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Switching Power: Rupert Murdoch and the Global Business of Media Politics

A Sociological Analysis



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abstract: This article proposes a hypothesis on the nature of power in the network society, the social structure of the Information Age. It argues that the ability to control connection points between different networks (e.g. business, media and economic networks) is a critical source of power in contemporary society. It then tests this hypothesis through a case study of Rupert Murdoch, CEO of NewsCorp. The operational dynamics of Rupert Murdoch and NewsCorp are examined in order to illustrate how corporate media actors negotiate the power dynamics of the network society to serve their overarching business goals. It identifies key strategies used by these actors to penetrate new markets and expand audience share including: political brokering, leveraging public opinion, instituting sensationalist news formulas, customizing media content and diversifying and adapting media holdings in the face of technological and regulatory changes.

keywords: media ownership ♦ networks ♦ NewsCorp ♦ Rupert Murdoch

Introduction

In the network society, power relationships are largely defined within the space of communication (Castells, 2007). This means that global media groups are key social actors because they help to shape the social world by exerting control over issue-framing and information gatekeeping. Communication platforms have played decisive roles at every stage of human evolution; however, in the network society multimedia organizations wield unparalleled influence (Bagdikian, 2004; Bennett, 2004; Curran, 2002; Thussu, 2006). These organizations play dual roles. They are not only corporate and media actors in their own right, but they control a

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disproportionate number of communication delivery platforms that constitute the space in which power – whether it is political, economic or social – is articulated.

However, power-making is a complex and contradictory process that cannot be reduced to direct domination of media groups over political actors or vice versa. In this article, we first propose a hypothesis on the nature of power in the network society, the social structure of the Information Age (Castells, 2000). We then conduct a case study of Rupert Murdoch and NewsCorp (News Corporation) in order to illustrate how corporate media actors negotiate the power dynamics of the network society to serve their overarching business goals.

Amid controversy and criticism about media's undue influence in contemporary society, Murdoch, the majority shareholder and managing director of NewsCorp, stands out as the archetypal media mogul. He has been called the 'media's demon king', the living embodiment of Charles Foster Kane and 'the global village's defacto communications minister' (Farhi, 1997; Low, 1998). Political pundits, politicians and anti-conglomeration activists typically present Murdoch's Goliath-like status as paradigmatic. But what is the reality behind the rhetoric? We argue that as the head of the world's third largest media conglomerate, NewsCorp – arguably the media organization with a truly 'global' reach – Murdoch is particularly situated to wield power. Moreover, and perhaps most importantly, his power is augmented by his ability to act as what Castells (2004) conceptualized as a 'switcher', or a connection point between political, economic and media networks that facilitates their cooperation by programming common goals and resources. This power is measured by his ability to influence these networks in the service of NewsCorp and Murdoch's ultimate goal – the financial expansion of NewsCorp.

Power in the Network Society

Where does power lie in the network society? On the one hand, the power to exclude human communities or individuals from the networks that constitute the commanding structure of the network society is the most fundamental mechanism of domination. In this case, power operates by exclusion/inclusion. On the other hand, if we consider those who are included in the networks, the capacity to assert control over others depends on two basic mechanisms: (1) the ability to program/reprogram the goals assigned to the network(s); and (2) the ability to connect different networks to ensure their cooperation by sharing common goals and increasing their resources.

The holders of the first power position are the programmers; the holders of the second power position are the switchers. The capacity to program a

network's goals is decisive, because once programmed the network will perform efficiently, and reconfigure its structure and nodes in order to achieve those goals. ICT-powered global/local networks are efficient machines; they have no values other than those that they are ordered to perform. Programming mechanisms differ across networks. However, commonalities do exist. Cultural materials – ideas, visions and projects – generate the programs. In the network society, culture is by and large embedded in the processes of communication, in the electronic hypertext, with the mass media and the Internet at its core. Ideas may stem from a variety of origins, and be linked to specific interests and subcultures (e.g. neoclassical economics, religious fundamentalism, the value of individual freedom). Yet they are all processed in society through their treatment in the realm of communication. Thus, the ability to program each network is conditioned on the would-be programmer's ability to create an effective process of communication and persuasion. The organizations and institutions of communication (often but not only the mass media) are the arenas in which programming projects are formed, and where project constituencies are built. Communication platforms are the fields of power in the network society.

There is, however, a second source of power. Power may also result from the ability to control the connecting points between various strategic networks; those who exercise this control are the switchers. For instance, power evolves out of the switcher's ability to connect political leadership networks, media networks, scientific and technology networks and military and security networks to achieve a geopolitical strategy. Switchers may also advance a religious agenda in a secular society by solidifying relationships between religious and political networks; or they may link academic and business networks by connecting academic and business networks through facilitating the exchange of knowledge and legitimation for financial sponsorship in order to further an intellectual and/or economic agenda.

However, this is not an old boys' network. These are specific and relatively stable systems of interface that articulate the operating system of society beyond the formal self-presentation of institutions and organizations. We are not resurrecting the idea of a power elite. Such a notion is a simplistic view of how power operates in society. It is precisely because no power elite exists that is capable of controlling the programming and switching operations of all critical networks that subtler, more complex and negotiated systems of power enforcement evolve. Society's dominant networks have compatible goals and communication protocols that enable them, through the switching processes enacted by actor networks, to communicate with each other, inducing synergy and limiting contradiction. Switchers are actors or networks of actors engaging in dynamic

interfaces that operate specifically in each particular connection process. Programmers and switchers are those actors and networks of actors that, because of their structural position in the strategic networks that organize society, exercise their power in the network society. We find significant evidence that Murdoch may be one of these switchers, connecting media, business and political networks.¹

Anatomy of a Switch

The Murdoch/NewsCorp business model is founded on three broad strategies: (1) vertical control and horizontal networking, (2) ruthless pursuit of market expansion and (3) the leveraging of public and political-elite opinion. These components are interrelated, mutually constitutive and predicated on the ability of Murdoch via NewsCorp to serve as a switching point, connecting media, political and economic networks in the shared project of the company's financial expansion.

Vertical Control and Horizontal Networking

Like its peers, NewsCorp is a product of buyouts, restructuring and hostile takeovers. However, unlike other media conglomerates, NewsCorp has retained consistent leadership throughout its 55-year expansion. In 1952, at the age of 21, Murdoch inherited the *Adelaide News* from his father, Sir Keith Murdoch, who had been one of Australia's most influential newspaper executives. Using this paper as a launch pad, Murdoch gradually expanded his assets into NewsCorp, a holding company for his assets formally incorporated in 1980. Today, the NewsCorp media empire spans five continents, reaches approximately 75 percent of the world's population, and has approximately US\$68 billion in total assets and US\$28 billion in annual revenue. Currently, Murdoch serves as chief executive officer (CEO) and chairman of the board (COB) and he and his family control the largest percentage of NewsCorp voting shares (31.2 percent). Thus, it is difficult if not impossible to unravel Murdoch from NewsCorp and vice versa. Murdoch's vertical control – evidenced by NewsCorp's corporate structure and the editorial policies of its properties – is integral to the overall financial success of the company.

