

[Robin Mansell](#)

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Communications History and Policy: Introduction to Section II

by

Professor Robin Mansell
Department of Media and Communications
London School of Economics and Political Science

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The chapters in this section illustrate Robert Babe's insightful critiques of Canadian policy making in the fields of media and telecommunication. Through his historical analyses, Babe's work demonstrates how the vested interests of industrialists and governments have been advantaged structurally, undermining the development of an autonomous and broadly public interest-oriented cultural industry in Canada.

Babe's work exemplifies what Dallas W. Smythe advocated as the proper subject of inquiry into the political economy of communication. Smythe (quoted in Lent 1995: 42) suggested that research should reveal the strategies of those whose power is antithetical to human welfare - "It seems to me from the standpoint of understanding where we are, we'd better find out how we got this way, and we'd then be better able to deal with where we are". Babe's insights into major changes in the communication industry in Canada and into the justifications for policy regimes and interventions go a long way towards achieving this aim. It was at Simon Fraser University in the late 1970s that I met Robert Babe who was on the faculty. As a PhD student I was interested in his work but it was not until later that I understood how far he was willing to venture beyond the mainstream of the economics discipline.

My first encounter with Babe's work was with the first entry in this section, 'Vertical Integration and Productivity: Canadian Telecommunications', published in 1981 in the *Journal of Economic Issues*. This is the journal of the US Association for Evolutionary Economics, home to institutional economists working in the 'old' institutional tradition informed by Thorstein Veblen, John R Commons, Wesley Mitchell and many others. Here Babe provides a comparative analysis of the relative productivity gains between vertically integrated telecommunication carriers (Bell Canada Enterprise and Northern Telecom) and carriers that were not integrated. Babe was working in a way that did not have the hallmarks of the neo-classical tradition – instead, he was offering a direct challenge to received wisdom. He found that the policy choice of letting Northern Telecom and a small number of other equipment manufacturers serve as Bell Canada's preferred suppliers had led to smaller gains in productivity than might otherwise have been achieved if procurement had taken place on the open market. He argued that institutional arrangements can "entail significant social costs in terms of forgone productivity gains" (manuscript p. 87).

It is well-known that productivity measures can be interpreted in different ways. For instance, other factors such as the fact that the two classes of carriers might have been operating at different economies of scale or that they might have had different age structures of equipment might have explained the differences in productivity gains. In this case, the Restrictive Trade Practices Commission report (1983: 207) on this issue found that, "the evidence of this inquiry does not establish that, on balance, the separation of Bell and Northern would improve performance in the telecommunication equipment industry or in the delivery of telecommunication services by Bell and other carriers". The Commission's overriding concern, however, was to ensure that Northern Telecom would not fail as it was argued that this would create high risks for employees, investors, customers and the country. Canada's 'high tech' industrial strategy was in full swing.

What distinguished Babe's work was not only his particular reading of the data, but his willingness to broach the subject of power relations at work in the economic structures that were being fostered and to show who was being disadvantaged. Having learned from this early article, I continued to benefit from Babe's work. It is therefore a privilege to write this introduction to some of his works on the history of the communication industry in Canada. Babe's work in this area is representative of political economy at its best.

In the four other works in this section, Babe addresses themes which he illustrates through his historical analysis of the institutional features of the Canadian 'consciousness industry'.¹ He calls for a demythologising of technology to understand the implications of this industry for society and for reassessments of policy rhetoric through critiques of terms like convergence and information society. He argues that these need to be understood as embodying power relations. He offers us detailed analyses of the dynamics through which policy makers have often sought to protect the interests of the private sector and to defend the interests of incumbents.

The works included here were written before the full force of 'globalization' began to permeate policy circles. Castells (2001: 161) suggests that informational strategies are "the new, and most effective, frontier for the exercise of power on the world stage". The great value of Babe's historical analysis is to call into question just how 'new' many of today's strategies really are.

In his paper 'Control of Telephones: The Canadian Experience', Babe refers to Serafini and Andrieu's 1981 report, 'The Information Revolution and Its Implications for Canada'. This was used to galvanise shifts in Canadian industrial policy aimed at championing Canadian innovative prowess across a range of information and communication technologies as a means of stimulating international competitiveness. Babe recounts the knock-on impact of the celebration of technological innovation on the Canadian domestic telecommunication industry. The privileging of industrial policy coincided with the liberalization of the Canadian telecommunication industry. This occurred in a context in which the OECD member states were debating how their former monopolists should adjust to the introduction of competition. Historically, with their monopoly status preserved, carriers such as Bell Canada, like its US counterpart AT&T, had been able to charge high rates (or tariffs) for long distance communication to 'subsidise' local calls that were billed on a flat rate basis. The former monopolists also resisted competitive entry by refusing to interconnect with new entrant carriers on an equitable basis. Smelling competition in the air, the incumbent carriers 'rebalanced' their rates – raising prices for local calls and reducing them for long distance calls. This gave rise to public policy concerns about access for the poor and those in rural areas who would see substantial rises in **the costs of their calls**. **Although** this rebalancing of rates took some time **and** was the subject of numerous regulatory hearings, **ultimately it was**

