MEDIA, PLURALISM AND DEMOCRATIC ACCOUNTABILITY

# Large media companies: main challenges to democratic control of the media

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Digitization, globalization and liberalization have been and still are the main vectors for the transformation of communication systems in recent years. We have moved –we are in the process– from a system characterized by mass communication (unidirectional, to a mass audience) to another on which there is still no consensus on the name. Some authors discuss between individualized communications, personalized, self-communication of masses (Manuel Castells), hybrid (Andrew Chadwick), among other terminology. In any case, one of the characteristics of this system or ecosystem is the concentration of property in a very high and growing degree.

Technological convergence, which has been taking place since the middle of the twentieth century and has accelerated and deepened the 21st century with the advent of the audiovisual, has developed along with a process of growing liberalization that has practically affected all sectors. Thus, by way of example, telephony, after almost a century of functioning and being understood as a fixed voice network without substantial changes, has been transformed since the 1980s: fixed telephony –in recession– is joined by mobile

phones –initially analogue –; then it is the object of a policy of progressive liberalization, which goes first through the entry, with limitations, of new actors in what until then had been a monopoly (public in Europe; private in the United States) and then, for the privatization of public operators. This "new" telephony converges, first of all, with the Internet and, since the 21st century, with the audiovisual. This phenomenon of convergence and liberalization occurs in a widespread and successive way.

As a result, very few, large groups –big media companies or Big Tech's– dominate the global communications market. Depending on the sources used, there may be some (small) variation in the major big media companies. This is influenced by the way sources understand "communication": while some interpret it in a restricted sense in reference to media, for others technology is clearly part of it because they are not "only" platforms or traffic infrastructures. This second perspective is the point of view adopted in this text, understanding, in the first place, that the technological companies have also entered the field of the contents and/or the way to organize them, at least, for the path of algorithms.

> Digitization, globalization and liberalization are the main vectors for the transformation of communication systems

Another type of variation is the order of the positions, usually based on turnover –and not always up to date information for the same years is available for all groups–. For the purpose of this text, these differences in position are not significant. The aim of this article is to identify the main big media companies at the beginning of the third decade of the 21st century.

## Largest Media Companies

Table 1 lists the top 20 major communication big companies by 2020, according to data from Institut für Medien und Kommunikationspolitik in Cologne. It is one of the possible sources. Forbes magazine, for example, also identifies the largest media companies in the annual list of the world's leading companies [1].

In general, despite the diversity of sources, the big media companies included in the rankings share some characteristics:

- They are big communication companies that operate worldwide. Due to their economic and business size, they exceed the resources of many countries. Thus, for example, AT&T, in its annual investor report for 2020, reported revenue of $ 171.75 billion, the vast majority of which ($ 138.85 billion, approximately 79%) came from a business area called Communications, which includes mobility, video, broadband, and business wire-line. In the second place there is the WarnerMedia segment, with 17%; including Turner, HBO and Warner. The third position is for "Latin America", which represents approximately 3% of revenue. In the same year 2020, Alphabet Inc.

reported revenue of $ 182,527 million, an increase of 13% compared to 2019, according to its annual report. According to the same 2020 report, nearly half of the revenue came from the United States (47%), the only area with a name in the report; 30% from Europe, the Middle East, and Africa (the geographical division identified as EMEA, by the acronym in Europe, Middle East, Africa); 18% of the Asia-Pacific region (APAC); and 5% of the rest of the Americas. As can be seen from these two examples, the worldview of these companies responds to their trade and economic strategies and –the United States aside– is not aimed at specific states or groupings of states (such as, for example, the European Union).

- The main weight is from the United States; Japan is listed with a single group (Sony) but in a sustained manner over the years; Europe has been losing ground and is no longer in the top ten big media companies –where Bertelsmann has traditionally been replaced by Altice– and China is gaining ground (with a group already in the top ten). First and another, about to enter.

- The businesses of origin of the big media companies were, mainly, the media (minority); telecommunications (basically understood as infrastructure) and what we call technological companies. In this regard, we can say that these large media groups are the result of the convergence between the media, telecommunications and technology sectors.

- Most of these companies (in Table 1, eleven out of twenty) were born between the 1990s and the 2000s. Thus, these businesses are recent created and had a super quick development, linked to digitization.

**Table 1: Largest Media Companies 2019-2020**

| Position | Name | Country, Year | Home Business |
|---|---|---|---|
| 1 | AT&T Inc | USA, 1983 | Telecommunications |
| 2 | Alphabet Inc | USA, 1998 | Technologic |
| 3 | Comcast Corporation | USA, 1969 | Telecommunications |
| 4 | Facebook Inc | USA, 2004 | Technologic |
| 5 | Tencent Holdings | China, 1998 | Technologic |
| 6 | The Walt Disney Company | USA, 1923 | Media |
| 7 | Apple Inc | USA, 1976 | Technologic |
| 8 | Charter Communications | USA, 1993 | Telecommunications |
| 9 | Sony | Japan, 1946 | Electronic |
| 10 | Amazon Com | USA, 1994 | Electronic market |