As Figure 1 illustrates, NewsCorp is structurally divided into eight administrative divisions, nominally separated according to content platform. For instance, the Star Group, which includes satellite delivery platforms, is included under the television division. These divisions are largely symbolic; cross-fertilization between platforms and businesses is the norm. In practice, NewsCorp operates with very little hierarchy and formal reporting structures beyond the top levels of administration.

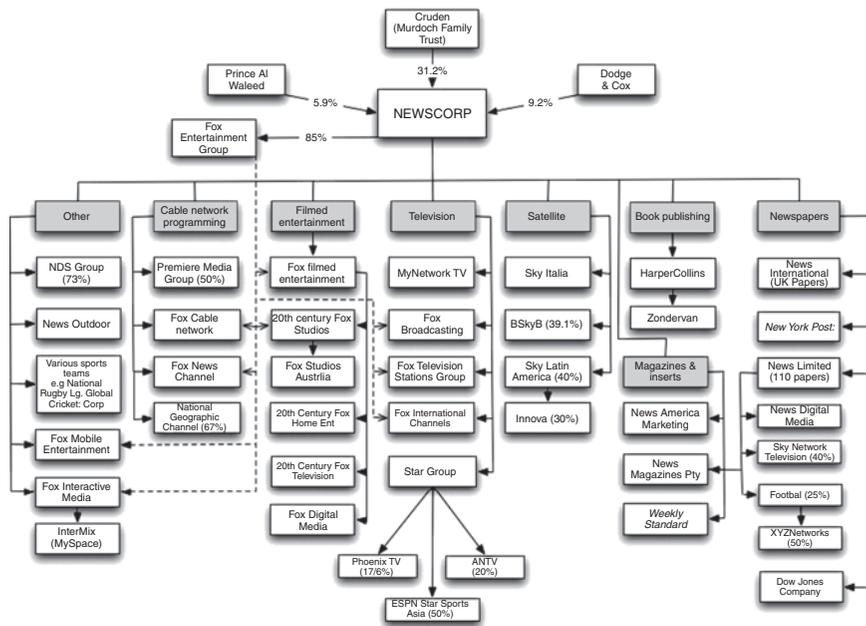


Figure 1 NewsCorp Organizational Structure

Source: Ownership percentages were obtained from US Security and Exchanges Commission (SEC) filings. This chart is current as of December 2007.

The board of directors contains nine current or former NewsCorp employees, and thereby barely meets the 1934 US Security and Exchange Act requirement that the majority of the board members be externally employed. Murdoch and his top executives make decisions based on ‘The Flash’, a weekly compilation of reports issued by each division. Moreover, top executives are often appointed to head multiple business arms. Peter Chernin is a member of the NewsCorp board of directors, president and chief operating officer of NewsCorp, as well as CEO of the Fox Entertainment Group. Roger Ailes is president of Fox News Channel (FNC) and chairman of the Fox Stations Group. Murdoch’s son James serves as COB of the British satellite platform, BSKyB, which highlights its institutional independence, despite the fact that NewsCorp owns 39.1 percent of its stock. In December 2007, James also joined the NewsCorp board of directors and was appointed chief executive and chairman over NewsCorp’s Asian and European investments. Moreover, unlike other media groups, NewsCorp retains only a handful of in-house lawyers and contains no formal business-planning department. According to Marty Singerman, former publisher of the *New York Post* (NYP), Murdoch ‘is at the front-line

of execution, and dictates hierarchy. If he needs information, he will not hesitate to call your subordinates since they probably know more about the details of the project. Consequently, many employees think that Rupert is their boss' (Anand and Attea, 2003: 14).

Other NewsCorp executives also wield a great deal of influence; however, their latitude is restricted by the goodwill and approval of Murdoch (Chenoweth, 2001). Ironically, Murdoch's vertical control often maximizes the ability of his executives to beat out competitors by making split-second decisions, because there are few bureaucratic hurdles other than Murdoch's approval. For example, NewsCorp edged out its rival Viacom in the acquisition of two critical digital properties, IGN.com and MySpace.com, because it was able to broker favorable deals more quickly.

Moreover, Murdoch has routinely enforced policies that maximize his control and has deliberately avoided expanding the number of NewsCorp institutional investors – of which there are far fewer in comparison to other media conglomerates (Freedman, 1996). The sheer scope of its holdings allows NewsCorp to broker favorable loan terms as well as cut costs in other holdings to service debt accrued by new speculations rather than sell shares. When John Malone, head of Liberty Corporation, temporarily amassed an alarming percentage of voting stock; Murdoch instituted a 'poison pill' clause prohibiting hostile takeovers and then extended it without shareholder approval, a violation of the company charter. The takeover attempt ended in April 2007, when Murdoch and Malone, over the objections of many shareholders, negotiated an exchange: trading Malone's 16.3 percent voting shares in NewsCorp for NewsCorp's 38.4 percent stake in DirectTV. Although these shares represent roughly equal value (US\$11 billion), Murdoch included an extra US\$550 million in cash and three Fox sports cable networks to close the deal, leaving the *Wall Street Journal* and others to speculate whether Murdoch was 'stiffing shareholders to cement control of his empire' (Silva and Verdin, 2006). Murdoch explained the benefits of NewsCorp's streamlined hierarchy as follows: 'we've been able to take the years when we've got things wrong, and not look over our shoulders . . . thinking someone's going to take us over' (quoted in Freedman, 1996: 229).

Murdoch's corporate control facilitates and is facilitated by his ability to intervene in the editorial policies of his vast holdings (Barr, 2000; Chenoweth, 2001; House of Lords, 2007). For example, a February 2003 *Guardian* (UK) survey found that all 175 NewsCorp-controlled newspapers mimicked Murdoch's support for the invasion of Iraq, George Bush and Tony Blair and were equally derisive of the anti-war protestors (Greenslade, 2003). Many also claimed that Murdoch played a critical role in shaping the outcome of the election when, following his lead, NewsCorp's major British newspapers including *The Sun*, dropped their

traditional conservative affiliation and backed Tony Blair and New Labour just weeks before the election (Lenz and Ladd, 2006). His British holdings have also consistently followed Murdoch's position on European integration, which he opposes on the grounds that it imposes undue regulations on British businesses and provides no competitive advantage to the British media industry (Chenoweth, 2001). Most recently, Murdoch has embraced a green strategy, which he framed as 'simply good business sense' because it will increase operational efficiency (Murdoch, 2007). In 2006, Murdoch personally donated US\$500,000 to former US President Bill Clinton's Global Climate Initiative. Following Murdoch's lead, NewsCorp properties from *The Sun* to Fox International Channels (FIC) have since 'gone green' and featured environmental awareness campaigns (Brainard, 2006).

