Murdoch, as follows: "We have no five-year plan. We have no strategic planning. It's really a sort of small person business being executed on a scale you don't normally see." Such a situation demands that decisions be taken unusually fast, without recourse to any decision-making institutions. Padden reports: "Rupert doesn't need to call a committee. He has 10 great ideas before his competitors are out of bed and he acts on them."

3.4.2 The personal background

As a rule, the personal backgrounds and informal contacts leading to decisions, for example about media mergers, are hard to identify. The sources are often dubious, for example newspaper reports which may be based on hearsay. Hardly any reliable information is obtainable from some people. Basically, one faces the decision either not to address this subject or to argue that it is so important that it has to be addressed despite the unsatisfactory sourcing situation. I have taken the second option. In the *Washington Post* of 4 February 1996 Jonathan Tasini holds in an article about *The Tele-Barons* that after an absence of almost a hundred years, the *Robber Barons* were back. The Rockefellers and Carnegies had been succeeded: "The new pantheon of Robber Barons includes the Sony and Bertelsmann chieftains, Rupert Murdoch, Disney's Michael Eisner, Microsoft's Bill Gates, TCI's John Malone, Ted Turner, the DreamWorks' titans (run by the trio Jeffrey Katzenberg, David Geffen and Steven Spielberg) and Time Warner's Gerald Levin." The list must be supplemented at least by Sumner Redstone. Tasini maintains that the modern Robber Barons were supported by the governments that had so far failed to protect the interests of the public. They knew how to present themselves to make it appear that they were serving the public, "branding critics worried about the concentration of power as neo-Luddites²¹ trying to stand in the way of progress". On the manipulation of public attention, Tasini writes: "Shaped by a broad, bipartisan intellectual elite including Alvin and Heidi Toffler, Al Gore and Newt Gingrich, their mantra hums with words like 'synergy' and 'competitiveness'. Indeed, most people are subtly seduced by the combination of the technology and its language. Think about it: the 'information superhighway'."

21 Luddites: organised bands of English artisans who in the period 1811-16 destroyed newly introduced machinery in the Midlands and north of England on the ground that it took away their livelihood.

One of the grey eminences of the U.S. media market is Herbert A. Allen. Once a year he invites the greats in the business with their families to Sun Valley, Idaho, for five days. Many of the big deals in the media industry were threaded there. Among those in Sun Valley in 1995 were Rupert Murdoch and the Coca-Cola chief, Roberto C. Goizueta. In 1987 Allen supported Redstone in his purchase of Viacom, for example. Allen was also involved in the sale of Columbia Pictures to Sony and the double sale of MCA/Universal to Matsushita and later by Matsushita to Seagram.

Allen's assets have been estimated at c. \$1.2 billion. In the first interview he ever gave, he answered questions put by the weekly German news magazine, *Der Spiegel* (No. 39, 25 September 1995) about developments on the American media scene. Firstly, he characterised his own activities as bringing people together whose business interests fit well together, i.e. people who need money and people wanting to invest money. According to Allen, people came to the first Sun Valley meeting in 1981 who now hold top jobs, such as Gerald Levin, in 1981 in the management of the *TIME* publishing house, at the time of the interview head of Time Warner, and John Malone, whose cable firm TeleCommunications Inc. (TCI), now the biggest cable company in the USA, then still quite insignificant.

The familiar atmosphere meant, Allen explained, that one talked business in the morning and spent the afternoon with the family. In 1994 there had been 120 children along in Sun Valley. The purchase of ABC/Capital Cities by Disney (cf. chapter 3.5) was also initiated in Sun Valley, where Michael Eisner (Disney) and Thomas Murphy, Cap City's chairman, met. Bill Gates of Microsoft was also in Sun Valley. According to Allen, the financing of the new company, DreamWorks SKG (cf. chapter 3.10) of Steven Spielberg, David Geffen and Jeffrey Katzenberg, was also set up in Sun Valley. And finally, in July 1996 Michael Dornemann of Bertelsmann and Pierre Lescure, head of the French Canal plus were in Sun Valley to reach agreement after all with U.S. film bosses on the supply of content and possibly to give them a share of the planned European pay-TV.

Allen claims that his firm is unique because he was no investment banker working with other people's money, but owner and manager of entertainment firms. In 1973 he invested in the then economically wobbly Columbia Pictures, bought later by Coca-Cola (and still later from Coca-Cola by Sony) (cf. chapter 3.11). Allen emphasises that he grew up with people like Eisner, Katzenberg and the TV entrepreneur, Barry Diller. When he owned Columbia they were rivals or allies, as interests shifted. Allen told *Der Spiegel* he knew what

it was like to make a fool of oneself and lose money with luckless firms. He knew the feeling of sweat on one's brow the first time a movie ran in a cinema. In other words, he knows how to handle his partners.

Another major player in the multimedia market is John Charles Custer Malone, whose TCI Communications Inc., according to TCI/TCIC Annual Report, is currently the biggest cable net operator in the USA, with 15-16 million subscribers and a market share of about 23%. This media empire, built by systematic buying up of shares enabling control of the enterprises taken over, includes inter alia Court Room Television Network (33%); Discovery Communications Inc.²² (49%, cable network); Home Shopping Network (42%); Prime Sports Channels Partnership Limited. (45%); QVC Inc. (43%; home shopping channel); Turner Broadcasting System Inc. (23.6%). In the international sector inter alia Flextech PLC (60%, European cable TV); Jupiter Telecommunications (Japan), TeleWest Communications PLC (UK, cable and telephone nets); Videopole (France, cable). The aggressive expansion policy of Malone triggered a kind of campaign against him. The former Senator, Al Gore, stigmatised Malone as *Darth Vader*, the epitome of evil in the film *Star Wars*. Malone has been able to acquire such great market power that even such pay-TV providers as MTV had to knuckle under to the price dictate of TCI (Al Gore: *The Empire*).

Another major player in Hollywood is Michael Ovitz, whom Newsweek described as "the most powerful man in Hollywood" and TIME as movie Mephisto. Together with others (Ton Meyer and Bill Haber) Ovitz has built up one of the biggest talent agencies in show business, the *Creative Artist Agency*. (In June 1995 Ovitz owned 56% of its stock.) Founded in 1975 the agency represents 1,200 of the world's biggest actors, musicians, directors and screenwriters. The only bigger one is *International Creative Management* of Jeff Berger. Among the Creative Artist Agency clients were Kevin Costner, Demi Moore, Robert Redford, David Letterman, Barbara Streisand, Steve Wonder and Steven Spielberg. Newsweek (June 12, 1995) reported that in 1994 eight of the 10 draws at the U.S. box office included at least one major CAA client. For example, actor Tom Hanks and director Robert Zemeckis of CAA held shares in the successful Paramount film *Forrest Gump* and each is said to have earned \$31 million from it. Jonathan Dolgen, president of Viacom's entertainment group, to which Paramount belongs, spoke very posi-

tively about Michael Ovitz in Newsweek: "Mike's very reliable." Newsweek (June 12, 1995) describes Redstone as a friend of Ovitz.

Ovitz is estimated to have an annual income of \$35 million. He played a decisive part in the purchase of Columbia Pictures by Sony (\$3.4 billion) from Coca-Cola (cf. chapter 3.11), with Herb Allen then being part-owner of Columbia and later, because of the deal, joining the Coca-Cola board. Ovitz also had a part in the 1990 purchase of MCA/Universal by Matsushita for \$6.59 billion and is said to have been paid a commission of \$40 million. The role of Ovitz in the subsequent sale of MCA/Universal to Seagram was worth a comprehensive report to Newsweek (June 12, 1995) about the "King of the Deal". Michael Eisner has succeeded to bring Ovitz to Walt Disney as president after the fusion with Cap Cities/ABC (cf. chapter 3.5).

A powerful player in Hollywood who is relatively unknown outside the USA is Barry Diller, aged 54 in 1996. He has made humankind happy with the film *Saturday Night Fever* and TV cartoon series *The Simpsons*. TIME wrote about Diller: "His notoriously aggressive management style has left subordinates humiliated and emotionally bruised." Diller's career, decisively supported by Malone, began in 1971 at ABC, where he invented mini-series, popularised TV movies and hired Michael Eisner. In 1974 Diller was appointed chief executive officer of Paramount Pictures at the age of 32. Together with Eisner, who had been made president of Paramount, he made it the most profitable studio. He lost a power struggle and in 1984 went to 20th Century Fox. For Murdoch he built up the youth-oriented Fox Television Network.

In 1992 he left Fox. TIME quotes him: "It's not mine. I'm both young enough and old enough to want to own my own store. ... It's one thing I haven't done." Forbes (January 1, 1996) also suggests the wish to own a network when it speaks of the "wanna-be movie magnate". After working for Murdoch Diller bought 13% of QVC and turned the QVC home shopping network into a gold mine (Fortune, December 25, 1995). When Diller announced in July 1994 the never realised plan to merge QVC and CBS, Wall Street reacted euphorically, CBS stock rising \$50 (19%) in one day. The reason was that Diller had built Fox network and was expected to invigorate CBS programming with a younger spin. In October 1994 Diller announced that he intended to leave QVC. QVC had previously also lost the bidding war with Viacom to acquire Paramount Communications.

On 25 August 1995 Diller had announced that he planned to buy Silver King Communications Inc., America's sixth largest network. He was aiming for a

²² The investment in the Discovery Channel has been outstandingly successful. This broadcaster is globally one of the biggest suppliers of documentary films that can be readily marketed worldwide.

20% holding. *Silver King* has 12 wholly owned Ultra High Frequency (UHF) home shopping stations plus several partly owned local TV stations that reach 35% of America's homes. Those stations mostly run home shopping network shows. 39% of *Silver King* belongs, by the way, to Malone's Tele-Communications Inc.. On 27 November 1995 Diller announced that *Silver King* was buying Savoy Pictures Entertainment, an ailing film producer that owns four local television stations and 40%⁶⁶ of *Home Shopping Network*. The announcement caused *Silver King* stock to explode from \$2 to \$37, which meant a one-day paper profit of \$60 million for Malone's TCI (*Business Week*, December 11, 1995). Of the four Savoy stations two are with NBC, one is Fox and one ABC. But *Fortune* (December 25, 1995) characterises the new group as an "anthill amid media mountains".

In December 1995 Diller's media empire looked like this (*Business Week*, December 11, 1995, p. 38):

TV STATIONS: Revenues \$61 million, earnings \$3 millions. Diller now has 16 stations, some in Los Angeles, New York and Chicago. The problem: Many are hard to receive UHF stations.

HOME SHOPPING: Revenues \$1 billion, loss \$50 millions. Diller has bought control of Home Shopping Network. The problem: The shopping service has been plagued by heavy return of shoddy merchandise.

PROGRAMMING: Revenues \$10 millions, earnings unknown. Diller will own Savoy's TV production unit plus the remnants of its failed movie studio. The problem: Savoy is a weak player in a crowded field.

Diller is without doubt one of the main players in the American and thereby the international media scenes, as stock reactions to his activities show, for example. The *Economist* (December 2nd, 1995) quotes him as saying that the building of a network is still a long way off: "We're years from being a network." He is quoted similarly by *Business Week* (December 11, 1995): "All this nonsense about networking ... I won't go near a network for two, probably three years."

3.4.3 Takeover fever

As already mentioned, the international media scene changed completely in 1995. The media industry was attacked by a veritable takeover fever which

without doubt was passed on in Sun Valley, if it did not in fact start there. It became the dominant view that a media enterprise had to be as large as possible and vertically integrated to make money, i.e. one had to produce one's own television programmes and be able to air them on one's own stations. In his interview with *Der Spiegel*, Allen cited the example of Rupert Murdoch who acquired the Fox TV stations and then systematically built up the programming. He had combined distribution (satellites, stations, cable, cinemas, publishing) with "content" (movies, TV programmes and news). Allen does not see the moral-political dimension of the media concentration now happening. He replied "no" to the question of the *Spiegel* journalists whether the concentration was creating international political danger in the form of opinion power. Allen argued that with the exception of the markedly conservative Murdoch the leaders of the big media concerns had no political convictions they wanted to spread. That is an almost naive suppression – as if it were apolitical to rain Hollywood-produced entertainment on people worldwide!

Allen explains the buying fever of the media behemoths as necessary to overcome international frontiers. As the standard of education rises in all countries, he argues, the English language is spreading and with it, through satellite channels, also the American TV software. Only programming from the USA was accepted on a large scale globally. American culture was seeping more and more into Germany, Britain and France. Who would have thought that CNN from Atlanta would become the centre of the worldwide news business? Allen assumes that more takeover battles are ahead. Telephone companies trying to spread out in the media market are seen as important players. Moreover, TV stations were now attractive purchase objects.

Self-evidently I do not argue here that personal motives drive the media mergers. The American media market is highly competitive and in recent years production costs have increased enormously. According to Artopé and Zerdick (1995, 10) for the 1995/96 fall season alone 42 new prime time series were announced for the TV market. Experience showed that at most a quarter of them would make it to the next season. Only these series had the chance to recoup the production costs. To be able to stand up to the competition high investments were made into programme quality. The production costs for a prime time episode are about \$1.2 million. But because of the competitive pressure the series (e.g. *L.A. Law*) had to be sold for \$900,000 to a network. However, formerly there used to be the possibility of recouping the \$300,000 loss by syndication (e.g. sale to local, independent stations). But the launch of the new networks (Fox, Paramount and Warner) had greatly reduced the number of independent stations and with that the possibilities of fur-

ther sales. Moreover, the profit margins in the television market were cut by the high marketing costs. The costs of cinema films have also risen. The Motion Picture Association of America says they have doubled to more than \$50.4 million. Aporté and Zerdick (1995, 23) argue that the profit pressure is responsible for the American media enterprises having to expand abroad.

I emphasise once more that the advantages of vertical integration in the film and television market cannot be overlooked. The chances of longterm profit maximisation are improved (inter alia by rationalisation, saving middlemen, securing raw material and sales markets, raising the capital and with it the credit base). Vertical integration also means that poor and mediocre products can be marketed better. Independent producers, however, find it much more difficult to find production studios and to secure the subsequent distribution.

In September 1995 – Disney had just bought ABC, Westinghouse had just bought CBS and Time Warner had just announced it was taking over Turner Broadcasting – Michael Dornemann, executive member of Bertelsmann AG and responsible for the entertainment sector (turnover 1994/95: DM 7.35 billion; c. \$4.87 billion), which encompasses music firms and the at that time by international standards still quite small film and television business of the German conglomerate, commented on developments in the TV market in a Spiegel interview: “In most of the so-called mega deals, usually only one thing is mega: the high purchase prices. We look on because these collector’s prices, that go up to triple the turnover, are simply eccentric. It never pays off.” Dornemann sees a kind of race of the big media enterprises that he calls crazy. He points out that Time Warner has not shown a profit for years and has built up a debt mountain of 15 billion dollars. Bertelsmann had no intention of putting its existence at risk with a wrong mega deal. Even media giants like Ted Turner and Rupert Murdoch had got into trouble because of the high prices. Dornemann summed up: “Apart from everything else, I have the feeling that in enterprises that are rational in other respects the wish to be big and powerful can be a dangerous accompanying motive.” Dornemann responded to the reference that Wall Street had reacted with stock price rises to the Disney deal, “Let’s not fool ourselves. Wall Street itself has a big interest in deals like that happening. The boys in the investment banks earn good money on such takeovers and that’s reason enough to whip up the necessary euphoria.” All this notwithstanding, Bertelsmann has also been involved meanwhile in a merger which from the point of view of financial scale is quite equal to the Time Warner/Turner one, as the following brief list of the big enterprise purchases in the media and entertainment industry shows:

Purchaser	Enterprise bought	Year	Price in \$bln
Capital Cities	ABC	1986	3.5
National Amusements	Viacom	1987	3.5
Sony	CBS Records	1987	2
News Corp.	Triangle Publications	1988	3
Sony	Columbia Pictures	1989	3.48
TIME	Warner Communications	1990	14.1
Matsushita El.	MCA/Universal	1991	6.59
Viacom	Blockbuster	1994	7.7
Viacom	Paramount Communications	1994	9.7
Walt Disney	Capital Cities/ABC	1995	19
Westinghouse	CBS	1995	5.4
Seagram	MCA/Universal	1995	5.7
Time Warner	Turner	1995	7.3
Bertelsmann	Cie. Luxembourgeoise de Television (CLT)	1996	6.58

3.5 Walt Disney and Capital Cities/ABC

The story of the Disney Company is quite disneyesque. A group comprising three people (Frank Wells, Jeff Katzenberg and Michael Eisner) who came to Disney in 1984 has changed the company, which was turning over \$2 billion, into a \$22 billion enterprise (Newsweek, September 5, 1994) with such successes as *Three Men and a Baby*, *The Beauty and the Beast* and *Aladdin*. In Newsweek’s formulation the trio restored “Disney as an icon of American culture”. The triumvirate ended when Disney’s president and chief operating officer Wells died in a helicopter crash on 3 April 1994. A power struggle between Katzenberg and Eisner ensued. Katzenberg headed Disney’s filmed entertainment group, generating 43% of the company’s revenues. Eisner came out the winner but had to have bypass heart surgery in July 1994. At the end of August Katzenberg left Disney. But the disputes are not over. On 17.4.1996 Katzenberg sued the Walt Disney Company for \$300 million. The complaint concerns a share from *The Lion King* (totalling \$800 million). Disney want to pay less than \$100 million. Michael Ovitz, meanwhile Eisner’s new No. 2 man, had tried unsuccessfully to get an out-of-court settlement.

In July 1995 Disney offered to buy the television company, ABC/Capital Cities, for \$19 billion. With that, the new enterprise, The Walt Disney Company, became the biggest media concern in the world. The merger was allowed by the FCC in February 1996 after the justice minister had earlier approved it. The only condition attached was that within a year Disney had to shed either the local newspaper or the local TV station in both Forth Worth, Texas and Pontiac, Michigan, since under the law an enterprise cannot simultaneously own a newspaper and a broadcaster in a limited market. Rajendra Sisodia, management teacher at George Mason University in Fairfax, Virginia, sees the motives less in financial advantages than in the addiction to building a global empire.

The Disney concern, whose possessions include the distribution company Buena Vista and various leisure parks, also produces cinema and TV films and operates a cable television channel with 14 million subscribers. Part of Capital Cities/ABC is the most successful national TV network ABC with a market share of 17%, 21 radio stations, 10 regional TV stations and 80% of the successful cable channel ESPN. Eisner expects the merger to bring synergy effects because Disney's intellectual potency will appear in the ABC network and Disney's distribution networks will disseminate ABC programmes. The merger has a marked international dimension. TIME (August 14, 1995, 31) quotes John Turo, an analyst with Rodman & Renshaw, a Chicago based brokerage firm: "Countries like India, which has 250 million people in the 18 to 35 age bracket, offer a tremendous potential for Disney." TIME comments: "Political regimes that might not welcome the independent political views of American news broadcasts have no problems with cartoons or sports, two of Disney's strengths."

In August 1995 Eisner announced that Michael Ovitz had agreed to leave Creative Artists Agency and join the Walt Disney Company. Ovitz had earlier, in July, turned down an offer of \$250 million to run MCA. TIME (August 28, 1995) quoted Porter Bibb, managing director of the brokerage house Landenburg, Thalman & Co. on the consequences to be expected from this change: "Disney now is not only the world's biggest entertainment company, it is also the best-managed one." It is further suspected that Disney will show an interest in Thorn EMI to put its record unit on the block. According to Newsweek (September 5, 1994) Disney's Hollywood Records returned annual losses of \$20 million to \$25 million. Also worth mentioning is that another enterprise was affected by the purchase of ABC/Cap Cities. DreamWorks SKG (cf. chapter 3.10) had earlier signed a \$200 million joint venture with ABC to make shows. With that, Katzenberg, whom Eisner pushed out of Disney, is now partners again with Eisner in an enterprise.

ABC is also active internationally and in Germany in mid-1996, for example, had a market share of 7.5% (RTL2, Super-RTL, Eurosport). According to the 1995 Annual Report of the Walt Disney Company, "Disney shows were seen in more than 100 countries. By the end of 1996, several international Disney Channels could be on the air as the channel franchise may be expanded to South America and Asia." The takeovers bring together Disney's theme parks and movie and television studios with ABC's network and cable channels. Also part of the new concern is Disney's alliance with regional phone companies. The quality of this vertical integration is made clear by a glance at the activities of the new enterprise. According to TIME (August 14, 1995, p. 32) the old *Walt Disney Company* included among others:

FILMED ENTERTAINMENT:

Film and TV production: Hollywood, Caravan, Touchstone and Walt Disney Pictures (The Santa Clause); TV Studios (Siskel & Ebert); The Disney Channel.

Animation: Features (The Lion King²³); TV cartoon series

Film distribution: Buena Vista and Miramax films (Pulp Fiction and The Piano); television syndication including Live with Regis & Kathi Lee; home video.

THEME PARKS AND RESORTS:

Walt Disney World

Disneyland

Disneyland Paris (39%)

Tokyo Disneyland (royalties).

OTHER INTERESTS

The Mighty Ducks of Anaheim hockey team

Disney on Ice shows

The Beauty and the Beast stage production

Hyperion Publishing

Disney Licensing

An important branch of Disney business are the more than 300 Disney stores (including one on the Champs-Élysées). Newsweek (September 5, 1994, 47) writes: "The merchandise – Mermaid dolls, Aladdin undies and collectibles like a sculpture of 'Bambi's' Field Mouse – account for a stunning 20% of Disney's operating income. The soundtrack of 'The Lion King' has shipped

23 According to TIME (March 27, 1995, p. 56) Lion King rolled \$315 million profit into cinemas and a record \$450 million on the home video market within two weeks of March 1995.

nearly 5 million copies ... Hyperion Books will release 95 titles this year... And Disney continues to colonize. There's the Disney cruise line, now in the works, which will take the vacationers from Florida to the Caribbean, and the Disney Vacation Club, a time-share resort in Orlando." Disney is also active in the wedding business. On an island in the Seven Seas Lagoon the Disney Company has built a chapel. Basically, a Disneyisation of everything is happening. Disney opened a kind of adult education school in Orlando in 1996, a vacation academy for adults (e.g. animation drawing, flower arranging, climbing on an artificial cliff wall, power babysitting, cooking schools, etc.). At Orlando Disney owns 111 square kilometres, two thirds of which are still unused. Also in Florida lies Celebration, Disney's test tube town.

Newly added by the purchase of Capital Cities/ABC were the following entrepreneurial areas (TIME, August 14, 1995, p. 32):

ABC TELEVISION NETWORK GROUP

ABC Entertainment with shows like Roseanne and Home Improvement and the top national newscast; World News Tonight with Peter Jennings; ABC sports, including NFL Monday Night Football and ABC Daytime, featuring top-rated All My Children

CAPITAL CITIES/ABC BROADCASTING GROUP

10 television stations and 21 radio stations

CABLE AND INTERNATIONAL BROADCAST GROUP

ESPN and ESPN2 (80%)

A&E Television (52%)

Lifetime Television (50%)

INTERNATIONAL INVESTMENTS

Part owner of television production companies in France, Germany, England, Japan and Scandinavia.

PUBLISHING

Newspapers (The Kansas City Star), magazines (Los Angeles Magazine) and trade journals including Fairchild Publications.

MULTIMEDIA

Online services, developing technologies, including interactive television.

The merger, which came about at Herbert Allen's in Sun Valley, involved Eisner (Disney), Thomas Murphy (Capital Cities chairman) and the investor

Warren Buffet. According to Eisner the deal was struck on a golf course. He says he asked Buffet, the major shareholder of Capital Cities/ABC, who was also in Sun Valley, whether the enterprise was not up for sale. Buffet had answered, "Why not?" Buffet, whose personal fortune is estimated at \$12 billion, was probably the main winner of the Disney deal. His *Berkshire Hathaway Holding* was the largest stockholder of Capital Cities/ABC and brokered the buyout. The 20 million shares Berkshire had acquired a decade previously for \$345 million were worth \$2.3 billion after the merger. TIME reported (August 21, 1995, p. 22): "The merger raised the value of the investment by \$400 million overnight." Newsweek (April 8, 1996) puts the value of Buffett's Berkshire stock at \$16 billion. With that, Newsweek claimed, Buffett was the richest person in the United States at that point in time. The value of the shares increased at breathtaking speed. In 1965, when Buffett took control of an ailing textile company, a share cost \$18. In 1975 the price stood at \$38 and the enterprise had become a conglomerate. In the early 80s its share was trading at \$550. In 1994 the price rocketed to \$20,000 and in April 1996 it was \$34,000.

Disney financed the takeovers mainly with bank loans. Of the purchase price of \$19 billion, \$9 billion was paid in shares on which dividends are due. Just the remaining \$10 billion require interest payments of \$800 million plus write-offs on the company value. Whereas Bertelsmann manager Dornemann regards the merger very critically, to Herb Allen such deals as Disney and Capital Cities/ABC make sense because the television companies can now market their programmes themselves, which used to be forbidden by law.

In 1994 Disney was extraordinarily successful with the top movie, *The Lion King*, the top-rated TV show in the US, *Home Improvement* and the Broadway musical, *The Beauty and the Beast*. The company can now showcase on the ABC programmes developed for the Disney Channel and then export them to other countries as a package with the network's popular sports programming delivered on ESPN. The 1995 Annual Report gives the following figures for the various sectors (in millions of dollars): Filmed Entertainment Revenues \$6,002; Theme Park and Resorts Revenues \$3,960; Consumer Products Revenues \$2,151.

Whereas, as already mentioned, Disney has not as yet been successful in the music market with its *Hollywood Records*, things are looking different with another loss maker, the Euro-Disney theme park. Disney opened its first park in 1955 in Anaheim, California, on only 40 hectares. It became a sensational success. When Disney World in Florida was built, demand was initially underestimated. The park in Tokyo, built, financed and owned by a Japanese consortium,

also became a full success, although Disney “collects only 10% of gross earnings on rides and 5% on food and merchandise” (Economist, April 13th 1996, 78). With Disneyland Paris the company wanted the profits itself and invested in an area corresponding to a fifth of the area of Paris and including hotels, shops, offices and residential housing. When the park opened in 1992 French intellectuals spoke of a cultural Chernobyl. The park lost up to \$1 million daily and in 1994 was \$1.1 billion in the red. Intellectuals suggested that the low attendance indicated that luckily American *kitsch* was not successful in Europe. Meanwhile Disneyland Paris is also making a profit and has a chance to reach the break-even point. The Economist (April 13th 1996, 79) argues that Euro-Disney had mistakenly feared at the beginning “that its American product would offend ‘sophisticated’ European taste”. Disney had expected “that Europeans would sneer at anything ersatz”. The result was that too much money was spent on building the park. (For example, in America the restaurant “The Walt” has wallpaper, in the Paris restaurant the walls are lined with Moroccan leather.) The way to success pointed in the opposite direction: “The new approach is that people visit the park but for an authentic Disney day out.” Correspondingly the name had also been changed from Euro-Disney to Disneyland Paris. Disney had around a billion visitors in all its parks up to September 1995.

In assessing Walt Disney’s future prospects one has to take into account that the film archive is a veritable treasure chamber. A randomly chosen example is the animated film *Cinderella* on which the 1995 Annual Report states: “The reissue of *Cinderella* on home video this fall turned out to be a true *Cinderella* story for Disney shareholders. The classic sold seven units when we first released it in home video in 1988. It later sold some six million units overseas. We are now on track to sell 14 to 15 million units in its current domestic re-release.”

3.6 Time Warner Inc. and Turner Broadcasting System Inc.

Two months after Disney had become the world’s biggest media enterprise, Time Warner chief, Gerald Levin, announced he wanted to buy Turner Broadcasting System (TBS) and by that become the No. 1 again. General Electric and Murdoch had also earlier shown an interest in Turner’s enterprise. While Turner and Levin were negotiating, Murdoch sent a purchase bid to Turner under which Turner would keep control of all TBS enterprises and gain control over Fox TV and the Fox Studios as well. Insiders report that Turner turned the offer down because he feared Murdoch’s striving for power.

Time Warner had come about in 1989 through the merger of the TIME Inc. print media company (\$4.5 billion 1988 revenues) with the film and music company, Warner Communications Inc. (\$4.2 billion 1988 revenues). TIME paid \$14.1 billion for Warner. The merger put the enterprise heavily into debt. In 1995 TIME Warner Inc. (\$15.9 billion 1994 revenues) merged with Turner Broadcasting System Inc. (\$2.8 billion 1994 revenues) to become the media behemoth TIME Warner and Turner with together \$18.7 billion revenues. The purchase price for Turner Broadcasting was \$7.3 billion; some sources even say \$7.5 billion or \$8 billion.

John Malone controls Tele-Communications Inc. (TCI), the No. 1 operator of cable TV systems in the U.S.; Time Warner’s cable unit ranks as No. 2. Malone also owns 21% of Turner Broadcasting. The ownership relations are extraordinarily complicated. Seagram also holds about 8% of the merged company. The merger was resisted by U.S. West, the Colorado based Baby Bell, which owns 25.5% of Time Warner’s film and cable holdings and filed a lawsuit in a Delaware chancery court in September 1995 in order to stop the merger. On 6 June the court ruled that Time Warner did not need permission from U.S. West to purchase TBS.

Inter alia 24 magazines (e.g. TIME, Life, Fortune and Sports Illustrated) belong to TIME Warner, as do book publishers, the Warner Music Group (WEA) with Prince and Madonna, TV and film studios, entertainment and theme parks, Home Box Office (HBO), the biggest cable TV film channel, the Warner Bros. Studio Stores which distribute merchandise products and the cable television network, Warner Bros. Television. The 1989 merger set new accentuations. The periodical sector accounts for only 15% of the turnover. Clearly dominant is the film, television and music business that came from Warner. There are also turbulences in the new company, due partly to personal animosities, e.g. between Warner Music chief executive, Michael Fuchs, and Gerald Levin.

Turner Broadcasting Systems Inc. is the leading cable television enterprise of the USA. Three news channels (CNN, CNN International and Headline News), the sports and entertainment channels TNT, Turner Classic Movies and the Cartoon Network belong to the enterprise, which also holds shares in two stations in Russia (Moscow and St. Petersburg). In Germany TBS holds 28% of the n-tv news broadcaster (the merger made CNN and Time Warner the majority stockholders of n-tv). Several Spanish language channels in Latin America, three film production firms and two professional sports teams also belong to the enterprise, which also owns the MGM film library.

In 1985 Turner's acquisition of the MGM film library caused a financial crisis which TIME Inc. and John Malone's TCI helped to address. Turner repaid the help with shares: 18% for TIME and 21% for TCI. The transaction made Turner dependent, i.e. he became unable to make major moves without their consent. The dependence on Time Warner enabled its chairman, Gerald Levin, to scuttle Turner's plan to acquire NBC in 1994 with his veto. Turner complained about it publicly. Previously Levin had also prevented Turner from buying CBS. Because Levin financed the takeover of TBS by issuing new stock, Turner and Malone (TCI) became the major stockholders of the new enterprise. Malone turned his 21% share of TBS into almost 9% of the stock of Time Warner and Turner.

Ted Turner, whose private fortune was estimated in 1995 at \$1.7 billion, commented on the sale of his company as follows: "You know, it's just a chance to see the world from a different place. Instead of from the basement, from the penthouse." Turner is now the biggest individual shareholder in the world's largest media company. He also became Time Warner's vice chairman. TIME (September 11, 1995) commented on Turner's future role: "If Michael Ovitz, the ultrapowerful chief of CAA, could go to work for Disney's Michael Eisner, then surely Ted Turner could take a seat on Gerald Levin's TW board as a buccaneer emeritus, and do his vision thing."

From an economic point of view the merger of Time Warner and Turner Broadcasting seems to make a lot of sense because the two enterprises complement each other. Each gains additional marketing channels for their own software and access to more software. The new enterprise owns the world's biggest film library. Turner's library, for example, contains *The Flintstones* and other hits, Time Warner has *Bugs Bunny and Friends*, which are ideal for Turner's Cartoon Network. The joint library holds about 6,000 films. The competence of such publications as TIME, Fortune and People is to be used for CNN and a planned business channel.

However, it is certain that it was not just rational economic motives that drove the takeover. In TIME, Richard Corliss commented on the strategy of the media moguls being very short-term (TIME, September 11, 1995). "For most of this year, Turner angled desperately to buy a TV network, first NBC in January and CBS until only a few weeks ago. Levin, for his part, had been talking of unloading the company's long-held 19% stake in TBS or to pay down debt. The game changed when Disney and Capital Cities eloped, raising the ardor and insecurity of moguls everywhere."

According to Gerald M. Levin, all five divisions of the media concern achieved record results in 1995. Total turnover rose from \$15.9 billion to \$17.7 billion. For the fourth quarter an increase in profits from \$12 to \$33 million was posted. But over the year losses increased from \$91 million to \$161 million. The major reason for them is the interest payments on the obligations. Hence Levin emphasised the "result before interest, taxes and writeoffs". This finance indicator, the so-called cash flow, had risen in the fourth quarter from 0.8 billion to 1 billion and over the year from 3 to 3.3 billion dollars. Cable television brought in 1.275 billion dollars (989 million the previous year). Time Warner cable television accesses about 20% of all U.S. households and 11.7 million subscribers. Turner Broadcasting increased turnover in 1995 from \$2.8 to \$3.4 billion. Annual profit rose from 21.2 to 102.7 million dollars.

3.7 Westinghouse/Group W and CBS

The Westinghouse company, whose business includes cooling technology, energy systems, electronics and electricity station construction, also has a long tradition in the media sector. Already in 1920 Westinghouse KDKA established the first radio broadcasting station of the USA in Pittsburgh. More radio stations followed and formed the basis for *Group W*, the media sector of the mixed enterprise, which was already one of the biggest media enterprises in the USA before it took over CBS. (The *Group W* television net with five stations and a reach of about 10 million households per week on 1.1.1995 held ninth place of the American TV groups; in addition there were 18 radio stations.) In 1994 the concern turned over \$9 billion. In 1995, before taking over CBS, Group W turned over \$870 million.

There were rumours since 1994 of a possible takeover of CBS (Columbia Broadcasting Systems) by Westinghouse. It happened in 1995. On 22 November 1995 the FCC approved it. The selling price was \$5.4 billion. A large proportion of the money was raised by selling other parts of the company (arms technology and Knoll Group, which produces office furniture and equipment) and the Chemical Bank and JP Morgan each lent \$1 billion. Michael Jordan, chairman and chief executive of Westinghouse commented to the San Francisco Examiner (August 1, 1995): "With the addition of CBS, Westinghouse is creating a premier broadcasting powerhouse and taking a leadership position in programming."

