



Caroline Y. Robertson-von Trotha and Christine Mielke (dir.)

Globale Handlungsfelder Medien - Politik - Bildung

KIT Scientific Publishing

The Commercialization of Democracy: The Rise of the Political Industrial Complex

Larry F. Martinez

Publisher: KIT Scientific Publishing

Place of publication: Karlsruhe

Year of publication: 2006

Published on OpenEdition Books: 31 May 2017

Series: KIT Scientific Publishing

Electronic EAN: 9782821881600



<http://books.openedition.org>

Electronic reference

MARTINEZ, Larry F. *The Commercialization of Democracy: The Rise of the Political Industrial Complex* In: *Globale Handlungsfelder: Medien - Politik - Bildung* [online]. Karlsruhe: KIT Scientific Publishing, 2006 (generated 08 septembre 2023). Available on the Internet: <<http://books.openedition.org/ksp/3541>>. ISBN: 9782821881600.

The Commercialization of Democracy: The Rise of the Political Industrial Complex

Larry F. Martinez

Introduction

Americans consider themselves to be very, very good at business. By the end of the year 2000, the U.S. economy's stellar performance continued to surpass even the most optimistic predictions for recovery out of the post-Cold War recession of the early 1990s. By the end of the 90s decade, the U.S. economy could boast over 6 years of growth, less than 5 percent unemployment, low inflation, and high consumer confidence – a situation relegating the presidential candidates in the 2000 election to yawn-provoking debates about how best to spend the quickly accumulating federal budget surpluses, going up almost as fast as the stock prices of the much-hyped 'dot.com' e-commerce start-up firms. It was a great party while it lasted, one which invited vast swaths of what used to be publicly held or managed sectors of telecommunications, broadcasting, banking, education, transportation, among others, to join in the celebration of globalizing big business. But by the dawn's early light, could Americans expect that the juggernaut of globalization would voluntarily immunize the political process from the contagion of commercialization?

Curiously, in contrast to the economic good news, the political system continued to languish in a voting and confidence recession. If we could parse the leading indicators of political participation – voting turnout, citizens' confidence in their public institutions, etc., into a form of a 'Democracy Dow Index' of leading political indicators, we would quickly see that the trend was down – lowering levels of political participation, voting, and civic enga-

gement. In contrast, there is one political indicator that is up: money. And it is way, way up. Clearly we are missing something in our Democracy Dow, since in almost any market, a loss of confidence scares money away. In the democracy market, money is scaring the market away. As Jeffrey Birnbaum, author of *The Money Men*, writes:

At the same time, we have more cause than ever to care about the influence of money on politics. The reason is that our system of government is slowly falling apart. Fewer and fewer people vote, yet more and more money is drenching the electoral and legislative process [...].¹

In the 1996 presidential election year, less than 49 percent of the eligible voters bothered to cast a ballot, with even lower turnouts two years later for the 1998 midterm elections where members of Congress were elected with only 20 percent of the ballots cast from eligible voters. In the 2000 presidential election, voter turnout did not improve. Books such as Robert Putnam's *Bowling Alone*² and Neal Gabler's *Life the Movie*³ turned up the volume on the fact that public life was becoming media life, with the ironic result that private life was now a media product for global entertainment consumption.

The American political process is, as a media product, big business. Candidates for federal offices (President, Vice-President, Senate and House of Representatives) raised and spent between \$2.4-2.5 billion dollars. Adding the thousands of state and municipal offices and ballot initiatives will easily double the total spent by federal office seekers. Apart from the 'core' electoral political media products, there are 'peripheral' political media

1. Birnbaum, Jeffrey: *The Money Man*, New York 2000.

2. Putnam, Robert: *Bowling Alone: The Collapse and Revival of American Community*, New York 2000.

3. Gabler, Neal: *Life the Movie. How Entertainment Conquered Reality*, New York 1998.

products and services, including polling, consulting, and producing television and radio political advertisements. It is beyond the scope of this paper to estimate the size of the 2000 political-media market in the United States, but it would not be an exaggeration to estimate the total to be another doubling of the federal spending figures, i.e., \$2.4-2.5 billion dollars. In sum, the political process through its core electoral and peripheral production markets account for about \$7.5 billion dollars in the year 2000 election cycle. Politics is a major media market.