Murdoch's ability to leverage his empire behind particular policies and publications is a critical political bargaining tool, and one that he actively promotes by using the royal 'we' when speaking about the editorial positions of his holdings. As is discussed in detail later in this article, the perception that Murdoch wields influence over public opinion is a critical battering ram through which NewsCorp has obtained political and regulatory favors. But before moving into a detailed discussion of NewsCorp's political maneuverings, it is important to explore NewsCorp's global expansionary strategies.

Global Expansion

'The eyes of the world are upon us' proudly proclaims NewsCorp's 2005 Annual Report. Indeed, while not the largest media conglomerate in terms of economic holdings, or number of employees, NewsCorp reaches the largest percentage of the world's population (Flew and Gilmour, 2003). Figure 2 provides a global mapping of the delivery platforms owned or partially owned by NewsCorp as of December 2007.

NewsCorp controls 20th Century Fox, the Fox Network and 35 local TV stations that reach more than 40 percent of the US market. At any given time, one-fifth of American households tune into a show either produced or delivered via a NewsCorp-owned company (NewsCorp, 2005). Star TV is now the largest media platform in Asia, reaches 100 million homes, controls 58 stations broadcast in eight different languages, and is the leading content provider for pay television platforms in India, Hong Kong, the Middle East and Southeast Asia (NewsCorp, 2006). HarperCollins publishes books under 30 different imprints and has divisions in 15 cities around the world. MySpace.com, with well over 175 million users, accounts for 80 percent of all social networking on the web, and is the fifth most visited website globally (Hitswise, 2007). In addition, NewsCorp owns numerous other properties around the world including: 175 newspapers, outdoor advertising companies, broadband providers and sports teams.

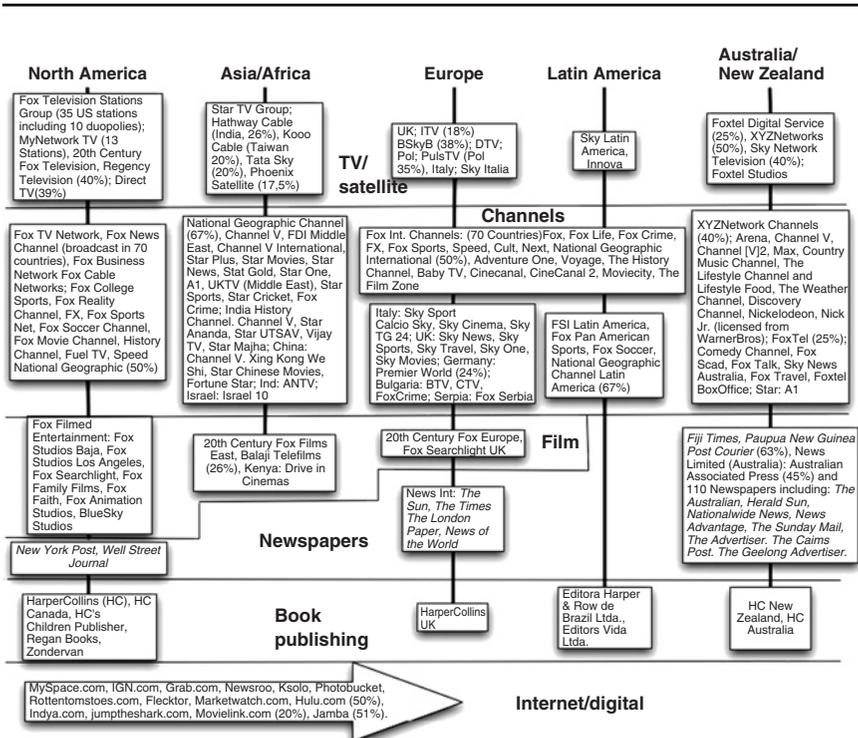


Figure 2 NewsCorp Delivery Platforms around the World^a

^a This chart is current as of December 2007.

NewsCorp has also been a forerunner in conglomeratization and cross-ownership of platforms. Its integration of Metromedia television holdings with 20th Century Fox studios in the mid-1980s marked a key milestone in the broader movement toward media monopoly. Moreover, in comparison to its peers, NewsCorp has strategically focused on amassing and integrating production and distribution properties across a diversity of platforms and continents (Chenoweth, 2001). Murdoch explains his strategy:

We start with the written word. Then we get to TV, originally with the idea that it will protect the advertising base and it then progresses into a medium of its own with news, programs and ideas. You then look at TV and you say: 'Look, we don't want to just buy programs from a Hollywood studio, we'd better have one.' Then comes the issue of people who are going to deliver your programs. Cable is consolidating . . . Instead of having 20 gatekeepers, you are going to have three or four. For content providers, that is very bad news. So, you try to protect yourself in having some distribution power. (quoted in Harding, 2002)

Because NewsCorp controls both the production and distribution of content, the company is able to collaborate with other media companies when conditions are favorable and to act unilaterally when it so chooses (Anand and Attea, 2003). Recently, as NewsCorp has shifted its focus from satellite to the Internet, it has enacted a series of strategic partnerships that has greatly expanded the reach of its content. Seeking to take advantage of the growing market for Internet video and to rival YouTube, NewsCorp joined with NBC Universal (owned by General Electric) to launch Hulu.com, an ad-supported online video site. It also signed a US\$900 million deal with Google to provide search-related advertising across its sites; a deal with Critical Mention, an Internet television search engine to digitize and distribute FNC and local Fox network programming; and deals with several wireless companies to provide subscribers with access to MySpace content via their mobile phones. As Ben Bagdikian (2004) points out, it is not necessary for a media firm to own every media outlet to enjoy the benefits of monopoly.