David Lettermann, anchor of the CBS Late Show, commented on the takeover with the biting question whether the successful series, *Dr. Quinn, Medicine*

Woman might soon be renamed *Dr. Quinn, Refrigerator Repair Woman*. Or perhaps the Late Show might be replaced by an hour-long live coverage of a washing machine. Under the then valid laws Westinghouse owned more television stations than allowed, but the FCC approved. With 15 television stations and 39 radio stations the biggest American broadcasting enterprise came into being, reaching 32% of households in the television sector. At the time of purchase 25% was allowed but the Telecommunications Reform Act passed in 1996 allows 35%.

The Group W Satellite produces and sells programming for cable stations. These include inter alia TNN (The Nashville Network) and CMT (Country Music TV). CMT has spread to Europe (reach in the USA 25 million households; worldwide 34 million). *Group W* is also in sports television: HTS (Home Team Sports) is one of the largest regional TV sports providers in the USA. Also part of the company is Sports Marketing (sale of advertising time, advertising for professional teams).

CBS, ABC and NBC dominated the U.S. market and NBC had the image of leading in the culture and education area. In the 90's CBS turnover dropped drastically. In 1995 switch-on ratings fell by almost 20% on the previous year, especially in prime time, which caused a turnover drop of 55% on the previous year. The series "*60 Minutes*", a pioneer of investigative television journalism, lost its reputation after a broadcast reporting that the cigarette industry had long known of a strong connection between smoking and lung cancer was "modified", respectively censored. CBS was making losses and was ready to be picked off, as it were.

In the procedure to approve the purchase Westinghouse pledged to air at least three hours a week of "educational television", however that may be defined. CBS has kept its name and the well known logo. The successful CBS broadcasts continue, inter alia Lettermann, the News Show with Dan Rather, proven series and so forth. Group W now encompasses 15 television and 39 radio stations (more than 200 TV and c. 600 radio transmitters). The radio and television stations reach around a third of the market in each case. That makes it the biggest radio and television enterprise of the USA. No great notice was taken in public of the takeover of CBS because Disney and Capital Cities/ABC were merging at the same time.

3.8 Viacom (Video and Audio Communications)

The development of Viacom, the owner of MTV, has been shaped by one person, Sumner Redstone, who bought the cable operator Viacom Inc. for \$2.8 billion in 1987. Redstone, 72 years old in 1995, graduated high school in Boston, studied law at Harvard and during World War II was on the secret intelligence team that broke Japan's military code. In the 50s the lawyer began turning a chain of drive-in cinemas he had inherited from his father into an international chain of cinema houses, the *National Amusement Corp.*, which had about 800 screens. He was the first to introduce *multiplexes* (multiple screen theatres) in the 70s. Aged 56 he survived a hotel blaze in Boston which destroyed 40% of his skin. The doctors had given him up. Forbes Magazine (1993) estimated Redstone's fortune at \$4.2 billion.

Redstone's comment on the sale of Viacom was: "The conventional wisdom was that Viacom's MTV Network was just a fad and Nickelodeon Theater would never make it." Through National Amusements he owns roughly 25% of Viacom. His holding in July 1995 was about \$3.8 billion. Instead of Viacom being broken up it was expanded into one of the world's biggest media enterprises. Redstone commented to Der Spiegel (15 April 1996) that Viacom was the only company that had succeeded in marrying a film studio with a large library like Paramount to a group of very successful networks. Viacom turned over \$11.7 billion and employed 82,000 people in 1995. Its activities encompass the following areas:

Film:

Paramount Pictures
Nickelodeon Films
MTV Productions and others

Television:

MTV Networks
Paramount Television
Nickelodeon/Nick at Nite
VH-1 and others

Publishers:

Simon & Schuster
MTV Books and others

New media:

Viacom New Media
Virgin Interactive and others

Amusement parks and merchandise:

Amusement parks in the USA and Canada

Blockbuster Video

Cable nets:

Viacom Cable

Paramount announced in 1993 that it was planning to merge with Viacom. The price was 8.2 billion. A week after the announcement QVC, i.e. Barry Diller, backed by John Malone, also bid for Paramount. The bidding spiralled. In January 1994 Viacom merged with the Blockbuster chain of 3,600 videotheques worldwide in a relatively complicated stock swapping deal. That brought Viacom fresh cash so that on 15 February 1994 it clinched the purchase of Paramount for around \$10 billion. That made Viacom the third-largest media enterprise worldwide in 1995 after Time Warner and Bertelsmann. In 1993 Viacom International was the fifth-largest media conglomerate in the entertainment sector. It appears, though, that Redstone wants to get to the very top of the heap. Punching the air for emphasis, he told Newsweek (September 27, 1993, 44), "We will be No. 1. Not No. 5. Not No. 2. No. 1!"

In connection with Viacom's efforts to acquire Paramount Communications, Newsweek (September 27, 1993, 47) provided the following information about Paramount and Viacom:

Paramount movies and television produced \$2 billion in the latest fiscal year with TV programming and films.

Cable networks including MTV and Nickelodeon had revenues of \$1.14 billion, "thanks to shows like *Beavis & Butt-head*²⁴," according to Newsweek.

Books and live entertainment: The book unit (Simon & Schuster; Prentice Hall) had sales of \$1.67 billion. Sports teams like the Knicks and theme parks: \$634 million.

Syndicated Sitcoms: Reruns of popular comedy series like *Roseanne* and *The Cosby Show* brought in sales of \$233 million over last fiscal year.

After the merger Viacom was initially heavily in debt with \$10 billion. In September 1994 the sports sector originally belonging to Paramount – Madison Square Garden, the New York Knicks and the New York Rangers – was

sold for \$1 billion. In 1995 Viacom's Cable TV Systems (1.1 million subscribers; value \$2.25 billion) was sold to TCI (Malone).

In a 1995 interview with *Der Spiegel* (24, 1995) Redstone commented that the Viacom strategy of producing programming for the new information highways would prove more successful than the Time Warner strategy of spending billions of dollars for its own cable and telephone networks. *Star Trek* also belongs to Viacom. Redstone says Viacom follows a philosophy of "content is king". In the first half of 1995 Viacom sold *Forrest Gump* almost 15 million times. In January 1996, completely surprising outsiders, Redstone fired his No. 2, Frank Biondi, arguing that "he's not confrontational, not hands on". Redstone took over himself as CEO. Biondi went to MCA and became CEO there.

In April 1996 the German media entrepreneur Kirch and Viacom entered a five-year license deal with an option for a further five years. For that period Kirch has exclusive rights to new feature films, television films and series productions of Paramount Studios for the German-speaking region, in parts even for all of continental Europe. Broadcasts are on public channels, commercial channels and Pay-TV channels. The deal also increases access to the programme library of Paramount containing films like *Star Trek*, *Forrest Gump*, *Top Gun* and *Indiana Jones*. Nothing was divulged about the price. Insiders give it as DM 2.5 billion (c. \$ 1.66 billion) payable over 10 years. In exchange MTV and Viacom's TV station VH-1 get access to the digital television programmes the Kirch group is setting up under the name of DF 1, which started to operate in 1996. Viacom can also join Tele Cinco (Spain). In February 1996 Kirch made a similar deal with Columbia Tristar International whose value was estimated at DM 1.4 billion (c. \$ 927,000).

In 1996 Viacom (Paramount Pictures) launched a new mega hit (*TIME*, June 10, 1996) in *Mission Impossible*. The film hauled the largest six-day take ever of \$74.9 million. That is a bigger success than *Jurassic Park*, up to then the most successful film over that period. *Mission: Impossible* is a popular U.S. TV series about the Vietnam era, whose rights are with Paramount Pictures. It is syndicated in 120 countries. Bruce Gordon, president of Paramount Television's international division says, "There's no way *Mission Impossible* won't be a huge hit worldwide. When the word is out that the film is successful in the U.S., it will catch on overseas like a house on fire." Marketing of the film already began in November 1995 with a 90 second teaser trailer. Larry Mullen and Adam Clayton of U2 composed a new version of the theme, a worldwide campaign on MTV began. A novelisation of the film script

24 Redstone commented on these two quite violent characters (*Spiegel* 24, 1995, 78) that the series is a parody, an attack on intolerance, bigotry and racism in American society. He noted that *TIME* had named it the most courageous programme on U.S. television. Only children should not watch it, Redstone went on, because they might not recognise the satire.

was published by Viacom's Simon & Schuster. After the USA, *Mission Impossible* was to go on to the world market scheduled as follows: Singapore, June 6; Hong Kong, June 13; Australia, June 27; Mexico, July 5; Britain, July 5; Brazil, July 12; Japan, July 13; Israel, July 19; Germany, August 8; Czech Republic, September 12; France, October 23.

3.9 Microsoft and NBC

Microsoft was launched in 1975 by Bill Gates and Paul Allen. Its breakthrough came when it developed MS-DOS for IBM in 1981 and because of IBM's miscalculation that the market for PCs was insignificant was allowed to keep the licence. The situation now is, according to TIME (June 5, 1995, p. 72), that eight out of 10 of the world's estimated 200 million personal computers could not boot up (that is to say, start) without Microsoft's operating system software programmes like MS-DOS, Windows and Windows NT. In mid 1996 Microsoft employed about 19,000 people and in 1995/96 made a profit of c. \$1.6 billion on a turnover of \$6 billion. In other words, Microsoft makes 25% profit on every dollar of sales²⁵ (Apple makes 3.3%; TIME June 5, 1995).

Bill Gates is firmly established in the circle of the media tycoons.²⁶ *The Washington Post* of 4 February 1996 put his personal fortune at \$15 billion, with \$450 million being added every month. Microsoft, the world's largest computer software company, shows almost quintessentially how an enterprise develops into a multimedia industry. Microsoft dominates the markets for word processing (Microsoft Word), electronic spreadsheets (Excel), filing (Access), scheduling (Project) and the all-in-one programme "suites" (Office). Spending millions, Microsoft in 1995 whipped up a worldwide Windows hysteria. \$400 million was spent on advertising to assert Windows 95. Microsoft's Flight Simulator is one of the best-selling PC games of all times. Microsoft has also become the world's biggest lexica publisher. The electronic reference work Encarta on CD Rom is ahead of the Encyclopedia Britannica and the German Brockhaus-Verlag.

²⁵ Economist Brian Arthur (Stanford) puts such profits down to inter alia the law of increasing returns, i.e. the value of a computer system increases with each programme that runs on it.

²⁶ He was in Sun Valley in 1995 and Warren Buffett was one of the guests at his 1994 wedding in Hawaii.

And yet the leading position in the software area is not due to the outstanding quality of the products offered by the company. Many computer specialists regard Microsoft's operating software programme DOS, for example, as mediocre compared to other programmes (e.g. that of Apple). But because of clever business methods, sometimes verging on illegality, Microsoft dominates the market. (Robert Frankenberg of *Novell*, a competitor of Microsoft, calls Microsoft's methods "blatantly illegal". He added, "You can argue that people should be in jail." TIME, June 5, 1995.)

Federal judge Stanley Sporkin, ruling in February 1995 on an antitrust settlement Microsoft reached with Assistant Attorney General Anne Bingmann, called it "too little, too late" to foster fair competition in the computer industry. At issue were Microsoft's licensing policies for computer operating systems and preannouncement of new products long before they are ready, a market cornering technique known as "vapourware". Judge Sporkin wrote (TIME, June 5, 1995): "It is clear to this court that if it signs the decree presented to it, the message will be that Microsoft is so powerful that neither the market nor the government is capable of dealing with all of its monopolistic practices." The judge even described Microsoft as "a potential threat to this nation's well being". Microsoft's attempt to buy *Intuit* for \$2 billion, which would have been the biggest acquisition in software history, was stopped by the U.S. Justice Department. Responding in a reader's letter to the TIME (June 5, 1995) cover story about him, which referred to possible illegal business practices, Gates wrote: "Your article on Microsoft was an exhaustive list of conspiracy theories levied against our success over the past decade." Although in an interview with *Der Spiegel* (11.9.1995) Gates maintained that no media concern had yet made any money with the globe spanning computer net, Internet, nor with online services, according to TIME (June 5, 1995), Internet is now Microsoft's primary focus.

In June 1995 TIME had an overview of activities planned or launched by Microsoft, i.e. a listing of areas in which Microsoft cooperates with other firms to conquer future markets:

1. **Interactive TV:** Following cable operators have agreed to test the interactive TV system: Tele Communications Inc.; SBC Communication; U.S. West; Tele TV (all USA); Telstra (Australia); Nippon Telegraph & Telephone (Japan); Rogers Cablesystems (Canada); Deutsche Telekom (Germany); France Telecom (France).

2. **Set-Top Boxes:** TV owners will need microcomputers in their cable boxes to run Microsoft's TV software. The following firms will produce them: Hewlett-Packard, NEC, Sony, General Instruments.

3. **Video server:** Microsoft's movies will be stored in digital form on file servers. The following companies will build them: Compaq Computer, NEC, Sony.

4. **Electronic payments:** Cooperation with the following to find a secure way of selling and paying for goods via the Internet: Visa International; First Financial Management. Microsoft has cooperated with the Visa credit card company since September 1995. The aim is jointly to develop a standard for money transfer in data nets. The computer is to be made available later to others for payment.

5. **Banking services:** There are agreements with the following banks to offer their clients electronic banking services: First National Bank of Chicago; Chase Manhattan Bank; U.S. Bank; Michigan National.

6. **Online services:** Gates has gone on to the Internet with Microsoft Network (MSN), with the following telecommunications companies cooperating: AT&T; Tele-Communications Inc.; UUNet Technologies; Sprint; British Telecom; Unitel. According to Feola and Brown (1995) MSN is venturing into news delivery. MSN is expected to become the largest single online service.

7. **Wireless data:** Microsoft has invested in firms that can deliver e-mail and brief messages over radio links: Mobile Telecommunications Technologies; Metricom.

8. Entertainment

8.1 **DreamWorks SKG** (cf. chapter 3.10), a venture to develop multimedia games.

8.2 **NBC:** NBC will produce CD Roms, interactive television series and products for the Microsoft Networks linked to its TV shows.

8.3 **Hollywood Online** will host an area on the Microsoft Network that offers digital video clips, sound bites, photos and electronic magazines.

8.4 **Starwave**²⁷ will provide the Microsoft Network with multimedia sports information (ESPNET SportsZone), entertainment news (Mr. Showbiz) and information about outdoor activities (Outside Online).

²⁷ The Starwave Corp. belongs to Paul Allen, the co-founder of Microsoft, whose fortune is estimated at \$5.5 billion. ESPNET SportsZone is a continuously updated sports information service that draws an average 2.5 million hits a day. TIME (November 13, 1995, p. 9) wrote: "Unlike television, SportsZone has the latest stats when you need them - 24 hours a day. Its fee-based National Football League Drive Charts provide detailed play-by-play accounts in words and graphics. The Chat area is a virtual sports bar inside your computer, where you can rehash the game with other fans." Starwave also hosts Mr. Showbiz, an online magazine of entertainment news, gossip and reviews, and Outside Online, "a multimedia version of popular American recreation magazine, (which) provides outdoor types with product reviews, tales of derring-do, and tips on where to go and what to wear when you get there." According to TIME Starwave has not yet made a profit.

The German news magazine, Der Spiegel (47, 1995, 133), commenting on this wide range of activities, said "whether someone spends money, watches TV, phones, sends out electronic mail or uses a reference work, Gates is likely in future to make money from it". Microsoft has also invested in the companies Mobile Telecommunications Technologies and Metricom which transmit data by radio waves. Microsoft owns 30% of the Teledisc Corporation of cellular telephone pioneer, Craig McCaw, which plans to spend \$9 billion on building a network of about 840 low-flying telecommunication satellites for a world-wide communication system.

The demarcation lines to the "classical" mass media are becoming ever hazier. In an interview with Der Spiegel in September 1995 (issue 37), i.e. before the Time Warner acquisition of CNN, Bill Gates said he planned to spend \$1 billion for a share of CNN. Saying he was only interested in the interactive media world he went on that CNN would be built into the Microsoft Network online service. CNN texts and pictures could also be sent into the Internet. First he'd wait to see whether Time Warner would buy CNN. Microsoft also operates a news service. Asked where the demarcations lay, Gates answered in September 1995 that Microsoft was already the world's biggest lexica publisher, bigger than Encyclopedia Britannica or the German Brockhaus. And if Microsoft sold a computer game, were they not a publisher as well? He did not think there was any difference left between software providers and publishers.

There were press reports in December 1995 that Microsoft intended to buy into NBC. The NBC holding company, General Electric, has agreed to Microsoft's acquiring up to 49% of the stock for \$4 billion. NBC is not only a large American network, but since 1983 has operated globally, with its non-U.S. focal areas being Asia, Europe and Latin America. At the end of 1995 NBC claimed to reach 145 million households worldwide. Internationally NBC operates the SuperChannel in Europe, CNBC Asia and Canal de Noticias NBC in Latin America. NBC News is the biggest news producing enterprise worldwide, CNBC the world's biggest provider of financial and economic news. At the end of 1995 NBC started the following multimedia projects:

NBC Desktop Video sends live news videos into the PCs of staff of finance and business enterprises.

NBC Data Network transmits data by radio waves.

NBC Digital Publishing produces CD Roms and other digital products.

NBC Online is the name for NBC online projects which so far have included installation of an NBC page in the Internet (<http://www.nbc.com>) and the NBC Super Net in the Microsoft Network.

Since August 1995 NBC has been represented with NBC Super Net in the Microsoft Network (MSN). It offers NBC television news, entertainment and sport. News from Associated Press, background information on certain topics and weather forecasts are also provided. Since December 1995 Microsoft and NBC have also been cooperating on a joint venture, the MSNBC Cable News Channel, a television and multimedia project. The 24-hour news disseminator²⁸ by cable is to come on to the market by mid-1996. NBC president Bob Wright told the Financial Times (March 11, 1996) that Microsoft had agreed to invest \$220 million for a 50% stake in NBC's existing cable channel, America's talking. Wright said: "We agreed to take that service, reconfigure it and make it as interactive friendly as any television channel can be." According to the Financial Times there will be regular alerts throughout the service to draw the viewers' attention to stories that will be dealt with in depth on Microsoft Network. The news channel began operating with the start of the Olympic Games in Atlanta on 15 July 1996.

Another joint launch was MSNBC Online. NBC supplies the news programming to the Microsoft Network started in August 1995. The aim is to show news in breadth and depth, i.e. to provide additional background reports, chronologies and graphics. Moreover, NBC News, MSNBC Cable and MSNBC Online are to promote each other. John E. Welch, the chairman of General Electric, which bought NBC in 1986, was quoted in the Wall Street Journal of 8 December 1995 on the advantages of the joint venture as follows: "20,000 brains at Microsoft will help G.E. better sell its products." With the linkage between television and online services a strategic novelty has come into the market. Generally speaking, marketing strategists regard the typical online users as the ideal target group. They are aged around 30, male, well educated and have good incomes. A field trial by TCI, whose methodological quality cannot be judged because of lacking data, showed the effects the symbiosis of television and online services can have. It was found that people who can browse with a so-called cable modem in both television and Internet easily spend twice as much time at their monitor screen as others – 7.6 instead of 3.8 hours a week.

NBC launched CNBC Europe on 11 March 1996. Its programming will include six hours of business news provided by FTTV (Financial Times TV), at least six hours of U.S. business coverage from the American CNBC channel and 14 hours of live coverage from the CNBC channel in Asia launched in

1995. Tough competition comes from *European Business News*, the 24 hour news channel of Dow Jones and Fextech launched in February 1995.

NBC banks on sports and has paid record amounts for Olympic relaying rights, namely \$725 million for Sydney in 2000, \$545 million for Salt Lake City in 2002 and \$2.3 billion for the entire package of Olympic rights for summer 2004, winter 2006 and summer 2008. The International Olympic Committee will also receive half the net profits of the NBC advertising related to the Olympics.

Microsoft is also advancing into the media business at other levels. It was revealed at the 1995 Comdex computer trade fair in Las Vegas that together with journalist Michael Kinsley, Gates wants to start an electronic opinion publication. Germany's public ZDF television channel has allied itself with Microsoft for its online plans. From July 1996 the ZDF will operate a data service, various types of information and entertainment through Microsoft Network. After the cooperation with NBC this is the second big contract with a national broadcaster.

From June 1996 Microsoft offered a new news magazine in the Internet, *Slate*, edited by the former CNN talk show star, Michael Kinsley (<http://www.slate.com>). Kinsley, who insisted that Gates leave him editorial freedom, in the discussion forum of the first edition posed the question, "Is Microsoft Evil?" Kinsley has been able to attract reputed authors such as Jodie Allen of the Washington Post and the Stanford economics professor, Paul Krugman. The news magazine items are to be exchanged three times a week. But the output is a typical political publication fixated on Washington and not, as one would have expected, targeted at a global audience. At least in the first edition the ability to communicate with a global public through the Web was not reflected in the content. From 1 November 1996 the magazine is to cost \$19.95 a year. This is seen as a big obstacle to success because there is already a free competition. The Pointcast Network (PNC; <http://www.pointcast.com>) already offers a mixture of personally selectable political, sports, weather and show business news free of charge (except for the telephone costs) to 250,000 registered users.

Through the Corbis company, launched in 1989 and formally independent of Microsoft, Bill Gates is the biggest global supplier of digital pictures. Der Spiegel (16/1995) estimates the Corbis share of the world market for electronic picture rights at 75%. Corbis has the picture rights in the following museums and private collections (the pictures are scanned in): National Gallery, London;

28 Capital Cities/ABC (taken over by Walt Disney) also plans to broadcast news round the clock from 1997. So does Murdoch's News Corp.. ABC and NBC, which both have news production units, are also considering going on to the Internet.

Hermitage, St. Petersburg; Detroit Institute of Arts; Royal Ontario Museum; Library of Congress; Philadelphia Museum, Barnes Foundation; Kimbell Art Museum, Fort Worth. The world's biggest photo library, the Bettmann Archive, which also incorporates the upi press archive, comprising 16 million pictures, was bought in October 1995. Nothing has become known about the purchase price. The licence fee for use of the pictures ranges from \$50 to \$3,000. Among the famous pictures are Albert Einstein poking his tongue out, the exploding rigid airship "Die Hindenburg", the construction workers having breakfast on a steel beam of the Rockefeller Center high above New York and the student democracy activist standing alone in front of a tank on Tiananmen Square (the Square of Heavenly Peace) in Beijing (these pictures, along with 30,000 others can be found under <http://www.corbis.com>).

Since April 1996 Corbis has had the exclusive rights for 20 years to the 2,500 pictures of the world famous nature photographer, Ansel Adams. Corbis assumes a growing demand for pictures in the multimedia world that one can bring into one's home or office by computer or call up from a CD Rom. The major target groups are advertising studios, newspapers and television stations. Corbis also plans to acquire the rights to audio material, films and texts. A Corbis press release says the archive contains pictures from all areas of life, "biography and portraits, technology and engineering, natural and life sciences, physical and earth sciences, history, the arts, landscapes and geography, sports, political and social issues, people and cultures and many more". On 8 February 1996 the Corbis archive held some 500,000 digitalised pictures and around 17 million prints and slides.

Corbis produces CD Roms. And so one can watch at the PC *A Passion for Art: Renoir, Cézanne, Matisse and Dr. Barnes* and the Barnes Collection long closed to the public, one of the biggest private collections of Impressionist and post-Impressionist art. Corbis does not appear to want to leave it at pictures. Its chief, Doug Rowan, remarked in late 1995, "We want to capture the entire human experience throughout history ... film, video, audio. We are interested in those fields, too".

3.10 DreamWorks SKG: the new dimension

In an essay titled *United Artists II – Can inmates run an asylum?* (Barron's, October 17, 1994) Thomas G. Donlan used an old Hollywood adage to comment on the plans to set up DreamWorks SKG: "You don't have to be crazy to be in the movie business, but it helps." It was launched with \$2 billion in

March 1995 by the three American media moguls Jeffrey Katzenberg, David Geffen and Steven Spielberg. Katzenberg had earlier headed up Walt Disney Filmstudios where he was responsible for the revival of animated features. Geffen, a famous pop music czar, had managed inter alia Nirvana on records, Tom Cruise in movies; his music company, Geffen records with Elton John, John Lennon, Guns N' Roses and many others, founded in 1981, was sold in 1990 to MCA for \$600 million. Steven Spielberg is known in connection with the films *E.T.*, *Jaws*, *Jurassic Park*, *Schindler's List*, etc.. In an interview with *Der Spiegel* (15 April 1996) he said he would never have joined the DreamWorks venture if he had not known that his partners Katzenberg and Geffen were unbeatable in everything concerning business, management, organisation and efficiency. They kept him free to be creative. Spielberg's former production company, Amblin Entertainment, is already a part of DreamWorks SKG. DreamWorks SKG started producing films, television shows, sound media (CD etc.), toys and computer software.

Should this firm succeed it will be the first launch of a new studio by artists in 50 years (United Artists) and it will change the global media market. *TIME* (March 27, 1995, 48) reported investors lining up, "Because of the team's past. Because of the future it might hold: that DreamWorks will be the prototype plugged-in multi-media company of the new millennium". Each of the founders has put \$33.3 million into the project. Paul Allen, co-founder of Microsoft, invested \$500 million, the Chemical Bank provided a \$1 billion line of credit. Ten films a year are to be produced by the film division. Spielberg commented on that programme, "And if we can't find 10 good movies a year we won't make five good ones and five bad ones. We want quality over volume". Katzenberg heads the animation unit. A story based on the Ten Commandments, *The Prince of Egypt*, is to be released for Christmas 1998.

Bill Gates has also teamed up with *DreamWorks*. In a joint venture with *DreamWorks Interactive* adventure games and other multimedia computer programmes modelled on films are to be produced. Microsoft has also bought \$100 million DreamWorks SKG stock. The entertainment giant MCA belonging to Seagram inked a 10-year deal with DreamWorks SKG. MCA will distribute the studio's films and its music and home video releases worldwide.

In the music field, DreamWorks has bought pop star George Michael out of his contract with Sony. Different sums have been named. *TIME* names a purchase price of \$40 million plus \$12 million for the singer for two music albums. Other sources say Sony received \$40 million directly, another \$30 million from the coming Greatest Hits album and another 30 million from future

records of the singer. So far DreamWorks SKG has produced the single Jesus for a Child with Michael. The television division has so far produced the sitcom *Spin* and the *Champs* show.

In May 1995 DreamWorks SKG and Silicon Graphics (SGI) announced a far-reaching cooperation named DreamWorks Digital Studio. SGI had done the computer technology for Jurassic Park and is one of the leading producers of visual computing systems for computer animation. Microsoft and SGI invested \$50 million together in hard and software systems for computer aided animation of feature films. In March 1996 DreamWorks acquired 40% of Pacific Data Images, the world's leading computer animation enterprise. It is planned jointly to produce a completely computer animated film, as Walt Disney has succeeded in doing with *Toy Story*, whose animation was done by Pixar Animation. Nothing precise has become known about the purchase price but the Wall Street Journal (March 5, 1996) reported "tens of millions of dollars".

The German Telekom is also planning an alliance with DreamWorks SKG. Telekom chief Ron Sommer is in talks with them and wants to promote use of such multimedia as call-up films, pay per view and computer animation. It is rumoured that Deutsche Telekom is planning to buy DreamWorks stock. Telekom is also said to be planning something with Microsoft. The Telekom spokesman said merely, "Everyone is talking to everyone else". In June 1996, together with MCA Universal, DreamWorks tried to gauge the German market for pay-TV. Under the code name Prima an attorney submitted an application for 15 feature film pay-TV channels to the German licensing authorities.

3.11 Sony in Hollywood

Sony was started in 1946 by Akio Morita and Masuru Ibuka. It put the first transistor radio on to the market in 1958. The Walkman that made the company world famous was invented in 1979. The Japanese Sony Corp., maker of such hardware as TV sets, VCRs and gadgets of the future, has tried to build a media empire in the USA that would supply the corresponding software, such as films, records and so on. Michael Schulhof, chairman of Sony's U.S. operations and the only American on Sony's board, took on this task. In 1987 CBS records, along with its cache of classic American song rights, was bought for \$2 billion. In 1989 Sony bought the Hollywood studio Columbia Pictures and its sister enterprise TriStar studio from Coca-Cola for \$3.4 bil-

lion. Michael Ovitz was paid \$10 million commission for brokering the transaction, up to then the biggest in Hollywood. Another \$175 million was then paid for Columbia's movie lot in Culver City, California. The German daily newspaper, *Die Welt*, reported on 6 May 1996 that up to then Sony Pictures International, as the Columbia Studios were renamed in 1991, had lost \$4 billion.

It has to be noted that Columbia Pictures was bought during a phase of marked anti-Japanese feeling in the US. The 9 October 1989 Newsweek issue had the cover story Japan Invades Hollywood. The cover picture showed the Statue of Liberty dressed like a geisha. Business Week (September 7, 1989) saw "Xenophobic tremors throughout Hollywood". The reason for the mood was that in the 80s Japan had enormous trade surpluses over the US. Perhaps also worth noting on the fringe is that together with the conservative member of parliament, Shintaro Ishihara, Morita had published the book *A Japan that can say No* in 1989.

On the earlier history of the purchase it must be mentioned that in 1983 Coca-Cola, led by Roberto C. Goizueta, had bought Columbia Pictures for \$750 million, nearly double its stock value at the time. The background to the Coca-Cola engagement in Hollywood is seen by Mark Pendergrast (1993, 348) in the 1982 success of the Spielberg film *E.T.* which Pendergrast says galvanised the marketers' attention when Reese's Pieces experienced a 70 percent sales jump the month after the cute alien munched them on screen. Columbia's library of classic films comprised about 1,800 titles. Herb Allen was part of the Columbia management at the time. The studio produced three smash hits in 1983, *Tootsie*, *Gandhi* and *The Toy*. The company also had a very favourable contract with Home Box Office, the pay-cable movie channel of TIME Inc.. Columbia, HBO and CBS jointly set up a new studio named TriStar. But then came many flops, prompting the Newsweek headline, "Coke: Flat in Hollywood" (cf. Pendergrast 1993, 374).

After Sony's takeover production began on Batman (cost \$ 800 million), with two producers in charge who were inexperienced running a big film studio. Both were fired – Jon Peters in 1991, Peter Gruber in 1994 – with no mean golden handshakes. Gruber received \$ 40 million, for example, as well as the pledge that a newly to be founded company would be supported with \$200 million. TIME reported that because of the commercial failures Sony had to write off \$2.7 billion in 1994 (Sony 1994-95 sales: \$44.8 billion). Michael Jackson's *HIStory* was another flop, costing \$30 million to hype for a dismal sale of 8.5 million copies. *The Last Action Hero* with Arnold Schwarzenegger was also a financial debacle.

The person mainly responsible for the disaster in the USA, Schulhof, was only dismissed in December 1995. *TIME* (December 18, 1995, 39) argues that Schulhof was never popular in Hollywood and that there was more or less open joy at his fall. "Schulhof, the buzz said, may have been in Hollywood, but he was never really of it." Sony Entertainment is now managed from Japan. Sony denied in December 1995 that it planned to leave Hollywood. The new Sony president, Nobuyuki Idei, who has succeeded company founder Akio Morita, on the contrary emphasises the importance of electronics and entertainment for Sony's future: "There is a definite linkage of hardware and software. Our companies will work together to maximize our business opportunities. That's Sony's big advantage." Sony is, however, in danger of losing its leadership in the electronic sector through the losses it made in Hollywood. Time Warner and Toshiba are leading in the race to replace the video cassette player, the so-called digital video disc player. But for the time being Sony appears to be clinging to its strategy because in December 1995 Sony, respectively *TriStar*, paid the actor Tom Cruise \$20 million to star in the comedy *Jerry Maguire*.

3.12 MCA/Universal, Matsushita and Seagram

Matsushita Electric Industrial Co. is substantially older than Sony and was founded in 1918 by Konosuke Matsushita. Its brand names include Panasonic, Technics, Ramsa, Quasar and National. In 1990 Matsushita Electrical Industrial Co. bought Music Corporation of America (MCA), owner of the famous Universal Studios, for \$6.6 billion; the studio had made such blockbusters as *E.T.* It was the largest buyout of an American company by a Japanese concern. Michael Ovitz again played a big part, advising Matsushita. *Newsweek* (June 12, 1995, 47) listed the main MCA activities:

Movies (Universal): *Jurassic Park*, *E.T.*, *Schindler's List*, *Out of Africa*, *The Deer Hunters*, etc..

Television: *Law & Order*, *Miami Vice*, *Dragnet*, *Colombo*, *Rockford Files*, *Magnum P.I.*, *Murder, She Wrote*, etc..

Home entertainment: Video cassettes of films and TV programmes and straight-to-video productions.

Merchandising: Sale of products connected with film and TV products, such as *The Flintstones*, *Apollo 13*, *Jurassic Park*, *Waterworld*, *Woody Woodpecker*.

Music: Meat Loaf, Live, Vince Gill, Reba McEntire and others.

Theme Parks: Universal Studios theme parks in Hollywood and Florida visited by 12 million people annually.

Retailing: Spencer Gifts and Dapay, a 500-store chain of mall gift shops.

Publishing: Authors Tom Clancy, Dick Francis, Robin Cook, etc..

Cable: MCA owns a 50% stake in the USA Networks.

Cinemas: Cineplex Odeon Corp., 361 cinemas in the U.S. and Canada, partly owned by MCA.

MCA also owns land described by *TIME* as "a pleasant parcel of southern California". Matsushita hindered MCA's attempts to diversify, e.g. the intended purchase of Virgin Records. *TIME* (April 17, 1995, 41) commented on Matsushita's style of control: "Like Godzilla in hibernation, Matsushita sat in its Osaka cave, occasionally emerging to roar 'No'."

In April 1995 Matsushita sold 80% of MCA and Universal Studios to Seagram for \$5.7 billion. Seagram inter alia owns the brands Chivas Regal (whisky), Mumm champagne, Tropicana orange juice. To raise the money for the purchase Seagram sold \$8.8 billion worth of stock in the very profitable DuPont chemical company. Seagram CEO, Edgar Bronfman jr. explained: "What we bought here was a series of opportunities." Bronfman sees the film and television business as the economic sector with the greatest potential for explosive growth. MCA's film and television division in 1995 returned a profit of \$227 million, a rise of 29% on the previous year.

Matsushita lost 35% of what it had paid when it sold, which was due mainly to the weakness of the dollar against the yen. Apart from that MCA was quite successful, e.g. the music division acquired from David Geffen's record holdings and the Spielberg films *Back to the Future*, *Jurassic Park* and *E.T.* Spielberg regards Sidney J. Sheinberg of MCA as his mentor which in turn accounts for the good relationship between DreamWorks and MCA.

But in addition to the successful films, MCA also produced *Waterworld*, which at the time was rumoured to have lost \$165 million, the biggest flop in film history up to then (but cf. also Chapter 7.4). However, Universal Pictures also came with a film archive. *Forbes* (July 3, 1995) commented: "A big key to upping profits is tapping the potential of the 3,600-title film library, which trails only Turner Broadcasting in numbers, and in value, only Disney. Ted Turner used the MGM library to build the values of his TNT and Turner Classic Movies Cable Channels." Seagram, also a large stockholder of Time Warner, respectively Time Warner Turner (in 1993 14.9% of Time Warner were acquired for \$2 billion), is with MCA now so to speak its own competitor.

