
Toward a taxonomy of media capture

JOSEPH E. STIGLITZ

2001 Nobel Laureate for analyses of markets with asymmetric information, Professor at Columbia University

Preventing capture, and ensuring that the media can perform their societal function, requires an understanding of the myriad and sometimes subtle ways the media can be compromised by the very actors they are supposed to monitor. To that end, this chapter proposes four somewhat overlapping forms of capture—(a) ownership, (b) financial incentives, (c) censorship, and (d) cognitive capture—arguing that a broader view of what constitutes capture usefully highlights less obvious but equally insidious threats to journalistic independence.

Introduction

There is a long literature describing the role of the media in our society—in particular, the role in preventing a broad range of abuses by government and the corporate sector. Indeed, the media play a critical role in our society’s systems of checks and balances in part by attempting to “regulate” behavior by watching to see whether government, business and other organizations are engaging in actions that are consonant with societal beliefs.

The media have limited power to correct detected abuses. Rather, their power is based on the premise that *information* itself will lead to a resolution; and the knowledge that such information might be provided, will itself, lead to fewer abuses. As the expression goes, “sunshine is the strongest disinfectant.” Recently, the press has brought many abuses to light, including the 2014 Lux Leaks series on tax avoidance as well as the 2016 Panama Papers on offshore banking, both of which were published by the International Consortium of International journalists.

In order for the press to play a watchdog role, it must be independent, particularly of those on whom it is supposed to be reporting. If the media are captured, in one way or another, by the same organizations or people that they are supposed to report on and monitor, then the news will, at the very least, not be complete; in many cases, it will be distorted. To prevent capture and allow the media to perform their societal role, we must understand the mechanisms by which it occurs. This chapter classifies and explores the ways in which the media get captured through ownership, financial incentives, censorship, and cognitive capture, and the subsequent consequences.

As mentioned in Anya Schiffrin’s introduction, “capture” is an economics term that describes what happens when regulators become overly empathetic or supportive of those they are meant to be regulating. Associated with economist George Stigler’s seminal “The Theory of Economic Regulation” (1971),¹ the term was used widely after the financial crisis of 2008 to describe, for instance, how financial regulators failed to properly regulate the very banks and financial institutions that caused the crisis. By analogy, *media capture* occurs when one or more of the parties that the media are supposed to be monitoring on behalf of society “captures” or takes hostage the media, so that they fail to perform their societal function.

The most obvious example arises when a newspaper is owned by a particular business. Obviously, it will not then be in the interests of the newspaper to reveal the misdeeds of that business. Or a media outlet with an owner that has business interests may oppose a political candidate who supports policies that are viewed as against the interests of the media-affiliated business, despite his or her other qualifications. Similarly, business interests will push the newspaper to editorialize in favor of bills supporting the industry, and castigate those that might adversely affect the industry. Ideally, a newspaper will declare its interests so readers may judge for themselves, and perhaps discount the value of the newspaper’s views in

areas where there is a conflict. But many readers will not know of such conflicts, even if they are disclosed; and sometimes, perhaps often, they are not disclosed.

Many early uses of the term “capture” focused on *economic* incentives—the regulators often would return to jobs in the sector that they had regulated; the revolving door provided them an incentive to treat those they were regulating well. But over time, economists and political scientists have explored a broader range of mechanisms by which capture occurs. One of the most important is *cognitive capture*, the notion that regulators may come to think like those they regulate, simply by the process of continual association and engagement. The revolving door may even have an impact on those government officials who studiously try not to be influenced by economic prospects. Those government officials who spent years working in banks begin to think like bankers. There is a growing literature in behavioral economics emphasizing the endogeneity of beliefs, perceptions, and behaviors: we are social beings, and those with whom we associate affect us in a myriad of ways. Indeed, some of this research shows that simply reminding those who have worked in banks about their past identity as a banker leads them to behave in more selfish ways (Cohn et al. 2014).

This chapter, like the earlier literature on regulatory capture, focuses on the economics of capture, although we touch on cognitive capture. It does not give sufficient weight to the impact of capture on political processes and the larger effects on social welfare.² The experience of media practitioners along with the analytical understanding of media and communications scholars, political scientists, and sociologists, later chapters of this volume adds subtlety and detail to the study of media capture.

This chapter explores and categorizes the ways in which the media are captured and the consequences. We focus in particular on how they are captured by corporate interests and governments, but the papers in this volume show that capture is a more general problem: media can even be captured, for instance, by philanthropic organizations, who simply want to advance their causes.