On September 11, 2001, terrorist attacks against the New York World Trade Center and the Pentagon building near Washington, D.C., shocked Americans to the core of their political complacency. In the wake of the attacks, a curious thing happened: the stock market nose-dived, while Americans 're-discovered' their government and democracy. When faced with the threat of attack with weapons of mass destruction and bio-terrorism, government on all levels became a 'hero' embodied by the figure of the New York firefighter or the public health investigator. But this re-birth in civic attention was conceived in a spasm of terrorism, itself an act designed to 'shock' a population through its manipulation of the media. Indeed, more than one commentator observed that even the timing of the two strikes at the World Trade Center were designed to maximize media coverage. While the personal loss for the victims' families and friends is real beyond imagination, the event itself and the shock it produced will itself become a media event, and the public's 're-discovery of government' also most likely a short-term phenomenon which will also lose its grip on the public's attention as other events push it deeper into the noise level. As Wall Street bounces back from its post-9-11 shock, will the 'Democracy Dow' resume its long-standing slide in the ratings?

I am arguing in this paper that in order to understand the underlying structural factors shaping the American political process in

particular, and the culture of global governance in general, that we must develop a 'Democracy Dow' that accurately captures the dynamics of the emerging online system of political governance the business savvy Americans are constructing for themselves, and by default, for the world. Just as the Dow-Jones Index provides a benchmark for measuring a very complex supply and demand reality of the stock market as a whole, a new Democracy Dow is needed that more accurately captures the factors transforming the American political system with far-reaching implications for global culture of democracy for the 21st Century.

Modeling the Commercialization of the Political Process:

We are all familiar with the political axiom 'information is power'. But how do we analyze how information and communication technologies (ICT) affect political governance? While the Internet and other new media currently receive the most attention from journalists and pundits alike, the question we know has vexed practitioners of the political crafts, their advisors and scholars throughout the five millennia of recorded human history and probably much earlier as we see what prehistoric cave paintings whisper to us about power image media. The first writing system developed in ancient Sumer also conveyed significant political-economic-military advantages to those with better and more current tallies of the warehouse stores of wine and other commodities. The logistics of Alexander the Great's army was possible predominately due to a communication system. In a more recent example, the ingenious British invention of the 'Enigma' machine for decoding German military ciphers and the cracking of the Japanese codes during World War II projected a massive advantage to the Allies. Today, the ultra-secret National Security Agency exemplifies the priority given to information collection by the United States. Rules prohibiting insider trading belies the crucial

role played by information and economic profits, while guarantees of First Amendment freedoms for the press underlines the political dimension of information's power. The current debate about the effect of the Internet actually is the latest iteration of a long-standing puzzle about how information fits into structures and processes of governance. Some recent works demonstrate a reluctance to overly subscribe to the ICT view; that it is not the whole story in the relationship between information and governance. Michael Perelman analyzes how information determines class divisions and distributions of power. Hal Varian and Karl Shapiro eschew the terms 'cyberspace' and other jargon in their analysis of information as an economic commodity. In sum, ICT is but the latest incarnation of the eternal struggle to control information, and thereby, governance.

Of course, ICT underpins military, economic, and political power. But to operationalize this factor remains a most daunting task owing to its special qualities not present in other factors of power, i.e. In contrast, however, we may closely examine and operationalize the distribution of information, factors that determine its accessibility, usability, and communicability. To what degree, then, do these factors amount to a monopoly of information and the relationship of not the information itself to governance, but rather the boundaries of the information monopoly to the topology of governance?

Information monopolies have shaped structures of governance throughout the centuries, and have been and still are a key factor either inhibiting or promoting political transformation. In fact, the rise and fall of information monopolies closely correlates to the ebb and flow of great transformations in human history. Does the Internet portend such a change today?