As of October 2007, NewsCorp owned more than 1445 subsidiaries in over 50 countries (NewsCorp, 2007). This complex ownership structure, even when compared to other multimedia corporations, is another one of NewsCorp's key strengths. Nearly inscrutable corporate organization allows for greater latitude of action, particularly in the realm of tax remittances. Many of these subsidiaries are incorporated in countries like the Cayman Islands that have low or no corporate taxes and limited financial disclosure laws. During the 1990s, NewsCorp paid an average tax rate of 5.7 percent compared to between 27 and 35 percent paid by its main competitors Time Warner, Viacom and Disney (Farhi, 1997). An investigation by *The Economist* (1999) found that, despite the fact that NewsCorp reported £1.6 billion in net UK profits, it paid no net corporate taxes in Britain between 1987 and 1999. Moreover, since 2003, it has twice paid no annual US federal taxes despite the fact that it earns 75 percent of its income in the US (Becker, 2007).

As with other conglomerates, the size of NewsCorp's financial dealings means that lenders are unlikely to write off loans, and regulators, fearing the ramifications of NewsCorp's financial collapse, hesitate to enforce laws. NewsCorp is after all a successful business by any estimation. Its continued success benefits a myriad of players. It was recently ranked the most stockholder-friendly entertainment company by Institutional Investor (2006), is the third most valuable media company internationally and consistently appears in rankings of the most admired big media companies by media business people (*Fortune*, 2006). Moreover, besides being a critical platform for advertising, NewsCorp itself ranks among the top 30 advertisers in the US (*Advertising Age*, 2006).

Political Gamesmanship

NewsCorp's global penetration and vertical control is critically intertwined with Murdoch's intervention into the political sphere. While many large media conglomerates exert political influence via financial contributions and through the editorial content of specific media platforms, Murdoch's vertical control allows NewsCorp to function as a more targeted political weapon in comparison to its peers. This political leverage facilitates NewsCorp's ability to expand its holdings through the granting of regulatory favors, leading to larger audience shares, which in turn expands its political clout, creating a cycle of influence.

Centralized control means that Murdoch and his leadership staff can mobilize NewsCorp's vast stable of properties quickly and efficiently against perceived political foes. Particularly in the US, UK and Australia, where NewsCorp maintains the largest presence, speculation about Murdoch's political allegiances has become a cottage industry for journalists.² Despite Murdoch's personal reputation as a conservative, NewsCorp and Murdoch have been consistently fickle in their political allegiance. In 1972, Murdoch donated AUS\$90,000 in legal but secret contributions to Australia's Labour prime minister, Gough Whitlam. In 1975, he aggressively campaigned for Whitlam's ouster in all his publications. In 1997, he shifted his endorsement to Tony Blair despite his close ties to Margaret Thatcher and John Major. In 2007, after Blair's resignation, the British press began to speculate whether Murdoch would shift his support from the Labour to David Cameron and the Conservatives (Greenslade, 2007).

Murdoch's political affiliations move swiftly in accordance, not with political ideology, but with NewsCorp's bottom line. Speakers at the 2006 company retreat included luminaries from across the political spectrum including: John McCain, Newt Gingrich, Al Gore, Shimon Peres, Lawrence Summers, Arnold Schwarzenegger, Bill Clinton and Tony Blair. NewsCorp's financial and editorial political endorsements have been equally diverse. Business and economics, not ideology and partisanship, provide the central unifying theme of Murdoch's political agenda (Baker, 1998; Fallows, 2003). For example, Murdoch explains his support for the Iraq War and for the Bush administration in terms of the economic benefits not political ideology: 'the greatest thing to come of this to the world economy, if you could put it that way, would be \$US20 a barrel for oil. That's bigger than any tax cut in any country' (*The Bulletin*, 2003).

Between the years of 1998 and 2007, NewsCorp and its subsidiaries expended nearly US\$28 million in lobbying the US federal government (Center for Responsive Politics, 2007). In addition, during the same period, NewsCorp distributed an estimated US\$4.7 million in direct financial contributions to politicians and political parties. Figure 3 provides a summary

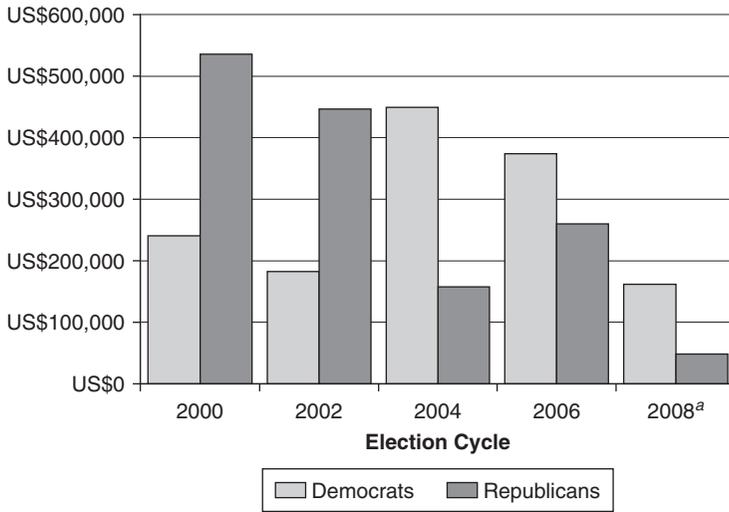


Figure 3 NewsCorp's Contributions to US Federal Candidates and Parties (2000–8)
 Source: Each election cycle actually includes a two-year period. The figure depicted above was constructed using data compiled by the Center for Responsive Politics (2007) from US Federal Election Commission (FEC) filings.

^a Figures for the 2008 cycle include only those contributions made through October 2007.

of direct political contributions administered by NewsCorp, NewsCorp employees and company-sponsored political action committees (PAC) for the last five US election cycles.³

As Figure 3 illustrates, NewsCorp's contributions exhibit little political loyalty. Depending on the regulation under review and the broader political climate, these expenditures vary across political lines, but almost always coincide with critical media ownership legislation. For example, in 2006, NewsCorp provided 10 percent of all individual campaign contributions to Republican US Senator Ted Stevens, at the same time Stevens sponsored a new telecommunications bill that would require cable TV operators to carry all Digital TV signals from local stations (Swann, 2006). Moreover, as Table 1 illustrates, while Murdoch has been an outspoken advocate of many of Bush's policies, between 1998 and 2006 NewsCorp donated more than twice as much money to Senator John Kerry (Center for Public Integrity, 2007). Moreover, seven of the top 10 recipients of NewsCorp donations in the US between 1998 and 2006 were Democrats.