Ovitz's influence was also shown in Ron Meyer of Creative Artist Agency becoming president of MCA. The work of CEO was at first done by Edgar Bronfman, until Redstone in January 1996 fired Biondi. Edgar Bronfman jr., 39 years old in 1995, according to TIME and Newsweek is friends with Ovitz and Diller. Bronfman was strongly influenced by Hollywood in his youth. His father, Edgar Seagram, had bought into MGM in 1967, acquiring 15% for \$40 million. However, two years later he had to sell again at a loss of \$10 million. At that time Edgar jr. read screenplays and aged 17 produced a film, *The Blockhouse*, which was a flop, however. He invested in Broadway productions and produced a few films, including *The Border* (1982; MCA Universal) with Jack Nicholson. In 1985 Bronfman penned Dionne Warwick's ballad *Whisper in the Dark* (Come closer now/So I can see you in the dark...).

Seagram's marketing experience could be quite useful to MCA. The music division of MCA plans moving into the international music business. Al Teller, CEO of the MCA Music Entertainment Group, commented: "There is a great deal to be learned from Seagram, especially about marketing strategies." The Senior Vice-President of the Asian-Pacific Region of MCA Music Entertainment International, Greg Rogers, also emphasised the advantages of the takeover: "They can help us understand a market like mainland China, where they have 16 offices." Apart from that MCA is also planning to build a second theme park in Orlando, Florida and a park in Osaka, Japan.

How successful MCA is was shown by Greg Meindel, head of the MCA Television Group, being described as one of the most successful players at the film fair in Cannes in April 1996. MCA Universal (Apollo 13, Casino) offered films for c. \$1 billion.

3.13 A German media transnational: Bertelsmann

Bertelsmann was founded in the small German town of Gütersloh in 1835 by Carl Bertelsmann as a publishing house for Christian literature and general education books, with its own printing plant. Its activities outside Germany began in 1947. A book club was founded in 1950, a record club in 1956. The Ariola record company was added in 1958. In 1969 Bertelsmann bought into the Gruner und Jahr publishing house. In 1984 Bertelsmann went into the television business with RTL plus. The Bertelsmann Music Group was launched in 1987. The launch of the Ufa film studios followed in 1992.

The Bertelsmann conglomerate is one of the world's largest media enterprises. The group turned over DM 20.6 billion (c. \$13.6 billion) in the 1994/95 financial year (1.7.1994 – 30.6.1995) (TIME \$14 billion revenues), producing an annual surplus of DM 817 million (c. \$541 million). DM 7.2 billion (c. \$4.8 billion) of the turnover was made in Germany, DM 13.4 billion (c. \$8.9 billion) abroad. In 1996 Bertelsmann employed 58,498 people worldwide. For 1996 the enterprise expected a turnover of DM 21.5 billion (c. \$14.2 billion). Annual surplus after taxes was projected at DM 817 million (c. \$541 million). According to its 1996 half-year report Bertelsmann acquired the periodicals group of the New York Times Company in the USA. Jointly with American Online (AOL) online services have been built up since November 1995 in Germany, France and Great Britain.

The enterprise operates in a great many other areas, including printing, newspapers and periodicals, books, music, multimedia and entertainment. Only two aspects will be addressed here, the most strongly internationalised ones of BMG Entertainment and the activities in the television sector.

With subsidiaries in 40 countries BMG Entertainment is the most strongly internationalised Bertelsmann sector. BMG Entertainment came into being in 1986/87 when Bertelsmann took over the stock of RCA and merged it with its other music activities. The Bertelsmann Music Group is based in New York. On the 1994/95 financial year BMG Entertainment achieved a turnover of DM 6.8 billion (c. \$4.5 billion), making it the biggest branch of the enterprise. Worldwide the BMG turnover was distributed as follows: German-speaking areas 36%, North America 31%, Europe 18%, Asia 9% and Latin America 6%. BMG Entertainment has cornered 14% of the world music market, making it one of the really big players. Some 200 music labels and many music publishers in 40 countries belong to this sector (e.g. Arista Records, BMG Ariola, RCA Records label). Also under the BMG Entertainment roof are the European film, radio and television enterprises such as the production firms (especially Ufa) and the rights trade (especially sports rights). In Sonopress BMG Entertainment moreover has a company for storage media operating in Europe, Asia, South America and North America and capable of producing more than 1.6 million Cds daily.

In 1990 BMG increased its holding in the Japanese music company BMG Victor to 90%. Also that year a licence and distribution agreement for the MCA, Geffen and GRP Records labels was entered with MCA. In March 1993 BMG entered the multi media business (jointly with Crystal Dynamics). In 1994 BMG bought the Milan music enterprise G. Ricordi & C. Spa, the

most important enterprise in this industry in Italy, giving it a 30% market share in that country. Also in the 1994/95 financial year Bertelsmann launched music sector activities in India and Saudi Arabia and took a share of Channel V, Asia's leading music channel (jointly with Sony Pictures Entertainment, Warner Music Group and EMI Music). Increased attention was also given to the home video and interactive entertainment areas, i.e. the worldwide development, marketing and distribution of interactive games as well as infotainment and edutainment software.

In the music market Bertelsmann has become a world company. In 1995 it held a 13% share of the American music market and is striving for 18%. The Bertelsmann strategy towards this end is to make medium size acquisitions and then to bring them forward by quickly expanding them. Bertelsmann bought into the music business with only \$330 million for RCA/Arista and has since turned it into a global player.

Bertelsmann has also been involved in a television merger with global impact. In April 1996 Bertelsmann (Ufa Film und Fernseh GmbH) agreed to a merger of television interests of \$6.58 billion (TIME, April 15, 1995) with CLT (Compagnie Luxembourgeoise de Telediffusion), respectively Audiofina. The CLT 1995 turnover was DM 4.4 billion (c. \$2.9 billion). Ufa turnover for 1995 is put at DM 1.9 billion (c. \$1.26 billion). The new enterprise, CLT/Ufa, will be Europe's largest broadcasting enterprise and, according to Bertelsmann, will have a turnover of more than DM 5 billion (c. \$3.3 billion). The aim of the merger is to be a stronger competitor vis a vis the Americans. The talks were headed by Michael Dornemann and Albert Frère, the president of the Belgian Groupe Bruxelles Lambert. The mother companies CLT and Bertelsmann have the following areas of business (TIME, April 15, 1996, p. 50):

CLT (1995 revenues \$2.9 billion)

Television and radio production and commercial broadcasting
Movie production and distribution
Telecommunications

Bertelsmann (1995 revenues \$14 billion)

Publishing
Book and record clubs
Film, radio and television
Music and video production
Electronic media, paper and printing

The structure of CLT ownership is difficult to understand. The major stockholder is the Audiofina holding (97%), of which the Compagnie Luxembourgeoise Multi Media (CLMM) holds 51%. Another major stockholder is the Banque Paribas. Part owners in turn of CLMM are the Groupe Bruxelles Lambert with 60% and Havas with 40%. CLT is headed by Gaston Thorn, a longtime premier of Luxembourg. CLT is controlled by the Belgian banker, Albert Frère.

CLT is a television enterprise operating in France, Germany, Belgium, the Netherlands and Luxembourg. The merger made Bertelsmann the No. 1 in the European television market, enabling it to compete quite strongly in Europe against Disney and Time Warner. Markus Wössner, the president of Bertelsmann, called the merger with CLT a "possibly historic milestone". The Wall Street Journal Europe (April 4, 1996) had the headline, "Germany's Bertelsmann Fulfills Media Dream Through CLT Alliance". In 1994/95 Bertelsmann made only 10% of its \$14 billion revenues in the TV sector, even losing \$500 million in Pay TV.

The merger made Bertelsmann a large stockholder in the TV field, with RTL, RTL 2, Super-RTL, Vox and Premiere. Together that makes a market share of about 30% in Germany. Any further growth will pose problems with the cartel authorities and lawmakers. In respect of the merger of CLT and the Bertelsmann subsidiary Ufa the EU competition commissioner, Karel van Miert, sees two mega alliances taking shape in Europe, namely Bertelsmann, CLT and possibly Murdoch in the one and the group around Leo Kirch and Silvio Berlusconi in the other. To van Miert the trend is clear: "The big players are already trying to carve up among themselves the new markets coming into being." Van Miert urgently demands a pan-European media rights frame law.

There is no arguing with the assessment by Dornemann, that "We've dramatically improved our position. The merger with CLT has turned us from a weak participant into a major European player." The merger was all the more surprising because Bertelsmann and CLT were locked in a bitter legal dispute over power in RTL TV, Germany's biggest television broadcaster with a market share of about 17%.

In the digital television field (30 specialised channels are planned for Germany) Bertelsmann cooperated with Murdoch's News Corp (BSkyB), the French channel Canal plus and the media and advertising giant Havas (Paris). Havas in turn owns stock in Canal Plus and CLT. But in June Murdoch's

contract was cancelled again before signature. In the television field Bertelsmann is partner of Murdoch in Vox, a German TV station.

3.14 Outlook

No end to the media mergers is in sight. Enterprises such as the News Corp. or Microsoft, which are largely debt-free, are likely to become active. A possible takeover target is Metro-Goldwyn-Mayer Inc. (MGM), of Santa Monica, California. The lion that was about to fall silent because of bankruptcy is roaring strongly again. Hits have again been produced such as the Science Fiction thriller *Species* (\$60 million earned by February 1996), the gangster comedy *Get Shorty* (\$70 million by February 1996) and *Golden Eye*, the last James Bond episode (more than \$300 million by February 1996). Despite a few flops (e.g. *Showgirls*) MGM raised its cinema play revenues in 1995 from \$149 to \$333 million in the USA. Gross turnover abroad rose from \$55 to \$150 million.

For many years the company was near bankrupt. It was taken over by the investor, Kirk Kerkorian, in 1969 and later merged with United Artists. In the 80s MGM was sold off in slices, as it were. Parts of the film library went to Ted Turner and the production studio to Sony. In 1990 the remains went to an Italian who soon went bankrupt and from there to the French bank Crédit Lyonnais, which itself soon got into trouble. This led to transfer to the receivership company, Consortium des Realisation. That company has charged the investment bank, Lazard Frères & Co., to prepare its sale.

Since then rumours have been flying in Hollywood. One of the companies being named is Bertelsmann which according to the German daily Frankfurter Allgemeine Zeitung makes no secret of its wanting to get into Hollywood. Frank Manusco, an experienced film manager, was appointed to head MGM by Crédit Lyonnais in mid 1993. He recruited respected directors, actors and managers. Film production was revitalised and the TV subsidiary reactivated. The remaining film library, containing 1,450 films and 2,500 hours of TV programming, was also used more effectively again (Some like it hot, West Side Story, Rocky and James Bond films). Other potential buyers being mentioned are TCI, the French Chargeurs group and the Philips subsidiary, PolyGram.

The biggest U.S. Pay-TV company belongs to General Motors. It is DirecTV, a subsidiary of Hughes Communications. The company has been on the mar-

ket since 1994 and in April 1996 was satelliting TV programmes directly to 1.5 million U.S. households. That would tend to suggest that the big future does not belong to cable television. DirecTV can deliver on up to 900 channels. For \$30 a month it provides news from CNN, golf tournaments, weather information, two Disney channels, three Western channels, animal films from Discovery, etc.. On 100 channels 30 cinema films are offered every month, available at any time for \$2.99 (Spiegel 18, 1996).

Commenting on the 1996 Cannes film fair, RTL chief Helmut Thoma characterised the power relationships on the film market as a gold rush. He spoke of totally exaggerated prices. It was obvious, he said, that this was the preparation for the fight for the digital television market developing in Europe. The increased demand led to a price explosion. In 1991 a Hollywood film cost about DM 450,000 (c. \$300,000). In 1996 the prices were around DM 2 million (c. \$1.32 million). On the relationship to Hollywood Thoma said (Spiegel 29.4.1996): "We have the refineries, they have the oil." In other words, the structural requirements for further vertical integrations are in place.

4. Rupert Murdoch and his empire

4.1 The person

Keith Rupert Murdoch, born 11 March 1931 in Australia, personifies and shapes the News Corp.. In a special report about America's most influential and powerful people TIME (June 17, 1996) placed him fourth. It wrote, "If Machiavelli were alive today, he would be reading Murdoch". Another of Murdoch's characteristics is the readiness to take risks with new technologies at any time. As Beate Josephi (1995) emphasises, Murdoch is an admirer of the Science Fiction author, Arthur Clarke, who as early as 1945 predicted the global networking by satellite television and other technologies. Clarke argued that the struggle for access to free information would not be decided by politics but by technology.²⁹

Josephi (1995) also argues that Murdoch is anti-English because his grandfathers were of Scottish and Irish origins. His father, Sir Keith Murdoch, was an important journalist and as a war correspondent in World War I played an important part in forming an Australian national feeling. He reported how at Gallipoli³⁰ in 1915 the English supreme commander used the Australian soldiers as pure cannon fodder because of severe tactical mistakes. Australia's national day, ANZAC Day (from Australian and New Zealand Army Corps) on 25 April stems from the event. On the 75th anniversary of Gallipoli the London *Times*, which belongs to the Murdoch empire, used the occasion to highlight the central role played in the revelation of the military disaster by Keith Murdoch. Already at the coronation of Queen Elizabeth II in 1952 Murdoch said it was senseless not to be able to criticise the monarchy publicly. His English tabloid papers, e.g. The Sun, report accordingly on the House of Windsor. In the meantime the position of the royal house appears endangered by the scandal coverage Murdoch started to raise the circulation of his papers.

Literature about Murdoch, to put it cautiously, is marked by a certain extremity. On the one hand he is depicted as the genial media tycoon running his concern with consummate skill and readiness to take risks. On the other hand

²⁹ Clarke also calculated that a satellite would have to be placed in an orbit 22,300 miles above the earth to ensure reception of stable images. This region is now called Clarke Ring. In 1983 a carrier rocket (Columbia) took the first private satellite into a Clarke orbit. Murdoch was involved in the project.

³⁰ From April 1915 to January 1916 the English, commanded by General Ian Hamilton, tried to enforce passage through the Dardenelles.

he is portrayed as a fiendish spawn of capitalism, unscrupulous businessman and "dirty digger"³¹. Depictions such as "most madly daring media tycoon of our day", "mad kangaroo hopping from continent to continent", "world champion of strapping sex and silly gossip", "dangerous megalomaniac" and so forth are common usage. If one sums up the various assessments of his personality we are apparently dealing here with an ideal combination of tough-as-nails entrepreneur and journalist, bookkeeper and punter.

In an article on entrepreneurs, famous economist Joseph A. Schumpeter in 1928 distinguished between four types of modern entrepreneur. First there is the factory master and businessman who owns his enterprise and personifies the civic virtues of decency and business acumen. His hallmarks are concern for the wellbeing of his enterprise and his family. Often these men personify various qualifications in one: technician, finance director and so on. The second type is the modern captain of industry holding share majorities and being e.g. president, CEO or chairman of the supervisory board. Firm and family are separate. There is indifference towards the employees. The salaried director at the head of the company bureaucracy forms the third type. He is characterised by an interest in salary and security. To him the applause of colleagues and the public is important. Promotion tends to be akin to that of a civil servant rather than that of a factory master. The fourth type, finally, is restricted purely to the entrepreneurial function. Schumpeter (1928, 485) writes: "The social homelessness, the restriction to the search for and assertion of new possibilities, the lack of lasting relations to individual enterprises are characteristics most pronounced in this type... In all this the often low social and moral status of the type causes reluctance in practitioners and scholars to acknowledge him as a normal element of modern economic life and especially as a business 'leader'." Schumpeter, who saw creative destruction as the driving force of economic growth, would have found the ideal type personified in Rupert Murdoch. Irwin Stelzer, a friend and adviser of Murdoch, told *Newsweek* (February 12, 1996): "It's almost as if Schumpeter wrote a book for him. He's been a significant monopoly breaker ... all over the world." The journalist Michael Elliot characterises the entrepreneurial dynamism of Murdoch as follows: "If the Murdoch family business had been making bicycles, young Rupert would, by now, have bought General Motors. If his father had owned a small oil well, the son would have built up the stake into a firm to rival Shell. But dad was a newspaper man – and the rest of the story, you already know."

31 "Digger" is a popular Australian word for an Australian soldier, stemming from World War I when soldiers had to do a lot of trench digging. Even non-military friends or workmates might address each other as "Digger" to this day.

Without doubt Murdoch is interested only in the commercial, which in respect of the media comprises two aspects. For one thing, journalistic ethics don't mean a string of beans to him, i.e. concepts such as internal press freedom are irrelevant. For another thing, contents are offered that make no claim to be in any way cultural or educational.³² On the first point Murdoch, who intervenes in the editorial activities of his newspapers and claims the right to take full editorial control in a crunch situation, remarked: "As proprietor, I'm the one who in the end is responsible for the success or failure of my papers. ... Since a paper's success or failure depends on its editorial approach, why shouldn't I interfere when I see a way to strengthen the approach." On the second point, the quality of his products, Murdoch says: "I answer to no one but the public. They tell me what they want, and I give it to them. If the public didn't want nudes, I wouldn't go on publishing them. Go complain to the public, not to me." So, the responsibility for the quality, or rather the lack of it, of media contents lies not with the publisher, but with the public?

In this sense Stelzer comments in *Newsweek*: "It's so much fun to watch the establishment squeal in horror, trying to turn (Murdoch's) moves into a cultural issue when it's really a commercial one." However, this is only one side of the coin because Murdoch, as a political conservative, also attempts massively to influence politics and did so successfully e.g. in Great Britain (Margaret Thatcher) and the City of New York (Ed Koch). Even Herbert A. Allen, who denies any danger to democracy from media concentration, referred to Murdoch as the exception, saying Murdoch was out to spread his political persuasion.

4.2 The development of the News Corp.

The history of the News Corp. is without parallel in the media sector. Murdoch began in 1953 with one newspaper in Adelaide, the capital of the state of South Australia. In 1995 the News Corp. could potentially reach almost two thirds of humankind. In 1950 Murdoch began studying politics, economics and philosophy at Worcester College in Oxford, Britain. His father, a publisher in Adelaide, died in 1952. Murdoch sat his exams in 1953. That same year, aged 22, he assumed his inheritance, the Adelaide afternoon paper *The News* and *The Sunday News*. By personal effort Murdoch managed

32 Murdoch is not alone with that. Helmut Thoma, head of the biggest German television broadcaster, RTL, which belongs to Bertelsmann, made this point about the quality of programming for which he is responsible: "The fish has to like the taste of the worm, the angler doesn't."

to keep the two tabloids alive against the competition. The focus of the daily was shifted to sex, crime and human interest. That brought profits which were ploughed into other loss-making papers, at first in Australia. With the proven sex, crime and human interest magic formula of Murdoch's success these were then turned into profitable tabloids as well. Expansion began in 1956. The Sunday Times of Perth in Western Australia was bought and turned into a profitable tabloid with terse, sensational headlines and brief articles of none too high intelligence. Also in 1956 the Northern Territory News in Darwin was bought. In 1958 Murdoch made his first move into television by taking over the Adelaide station Channel 9. The financial success enabled the acquisition of further newspapers in Australia, including printing plants. In 1963 another TV station was bought in Sydney and in 1964 The Australian was launched, the only daily newspaper circulated throughout vast Australia. It is not a tabloid but a serious paper. In 1995 70% of all daily newspapers bought in Australia were Murdoch papers. Already in Australia Murdoch followed a vertical strategy, i.e. he controls not only the daily press but at the same time has a market dominating position in the production of newsprint, in the printing industry, in book publishing and in bookstore chains. What News Corp. still lacks in the entertainment sector is a music division, without doubt one of the entertainment industry's most reliable profit generators. But there is no doubt that News Corp. will become active in the music market.

Without wanting to retrace all purchases and resales of the News Corp. here, Murdoch in 1963 ventured abroad, to Hong Kong and New Zealand. The chronology of further major events can be summarised as follows: start of investment in Britain in 1969, start of activities in the USA in 1973, purchase of the venerable London Times in 1981, engagement in satellite TV in Britain in 1983, Twentieth Century Fox and start of Fox TV network in 1985, purchase of Triangle Publications for \$3 billion in 1988, purchase of Star TV and Delphi Internet Service in 1993, satellite TV in Latin America in 1995, announcement in 1996 of the intention to launch a 24 hour news telecaster to compete with CNN.

In 1995 News Corp. reaped 1.3 billion Australian dollars³³, or \$US 991 million, in income. The corporation, which was close to bankrupt in the early 90s, was free of debt worries in mid 1996. Consolidated revenues grew in 1995 to \$A12.2 (\$US9) billion. The major global competitors such as Time Warner/Turner, Disney and Viacom were heavily in debt from their takeovers.

33 How complicated conditions in News Corp. are is shown by the following small mistake. Newsweek (February 12, 1996) reported the income as 1.3 billion US dollars.

Only Bertelsmann as a classical media enterprise is in a comparably good financial state.

Murdoch personally controls the News Corp.. The enterprise is an agglomeration of dependent parts of the whole, with the decision making power clearly tailored to Murdoch (Shawcross 1994, 310). Through the family-owned "Cruden Investment" Murdoch and his family own 28% of News Corp.. Murdoch, who can take decisions uncontrolled, in 1990 described his position as follows: "If our family had let our stake down to 20 percent, there would have been a bunch of investment bankers who would have risen up and fired me when I started Fox Broadcasting in 1988. If you don't have a major, major shareholding, you can't take the same risks." The fact that the family does hold so much enables Murdoch quickly to seize on every opportunity opening up. An example of this, chosen at random, happened in 1988. When the editor-in-chief of *Vogue* magazine was dismissed, Murdoch within a few months launched the new women's periodical *Mirabella* with her in charge. The competition would have needed a long time to prepare such a venture. (*Mirabella* was sold in 1995 to the Hachette Filipacchi media conglomerate.) Murdoch commented on this high flexibility in 1989: "We have made use of good opportunities as they came up. And we have been quite skilful in making use of them. If ten years or so ago we had attempted to chart on paper the destiny of our company, we would never have anticipated the 30 very different acquisitions we made on four continents, almost all of which arose from unique and unanticipated events. Business situations and business opportunities simply change too quickly for there to be much point in loading ourselves down with piles of strategic speculation."

Murdoch consciously avoids strategic planning, which does not mean planless action. Ongoing control of News Corp. by Murdoch is a characteristic of the global activities, as a statement by him in 1988 indicates: "I try and keep in touch with the details – you can't keep in touch with them all, but you've got to have a feel for what's going on. I also look at the product daily." To ensure continuation of the successful journalistic and economic concepts, proven staff were placed in the newly acquired enterprises. *TIME* (May 22, 1995) commented: "Despite its global reach, News Corp. is in some ways very much a one-man show – the Murdoch show." So, no attempt is made to build up a successor. *TIME* quotes a recent departee: "It's not a corporate culture. It's a Rupert culture."

4.3 The conquest of Great Britain

In Britain Murdoch found the ideal partner in Margaret Thatcher. He began investing in the country in 1968. John Foster, then General Secretary of the National Union of Journalists, said in 1995: "I would say that Rupert Murdoch was Mrs. Thatcher's right-hand-man, in fact I would rather put it the other way round: Mrs. Thatcher was his right-hand woman, in fact she did what Murdoch wanted" (Schöner 1966, 44). The *News of the World*, a tabloid published on Sundays, with a circulation of 4,681,793 in June 1995, was bought to compete against Robert Maxwell³⁴. The loss making *The Sun*, another tabloid, followed in 1969. When bought, the paper was called *Daily Herald*. It was turned into the biggest selling British tabloid, with a circulation of 3,987,030 in June 1995³⁵. *The Sun*, which is heavily into sex, gossip and scandal reporting, is now the most-read daily newspaper in the United Kingdom³⁶. In the same year the first British TV station was bought. In 1976 the attempt to buy the daily *Observer* failed but in 1981 the purchases of the *Sunday Times* (1,267,958 circulation in June 1995) and *The Times* (682,419 circulation in June 1995) succeeded. *The Times* had lost 15 million pounds sterling in 1980. It was sold for 13 million pounds, although the real estate value was very high and the price included a 5% stake in the Reuters news agency.

Mrs. Thatcher made a number of controversial decisions in favour of Murdoch which, for example, enabled his takeovers despite difficult anti-monopoly laws. David McKie, columnist for *The Guardian* and an assistant editor, alleged in an August 1966 interview that the Canadian enterprise Thomson had been trying to rid itself of *The Times* and *Sunday Times* and so deliberately depicted them as big loss makers. Up to then it was unanimously assumed in literature that the alleged losses were real. McKie said: "Thatcher really whistled the whole deal through. I think this is a pretty disreputable occasion, but she knew that if she had the Murdoch press with her it would be a great help supporting her various projects and that was where to start."

Murdoch pursued an aggressive marketing of his papers unprecedented in Great Britain. He distributed free copies, cut prices and so on. Prize games

34 Maxwell was Murdoch's biggest competitor in Britain; he incorporated in his person the contradiction of being a hard-nosed capitalist and committed socialist. Maxwell was a Labour Member of Parliament from 1964-1970.

35 More than the purchase price was spent to promote *The Sun* by radio and television advertising, billboards and free copies.

36 The Sun pursues a popular moral campaign against homosexuality, feminism and dissolution of the family. Pictures of nudes provide the sales-promoting sexual titillation.

like Bingo were used as marketing instruments, i.e. cards with series of numbers were distributed to households in certain target areas. Those with numbers corresponding to those printed in the paper won. Because the paper spread the announcement through several consecutive editions one had to buy them all to find out if one had won.

Many authors argue that by and large the *Times* and *Sunday Times* have lost their editorial independence. Celebrities who attended the 1985 festivities to mark the 200th anniversary of *The Times* included Premier Thatcher, the Royals and members of the high aristocracy. Sir Bernhard Ingham, government spokesman (Thatcher's Chief Press Secretary) from 1979 to 1990 commented in 1995 on Murdoch's influence on the British press: "There is a general disquiet ongoing at what the press in this country conducts. And the thing has got worse. It has got worse because of Murdoch, I think, who doesn't have any background in allegiance to this country, and he is just there to make money."

In the 1979 election campaign *News of the World* and *Sun* backed Mrs. Thatcher, whose electoral victory became decisive to Murdoch's rise. Terry Perks, deputy government spokesman (Mrs. Thatcher's Deputy Press Secretary) from 1987 to 1990 replied when asked what effects Murdoch's friendship with Thatcher had on the reporting of the newspapers under his 'umbrella': "It had none at all." John Foster, General Secretary National Union of Journalists, sees that quite differently and replied to the same question: "Every day, every part of it."

Thatcher's goal was to change British society by liberalisation and deregulation and she saw the trade unions as her main opponent. The clash with the coal miners led by Arthur Scargill took on civil war-like dimensions. The best organised unions were those of the printers and typesetters who, as new technologies made headway, went on strike to try to save their jobs, i.e. the traditional Linotype hot metal setting and compositing. The *Times* was not published for months because of the strikes. Outdated, labour-intensive techniques made labour and production costs very high in British publishing. It is against that background that Murdoch's 'masterpiece', carried out in 1986, must be seen. With Thatcher's support he was able to push the printers' and typesetters' unions out of his newspaper enterprises – and as a byproduct, as it were, destroy the venerable institution of Fleet Street. Murdoch had erected the world's most modern printing works in Wapping, in the east of London, under the pretext of building only a printing works for a new magazine. No unionised workers were allowed to work at the new machines, res-

pectively the computers that had been covertly installed. Five hundred new staff were trained on the machines. Then about 5,000 of Murdoch's Fleet Street workforce were dismissed, quite in line with Thatcher's designs. Graham Murdock (1992) writes that personnel costs were a special concern of Margaret Thatcher. She had fully supported Rupert Murdoch when he offered to break the negotiating power of the union by shifting his newspaper production from Fleet Street to Wapping and employing members of the electricians' union instead of the typesetters'.

The Wapping opening in 1986 triggered the longest and gravest industrial dispute in Britain. For almost a year the locked out members of the printers' unions tried to stop production. The building was secured like a military installation. Thatcher supported Murdoch who stayed in the building, even sleeping there, with massive police deployment. John Forster recalled in August 1995: "A lot of people were locked out. And that went on for a year ... And if you have seen the docks – remember this is supposed to be a media society, an open society – and the building and all print are behind 20-25 foot walls. There are big steel walls with spikes on the top, but at that time they had raised a barbed wire around. There's a security road running down from the ramp, but at that time you had literally a cavalry of policemen charged up and down what was called the highway. I was there, I know this is what happened. And you had this late at night simply to make sure that Mr. Murdoch was getting his papers out. ... They were saying that people didn't have a right to be in the union" (Schöner 1996, 53).

The move to Wapping increased profits by 85%. Having to compete against Murdoch's now unbeatably low costs, other newspaper publishers also left Fleet Street. The British newspaper market had been completely transformed. "There was before Wapping, and there is after Wapping." (Lord Rothermere.) It is probably not surprising that the News Corp. owned publisher, Harper Collins brought out not only Thatcher's bestselling autobiography, *The Downing Street Years* but also the follow-up, *The Path to Power*. The close linkage between Murdoch and the British Conservatives led not only to a motion by Labour in the Commons to limit publication of nudes in newspapers being defeated. Much graver was trade minister Lord Young's approving within 24 hours the 1987 sale of the mass circulation *Today* (557,251 in June 1995) to Murdoch, his fifth paper in England, without having the anti-monopoly authorities assess the deal. That purchase gave Murdoch control of 40% of the British newspaper market.

Thatcher's support was also decisive to Murdoch's entering the television business. Thatcher plumped for modern technologies to be used immediately. She supported development of cable and satellite television with the aim of creating a bigger choice of programmes. Moreover, a greater choice of media might weaken the British Broadcasting Corporation (BBC). Thatcher (1993, 635) writes in *The Downing Street Years*: "I also believed that it would be possible to combine more choices for viewers and more opportunity for producers with standards – both of production and taste – that were as high as, if not higher than, those under the existing duopoly³⁷." In 1983 Murdoch bought into British satellite television and took a holding in Satellite Television plc., which was renamed Sky TV. The company disseminated the pan-European Sky Channel in English to 40 million cabled households. The pan-European approach failed, i.e. not enough advertising revenue was earned, meaning losses. To begin with Sky TV put out mainly entertainment from Hollywood. Murdoch had again benefited from the backing of the Conservative government in making the purchase. By law publishers of nationally circulated newspapers were prohibited from owning more than 20% of British television broadcasters. An exception was made for News Corp., (Lex Murdoch) respectively its British subsidiary, News International. The media expert James Curran argued in November 1995 in a programme on the Franco-German public television channel, ARTE, that Murdoch is so influential that he is beyond the law. The British government had been very concerned not to annoy so mighty a media tycoon. It had bent laws to enable him to realise his plans. Curran said Murdoch is the only press czar controlling both newspapers and television broadcasters. He sees the accumulation of so much power in Murdoch's hands as a restriction on the democratic system.

A new broadcasting act was passed in Britain in 1990. Although it included new terrestrial concessions and satellite broadcasters, it did not cover medium-power satellites such as ASTRA, used by *Sky TV*. A ferocious battle for viewers and picture rights ensued between Sky TV and British Satellite Broadcasting, an alliance of several ITV stockholders and Sky TV's biggest competitor. The battle was also fought in the printed press. Two studies by the European Media Institute in Manchester (Variety 39, 1989, 15 f.) found the Murdoch press (*Sun*, *Times* and *Sunday Times*) propagandising for ASTRA. BSB countered with advertisements hitting at the poor quality of the ASTRA signals: "As you may have heard, it rains an awful lot in the UK. ... Frankly we wouldn't like to be in our competitors' shoes right now. Or, indeed, their Wellington boots." (Variety, April 19, 1989, 159.) BSB argued

37 The BBC and ITV.

that Sky TV was no pan-European broadcaster but aimed to destroy British television. Through a loophole in the law Sky TV had been exempted from control since News International operated from Luxembourg. John Foster commented in retrospect that Mrs. Thatcher said it was not British because though it was produced in Britain, the news service was dubbed in Luxembourg. Therefore it was not British, therefore it was outside control. (Schöner 1996, 68). Ingham also argues that Thatcher had undertaken nothing against the widening of Murdoch's power: "But anybody wants to go into extraterrestrial television, that's up to them. I mean, he backed his judgment, and he won through."

The rivals BSB and Sky TV made considerable losses. So in 1990 the two companies decided to merge. William Shawcross (1994, 388) writes: "On October 29 Murdoch went secretly to Downing Street to meet Margaret Thatcher. He said later that they talked about international affairs and that he mentioned the impending merger only in an offhand comment at the end of their chat. He knew that the merger would throw British broadcasting into turmoil, and that it needed the government's acquiescence. BSB did not have the right to give its franchise away to Sky." Under the agreement signed on 2 November 1990 Murdoch's News International controlled more than 50% of the new company. BSB invested another 70 million pounds, Murdoch another 30 million. With that Murdoch had also achieved control of BSB. Lord Thompson, former chairman of the Independent Broadcasting Authority (IBA) of Britain spoke of a "brutal Wapping in outer space" (Schöner 1996, 63). Home Secretary Peter Lloyd, responsible for media matters at the time, admitted in an interview that strictly speaking the deal had not been quite legal.

In September 1993 Murdoch upgraded his 50%-owned British Sky Broadcasting from six channels to 14. BSkyB is now a Pay-TV broadcaster, which enables double revenues from advertising and fees, which vary with the number of channels subscribed to. The number of BSkyB television subscribers was given as 4,163,000 for June 1995; for the previous year it was given as 3.48 million. BSkyB continued in 1995 to invest in programming, launching three new channels: Sky Sports, Sky Soap and Sky Travel. Among the new programming acquisitions are *The X-Files*, produced by Twentieth Century Fox Television and the most successful American series in 1995. Financial reorganisation of the capital structure was completed in December 1994 by which News International plc reduced its holding in BSkyB to 40%. According to the Financial Times, on 1 November 1994 News International "acquired a 49.9 per cent. interest in Vox GmbH & Co. KG, a German tele-

vision broadcaster, for a nominal consideration and during the year provided a funding of 31.6 million pounds sterling".

The main money spinner in BSkyB's programming is sports. It broadcasts the English soccer league games. At 5 a.m. on Sunday 17 March 1996 some 650,000 British households paid around \$15 million to watch the box fight between Mike Tyson and Frank Bruno. In total, Murdoch's Pay TV broadcasts 200 hours of sports a week in the UK. By comparison, the "free TV" BBC and ITV put out only 11 hours of sports a week each. The British House of Lords has ruled meanwhile that eight sports events of national importance have to be free to watch – tennis in Wimbledon, the horse races in Derby and the Grand National, the soccer world championships, the Olympic Games, the soccer cup finals of England and Scotland and cricket internationals. The Premier League, the top soccer division, has received 670 million pounds from Sky for the broadcasting rights for four years. Coming into force in 1997/98, the contract is substantially higher than the present one, under which Sky paid 45 million pounds a year.