What is an information monopoly?

A monopoly is where the supplier controls the price. The supplier in an effort to maximize profits sees an immediate and longer-term self interest in setting the price so high that only a very few may be able to afford the good in question, thus greatly restricting or prohibiting its accessibility. The supplier is able to do this through their control of the good in question, control cemented in the distribution of the good, or the nature of the good itself.

A good may be very unevenly distributed so that it is possible for one or a small group of suppliers to essentially control its price. In the early 1970s, for instance, the members of the Organization of Petroleum Exporting Countries (OPEC) were effectively able to quadruple world prices for crude oil and even to embargo it from certain countries. This was due to fact that the bulk of exploitable oil reserves at that time were concentrated under the OPEC members' territories. This is a *de facto* monopoly, where a pre-existing distribution asymmetry results in a monopoly.

There are also *de jure* monopolies of a good which by their nature are not necessarily asymmetrically distributed. Patents and copyrights establish temporary *de jure* monopolies of new techniques, technologies, or intellectual works so that the inventor or creator may enjoy a sufficient rent from an otherwise easily copyable work. A temporary ability of a supplier to set monopoly prices is seen as a preferable cost of encouraging creative and innovation that may greatly benefit society over the long run.

Monopolies have a very intimate relationship to structures of governance and power. Where a *de facto* monopoly may not exist, governments may institute *de jure* monopolies in order to effect shifts of resources and wealth from one group to another. Thus, India was precluded from producing salt to increase its dependence on its colonial master England. Political legitimacy has been defined as a 'monopoly of coercive authority.' That is,

only the state may apply or authorize the ultimate sanction to those who would 'under sell' its monopoly price setting on power over its citizens. The advent of the social welfare state in the 19th Century expanded the scope of governmental activities and thereby also the range and scope of governmental monopolies. Postal, monetary, and transportation functions are but a few of the areas that governments controlled through de jure monopolies. An information monopoly, then, is where high access costs restrict access to information. The high costs may be traceable to the de facto monopolistic characteristics of the information itself or to a de jure monopolistic access pricing scheme.

Information Monopolies Throughout History

Our current preoccupation with ICT, e-commerce, etc., is also compelling scholars from many disciplines to re-examine important turning points in history through an information-sensitive lens. For example, Thomas Cahill in his books, *Gift of the Jews*⁴ and *How the Irish Saved Civilization*, shows how the development of written language and the copying of written works, respectively, fundamentally changed the way people think about themselves and their civilization(s). In *Gift of the Jews*, Cahill recounts the Sumerian invention of systematic indentations in clay probably first used to tally mind-boggling amounts of warehouse stores in the trading centers of Uruk and Ur. Now not only the warehouse manager but anyone could find out how much there was of any commodity in storage. Cahill also notes the democratizing influence of an alphabet. The clumsy and hard-to-learn system of Sumerian cuneiform writing eventually was superseded by the development of a more limited set of symbols that could be combined into more complex concepts.

4. Cahill, Thomas: *Gift of the Jews*, New York 1999; Ders.: *How the Irish Saved Civilization*, New York 1996.

Information Monopoly Destroyers: 3 Factors

1. Technology

The story of technological genius, sweat, and opportunity that brought a stunning array of telecommunications and computing appliances literally to the consumer's fingertips is too long to be recounted here. Suffice it to say that steadily declining costs of devices with exponentially expanding power both to process information and to communicate it over ever longer distances and among ever growing audiences has largely eliminated the concepts of time and distance among the information-haves of the world. In 1979, as a cash-strapped student in Germany, I carefully calculated the timing of each letter to my parents asking for a new loan of travel liquidity. A complete correspondence round-trip in 1974 was about two weeks. In 1999, I was able to 'chat' over the Internet instantaneously with my sibling who could forward messages to my as yet non-Internet connected parents in California, all without buying a stamp.