As chairman of the Senate Commerce Subcommittee on Science, Technology and Innovation, Kerry plays a key role in shaping regulatory decisions critical to NewsCorp's bottom line. Indeed, excluding Bush, all

Table 1 *Top 10 Individual Recipients of NewsCorp Political Contributions (1998–2006)*

1	Kerry, John (D-MA)	US\$140,086
2	Bush, George W (R)	US\$59,544
3	Schumer, Charles E (D-NY)	US\$54,250
4	Stevens, Ted (R-AK)	US\$49,250
5	Harman, Jane (D-CA)	US\$45,500
6	Berman, Howard L (D-CA)	US\$44,250
7	McCain, John (R-AZ)	US\$40,900
8	Hollings, Fritz (D-SC)	US\$40,474
9	Markey, Edward J (D-MA)	US\$38,000
10	Waxman, Henry (D-CA)	US\$36,969

Source: Data compiled from FEC filings by the Center for Public Integrity (2007).

nine other recipients listed in Table 1 served on the House or Senate Commerce or Judiciary Committees, the primary legislative oversight bodies for media ownership in the US. Congressman Ed Markey (No. 9 on the list) in particular was a key actor in the passage of the 1996 Telecommunications Act, which allowed NewsCorp to vertically integrate 20th Century Fox, TV Guide and HarperCollins publishers.

Murdoch's personal political contributions reflect a similar pattern. According to Federal Election Commission (FEC) filings, in 2006 Murdoch personally donated funds to Republican Senators John E. Sununu of New Hampshire and George Allen of Virginia, both of whom are ranking members of the Senate Committee on Commerce, Science and Transportation. In what has been one of the most highly regarded evidence of his political pragmatism, Murdoch (although he refuses to personally endorse her candidacy) donated US\$2100 to Hillary Clinton's Senate primary campaign and US\$2100 to her general re-election campaign, and hosted a fundraiser for her in May of 2006. In 2006, the *NYP*, commonly regarded as the most direct channel for Murdoch's political views, endorsed Hillary Clinton over conservative John Spencer for Senator of New York. During this same period, Hillary Clinton stood as one of the most vocal opponents of changes to the Nielsen US TV rating system, changes that severely threatened NewsCorp's advertising revenue.

High-profile book deals, many of which Murdoch personally negotiated, are another example of indirect but quite clear means of NewsCorp's political lobbying efforts. HarperCollins has offered book deals to players across the political spectrum with clout over key media regulations. In 1995, NewsCorp was one of many media conglomerates pushing for the passage of the Telecommunications Act of 1996. A week before Congress approved the Act, HarperCollins offered Newt Gingrich, the then current

Speaker of the US House of Representatives, a US\$4.5 million advance for *To Renew America*, a book that ultimately barely recouped its printing costs. Amid public outcry and an ethics investigation in the House of Representatives, Gingrich cancelled the contract, but signed a lucrative royalties contract instead. Such key political figures as Tony Blair, Margaret Thatcher, Mikhail Gorbachev, Raisa Gorbachev, Dan Quayle, Boris Yeltsin, Margaret Thatcher and John Major have signed lucrative deals with HarperCollins (Becker, 2007). The late Robin Cook, a vocal opponent of the Iraq War but a key force in UK politics, also signed a US\$400,000 book contract with the company. The strategic nature of these advances is also belied by the fact that they are typically much larger sums than the book is likely to recoup.⁴

The NewsCorp board of directors, while heavily weighted with company insiders, is also a critical political tool. Board positions are accompanied by a sizable pay-check, approximately US\$185,000 per year in cash and stock options. Former prime minister of Spain, José Maria Aznar, one of the most vocal proponents of the Iraq War, joined the board following the electoral defeat of his conservative Partido Popular in March 2004. Another board member, John Thornton, former director of Goldman Sachs, is a member of the Chinese government's international advisory council formed to help bring Chinese stock markets in line with global practices. Thornton's appointment also coincided with NewsCorp's moves to expand MySpace's presence in China. Two other board members were closely associated with the Bush administration: Viet Dinh was Assistant Attorney General of the United States and Rod Paige was Secretary of Education. Board positions provide both a means of rewarding previous political loyalties and of bringing powerful players under the NewsCorp umbrella who can leverage their political connections to help NewsCorp.

NewsCorp's political interventions via the content of its properties are equally strategic. Both popular perception and empirical evidence indicate that FNC played a critical role in mobilizing and sustaining public opinion in favor of the Iraq War and the Bush administration (see Arsenault and Castells, 2006; Iskandar, 2005; Kull et al., 2003). This support benefited the administration but it also benefited NewsCorp. Nielsen data documented a 288 percent increase in FNC audience share during the initial stages of the Iraq War (Ayeni, 2004: 8). Moreover, Pew (2004) found that during the same period, FNC surpassed its cable network competitors both in audience share and credibility particularly among Republicans. Murdoch's last minute decision to endorse Tony Blair and New Labour via his print media publications is also popularly credited with helping to shift the outcome of the 1997 British election. NewsCorp subsequently benefited from Labour's favorable positions on media regulation. Of course, the ability of

NewsCorp media properties to singularly influence large-scale shifts in public opinion is highly debatable. Studies by Curtice (1999) and others found that while readers of a 'Labour faithful' publication were three times as likely to vote for Labour as consumers of other news sources and twice as likely as non-readers, there was little evidence that the '*Sun effect*' was great enough to turn the election on its own. Moreover, there are a variety of other externalities that influence media regulation. However, as the following section illustrates, the perception that Murdoch, via his editorial control over his properties, wields disproportionate control over public opinion provides him with considerable political leverage, which in turn advances the expansion of NewsCorp.

In the network society, each network defines its own power system depending on its programmed goals. Of course, media networks typically define power based on ratings, subscription numbers and advertising revenue; but Murdoch has been an integral force in reprogramming the media network – making the ability to mobilize public opinion a fundamental measure of power within the media network. Perhaps most importantly, scholars such as Iskandar (2005), Schechter (2003) and Collins (2004) have identified a 'Fox Effect' on other news platforms. Similarly, Thussu (2007) argues that Star's entry into the Indian television market engendered a 'Murdochization' of news that transformed the media industry. As Iskandar notes, 'the arrival of FNC has reinvented and reinvigorated partisanship in the press, thereby creating a model for its application in the broadcast realm' (Iskandar, 2005: 164). By lambasting other networks as too liberal, presenting itself as 'fair and balanced', and illustrating the financial viability of this format, FNC encouraged other networks to replicate its formula in order to remain competitive and to stave off criticisms of a liberal bias. Thus FNC, in influencing public opinion in favor of the Iraq War, not only strengthened station ties to the Bush administration, but it influenced the journalistic norms of rival outlets in support of a similar agenda – reprogramming the television media network as a whole.

Networks and Switches

In computer programming, a 'network switch' refers to a computer-networking device that links different sections of the computer network. Building on the theoretical perspective we presented earlier, if we examine contemporary society at the level of networked forms of organization, or a set of interconnected nodes, then Murdoch's ability to move between and to connect (or disconnect) critical nodes between political, media and economic networks creates a circuit that compounds his power to influence multiple networks, giving him disproportionate control over the networks of society as a whole. Figure 4 provides a visual model of the overall process.