| | | | |
|---|---|---|---|
| 11 | Shanghai Media Group | China, 2001 | Media |
| 12 | ViacomCBS | USA, 1928 | Media |
| 13 | Altice Europe / Altice USA | Netherlands, 2001 | Telecommunications |
| 14 | Liberty Curate Retail Inc | USA, 1991 | Telecommunications |
| 15 | News Corp Ltd | USA, 1980 | Media |
| 16 | Netflix | USA, 1997 | Video |
| 17 | Verizon | USA, 1996 | Telecommunications |
| 18 | Bertelsmann Se & Co KGaA | Germany, 1835 | Book edition |
| 19 | Microsoft Corporation | EUA, 1975 | Technologic |
| 20 | Vivendi | France, 1998 (1853) | Water supply |

Source: Own elaboration from Institut für Medien und Kommunikationspolitik data (2021), 50 größten Medien und Wissenkonzerne 2020, updated on November 1, 2021

## Difficulties for democratic control

A first difficulty of democratic control is linked to business concentration, which leads to a reduction in issuers and, consequently, is a risk to pluralism, which is specifically analysed in two articles in this special issue [2].

More generally, the characteristics of these large media companies are difficult to fit with the democratic control of the media which, in the age of mass communication, has been carried out on the basis of the States, since whether at the internal level –each on its own territory– or by agreeing on some international issues, such as the European Convention on Human Rights, with the recognition of the right to freedom of expression, or on issues related to the radio spectrum, the attribution of the various bands –deciding which use is female to each– and the distribution of frequencies.

## Lobby capacity

In addition to this state dimension of democratic control, the economic resources of these large media companies exceed those of several states. By the end of 2020, Apple, Microsoft, Amazon, Google, and Facebook reached a market capitalization in June 2021 of $ 1 trillion [3].

Technology companies also have a large lobby capacity. In the United States, for example, in the first three months of 2021, Google [Alphabet] spent $ 2.7 million lobbying at the federal level, 49% more than the same period last year: Amazon spent 4.8 million, the record of this company [4].

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In the European Union –where, as explained below, some regulatory initiatives have been taken– the resources that Big Tech's and media companies have allocated to lobby the EU institutions exceed those sectors such as the pharmacist, the fossil fuel, the finance or the chemist. This is stated in the report of Corporate Europe Observatory and Lobby Control Big Tech's Web of Influence, published in August 2021, which analyses the action and resources for lobbying by technology companies in the context of law preparation Digital Services Act in what is defined as the first "mapping" "of the "universe "of lobbying actors in relation to the European digital economy". According to the report, companies in the sector spend more than 97 million euros a year. More than 600 companies or associations operate there, but between ten large corporations contribute almost a third of the total. Google [Alphabet] tops the list with 5,750,000 euros (see Table 2).

**Table 2: Big Tech's: resources for lobbying in the European Union**

| Position | Corporation | Amount (€) |
|---|---|---|
| 1 | Google [Alphabet] | 5.750.000 |
| 2 | Facebook | 5.550.000 |
| 3 | Microsoft | 5.250.000 |
| 4 | Apple | 3.500.000 |
| 5 | Huawei | 3.000.000 |
| 6 | Amazon | 2.750.000 |
| 7 | Intel | 1.750.000 |
| 8 | QUALCOMM | 1.750.000 |
| 9 | IBM | 1.750.000 |
| 10 | Vodafone | 1.750.000 |

Source: Excerpt from the Corporate European Observatory & Lobby Control report, 2021, p. 11

The goal of this lobbying action, according to the report, seems to be to "make sure that there is as little strict regulation as possible –for example, dealing with issues of privacy, misinformation and market distortion– to maintain their profit margins and business model. If the new rules cannot be blocked, then they should at least aspire to be watered down. In recent years, companies have begun to adhere to regulation in public, but continue to push to stay behind closed doors. There are some differences between what the various technology companies want in terms of EU policy, but the desire to stay 'unencumbered' by urgently needed regulations is shared by most major platforms" [6].

## Platform services and social media services

A specific difficulty of democratic control focuses on technology companies who argue that they are not the media or, according to them, involved in the content and therefore consider that regulatory measures should not be applied to them.

In this area, and in relation to the audiovisual sector, between 1989-1997, 2007 and 2018 the European Union has changed its approach. In 1989, it passed a Television without Frontiers Directive, which was applicable to television and established a series of measures in relation to the protection of minors, the promotion of European audiovisual works and the quantitative and qualitative limits of television advertising. Some of the forecasts were adapted in 1997, but this orientation was present until 2007, when a modernized version of the directive was approved, the name of which became the Audiovisual Communication Services Directive. From that moment on, the forecasts were applicable to linear television (simultaneous viewing from a broadcast time) and on-demand services (viewed at the time decided by the user, of some content organized from a catalogue).