2. De-Regulation

On January 1, 1984, the American Telephone and Telegraph (AT&T) officially divested itself of its local service companies, breaking up what had been up to then the world's most successful telecommunications company. The AT&T breakup represented a threshold in the regulatory role of the federal and state governments in the United States that had begun in the late 1960s. In 1978, President Carter signed legislation that deregulated the airline industry, with the election of Ronald Reagan in 1980, a massive wave of deregulation swept the country as banks, insurance and financial services, telecommunications, cable television, TV and radio broadcasting, trucking, agriculture, railroads, and other prominent industrial and service sectors underwent far-reaching regulatory reform that tore down barriers to market

access and reduced governmental oversight. In the broadcasting-cable television sector, new telecommunications technologies such as satellite relays of television created new national and international networks by the mid-1970s such as Home Box Office (HBO) and later, the Cable News Network (CNN). In 1984, passage of the *Cable Communications Policy Act of 1984* released cable network operators from many pricing constraints allowing a massive proliferation of networks, channels, and services. Market fragmentation was the result, where viewers now had over 50 channels to choose from as compared to the average cable system in the 1970s which offered less than 12 in many cases. Consumers now had many new choices among long-distance companies clamoring for their business. And a new product called cellular telephones now made it possible to take the phone with you in the car or on the ski slopes.

Privatization, de-regulation and market liberalization eroded the governmental monopolistic grip on the ICT sectors, reducing governmental oversight and responsibility for media regulation. But deregulation went further, including societal demand for media.

3. Societal Demand for Media

The privatization and liberalization of telecommunications and broadcast sectors and the emergence of the Internet are fundamentally transforming what were previously government-regulated monopoly sectors with intended and unintended consequences for institutions and processes carrying out political socialization. In essence, market liberalization loosens the regulatory safeguards on children's programming with effects that are under intense scrutiny in many countries. Media penetration of households continues to increase in scope and scale. For example, during the course of a year in the United States, the average child watches over 1500 hours of television containing over

20,000 commercials while spending only 900 hours in school. By the time a member of the U.S. 'baby boom' generation becomes 70-years old, they will have spent 10 years watching television.

The liberalization of media sectors has shifted political socialization from primarily government-regulated educational and cultural institutions to market-regulated multimedia technologies and commercialized educational environments. Where school-children once learned about geography and history from paper books and maps, today they are far more likely to experience a map in the form of an interactive online experience incorporating banner ads.

Once liberalized, re-gaining regulatory oversight is difficult. Departing from Benjamin Barber's designation of the "Infotainment Telesector" in his book, *Jihad v. McWorld*⁵, I argue that a "political industrial complex" arises from not only liberalization of the telecommunications and media sectors themselves, but from unintended consequences that in effect commercialize governmental institutions and political organizations. Long-standing demarcations preserving public space from the marketplace are now blurring creating one entertainment market space, increasingly in cyberspace. Public policy takes a back seat to commercial considerations of media, pundits, news organizations, campaign companies, and others whose competitive instinct drives the political process towards market expansion and elimination of barriers to commercialization of public space. In short, rapid expansion of commercialized ICT infrastructures spreads its commercializing force into the already information-centric political sector, creating a self-organizing new form of governance – the political industrial complex.

5. Barber, Benjam R.: *Jihad vs. McWorld*, New York 1995.

Breaching the Wall: The Synthesis of the Political Industrial Complex

ICT deregulation and market liberalization removed physical and virtual barriers to sector expansion. Broadcasting deregulation loosened the reins of governmental oversight, eliminating almost completely restrictions on the number of advertisements, including a station's own political advertisement which took the form of editorial opinion. Until the late 1980s, a broadcaster, in order to fulfill the licensing requirements, perceived strong incentives to observe the 'Fairness Doctrine' requiring the provision of equal time for opposing viewpoints and groups. 'Free' air time dictated by FCC regulations kept down campaign costs and balanced the television exposure between candidates. Ownership restrictions limited market presence and trans-media linkages, such as those between newspapers and television, for example. By the late 1980s, these restrictions were quickly disappearing.