We divide our analysis of capture into four broad, and somewhat overlapping, sections: (a) ownership, (b) financial incentives, (c) censorship, and (d) cognitive capture.

Capture by ownership

Ownership is the one way in which media capture differs from standard regulatory capture. One cannot directly and openly *buy* a regulator (though critics of the US system of money in politics suggest that what happens in American politics is not much different from an open purchase). But wealthy individuals and corporations can and do buy media. They do so not just as a business proposition, but

sometimes out of a sense of public spirit—or at least to advance their political philosophies. Many purchase newspapers because of the possibility that the media give them to influence thinking, perceptions of events, and therefore politics itself.

In doing so, these media owners almost inevitably have particular perspectives; and the perspectives of the rich typically differ from that of the rest of society. They are more likely to be conservative, against regulations and in favor of low taxes, and they are likely to support political candidates and parties that advance their interests. One might think that readers expect that—and therefore discount at least the editorials. Good newspapers have made an effort to separate editorial positions from news coverage, but arguably, in recent years, the separation has been eroding. Many believe that this is, for instance, a particularly marked feature of many of Rupert Murdoch's holdings.

Of course, in a “rational” market, news from media sources that have broken down the barrier between advertising and editorial will be less influential, simply because their reporting is less “credible.” If that were the case, newspapers would have an incentive to be neutral in their reporting (Knight and Chiang 2011).

As Schiffrin and Rasmus Kleis Nielsen note elsewhere in this volume, the rise of the Internet increased hopes that lower barriers to entry would democratize the media market so that media ownership would no longer be dominated by the wealthy and powerful. Entry from those of limited means has, in fact, increased, but the bigger question is whether the development of the Internet provided the hoped-for check on media capture. There are several reasons for concern that media may become less able to perform their critical roles.

The first set of problems arises from the fact that in this new, digital era, standard media have become less profitable. This means they have become more of a “toy” for the super-rich. Moreover, the new business models of the digital era do not support the kind of investigative journalism required for the media to play their watchdog role. Most outlets do not have the resources to finance such deep investigations. And the benefits of “breaking” a story may be less, when minutes after breaking a story, it is available on the Internet through multiple other portals. Others effectively “free ride” on the original investigative reporting. As media outlets struggle for financing, the burden of paying for investigations has shifted elsewhere, e.g. to foundations and philanthropies with an “agenda.” But, in the absence of investigative journalism, there is less of a check against capture.

Another important change is the rise of the much-maligned echo chamber in which people see only news that reinforces their preexisting beliefs. As a result, there is now less opportunity for the media to influence the unpersuaded; but perhaps more of an opportunity to be a cheerleader for the persuaded. In the “old” model, the press was rewarded for being balanced. Trust in the media was based in part on the fact that the reporting was not biased. By demonstrating that it was not biased—that it was a credible news source—a media outlet could expand its

readership. In the “new” model, what matters is commitment: media outlets have abandoned the hope of attracting those who see the world through a different lens. One expands readership or viewership by demonstrating that one’s views are consonant with that particular segment of the market at which one aims. This enhances trust within that segment, but weakens trust on the part of others. The net result is a diminution in trust in the press in general: there is a view that the others have been “captured.”

A particularly insidious situation arises (an example of this can be found in Greece) where there is an unsavory link between oligarchs, the banking sector, the media, and politics: oligarchs used their economic and political influence to get loans to buy media, loans which otherwise would not pass muster, and then use their control of the media to influence the political process—circumscribing attempts to control their economic and political power (Papathanassopoulos 2013).

The media are not just supposed to provide a check against corporate abuses, but also against government abuses, and Greece illustrates how that may fail—and may especially fail when there is a nexus between politics and corporate power, as there is in many countries, arguably including the United States.

Another instance, of quite different form, where media capture resulted in the media not being able to fulfill the watchdog role vis-à-vis the government was in Italy, where during Silvio Berlusconi’s administration he owned three of the seven media stations, and government controlled another three. As a result, the checks against abuses of government ownership were weaker than in the United Kingdom and Italy was downgraded in the Freedom House ranking in Press Freedom.

There is, of course, a distinction between government ownership and government “capture.” The BBC and other public broadcasters are an example of successful government ownership in that programming is balanced, objective, and representative of diverse viewpoints.

Capture through financial incentives

The media face a variety of incentives, which are amply discussed elsewhere (see for example Besley and Prat’s “Handcuffs for the Grabbing Hand? Media Capture and Government Accountability” (2006), which discusses the incentives of advertising and access and how these incentives can result in the media becoming *de facto* captured). Even when media owners have non-economic objectives, they are concerned about profits (or losses), and hence worry about both advertisers and subscribers. The financial press thus becomes captured by the financial sector partly because it might lose both subscribers and advertisers were it not to reflect the viewpoints of that sector.