In 1996 BSkyB, Bertelsmann, Havas and Canal plus shared in the founding of the Newco Europe Holding, which planned to conquer the German³⁸ digital Pay-TV market. But in June 1996 Murdoch cancelled before signing. On the newspaper market Murdoch has triggered price wars. In August 1993 the price of a copy of *The Sun* was cut from 25 to 20 pence. In September 1993 the price of *The Times* dropped from 45 to 30 pence; another cut followed in July. In July 1995, costing 25p an issue, *The Times* had a circulation of 680,000, its highest ever.

4.4 The move to America

When moving into America Murdoch was again fortunate to find under the Reagan presidency a climate favourable to him. Within the framework of the global strategy he bought his first U.S. paper, the *San Antonio Express*, in 1973. In the first year \$1 million was spent to promote it. The *New York Post* followed in 1976, was sold off again for a while and since 1995 has belonged to News Corp. again (March 1995 circulation 408,204 for the daily, 331,243

38 According to TIME (September 20, 1993) Murdoch is joining forces with German broadcaster PRO 7 to provide and manage satellite channels reaching 100 million potential viewers in Germany, Austria and Switzerland. In 1991 he bought into the east German tabloid *Super!* but withdrew from it again in 1992; cf. on this Wisniewski 1995, 177 ff.

for the Saturday edition). Murdoch bought into U.S. newspapers tending to be politically unimportant, i.e. neither the Washington Post nor the New York Times. In the first year \$5 million was spent to advertise the National Star (later only Star), a tabloid magazine founded in 1974. It later became quite a profitable publication with a circulation of four million.

In 1986 the publishing houses of Harper & Row and Collins were acquired. In 1988 News Corp. bought the Triangle Publications group for \$3 billion. One of its publications is TV Guide, which in 1995 was the No. 1 weekly magazine in the United States in terms both of circulation and advertising revenues. TV Guide has a paid circulation of 14 million copies per week, 60% of which comes from subscription sales. The magazine has an entertainment guide for parents and had a Star Trek issue described in the 1995 Annual Report as highly successful. TV Guide Online is already in the test phase. The New York Times (11.12.1995) reported in an article headed "After a positive article on a Fox show, TV Guide learns the other networks are watching" that a not very successful series of Fox TV was lauded by TV Guide under the heading "The best show you are not watching".

In 1985 50% of 20th Century Fox was acquired. No profit was made in the beginning but Murdoch now had at his disposal a library of some 2,000 films, i.e. he had film rights, film production and playing outlets. In News Corp.'s 1995 Annual Report Murdoch said: "Ten years ago we acquired a motion picture studio before others began to pay premium prices for similar assets. In the U.S. we launched a fourth television network when it was believed that only three could survive."

Twentieth Century Fox was extraordinarily successful in 1995. Its films *True Lies* and *Speed* each brought in more than \$100 million in the USA alone; abroad *Speed* brought in more than \$230 million. More than eight million video units of *Speed* were also sold. On the international video market *Mrs. Doubtfire* was the most successful product. *Die Hard With A Vengeance* had brought in \$87.5 million in the USA by 30 June 1995. Twentieth Century Fox Television produces and distributes television shows such as the *Simpsons* and *X-files*. The 1995 Annual Report states that television is an area of primary focus of News Corp.. In the film sector 20th Century Fox launched a big success in 1996 with *Independence Day*. Its first earnings are better than those of *Jurassic Park*. The film, which cost \$105 million to make, was not only promoted in advertisements but, with almost all Americans at their TV sets to watch the annual Super Bowl football championship game, an excerpt of the film was shown in which invaders from space blow up the White House in Washington. After that the film was "in".

Murdoch became an American citizen in 1985 and moved with his family to Colorado. That enabled him to buy the television chain Metromedia in 1985, with stations in Los Angeles, New York, Washington, D.C., Chicago and Dallas-Fort Worth. The stations were built up as a national chain under the name Fox TV. The purchase of Metromedia made big waves in the TV industry. From late 1993 the Federal Communications Commission examined allegations that it violated a federal law that effectively barred alien companies from indirectly controlling more than 25% of a TV station. In May 1995 the FCC decided not to force Murdoch to reduce his ownership stake in the then eight stations that formed the core of his Fox TV network.

Fox TV created "Reality TV" with such shows as *Cops*, in which police chasing criminals are accompanied. Another ratings hit is *America's Most Wanted*, which is basically public participation in hunting down criminals. Fox series include *Al Bundy* and the *Simpsons*. Politics does not get much of a showing on Fox, sport is all the more important. Fox bought the broadcasting rights of the American National Football League (NFL) for \$1.6 billion – a very risky investment that appears to have paid off. In the 1995 Annual Report Murdoch comments: "The move of the NFL to Fox meant that many of our owned and operated stations became the 'broadcast home' to their local NFL franchise." Since then the broadcasting rights of the National Hockey League have also been acquired and, in cooperation with NBC, those of the American Baseball League, which is likely to further strengthen the position of Fox Sports.

Fox Children's Network reaches around 35 million children and teenagers a month. fX, Fox's basic channel, in 1995 reached 22 million homes in all 50 states. Once the planned acquisition of Greensboro has been made, Fox Television will have 12 stations. Without doubt the buildup of Fox has been a success. Driven by such series as *The X-Files* and *Melrose Place* FBC (Fox Broadcasting Company) in 1994/95 displaced CBS for the first time as third in the primetime ratings among adults, aged 18-49, after ABC in first place and NBC in second.

The takeovers of Triangle, Metromedia and 20th Century Fox caused a severe finance crisis. In the early 90s News Corp. had a high interest debt of \$9.5 billion. The debts led to a 1991 loss of \$308 million. To cut the debt Murdoch sold \$1.2 billion of stock and spun off such assets as *Daily Racing*, *Seventeen* and *New York Magazine*. TIME (September 20, 1993) commented: "The moves still left News Corp. with \$7.5 billion in I.O.U.s but helped it record a profit of \$605.2 million, on revenues of \$7.48 billion, for its latest fiscal year."

In 1995 News Corp. held cash reserves of about a billion dollars and by restructuring its finances practically eliminated all the short-term debt that nearly crushed News Corp. in 1990.

Murdoch also practised his policy of cultivating contact with important people in the USA. He supported Ed Koch in the New York mayoral elections. He chose to back Koch because 2.5 million Jews live in New York but only one million Italians. Mario Cuomo was the rival candidate. Koch, who probably would not have been elected but for Murdoch, now moderates talk shows in Fox-TV. Newt Gingrich, TIME's Man of the Year 1995, had made a contract with Murdoch providing for a substantial fee for his autobiography. In December 1995 the House of Representatives Ethics Commission ruled that "the 4.5 million advance for his recent book that he accepted, then declined, from the publishing company owned by Rupert Murdoch, ..., the committee declared it unseemly but within the rules" (TIME, December 18, 1995, 35). Since autumn 1995 Murdoch has been publishing his own political magazine, *The Weekly Standard*, characterised by Richard L. Berke in the *New York Times* (30.4.1995) as new forum for the right.

4.5 The activities in Asia: Star TV

Murdoch bought his first newspaper in Hong Kong in 1963. In 1986 he bought 50% of the *South China Post* in Hong Kong, one of the world's most profitable papers. It was sold again to fund the acquisition of Star TV on 26 July 1993, operating in the enormous growth potential of the Asian market. Also in 1993 49.9% of Zee TV which covers the Indian sub-continent was bought. Zee TV is one of the most popular channels in India (on Zee TV cf. Chopra 1996). The 1995 Annual Report states that Zee TV is "already generating real operating earnings, just three years after launch". The Chinese-language Golden Harvest film library also became Murdoch's property.

At first 63.6% of Hong Kong-based Star TV was bought for \$US525 million; the rest of it was acquired in July 1995 for \$US299 million. Star TV potentially reaches about two thirds of mankind (c. three billion, TIME, September 20, 1993) within its direct-to-the-home satellite grasp. The 1995 Annual Report describes Star TV as the first and only pan-Asian satellite broadcaster that offers an array of regionalised programming to an estimated audience of more than 220 million viewers (54 million homes) in 53 countries. In 1995 programmes in 32 languages were broadcast and there are plans for 100 languages.

Star TV started broadcasting on 26 August 1991. It was a 50:50 joint venture between the Hong Kong conglomerate Hutchinson Whampoa and the tycoon Li Kashing. Star TV's initial target group was the well-to-do upper crust of Asia. The broadcaster's big advantage is the enormous reach of the signals transmitted while its costs are relatively low. Star TV's transmission reach ranges from Istanbul to Micronesia, from Siberia (Omsk, Novosibirsk) to Sumatra. Egypt, much of Sudan and Ethiopia are within reach as are Arabia, the Indian sub-continent, China, Taiwan, Japan and Korea, the Philippines, Thailand, Malaysia and many more. To begin with Star TV put out five different channels:

1. *Prime Sports*
2. MTV Asia in cooperation with Viacom; MTV was pushed out in May 1993 and replaced by Channel V which came into being by cooperation with the cable enterprise TCI and multinational recording studios. Channel V was divided into a northern region (China, Hong Kong, Taiwan) and a southern one (India and Southeast Asia).
3. A channel in Mandarin, broadcasting comedies, dramas, cinema films and financial news.
4. BBC News in English.
5. An English-language family entertainment channel (cinema films, soap operas, comedies).

The reactions to the cross-border accessibility of Star TV vary from country to country. Joseph Man Chan investigated the national media-political responses in Asia and in his 1994 study identified the following:

- virtual suppression, as represented by Singapore and Malaysia;
- regulated openness, as represented by Hong Kong and the Philippines;
- illegal openness, as represented by Taiwan and India;
- suppressive openness, as represented by the People's Republic of China, where no effective control is possible.

Chan comes to the conclusion (1994, 122) that "Star TV tries not to violate the national regulations, creeds, and beliefs of various countries or to show any ideological or political bias". The example of this approach given is the decision not to broadcast the video *Erotica* on MTV (when this was still transmitted via Star TV). D. Atyeo, head of Star TV's MTV is quoted: "(Erotica) is obviously designed to shock and outrage, and we're here to entertain. When you're dealing with a wide range of religions, cultures and beliefs it's hard to see not offending someone and we're very conscious of this."

Within a year the concept of the station, which had been providing Western style television programming, was transformed by Murdoch, who lived in Hong Kong. He replaced English-language programming by the languages of the respective countries. In his own words, Murdoch structured the programmes offered by Star TV in such a way that Asian families could relax and escape from the stress of their daily lives³⁹. The content is such that the not exactly democratic governments in the target area regard it as friendly. The aim is over time to loosen restrictions still in place. When Murdoch bought Star TV it was losing about \$US50 million a year. Murdoch announced in October 1995 that in the 1995 fiscal year it had lost \$US80 million. The problem is finding advertising customers in the vast region the station footprints, even though it is divided into a northern and a southern beam.

The official reason given for the sale of the *South China Post* was that the growth potential in the newspaper market was too small; bought for some \$U.S. 260 million in 1986, the paper in 1992 alone returned a profit of \$U.S. 76 million. The probably more credible reason for the sale of the paper, which is not exactly of a friendly disposition towards Beijing, is that Murdoch wanted to convince China that he was acting apolitically and purely entrepreneurially, because shortly after the purchase of Star TV China banned individual ownership of the satellite dishes needed to receive Star TV. In 1993 Murdoch had still declared in a speech that satellite TV is the enemy of totalitarianism, that satellites had made it possible to by-pass state-controlled television. In 1994 he yielded to pressure from China and on 31 March 1994 removed BBC's World Service Television from the northern beam because the BBC had reported critically about China. The official reason given for that move was that not enough viewers were watching the BBC. The BBC's slot was filled by cinema films in Mandarin. Sondhi Limthongkul, a media tycoon from Thailand, commented: "No matter how hungry you are, there have to be some principles." Murdoch himself said about the decision to ban the BBC from Star TV: "We are not proud of that decision. It was the only way." (Newsweek, February 12, 1996.)

In the meantime relations with China have changed totally. Not only has Murdoch published the biography of the Chinese dictator Deng. According to the 1995 Annual Report of the News Corp. a joint venture has been launched with The People's Daily, the *Beijing PDN Xinren Information Technology Co. Ltd.*. Its aim is "to explore and develop a range of opportunities in China's rapidly developing technology sector". With Murdoch's help China

³⁹ This is probably also the philosophy behind Star-Radio, a pop music broadcaster without news launched in March 1995.

was planning to set up a national satellite television network. There may also be a joint venture between China Central Television, China's sole national broadcaster, and News Corp., according to Newsweek (February 12, 1996) a deal that would allow CCTV use of Star TV's new satellite, AsiaSat2. In return, Star programming might go on CCTV's infant pay-television networks. With that, News Corp. could collect revenues from Chinese viewers for the first time.

The 1995 Annual Report also states that during the year two further subscription channels were added to Star TV's first subscription channel, STAR Movies, which has been broadcasting a mix of locally produced Mandarin-language films and movies from international studios on the northern beam since 1994, aimed mainly at Taiwan. One of the additions is an international version of STAR Movies targeting viewers in India, the Middle East and South East Asia, the other a Hindi-language pay movie channel, Zee Cinema. A Filipino-language movie service, *Viva Cinema*, was to follow in 1996.

Star TV is to be expanded further together with local partnerships. There had already been joint ventures in Indonesia with Indovision, that country's only Pay-TV licensee. Meanwhile Star TV can be received in Singapore (1995) via Singapore Cable Vision. In April 1995 Japan designated Star TV as one of only two officially recognised international broadcasters. From 1996 Star TV was to broadcast from a more powerful satellite, AsiaSat2. The 1995 Annual Report argues: "With AsiaSat2's digital capabilities, combined with state-of-the-art digital compression technique pioneered by News Datacom, Star TV will be able to offer dozens of channels and a range of services customized for its target markets."

Channel V, launched by Star TV to compete against MTV, comes in two distinct services: a Mandarin, Japanese and Tagalog channel for viewers in greater China and Northeast Asia; a second service in Hindi, Arabic and English aimed at Southeast Asia, India and the Middle East. Since January 1995 four of the biggest entertainment companies, BMG, Thorn EMI, Sony and Warner Music, have been joint venture partners in Channel V.

As banal as that may sound, the viewer numbers of Star TV in individual countries are governed by many factors. The centrally important ones are competition by the terrestrial broadcasters in each case and the extent of reception regulation. The higher the quality of the competition's programming, the smaller the chance of Star TV. Language barriers are significant, as are different levels of prosperity between countries, cultural differences and so

forth. Thus the sport channel was also split, beaming gymnastics and Chinese soccer to China, cricket to India.

Competing with Star TV since 1994 have been Television Broadcasts (TVB) Hong Kong and the Chinese Television Network (CTN), the world's first Mandarin network. Murdoch tried to obtain a share of TVB in mid-1993 but failed. TVB is Hong Kong's leading television company. In 1992 it captured about 80% of Hong Kong's viewing audience and 85% of Hong Kong's television advertising revenue. TVB is the world's biggest producer of Chinese-language programmes; The Economist (July 31st, 1993) put its library of Chinese-language programming at 100,000 hours, with a production facility that makes another 5,000 hours a year. Under TVB leadership a consortium grouping CNN, Capital Cities, Time Warner and the Australian broadcaster AUSTV has been formed to compete against Star TV. CNN offers news. Capital Cities offers ESPN as a sports channel to rival Prime Sports. Time Warner's Home Box Office provides the cinema films. AUSTV supplies English-language entertainment and TVB international Chinese-language shows. TVB is planning another Mandarin-language channel.

4.6 The Latin American and Australian target areas

Canal Fox has operated in Latin America since 1993; the 1995 Annual Report describes it as a 24-hour general entertainment cable channel, broadcasting to 4.2 million homes in 18 countries. In July 1995 News Corp. (30%) cooperation was announced with Globo TV (30%) and Televisa (30%) within the framework of a project to cost 500 million Australian dollars. The remaining 10% are owned by the U.S. cable company TCI. The satellite pay TV venture covering Latin America and the Caribbean was scheduled to go to air in 1996. It is planned to be the world's biggest digital satellite operation, capable of carrying 150 channels. News Corp. is the managing partner, all others contribute to the programming. Quoted in his own paper, The Australian, Murdoch said in November 1995: "We see enormous growth in Brazil, and resumed an enormous growth in Mexico." The group will compete with a similar satellite venture planned by GM Hughes Electronics and three others. Televisa, Globe and News Corp. will cooperate with PanAmSat, launching the satellite for the service.

In Australia News Corp. has joined with Telstra, a telephone company, to launch *Foxtel*. It has broadcast via satellite from October 1995. Telstra is building a fibre optic network to reach 85% of Australian households by 1999.

Here, too, sports is to secure the broadcaster's success. The 1995 Annual Report says: "Also in Australia, we have overturned the entrenched sports interest by creating the Super League. Enlisting over 200 of the best players in the Australian Rugby League, News Corporation will field ten teams who will compete from next March. These matches will be seen on Foxtel and will be an integral part of its sports programming package that we will offer Australian viewers." The Super League also includes New Zealand. The News Corp. also changes the world of sport: its own Rugby League is so to speak the functional equivalent to programme production – sport becomes a software.

4.7 Activities on the Internet

Delphi Internet Service, a Massachusetts based computer network that provides access to 20 million computer users, was acquired in 1993. With 50,000 subscribers Delphi was the smallest of the five leading online services. Murdoch stated his reason for buying as wanting to offer an electronic newspaper. This, too, shows that Murdoch always takes a chance with new technologies. Delphi Online Service has been operated on the Internet jointly with MCI, an American long-distance giant telephone company, since May 1995. With that a worldwide media partnership appears to be forming because in 1994 MCI had sold a 20% stake of itself to British Telecom for \$4.3 billion. MCI sought partners to transform its worldwide phone network into pathways for content. And, "You can hardly think of content without the name of Rupert Murdoch coming to the fore," commented MCI chairman, Bert Roberts.

MCI agreed to invest \$1 billion in News Corp. stock immediately, the payment occurring on 2 August 1995. Another \$1 billion is to follow in the following four years. That would give MCI 13.5% of News Corp.. Terms of the deal require MCI to vote its shares in the same proportion as the rest of the shareholders. TIME (May 22, 1995) commented: "That means that Murdoch, who with his family controls 40% of his company's stock, cedes no control." TIME went on: "In return, Murdoch will send his companies' immense fund of grunt-and-grin entertainment, news and information through MCI phone lines into homes and business screens. ... Each side will contribute \$200 million to a global joint venture in which programming and electronic information produced by News Corp. will be distributed to business and consumers in digital form through MCI's vast web of fiber optic cable."

TIME (May 22, 1995) saw the following problems. MCI has a strong customer base among business, News Corp. has little in the way of business information services to offer them. For Murdoch, however, there was an additional chance for Delphi, which lay in fourth place far behind America Online, CompuServe and Prodigy, which is that Delphi can open access to 16 million residential customers. However, Murdoch gave up the Delphi online service in May 1996. No details are known about the reasons.

TIME (November 13, 1995, 12) outlines the following additional aims of the cooperation with MCI: "As a part of the \$2 billion deal, MCI and News Corp. agreed to replace dreary text-based Delphi with a snappier, easier-to-use computer information service, initially known as MCI/News Corp. Internet Ventures. Under a new management team that includes Vinton Cerf, also known as the 'Father of the Internet', the service could finally fulfill the Fox's ambition to become a serious contender in the \$3 billion online business that is now dominated by industry giants CompuServe, America Online and Prodigy." TIME saw the following possible strategy behind the MCI-Delphi deal: "It could well emerge as a linchpin in a chain of content and distributing systems that will allow consumers to order 20th Century Fox movies and Fox TV shows by phone, read Murdoch owned newspapers such as the Times of London and TV Guide on portable television screens, and chat online with star athletes after a Fox-broadcast National Football League game."

4.8 Summary

The News Corp. is the media enterprise with the biggest reach worldwide. It is financially healthy. John Malone remarked about Murdoch in 1966, "He's made the tectonic plates move. He has changed the perception of what you have to be to be really successful in the future of the media-entertainment business. Today ... it's all about trying to catch Rupert". All leading banks now rate News Corp. as an outstanding long term investment opportunity. The enterprise has the financial strength to carry cost-intensive and heavily loss-making preparatory periods of several years in individual sectors.

I emphasise again: the decisive criterion for News Corp. is the profitability of investments. Such values as freedom of the press or efforts to offer culturally higher grade products are meaningless. The enterprise uses every opportunity that arises and, as mentioned, would have liked to buy Turner Broadcasting. Many areas where News Corp. operates cannot be addressed here in more detail for space reasons. Thus News America FSI is one of the largest publish-

ers of promotional free-standing assets (FSIs) in the United States, producing almost 60 million inserts each week. In the book publishing field News Corp. owns HarperCollins (e.g. the Zondervan division dominates the American Bible market). The Ansett Australia airline is 50% News Corp. owned. Further engagements are in The News Technology Groups. News Datacom is a provider of pay television conditional access systems, encryption technology and subscription management systems. Already in 1993 Murdoch's BSkyB, in cooperation with National Transcommunication Ltd. had a research facility to develop digital compression systems to enable satellites to beam down 180 channels.

News Corp. has a global monitoring system which once a week (!!!) compiles a balance of planned and actually made profits and losses, sales and advertising revenues, costs of individual media and their circulation and reach. Murdoch said in 1989 about the strategy of the News Corp.: "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. ... Our company strategy is to keep the various types of media separate and operate the individual companies as profit centres." But there is also differentiation by media, i.e. television, film and books are regarded as global media, while newspapers and magazines are not. Despite that, Jessica Reif, media analyst at Merrill Lynch in New York, is correct in her assessment (Newsweek, February 12, 1996) that "Murdoch has the best distribution on a global scale".

Apart from the acquisition of loss-making newspapers and television broadcasters, sport, being attractive to the public and 'non-political', is centrally important to the success of the News Corp.. In 1992 Murdoch acquired for \$US400 million the exclusive rights to broadcast British soccer for four years. In 1993 followed the purchase for \$US1.6 billion of the rights to broadcast the National Football League (NFL) of the US, i.e. Australian born Murdoch owns the Super Bowl Football game, an American national institution. In 1994 49% of the World League of the NFL were bought. Since 1994 News Corp. has had in China the exclusive broadcasting rights of the International Badminton Federation and volleyball games for 10 years. In 1995 not only was the Rugby Super League established but television broadcasting rights also acquired for Rugby in Australia, New Zealand and South Africa.

Murdoch tries to monopolise the televising of sports. But in February 1996 he failed to secure the rights to broadcast the Olympic Games. The International Olympic Committee turned down a Murdoch offer of \$2 billion for the

broadcasting rights for five future Olympics. But the rejection was hardly out of 'higher' motives – it was simply that NBC paid more. But Murdoch is very powerful in the world of sport, "simply too powerful" in the view of Britain's former national heritage minister, David Mellor, "and the time has come to do something about it". Sport is apolitical in the sense that its dissemination is hardly likely to cause problems in states without freedom of the press. In addition to sensations, sex, crime and human interest, sport is the decisive factor of Murdoch's strategy and success. Sport appeals to viewers regardless of their level of education, age, income, etc..

Murdoch sees technology as both a chance and a danger if one misses investing in new delivery systems as they become available. "What we are saying," Newsweek (February 12, 1996) quoted him, "is, there are so many options open that we had better have options for ourselves, and that's why we cannot just confine ourselves to being newspaper publisher, or just to television. ... We have to be sure we have access to all the different delivery systems that are emerging."

5. Media giants in Latin America: Globo and Televisa

5.1 Preliminary remarks

Whereas developments in the U.S. and European media industries are observed by a broad public, hardly any attention is paid to media enterprises that have developed in so-called Third World countries whose turnovers can compare with North American and European ones. Outstanding among them are the Brazilian Organizações Globo and the Mexican Televisa S.A.. Each reported a higher 1994 gross turnover on television activities than Bertelsmann's⁴⁰ DM 1.3 billion (c. \$860,000) – Globo DM 2.1 billion (c. \$1.39 billion), Televisa DM 1.4 billion (c. \$927,000). The two giants developed in similar ways. North American money and personnel played a big part in the initial years of their growth.

If the World Bank's definition of *developing country* by Gross National Product (GNP) per capita is applied⁴¹, Mexico and Brazil have been in the upper level of the medium income category since the 90s. Brazil and Mexico are threshold countries, which means it is assumed that their own economic dynamic will gradually lift them out of the typical criteria of a developing country.

5.2 Rede Globo de Televisão

5.2.1 History and political system of Brazil

When Portuguese colonial rule ended in 1822, Brazil became a monarchy. The monarchy was removed by a military coup in 1889. Military rule shaped the first years of the republic, with corruption, uprisings, electoral farces and the like. A German historian, M. Wöhlke, argues: "There was a strange ambivalence between democratic and oligarchical forces as well as in relation to the societal system with its tangible tension between outdated agrarian structures

⁴⁰ Since then Bertelsmann has become a major television player in Europe through its 1996 merger with Compagnie Luxembourgeoise de Télédiffusion (CLT). See p. 98.

⁴¹ In 1991 the categories were low per capita income (up to \$US 635 a year), medium per capita income (\$636 to \$7,909 a year), which in turn is subdivided into a lower income category (\$636 to \$2,555) and a higher income category (\$2,556 to \$7,910), and high income (\$7,911 and more) (cf. World Bank 1993).

and the rising urban-industrial civilisation.” (Wöhlke 1985.) This first phase of Brazilian democracy ended in 1930 with the takeover by Getúlio Vargas. He pursued a nationalistic policy, first as dictator (1930-1945), then as President (1951-1954).

Under his successor Kubitschek (1955-1960) there was an initial economic upswing, the first Brazilian economic miracle, followed a few years later by a recession that generated great social tension. His successors Quadros and Goulart could not solve the problems that had arisen under Kubitschek so that given the failure of the politicians the military coup of 1964 seemed almost inevitable. In the ensuing years the military attempted to ram through the “Brazilian development model” at any price, i.e. even against the will of the population. Human rights abuses were routine under that military regime which lasted into the mid 80s. At first there was strong economic growth, but it had to be paid for with rising inflation and high foreign debt. The country was heading for an economic crisis, expressed in the late 80s by the highest foreign debt of a developing country (more than \$100 billion) and inflation of more than 2,000% in 1987. In 1985 power was again transferred to a civilian government because of the incompetence of the military. A new constitution was adopted in 1988. In 1990 Fernando Collor do Mello took over a country with a devastated economy, his election being massively supported by TV Globo. Roberto Marinho, the owner of Globo, backed Collor with the following order: “I want nothing to air that could hurt this boy’s image!”

Brazil is now a federal republic of 22 states, four territories and the federal district around the capital, Brasília. The head of the executive is the State President who has very great powers. He is head of state, head of government and supreme commander of the armed forces all in one. The president is elected directly by the people every five years and is not eligible for immediate re-election. In the early 90s Brazil had a population of about 150 million. More than three quarters (77.3% in 1992) live in towns. The standard of education is relatively low. The literacy rate was given as around 80% in the 90s but in reality substantially fewer people can read.

5.2.2 The legal framework for media activities in Brazil

The legal regulations for mass media in Brazil are laid down by a *Telecommunication Act* and by the *Constitution of 1988*. Article 220 of the constitution states that neither the freedom of opinion, nor the freedom of education, speech and information may be restricted in any way. The prerequisite is that exercising these rights is in conformity with the Constitution of 1988

(cf. Wilke 1992). Paragraph 2 of this article stipulates a ban on censorship. Paragraph 5 forbids the direct and indirect monopolisation of societal communication means. Article 221 lays down principles that must be observed in programme planning. Preference is to be given to enlightening, artistic, cultural or informative broadcasts. Own productions are given higher priority than foreign ones. Production is to be regionalised and the ethical and social values of the individual and the family to be respected. Article 222 lays down that media enterprises may be owned only by native Brazilians or people who have been naturalised citizens for more than 10 years. Article 223 regulates the granting of licences by the executive. Concessions and permits for television stations are given for only 15 years at a time and have to be renewed at the discretion of the executive. Practically all television is commercial and has to make its income from advertising. There are no viewer fees. Stations are allowed to air advertising a quarter of the time.

Although freedom of opinion is guaranteed by the constitution, reality is often different. Antiquated legal regulations (Press Act) and the lack of a democratic culture cause discrepancies between the constitution and everyday reality, which is also partly due to a concentration of economic power. Especially the example of the newly regulated granting of radio and TV concessions shows the gap between aims and reality of the constitution. Although the constitution is to prevent arbitrariness, in practice favours continue to be rewarded and political support bought by concessions.

5.2.3 Launch and development of TV Globo

The origins of the present media enterprise Organizacoes Globo lie in a press publishing house of Roberto Marinho (born 1905) whose centrepiece was the newspaper O Globo started in 1923. With the launch of TV Globo in 1962 Marinho’s main interest shifted to the electronic media. TV Globo went to air on 26 April 1965.

TV Globo was not the first Brazilian broadcaster. The start was made by Assis Chateaubriand with TV Tupi Difusora on 18 September 1950. Until TV Globo was launched TV Tupi was followed by a number of local broadcasters, i.e. when television began in Brazil there was lively competition. But most of the broadcasters from that time did not survive the 60s. The high cost of receivers, moreover, caused the business community to regard the medium’s reach as too low to make advertising worthwhile (cf. Wilke 1992, 218 f.).

When TV Globo went to air it faced the problem of very little notice being taken of it because of the already well established rivals, TV Tupi and TV Rio. In that situation Globo tried to appeal to viewers' emotions. Floods in Rio de Janeiro in 1966 were used to emphasise the station's "humane soul". In addition to the coverage from the location, relief was organised for the victims. The station buildings were partly turned into collection depots for blankets and food donations.

In its founding phase TV Globo was able to draw on the knowhow and funds of the TIME publishing group which in the early 60s owned periodicals and newspapers as well as five TV stations in the USA. Shortly after the TV Globo launch a joint venture agreement was entered on 24 July 1962. In addition to financial support the U.S. enterprise also provided technical and personnel knowhow, enabling TV Globo to gain a decisive lead over its competitors (cf. Meyer-Stamer 1986, 675; Grosse-Kracht 1992a, 249ff). This included support in marketing and public relations work as well as training in the USA for Brazilian personnel and the assignment of TIME-Life personnel to Brazil. TV Globo was to pay for all this with 30% of its profits. From 1962 to 1966 TV Globo received more than \$5 million financial support. Neither a repayment modus nor the interest due appear to have been agreed, at least nothing has become public knowledge about this. Hermann-Josef Grosse-Kracht writes (1992a, p. 252): "The contracts with TIME-Life were not only technical and administrative aid for building up TV Globo, but on balance also brought in longterm, interest-free loans."

Because participation of foreign capital in ownership, management and content concepts were forbidden in Brazil under the 1945 constitution and the 1962 Telecommunication Act, the link with TIME was kept secret to begin with. Although after they became known a commission ruled the contracts to be illegal on 22 August 1966 the cooperation was continued until 1968.

In addition to TV Globo there are three other major television enterprises in Brazil:

- Sistema Brasileiro de Televisao (SBT), owned by the former entertainer, Silvio Santos,
- TV Bandeirantes, owned by the Saad family and
- TV Manchete, owned by the Bloch family which, similarly to Roberto Marinho, had already been successful in the press sector in the 50s (cf. Wilke 1992, 126).

Apart from that, there are also a number of independent television stations and one statal education channel, but none of these have national reach. Only TV Globo delivers its programming throughout Brazil. In 1992 it had a market share of 62% (compared with Sistema Brasileiro's approximately 20%), reaching 21 million households.

An opinion survey returned 80% of Brazilians questioned seeing TV Globo as "the most powerful institution in the country, ahead of church, president, parliament and judiciary" (Wilke 1992, 125). Many Brazilians are convinced no-one can be elected President if Globo owner Roberto Marinho does not want him to be.

5.2.4 The weight of television in Brazil and the role of the military

Television really began to grow in the 60s, driven primarily by the military government. Promotion of television became part of an all-encompassing telecommunication policy. A framework of legislation and authorities to monitor its implementation and the realisation of political objectives were put in place. "Widely unregulated in the initial years, television came increasingly under authoritarian rule" (Wilke 1992, 119). In the 70s and 80s followed Globo's fast expansion. In 1971 TV Globo was already airing nine of the 10 television programmes in Rio de Janeiro (cf. Füllgraf 1990, p. 73). The launching of a chain increased the number of affiliated stations from six in 1973 to 36 in 1983. The way was clear for country-wide delivery.

The protection of the military was of decisive importance to Globo. The reason for the favouritism was the support given the military by the O Globo newspaper during the 1964 coup. The coup was depicted as an important step to maintenance of law and order, the creation of a progressive, Western civilisation and preservation of Christian religion (Grosse-Kracht 1992a, 253). In times of political unrest the television station presented to its viewers a world view that all was well. Military dictator, General Emilio Garrastazu Médici (1970-1974) stated the essence on 22 March 1973 (Füllgraf 1990, 72): "I feel happy, every night, when I turn on the TV to watch the news. While the news tells of strikes, agitation, assassination attempts and conflicts in several parts of the world, Brazil marches in peace, on its road to development. It is as if I took a tranquillizer after a day's work."

The Brazilian military regarded the mass media, especially television, as an important instrument for national development. They promoted television in the mid 60s because in their view a national identity missing up to then was

needed for national security. Government plans aimed at unification of the nation, maintenance of national security and assertion of development plans. Another factor was that up to the mid 60s television, like radio, was tailored to regional tastes. TV Globo permanently changed this strategy by moving from Sao Paulo to Rio de Janeiro. The new Globo strategy of airing pan-Brazilian programming was in line with the plans of the military to achieve national integration.

The influence of television in Brazil is much greater than that of any other mass media. One reason is the still high rate of illiteracy; some 30 million of the 160 million Brazilians cannot read or write. For them television is the only window on the world, so to speak. In Brazil television reaches all parts of the population; even most of the poorest have a set: "Whereas in 1980 only 37.8% of urban households were connected to public sanitation systems, 73.1% already had private television receivers" (Grosse-Kracht 1992b, 322). In many rural areas it is usual for a generator-powered receiver, accessible to everyone, to be set up in a central village square in the evening. This form of "public television viewing" is called *teleposto* (cf. Grosse-Kracht 1992b, 343).

Nationally viewed television programming is an important factor in Brazil's cultural and political integration. Jürgen Wilke writes (1992, 118): "In the heterogeneous Brazilian society only television is able to deliver a joint stock of political knowledge and cultural experiences." The integrating effect of TV Globo may already be shown by satellite transmission creating a uniform Brazilian feeling of time, be it through newscasts or telenovelas. A strong integrating effect was created for the first time by the broadcasting of the soccer World Cup competition from Mexico in 1970, which Brazil won. Karin KnöbelSPIES (1993, 14) writes tellingly: "The feet of Pele and company jolted the country into a gigantic collective celebration. National unity through the visual medium began to be born together with the decade by means of a kick. Brazil was great and victorious."