At the same time, demand for media was quickly growing in the political process. The power of the televised presidential debates between Kennedy and Nixon in the 1960 election, changed the campaign process completely. By the late 1960s, books were already documenting the electronic campaign, being waged on television screens and radios rather than from meeting halls or train stations. However, the full extent of the shift to television campaigns was still limited by the FCC regulations, which limited each candidate's TV buy and forced a balance between electronic and traditional campaign outreach strategies.

Deregulation of the political parties fed more fuel to the political media market. While the Federal Election Campaign Act of 1974 was designed to regulate campaign finance, it was challenged on First Amendment grounds in the U.S. Supreme Court, resulting in the *Buckley v. Valeo* decision in 1976. *Buckley v. Valeo* is one of the major factors creating the market for the political industrial complex. Equating money with speech, the Court deemed

limits on donations as an unconstitutional limit on free speech, creating a new category of political money, so-called 'soft' money, which could not legally be limited as long as candidates and parties spent the money on educational campaign separate from those of candidates funded by 'hard', i.e., regulated money. Unlimited political fund raising and spending now had legal sanction, just in time to fill the coffers of the increasingly deregulated broadcast media. Not surprisingly, candidates found the best way to campaign was on TV, and to buy those time slots, every greater amounts of campaign money had to be raised.

With money available, lobbyists and public relations firms were more than willing to satisfy that demand. Media strategists, pollsters, focus group analysts, commercial producers themselves were the 'hired guns' running campaigns, paid by the ever growing amounts of campaign monies liberated by *Buckley v. Valeo*, while television and radio stations happily reaped in a windfall of cash blown in by the change in every political season.

So, the confluence of factors: the growing power of television to influence voters, broadcast deregulation, and campaign finance deregulation, set the stage for the emergence of the political industrial complex; the only ingredient missing was the factor that brought them all together – the online infrastructure, commonly referred to as the Internet.

The Internet: Backbone of the Political Industrial Complex for the 21st Century

The Internet is an information-communication environment which emerged outside of traditional media and commercial regulation. As a university and research network, its early form and structure reflected its special heritage as a computer hobbyist's dream. The early Internet provided a low-cost medium for synchronous 'chatting' with multiple partners in community-built

ding chat rooms and asynchronous chatting in newsgroups. The decentralized packet switching architecture meant that one entity controlled it – in fact one of the attributes attractive to the Internet's Cold War parentage was precisely its decentralized and resilient structure. Information on the Internet flowed in digital bits assembled into packets, which flowed randomly through the infrastructure, largely devoid of any overseeing regulator. It is into this operating environment that media and campaign sectors merged, creating a seamless net between campaign donors, candidates, media, and voters. Campaign fund raising now can go directly through to the donor's e-mail computer on the home work desk or office workstation. With the growing use of e-mail capable cell phones, this will mean that a person will constantly be accessible to the political industrial complex. Moreover, sophisticated online profiling, perfected in the data mining industry, a mainstay of the e-commerce sector, allows more precise targeting of political ads, both for fund raising as well as campaign advertisements.

Political Effects

Self-organizing systems operate best at expanding their reach in unregulated environments – something the Internet provides in spades. So the PIC is now involved in making sure that calls for some form of democratic governance does not impinge on its ability to self-organize. For example, media auctions for the digital television spectrum was effectively killed. Instead, broadcasters were 'grandfathered' in to free new allocations of digital spectrum on the condition they return the analog spectrum once the transition is completed. 'When' that will occur is highly uncertain, given both the state of the market penetration of digital TV as well as the lobbying the PIC has employed to maintain the broadcasters' hold on both forms of spectrum. The multiplying of media outlets (from 3 major networks to cable systems of

125+ stations, and the uncountable Internet computer nodes) allow campaign strategists to focus on very small specific slices of the political spectrum. Everyone sees something else. With the Internet it is possible to tailor a political message specific to an individual voter. Highly negative campaigns depress turnout of those voters likely to vote against, precise targeting of voters likely to vote for your candidate (among a low turnout) means effective campaigning by depressing the vote. More money means less people voting – turned off by the negativity except for the true believers precisely targeted by e-commerce profiling and accessible through the Internet for both fund raising and mobilizing.