Similarly, both reporters and the owners of media may act as if they are captured by those they are supposed to be covering because they are aware that adverse stories may lead to a denial of access to information, leaving them at a disadvantage relative to competitors (Gans 1979; Starkman 2010).

Censorship and capture

Governments lacking freedom of the press do not have to own the press to make sure that the press reflects their views—i.e., is “captured.” They can simply censor what is written. While using the word “capture” to describe government-media relationships in such a world adds no insights and provides no new perspectives on what is going on—indeed, it seems to soften what is a hard relationship—self-censorship is practiced in many parts of the world, and not just toward governments, but also toward corporates. Concern about losing advertising revenues (whether from the government or the private sector) or subscribers, as well as access to vital news that is necessary if they are to remain competitive, induces media organizations to pull their punches, to soften what they might say, and not to undertake some investigations that they might otherwise have.

Cognitive capture

In many ways, cognitive capture is the most interesting aspect of capture—the most subtle, the hardest to prove. It relates to how reporters perceive the world, and therefore how they write about it. One of the reasons that the subject is so important is that cognitive capture by media can lead to cognitive capture by society. The media help shape the views of the members of society, and if the media are captured, their reporting can give rise to the acceptance of views within society that reflect those interests. Rather than being the “fourth estate,” set apart from the rest of society to provide the checks and balances necessary to make society function well, the media are embedded within society, and are little more than a reflection of the views widely shared within it. Indeed, they can become part of the echo chamber that amplifies and solidifies conventional wisdom.

Coverage of the events leading up to the 2008 financial crisis in Schiffrin (2011) (also discussed in Starkman 2014; Fraser 2009; Usher 2012) clearly illustrates these points. Maria Bartiromo may have achieved the status of chief cheerleader, but more remarkable was the dearth of those in the press who called attention to the rampant fraud, predatory lending, and other abusive practices of the financial sector. Floyd Norris, Gretchen Morgenson, Peter Goodman, and Mike Hudson stand out as among the few US reporters who questioned what really was going on.

If this form of cognitive capture is to be prevented (or at least, the extent of it lessened), which it must be if the media are to perform their societal role, then we must understand the mechanisms by which it occurs. The chapters in this book provide much insight into the process.

Some of this is almost obvious. Business and finance reporters talk to those in the business and finance sector, and to other business and finance reporters. If a strongly held conventional wisdom develops (when and how that happens is a matter of interest in its own right), then it is hard for any individual to stand against this weight of opinion, against the seeming collective wisdom. Few, if any, individuals have the capacity to weigh all the evidence relevant to any particular issue; we *have* to rely on others.³

It is precisely in such circumstances that there is the need for an independent press and its voice of skepticism, or at least agnosticism. But individuals are social beings, and they don't like to be the odd person left out. Moreover, there may be perverse incentives at play: a reporter who goes along with the crowd will hardly be chastised—who can blame him for not calling attention to the fact that there was a bubble, when even first rate economists failed to see it. But if it turns out that there is no bubble, and the reporter has been a naysayer, his judgment and reputation will come to be questioned. He may be viewed as an eccentric not to be trusted. Those with a good story to tell may be reluctant to turn to him to tell it.⁴

More generally, each individual's beliefs and perceptions are affected by those with whom he or she associates. Financial reporters associate with those in the financial sector—so it should hardly be surprising that the reporters often come to adopt their beliefs and perceptions. Perhaps as a guard against this, media should rotate beats; the problem is that in certain areas—finance being among them—there is a large body of expertise required for effective coverage. Such rotations go against the need for and benefits of specialization. Only someone extraordinarily well-versed in markets might know where to look to see the fraud that the banks hid so well. Apple's public relations staff does a first-rate job explaining why the EU ruling on their tax abuses was wrong; only someone extraordinarily well-versed in international taxation might discover the holes in their arguments (or at least discover them fast enough to be of relevance to the daily news cycle).

Cognitive capture is impossible to fully prevent. And yet because it is the subtlest form of capture, it is the most corrosive: in principle, readers can guard themselves against some of the more blatant forms of capture, such as that associated with ownership. They take what is written on the editorial page with a grain of salt. But cognitive capture is pervasive and often unintended. And yet, as the 2008 crisis amply demonstrates, cognitive capture undermines the ability of the media to fulfill their societal mission just as much as do the other forms of capture described in this book.