Broadcasting policy in Brazil has always been a symbiosis between media entrepreneurs and government representatives. Within the framework of that policy broadcasting concessions and import licences were given which due to the imprecise formulation of broadcasting law leave the politically and economically powerful wide scope to interpret and act.

5.2.5 The company structure

Rede Globo de Televisao started broadcasting in 1965. Now Latin America's largest network reaches all Brazilian viewers. From 1965 to 1996 the Organizações Globo, headquartered in Rio de Janeiro, grew into a media enterprise that need not shrink from international comparison. In 1994 Globo came 11th in the world television turnover, with DM 2.1 billion (c. \$1.32 billion). Globo is Brazil's largest media enterprise, comprising the following in addition to Rede Globo de Televisao (TV Globo):

- *O Globo* is the second largest supraregional daily newspaper and origin of the present conglomerate; in 1992 the paper had a daily print run of 300,000 and a weekend edition of 550,000.
- *Sistema Globo de Rádio* is a linkup of 23 own and 58 affiliated radio stations reaching 45 million listeners.
- *Sigla* is a record company which, among other things, markets the film music of the self-produced telenovelas.
- *Globovideo* produces and distributes home video cassettes, inter alia in form of compilations of successful telenovelas and mini series.
- *Globosat* comprises four category channels: Globosat News TV, Top Sport, Telecine and Multishow.
- *Agência Globo de Notícias* is a house-owned news agency selling news and information to other mass media in the country.
- *Editora Rio Gráfica* and *Editora Globo do Sul* are publishing houses producing and distributing periodicals, books and penny-dreadfuls, many of them based on successful telenovelas.
- *Televisao Por Assinatura (TVA)* is one of the newer entrepreneurial areas of Marinhos, providing Pay-TV.
- *Globo Computacao Grafica (GCG)* develops new techniques for producing advertising spots.
- *Fundacao Roberto Marinho* is a non-profit cultural foundation which, for example, has produced 400 educational programmes for the government (status 1992), which are supported by course units in Globo periodicals and aim to raise literacy.

Globo also holds stock in food and cosmetic enterprises, real estate agencies and many other firms. Abroad the Globo group holds 49% of Telemontecarlo and 15% of the newly launched Portuguese TV station SIC. Coordination of the different sections of the group is done by Coma-Holding (Companhias Marinho).

5.2.6 Globo and commercialism I: telenovelas

The Marinho entrepreneurial philosophy is purely commercial. The product is the broadcast that he sells. The viewers are both consumers and capital because high switch-on ratings guarantee high advertising revenues. In Brazil the TV Globo novela evening begins at 6 p.m.. There are then five hours available for various series (cf. Armbruster 1986, 334f):

- *Films based on literature*,
- *regional telenovelas*, running outside Rio de Janeiro and Sao Paulo,
- *Telechanadas*, a form of “Crazy Comedy”,
- *Grandnovelas (Novelaos)*, aired after the 8 p.m. news,
- *Late novelas*, mostly in the form of opulent films based on literature.

In addition to their functions to entertain and advertise products, as well as occasionally carrying messages relevant to development, the telenovelas also have an integrating effect inasmuch as they drive the assertion of Portuguese as the national language. But the main focus of telenovela production is on stimulating consumption in the form of product advertising. Brazilian advertising is seen in expert circles as especially creative and witty. The importance of advertising is already shown by the fact that the advertising department is closely involved in the production of the telenovelas. The moments of high tension before the advertising breaks are determined in consultation with the department. Mostly there are three breaks of two to five minutes duration per novela. The maximum allowed is 15 minutes advertising per hour of TV programming.

Because of its huge reach television has become the major advertising medium in Brazil. In 1989 60% of the Brazilian economy's advertising budget (\$1.78 billion) went into television; there is, of course, not only advertising with the telenovelas, but also with other programming. In some partial markets there was even clearly more than that percentage. The share of television advertising for clothing was 89%, for food 88%, for perfumes and health 80% and for drinks 78%. According to Wilke, Rede Globo in 1988 attracted 65% of all Brazilian expenditure on television advertising (cf. Wilke 1992, 125); other sources put its share as high as 80%.

The telenovelas offer the opportunity of narrative-immanent advertising, i.e. product placement. This means deliberate involvement of a trade mark product in the dramaturgy of a film at a place where a product of this kind is meant to be, though not necessarily this very one. Globo launched a sales

agency, “Apolo de Comunicacoes”, which looks for favourable links between the plots of series stories and certain products. Generally the product is integrated in the plot. That not only raises the credibility of using the product but it also reaches people who do not watch the actual advertising blocks. The product placement practised in Brazil not only advertises products that fit smoothly into the plot. Claudius Armbruster (1986, 341) gives the following example: “A director might be ordered to move the focus of the camera during a kiss from the lips of the lovers to the feet of the girl because a manufacturer wants to advertise a new model of beach sandals.”

Omar Souki Oliveira (1993, 125f) likens the Brazilian telenovelas to a bazaar. “Everything within sight is for sale. The couch where the characters sit, the suits they wear, the scotch they drink, the paintings on the walls, lighting fixtures, carpets, lamps, and so on, all are being advertised.” International firms like Levi Strauss, General Motors, Volkswagen and Coca Cola and national banks and enterprises use this advertising strategy. Sometimes the product placement within a telenovela becomes a plot-carrying factor. An example of this was the advertising campaign for a brand of panties in the telenovela *Roque Santeiro*. The sexy advertising for the brand was first presented within the story so that viewers could follow on the screen how liberal and less liberal folk argued about the billboards being used. A week later the billboards were really put up in Brazilian towns. Armbruster writes (1986, 342): “The derealisation of reality often warned about by critics of the telenovela and the simultaneous realistic transformation of fiction reach an ambivalent high point here.” Joseph D. Straubhaar (1991, 48) reports that between 1983 and 1990 Globo ran advertising in telenovelas for a big Brazilian bank, the Banco Itaú: “In the Telenovela *Tieta* in 1989-90, a modern and colorful branch of Banco Itaú was frequently shown in the middle of a small, rather traditional northeast Brazilian town. The series showed the bank branch opening, characters doing frequent business and using credit cards etc..”

The advertising business with the telenovelas is profitable although only about 20% of the viewers reached could actually afford the products being advertised. Twenty percent of 160 million Brazilian inhabitants still comprise a market like Canada or Scandinavia. An essential characteristic of the telenovelas produced by TV Globo is that they come into being in constant interaction with viewers. The telenovela is an open-ended work without topics being firmly laid down (apart from the product placement). Opinion research institutes follow the resonance of the telenovela. Usually, three weeks after the telenovela starts discussion begins in groups representative of the mega cities Rio and Sao Paulo. In line with the upshot of these discussions and the findings

of the opinion polls the plots are devised. TV Globo and other Brazilian broadcasters already react to newest switch-on ratings while the programme is still airing. Without delay the Ibope polling institute passes the data to the broadcasters. This has changed live programming. On Sunday afternoon there is a four-hour family show, *Domingo*, on the rival SBT. If the ratings rise during a show act (women dancers rhythmically circling their lower bodies over beer bottles are popular), the number is repeated or extended. If the ratings drop, the act is shortened. The television consumption in 630 households of all social strata in Sao Paulo, assumed to be representative of the city's 17 million inhabitants, is monitored. Sex and animals have been found to raise the ratings.

Telenovelas are also a major export item. In the early 90s TV Globo exported to 128 countries (cf. Knöbelspiess 1993, 11). But compared with the market potential of Televisa, TV Globo's export potential for undubbed films is small, because of the approximately 200 million Portuguese speaking people most live in Brazil. Apart from Portugal, the other five countries where at least some people speak Portuguese – Angola, Mozambique, Guinea-Bissau, Cape Verde Islands, Sao Tomé and Príncipe – are not very interesting markets. Portugal and Italy are the biggest European importers. The first telenovela aired in Portugal in 1975. The genre is very popular in the country. Grosse-Kracht (1992b, 338) goes so far as to say that "Brazilian telenovelas regularly trigger national manias in Portugal". The statal telephone company reports that while telenovelas are on the air there is a regular dropoff in telephone traffic. In 1988 the novela *Roque Santeiro* achieved a record switch-on rating of 92%. Portuguese politicians are already complaining about the cultural imperialism of their former colony. The high ratings are causing "Brazilianisms" to assert themselves in everyday speech. The telenovela exports to Portugal are especially important to TV Globo because they do not need to be dubbed and the products have already completely recouped their costs by the time they are exported. Brazilian telenovelas have been aired in Italy since 1981, in France since 1985 and in Germany since 1986. In Germany *The Slave Isaura* was a big hit with viewers. Meanwhile Holland, Switzerland, Sweden and Ireland have become Globo customers. Considerable success was also scored already in the 80s in Poland, the Soviet Union and China.

Gabriele and *The Slave Isaura* are ranked with Brazil's most successful exports. The latter, aired in 30 countries, tells the story of a light-skinned woman plantation slave characterised by special nobility of character, diligence and virtue. In the end she gains her freedom and marries the handsome son of the neigh-

bouring fazenda. Oliveira (1993, 119) writes: "In China, *Escarva Isaura* captured an estimated audience of 450 million viewers. The identification the Chinese had with the slave girl, played by Lucelia Santos, was so remarkable that, when the actress went to China in 1985, more than five thousand people went to Beijing's international airport to welcome her." *Escarva Isaura* was also a big success in Cuba; Castro is said to have refused to attend meetings while it aired (cf. Grosse-Kracht 1992b, 338; Oliveira 1993, 118).

Globo is finding it harder to penetrate the USA because there Televisa has a competitive edge. Globo tried to get a foot in the door in North America in the 80s. Production studios were set up in Rio de Janeiro which were to concentrate on English-language telenovelas. It was perceived as the only way to get into that market because on the one hand Americans do not like dubbed programmes and on the other hand the Spanish-language market was already dominated by Televisa. Since this attempt is no longer mentioned in later depictions of Globo exports it has to be assumed that the project did not come to much.

5.2.7 Globo and commercialism II: marketing

The success of the Latin American media giants was largely driven by new marketing and entrepreneurial strategies in which Globo has been a trailblazer. To begin with TV Globo marketed its programmes in a push strategy. In marketing this strategy of sales promotion is defined as follows: "A push strategy means that with the aid of one's own distribution organisation and trade-oriented sales promotion a product is, as it were, pushed through the distribution system" (Kotler and Bliemel 1995, 946). It means that the manufacturer turns primarily to the wholesaler, not the end consumer. Related to the Brazilian media market, push strategy means that in shaping its series TV Globo primarily aimed to meet the needs of the advertising customers (Hackenberg 1989, 157, 161):

Broadcaster====>Advertising customer====>Viewer

First the price and placement of the advertising was agreed with the sponsors. Disagreements with the advertisers could lead at any time to their changing to rival broadcasters. This strong advertiser position without doubt curbed the programme making freedom. Thus the creative professionals were contractually bound to these enterprises, respectively their advertising agencies, within the framework of this strategy. From 1971 Rede Globo developed a new marketing strategy with the help of the opinion researcher (and former diplo-

mat), Homero Icaza Sánchez. Instead of the push strategy, a pull strategy was now used, that is the recipients moved into the centre of the activities:

Broadcaster====>Viewer====>Advertising customer

The orientation to the viewer as end consumer aims to create a "demand pull". This is achieved by investing in consumer-targeted sales promotion, i.e. in this case by producing attractive programming. The increased demand for certain programming increases reach and makes this programming a more attractive advertising medium. The advertisers become air slot tenants, respectively purchasers, because it is no longer the programming as such that is sold, but the switch-on ratings. No individual prices are negotiated with the advertisers any more, but certain rates are offered for air time packages. For the media enterprise this means that it can also sell less popular advertising time (cf. Füllgraf 1990, 73).

Switch-on data is no longer collected after a broadcast; one tries to programme it in advance with the aid of the group discussions mentioned earlier. Continuous series are planned in line with viewer interest. Involving the public in series planning proved very successful. Thus TV Globo achieved one of the highest ratings in Brazilian television history with the telenovela *Vale Tudo* (cf. Füllgraf 1990, p. 73f.). Five versions with different endings were pre-produced. In a large-scale campaign viewers were then able to tip how the story would end. Viewer interest was considerably heightened this way.

5.3 Grupo Televisa S. A.: giant from Mexico

5.3.1 History and political system of Mexico

Mexico was shaped by Spanish colonialism for almost 300 years, from 1519 to 1821. From 1810 to 1821 an independence movement fought against Spain. Independence was declared in 1821, the United States of Mexico in 1824. Texas declared itself independent in 1836. The Mexican-North American war took place in 1846/47. Benito Juárez was in power from 1858 to 1872. He nationalised the vast property of the church and did away with all its privileges. This caused civil war between clericals and liberals and intervention by British, Spanish and French troops. At the instigation of Napoleon III, the Austrian archduke Maximilian was declared emperor of Mexico but shot dead on 19 June 1867 after the French withdrew. The dictator Porfirio Díaz held political power from 1876 until the revolution of 1911. The Mexican revolu-

tion continued until 1917. A new constitution and the foundation of the *Partido Nacional Revolucionario* followed. The party aimed to unite the country's political forces, laying the foundation for what is still Mexico's most powerful party, the *Partido Revolucionario Institucional (PRI)*. Although a democratisation process has set in in recent years, the PRI still dominates politics.

According to the 1917 constitution, Mexico is a federal republic whose form of government is oriented to the presidential democracy. The president is elected for six years and re-election is not possible. The president, who has been from the PRI since 1928, has almost limitless powers. Since the 70s oil has been of central importance to the Mexican economy, which crashed massively in the early 80s, however. The distribution of income in the country has become ever more unequal by a new economic policy.⁴² Whereas average annual Mexican inflation ran at around 65% in the 80s, it was brought down to 15.5% by 1992. The 1992 per capita income was \$3,470. The big spread of income has to be taken into account. In 1994 the economic situation again deteriorated drastically. Falling central bank reserves and a balance of payments deficit of \$28 billion led to a 15% devaluation of the Mexican currency vis a vis the dollar on 20 December 1994. A day later the Peso was floated totally and lost another 20 to 30% of its value.

At the start of the 90s Mexico had a population of about 85 million, more than 70% of whom lived in urban areas. Mexican society is very young on average and comprises mostly people of mixed blood. Mexico is the biggest Spanish-speaking country, which is of great importance to the international expansion of Televisa.

5.3.2 The legal framework for media activities in Mexico

Similarly to Brazil, the legal foundations of the Mexican media are provided by the *constitution*. Freedom of opinion is provided by Article 7 and is inviolable. It is restricted by respect for privacy, morality and public peace (cf. Bohmann 1986, 170f.). This formulation leaves any government scope to restrict freedom of opinion in reality. According to Article 4 of the repeatedly modified *Federal Radio and Television Broadcasting Act* of 1960 the state must protect and oversee radio and television because these are activities of public interest. Article 5 defines the tasks of radio. They include in addition

⁴² Gerold Schmidt (1995, p. 42) writes: "Thus it can be explained that the fortune of several billion dollars of Carlos Slim, Mexico's richest man, is greater than the joint annual income of more than 17 million of the poorest Mexicans."

to national integration and improving living conditions, activities to promote education. Article 59 stipulates that up to 30 minutes of programming should be available daily for educational, cultural and societal themes (cf. Longin 1994; Schleicher 1994, 66ff.).

Radio is commercial in Mexico. Concessions are given either to individuals or stock companies. They are granted for a maximum of 30 years and have to be renewed thereafter. The only income of the private radio stations is from advertising. According to Article 41 of the *Ordinance on the Federal Radio and Television Broadcasting Act* of 1973 there has to be a careful balance between advertising and total programming to ensure natural narrative and dramaturgical continuity (Bohmann 1986, 168f). A maximum of six spots per hour up to a length of one and a half minutes each can be broadcast. In other broadcasts up to 10 spots per hour are permitted. But Article 43, for reasons of the general interest, allows a temporary increase in the advertising times. Since these reasons are not defined any more precisely, the door is open to expansion of advertising time at will. This exceptional regulation is in harmony with the Ordinance's also listing economic development of the country with the tasks of radio in addition to information, education, culture and entertainment. It is emphasised that advertising can stimulate consumption of national goods and services. *Article 10* lays down that there has to be an adequate balance between Mexican and foreign productions. This balance is defined more closely in Article 34, which stipulates that 30% of daily transmission has to comprise national programming (cf. Schleicher 1994, 98ff). As already suggested, the ordinance on the federal radio and television broadcasting act of 1973 and the 1960 radio broadcasting act are imprecisely formulated, leaving wide scope for interpretation.

5.2.3 Launch and development of Televisa

The origins of Mexican television lie in the 50s. After a commission convened by the president cleared the way for commercial television against public television, three concessions were granted to begin with. The owners of Mexico's first television channels were families (O'Farril, Azcárraga and Camarena) already successful in radio (cf. Meyer-Stamer 1986, 673). The three private channels merged in 1955 because of financial difficulties to form the chain Telesistema Mexicano (TSM). The most influential stockholder in the new company was Emilio Azcárraga, who bought Camarena's TSM holding and with that owned 55% of the Telesistema stock (Schleicher 1994, 59). Advertising spots were sold and the interest of U.S. advertising agencies increased. The monopoly-like position of TSM enabled it to charge relatively

high prices for the advertising spots. Additional transmitters were erected in rural areas so that the potential audience and hence the advertising attractiveness grew (cf. Meyer-Stamer 1985, 673). Ingrid Schleicher (1994, p. 64) writes: "It was Telesistema's aim to build up a television chain that would air countrywide the programming of one of the capital city channels. In the national expansion the concessionaires were yet again supported by the state."

In the subsequent years followed a state channel, primarily addressing the areas of education and culture stipulated by broadcasting law, and more private networks. These were *Televisión Independiente de México S. A. (TIM)*, *Telecadena Mexicana S.A.* and *Channel 13*, which were not particularly successful, however (cf. Bohmann 1986, 105f.). The state bought Channel 13 in 1972. Telecadena Mexicana was taken over by TIM. In January 1973 the two TV chains of TSM and TIM became the media enterprise *Televisión Via Satélite S. A. (Televisa)*. After Pemex (Petróleos Mexicanos) Televisa is Mexico's second largest enterprise. The reason given for the merger was coordination of programming and hence improvement of supply in form of a balance between entertainment, culture and education (cf. Ingrid Schleicher 1994, p. 107). Christine Longin (1994, 292) writes: "Televisa has since then dominated Mexican television. The only alternative provider is the state whose influence has fallen further under President Carlos Salinas de Gortari."

Televisa is a stock company whose shares have shifted several times since its launch between certain families. Up to 1990 the stock was distributed between the Azcárraga, Alemán and O'Farril families (cf. Longin 1994, 301; Molina 1991, 238). At the start of 1991 Miguel Alemán Velasco and Rómulo O'Farril sold up their holdings, saying they wanted to do something different. The departure of these longstanding stockholders prompted a restructuring of the enterprise. There was now 41% of the stock available for internal sale. As a result of the redistribution the Azcárraga family now holds just under 81% of it. Most of the rest was distributed among the Alemán family (11.39%) and two sons of the Canedo White family, longterm employees of Televisa. Another finance crisis of the enterprise in 1991 led to another redistribution of holdings. The owners decided to offer Televisa shares on stock markets in Mexico, Europe and the USA. To that end every stockholder ceded 20% of his holdings. That left the Azcárraga family, still holding just under 65% of the stock, in control of the enterprise (cf. Schleicher 1994, p. 253 ff.).

5.3.4 The weight of television in Mexico

There was competition on the Mexican television market only between 1970 and 1973. Since 1973 Televisa has dominated the Mexican TV landscape. Channel 2 is regarded as the leading and most popular channel, received by 96% of households (Schleicher 1994, p. 208). The stations not linked to Televisa belong to the estatal Imevisión, which is now the only but anything but a dangerous "competitor". The reasons for this have always been underfunding and unattractive programming of the estatal stations, trying to do justice to their legally prescribed task primarily with education programmes (Longin 1994, p. 296ff.). Another competitor came into the picture during the presidency of Salinas de Gortari with the sale of the state channels 7 and 13. Merged as *Televisión Azteca*, the two channels were sold as part of a package also including 420 cinemas and the América film studios to Radiotelevisora del Centro. This group, too, like Televisa, is committed to the PRI governing party (Schleicher (1994, p. 268ff.). Schleicher (1994, 274) argues that "the state was never really interested in offering an alternative to the television model developed by Televisa and its forerunners". On the symbiotic relationship between PRI and Televisa Christine Longin (1994, p. 308) writes: "The two strongest power centres of Mexico, PRI and Televisa, have not only allied themselves but support one another. The government needs positive reporting in the broadcast media, *Televisa* needs the goodwill of the government...to be able to expand its enterprise further."

The long-governing Partido Revolucionario Institucional – its very name is a contradiction in terms – is supported by Televisa in election campaigning, for example. No exposure, or very little, is given to opposition parties. The government in return shows its goodwill when licences are to be issued, for example. Emilio Azcárraga is a member of the PRI and described his relationship to it as follows (quoted in Schleicher 1991, 6): "We are of the PRI, member of the PRI, have always been of the PRI; we believe in no other formula. And as a member of our party we will do everything to make our candidate win. That is only natural." Correspondingly, in its main newscast, 24 Horas, Televisa gave about 70% of its election campaign coverage to the PRI candidate, Salinas de Gortari. Estatal Imevisión gave him almost 90% of its coverage. Gortari won the election. In addition to the imbalanced coverage, a lot of negative reports about members of the opposition were disseminated. The interplay between Televisa and the government is also shown, for example, by the concessions for Televisa being renewed a year after Gortari's election without being thrown open for tender (Schleicher 1991, 6).

Televisa's forerunners Telesistema and TIM were already skilful negotiators with the presidents of their day. They emerged the winners from two conflicts between the commercial broadcast providers and the state in 1969 and 1971/1972. In 1968 President Díaz Ordaz demanded a law that would have taxed concessionaire radio and television enterprises. The tax was to have been 25% of gross revenues. The concessionaires were offered the alternative of depositing 49% of their stock with a national credit institution and thereby pass the voting rights of almost half their holdings to other hands. Good contacts of the concessionaires to the governing party brought about a compromise favourable to the enterprises. The concessionaires were given the possibility of paying off their tax arrears by ceding to the state 12.5% of their daily broadcast time. The fact that the state was not even able to fill with programming the 30 minutes it was already entitled to before this law was enacted enabled the concessionaires to come out of this conflict without financial loss (Schleicher 1994, p. 85ff).

The second conflict in the early 70s arose from the criticism that radio and television were neglecting cultural and educational aspects. President Echeverría was even bent on nationalising broadcasting – a hopeless intention. Efforts to change media policy so that the 12.5% of air time due to the state were actually used also came to nothing. However, the technical infrastructure was put in place to disseminate television to rural areas as well. At the end of the day it was again the commercial providers who gained because the state was unable to fill the time due to it with programming but the reach of the commercial television stations was increased.

The predecessors of Televisa countered critical voices demanding fulfilment of the educational task of television with public relations campaigns. They were able to improve their image vis a vis the public and the state (cf. Schleicher 1994, p. 89ff.). They managed to portray themselves as entrepreneurs in the service of the public, that was not better supplied because that was what it wanted and it was impossible to do for financial reasons, anyway. To improve their reputation, which was then suffering greatly from accusations of yellow journalism and the dissemination of violent programmes, the concessionaires ran spots in July 1972 aimed at winning back and securing the favour of the public and the government (Schleicher 1994, 93f): "Radio and television are part of the social, industrial and commercial progress of Mexico. They convey business news" (i.e. advertising spots) "that sell Mexican products and create Mexican jobs." "Radio and television cooperate with the administration and support public order by carrying the voice of the government to all parts of the country."

As in Brazil, the initial phase of Mexican television was strongly US-influenced. Channel 4, owned by the O'Farril family and going to air in 1950, had a production and marketing director who had come from NBC. Telesistema Mexicano also cooperated for a time in its initial phase with a North American TV giant, the ABC. In 1960 Telesistema and other TV enterprises owned by the Azcárraga and O'Farril families, launched the Teleprogramas de Acapulco company together with ABC. Its task was programme production. Primarily that meant telenovelas to be aired not only in Mexico but also to be exported to Central and South America and the USA.

The Inter Press Service (IPS) news agency reported on 19 December 1995 that in the meantime private media entrepreneurs in Mexico have joined together to break the monopoly of the TV giant Televisa. The stake is advertising revenue of about \$100 million. The spokesman of the MEDCOM association of entrepreneurs, Javier Madragon, said the time had come to break Televisa's dominance. MEDCOM owns a substantial radio network and now wants to move into television as well.

5.3.5 The structure of the enterprise

The Grupo Televisa Mexico in 1994 made a gross turnover of almost \$ 1 billion, putting it in 13th place worldwide. Televisa has four channels, each specialised in and aimed at certain areas or target groups. *Channel 2* airs nationwide programmes produced within the country. These include telenovelas, sportscasts and shows. It is aimed primarily at the new middle class. *Channel 4* is aimed at viewers in Mexico City. Although its programme structure is similar to *Channel 2*'s, its advertising is locally based, whereas *Channel 2* prefers advertising by foreign and big national firms. *Channel 4* also carries mainly foreign series and feature films. In 1991 all feature films and 70% of the series were foreign. *Channel 5* specialises in airing imported programmes in the Mexico City region and the central and northern provinces. Until 1983 *Channel 8* also aired mostly imported programming. But it was finally turned into an education and culture channel. It is operated in cooperation with the national university. Because this channel no longer generates income from advertising, it was compensated by advertising prices being raised for the other channels. *Channel 9*, "El Canal de la Familia Mexicana", reaches the capital, Mexico City, and its surroundings (Schleicher 1994, 145ff.). Although in 1991 Televisa announced it would change the programme structure, Schleicher 1994, 181) suggests that "it took place on paper more than it did in reality".

The history of the company structure of Televisa is fairly complex. Already in 1960 Emilio Azcárraga, then president of Telesistema, began activities in

the USA (cf. Schleicher 1994, p. 222ff.): The Spanish International Broadcasting Corporation (SIBC-Texas) and the Spanish International Broadcasting Company (SIBC-Los Angeles) were launched, merging later into the Spanish International Communications Corporation (SICC). In 1961 the Spanish International Network (SIN) was launched, developing into the fourth largest network of the USA and reaching about 80% of its Spanish-speaking population. Two thirds of Televisa's Channel 2 programming was delivered to SIN. In 1975 Azcárraga sold the 75% of SIN he owned to Televisa. In 1986 the concessions for 13 TV stations belonging to SIN and SICC were not extended. The reason was the regulation banning foreigners from owning more than 20% of the stock of U.S. electronic media.

Televisa also operates channels in cable TV with the firm Cablevisión launched for the purpose. The Univisa subsidiary represents Televisa's interests in the USA (Longin 1994, p. 294f). Univisión was also launched, tasked with "exporting programming to the USA and Spanish-speaking foreign countries by a microwave transmission net and satellite" (Schleicher 1994, p. 226). Galavisión was a further subsidiary of SIN, responsible for disseminating Mexican programming in the USA and Europe.

In addition to television Televisa is also active in other fields, but exact information is hard to come by. For example, Televisa owns the radio chain Sistema Radiópolis and 25% of Cadena Iberica, a radio network in Spain. Fonovisa is a record company belonging to the enterprise. There are close personal ties to the radio chain Organización Radio Fórmula, whose majority stock holder is Rogelio Azcárraga, a cousin of Emilio Azcárraga. Televisa also owns:

- *Videovisión* and *Videocentro*, chains of video shops;
- *Videovisa*, which sells and replicates video films;
- *Viditrón*, producer of video cassettes and video recorders;
- *Televisión*, *Dibujos Mexicanos* and *Televisión*, producers of cinema films;
- *Fundación Cultural Televisa*, a culture foundation;
- *Discos y Cintas Melody*, *Discos América* and *Musivisa*, representing the enterprise on the sound media market;
- *Empresa de Comunicaciones Orbitales (ECO)*, a news agency based in Los Angeles.

Televisa also holds concessions for 10 radio stations. It holds 76% of the Compañía Peruana de Radiodifusión in Peru, in Chile it is 49% of the Red Televisiva Megavisión. Televisa holds 40% of Discovery Latin America. There is a cooperation agreement with the Argentinean TV station AIC on pro-

gramming exchange and joint productions. Shares are held in Canal Montecarlo in Uruguay and Venevisión in Venezuela. Televisa is also the leader in the Latin American market in the dubbing of U.S. feature films and television series. It has 15 dubbing studios producing around 200 hours a month for its own needs and clients (Schleicher 1994, p. 252). Because of its leading role in dubbing U.S. films and series, Televisa may be contributing to a standardisation of Spanish in the Latin American countries (Meyer-Stamer 1986, 677).

Since 1992 Televisa has held 50% of the PanAmSat satellite network, which cost \$200 million at the time. The PAS-1 (PAS=PanAmSat) started operating in 1988 and covers South America. Also in 1988 followed PAS-2, which reaches from Los Angeles to China. PAS-3 complemented the function of PAS-1; PAS-4 serves the Indian Ocean region. Since 1988 the Galavisión programming in Spanish has been beamed to Spain and the rest of Europe.

In 1992 Televisa took over the Latin American and U.S. business of the *America Publishing Group*, making it the world's biggest publisher of Spanish-language periodicals. Televisa holds 75% of *Ovaciones*, the biggest circulation newspaper of Mexico City. In 1993 Televisa was involved in the launch of a company publishing and distributing periodicals in Latin America, the Caribbean and the USA. Altogether, more than 60 enterprises are part of the media conglomerate. Other activities include such things as production and sale of parabolic antennas and the promotion of so-called *Eventos Especiales*. Televisa runs such events as music festivals, Miss competitions and sports fixtures, which are broadcast on its own channel. There are also engagements in branches of business which only at first glance do not fall into the media category. Examples are football clubs, football stadiums, restaurants and caterers, real estate and tourism activities. The importance of Televisa in this sector was shown e.g. by the 1970 World Cup soccer competition in Mexico. State television held only 25% of the television company launched especially for the purpose, Televisa owned the other 75%. Televisa owns two of the stadiums where World Cup games were played, the Aztec Stadium in Mexico City and the La Corregidora in Querétaro.

5.3.6 Televisa and commercialism

Telenovelas are also produced in Mexico, aimed at different target groups and containing different emphases. There are especially age and gender differentiations. Thus the afternoon programming is dominated by series for children and housewives (Klindworth 1993). Televisa also incorporates viewer feed-

back in the content of the telenovelas. But nothing precise is known about how that is done. The enterprise cooperates primarily with the Nielsen Agency and the International Research Associates Mexicana. The fact that the research methods are not revealed often leads to Televisa being accused of manipulating switch-on ratings. In Mexico, too, consumer products are regularly advertised within the context of telenovelas. With the exception of the afternoon programming, it is primarily the cigarette and spirits industries that present themselves: "Attractive, preferably blonde women and broad-shouldered men link their success image to cigarette smoke and hard drinks" (Trappel 1991, 31). The law permits a maximum 10 advertising breaks per hour.

Possibly unique was Televisa's marketing of the solar eclipse in Mexico on 11 July 1991. Apart from the fact that the enterprise had the exclusive global transmission right to the occurrence, it managed by a special "enlightenment campaign" to draw the Mexicans and the Latinos in the western USA to the screens although they could have watched the eclipse outdoors. The "enlightenment" consisted of making people afraid to watch the phenomenon directly. Possible eye damage emphasised by Televisa made many people prefer watching the spectacle on TV. Because the campaign had secured switch-on ratings, Televisa was able to sell advertising time at relatively high prices (Schleicher 1991, p. 9).

5.3.7 Telenovela and education

Apart from product advertising and national integration the telenovelas may also have a kind of educational function. The strategy of packaging such things as development aid or education in entertainment has its origins in the Peruvian telenovela, *Simplemente María*, aired in 1969. It is the story of a simple house maid who, because of her sewing skill and attendance at evening classes, attains a higher social status (Rogers and Antola 1985, 30). Sales of Singer sewing machines rose and young girls became more interested in learning to sew wherever the telenovela aired in Latin America. Demand for evening adult education also increased.

Stimulated by this success, Miguel Sabido, who worked for Televisa, developed a form of telenovelas with educational character. The genre seemed suited to the task above all because in addition to the high switch-on ratings the series are also cheap to produce. Moreover, the contradiction between "good" and "bad" was exceptionally suitable for showing the difference between socially acceptable and socially unacceptable behaviours. Televisa aired this form of telenovelas between 1975 and 1982. They dealt with themes like adult

education, family planning, equal rights for women, child rearing and so on and made a proven successful impact (Singhal et alii; Rogers and Antola 1985). The telenovela *Ven Conmigo*, whose declared aim was to promote the adult education offered within the framework of statal literacy campaigns, increased the number of registrations for classes by 63% (although the data do not appear to prove that there was a causal nexus). The following soap *Acompañame*, which addressed family planning, increased sales of contraceptives by 23%. Despite the big successes and high switch-on ratings that also made this form of telenovelas interesting to advertisers, production was stopped in the early 80s (Schleicher 1994, p. 190f).

Telenovelas are a Televisa export hit. The number of countries to which Televisa exported its productions rose from 35 in 1988 to 59 in 1992 (Klindworth 1993, 531). Especially export to Latin American countries is of great importance. Everett M. Rogers and Livia Antola (1985, 24) note that "Mexican (and Brazilian) exports of telenovelas to other Latin American nations have in large measure replaced U.S. program exports to those nations". The authors write of an imbalanced flow of telenovelas between the countries studied – Mexico, Peru, Argentina, Brazil and Venezuela – in 1982. The main producers are Mexico and Brazil, with especially Mexico's exports to other Spanish-speaking countries like Argentina and Peru being important. Thus in 1982 42% of all telenovelas aired were Mexican-made; another 11% came from Brazil, despite their having to be dubbed. Even Argentina, despite its high own production rate, drew 15% of all telenovelas aired from Mexico and 10% from Brazil. Notable here is that Argentinean viewers apparently liked the Mexican telenovelas better than Argentinean ones.

Both Televisa and Rede Globo also sell to Europe. Televisa began with the Spanish market, where the first production aired in 1988. Because of the large Spanish-speaking market in the USA, Televisa – carried by SIN and Univision – has gained a competitive edge on Rede Globo. Televisa can quite appropriately be regarded as a gate keeper for the programme flow between Latin America and the USA because it has a key role in importing North American programmes to Latin America. Because Mexico is the most populous Spanish-speaking country, the dubbing into Spanish of U.S. films is focused primarily on the purchasing interest of Mexico. Moreover, most dubbing is done in Mexico, leading to programmes with a "Mexican touch" being disseminated throughout Latin America.