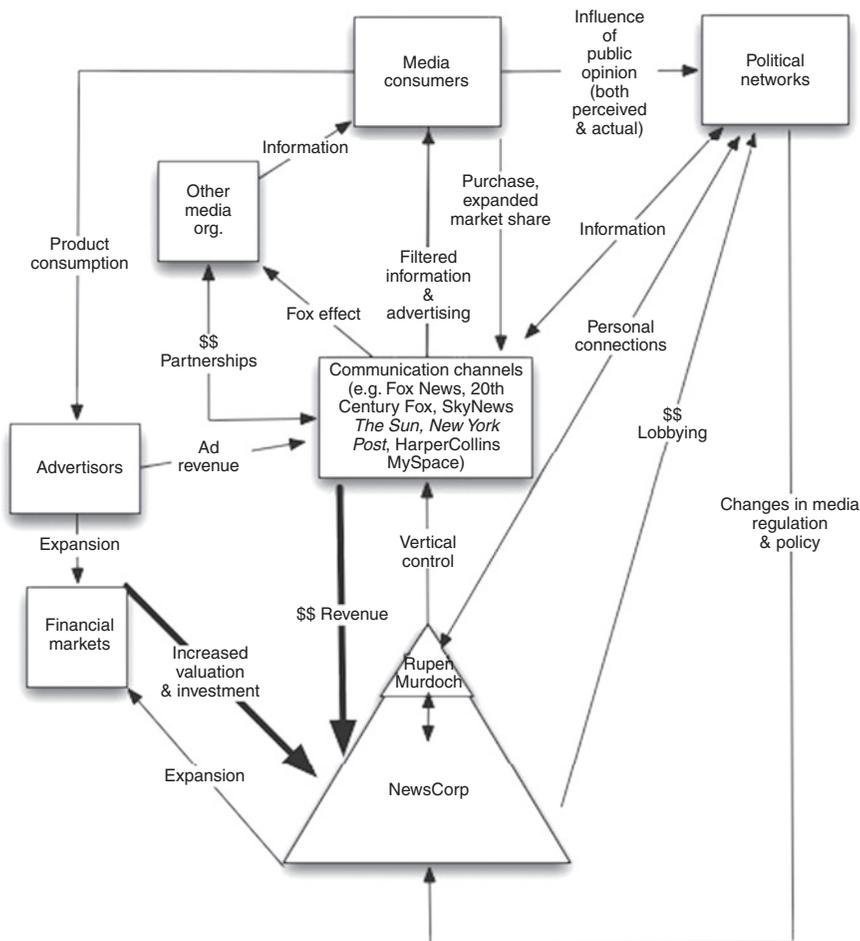


Figure 4 Processual Model of the Murdoch/NewsCorp Strategy

As Figure 4 illustrates, Murdoch, as CEO of NewsCorp is a *component* of the communication network itself – that actively uses all of NewsCorp’s delivery platforms – not solely to increase market shares (though this is fundamental) but to alter the balance of power across political networks. Murdoch pursues this strategy, not only to influence lawmakers and regulators regarding policies that could constrict the network’s expansion, but also in the service of a political agenda that ultimately serves his overarching business goals. Of course, these mechanisms reflect a cyclical and highly constitutive process. The power flows lie in the total construction. Murdoch and NewsCorp are critical network

society programmers but they are at times symbiotic to and/or subservient to the programming desires of political, corporate and other actors. The previous section outlined the structural and qualitative factors that constitute NewsCorp's ability to negotiate power as a network switch. Here we are concerned with outlining how these mechanisms further Murdoch's primary network programming goal, the financial expansion of NewsCorp.

Personal Reputation

Murdoch's efficacy hinges not only on his ability to vertically control his global media empire, but also on his reputation within the broader media and communication sphere. As with any form of power, it is self-propagating. Over the last decade, he has appeared on the cover of almost every major western publication. The popular and elite presses scrutinize his private life drawing on the metaphors of kingship. On MySpace.com users have created upwards of 200 spoof profile pages for Murdoch. The most popular of these pages, connected to by 5000 users, has altered the navigation bar's default language to read: 'Rupert Murdoch is ~~in your extended network~~ [sic] everywhere'.⁵ During the 2003 'Roll-back' Federal Communications Commission (FCC) hearings regarding the expansion of US media ownership limits, several watchdogs banded together to sponsor full-page advertisements with the tag line – 'This Man Wants to Control the News in America'. Politicians also speak openly about Murdoch's influence. Reed Hundt, chairman of the FCC when NewsCorp was investigated for violating the foreign ownership restrictions, recalls:

You know, and he knows, that, if he [Murdoch] likes you, you are going to get both news and editorial coverage that is different than if he doesn't like you. For that reason, he creates more power for himself than his peers. You know that there are favors that can be granted and punishments that can be handed out. (quoted in Cassidy, 2006: 7)

In 1977, a month before the New York mayoral election, Ed Koch was ranked six out of seven candidates. He credits Murdoch's decision to endorse him in the *NYP* with his surprise victory. In an interview with *New York Magazine* in 1998, he noted that 'I couldn't have been elected without Rupert Murdoch's support. . . . You see, people liked me. But very few thought I could win, because I was an unknown. Murdoch gave me credibility. Suddenly, I was mayor of the city of New York' (Koch, 1998). Of course, the rhetoric surrounding Murdoch is relatively easy to chronicle, but identifying the actual extent to which he is privy to political favors and backroom dealing is difficult if not impossible to document entirely. However, there are numerous instances of special favors accorded to NewsCorp by which a pattern can be established.

Leveraging Public Opinion

Murdoch's continued investment in several of his right-wing print publications regardless of their financial viability reflects a strategic corporate sensibility rather than the primacy of his right-wing tendencies. The *NYP*, a formerly liberal publication that transformed into a bastion of New York conservatism under Murdoch's editorship, has never posted a profit. But it provides Murdoch and NewsCorp with valuable political leverage over New York politics. For example, during New York Mayor Rudolph Giuliani's first term, he granted NewsCorp a US\$20.7 million tax break for its mid-Manhattan office building. In his first four years in office, not one negative editorial about Giuliani appeared in the *NYP*. Similarly, FNC, *The Sun*, and many other more lucrative NewsCorp properties provide the company with a critical means of information gatekeeping.

