Capturing the Digital Natives:

The News Corporation Agenda

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Introduction

News Corporation is converging text, audio, television, and animation to become the first fully globalised, integrated media consortium. The company is switching its emphasis from newspapers, which provided the launching pad for Chief Executive Rupert Murdoch, half a century ago, to new media. In doing so, News hopes to secure profits by addressing new ways in which news is created by and for younger audiences. Murdoch sees this process as capturing "digital natives".

To facilitate these changes, News in 2004 moved its registration from South Australia, where it had its corporate origins, to the United States. Rupert Murdoch and his family had transformed News Limited from a regional Australian newspaper to News Corporation, a horizontally and vertically integrated multi media giant selling not just news but marketing its cultural packages across the United States, Europe, Asia and the Pacific. Australia, whose media was progressively dominated by News Corporation products including newspapers, cinema, music, cable television and sport, became a consumer of these American accented products. As a result, Australia moved from the centre and source of News Corporation businesses to an increasingly remote corner of the corporate empire. This paper considers how the growth of News Corporation and the globalisation of its agendas impacted on Australian journalism, politics and culture. Murdoch meanwhile, describes News as the model for transnational media conglomerates in the 21st century.

The Origins of News

News initially controlled one major newspaper, the Adelaide *News*, which Rupert inherited at the age of 23 from his father, Sir Keith Murdoch. The younger Murdoch moved swiftly to expand into a women's magazine, Sunday Newspapers and radio. He founded the first national daily, the *Australian* in 1964, introducing what was then radical technology to allow the paper to be printed in state capital cities. The chains' growth expansion linked to and influenced by its growing political influence, according to biographer, George Munster:

Starting with television in Australia, he moved into airlines, gambling mineral and oil exploration. In these ventures, he is a concessionaire or positions allocated and protected by authority and subject to limited competition; in some of them he is a buyer from and seller to governments, a recipient of their guarantees and even a borrower from government agencies. Operating on the interface of business and the state and publishing newspapers which read sermons to politicians from great heights and published exposes from low recesses, he has always avoided complications arising from that dual location. (Munster 1985 p3/4)

Murdoch had established a pattern of exercising editorial support for politicians who in turn, favoured News corporate priorities. Editorial lines were considered and often decided at annual international senior management conferences, where favoured politicians attended by invitation. In this way, News Corporation papers in Australia could consistently reflect Rupert Murdoch's right wing opinions.

In Australia, News' steady growth led to the 1987 purchase of the paper chain Rupert's father once managed, the *Herald and Weekly Times* group. The acquisition gave News more than sixty percent of Australian metropolitan newspaper circulation, with competition eliminated in Brisbane, Adelaide, Darwin and Hobart. The then Labor Prime Minister, Bob Hawke, declined to

initiate anti-monopoly legislation against what journalists saw as the most concentrated press ownership outside the old Soviet Union. Hawke's response was politically pragmatic, sectarian and short-term in outlook; claiming that the *Herald* management had been "viciously anti Labor" and Murdoch was unlikely to be worse. (Shawcross p244). While Murdoch may not have been "worse", his new press dominance in Australia gave him overwhelming political influence.

Meanwhile, in Britain, Murdoch capitalised on success with the *Sun* Newspaper to fund a series of acquisitions, culminating in control of the prestigious *Times* of London. Radical re-organisation of printing processes, sparked initial confrontation with British unions but ultimately delivered increased profits. The satellite delivered Sky television gave News an outlet for news and sports, helping to transform notions of the latter from being seen as a health related activity to marketable products.

In the United States, newspaper purchases were overshadowed by newer media. Twentieth Century Fox Films brought a library of previous films and the ability to make new digital products. Fox News deployed satellite and cable technology to present a familiar mix of right wing opinion, entertainment promotions, corporatised sport and tabloid journalism, which it described as "fair and balanced" reporting. (Foxnews.com)

Jack Waterford, the editor-in-chief of the independently owned *Canberra Times* observed that as News diversified, its editorial views, were becoming "increasingly monolithic". "When his [Murdoch's] interests are clear, … his newspapers not only speak with one voice, but increasingly that voice is shrill, sometimes hysterical, and the voice and the interests are increasingly those of

the world citizen, not the Australian citizen with some yen for playing politics and keeping politicians on their toes." Waterford wrote.