5.4 Summary

Although both Brazilian and Mexican media legislation stipulate social, education and development policy functions for the media, in practice they are widely neglected. This is due to the commercial organisation which leads to production of programming with high reaches. In Mexico, for example, the proportion of entertainment programmes in the total output was 61% in 1991 and 65% in 1993 (Schleicher 1994, 184). The entertainment programming, consisting to a large degree of telenovelas, is focused e.g. in Brazil mainly on the big cities, Rio de Janeiro and Sao Paulo. Rural areas are practically ignored in these programmes.

Televisa and Rede Globo can be regarded as examples of the bridgehead hypothesis of Galtung. They are not owned by central nations but they transport their values. But if one perceives the telenovelas as an expression of Latin American cultural identity, Televisa and Rede Globo have to be regarded as successful. The structural problems arising from the fusion of politics and media must not be overlooked for Televisa or for Globo. Moreover, telenovelas can transport people into a world of illusion and thereby suppress efforts to solve topical social problems, for example the removal of social injustices.

6. The Indian experience

6.1 The beginnings of television in India

The development of the statal Indian television, Doordarshan (Doordarshan defines itself as "a department of the Government of India and as such is funded by the Government") is special inasmuch as television in India set itself the task of making a major contribution to the country's development. In the meantime, driven by the demands of the recipients and commercial compulsions, it has moved away from this objective. In this process the influence of foreign satellite programmes such as Rupert Murdoch's Star TV must not be underrated.

Television was introduced in India with UNESCO help in 1959. To begin with, a New Delhi station went on air twice a week. It was to serve the training of personnel and enable study of possible effects on the development of Indian society. The aims were to raise illiteracy and fight underdevelopment and promote the creation of a national identity. Teleclubs for viewing were formed. School television was introduced in 1961. Although until 1971 there was only one transmitter, the interest of the government in the new medium grew especially from 1965, when Indira Gandhi became minister for information and broadcasting. Manjunath Pendakur (1989, 180) prints a letter from Mrs. Gandhi in which she appeals for financial support for Indian television since India itself was suffering an extreme shortage of foreign exchange: "I feel that it is a wonderful opportunity to try out programmes of better farming methods as well as family planning through TV, since the visual impact is so much greater than the spoken word."

It took until 1972 for a second station to be established in Bombay. In 1973 followed Srinagar, Amritsar and Calcutta; in 1975 Madras and Lucknow. In 1975/76 the "Satellite Instructional Television Experiment" (SITE) was carried out, airing programmes about such areas as farming, health and other social concerns. In 1976 television was separated from All India Radio as an organisation in its own right and named Doordarshan. Until 1982 only 8% of the population could receive Doordarshan; fewer than 2% of households owned a TV set, due partly to extremely high import duties but certainly also the not very attractive programmes, aired for only a few hours a day.

6.2 Development into a mass medium

Indian television began to develop into a mass medium with the 1982 Asian Games. The number of transmitting stations was increased to 42 for the occasion. Indian TV set makers were given licences to import parts and the import barriers for foreign made sets were lowered. Broadcasting times were extended. Colour transmission began. Quite obviously television was also to be used in the context of the Asian Games to raise India's image abroad.

In 1982 the television satellite INSAT-1A was installed and INSAT-1B followed in 1983. This assured coverage of the entire country. Advertising was allowed on Doordarshan from 1976 and sponsoring of programmes became possible in 1983. With that, content structures shifted away from the tasks of educating and fostering development to entertainment. Thus in 1994 the Audience Research Unit of Doordarshan reported 18% of the output of Channel 1 (DD1) to be sports. DD-2 Metro Channel, Doordarshan's entertainment channel, showed fairly new films with the aid of sponsors.

In *Indian television comes of age: liberalization and the rise of consumer culture* Pendakur (1989) examines how the changes came about. He states that in the 70s a broad middle class grew who were not so much interested in development communication on television as in entertainment. A milestone in this process was the series *Hum Log*. With it, television could no longer be regarded as purely a medium for education and development. There followed in India in the 80s intensive discussion of whether television should have a purely instructional character or not, and if not, who should build up the new television and how should it be structured?

Given the growth of a relatively prosperous, consumerist middle class, an entertainment and advertising programme aimed at them came into being. The following data make clear that the recipients' wishes were obviously met. Between 1971 and 1985 the number of television sets exploded from 4,000 to 6.8 million and the number of recipients from half a million to about 60 million. In India in 1995 there were more television households than in France and Great Britain together, namely 48 million (of the total 160 million in India). There were 14 million households connected to cable. In 1995 Doordarshan had more than 700 terrestrial transmitters and operated 34 production centres for television programming. Doordarshan has become one of the world's biggest broadcasting institutions. Doordarshan (National Network DD-1) reports that in 1994 it imported only 2.3% of what it aired. In 1995 it gave the following structure of the 70 hours of programming a week transmitted by the National

Network: Information 40.7% (inc. sport), education 15%, entertainment 44.3%. Metro Channel DD-2, whose main focus is on entertainment, at the end of 1994 reached 15 large cities. Especially DD-2 puts out programmes that no longer meet the original criteria. It shows Hindi and English-language films, soap operas, quizzes, talk shows and two to three hours of MTV every evening. DD2 also puts out regional programming (apart from which there are 10 additional regional stations). On 30 June 1995 Doordarshan entered into a cooperation agreement with CNN to create the 24-hour news broadcaster, DD-CNNI.

Doordarshan, like All India Radio, is subject to certain regulations. For example, no criticism must be aired of countries well disposed to India. Religions may not be attacked. Glorification of violence and the showing of obscenities are banned. India's integrity may not be endangered. The programme principles of Doordarshan further stipulate the following objectives: catalytic function for social change, advancement of national integration, family planning, information about agricultural production methods, consideration for the interests of the socially underprivileged, engagement for traditional values and folklore.

It has to be mentioned in this context that one of Doordarshan's main problems is lacking credibility. German journalist Gabriele Venzky reported in 1992 that Indians who wanted to know what was going on in India listened to the BBC or bought news videos from private providers because Doordarshan news was state-controlled. Venzky states that it reported the assassination of Indira Gandhi on 31 October 1984 more than 12 hours after it happened. German television reported the assassination of Rajiv Gandhi two hours before Indian television did. When fanatical Hindus stormed the disputed mosque in Ayodha and people were killed and wounded, Doordarshan reported that all was calm and peaceful. But in 1991 the information situation in India was changed drastically by CNN. Almost overnight the country was plugged into the global information and entertainment net with all its uncensored programmes. The Indians were able to see what they could not see before, for example clashes between the castes, people starved to death in Madhya Pradesh and so forth.

Doordarshan responded to the satellite broadcasts with greater flexibility and by meeting viewer wishes. K. Kunhikrishnan, Deputy Director General Doordarshan, stated in March 1996: "The strategy is to review the programming and with the virtue reaching on to more and more people." The flexibility is also evidenced by the launching of the Metro Channel, which was a reaction to the success of ZEE TV (cf. chapter 4.5). The movie channel has

been airing films 24 hours a day since April 1995 and is the response to Murdoch's pay-channel, Star Movie. Films in English and Hindi target the middle class. There were also talk shows on the theme of "What's wrong with Doordarshan?". In these shows, which served as a kind of feedback mechanism, criticism could be levelled at the programming.

6.3 Soap operas in India

One of the consequences of the reorganisation of Doordarshan was the production of soap operas. According to Pendakur (1989, 192) the Indian government sent people for training to Televisa in Mexico to learn the trade of series production. The 156-part series *Hum Log* ("We People") aired in 1984/85 was sponsored by Nestlé (Maggi). The topics of this soap opera about the life of a middle class family are characterised by Arvind Singhal and Everett M. Rogers (1988, 114) as follows: "Amelioration of women's status, family harmony, family planning, national integration, maintenance of traditional culture, problems of urban life, dowry, and alcoholism." The series aired in Hindi. Each episode lasted 20 minutes, at the end of which a prominent Indian actor, Ashok Kumar, whom Singhal and Rogers describe as "doyen of the Indian film industry, something akin to Burt Lancaster in Hollywood", summed up the story again and gave advice on how to behave. While the main plot was about the joys and sorrows of a lower-middle-class joint family, a plot running parallel was about smuggling, political corruption and underworld goings on.

The series was especially successful in northern India, scoring switch-on rating of up to 90%. In the 18 months it ran in 1984/85 it reached 60 million viewers (Singhal and Rogers 1989, 331). They wrote 400,000 letters to Doordarshan. Nothing like it had happened before in the history of Indian television. One viewer wrote: "*Hum Log* is entertaining, socially relevant, and highly educative. It brings U.S. face to face with the social realities of present-day India." (quoted in Singhal and Rogers 1989, 331). Brown (1990) can show that viewing *Hum Log* produced at least some of the desired results: "Viewers who were more exposed to *Hum Log* were also more likely to believe in women's equality and women's freedom of choice, but not in family planning." Another effect concerned the "Maggi 2 Minute Noodles" that were advertised. These noodles, now widely spread in India, like fast foods, were unknown in the country before then. According to Singhal and Rogers (1988, 119) it can be assumed on the basis of a survey done in 1987 that 85% of those questioned had heard of Maggi Noodles; 50% had already consumed the product at

home, 58% of those who had eaten the noodles had started doing so after seeing the TV spots. The success of *Hum Log* led to Indian television being further commercialised. Singhal and Rogers (1989, 342) write: "*Hum Log* launched the era of commercially sponsored programs on Doordarshan."

In 1988 followed the 93-part soap *Ramayana*, the shorter of the two a Hindu classics, written probably about 300 years BC by the Sanskrit poet Valmiki and popularised in the 16th century by a translation into Hindi. The story is about the eternal struggle between good and evil in a mixture of drama and love story. The series was highly successful and ran Sunday mornings. In 1988 Erhard Haubold, a German journalist living in India, described the effect as follows: "At half past nine every Sunday morning India comes to a standstill as around 60 million TV viewers, the biggest audience ever, let themselves be transported into the realm of mythology." Power failures even led to arson attacks on transformer stations (blamed for the breakdowns – M.K.) at the time. According to Haubold the actors were worshipped almost like gods. Their feet were kissed and sick children were held up to them to heal.

In 1990 the second and longer of the two great epic poems of India, *Mahabharata*, went to air as a 50-part soap. It also attracted enormous advertising revenue, 500 million Rupees, corresponding to about a quarter of the television budget. The last soap, which ran in 1995, was *Dilka Doctor* and particularly upset Indian nurses who felt themselves depicted as sex objects.

Doordarshan in 1995 started a new soap titled *Self Esteem* (*Swabhimaan*), comprising 524 episodes. Written by Shobha De, directed by Mahesh Bhatt, it is the longest series in Indian TV so far. It airs in Hindi, Bengali and Tamil. TIME (May 1, 1995, 69) describes the content as follows: "The Bold and the Beautiful Meet Dynasty in Baywatch for All Eternity." *Self-Esteem* is about the fate of the enormously rich Malhotra family: "The head of the clan dies, leaving behind him a mistress named Svetlana, an alcoholic wife, a handsome son and an embittered younger brother to fight over the family business. Son Rishab hates Svetlana and freezes her bank accounts; the wife tries to destroy her rival through black magic. Rishab's cousin is seduced..." The plot spans two generations and has more than 100 characters.

Entertainment now dominates on Doordarshan. It has adapted to the world of the trivial. There is no more development communication to be found in the successful series. All the same, in March 1996 the Deputy Director General Doordarshan, K. Kunhikrishnan, defined the programme task as follows: "Doordarshan's object is art, education, information and entertainment in that order."

6.4 Recent developments

Rupert Murdoch's Star-TV (Satellite Television Asian Region) began targeting India in 1992. India's response was especially artful. Although satellite reception was allowed, it was illegal to deliver Star TV by cable because the Telegraph Act forbade "to dig across a road to lay cables without permission of the Telecom Commission" (Chan 1994, 117). The cable disseminators took a very simple way out – they just laid their cables above ground.

D. Berwanger reports in an as yet unpublished article that Indian households were not only able to receive Star TV free of charge, but were called on to build up their own little cable distribution systems to supply the neighbours. Star TV also sold aerials because the greater its audience, the more it would be able to charge for advertising. Murdoch commented on his strategy: "The future in India as in Europe and America is subscription TV or pay TV whereby subscribers pay for access to a channel." Advertising target groups are easier to define that way.

The Indian Supreme Court ruled in 1995 banned government control of broadcasting. Broadcasting and reception were freed. The government was ordered to establish an independent, public law control institution to regulate access to frequencies. The ban on satellite dishes in private households had to be lifted (Reuters 9 February 1995). The ruling was seen as opening the way to commercial broadcasters. Up to then only the state-run Doordashan TV and All India Radio were allowed to broadcast. The TV landscape of the Indian sub-continent is undergoing big processes of change. From October 1995 Sony also targeted it, initially with Hindi films. Later the Sony library is to be used. Sony claims to reach eight million households already.

Developments in India show how commercial compulsions and competition from foreign TV broadcasters offering entertainment put so much pressure even on state-owned broadcasters that ultimately they have to adapt to the public taste so as not to keep losing viewers.

7. Europe versus Hollywood: experiences and strategies in resisting media imperialism

7.1 The beginnings of European media policy

Europe, until recently split by the Cold War into East, West and neutral states, is culturally much too heterogeneous and through its historical development much too complex to be expressed in a simple formula. Definition of European identity usually begins with the Greeks and the Romans, who in turn were greatly influenced by non-European cultures, i.e. Africa (especially Egypt) and Asia Minor. Then follows the concept of the Christian Occident, although Christianity quite obviously is of non-European origin. Great emperors such as Charlemagne, Frederick II or Charles V are cited, cultural achievements emphasised and so forth. But attempts to reduce Europe to one definition regularly fail. In an essay, "Europe – but where does it lie?"⁴³, Werner Weidenfeld (1985, 13) puts the issue of European identity in a nutshell: "Europe simply defies simple attempts at definition." Similarly Hans J. Kleinsteuber and Torsten Rossmann (1994, 45) note: "Europe cannot be understood as a unit in time and space."

All the same, since after World War I, contemporarily with the pan-European movement (the Austrian Count Richard von Coudenhove-Kalergie in 1923 published the appeal Paneuropa, which foresaw a phased plan for the creation of a United States of Europe), there have been attempts to develop a European film. An advantage was that silent film was involved, i.e. it was theoretically possible to disseminate contents throughout Europe without linguistic problems. The background was the stagnation of European film production due to the first world war, made clear by Gregor and Patalas (1962, 14): "Whereas still in 1914 90% of all the films shown in the world were of French origin, in 1928 85% of all films came from the USA." However, already in 1914 a short flowering of Danish film had ended French dominance. In 1925 American films dominated the market in Great Britain with a share of 95%, in France the share was 77% and in Italy 66% (cf. Guback 1976, 390).

Not surprisingly resistance against the predominance of American films began to stir in Europe in the 20s. Germany in 1925 became the first country to set a limit on film imports. Permission to show a foreign film in German cinemas

⁴³ The title is an allusion to Goethe's *Xenien* and the utterance, "Deutschland? Aber wo liegt es? Ich weiß das Land nicht zu finden." (Germany? But where does it lie? I don't know how to find the country.)

was given only if at the same time a German film was being financed and distributed. Great Britain, France and Italy followed with curbs. France limited the number of film imports. Great Britain and Italy imposed quotas providing for certain percentages of national films. Thomas H. Guback (1976, 394) documents that America responded with arguments that have meanwhile become standard in the debate about European quota regulations: "This government has adopted no restrictive regulations similar in any way to those enforced in certain foreign countries."

The aim of the first European film initiative of the 20s involved cooperation in film distribution and production. Quality was to be raised by enlarging the technical and artistic potential and increasing the availability of studios and locations. Joint funding was to generate higher budgets and spread risks. Cooperation between several nations brought advantages in tapping various national promotion schemes and getting around import quotas. From the mid-20s onwards many cooperation agreements were entered (Thiermeyer 1994, 100). One tried to create European films whose production costs would be recouped quicker on the European market. The development ended with the invention of sound film.

7.2 Media policy players and the basic conflict: is film a merchandise or culture?

The European Union⁴⁴ in 1995 comprised a market of some 380 million consumers, one of the biggest in the world, with considerable growth potential. Not surprisingly, it is a preferred target area for American media enterprises.

The EU is a unique political construction worldwide. It is neither a federation (federal state) nor a confederation (a union of states leaving each member full

⁴⁴ West European unification began in 1952 with the coming into force of the European Community for Coal and Steel, which controlled that sector of industry as a supranational organisation. Founder members were France, Italy, the Federal Republic of Germany, Belgium, Luxembourg and The Netherlands. The further integration in 1957 as European Economic Community (EEC) and European Atomic Community (EURATOM) in 1958 also involved these six founder countries (Treaties of Rome of 25 March 1957). In 1973 Denmark, Great Britain and Ireland joined; Greece in 1981; Spain and Portugal in 1986; Finland, Austria and Sweden in 1995. From here on only the name European Union will be used, including for the period when it was still European Community. Where European Community occurs in an official title (e.g. Green Paper) or in a decision, that will be used.

sovereignty). The major institutions making media policy decisions within the EU are:

The Council of Ministers of the European Union, comprising one representative of each member state. The Council consists of cabinet ministers of the member states. The Council members are empowered to make binding commitments on their governments' behalf. The Council is one of the Union's most powerful bodies, laying down joint legal regulations and entering international agreements. Its composition depends on the issues being addressed, e.g. the Council of Agriculture Ministers.

The Commission of the European Union monitors adherence to the European treaties. The Commission has the right to initiate legislation and has rights equal to the member states in respect of interstate matters. Another task of the Commission is to plan Union policy. The body comprises 20 commissioners, two Germans, French, Italians and Spaniards and one from each of the other member countries. They are appointed "by common accord" and are supposed to make their decisions independently of national interests in the interest of the EU.

Since 1979 *The European Parliament* has been elected for five years directly Europe-wide. The members are not to represent their respective nations but Europe. The Parliament appoints the Commission, approves its programme and, by a vote of no confidence, can force it out of office. The Parliament has no lawmaking powers. Its tasks comprise mainly responses to proposals by the Commission and controlling the Commission and Council through debates about the programmes and reports. Because its rights and powers are so small, the European Parliament is the EU's weakest institution.

Another media policy player that needs to be mentioned is the *Council of Europe*, established on 5 May 1949. It was the only European organisation grouping almost all non-communist European states. The Council of Europe makes no directly applicable laws but expresses itself in the form of resolutions and recommendations. In 1996 39 states were members. The last to be admitted, in February 1996, was Russia, which has also signed up to the European Convention of Human Rights. Although only theoretically, Russian citizens can now resort to this rights protection system against violations of human rights.

Up to the 80s media policy was the domain of national politics. At European level media policy was made primarily under economic aspects, respectively

with a technological perspective, the latter especially with regard to telecommunications policy.⁴⁵ The European players have in part totally different interests in respect of the mass media. Thus the views of the European Parliament are driven by cultural considerations. The EU Commission, on the other hand, emphasises the economic aspects. Here we have the fundamental conflict in European media policy. It centres on whether film and television have to be regarded as culture, or purely as a merchandise.

In a Green Paper published in 1984 (a Green Paper is an inventory with policy proposals), Television Without Frontiers, broadcasting was subjected to economic primacy to which its cultural function was subordinate. Television was categorised in the trade and services sector. But there would have been no other possibility at the time because the EC was then purely an economic community. Culture was the responsibility of the member states – in Germany not even of the central state, but of its constituent federal states – and did not fall within Brussels' powers. The Green Paper was to open frontiers within the community to national television programmes under the requirement of free trade in services.

The next major media policy milestone was the *Directive of The Council of the European Communities* on the coordination of certain provisions laid down by law, regulation or administrative action in member states concerning the pursuit of television broadcasting activities, of 3 October 1989, in force since October 1991. It aimed to create a unitary EU television market but also again treated television primarily as an economic activity, i.e. a service. The Directive states that television broadcasting constitutes, in normal circumstances, a service within the meaning of the Treaty establishing the European Economic Community. The Treaty "provides for free movement of all services normally provided against payment, without exclusion on grounds of their cultural or other content."⁴⁶ Correspondingly no distinction is made between publicly controlled and privately owned television. The Directive obliges member states to ensure that nothing is done to restrict the free flow of television programming or to favour the creation of dominant positions. The adoption of the Directive once and for all defined television as a service. Regardless of cultural or other content, trade in services usually provided for payment has to be free.

45 A report for the French government by Simon Nora and Alain Minc about *L'Information de la Société* (Paris 1978) showed the economic importance of telecommunications and the poor state of the European telecommunications industry. It prompted the EU to set up a Task Force on Information Technology and Telecommunications.

46 The Directive is printed in full in the Friedrich Ebert Foundation communication manual, *Broadcasting regulations – The German example*, pages 298 to 314.

When the single European market was completed at the end of 1992, providing free movement of goods, people, services and capital, the integration process was driven further forward by plans to create an economic and monetary union, i.e. one currency for all countries in the EU. The foundation on which this is being pursued is the Treaty of Maastricht on European Union. It also provides for political union in the sense of cooperating in foreign and security policy and in home affairs and the judiciary. Special to the process is that some areas of politics have been withdrawn from national control and subordinated to EU powers. This includes culture, under which Article 128 of the Maastricht Treaties includes the audiovisual sector. This was a step away from treating the media merely as a service, respectively a merchandise, and a move towards treating the media as a cultural good. Article 128 is decisive. It states:

"(1) The Community shall contribute to the flowering of the cultures of the Member States, while respecting their national and regional diversity and at the same time bringing the common cultural heritage to the fore.

(2) Action by the Community shall be aimed at encouraging cooperation between Member States and, if necessary, supporting and supplementing their action in the following areas: ... artistic and literary creation, including in the audiovisual sector."

In reality, though, the commercial principle has won the day in Europe. Politicians may still talk about programmes being the purpose of television and that it has to disseminate the contents necessary for democracy to work and cultures to be preserved. That cuts no ice with the media moguls. To them programming is no purpose unto itself, but a means to carry advertising to viewers.

7.3 Creating a European identity

One of the EU objectives is one area without internal borders, something likely to be very difficult to create in the communication field. On the other hand, politicians ascribe to the media ever increasing influence in creating a European identity within the integration process. Colette Flesch, for example, the director general for audiovisual affairs, information, communication and culture of the Commission of the European Communities, wrote in an essay⁴⁷ that

47 *Geistiger Binnenraum. Europa als publizistische Aufgabe*, 1992, 32 f..

only constant exchange and renewal of knowledge about each other would create in Europeans the durable feeling of togetherness needed. Europe needed to become a mental internal area with wide scope to cultivate multiplicity and little scope for parochial patriotism.

It is a very difficult goal to achieve because the European media landscape is fragmented like no other in the world. It comprises various languages and different national and cultural experiences. In other words, Europe is no homogeneous communication area. Although many European media policy initiatives emphasise creation of a European cultural identity or awareness, such a region will be very difficult to create and very slow in coming about, if it happens at all. The European Parliament argued in 1984 that realisation of a European television channel was of fundamental importance to development of a European awareness. Since "the" European identity does not exist, the Parliament already in 1980 called for cultural pluralism. The fundamental character of European culture, namely its variety in unity, should be served by plurality of opinion.

French president Mitterand and German chancellor Kohl commented in November 1988 on the newly launched German-French culture channel, Arte: "The new channel should express the cultural identity of Europe on the one hand and the cultural peculiarities of the European states on the other hand. This will lay a major foundation stone for deeper understanding and the growing together of the German and French peoples as well as European citizens and promote a European awareness." The founding treaty defines Arte's task as expressing and preserving Europe's cultural identity, "in the desire to offer Europe's citizens a joint television channel to serve depiction of the cultural heritage and artistic life in the states, regions and peoples of Europe and the world". The very name of the treaty already shows how complicated media policy in Europe is; it is not a treaty between the Federal Republic of Germany and the French Republic, but a "Treaty Between the Länder Baden-Württemberg, Free State of Bavaria, Berlin, Free Hanseatic City of Bremen, Free and Hanseatic City of Hamburg, Hessen, Lower Saxony, North-Rhine Westphalia, Rhineland-Palatinate, Saarland, Schleswig-Holstein and the French Republic on the European Culture Television Channel".

A major motive driving the creation of a European identity is protection and support for the European programming industry. Thus the preamble of the Council of Europe's 5 May 1989 Convention on Transfrontier Television⁴⁸

48 Also printed in full in Broadcasting regulations – The German example.

states the aim "to present an increasing range of choice of programme services to the public, thereby enhancing Europe's heritage and developing its audiovisual creation" and "to achieve this cultural objective through efforts to increase the production and circulation of high-quality programmes, thereby responding to the public's expectations in the political, educational and cultural fields". Support for the European programming industry was also at the centre of the European Commission's 1994 Green Paper, which states: "Films and television programmes are not products like any others: as the prime vectors of culture they retain a specific place in the midst of the manifold new types of audiovisual products; as living testimony to the traditions and identity of each country they deserve encouragement." It is against this background that state sponsorship of filmmaking in Europe has to be seen. In addition to pan-European promotion, many European countries have their own programmes. In Germany filmmaking is supported by the national and 16 state governments as well as a number of other institutions, such as the Film Promotion Agency (Filmförderungsanstalt). The German Film Promotion Act defines the agency's task as "raising the quality of German films on a broad basis and improving the structure of the filmmaking industry". But the cultural motives cited cannot hide the fact that the economic interests of the European programming industry get top priority (Kruse 1994).

7.4 Much ado about nothing: the quota regulation

The 1989 television directive enacted by the Council of the European Community states: "Member States shall ensure where practicable and by appropriate means, that broadcasters reserve for European works ... a majority proportion of their transmission time, excluding the time appointed to news, sports events, games, advertising and teletext services." A minimum quota of 50% is stipulated. "This proportion, having regard to the broadcaster's informational, educational, cultural and entertainment responsibilities to its viewing public should be achieved progressively, on the basis of suitable criteria."⁴⁹

The quota regulation was highly controversial from the start and has remained so. It was and is mainly the high proportion of U.S. productions shown on European television that was perceived as making it necessary. The quota proponents argue that Europe needs a strong programming industry that can

49 From the FES communication manual Broadcasting regulations – The German example, p. 305, Article 4.

take on Hollywood. Especially France was interested in strict regulation. Quota rules were seen there as an effective regulatory instrument to strengthen the French film industry. There was strong domestic political pressure from those working in it. In February 1995 the French culture minister Toubon announced at the Information Society Conference in Brussels he would keep fighting until there was a quota regulation. He argued "that cultural, social and political needs are to be taken into account, even if the infrastructure and the technologies obey free-market rules".

But as has already been pointed out, Western Europe is not homogeneous, meaning that there was a number of opponents of such regulations. Germany saw quotas as not being in conformity with the market and feared jurisdiction disputes between European and German law (a reminder: in Germany cultural sovereignty is held by the constituent federal states, not the national state). The Netherlands opposed the quota rule because at that very time the Dutch company Philips was trying to raise American money for development of high resolution television (Kleinstеuber and Rossmann 1994, 72). Great Britain opposed a quota regulation because it saw the British film and television industry's exports to Canada, Australia, New Zealand and the USA endangered. The British feared that these countries might retaliate with protectionist restrictions of their own.

The upshot was a compromise which devalued the quota regulation to a political obligation, which it has remained. Although there were attempts to strike out the phrase "where practicable" to sharpen the regulation, the Council of Culture Ministers of the European Union decided on 20 November 1995 to keep the regulation in place as it stood. It means in practice that television broadcasters will not be forced to air European products for at least half the time they allot to feature film and series programming. The rule still stands that at least half of such transmission time has to be filled with European productions, but this level has only to be achieved "where practicable and by appropriate means". One need only refer to unprofitability to avoid the quota rule. No checking procedures or sanctions are provided for.

The attempts to introduce quotas prompted massive protest from the USA which feared a drop in exports to Europe. The U.S. trade envoy, Clara Hills, in 1989 described the quota regulation as screaming to the heavens, protectionist and unjustifiable. In all seriousness she accused the Europeans of censoring excellent programmes developed in the USA and with that appealed to the patriotic feelings of the Americans (cf. Kleinstеuber 1990, 550). The Motion Picture Association of America (MPAA) also spoke of unfair trade

practices of the Europeans. American reactions peaked in a resolution of the House of Representatives accusing the European Community of violating free trade regulations set out in the General Agreement on Tariffs and Trade (GATT) and damaging the American film industry. The European Community defended its actions with the argument that GATT did not cover services, but only goods (cf. chapter 7.5); services would only be covered by the GATT Uruguay Round then in process.

However, the U.S. position was not as united as it appeared at first to the outside world. The three networks, ABC, CBS and NBC, had no problems with the quota rule. In fact, they actually saw it as a chance for them to gain advantages in their years-long struggle against the Hollywood companies. Since the Federal Communications Commission had forbidden the networks in the 70s to produce their own programming for prime time airing and to hold stock in production companies, they felt greatly financially disadvantaged. Hollywood's ferocious criticism of the European quota regulations provided an opportunity to point up the situation of the networks. Moreover, they saw a possible opening for producing completely on their own or for co-productions with European TV broadcasters that they could air (Kleinstеuber, 1990, 550 f.).

The strong U.S. resistance against a European quota regime is explained by the export earnings from film and television productions. *TIME* (February 25, 1995, 48) wrote in an article titled "Invasion of the Profit Snatchers! Europe's ailing industry cannot make up its mind how to beat Hollywood on the info highway": "The U.S. reaped an \$8 billion bonanza in 1993, roughly 60% of it in Europe, from the international trade in film and TV products, its second largest export industry after aerospace." According to *TIME* American television exports bring in revenues of nearly \$1 billion a year. The European trade deficit in programme exchange with the USA in 1993 was c. \$3.5 billion⁵⁰. The *New York Times* of 21 December 1995 reported the following U.S. Commerce Department figures on 1994 sales of films by U.S. companies to selected countries (in millions of dollars): Britain 351, Germany 348, France 342, Japan 324, Mexico 64, Brazil 50, South Korea 45, Taiwan 28, China 1. But in 1995 Hollywood achieved another revenue record, namely \$5.35 billion box office takings on the U.S. market alone. Ticket sales ran to \$1.22 billion, Disney cornering 19% of the market, Warner Brothers 16.3%. *Batman Forever* was the top earner with \$184 million, followed by *Apollo 13* (\$172.1 million), *Toy Story* (\$147.2 million), *Pocahontas* (\$141.5 million), *Ace Ventura: When*

50 Cf. the German Protestant churches' epd new agency's Kirche und Rundfunk, No. 5 of 21 January 1995, p. 27.

Nature Calls (\$104.2 million), *Casper* (\$110.3 million), *Die Hard With a Vengeance* (\$100 million), *Goldeneye* (\$92.4 million) and *Crimson Tide* (\$91.4 million). Even *Kevin Costner's Waterworld*, criticised for a long time as a dramatic failure, according to *Variety* (April 29-May 5, 1996, 153) "kept his head above water". It "topped \$88 million and ... soaked up another \$166 million international". Probably the biggest flop in the film industry's history was the pirate film *Cutthroat Island*, which cost about \$100 million and according to *Variety* (April 20-May 5, 1996) had by then taken in only \$10 million "in domestic B.O. booty". In 1996 more new superlatives were reported from Hollywood. As already mentioned, *Independence Day* scored \$100 million at the box office in just six days.

7.5 The GATT negotiations

The General Agreement on Tariffs and Trade (GATT), which went into force for the first time in 1948, is to promote world trade by reducing customs duties and by liberalisation. The multilateral pact aims to cut tariff and non-tariff trade barriers on all world markets. The dispute between Europe and the USA over the quota regulations went into the GATT negotiations in 1993 in the so-called Uruguay Round. Whereas the USA wanted GATT completely to cover all audiovisual services, that is, to have no trade restrictions on them at all (which would have made the European quotas and subsidies illegal), the French, very influential in the EU, strove for a complete and permanent exclusion of this sector, arguing "exception culturelle". That meant they wanted the audiovisual sector treated only as an exception in the partial agreement about services. The ministers responsible for communication finally agreed in October 1993 in Belgium on the "Six conditions of Mons" as their negotiating position. Under this agreement subsidies were to be allowed to continue and expand.

The other five Mons conditions were: Promotion programmes are to be excluded from the most favoured nation clause which in principle allows each GATT signatory to provide such supports according to the rules. National powers to regulate dissemination channels were to be preserved. Development of further promotion programmes was to be allowed. The EU television directive was to stay in force. These principles were not to be included in any new negotiating processes.

Towards the end of the negotiations of the Uruguay Round (which took its name from its 1986 start in Punta del Este in Uruguay) a number of French

film stars, led by Gérard Depardieu, demonstrated in the European Parliament in Strasbourg against U.S. predominance in the film and television sectors. The then French prime minister, Edouard Balladur, thereupon pledged to veto any attempt to liberalise the trade in films and videos.

7.6 Hollywood in Europe

Hollywood's dominance in Europe after World War I is addressed in chapter 7.1. The present situation was characterised by *TIME* (February 27, 1995, 46) as follows: "In Europe annual attendance for European-made films has plummeted since the early 1980s, from 600 million to just 100 million, while the average for U.S. films has remained steady at roughly 450 million." In France attendance for French films dropped from 94 million in 1984 to fewer than 40 million in 1994, while American films attracted 10% more audience to reach 76 million (European Cinema Yearbook, Utrecht 1995, 33). In 1993 U.S. films held a market share of 57.1% in France compared with the French share of 34.6%. At the same time the export of European films to the USA is small and falling. At most 1% of the U.S. film market consists of imports.

Probably the most important reason for U.S. dominance is that from the beginning the American media sector has been purely commercial. In contrast to Europe, the supreme aim was and is maximum profit. And that needs the greatest possible public acceptance. Because of the cultural multiplicity in the USA contents have to be produced acceptable to all parts of the population. In other words, the lowest common cultural denominator has to be found to guarantee success. But the craftsmanship of the films is high. Production in the film and television sector is concentrated on a few locations, mainly Hollywood. That is where actors, directors, camera people etc. are concentrated so that producers' possibilities are correspondingly good.

U.S. productions are not only cost-intensive but also high-risk. Major companies have a high failure rate even with big productions. Estimates about this vary widely. Some say three out of four films fail (Kruse 1994), others say there are seven failures to each success (Schorlemer 1993). Hence one of Hollywood's great advantages is that as a rule the necessary risk capital is available.

Of special importance is that there is no consumption rivalry between films and television programmes (cf. chapter 3.2) and that the borderline costs arising from further exploitation of already produced programmes are almost

zero. That enables selling abroad at prices below actual production costs since they have already been wholly or partially recovered in the USA.⁵¹ Given these sometimes very low prices it is not surprising that U.S. productions are imported to many countries and their own productions are put on a back burner. Buying an hour of American film costs only about 10 to 15% of the cost of producing a European one.