Former NewsCorp employees have filed numerous lawsuits, most of which remain unresolved, claiming that they were pressured to withhold politically or economically damaging information (Becker, 2007). For example, in 1996, two investigative reporters for a local Florida Fox affiliate were fired after they resisted calls to bury a story on the health risks associated with a hormone injected into dairy producing cows, which threatened to upset the powerful drug maker Monsanto and the Dairy Coalition, a major advertiser. In 2007, former *NYP* writer Ian Spiegelman filed an affidavit claiming that that he was ordered to bury a story on a Chinese diplomat and a strip club because it threatened to upset NewsCorp's expansion into China. He also alleged that he was asked to omit all negative references to Bill and Hillary Clinton. Months later, former HarperCollins publisher Judith Regan brought renewed scrutiny to the connection between Giuliani and Murdoch when she filed a US\$100 million defamation lawsuit against NewsCorp claiming that she was pressured to deny that he had an affair with New York City Police Commissioner Bernard Kerik. She alleged that the company felt that negative publicity about Kerik, whom Giuliani had recommended for Secretary of Homeland Security, would be damaging to Giuliani's presidential bid. Murdoch biographer Bruce Page (2003: 6) characterized silence as a critical component of the Murdoch business model: 'disclosure confers scarcely any instrumental power – it actually gives power away by freeing the story to the public sphere'.

As Groseclose and Milyo (2005) point out, suppression bias is by far the most important form of media bias and can have important influence over electoral outcomes. While media's ability to alter public opinion remains open for debate, media power certainly lies in the ability of news organizations to dictate what news stories enter the public sphere and thus the public agenda. This is a key device of information control in the network society. By burying news stories and/or elevating others, NewsCorp and

Murdoch are in a privileged position to decide which issues and actors are included and excluded from the space of communication.

Changes in Media Regulation and Policy

Murdoch's ability to leverage public opinion (both perceived and actual) via his media networks is augmented by direct financial contributions to and instances of *quid pro quo* with other power players. In the late 1980s, Senator Ted Kennedy supported legislation that forced Murdoch to sell the *NYP* because it violated cross-ownership restrictions. Five years later, in 1993, Senator Kennedy supported Murdoch's bid to repurchase *NYP* on the grounds that the paper would otherwise fold. Weeks later, Murdoch sold the *Boston Herald*, which under Murdoch's ownership had been a frequent and vocal critic of Kennedy, and repurchased his Boston television station (Baker, 1998). Kennedy denied according Murdoch any special favors, but the timing of the deal and the sudden reversal in policy fits into a larger pattern of convenient changes of heart and special exemptions awarded to NewsCorp.

Time and again, NewsCorp has been the first multimedia conglomerate to break into new markets and successfully lobby for regulatory changes. In 1994, NBC and the NAACP filed a complaint with the FCC that the Fox Network, launched in 1985, violated FCC regulations that foreign entities may own no more than 24.9 percent of any broadcaster. Rather than relocate from Australia, where tax conditions were more favorable, Murdoch lobbied successfully for a waiver. The FCC granted the waiver on the basis of arguments made by FCC Commissioner James Quello, a personal friend of Murdoch's, that the provision of a fourth network served the common good, a clear contradiction of reports filed by FCC staffers. A year later, NewsCorp hired Maureen O'Connell, formerly a special counsel to the FCC, and Daren Benzi, a close family friend of Quello. To date, NewsCorp remains the *only* broadcaster to ever receive a waiver on US foreign ownership restrictions.

NewsCorp has experienced similar regulatory victories elsewhere. Murdoch's Star satellite service was the first western media service allowed to enter into the Chinese media market. It received permission to broadcast immediately after Murdoch decided to remove the BBC, a vocal critic of the Chinese government, from its lineup. And in Britain, Blair, Murdoch's long-time ally, backed a communications bill that contained a provision relaxing television and newspaper cross-ownership restrictions, popularly called the 'Murdoch Clause' because it applied only to NewsCorp. The Bill allowed NewsCorp's BSkyB to purchase a controlling stake in ITV, the fifth UK broadcast network, giving NewsCorp a combined 37 percent interest in all UK news provision.

These successful pushes for media deregulation have had very real financial consequences for NewsCorp. In 1997, the year following the

passage of the 1996 Telecommunications Act – supported by many of the top recipients of NewsCorp political donations – revenues for NewsCorp's television operations alone grew by 13.8 percent. In 1977, NewsCorp was not even listed among the largest media firms; by 1997 it had moved into third place behind Disney and Time Warner with US\$12.8 billion in revenue.

Expanding Markets

Expanding markets and consequently expanding avenues for advertising and direct consumer purchase are a fundamental outcome of the NewsCorp strategy. NewsCorp properties have repeatedly led the way in the introduction and expansion of targeted programming. While ABC, NBC and CBS had always featured a few shows marketed toward women and to specific age groups, in the 1980s the fledgling Fox Network changed the face of the television industry by filling its programming lineup entirely with shows targeted by race, age, sex, class and ideology (Curtin, 1996). Fox cable channels introduced in the 1990s continued this policy of targeted marketing.

NewsCorp's foray into the Internet represents the latest attempt to deliver increasingly specific audience segments to advertisers. Digital properties still account for a fraction of overall earnings. However, NewsCorp is expanding its web presence in order to take advantage of what, thanks to convergence, Murdoch believes will eventually be the primary advertising platform (Murdoch, 2006). In line with this objective, Fox Interactive Media (FIM) launched sites for all 25 local Fox stations with the specific intent of creating portals for local advertisers (Rosenbush, 2006). Eighty of the top 100 brands now advertise on MySpace, and monthly revenue has increased from US\$2 million to US\$28 million under NewsCorp (Rosenbush, 2006).

Moreover, in 2007 NewsCorp made moves to corner the business market through the launch of the Fox Business Network (FBN) followed by the purchase of the Dow Jones Company (DJC), parent to the prestigious *Wall Street Journal* (WSJ). Historically tightly controlled by the Bancroft family, the DJC was commonly considered impervious to outside takeover. Enter Murdoch, who on 1 May 2007 presented an unsolicited bid for the company, offering US\$65 per share, 65 percent above the stock's current valuation and roughly 16 times greater than the company's 2007 profit estimate. These moves reflect a broader marketing strategy to capture coveted advertising and consumer subscription dollars as well as exert greater influence over the business world. The *WSJ* is the second largest US publication in terms of circulation. Moreover, while other dailies have failed to attract paid online subscribers, *WSJ* subscriptions actually rose by 20 percent in 2007. According to Murdoch, the *WSJ* was a critical acquisition because when combined with NewsCorp's

global properties and the FBN, it will allow marketers an unparalleled opportunity to access outlets around the world across every possible media platform, mounting a serious challenge to CNBC, Reuters and Bloomberg (Lowry et al., 2007).