Information and Power

The way in which an idea is communicated may be just as important as the idea itself in terms of explaining and predicting the resulting human behavior. Indeed, information probably does not and cannot exist apart from its medium of communication. From cave drawings to pyramids, from cathedrals to mass-produced books, and from the telegraph to the Internet, the history of human civilization seems fixated on the goal of creating, communicating, and using ever-larger amounts of information. In the 19th and 20th centuries, the industrialization of information generation has brought technology to the focus of academic scrutiny about electronic communication processes. The 21st Century will be one marked by ever larger numbers of people spending more and more time in cyberspace. What does this mean for society in general, and the political process in particular?

In 1454, Johannes Gutenberg developed movable type which transformed the economies of printing information. Almost overnight the book, pamphlet, and leaflet became the means for communicating ideas to a growing and, increasingly literate, mass audience. The power once concentrated in the Holy Roman

Catholic Church through its monopoly on information storage, communication, and application, dissipated to other institutions, initiating in some a process leading to the formation of political systems with greater and greater levels of citizen participation – the democratic nation-state.

Now, more than a half-millennium later, new information technologies are breaking up conventional configurations and concentrations of information power. How will the digital convergence of information media into the Internet affect human behavior in general, and politics in particular? This has been the focus of my research work in Germany – to ascertain the outlines of an analytical framework that could raise the right questions about how these rapidly evolving information media will change political institutions and processes.

The *Political Industrial Complex*: Towards an analytical framework of globalizing cultures

The first question to answer is, 'what is it that we are trying to explain?' In this vast field touching all social science disciplines, it is a daunting task to isolate factors or to identify causalities across ranges of political, sociological, psychological, and economic factors. Nonetheless, one change in the American political landscape does stand out against the horizon – the amazing increase in the money raised and spent for an expanding range of political campaigns.

This has occurred in synch with the rise of electronic media in American society which has spurred on extensive social science research and a vast literature about media effects in the political process. Political campaigns have migrated to the electronic media en masse. First through the indirect medium of telegraphed and later telephone accounts of political events sent by reporters on location back to their newspaper's newsroom, the

mass broadcasting media of radio and television allowed direct access into the public's homes and workplaces. The industrialization of global media may bring about a commodification of the global political process as we are witnessing in the American political system.

Sources

- Barber, Benjam R.: *Jihad vs. McWorld*, New York 1995.
- Birnbaum, Jeffrey H.: *The Money Men*, New York 2000.
- Castells, Manuel: *The Information Age. Economy, Society and Culture, Volume I: The Rise of the Network Society*, Oxford 1996.
- Fallows, James: *Breaking the News. How the Media Undermine American Democracy*, New York 1996.
- Gabler, Neal: *Life the Movie. How Entertainment Conquered Reality*, New York 1998.
- Hellinger, Daniel/Judd, Dennis R.: *The Democratic Facade*, Belmont 1994.
- Klingler, Richard: *The New Information Industry: Regulatory Challenges and the First Amendment*, Washington D.C. 1996.
- McChesney, Robert: *Rich Media: Poor Democracy: communication politics in dubious times*, Chicago 1999.
- Meyer, Thomas: *Mediokratie: Die Kolonisierung der Politik durch das Mediensystem*, Frankfurt am Main 2001.
- Parenti, Michael: *Make-Believe Media: The Politics of Entertainment*, New York 1992.
- Perelman, Michael: *Class Warfare in the Information Age*, New York 1998.
- Postman, Neil: *Amusing Ourselves to Death*, New York 1985.
- Putnam, Robert: *Bowling Alone: The Collapse and Revival of American Community*, New York 2000.
- Shapiro, Carl/Varian, Hal R: *Information Rules. A Strategic Guide to the Network Economy*, Boston 1999.
- Vermeer, Jan P.: In 'Media' Res: Readings in Mass Media and American Politics, New York 1995.