... much of his [Murdoch's] cat-and-mouse game with politicians, particularly in Britain and Australia, is focused on securing favours or fending off efforts to control or regulate him. In the US he is deeply committed to the Republican Party and to George W. Bush, not necessarily because he agrees with Bush's foreign policy, but because of his and the party's opposition to regulation. There is nothing many free-marketeers like more than monopolies and privileged access to markets, and luckily the Bush Administration is also very good at dispensing favours. Murdoch's gratitude is primarily shown by the amazing Fox channel, about as reliable a source of news as Radio Pyongyang. (*Canberra Times* 21.8.2004)

Citizen of the World

Rupert Murdoch surrendered his Australian passport in 1985, to become an American citizen. He did so to more effectively compete for US television licences. He told the *Sydney Morning Herald* that he was not severing any links with Australia.

I continue to have the same emotions and feelings about Australia. If I have to change the colour of my passport, then so be it. I don't put the same stress on it that other people do. (SMH 5.9.85)

News Corporation retained its Australian registration for another twenty years. Each year Rupert, often accompanied by Lachlan or the other children would fly back to Adelaide to report to his Australian shareholders. In 2004, Murdoch told the Australian meeting that News, the largest private company on the Australian exchanges, would henceforth be domiciled in the United States.

We undertook this move for one reason: to create greater value for our shareholders. For more than eighty years, the Company has proudly called Australia its home. It is where our Company was founded, nurtured and from where we get our entrepreneurial spirit. Australia is our spiritual home and will remain so. But over the last two decades as more of the Company's revenues and profits have come from our US —based businesses, it has become increasingly clear to us that without a primary listing on the New York Stock exchange and eligibility on the US indices, our shareholders would never experience the full benefits of our achievements. (News Corporation Annual Report 2004 p4)

The move, he claimed, would have no discernible impact on News Australian operations. Rather it could enhance access to the US\$12 Trillion US capital market. The *Australian* editorialised that the shift should be "a trigger for national pride, rather than wailing". "Rather than gnashing out teeth over the loss of News Corp from the Australian Stock Exchange's benchmark index, we should be encouraging foreign investment and making sure the settings are right for a new generation of world-beating Australian companies to emerge." (*Australian* 27.10.2004 p14)

Not everyone agreed.

The *Australian Financial Review* (owned by the rival Fairfax chain) noted that in 2003 Australian shareholders "gave Murdoch his first defeat in half a century", by rejecting increased executive options. "....with News emigrating to America, that won't be a problem." it reported. (AFR 8.4.2004)

Meanwhile almost as an incidental side effect, Australia's national press became mostly foreign owned.

Globalisation and the Media

As the global economies evolved, communications became more than merely a facilitator of economic change. Media became the products which sold themselves. Australian expatriate journalist, John Pilger claimed that the "Global economy" had become a modern Orwellian term, extolling lifestyles which were unachievable by most of the world's population:

Central to this business state are the media conglomerates, which have unprecedented power, owning press and television, book publishing, film production and data bases. They provide a virtual world of the 'eternal present', as *Time* magazine called it; politics by media, war by media, justice by media, even grief by media (Princess Diana). The 'global economy' is their most important media enterprise.

According to Chomsky, globalisation had its seeds in reconstruction during World War Two, which eclipsed or under-mined the old European empires and saw the United States emerge as the dominant economic power. He claimed that the world economy was to be re-built if only so that it could absorb US manufacturing surpluses.

The new global order was to be subordinated to the needs of the US economy and subject to US political control as much as possible. Imperial controls, especially the British, were to be dismantled while Washington extended its own regional systems in Latin America and the Pacific on the principle of...'what was good for us is good for the world'. (Chomsky 2003 p149).