There is no rivalry, either, in film rights, i.e. very different prices can form in various countries, the price in each case depending on the market structure of the importing country. The periodical *Variety* in its April 15–21 1996 issue published a Global TV Price Guide giving average prices or ranges of prices paid by mainstream broadcasters in key territories for various genres of U.S. TV programming. The prices are in U.S. dollars. The following are examples of prices for feature films and TV movies from this table for a number of countries:

	Feature films	TV movies
Argentina	\$15,000 – \$22,000	\$6,000 – \$10,000
Austria	\$17,500	\$20,000
Belgium	\$56,000	\$7,000
Brazil	Up to \$50,000	\$8,000 – \$18,000
Canada	\$150,000 – \$200,000	\$50,000 – \$90,000
Czech Republic	\$2,500 – \$17,000	\$3,000
Egypt	\$1,650 – \$2,850	\$850 – \$1,250
France	\$550,000	\$135,000
Germany	\$150,000 – \$600,000	\$100,000 – \$250,000
Holland	\$20,000	\$15,000
India	\$4,000	\$2,500
Italy	\$200,000 – \$800,000	\$80,000
Japan	\$100,000 – \$1.5 million	N/A
Malaysia	\$8,000 – \$30,000	\$3,000 – \$4,000
Mexico	\$15,000 – \$25,000	\$13,000 – \$18,000
Philippines	\$50,000 – \$100,000	\$4,500 – \$15,000
Russia	\$12,000 – \$17,000	\$5,000 – \$17,000
Scandinavia	\$19,000	\$10,000
South Africa	\$15,000 – \$18,000	\$15,000
Spain	\$40,000 – \$300,000	\$35,000 – \$45,000
Thailand	\$25,000	\$3,000
United Kingdom	Up to \$2 million	\$50,000

⁵¹ That depends, of course, on the film being an economic success.

The U.S. film industry's export earnings in a country are in most cases relatively low compared to actual production costs. Thus in 1992 a cinema film of the U.S. majors cost an average \$28.9 million. If one includes the independent producers in the calculation, the average production costs were around \$9 million (cf. Schorlemer 1993, 537). *TIME* (February 27, 1995, 48) puts the average production costs of a U.S. film in 1995 at \$30 million. Given such high costs, the required earnings as a rule cannot be made on a single market. That is why after the first exploitation further marketing follows both on the home market (video lending and Pay-TV) and through exports.

Colin Hoskins and Rolf Mirus, Department of Marketing and Economic Analysis of the University of Alberta, have examined the reasons for the U.S. dominance in international trade of television programmes. Central to their explanation is the notion of cultural discount (1988, 500): "A particular programme rooted in one culture, and thus attractive in that environment, will have a diminished appeal elsewhere as viewers find it difficult to identify with the styles, values, beliefs, institutions, and behavioural patterns of the material in question." If in an assumed two-country world made up of the U.S. and Country B a cultural discount of 40% is assumed, it is shown that a film with the same production costs (\$1 million) of the same quality and with the same "cultural discount" (40%) if it is produced in the USA, when it is exported can, because of the market size in the USA, achieve much greater earnings (inland \$1 million) than if it were produced in Country B (inland \$100,000) and then exported to the USA. Although the "cultural discount" diminishes profit in both countries, the American film can still make profits while the other film loses.

Thus the total revenue from the U.S. production is:
 $\$1,000,000 + (1-0.4) * 100,000 = \$1,060,000$

Whereas the total revenue from the Country B production is:
 $\$100,000 + (1-0.4) * 1,000,000 = \$700,000$

The U.S. programme makes a profit of \$60,000, while the Country B product makes a loss of \$300,000 (1988, 503f): "Thus *ceteris paribus*, production costs being the same in each country and the cultural discount applied to foreign programmes being the same, the cultural discount together with the size of the U.S. market, are sufficient conditions for U.S. dominance of international trade." The "cultural discount" structurally explains the American dominance of the international market, whereby the assumed 40% are extremely unrealistic. Hardly any films and TV programmes are imported to the USA and in many countries that do import American products a taste culture in affinity

with these products has developed, i.e. the cultural discount is likely to be substantially smaller. Film stars, directors and the Hollywood location possess a kind of "trade mark" function. Of special importance are the globe-spanning lending and distribution nets of the U.S. companies and the global sales promotion. Already weeks before a new film appears massive public relations and advertising campaigns are started which can extend to the entire world market. In Europe, by contrast, marketing as a rule is only national.

In Germany, which has a population of 80 million, 125 million cinema tickets were sold for \$820 million in 1995. With that, Germany has the second largest film-going audience of the world. The dominance of U.S. productions becomes especially clear with cinema films. Of the 1,452 feature films which premiered from 1990 to 1994, 709 (48.8%) were from the USA and 310 (21%) from Germany. The relationship is even more marked on the German public's popularity scale. Among the 40 most successful cinema films of 1994 are 34 American, only four German and two British productions, the first five rankings given to the Americans: *The Lion King*, *Flintstones*, *Schindler's List*, *Mrs. Doubtfire* and *Forrest Gump*. Sixth place went to *Four Weddings and a Funeral*. Only the seventh placed film was from Germany: *Der bewegte Mann* (*The Most Desired Man*, respectively *Maybe...Maybe Not* in the USA).

In the 50s almost 70% of the 10 biggest-audience films showing in Germany at any one time were German-produced and only 7% came from the USA. In the 80s the relationship turned around, dropping the share of German productions to 20% and raising the American to 61%. The trends were similar for films from France, Italy and Great Britain. Whereas in the 70s they had still provided c. 45% of the 10 biggest-attendance films in Germany, in the 80s they had dropped to 15%.

Table: Production country (in %) of the 10 biggest-audience films in Germany for the respective decades from 1950 to 1989 (taken from: Klingensporn, J., *Überstehen ist alles. Das Dilemma der unabhängigen Verleihfirmen*, in: *Filmecho/Filmwoche* 49, 1991, 12).

Decade	Germany	USA	France Italy Great Britain	Other countries
50s	67	7	7	19
60s	53	15	15	17
70s	16	33	43	8
80s	20	61	15	4

The development of hire turnovers from the 50s to 1992 shows that the market share of German productions has dropped from 40% to 10%. The cumulative market share of movies from France, Italy and Great Britain of the distribution turnover also dropped from 26% in 1965 to 4% in 1992. American films expanded their market share. The market share of the U.S. productions, which stood at 30% in the 50s, in the early 90s had risen to more than 80%.⁵² However, in the commercially irrelevant field of culture and documentary films German premieres win hands down.

Other European countries are in similar situations (cf. table). In the cinema sector the USA holds large market shares, usually more than 75%, while home productions rise hardly above 15%. In Ireland and Greece the shares of U.S. films are even more than 90%. Still an exception is France, where up until 1993 the American share was below 60%. But France, too, is endangered. In 1994 the 28.6% share of home produced cinema films was the lowest ever. Also in Italy, a country with a long film tradition, the shares of home productions have declined drastically. Whereas they have been able to hold just under 20% since 1990, they were down to 17% in 1993. Great Britain has become a typical country for U.S. imports, its own films comprising only around 5% of the market from 1990–93. In 1994 it was heading for 10.5%, due mainly to the British film, *Four Weddings and a Funeral* (cf. chapter 3.1).

According to *European Audiovisual Observatory* of February 1996 the market share of American cinema films has grown in the European Community from 56% (on a base of 397 million film-goers) in 1985 to 76% (based on 516 million film-goers) in 1995. For 1994 the *European Audiovisual Observatory* gave the following market shares for American films: France 60.4%, Italy 61%, Spain 72.3%, Germany 81.6%, Great Britain 90%.

The percentage share of local films in the USA, on the other hand, looks like election results for the governing party in totalitarian states: 1990/91 97%, 1992 98.7%, 1994 99.3%. It is easy for anyone with so firm a grip on their market, without quotas or anything similar, to call for free trade without quota regulations, because fairness in this case means that because of the structural conditions of the market the other countries have no chance of

⁵² The entire 1994 hire turnover in Germany was DM 525.8 million. The share of German films of the total hire turnover rose from 7.2% in 1993 to 10.1% in 1994. With that, German films turned over DM 52.9 million in hire revenue. Compared to that, the 1994 hire of American films in Germany achieved a turnover of DM 428.8 million, corresponding to an 81.6% share of total hire turnover.

Table: Local market shares in percentages, by countries (taken from *SPIO* 1995, p. 58).

	1990	1991	1992	1993	1994
Belgium	2.2	5.0	1.6	8.8	6.7
Denmark	14.7	10.8	15.3	15.9	—
France	27.4	30.1	35.1	34.8	28.6
Germany	9.7	13.6	9.5	7.2	—
Great Britain	7.0	5.5	3.6	4.7	10.5
Ireland	5.0	2.0	8.0	—	—
Italy	21.0	24.0	24.3	17.3	—
Japan	41.4	41.9	45.1	35.8	40.1
Netherlands	2.0	4.0	13.0	—	—
Portugal	1.0	1.0	1.0	—	—
Spain	10.4	11.0	9.2	8.8	6.7
USA	97.0	97.0	98.7	—	—

Source: European Audiovisual Information, Strasbourg/ CNC, Paris, taken from *SPIO* 1995, p. 58

changing those structures. Being powerful, it is easy to demand fairness, if fairness means keeping your power.

On top of that, even small and insignificant successes or efforts of the competition are played up by the American media. Thus *TIME* (April 8, 1996) assumed a revival of the German film industry and headlined its report, *Hollywood Has a Rival*. This was deduced from three German films having been watched by more than a million people in 1995. *Der bewegte Mann* (*The Most Desired Man*, to be released in the U.S. as *Maybe ... Maybe Not*) attracted seven million viewers. It cost \$2.7 million to produce and brought in \$48 million at German box offices. The film *Superweib* (*The Super Wife*) was also very successful, so was *Männerpension* (*Jailbirds*). The failure of German films up to now was explained by the Munich manager of the Disney owned Buena Vista distribution company, Wolfgang Braun: "They weren't given the chance they deserved. Theater owners thought American films would always draw more." *TIME* speculated further about the return to glory of the German movie industry that the historic Babelsberg studio near Berlin could become successful again. Fritz Lang and Ernst Lubitsch had learned their craft in Babelsberg. In 1992 the studio was sold to a British and a French firm and under the leadership of director Volker Schlöndorff is being transformed into Europe's largest and most technically advanced facility for film and television production. *Variety* (May 27-June 2) also had a cover story, "GERMAN SHOWBIZ MAKES COMEBACK. Former entertainment power on road to

recapturing its past film, TV glory". Nothing can be said at this time about success or failure of this enterprise.

Schlöndorff, a director famous in Germany, said: "Our aim is not just to copy mainstream products à la Hollywood but to make films of American dimension with European content." Hollywood's successful formula of telling simple stories with simple characters and a happy end will, hopefully, not work forever. Gilles Jacob, director of the Cannes International Film Festival, says: "We in Europe must find our own formula." Til Schweiger, star of German hit comedies (*Maybe ... Maybe Not*, *Jailbirds*) said of the new German film: "The films in the past were so boring. Everyone always wanted to make these highbrow films. But now people are seeing that these comedies are successful, that they're entertaining and that people are going to German films again. Now I think it's demonstrated that you can make very funny films in Germany, films that people really want to see."

The USA also dominates in the television sector. Data published in February 1996 by the *European Audiovisual Observatory* of the Council of Europe on the European television market (cf. statistical yearbook 96) give the following picture: In the 15 states of the European Union there were 88 television broadcasters in 1994. Only 23% of the TV movies shown in Union countries were produced in Europe, 77% were imported from non-European countries. Almost 70% of the feature films and series aired came from the USA. Comment in the statistical yearbook 96 of the European Audiovisual Observatory (1996, 159): "Nevertheless, the figures do show one well-known fact: the overwhelming domination of American fiction, which represents 69% of programming time for fiction imported by the 88 channels examined." Despite these limitations the figures confirm a known fact, namely the predominance of American fiction, amounting to 69% in the 88 TV broadcasters examined.

As commercial broadcasters increase in the course of deregulation in Europe (in 1994 98 new TV broadcasters were launched in the 33 countries affiliated to the European Audiovisual Observatory) the demand in this growth market will continue to increase, i.e. further growth in the cheap U.S. imports must be expected. It must not be assumed from this that any American series will succeed. Some of those which were most successful in the USA were flops in Germany in 1996: *E.R. – emergency room*, a hospital series (NBC) holds a market share of 27% in the USA, only 8% in Germany; *NYPD Blue* (ABC) rates 13.9% in the USA, 6.2% in Germany; *Seinfeld* scores 29% in the USA, 1.6% in Germany. All the same, the maxim of Redstone goes: "Content is king". That is shown by the following example. Just the German TV stations

have to fill 16,000 movie slots a year. Hence the archives are the most important programme sources. And so the films airing on German TV are on average 23 years old. TV series are more than nine years old.

A possibly only temporarily somewhat different picture than that of American dominance emerges when one looks at TV movies in Germany.⁵³ Here there is a trend even among the commercial broadcasters to more German productions. An explanation of this comes from the good prestige of the TV movie in Germany which usually can show both quality and good switch-on ratings. Moreover, especially the commercial broadcasters have come to recognise that the German public prefers German productions. Hence the German commercial broadcasters are ready to invest in productions of their own, although buying from the U.S. is usually cheaper. For 1996 the German commercial broadcaster Pro7 budgeted DM 150 million (c. \$100 million) for the production of TV movies. The budget of the public ARD network for the same purpose was DM 180 million (c. \$119 million), that of the public Second Channel (ZDF) DM 184 million (c. \$122 million), the biggest commercial broadcaster RTL DM 60 million (c. \$40 million) and SAT.1 DM 70 million (c. \$46 million). However, RTL planned for 1997 to reduce the share of own productions from 70% to 50% in future and instead buy more U.S. productions again. It cites the high costs of producing itself. Moreover, argues RTL chief Helmut Thoma, younger viewers quite clearly prefer U.S. productions, which are also cheaper.

In other European countries viewers also clearly prefer own productions. But the high costs incurred in most cases cannot be recovered by sale to other European countries since as a rule viewers prefer U.S. productions in second place after national ones. This fact is put down to the so-called Dallas effect, that is people being accustomed to American formats, storytelling style, shooting techniques and so forth.

53 These are "movies made for TV", i.e. generally shot in the 35 mm cinema format, which makes them somewhat more expensive than normal TV films.

7.7 Public funding for Europe's audiovisual industry

The European audiovisual industry receives national and European public subsidies. According to TIME (February 27, 1995) the 1993 promotion for France was \$416 million, for Italy \$157 million, Germany \$115 million, Sweden \$34 million, Spain \$30 million, Great Britain \$16 million, Norway \$12 million and Portugal \$10 million. In Germany about 100 films a year were produced, in France about 130. France has the strongest film industry in Europe. The revenues for film promotion come primarily from an 11% tax on cinema tickets and 2.5% tax on the sale and hiring of videos. There is also a special tax on pornography. Canal Plus, the leading pay-TV channel, and all other commercial stations must invest a certain proportion of profits in new productions. A law forbids films being shown on television on Wednesday and Saturday evenings to encourage people to go to cinemas. Despite these measures, attendance in France at domestically produced films plummeted from 94 million to less than 40 million between 1984 and 1994. Attendance at American films rose by 10% to 76 million. Only one French film made the Top Ten, with eight American and one British films. *La Reine Margot*, the most expensive French film ever made, reached only 15th place. In the following three important European promotion programmes are briefly outlined – MEDIA, EURIMAGES and the EUREKA Audiovisual:

"MEDIA" (Measures to Encourage the Development of the Industry of Audiovisual Productions) is a subsidy programme of the EU providing aid funding for audiovisual programme production. The foundation of the MEDIA programme was an action programme of the European Commission from 1986. The MEDIA programme was conceived for the period 1991-1995 and was budgeted at 200 million ECU (DM 400 million; \$265 million).⁵⁴

Ute Schneider (1995, 770), on the MEDIA staff, regards this sum as "peanuts". She points out that it is about half as much as the German subsidy and as a total sum is about as much as the American majors can spend just on promoting a single film in Europe. Eighteen states participate in the MEDIA programme. In addition to the 15 member states of the European Union they are Iceland, Norway and Hungary. The MEDIA programme concentrates on the areas of sale and distribution, cinema showing, production, training, financing, exploitation of audiovisual works and exploitation of archive material.

54 The European Commission approved MEDIA II on 8 February 1995 and submitted it for a decision by the Council of Ministers.

The MEDIA programme does not provide complete subsidisation of certain projects but starting capital, "seed money" in film parlance, not allowed to comprise more than 50% of total costs and repayable. This provision of basic capital is meant to attract other investors (Cf. Kleinsteuber/Rossmann 1994, 77). Thus the DM 30 million (c. \$20 million) seed money paid by the European Commission into MEDIA 92 led to investments of more than DM 100 million (c. \$66 million). The following table shows the subsidy areas and funds of the 1991-95 MEDIA programme (Luyken 1991, 182):

SOURCE

Promotion area	Million ECU 1991-1995
- audiovisual distribution promotion	85
- improving production conditions	75
- investment promotion	10
- vocational and training promotion	15
- promotion of small member countries	15
Total	200

It must be noted that the funds never flow directly into production, as they do in the EURIMAGES project of the Council of Europe. MEDIA subsidises only the areas before and after production. Thus there is for example support for producers, screen playwrights, cinema owners, archives, seminar organisers and financiers.

Within the MEDIA programme are individual projects. Thus the European Film Distribution Office (EFDO) project based in Hamburg, Germany, for example, promotes the distribution and hire of European cinema films, "low budget" productions, i.e. films whose production budgets may not exceed 5 million ECU. EFDO's task is to try to find distributors for these "low budget" films, which comprise 80% of the films made in Europe. EFDO has promoted 242 films since 1988, including the highly successful *Four Weddings and a Funeral*. A total of 1,400 distribution campaigns were supported with DM 100 million (c. \$66 million).

EURO AIM (European Association for an Audiovisual Independent Market) offers independent producers help to assert themselves on the international film and television market. EURO AIM is represented at the major programme markets, e.g. Cannes, and thereby enables independent producers to take part in these events. EURO AIM provides a common stand, the so-called "umbrella", as well as funds for advertising materials and advertisements. Different to EFDO, EURO AIM promotes television distribution as well as

cinema hiring. More than 3,000 producers have so far benefited from EURO AIM in selling films to distributors or TV broadcasters.

Eve (Espace Video Européen) promotes the distribution of audiovisual productions on video cassettes, laser discs or CD ROM. Video providers can receive a loan of 25,000 to 100,000 ECU. EVE sponsors full-length feature films, documentaries and older productions.

BABEL (Broadcasting Across the Barriers of European Language) promotes the subtitling or dubbing of films to further cultural understanding between countries and facilitate pan-European viewing. Especially translations into English are supported because these are best to market. The project especially addresses smaller countries with rare languages to enhance their films' appeal to other European viewers. Priority is given to productions that already have a commitment from a foreign broadcaster or can prove demand for an English-language version. Projects with feature film plots, especially youth films, but also pilot films for series and documentaries are preferred.

GRECO (Groupement Européen pour la Circulation des Oeuvres) supports both distribution and production of European TV movies, multi-part productions and series at least 60 minutes long up to a limit of 2.5 million ECU, respectively 12.5% of the production costs. Two thirds of the production costs must be assured by commitments to air of three television broadcasters in three countries.

SCRIPT (European SCRIPT Fund - Support for Creative Independent Production Talent) supports the development of individual films or series before the first day of shooting (pre-production phase). Both individual authors and teams of authors and producers are sponsored. A treatment or draft screenplay as well as a development estimate and outline of investment intentions must accompany the application.

There is a large number of other projects within the MEDIA framework, including animated and documentary films. Under the MEDIA SALLES (Cinema d'Europe) scheme European cinemas are supported in the struggle against U.S. distribution firms that to a great extent determine cinema programmes and in many cases ignore European films (cf. Trappel 1994, 86). That is why a campaign is run in which cinemas in about 100 European cities are supported. In one week every November, at least three films from various European countries are to be shown.

EUROPA CINEMAS subsidises cinemas prepared to show more than 50% European films. Their presentation is supported by regular advertising measures. The cinemas can obtain a maximum 30,000 ECU a year.

The European Film Academy was established in Berlin, Germany, in 1991. Special films are awarded the European cinema prize, the "Felix". It has never been able to reach the Hollywood model, the "Oscar". After the subsidy funding in Berlin kept diminishing, the "Felix", in the view of the Frankfurter Allgemeine Zeitung daily newspaper, "was left only with the character of a family celebration of the European filmmakers". Since Berlin is not prepared to continue funding there are considerations to move the awarding of "Felix" to Strasbourg and the academy to another European city. Florence or Stockholm were mentioned. It is uncertain whether "Felix" or the academy will survive.

Overall, the MEDIA Programme was not able to brake American influence. Its many individual projects are a disadvantage. The five-year budget of 200 million ECU (DM 400 million, c. \$265 million) is small compared to other EU budgets. For example, the EUREKA audiovisual technology programme receives an average DM 2.26 billion (c. \$1.5 billion) a year. Even the national French film promotion considerably exceeds the annual MEDIA budget of DM 80-90 million (c. \$53-60 million) and even the German film subsidies are twice as high. As mentioned, the MEDIA budget is about the same sum as is spent to promote just one American film in Europe. Despite this the programme that expired at the end of 1995 was extended after a management consulting firm judged 14 of the 19 MEDIA projects to be "very good". A new programme, MEDIA II, started in 1996. The EU allocated 310 million ECU to it. One the provisions of MEDIA II is for an "automatic promotion model" to be based on a subsidy of 0.3 ECU per cinema ticket for European, but not national productions.

EURIMAGES is an initiative of the Council of Europe tasked to promote European films. Apart from financial support for filmmakers it strives for "creation of a cultural European identity". This again testifies to the stronger cultural orientation of the Council of Europe expressed also in its Convention on Transfrontier Television. *EURIMAGES* is meant to complement *MEDIA* and puts its emphasis on the production phase. Of the Council of Europe's 34 member countries, 24 are also signed on to *EURIMAGES*. In addition to the 15 countries of the European Union, these are Bulgaria, Cyprus, Czech Republic, Hungary, Iceland, Norway, Poland, Switzerland and Turkey. Each of these member countries pays a contribution. In 1994 the contributions

amounted to some 131 million French Francs. Apart from that, *EURIMAGES* is funded from repayments from projects supported. These repayments and interest made c. 148 million Francs available in 1994.

EURIMAGES sponsors coproduction of feature and documentary films as well as distribution and cinemas. Certain conditions have to be met to receive support from *EURIMAGES*. For example, most of the production team have to be Europeans. The shooting language should be a language of a country of the European Union or the *EURIMAGES* group. *EURIMAGES* supported 202 feature films and 33 documentaries from 1988-1993. In 1994 *EURIMAGES* promoted 72 feature and 18 documentary film projects. The 1988-1993 sponsorship helped 700 producers. In the period *EURIMAGES* promotion was about 474.2 million Francs (70.5 million ECU). At the same time promotion funding flowed to 92 distribution enterprises that showed 43 films. In 1994 30 European films received distribution support.

The *EURIMAGES* programme is also criticised. One objection raised is that it is too French-oriented. In 1991 13 of the 34 subsidised coproductions had been French-led and 12 more had had French participation (Trappel 1994, 76). There is also criticism that there should be such a second promotion programme alongside *MEDIA* at all because both pursued similar aims. Miriam Meckel (1994, 139) argues that with *EURIMAGES* the Council of Europe "only wanted to make its importance stand out with a promotion project of its own". Instead of many different programmes, concentration on a few, but well funded projects would probably make more sense.

The last European promotion programme to be mentioned here is *EUREKA* Audiovisual, launched in 1989 by 26 European states. The suggestion had come from 350 representatives of the audiovisual industry. *EUREKA* Audiovisual models itself on its almost identically named forerunner in the technological area, *EUREKA*. Its aim is promotion of European audiovisual programme production. *EUREKA* Audiovisual provides no financial support but aims to offer structural aid by building up a network and spreading information. Thirty-three countries have signed on.⁵⁵

55 In addition to the 15 EU countries, the following are members: Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Iceland, Latvia, Liechtenstein, Lithuania, Malta, Norway, Poland, Romania, Russia, Slovakia, Slovenia, Switzerland, Turkey. The European Commission and, as an associate member, the General Secretariat of the Council of Europe, are also subscribers.

Projects are decided by a coordination committee comprising one coordinator from each country. An approved project is awarded the label "EUREKA Audiovisual". This quality seal is to facilitate contacts with future business partners, provide pointers to development projects and by that indirectly also support the quest for funding. The project has to involve partners from more than one European country belonging to EUREKA Audiovisual. More than 100 projects have received the label in the past five years.

EUREKA Audiovisual has launched various activities to improve cooperation between audiovisual practitioners. In 1993 the "European Audiovisual Observatory" was established to collect and publish economic and technical data about the European audiovisual market. There is also a "Bruges Group" for transnational cooperation between public satellite TV broadcasters. These aim to help create a European identity by assuring all-encompassing satellite reception and facilitating pan-European access to the best audiovisual transmissions.

Another EUREKA Audiovisual initiative is OPERATION HERACLES (How to Encourage the Rate of Audiovisual Circulation in a Larger European Space). This is to enable television companies in central and eastern Europe to air western European programming and thus promote exchange of all audiovisual programme productions throughout Europe.⁵⁶ EUREKA Audiovisual is perceived as an adjunct to the MEDIA Programme because it is not so strongly focused on individual issues and is not restricted to the EU countries. The film industry particularly values the inclusion of the east European region. Cooperation between MEDIA and EUREKA Audiovisual is planned.

7.8 Attempts to create a "European Television"

The first initiatives to create a "European Television" came in 1980 from the culture committee of the European Parliament. At first it wanted a European

⁵⁶ "Audiovisual EUREKA" also cooperates with the University of Geneva, the European Broadcasting Union (EBU) and the International Telecommunication Union (ITU). They jointly launched DIGIMEDIA, grouping researchers, producers, TV broadcasters, consumers and others in the telecommunication sector. DIGIMEDIA offers a forum to present new technological developments. A similar coalition is "Partnerships in Multimedia". But this is directed more at the big telecommunication companies, the makers of audiovisual equipment and computers, TV broadcasters and capital enterprises seeking to invest in multimedia projects. The aim is to form alliances for development of high grade multimedia products.

television corporation set up but later made do with the launch of a European TV channel. In 1982 the Parliament passed a resolution on radio and television broadcasting in the European Union. Its main objective was to start European television programming containing information, politics, culture, entertainment and sport and with a European accentuation in regard to its origin, transmission area, target groups and themes. All regions of the European Union were to be given fair consideration and their inhabitants and organisations enabled to take part in preparing suitable programmes. One wanted to propagate the idea of a unified Europe and project an objective image of the European Union. The attempts to create a "European Television" can be classified as language area programmes, lingua franca programmes and multilingual programmes (Faul 1987).

Language area programmes are restricted to a certain, trans-frontier transmission area where the same language is spoken. Thus in 1987 the German-language satellite channel 3sat was launched by public broadcasters from Germany, Switzerland and Austria (ZDF, SRG and ORF). 3sat wants to counter the flattening out of programming by the increasing number of commercial TV broadcasters and offer an "alternative for the discerning" (Konrad 1990). Hence 3sat perceives itself as a channel for interested minorities offering in addition to its major focus, culture, also information, sport and entertainment. 3sat is not meant to compete against its three public mother corporations but to complement their programming.

A similar culture channel in French-speaking areas is the satellited TV5, jointly operated initially by five TV broadcasters from France (TF1, Antenne, FR3), Belgium (RTBF) and Switzerland (SSR). It was joined in 1986 by the Canadian broadcaster CTQC from Quebec. A TV5 aim is to promote the French language and culture among European and international viewers and thereby to counter the growing output of English-language programming. The station also offers its programming in America and Africa and can be received in 22 European and north African countries as well as Canada.

Lingua franca programmes, in the most widely used language in a larger multilingual area – for western Europe it is English – are aired by commercial broadcasters, e.g. BSkyB, Super Channel and MTV-Europe.

Multilingual programmes are the only category able to realise a European television programming in the real sense of the word, but at the same time cause the most linguistic problems. The propagation of multilingual programming should be enabled by subtitling, dubbing or overvoicing in all countries.

Multilingual programming is very cost-intensive. So far only the public corporations have tried it out.

The first attempt at creating a European Television was made under the name of EURIKON in 1982. Five corporations took part in the attempt which excluded the public. In 1985 the first multilingual European satellite channel, *Europe TV*, was established. Germany's ARD, the Netherlands' NOS, Italy's RAI and Portugal's RTP took part. For five hours a day national public service full range programming was aired, complemented by European perspectives. Europe TV's motto was "from Europe – for Europe". Programmes were in English, German, Portuguese and Dutch. The project was to help create awareness in European viewers sharing a past and future with their neighbours. After just a year the Europe TV project folded. Especially the languages had been a hurdle almost impossible to take. There were also financial and organisational reasons, such as the cost of subtitling and overvoicing having been underestimated. Nor did the viewing public show any interest. Richard Dill of the ARD hit the nail on the head with his comment: "Europe TV is the European programming everyone agrees should be done by someone else", meaning that someone else should pay (Dill 1989, 137).

Since no full range European programme channels could be realised, one turned to European specialised programming, such as *Eurosport*. The main reason for its coming into existence was the European Broadcasting Union's possession of sports broadcasting rights (cf. chapter 7.9) which to a large extent were not utilised by member corporations. It was also assumed that there was demand for a European sports channel airing international events. An advantage was seen in language playing only a minor role in this. *Eurosport* was launched by 12 member corporations of the EBU together with Rupert Murdoch and now airs in German, English, French and Dutch.

But the market for specialised sports channels is not without problems. To achieve enough viewer acceptance *Eurosport* had to be offered in various language. Besides this there are different national sports preferences. That means the market shares of such broadcasters are reduced not only to those interested in sports generally, but to the followers of certain sports.

Euronews was another attempt by the EBU to create a specialised European TV channel. In 1995 the newscaster overspent its budget by DM 40 million (c. \$26 million). *Euronews* airs in English, French, German, Italian and Spanish and can be received in 75 million households. The deficit makes its future uncertain.

Closest to realising the idea of a multilingual European television is the Franco-German culture broadcaster "arte". Its brief is to broadcast European culture programming giving expression to the various mentalities, life customs and depiction forms and to be an alternative to existing programmes. The culture of Europe is to be reflected in its entirety to help people integrate. Arte went to air in 1992 and addresses a broad public with a high standard output. It does not present a full range of programming, starting transmission at 5 p.m.. No sports events are covered live, there are no American series and no big entertainment shows. Programmes air in German and French.

7.9 European programme exchange and coproductions

The European Broadcasting Union (EBU) was formed on 12 February 1950 by 23 west European broadcasting organisations (cf. Type 1992). It now has 63 members from 48 countries of Europe and the Mediterranean region as well as 52 contractual members from 30 non-European countries. The EBU's main task is to exchange programmes between individual public broadcasting stations of the member countries through "Eurovision". Only non-fictional programming is exchanged, such as news, sports or largescale events. Sport is the largest single category. From 1988 to 1991 it accounted for an average 87% of the Eurovision programmes. But Eurovision also deals with culture programming, although it accounts for only a very small part of the exchanges. In 1991 they were 0.1% folklore, 0.5% drama/opera/ballet, 1.6% music/jazz, 4% light entertainment, 2% religious broadcasts, 5.8% news/current affairs. News footage is exchanged six times a day. In 1992, for example, the Eurovision pool offered c. 17,755 news items worldwide, i.e. c. 48 per day.

Over time a "one way street" came into being between western and eastern Europe, i.e. between Eurovision and Intervision. There was very little programme exchange between the EBU and the OIRT (Organisation Internationale de Radiodiffusion et Télévision), its counterpart in East Europe, and practically all there was went from west to east. The problem was only solved with the post-communist era merger of the two organisations in January 1993. Now programme exchange across all of Europe is possible.

At a meeting at Marino, Italy, on 6 April 1990 EBU leaders, concerned with "the turmoil of the European audiovisual scene" drew up a blueprint for the organisation's future, the so-called "Marino Charter". It defines the EBU as "a community of broadcasters with an obligation to provide varied and balanced programming for all sections of the population". The Charter speaks of

the need “to promote the richness of European cultural and linguistic diversity”, including in the Mediterranean basin. Collaboration between broadcasters should be extended from the Atlantic to the Urals. Because of a decision by the European Commission the EBU has opened up to commercial broadcasters so that they can also obtain sports broadcasting rights and news material from it, although they are not members. This cooperation is “on a contractual basis and with reciprocity”. The Charter also calls for more intense cooperation between members through coproduction, “especially in the cultural area” and to “promote other forms of joint European initiatives”.

Coproductions between individual European countries, mainly between France and Italy, began in the 50s. A coproduction is “a film project carried out not by one but two or more producers linked as partners who share the raising of means of production, respectively their funding, and correspondingly the exploitation rights. The participations can consist of bringing in the film rights to the subject matter or of material and other valuable inputs” (Kallas 1992, 21). The main short term purpose of coproduction is to reduce production costs. In the medium term the promotion of coproduction aims at strengthening Europe’s audiovisual industry. A long term aim could easily be to create and preserve a European identity (Siebenhaar 1994a). Cofinancing is moving ever closer to the centre of considerations and is often more important than the content of the production (Kallas 1992).

Another form of cooperation are joint ventures, i.e. coalitions of producers as a production community. It lessens the financial risk and facilitates distribution within this community (Kallas 1992, 26). The major coalition of this kind is The European Co-production Association (ECA) established in July 1985 by six European TV broadcasters (Antenne 2, ZDF, SRG/SSR, Channel 4, ORF, RAI. Spain’s RTVE joined in 1987.

The ECA’s objective is joint realisation of high-standard “European” TV productions which none of the stations could produce on their own for cost reasons. It was also intended to produce European series to compete with “*Dallas*” or “*Denver*” from the USA. Such an ECA project was the crime series “*Eurocops*”. Each ECA member country produced episodes of it which were then aired in all the ECA countries. The expected success did not materialise. Adequate audiences were attracted only in the countries where the respective episodes were produced. The ECA responded by deciding to produce more “prestigious fictional big productions in short-series format” (Jézéquel 1994). With that the ECA went back to the beginnings of traditional coproduction. The ECA was not able to meet another expectation placed in it: its

average annual coproduction capacity of 52 programme hours is extremely low compared to the broadcasters’ needs (Meckel 1994, 123).

Clearly the biggest problem of European coproductions is to make them appealing to all Europeans. And that seems hardly to be possible. Most attempts ended up as *Europudding* supposed to offer everyone something and therefore not appealing to anybody (Ridder 1991).