Concluding comments

The fourth estate is a critical part of the set of checks and balances within our society. When the media get captured by those they are supposed to oversee—whether

government, corporations, or other institutions in our society—they cannot or will not perform their critical societal role.

This paper has explored the various mechanisms by which capture occurs. Capture occurs in not just the obvious ones, such as through ownership, but in more subtle ways, most importantly through what we have referred to as cognitive capture.

There was a hope, at one time, that changes in our economy, in particular the development of the Internet, would lead to a press that was less captured and better able to fulfill its roles. We have explained why that has not been the case: quite the contrary.

A straightforward reading of this paper is depressing: the most insidious form of capture, cognitive capture, is particularly hard to combat. But there is a note of optimism—simply the awareness of its presence allows us to see reporting through a different lens, and perhaps to correct the distortions it brings with it. And even more importantly, as the media become aware of the pervasiveness of cognitive capture and its implications for unbiased reporting, they can set in place checks and balances to mitigate the consequences.

At the very least, a better understanding of the mechanisms of capture is necessary if we are to try to limit the extent of capture—if we are to create media that better fulfill their societal roles.

ENDNOTES

¹ Though the concept, and perhaps even the term, may have been used in earlier literature, e.g., in political science.

² Though we note some important exceptions to this below.

³ Belief in global warming illustrates that few people who are not physicists or climate scientists have the capacity to weigh the evidence, the overwhelming evidence that it is occurring, with the limited evidence that might weigh in on the other side.

⁴ Nalebuff and Stiglitz (1983) have described the perverse incentives giving rise to “herding” behavior.

WORKS CITED

Besley, Timothy, and Andrea Prat. 2006. “Handcuffs for the Grabbing Hand? Media Capture and Government Accountability.” *American Economic Review* 96 (3): 720-736.

Bittner, John R. 1977. *Mass Communication, an Introduction: Theory and Practice of Mass Media in Society*. Englewood Cliffs, N.J: Prentice-Hall.

Chiang, Chun-Fang, and Brian Knight. 2011. “Media bias and influence: Evidence from newspaper endorsements.” *The Review of Economic Studies* 78 (3): 795-820.

- Cohn, Alain, and Ernst Fehr and Michel André Maréchal. 2014. "Business culture and dishonesty in the banking industry." *Nature*, 516: 86–89.
- Croteau, David, and William Hoynes. 2013. *Media/Society: Industries, images, and Audiences*. Thousand Oaks, Calif.: SAGE Publications.
- Fraser, Matthew. 2009. "Five reasons for crash blindness." *British Journalism Review* 20 (4): 78-83.
- Gans, Herbert J. 1979. *Deciding What's News: A Study of CBS Evening News, NBC Nightly News, Newsweek, and Time*. Evanston, Ill.: Northwestern University Press.
- Hoff, Karla, and J. E. Stiglitz. 2016. "Striving for Balance in Economics: Towards a Theory of the Social Determination of Behavior." *Journal of Economic Behavior and Organization* <http://dx.doi.org/10.1016/j.jebo.2016.01.005>. World Bank Policy Research Working Paper No. WPS 7537, January and NBER Working Paper 21823, December 2015.
- Nalebuff, Barry, and J. E. Stiglitz. 1983. "Information, Competition and Markets." *American Economic Review*, 73 (2): 278-284. Reprinted 2009 with commentary in *Selected Works of Joseph E. Stiglitz, Volume I: Information and Economic Analysis, 400-408*. Oxford: Oxford University Press.
- Papathanassopoulos, Stylianos. 2013. "Greece: Press Subsidies in Turmoil." In *State Aid for Newspapers: Theories, Cases, Actions*, edited by Paul Murschetz, 237-251. Berlin and London: Springer Verlag.
- Schiffrin, Anya. 2011. *Bad News: How America's Business Press Missed the Story of the Century*. New York: The New Press.
- Starkman, Dean. 2010. "The Price of Admission." *Columbia Journalism Review*. http://archives.cjr.org/review/the_price_of_admission.php
- Starkman, Dean. 2014. *The Watchdog That Didn't Bark: The Financial Crisis and the Disappearance of Investigative Journalism*. New York: Columbia University Press.
- Stigler, George. 1971. "The Theory of Economic Regulation." *The Bell Journal of Economics and Management Science* 2 (1): 3-21.
- Usher, Nikki. 2012. "Ignored, uninterested, and the blame game: How The New York Times, Marketplace, and TheStreet distanced themselves from preventing the 2007-2009 financial crisis." *Journalism* <http://journals.sagepub.com/doi/abs/10.1177/1464884912455904>. Reprinted 2013 in *Journalism* 14 (2): 190-207.