The review and update of 2018 incorporates, in addition to these two types, the “video sharing services via platform” or “video sharing platform” and, when their essential functionality is a range of user-generated videos and programs, “social media services”. These should ensure the protection of minors and the public in relation to certain contents such as incitement to hatred or, in minors, those that may impair their physical, mental, or moral development, and with certain aspects of commercial communications. The names of technology and social media emphasize that these are services and not just a distribution infrastructure. To put it bluntly, in addition to one-way television, in 2007 it included services such as Netflix or Filmin and in 2018, services such as YouTube or Facebook.

The argument for this change of approach is that, in fact, the scope of video-sharing and cross-platform video sharing services is growing, offering some types of content that also seek to entertain, inform and educate, “compete for the same audience and revenue as audiovisual communication services” and “have a considerable impact as they offer users the opportunity to shape and influence the opinions of other users” (considering section number 4 of the EU Directive 2018/1808 on Audiovisual Media Services).

> Technology companies argue that they are not media outlets and therefore consider that regulatory measures should not be applied to them

The impact of this measure cannot yet be assessed, as not all Member States have yet transposed the Directive into law. In this regard, in September 2021, the European Commission sent a formal warning to the nine states that had not completed it, including Spain. However, a first assessment carried out by the European Audiovisual Observatory

and published in 2021 [7] found that in countries where the directive had already been transposed "relevant legislation" had been introduced "which it corresponds to the provisions of the directive", without detecting "further elaboration of the forecasts or introduction of stricter obligations", although it is not ruled out that they may be incorporated into secondary legislation (p. 1).

## The algorithm as a challenge for democratic control

In their operations, large media companies use algorithms to "filter, categorize, select, classify, and promote information". Using algorithms, they organize the content, prioritize and/or recommend some. This has led to what has been called "algorithmic accountability" as a regulatory innovation to explain algorithms as cultural policy instruments.

In this line, it has been pointed out that "algorithms automate media and cultural policy", making it clear that although platforms or technologies may not accept this statement (at least when they appear before regulators), there is a growing consensus to literature" [9].

Studies conducted along these lines identify three governance frameworks for algorithmic regulation in relation to cultural and media policy [10]:

- Cultural protectionism: associated with "accessibility of cultural content and how algorithmic and search recommendation affects access to local culture".

- Participation in the global digital economy: algorithms are positioned "as central to the economy and other critical democratic systems that require more accountability to protect human rights and ensure a free and fair market as well as 'success of domestic industries'.

- Concern for political biases, for or against.

## Online misinformation

Digitization has facilitated the proliferation of sources and broadcasters (institutional, individual, identified, anonymous...) and the circulation of verified and unverified information on issues of public debate. One of the concerns of democratic countries has been the impact of such content on electoral processes, and on political debate and communication in general. On this regard, in 2015 the European Union laid the foundations of an initiative initially aimed at acting in relation to this phenomenon then conceptualized as fake news. As a result, in 2018 the EU approved an Action Plan to address what it has since identified as misinformation. At the time, the first horizon was the European elections scheduled for 2019. Misinformation is defined as information that is verifiably false or misleading, created, presented, and disseminated for economic gain or to intentionally

mislead the public.

The action plan called for video sharing platforms, social media, and search engines to voluntarily adhere to a code of good practices: Facebook, Google, Twitter, Mozilla (October 2018), Microsoft (May 2019) and Tik Tok (June 2020) have already signed it. The European Union has opted for voluntary self-regulation, although it envisages that once the Digital Services Act is passed, a reinforced version of this code will be transformed into a co-regulatory instrument.

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The arrival of COVID-19 will lead the European Union to launch a specific plan to strengthen the fight against Coronavirus misinformation which, among other things, calls on technology signatories to the code of good practice to report regularly on the actions they have taken to combat misinformation and misinformation about COVID-19 vaccines. In this sense, the impact of COVID-19 has added a certain degree of intensity to the self-regulation of technology, for example in accountability through various reports [11].

## In conclusion

Digitization and economic liberalization are the main drivers of the transformation of communication systems in recent years and have had the major consequence of the creation of large media companies. The main difficulties for democratic control that have been identified are the following:

- The economic power of these companies and their capacity to influence the definition of democratic control policies. The economic and profit interests of these groups have led them to advocate, first, non-intervention and then the least possible intervention. And they are allocating a significant number of financial resources (lobbying) to this, which is an indication of the importance they attach to it. In the face of exceptional situations or cases, such as COVID-19, these groups adhere to forms of regulation, preferably self-regulation.

- However, in the field of audiovisuals, the European Union has considered that these large media companies, whether they come from the home media business or from the technology business, provide entertainment content, information and education; they compete in the same market (audiences, for example) and reach a very wide audience. They are also services and what varies is the last name: some audiovisual (linear television and video on demand) and video and social media sharing platforms others. As services, they should be subject to similar regulation, albeit with

differences: in the highest degree television; at the very least, social media services: only those whose essential functionality is the provision of user-generated videos or programs.

- The algorithm, as the core of the business linked to digitalization and, therefore, not at all susceptible to transparency, appears as an actor with a great impact on media and communication policies and is drawn as a new regulatory challenge.

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