This agenda, which included de-regulation, de-unionisation and privatisation, pursued by successive United States' governments, was implemented through the International Monetary Fund. Former World Bank Executive, Joseph

Stiglitz said that globalisation was accelerated by computerised communications and faster transport.

Fundamentally it is the closer integration of the countries and people of the world which has been brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flow of goods, services, capital, knowledge and (to a lesser extent) people across borders. (Stiglitz 2002 p9)

Thinking Globally

In News Corporation's 2004 Annual Report, Rupert Murdoch said that News had set the standard for how an international media company in the 21st century should look:

Our assets are global, with operations across five continents. Our assets are *diversified*, encompassing businesses that create content and those that distribute that content. Our assets are *balanced*, between those whose revenues are dependent on advertising and those that are not. And our assets are of *varying maturities*, neatly divided between those generating significant profits today and those positioned to deliver growth tomorrow. (News Corporation 2004).

In Australia, a country with a population of about twenty million people, News controlled more than one hundred national, metropolitan, suburban, regional and Sunday papers. These included the largest circulation daily, the *Herald Sun*, and the second biggest selling newspaper, the *Sunday Mail*. It owned Australia's leading music publisher, Festival Mushroom and the local branch of the international book publisher, Harper Collins. It effectively controlled the National Rugby League, a popular football code which generated endless breathless copy for sports writers for News publications including the *Big*

League. It held a major share in the major cable television network, Foxtel, which carried the familiar international News products Fox News, Sky Movies and Sky Sport, Meanwhile, News executives were lobbying to remove regulations which stopped newspaper owners from also controlling terrestrial radio and television networks. Opinions were gathered and informed by of Newspoll, the polling company used by News papers to determine the success and failure of Australian politicians and their policies.

Perhaps however, it was Fox Studios, which best signified Murdoch's globalised philosophy, integrating content and distribution, while underpinning commercial interests with tacit government subsidies. Located near the heart of Sydney, the production studio, which opened in 1998, included a theme park, shops selling Fox promotional products, a shopping centre and a cinema complex. The New South Wales State government allowed Fox Studios construction on what had been the State agricultural showgrounds. The site for a century had been used by the Royal Easter Show, a state fair which attracted more than a million patrons each year. The state government re-located the Easter Show, in the hope that Fox Studios might use relatively cheap Australian film crews to undercut Hollywood and produce movies for its international network. In doing so, it prioritised trans-national corporate cultural products over a traditional event organised by a local association.

The Matrix series were among the first major movies shot at Fox Studios. In the Matrix, humans imagined they were at the centre of a thriving, interdependent culture. Instead, consumers experienced life as digitised, interactive, images, while in reality they were isolated and largely powerless, being fed intentionally false ideas, so that their energies might be more easily extracted for the corporate power grid.

Starring the Lebanese born Canadian citizen, Keanu Reeves, the Matrix movies featured a supporting cast of Australian actors who adopted American accents to conform with the demands of the US domestic market. Internationally known Sydney locations such as the Opera House, were kept off camera to maintain the illusion that globally marketed cultural products were essentially *American* which was seen to be the same as *international*.

At the Royal Easter Show, children could pat cattle brought to market by farmers. At Fox Studios, they entered a corporatised theme park where they could pay to not only see where movies were made, but also to join interactive simulations where movies were re-created.

It seemed, the *Matrix* revolutions were not restricted to a fictional Zion.