Sensationalism Sells

NewsCorp's patent partisan news format influences political networks but it is also a critical part of a broader marketing strategy that helps to provide advertisers with access to specialized target markets. He has instituted what *The Nation* dubbed as the 'four S' model of journalism – 'scare headlines, sex, scandal, and sensation' – in nearly every major acquisition that he has made over the years, from his early purchases (e.g. *The Sun*, the *San Antonio Star*) to his television and satellite properties like FNC and BskyB (quoted in Pasadeos and Renfro, 1997: 33). This strategy has paid off time and again. After Murdoch's 'four S' reforms, *The Sun's* circulation doubled within one year and is now the largest of any English newspaper in the world (Page, 2003: 133).

Despite initially widespread doubts about the viability of a partisan cable news network, FNC moved into market dominance in under five years, leading the cable news market according to almost every measure since 2001. While CNN still maintains the highest number of unique viewers, at any one time FNC captures more than half the cable news audience, has nine of the top 10 most watched cable news programs and was projected to overtake CNN in advertising revenues in 2007 (Project for Excellence in Journalism, 2007). Figure 5 contrasts FNC's financial performance with its two main competitors.

In 1996, NewsCorp shocked the media industry when it paid cable operators US\$10 per household to carry FNC at an estimated US\$500 million expense and signed 10-year service contracts that heavily favored the service providers. As Figure 5 illustrates, during the last 10 years NewsCorp has more than recouped its initial losses. Moreover, building on its position as the market leader, in 2006 FNC was able to renegotiate its contracts with cable service providers, tripling the fee charged for each subscriber from ¢25 to ¢75, moving it into the top five most expensive cable channels in terms of license fees (Project for Excellence in Journalism, 2007).

Here again, we see that the overall process is critical. NewsCorp's sensational and ideologically driven news coverage expands its audience and thus advertising revenue. Increased revenue and market share expand NewsCorp's ability to lobby politicians for regulatory favors via direct financial contributions and/or through the carrot (or stick) of tailored news coverage via its holdings. Regulatory and personal favors lead to expansion of NewsCorp holdings, which capitalize on journalistic methods that expand the company's political leverage, which leads to more favors, which

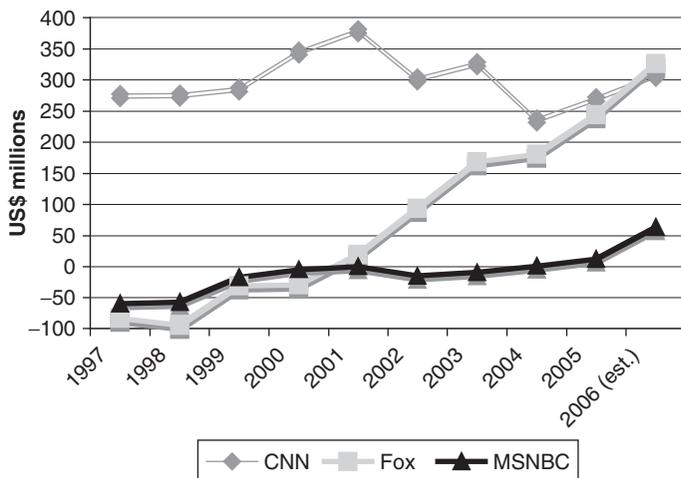


Figure 5 US Cable News Channel Profits

Source: Kagan Research LLC, a division of Jupiter Kagan Inc. Republished by the Project for Excellence in Journalism (2007).

leads to further expansion, and so on. However, expansion of market share and access to advertising and subscription revenues are the ultimate goal.

Conclusion: The Power of the Switch

Rupert Murdoch holds power in the global network society through his ability to connect the programming goals of media, business and political networks in the service of NewsCorp expansion. Each one of these networks is programmed around a specific set of goals: conquering audiences; making profits and enhancing market valuation; and accessing political decision-making capacity. Murdoch is, above all, a businessman. He builds NewsCorp's competitive advantage by maintaining tight control over the terms of its connection with other media and corporate actors and by leveraging his (real and/or perceived) ability to influence audiences around the world in order to gain political favors. Domination in each network is achieved on the basis of securing access to the others. From this perspective, his power is not tied to a particular connection with a political actor in one country at any one point in time. What really matters is his control over multiple connecting points.

While Murdoch-the-person professes a conservative ideology, Murdoch-the-switch can throw his support behind a broad range of political actors and ideological causes, including liberal leaders and environmental activism. He must balance his personal proclivities with his switching

actions in order to maximize his efficacy. The diversity of financial and communication tools at his disposal means that he can influence a diverse array of actors simultaneously. For instance, following 9/11, he provided ideological support for the Bush administration and neoconservative political actors by championing the Iraq War in his media platforms while simultaneously currying the favor of prominent Democratic candidates with financial donations. Similarly, while Murdoch's alliance with Tony Blair and New Labour was highly publicized, he maintained a close connection with the Conservative Party in anticipation of a post-Blair era. He provides propaganda or cash depending on the needs of his political interlocutors.

However, the relationship between media business and politics is but one element of the push to expand NewsCorp's market share. To this end, Murdoch utilizes multiple strategies to penetrate new markets made possible by technological change. He institutes sensationalist news formulas and diversifies and adapts his media holdings. These strategies are exemplified by the acquisition of MySpace.com to position NewsCorp in the Internet age and by the purchase of Dow Jones to influence the business market. The power of the switch is ultimately at the service of the goals that are programmed into the networks. But in a world of multiple power networks, it is the switcher that facilitates the performance of the programs. Media politics and the politics of scandal are simply the manifestation of a deeper structure of power-making in the network society.

Notes

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1. In this article we present a case study of Rupert Murdoch as a network switch. Other 'media moguls' such as Sumner Redstone, who controls Viacom and CBS, and Silvio Berlusconi of MediaSet evidence similar sets of behaviors. However, the logic and structure of Murdoch and NewsCorp seem to be archetypal of how the global media system operates. The extent to which other media actors mirror Murdoch's ability to serve as a network switch is a subject for further research.
2. See, for example, Blitz (2006), Brown (2005), Cassidy (2006) and Hinsliff (2006).
3. In the US, federal law defines a political action committee (PAC) as a group donating more than US\$1000 for the purpose of influencing a federal election.
4. NewsCorp is not alone in this practice. Viacom's Simon & Schuster offered Hillary Clinton a US\$8 million advance – an amount greater than any political memoir has ever earned – for her book *Living History* at the same time several important regulatory deals were taking place. The advance was later rescinded under Senate ethics rules.
5. To view this profile, see: profile.myspace.com/index.cfm?fuseaction=user.viewprofile&friendID=22089764

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