The commercial broadcasters have also formed production coalitions. There is, for example, the European Producers Corporation (EPC), a grouping established in 1986 by FIT of France, Tele-München of Germany, Tangram of Italy and Lion of Great Britain. Or there is Tricom, grouping the German media mogul Kirch, the Italian media mogul Berlusconi and TF1 of France (Meckel 1994, 123). As a rule the production coalitions of the commercial broadcasters are purely economically driven. The marketing of the production is the main concern. The aim is transnational productions guaranteeing global exploitability.

7.10 The weaknesses of European media policy

A reader writing to TIME (March 20, 1995) said: “Thanks to government intervention the European film industry can produce beautiful movies whose content is not dictated by an audience of 10-year-olds.” Nice to hear, but as the previous chapter has shown, on the whole Europe’s struggle against Hollywood dominance has made negligible impact. The European film and television market is ruled by U.S. productions. Media policy measures have done little to form a European identity because national programmes are preferred. There is no European audience. Thus the often mentioned successful German film *Maybe ... Maybe Not* flopped in Holland. The differences in Europe are made very plain by the 1995 study Television 95. European Key Facts. The single European market is a fact, but that does not hold for the television market. A few examples:

- Greeks, Britons and Austrians prefer programmes aired in many episodes.
- Greeks and Britons prefer soap operas.
- Germans and Austrians prefer police and family series which are not liked much in Belgium and Italy.
- Italians and south Belgians prefer both light entertainment shows and magazines/documentaries.
- Italians are the keenest European news watchers. There is less interest in news in Great Britain, the Netherlands, Germany and Greece.

- Daily viewing time of adults ranges from 124 minutes in the German-speaking parts of Switzerland to 221 minutes in Italy. (In the USA it is 243 minutes, in Japan 247.) Germany is in the middle with 178 minutes. The European average is 191 minutes. Especially in small countries that air few country-specific programmes television is watched less than in states where more local productions are aired.
- Not only is television watched more in southern Europe, viewing patterns are also different there to the north's. As well as the main evening viewing time there is also a second period during the afternoon siesta in Spain, Italy, Portugal and Greece.

The different viewing patterns are one reason why programme exchange works so poorly. Some figures to make this even clearer: German programmes had a 1.8% share in France in 1995, conversely French programmes had 1.7% in Germany. The corresponding numbers for Great Britain are 0.1% and 2.5%, for Italy 0.75% and 1.4%. But apart from this diversity in European TV consumption there are other, much more important reasons for the failure of European media promotion. Right at the top of the list are distribution and hiring of the productions. Distribution means the trading of a film between producer and hirer who places it in the cinemas. Distribution firms are concerned only with the import and export of films (Kallas 1992, 144). The European film and television industry's main problem is that there is no standardised European distribution and hiring system, but hundreds of small firms working the market. For example, the proportion of German distributors/hirers who put more than 12 films a year into the cinemas was only 18% from 1987 to 1991. And that figure includes the German subsidiaries of the big U.S. distributors Warner, Columbia and Fox as well as UIP, which distributes films of MGM, Paramount and Universal. In 1992 these American enterprises had 65.8% of the German hiring turnover (Prodoehl 1993, 162). Apart from these American enterprises there are few vertical concentrations in Germany and the rest of Europe. For the most part the areas of production, distribution/hiring, playoff/showing and video are separate. The exception is the German Kirch Group. This separation makes it very difficult to devise a comprehensive strategy to market a film in all possible areas, such as cinema, television, video, book and so forth. The 1994 German distribution/hiring turnover was DM 525.8 million (c. \$350 million). U.S. films had more than an 80% share of that, i.e. DM 428 million (c. \$283 million) (SPIO 1995, 14). European politicians have, however, recognised the situation. In February 1995 the culture ministers decided in Bordeaux to subsidise the building of a pan-European distribution net with \$480 million.

The global distribution net of the American major companies enables them to make big profits, cut costs per film and save costs by globe-spanning advertising. On top of that, the U.S. distributing companies dominate the playoff places in the cinemas (multiplex cinemas) and fill them with U.S. films, being distributed in ever greater numbers of copies. That leaves hardly a chance for European films (Wöste 1993, 532).

Another decisive disadvantage vis-a-vis Hollywood is the fragmentation of production structures (cf. Braunschweig and Keidel 1991, 786ff). Germany alone is estimated to have between 300 and 1,000 producers. The majority are small, called "back pack" producers (Rucksackproduzenten) in the industry, do not work continuously and only on a small scale. The two biggest German firms are Bavaria Film in Munich and Studio Hamburg. Both are subsidiaries of the public broadcasting corporations and employ 450 to 500 people. Bavaria's 1990/91 turnover was DM 225 million (c. \$150 million). In France there are some 650 independent firms, including some large ones, such as Gaumont or Union Générale Cinématographique. In Britain, too, most of the producers are tiny. Almost 90% of the approximately 600 production companies turn over less than a million pounds, a quarter of them even less than 100,000 pounds. About 70% of the firms employ fewer than 10 people, only about 25 firms employ more than 80. The Italian structure is oligopolistic. Although there are some 150 production firms, the market is dominated by the public broadcaster RAI, mogul Berlusconi's Fininvest and the largescale producers Mario and Vittorio Cecchi Gori.

In this context another important difference between Hollywood and Europe must be pointed out. In Hollywood scripts are done professionally and routinely by teams. In Europe it is still tradition for just one person to write a script. It is the same in television. Thus in Germany an author named Herbert Reinecker almost has the monopoly at the ZDF public station on TV crime thrillers and series. He has written all the screenplays for the ZDF crime series *Der Kommissar* (97 episodes) and *Derrick* (more than 200 episodes by 1990) (cf. Reinecker 1990, 292 ff.).

Apart from hiring, distribution and production, the subsidies are another big problem of the European film industry. For one thing, there is a large number of different film promotion possibilities. In addition to the sponsorship through MEDIA, EURIMAGES and EUREKA Audiovisual dealt with above, there are additional national and regional subsidy systems in almost every country. They all work more or less separately from one another and most have very little funding. That is hardly likely to equip the European film

industry to compete against the American. Just one example suffices to make the dimensions clear: the costs of producing and marketing the U.S. film *Jurassic Park* were greater than the entire German film subsidies of \$115 million in 1993.

On the other hand, there is increasing criticism of a "subsidy mentality" developing (Kruse 1994, 197). Prodoehl (1991, 164) calls German film promotion a "system of risk-minimising pre-amortisation. In this system the costs of producing a film (including the producer's fee) are already completely covered before shooting begins. ... For the producer production of the film has paid off in this system even if the film fails commercially." European promotion also supports lack of competitiveness: "In the German but also certainly in the European subsidy jungle a swamp honeysuckle has come into being, the so-called 'HU(Handlungsunkosten)-Produzent' (activity costs producer). He knows where to get subsidy funds. He organises the funding of a project, takes his 15% cut for 'activity costs' as a fee and bothers no more about the destiny of the film" (Frank 1993, 93). In this way it is possible for films to be produced with public funds that hardly anyone will want to see. One can call oneself filmmaker, benefit from the subsidy funds and quite without risk produce absolutely unsuccessful films.

TIME (February 27, 1995, 49) also referred to the problem and argues that the subsidies led to self-destruction. There were what it so aptly called subsidy gypsies, experts in milking subsidies and absolutely disinterested in audiences. And hundreds of films are actually produced in Europe every year because there is a wide range of supports. The German federal state of Hesse, for example, subsidises films that contain a reference to Hesse. The German producer Dieter Geissler (*The Neverending Story*) remarked on the subsidies: "All this wonderful support is driving the European industry into a state of self-destruction." It appears that many films are made not primarily to attract viewers, but to get money for the production of them, and it seems that despite the often decried small size of the subsidies one can live well off them.

American film and television producers know that as large as possible an audience has to be reached. If switch-on ratings or cinema attendance are too low, the product is taken off the market. In their study *Violence in Television: The Industry Looks at Itself*, Baldwin and Lewis (1972, 313) quote a television producer: "Film-making for television is a business of merchandising and profit making. We are manufacturing a product and we want it to attract the largest possible audience, short of prostitution."

As a rule, the most important European filmmakers perceived themselves as intellectuals – a term one would use for your usual Hollywood director only if one stretched its meaning to the limit. The Europeans were culture-critically arrogant. One was not out to produce mass culture, but to create art. Commercial success was almost equated with culturally inferior products. Productions were planned without a thought for the public; after all, there were subsidies. An example of this perception of culture is the Franco-Swiss director Jean-Luc Godard, who was 65 in December 1995 and is one of the film cult figures. One of the initiators of the Nouvelle Vague (New Wave) and celebrated by adorers as one of the greatest aesthetic avant guardists of the 20th century, Godard also has critics. Many are repelled by his uncompromising intellectual rigour. Without doubt Godard has greatly influenced modern film, but although the cult film *Breathless*⁵⁷ was a big box office success, filmgoers, or better: the public taste, never really interested him. He is supposed to have said he did not feel good in full cinemas. One cannot, of course, impugn a subsidy mentality to Godard. He produced with small budgets like the other greats of the Nouvelle Vague (Francois Truffaut, Claude Chabrol, Louis Malle). They did not want to "capture a reflection of life", they wanted to conquer the cinemas for "film become life".

This attitude of disdain for the public, of cultural elitism, is also cultivated in Germany. The very controversial German director, Hans Jürgen Syberberg, a nationalistic German intellectual who brands his critics as Jewish-leftist intellectuals dominating German cultural life, has said: "I make what nobody wants, what lies at odds with everything else." A small number of followers adore his "*German trilogy*". It comprises films about Ludwig II of Bavaria (*Requiem for a Virgin King*), famous German novelist Karl May and Adolf Hitler (*Hitler, ein Film aus Deutschland*). He has also made a film about Winifried Wagner, called the Mistress of Bayreuth, consisting of a five-hour interview. The works caused quite a stir among foreign intellectuals as expressions of "the German being" (whatever that may be) but left the general public cold. Amongst other things, Syberberg received the Federal Order of Merit, the Film Band in Gold and the Critics' Prize. The New York Times called the Hitler film, which runs seven hours (!), one of the greatest works of art of the 20th century and arguably the greatest film of all time. But one thing is certain: under commercial conditions the film would never have been made. Syberberg described his position as follows: "If you don't swim in the mainstream you're lonely in your own particular way. That's me, but no complaints, no accusations." Syberberg, whose themes were always The Great Art

57 The story of a love and a big betrayal, starring Jean-Paul Belmondo and Jean Seberg. The film's breathless narrative rhythm broke the conventional grammar of film images.

and *The Great Loners*, is an outspoken opponent of commercial cinema, of realistic film narrative, and pleads for a highly manneristic cinema aesthetic.

The German director Hark Bohm describes the situation as follows: "We old ones wanted to be elite, you know, exclusive and High Culture. We were aesthetes and romantics like Wim Wenders, or Marxist pedagogues. You made films to illustrate theses. People were to learn in the cinema to be better human beings. This elitist clique wanted nothing to do with the mass. That was regarded as populism. To them commercial meant whorish."

But a change has begun in Europe. The German director Dieter Wedel, who made such successful and good films as *Der große Bellheim*, describes the way American films are made as exemplary. He says he has successfully adopted it and takes references to that as a compliment. He characterises his films as follows: "They are films with many shooting angles and fast edits. They have tempo and humour and avoid this ghastly German ponderousness. That's got nothing to do with Americanisation of our way of telling a story."

In mid-1996 a certain optimism was spreading in Europe. The business journal *Wirtschaftswoche* (2.5.96) reported that in France the share of U.S. films dropped from 60 to 54.2%, the share of local films rose to 36.8%. Nicolas Seydoux, president of the French production company, Gaumont, said, "We are capable again of making attractive films for the public at large." Director Luc Besson at that time was shooting the most expensive European film ever, *The Fifth Element*, budgeted at \$90 million. There is hope, too, in Germany where in the first quarter of 1996 German films had more than doubled their market share to 20%. There is again in Germany something it did not have for a long time: German film stars pulling people into the cinemas. At the end of May the Philips subsidiary Polygram was negotiating with MGM to buy the film studios for \$2 billion. But the deal did not go ahead, Europe got no Hollywood major company. In July 1996 a group around the American billionaire Kirk Kerkorian bought MGM for \$3 million.

7.11 Present strategies of the European Union

A central problem of European media policy, to be reiterated here, is the disunity within Europe⁵⁸ over how to stand up to Hollywood. In the one camp are the proponents of deregulation, more or less without compromises, who

want film and television treated like any other merchandise. In the other is the school that wants non-market conforming regulations and these media treated as vehicles of culture. Also in the equation is the big decline in the impact of national and/or European media policies. Mark Wössner, head of Bertelsmann, pointed out in 1966 that the needs of the television market are no longer national. "We have long been on a global playing field," he said.

The European Commission sees the future in the "information society". New audiovisual services and products like interactive television, video-on-demand, pay-per-view or teleshopping are driving the trend. Introduction of digital technologies has made them interesting. Together they come under the label multimedia (cf. chapter 3.1). The programme industry, the broadcasters and the telecommunication enterprises together with information and communication enterprises form the economic sector regarded as having the greatest growth potential, guaranteeing competitiveness and providing employment for millions of people. This assessment is set out in a 1993 White Paper⁵⁹ on "Growth, Competitiveness, Employment – The Challenges and Ways Forward into the 21st Century". In addition, in 1994 the report "Europe and the Global Information Society" was presented which also depicts the information industry as the future growth market and makes concrete suggestions about Europe's path into the "information society". Also in 1994 the European Commission published a Green Paper titled "Strategy Options to Strengthen the European Programme Industry in the Context of the Audiovisual Policy of the European Union". It addresses as "the essential problem" the question "How can the European Union contribute to the development of a European film and television programme industry which is competitive on the world market, forward-looking and capable of radiating the influence of European culture and of creating jobs in Europe?" The European Commission has recognised the mistakes and weaknesses of the European programme industry and the need for precise structural planning of further support action in a field of growing internationalisation and globalisation.

The European Commission demands propagation of the new technologies in all enterprises of the programme industry. Communication infrastructures are also to be promoted and special training methods developed. The Commission's Green Paper argues that although promotion measures have assured the existence of the programme industry in Europe, their effect was too small to

59 A White Paper is a compilation of documents, statistics and the like about a certain subject, put together by state institutions and presented to the public. The colours of such "Papers" vary from country to country. For example, in Britain they are blue, in Italy green and in Germany white.

58 Denmark, for one, does not intend to adopt the Television Directive as national law.

achieve the real goal. That goal is a profit making European programme industry that can provide European viewers with comprehensive programming.

With the MEDIA II subsidy programme the European Commission launched two initiatives to counter the structural weakness of the European programme industry. One scheme is to improve follow-on training for people working in programme production, another is to foster project development and distribution. The formation of pan-European distribution nets is to be advanced to make the European programme industry more competitive on the international market (Kreile 1995). MEDIA II has a budget of 310 million ECU, again much too small to make European producers more competitive internationally. The former French foreign minister, Jacques Lang, demanded a billion ECU for promoting the European audiovisual industry at a conference in 1994. He argued it was needed to help the badly hurting European film industry. But the demand was not met because the European Union lacked the funds for it in its budget (Kreile 1995).

In a study titled *Zukunft Multimedia: Grundlagen, Märkte und Perspektiven für Deutschland* (*The Multimedia Future: Foundations, Markets and Outlook for Germany*) the consulting firm Booz Allen & Hamilton (1995, 99) argues that if Europe wants to stay in competition with the USA, a uniform, deregulated market for telephone, cable and satellite has to be created as fast as possible. The starting positions were already being allocated, given the future digital fusion of television, computer and telecommunication and the creation of information highways connected with it. Europe could only stay internationally competitive through a concentration of content providers, broadcasters and equipment makers.

The European Commission has doubtlessly recognised the importance of the new digital technologies which open up possibilities for hundreds of television channels, video-on-demand and interactive television. The former commission president, Jacques Delors, maintains: "This revolution will be as important as the invention of printing by Gutenberg." However, it is feared in Europe that the Americans will also dominate this market. At stake are about two million jobs and many billions of dollars. "We must not lose this battle the way we lost the battle for consumer electronics and computers," he exhorts.

But EU initiatives in this field have faced two problems. For one, there is no joint, coordinated EU action in the multimedia field, just as there is not in other areas, either. For another, the process from the first idea to development of a Green Paper to implementation is far too long (cf. Booz Allen &

Hamilton 1995, 97). Moreover, EU legislation greatly restricts possibilities for concentration. Enterprises questioned by Booz Allen & Hamilton took the view that concentration movements in Europe should only be assessed under cartel law, not media law (preservation of opinion multiplicity). Mergers that might help Europe to compete internationally, the questioned entrepreneurs said, would probably be forbidden by the EC authorities (Booz Allen & Hamilton 1995, 99 ff.).

Bertelsmann chief Wössner sees Europe five years behind America in building a multimedia market. That was why Bertelsmann would put more effort into building a European multimedia business, he said in September 1995. A study by the Arthur D. Little management consultants of Boston predicts this future: "Not those with the technology, but those with the customers and the hardest-hitting marketing will be on the winning side." According to another prognosis of these consultants the programme suppliers, such as film studios, TV companies, publishing houses and video game producers are the clear profit makers in the multimedia market⁶⁰.

The question arises whether, faced by such crushing American dominance, the European film and television industry still has a realistic chance and whether it is following the right strategies. Jacques Lang commented in 1994, "There is no point in trying to find a scapegoat on faraway shores. The ills we are suffering are not due to the actions of a powerful American industry. The prime responsibility is our own." Actually, the solution is quite simple: produce and adequately distribute films and television programmes that people like.

⁶⁰ Reported in the German business journal *Wirtschaftswoche* (No. 21 of 20 May 1994, p. 43). There is no indication of when the two studies were made.

8. Summary

The discussion of the 60s and 70s distinguished between two types of manipulation, not to be perceived as a pair of contradictions. One was the perception that certain elites occupied the mass media. The other was market mechanisms, i.e. the striving for recipient maximisation, which produces apolitical mass culture. The media were occupied by a small elite. As has been shown, there is a small circle of very rich people who obviously know each other well and govern the media giants.

Furthermore, the following trend is apparent: both production and exploitation of contents propagated by mass media will in future lie globally in the hands of a small number of huge enterprises. Their owners, as mentioned, were described by Jonathan Tasini in the *Washington Post* as *tele barons*, as reincarnation of the infamous robber barons. The oligopoly in the media sector will become even tighter. The newest information taken into account in compiling this book indicates that the U.S. Federal Trade Commission has approved the merger of Time Warner Entertainment Corp. and Turner Broadcasting Systems after all, despite great concern over the role of Telecommunications Inc.. According to TIME (July 29, 1996) Malone solved the problem of TCI and Time Warner controlling 40% of the U.S. cable market "by suggesting the creation of a spin-off company comprising as much as 14.9% of Time Warner shares – a company he would not control". With that, Time Warner is the largest media enterprise in the world. Murdoch also continued his merger drive, acquiring the New World Communications Group for \$2.48 billion. TIME (July 29, 1996) commented: "News Corp.'s Murdoch now controls 22 TV stations – more than any other U.S. owner – reaching 40% of TV viewers."

The commercial success of enterprises like Disney, Viacom, News Corp. and others rests largely on contents the manipulation theoreticians saw as fusing culture and advertising because the profit motive was introduced into cultural production. Mass culture then means adapting to the relaxation and entertainment needs of consumer groups with relatively low level of education. Precisely this is the target group commercial television, wanting large viewer numbers, and Hollywood address. Evidence of this is the list of the most successful films at the U.S. box office published by the periodical Variety (February 26 – March 3, 1996): 1. *E.T.* (1982), 2. *Jurassic Park* (1993), 3. *Forrest Gump* (1994), 4. *Star Wars* (1977), 5. *The Lion King* (1994), 6. *Home Alone* (1990), 7. *Return of the Jedi* (1983), 8. *Jaws* (1975), 9. *Batman* (1989), 10. *Raiders of the Lost Ark* (1981). The most successful 1995 films listed in-

cluded *Batman Forever* (22nd place), *Toy Story* (24th), *Apollo 13* (33rd) and *Pocahontas* (55th). At least seven films budgeted between \$80 and \$100 million each are planned for 1997: *Batman & Robin* (Warner Brothers), *Dante's Peak* (Universal), *Faceoff* (Paramount), *The Lost World* (Universal), *Men in Black* (Columbia), *Starship Troopers* (TriStar/Disney) and *Titanic* (Fox) (cf. Variety, April 29 – May 5, 1996). Investments like that have to be recouped by aggressive marketing. Variety (May 20 – May 26, 1996) quotes a managing director of Buena Vista International: "People are not going to be able to escape the ads – they'll be everywhere."

Without doing a systematic quantitative and qualitative analysis, it can be concluded from the films listed above that their contents are integrative and make no criticism of existing social and political conditions. Nor do they imbed individual fates in societal contexts. (A possible exception could be *Forrest Gump*, although it is not socially critical, either.) The market success of these films and the tabloid press shows that politically relevant information is quantitatively insignificant compared with entertainment. In television, moreover, the distinction between information and entertainment (infotainment, reality TV) is becoming more fudged all the time.

The ideas about the importance of the mass media for the stability of the capitalist system are more applicable than they have ever been.⁶¹ Thus according to Max Horkheimer and Theodor W. Adorno (1971, 5) the culture industry conducts "an apology of society ... an idolisation of the status quo and of power", whereby a system remains stable only as long as most of the members of the system make escapist use of the media and do not begin to reflect on their social situation and want to change it. Adorno (1967, 64) argues that "constant dripping wears away the stone, since the system of the culture industry surrounds the masses, tolerates hardly any avoidance and incessantly drums in the same behavioural schemas". Herbert Marcuse (1969, 32) pointed to the central importance of the mass media to the manipulation of "needs". Marcuse (1970, 257) took the position that the non-functioning of television and related media could achieve what the imminent contradictions of the system did not achieve: the collapse of the system. Marcuse (1969, 28) argued that the mass media have decisive importance in shaping the one-dimensional human being, whereby the class interest uses the mass media to advertise violence and stupidity to captivate the audience. Indifference to political issues, the withering of the capacity to reflect critically, acquiescence in existing conditions and the futility of enlightenment efforts vis a vis the mass

of entertainment, advertising and 'depoliticised' politics are diagnosed by the followers of the Frankfurt School as consequences of the propagation of manipulative contents.

Except perhaps in the USA, where most media behemoths are based, media policy as action aimed at setting up an order for the mass media at national level is practically no longer possible. The vertical integration processes and mergers in the communication industry, especially in the USA, have brought and will continue to bring globally operating enterprises into the media market. National supervisory authorities are largely impotent vis a vis complex networks of production, marketing and participation enterprises with silent partners and figureheads, cross holdings and strategic alliances, with frequent changing of sides and secret agreements, all of this being almost impossible to comprehend from outside.

In many states, defeated by this sheer power and complexity, media policy-makers have caved in to the big players and feebly refer to the laws of the free market. The notion that the contents of the film and television mass media have to be treated as cultural production does not for now appear able to assert itself vis a vis the one that these are products of the same calibre as hamburgers and cola. To give but two examples, in India and Germany the state, respectively the state-independent public television have had to learn to live with the commercial rivals, which has not necessarily raised standards. The dilemma in Germany is that on the one hand the media's independence of the state has to be assured while on the other hand dominant opinion-shaping power has to be prevented. To prevent opinion monopolies, market shares have to be limited in Germany. But these efforts to secure opinion plurality weaken the international competitiveness of German media enterprises, thereby worsening the danger of more inundation by contents produced by American media behemoths.

Under no circumstances must one draw the resigned conclusion that it is a kind of law of nature that commercial compulsions will lead to a trivialisation of world culture. Business is conducted by people and can be politically shaped. Hollywood films addressing the intellectual level of poorly educated 14-year-olds are not unavoidable. Just as avoidable is television programming comprising constant repetition of sitcoms, soap operas, game shows, night shows, talk shows and American series not exactly made for the more intelligent viewers. A press dominated not by serious journalism, but sex, crime and human interest is not a must.

61 Cf. Concepts of Journalism – North and South, p. 53 ff., another "communication manual" published by the Friedrich Ebert Foundation.

Politicians can counter such a media horror scenario if they want to. Commercialisation of the media is not the only way to go, even though that is presently the trend worldwide. Newspapers, periodicals, film and television are central elements of culture and not a merchandise like McDonalds products or jeans. Democracy needs adequately informed citizens who want to and are able to contribute to formation of political will. Where the media are privately owned and commercial it has to be assured at national level that there is plurality of opinion. The German publicly controlled corporations or the British Broadcasting Corporation, on which some of them are modelled, which have done much to advance freedom of opinion in their respective countries, might serve as examples for the organisation of radio and television.

This is no outright condemnation of commercial television. In certain situations commercialisation really can effect liberalisation, namely in smashing monopolies. There is absolutely no doubt, for example, that CNN was a decisive factor in the Indian media landscape and especially the state-controlled television having to change totally. The state could no longer suppress information. In Germany introduction of commercial television also spurred public corporations that had turned into immobile bureaucracies to become more flexible.

Commercial organisations could also mean, for example, that remote study courses are offered internationally on a commercial basis. There is certainly a market for that. The chances of success are likely to be favourable for providers and potential students. Why, for example, should engineering studies from the USA not be successfully offered in Japan or some other country? Students from developing countries or countries of the former East Bloc could study without the costs of living abroad. Moreover, the digitalisation of television propagation is opening up ever more channels for target group programming, so why should a channel for chamber music or painting courses not be able to sustain itself financially? But commercialisation can also split society in halves if the trend continues for sports (e.g. certain soccer leagues, other popular sports, the Olympics or world championships) no longer to be visible in free TV, but only for fees on pay-TV?

Even though at the moment it looks like a global trivialisation, there is no reason to panic. If viewers want trivia worldwide, no-one should break down into cultural howling. Instead, there are two possible courses of action:

1. The demand of recipients for this kind of entertainment has to be respected and met. Cultural arrogance of the kind practised for so long by European filmmakers is the wrong response.
2. The popular contents can be used to transport messages deemed important; the telenovela, for example, proved an outstanding vehicle for propagating development communication. Furthermore, it is the task of the creative people gradually to raise the cultural standard. The aim must not be adaptation to the lowest cultural standard, but a leading up to culturally higher contents.

To ward off the trivial it is quite legitimate for subsidies to be paid, like in Europe, if they raise the quality of products. The European experience, especially with subsidisation of production and distribution of film and television, shows that the creative potential has been preserved so as to be able to stand up to the USA. Europe's main problem, its linguistic and cultural diversity, does not exist in this form in Latin America, for example. There are good chances in that region to use endogenous potentials and advance programme exchange, coproduction and so forth. It should be learnt from the European experience, however, that this must not be allowed to spawn a subsidisation mentality. Coproductions need not lead to a Latinopudding matching the Europudding.

In Asia there is a strong trend to return to cultural traditions. That should not go hand in hand with censorship, however. Malaysia's banning of satellite dishes and attempts to immunise its young against Westtoxication through healthy activities like mountain hiking is not the way to resist cultural imperialism. It is simply naive and sure to fail. Instead of the censorship incompatible with democracy quota regulations appear to be quite an appropriate approach to protect one's culture without cutting people off from the international flow of information and entertainment. Quota regulations like those France demands will always remain controversial, but comparable to protective trade tariffs they offer the chance to build and protect the media industry. Because of the "cultural discount" that favours the USA, the quotas should be kept. That is not to mean, I emphasise once more, shutting out American films and television – there is no reason to do that – but to preserve equality of opportunity at least domestically. The European examples referred to here show that this can work. In France the farce *Les Visiteurs*, in which visitors from the Middle Ages come into our time, attracted twice as many viewers as *Jurassic Park*. The German film *Der Bewegte Mann* (*Maybe ... Maybe Not*) was a European success. I refer once more to the huge success of British-made *Four Weddings and a Funeral*.

Given the ownership of media enterprises and the structural conditions of international communication the free flow of information means that a few very large enterprises can propagate their output worldwide. As long as free flow remains the ideological stance of the West a balanced *flow of information* will remain a long way off. Media behemoths like Bertelsmann, Disney, General Electric, Globo, Microsoft, Murdoch, Seagram, Sony, Televisa, Time Warner/Turner, Viacom, Westinghouse and others dominate but the rest of the world cannot compete. The discussion about satellite programmes spilling over one's own borders has become pointless: News Corp. can potentially reach two thirds of humankind, Viacom propagates pop culture worldwide through MTV, CNN globally broadcasts news seeing the world from a U.S. perspective.

What we actually have now is the situation Lenin outlined in 1917 in his *Draft resolution on press freedom*: "The bourgeoisie perceived press freedom as the freedom of the rich to publish newspapers, the assumption of press ownership by the capitalists which practically in all countries has led to the venality of the press." Marxists are by no means the only ones who see it that way. The conservative German publicist, Paul Sethe, in 1965 saw much the same situation in Germany: "Since the production of newspapers and periodicals needs ever more capital, the group of people able to publish press organs is getting ever smaller. Press freedom is the freedom of 200 rich people to spread their opinions. They will always find journalists who share their opinions. But what of those who happen to think differently – do they also have the right to express their opinions? The (German – M.K.) constitution gives them that right, but economic reality destroys it. Free are those who are rich, and since journalists are not rich, they are not free either." The statement is applicable now to international communication.

Of all attempts to save cultural identity, censorship, which usually involves people of low intelligence trying to dictate to their compatriots what is good for them, has to be energetically fought. Censorship tends to get out of control. First entertaining contents are censored out, then follows the news (if it is not under even stricter control to begin with). How badly censorship can fail is shown by the Gulf region, one of the world's biggest video markets. In Saudi Arabia there is no public entertainment, not even a cinema. Television is tasked to support Islamic societal policy. Video consumption is the result.

It is no surprise that countries like Saudi Arabia, Iran, Singapore and Malaysia have outlawed dishes that imported Western broadcasts. Little known, though, is that quota proponent France has done it, too, although at "informal" level. In the Paris suburb of Courcennes satellite dishes have been banned

by municipal authorities to block signals from the Middle East. *TIME* (August 21, 1995, 6) reported: "Claiming that both Arabic and Turkish-language channels transmitted by satellite impede assimilation of North African immigrants and that satellite dishes might cause injury if blown from buildings by high winds, mayor Guy Briantais banned all such dishes from apartment dwellings, where most of Courcennes' immigrants live. Many sympathize with an Algerian immigrant who told *Le Figaro* that Arabic broadcasts are 'a way for the children to be in contact with their culture and language'."

The Chinese authorities have not only banned dishes but are also trying to control access to the new medium, Internet. *Newsweek* (February 12, 1996, 7) quoted the computer scientist, James Chu, whose Chinese Internet Corp. is building an "intranet" that limits access to non-Chinese parts of the net: "We've eliminated what is undesirable and kept what is good." The Chinese government announced in January 1996 that all economic news coming into the country electronically would be controlled by the state, i.e. censored by the state-owned news agency, Xinhua. Xinhua even distributes stock quotations from New York or Tokyo. According to the agency the purpose is to "safeguard the nation's sovereignty". China restricts Internet usage by a law enacted by the State Council banning the production, acquisition, replication and distribution of types of information that could impinge on public order. It applies also to obscene or pornographic material. Neither organisations nor individuals are allowed to participate in activities detrimental to the security of the state. By law, all computers with links abroad have to use communication facilities provided by the Chinese posts ministry. All data have to run through a facility of the Qinghua University. It was not known at the time this was written how this was to be practically implemented.

There are also strong efforts in the USA to control the flow of data on the Internet. After being passed by a "Netilliterate" Republican-dominated Congress, President Clinton signed the Communications Decency Act (CDA) on 8 February 1996. The CDA was supposed to squelch online pornography and make the Net safe for children by banning "indecent" content. The Act is so wide-ranging and formulated so imprecisely that uploading James Joyce's *Ulysses*⁶² to the World Web could have been construed as a felony offence

62 Original and influential novel of epic proportions by the Irish writer, James Joyce, an ironical measure of the degradations of modern life. By interior monologues it traces the wanderings of three characters through a Dublin day, passing from a public bath to a funeral, library, maternity hospital and brothel. Originally published in Paris in 1922, the book was judged obscene in the US until 1933. An uncensored edition appeared there and in England in 1937.

punishable in the U.S. by a \$250,000 fine and two years in jail. In mid-June 1996 a panel of three federal judges pronounced that the government's attempt to regulate online content more closely than print or broadcast media was "unconstitutional on its face" and "profoundly repugnant". In a memorandum published online soon afterwards, the judges declared the Internet a medium of historic importance, a profoundly democratic channel of communication that should be nurtured, not stifled, because the Net is still in its infancy. The judges said the Internet deserved at least as much constitutional safekeeping as books and newspapers, if not more: "As the most participatory form of mass speech yet developed the Internet deserves the highest protection from governmental intrusion." But that is not the end of the legal battle in the USA over censorship of the Internet.

The coming of the Internet has also impacted on the relevance of "critical media theory". Whereas up to a few years ago the 1932 radio theory of the leftwing German writer Bertolt Brecht could still be dismissed as utopian, it looks different now. Brecht demanded that the function of radio should be turned around. The distribution apparatus should be changed into a communication apparatus. Listeners should not only hear, but also speak. Radio should become a public, decentralised medium that did not isolate listeners, but organised them as suppliers of content. Brecht argued: "Radio would be the grandest communication apparatus of public life imaginable, an enormously powerful channelling system; that is, it would be if it knew not only how to transmit, but also to receive, not only to make the listener listen but also to make him speak and not to isolate him but enter into a relationship with him." Brecht's vision was for radio to facilitate exchange and thereby really to give to public affairs a public character.

Perhaps the Internet can realise some of this because it has developed explosively. According to Douglas E. Comer (1995, 70) in 1983 there were some 562 computers linked to it. There were 290,000 in 1990, 1.2 million in 1993 and 2,217,000 in January 1994. Comer says from the start of 1994 the Internet growth rate has accelerated, another computer joining every 30 seconds. The network was growing by about 10% a month. The number of sets linked was doubling every 10 months. In October 1994 there were 3,864,000 hosts, in January 1995 4,852,000 and in July 1995 6,642,000 (cf. Hobbes' Internet Timeline URL: <http://info.isoc.org/guest/zakon/Internet/History/HIT.html>).⁶³

63 These data contradict Comer's projection of 10% monthly Internet growth, however, because by his calculations there should already have been almost 14 million hosts in February 1996. More precise figures on the size of the Internet could not be obtained.

While here an alternative communication structure is developing that can enable grass roots democratic communication, it must not be forgotten that the vast majority of humankind has no access to the Internet. Worst off is Africa. The connectivity map of Larry Landweber (15 June 1995)⁶⁴ shows Africa as a relatively Internet-free continent where only eight states – Algeria, Egypt, Mozambique, Reunion, South Africa, Tunisia, Zambia, Zimbabwe – have Internet access. Here, as elsewhere in the world, much still needs to be done.

64 Landweber, Larry: International Connectivity. Version 14–June 15, 1995. URL: ftp.cs.wisc.edu/connectivity_table.

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