Digital Natives

In this new media world order, older media, newspapers had to "grab" on to the digital revolution to prosper in the future, according to Rupert Murdoch. He said that he considered himself a "digital immigrant" while his two youngest children would be "digital natives". (Murdoch 2005)

I wasn't weaned on the web, nor coddled on a computer. Instead, I grew up in a highly centralized world where news and information were tightly controlled by a few editors, who deemed to tell us what we could and should know. My two young daughters, on the other hand, will be digital natives. They'll never know a world without ubiquitous broadband internet access. (Murdoch 2006)

He told the American Society of Newspaper Editors Conference in 2005 that 44% of news consumers aged between 18 and 34 used the internet once a day for news, compared to 19% who used newspapers. 39% expected to use the internet more, compared to eight percent who expected to use newspapers more. (Strupp 2005) Murdoch was commenting on a Carnegie Corporation report written by Merrill Brown. Brown said that the news industry was "seriously threatened by the seemingly irrevocable move by young people away from traditional sources of news":

Through Internet portal sites, handheld devices, blogs and instant messaging, we are accessing and processing information in ways that challenge the historic function of the news business and raise fundamental questions about the future of the news field. Meanwhile, new forms of newsgathering and distribution, grassroots or citizen journalism and blogging sites are changing the very nature of who produces news. (Brown 2005)

The change in attitudes was reflected in a major shift in advertising revenue, away from still dominant traditional media towards Internet portals such as Yahoo and Google. (Shields 2006) Newspaper advertising revenue which had under-wrote quality journalism was no longer secure. (Murdoch 2005) However, while newspaper *revenue* was declining, a prestigious site such as NYTTimes.com saw its user base jump by 15 percent to 11.4 million unique users in 2005. (Shields 2005). Some newspapers had responded to these challenges by cutting costs, moving from broadsheet to tabloid, and experimenting with interactivity. (Epstein 2006) News sought to change the way news content was considered and delivered.

Murdoch said that unless newspaper recognised changes in the way people used media, "we will as an industry, be relegated to the status of also-rans" (Strupp 2005)

At my company, we have a history of challenging media orthodoxies," he bragged, while also saying Fox News Channel reports "objectively and fairly," which drew some light groans. When asked later what his company was doing to expand on the Web, he said, "all our efforts as a company are to expand ourselves to the Internet, everywhere. We are not searching to extend ourselves in print." (Murdoch cited by Strupp 2005)

In July 2005, News Limited launched the Los Angeles based Fox Interactive Media (FIM) which sought to "leverage the strength of Fox's distinctive entertainment, news and sports brands across the Internet". The new unit was to manage the interactive aspects of all Fox divisions including foxsports.com, foxnews.com and fox.com, as well as coordinate the owned-and-operated television station web properties. Rupert Murdoch said that news was committing resources to ensure that FIM became one of the Premiere companies on the web.

Across the board, we believe no other media company has been as successful at creating distinctive content and finding ways to distribute it over every conceivable platform to mass audiences around the world. We're confident this success will translate to the Internet. (News Corporation 2005)

Murdoch said that by combining internet assets under one banner and making a few shrewd investments, "we can quickly become one of the most exciting and innovative destinations on the web". (News Corporation 2005)

As broadband availability increased, the web was shifting beyond text, to audio to video distribution. News Corporation content, including, music, text, movies and animation could be distributed by new media, leapfrogging over traditional distributors including terrestrial broadcasters, print publishers, record shops and cinema chains.

At News Corporation, where we're both a video programmer as well as a newspaper publisher, the rewards of getting this right are enormous. We've spent billions of dollars developing unique sports, news and general entertainment programming. We have a library as rich as anyone in this world. Our job now is to bring this content profitably into the broadband world – to marry our video to our publishing assets, and to garner our fair share – hopefully more than our fair share –- of the advertising dollars that will come from successfully converging these media. (Murdoch 2005)

While conventional former competitors argued over traditional market share, News Corporation was engaging in its seasoned tactic of buttressing its business with political deals. News executives lobbied on both sides of the Pacific for a US/Australian trade deal which would allow its converging media products into a previously regulated Australian market. Murdoch deployed his formidable political influence. The American Australian Association, endorsed Australia's *Business Review Weekly* describing its patron, Rupert Murdoch, as the most prominent Australian in the United States:

The Post and the Fox News Channel are unashamedly conservative - socially and politically - which matches the Murdochs' political views and taps into a market that is not well served by the rest of the American media. And with a Republican President in the White House and Fox News out-rating CNN by a long way, Rupert Murdoch's influence in the US is greater than ever. (Patrick 2003)

Trading cultures

The 2004 US/Australia Free Trade Agreement which recognised cultural products as tradeable items, provided the vehicle for an internationalised News Corporation to bypass Australian content requirements on electronic media. The agreement relating to cultural matters had been preceded by lobbying by the Media Alliance (the actors' union) Australian Film Commission seeking protection. Australian producers argued that unrestricted access by cheaper American products would eliminate local productions which were unable to defray costs by international circulation (Wilkinson 2003)

Hollywood, including News companies, meanwhile sought further access to Australian markets. News corporate backroom support for the agreement was backed in public by the News Corporation newspapers. Murdoch's flagship newspaper in Australia, *The Australian*, editorialised that "among ordinary Australians the idea of a crack at the world's biggest economy instinctively appeals". It accused the then Labor opposition leader, Mark Latham of "playing politics by trying to delay the deal:

...appealing to his reflexively anti-American supporters who hate our alliance with the United States and who will oppose on-principle anything that strengthens the connection. They are joined by people who fear that the price of medicines might rise -- as if any government would want to destroy one of the most popular of Commonwealth programs -- and self-interested actors who want guaranteed access to emerging media technology. (Australian 16.7.2004)

It seemed ironic, that the Australian was castigating "self interested actors", when it was the *Australian*'s own parent corporation which hoped to profit from its "billions of dollars" in product development, by increasing digital access.

The trade agreement, when announced, did not interfere with Australian content requirements for television broadcasting. However, it significantly recognised that no restrictions should be imposed on international programs to be distributed by new media, such as the internet. Ownership of content was protected. The agreement allowed for the strict enforcement of copyright on the web, banned un-authorised reproduction of music and movies and significantly extended the period copy-right would apply. (US Trade Commissioner 2004)

As a US based producer of copyrighted international programs the agreement was clearly in News corporate interests; a neat intertwining of private interest and public re-regulation.

Discussion

Rupert Murdoch should not be seen as conservative. The conservatives were those who sniffed at his bragging and groaned at his innovations. Instead, Murdoch, throughout his career has been a radical, albeit a right wing one, whose views frequently co-incided with right wing leaders such as US President George Bush or Australian Prime Minister, John Howard. Whether he helped shape their views or they his, remains open to question.

Murdoch has driven far-reaching changes to reach his corporate objectives. He has been an early applier of new technologies, computerised editing, satellite broadcasting, broadband, throughout his long media career. He created the national daily, the *Australian*, to challenge the Australian news establishment, which he later purchased. Murdoch's British *Sun* endorsed Thatcherism, which overturned the post war political consensus on mixed economy societies. Murdoch's decision to offer the bastion of journalism tradition, the *Times* as a tabloid was not a conservative move. Fox News claims of "fair and balanced" reporting may seem laughable, after even the most basic analysis. But perhaps

its approach might instead be seen as a radical re-definition of news as an entertaining exchange of selected prejudices rather than an intellectually attractive, assembly of authorised facts.

John Pilger recognised that the globalisation of American interests, was powered by media conglomerates, which profited from the re-regulation of national economies and the americanisation of local cultures. News Corporation which began as an Australian company also appeared to see globalisation in this way, by transporting itself to the United States, where the financial power which created the virtual empire resided. Rupert Murdoch saw this move as setting the standard for trans-national media companies in the 21st century.

Newsweek reported that, "Murdoch might be 74 years old, but the way he sees it, he's got a young man's fingertips for what's cool". (Newsweek 14.2.06) Murdoch confidently expected new media would drive bigger profits in the future;

It's going to change a lot of business models. But the absolute demand for content won't change. We believe that puts us on the eve of a new era of opportunity. (*Newsweek* 14.2.06)

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