Media Complicity in Financial Crimes

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Q: Why are media outlets doing such a bad job covering Wall Street?
A: Could it be, becausse they are owned by Wall Street?

When you connect the dots in your writing or look for deeper explanations behind the decisions of policymakers, market makers and media-makers, it's easy to be dismissed as a conspiracy nut.

But forgive me for believing that those who serve interests have more clout than those that just speak out on issues. There are hidden relationships that sometimes predetermine what stories get media attention and which do not.

I have a current film out, Plunder the Crime of our Time, taking on big media companies to task for what passes as coverage of the financial crisis. I have been asking why they weren't paying attention, didn't warn us about it, or investigate too deeply into how it happened.

When I discovered that dodgy lenders and credit card companies pumped more than $3 billion into media advertising, which inflated the housing bubble between 2002 and 2007, I thought I had my answer.

Based on my own experience inside news networks, I could see that networks investigating their own advertisers in a tough economic climate was not exactly high on their agenda. It happens, but rarely.

Yet, even I, as savvy as I thought I was, missed an important link which was hidden in plain sight — who owns the very media institutions I was railing against?

Guess what: many owners are the very financial institutions that should have been exposed. Media is a business tied into other businesses and driven by interlocking directorates by a not-so-invisible umbilical chord.

It took a colleague, Barry James Dyke, author of 'The Pirates of Manhattan,' [click here for his video collection of the plundering] to give me a little guided online tour into this reality via Yahoo's finance page. It's easy to access but usually only used by investors, not investigative journalists like me.

I am not a stranger to corporate media ownership issues. Our Mediachannel even did a chart, some years back, showing how a handful of media giants owned most of the channels on broadcast and cable outlets.

What we didn't do, then, is what Barry Dyke was showing me how to discover: who owns those same companies.

It's all there, clearly available in easy to read charts to help you see how their stock is performing. On the left side of the chart, there is a section to click on entitled, "ownership."

In the flash of a click, a display of ownership appears of the company I used to work for: ABC News. This information is mandated by laws designed to insure accountability and protect investors.

The first category is "Major Direct Holders." At the top of the list is a former ABC News executive, Robert A. Iger who owns 850,790 shares [Eight Hundred Fifty Thousand Seven Hundred and Ninety]. Under him are other biggies who were given or helped to buy stock, allegedly to incentivize them. These holdings complement and add to their already generous salaries.

In truth, it's all a form of looting of the shareholder value. Often these execs have more clout than the boards of directors they theoretically report to. Sometimes, it only takes a small percentage of shares to wield control. Together these insiders and what are called, 5% owners, own 7% of Disney, but exert disproportionate influence.

The next category on the chart is Institutional and Mutual Fund owners. They control 68%. And who are they? Fidelity, State Street Corporation, JP Morgan Chase and Company, Price T Rowe Associates, etc. etc.

The next category is "Top Mutual Fund holders" with the Fidelity Contra Fund owning $1.2 B [$1,200,000,000.00] in holdings; more than 36 million shares. In all, 1095, institutions own shares. But a few are more equal than others. The role that these largely unaccountable mutual funds play is rarely examined. Just listing their holdings doesn't explore their influence.

Some mutual funds get an added benefit — access to employee retirement withholdings. So, they are not just funding Disney, but being funded by Disney with a guaranteed income stream even though the Funds, often, do not perform well.

Explains Barry Dyke: "It's about control. Mutual fund companies get other people's money through payroll deductions on their 401[k]s, and those fund companies, and the funds they control, own large stakes in companies like Disney.

Through lobbying, essentially with the Pension Protection Act of 2006, employers are exempt from liability-fiduciary responsibility as long as they use a mutual fund; a target date mutual fund more specifically. Employers are exempt from liability, mutual fund companies are exempt from liability from the get-go, and do a lousy job of looking out for shareholders."

What he means here is their returns have been relatively low—and many have blown up. Forcing employees to invest with them is hardly fair if they are losing money.

Back on our list, there follows, "insider transactions." Some of the information is considered N/A—not available.

Why is that?

I was at ABC News, and available, when Disney swooped in to buy the company in 1995 for

$19 billion. It had been for sale for $11 billion just two years earlier. The deal was the largest media merger in history, to that point, and the second largest sum of money ever paid for a U.S. company.

Back in 1940, Walt Disney had first sold stock to lower the debt. The newer Disney took on billions in debt to finance its deals. Where did the money come from?

Why, no surprise, the very Wall Street banks and financial institutions they work with. Call it synergy, or call it collusion, but not the kind that leads to better programming or media responsibility.

The final phase-out of ABC occurred at a final shareholders meeting I attended in a New York TV studio on January 4, 1996. I wrote about it in my book, 'The More You Watch, The Less You Know,' noting that the vote to sell the company to the "Mouse House" (and, in the process, enrich its shareholders) passed by a vote of 121,000,000 to 437,000. It was only after the deal was done that questions from the floor were permitted.

So much for corporate democracy! I managed to get a question in –called on as "the man in the back of the room." It annoyed my bosses.

I asked the former Chairman of Capital Cities, the first company to acquire ABC and then ABC's departing leader, if he was "concerned" about what the merger would mean for our democracy. [One of Cap Cities' founders and principals was the nefarious Iran-Contra conspirator William Casey who became Ronald Reagan's secretive and sneaky CIA Director.]

There was no concern about my concern. My question was ridiculed and dismissed by Chairman Tom Murphy who said, "Am I concerned. No, I am not concerned." Murphy had earlier told Charlie Rose that he enjoyed winning. He was asked what that meant to him.

"Making money" was his response. "Whoever makes the most wins. That's how we keep score."

In sharp contrast, media historian Robert McChesney was concerned, very concerned, writing later: "A specter now haunts the world; a global commercial media system dominated by a small number of super powerful, mostly U.S. based transnational media corporations. It is a system that works to advance the cause of the global market and promote commercial values, while denigrating journalism and culture not conducive to the immediate bottom line or long-run corporate interests. It is a disaster for anything but the most superficial notion of democracy — a democracy where, to paraphrase John Jay's maxim, "those who own the world ought to govern it."

Disney went on to acquire more stations. Their network now includes 200 affiliated stations, reaching nearly 100% of all U. S. television and 277 radio outlets, at last count. And they publish books, magazines, and financial and medical services information. The journalism they offer has noticeably declined as they slashed the number of employees in the News Division.

Just one recent and small example: towards the end of August, ABC News reported on new credit card rules, dryly reciting the new disclosures mandated in the new "reform" law. They did not mention that nothing was done to cap interest rates or, as the Wall Street Journal reported the next day, "the banks and credit card companies had jacked up the rates despite the flagging economy and the fact they can borrow money at record low rates."

Why was that? Could it have anything to do with the interests of those who own Disney, ABC's parent company?

You tell me. [Disney, by-the-by, offered its own credit card.] It also censored stories on pedeophiles at Disneyland.

Media companies always insist no one tells them what to do, with Fox News perhaps the most glaring and candid exception, considering Rupert Murdoch's ideological leash.

Yet, even as the 'Nets cover the money in politics that buys laws and rents politicians, they insist no one ever influences their coverage decisions — not investors, not advertisers, and certainly, not viewers.

President Obama, it is said, did Wall Street's bidding because of all the money they shmeared on his campaign. But do the companies that own and control media companies, with billions at stake, have any say in "what does" and "does not" get on the air?

Never!

News Dissector Danny Schechter made Plunder the Crime of our Time, a DVD and wrote a companion book, The Crime Of Our Time, which investigates the financial crisis as a crime story. Comments to dissector@mediachannel.org.