¹ Or Cultural Industry. Babe uses Smythe's (1981) terminology in some of his work. Earlier use of the term 'consciousness industry' was by H M Enzensberger in an article in 1970 and in his *The Consciousness Industry*, New York: Seabury, 1974 and Stuart Ewen in his *Captains of Consciousness*, New York: McGraw Hill, 1976.

accomplished. **In a period in which** liberalization was gaining **popularity** (as witnessed by the inclusion of telecommunications within the remit of the General Agreement on Trade in Services in 1997), **the relative autonomy of the** Canadian telecommunication industry was diminished.² Babe shows how in fact from the 1880s onwards, corporate and regulatory practice combined to disadvantage smaller independent telecommunication operators in Canada as well as new entrants, and this continued through the liberalization era of the 1980s and 90s. He documents the reluctance of large incumbents to share their long distance revenues fairly with carriers with whom they interconnected and how they persisted in regarding new technology as a threat, whether the new technology was coaxial cable or a domestic satellite.

It is frequently asserted that ‘the way we got this way’ is attributable to rapid technological change – digitalisation – which in turn is said to lead inevitably to technological convergence (disrupting market structures and leaving little if any space for governments to manoeuvre when it comes to retaining domestic control over the communication industry, including its content or entertainment output). This myth is dispelled by Babe’s chapter on the ‘Information Revolution’ (1990) and in his 1996 paper on ‘Convergence and New Technologies’. In the former, we are invited to consider a wide ranging critique of essentialist and technology deterministic arguments. Babe reveals the rationales for some of the myths about the information society showing that policy discussions take place far too frequently in an idealized world without regard to ‘the real world of power struggle and powerplay’ (manuscript page no. 91). Here, Babe may have again been influenced by Smythe who argued that technology should be understood in the following way.

One part is bureaucracy (in both the private and public sector)...The second part is science which is being taken over increasingly by the third part, capital. The fourth part is tools and machines created by engineers. The fifth part is ideology which provides the raw materials with which the sixth part, propaganda, seeks to mould public opinion to accept the myth. (Smythe 1984:2)

Resisting the myth of technological solutions to social and economic problems, Babe challenged the views of Alvin Toffler, Daniel Bell and others who had suggested that the trajectory of innovation in information and communication technologies ultimately might produce a powerful and beneficial synthesis of ‘man and machine’. This might occur in a marketplace where human beings would no longer be able to exercise control over these developments. Instead, market liberalization, light touch regulation, and often ‘no touch’ regulation would become an increasingly familiar refrain for the communication industry in Canada as elsewhere.³ Following Jacques Ellul, rather than being ‘out of control’, Babe highlights how neatly the rhetoric of technological inevitability supported the consciousness industry’s interest in bolstering its profits through the commodity sale of information and entertainment products. This is the kind of analysis that succeeds in demythologizing technology.

² For further historical context both critical and mainstream, see Mansell (1987); Garnham and Mansell (1991) and Melody (1969); Melody et al. (1983).

³ During this period, Babe was not alone in contesting these arguments, see Melody (1975; 1987)

Similarly in 'Convergence and New Technologies' (1996) Babe considers why we should not understand technological convergence as the inevitable outcome of emerging market structures. He interrogates this view about inevitability through a discussion of the technical, functional, corporate and legislative/regulatory implications of the 'information highway' metaphor. Through his historical account, Babe shows that industry structure has not been preordained; instead, different structures were the negotiated outcomes of political and economic interests whether in telecommunications, publishing, or broadcasting. Driven by interests in profits, there have been arguments about whether various submarkets of the consciousness industry have been overly concentrated through the decades. The tale that is told here is not one of technological inevitability. It is one that acknowledges that there were possibilities to **choose** other policies that might have succeeded in providing the kinds of cultural screens that Smythe (1981: 232) envisaged, that is, those "aspects of a national culture or ideological system which serve to protect its cultural realism against disruptive intrusion [from the US neighbour to the south]".

The 1981 Serafini and Andrieu report on the information revolution referred to above, gave rise to a report by the Science Council of Canada (1982: 11) titled *Planning Now for an Information Society: Tomorrow is too late*. It concluded that 'we live in what has come to be known as an "information economy"' and referred to a crisis created by technical change in the form of convergent technologies. It called on government and the private sector to invest **in order** to ensure Canadian leadership in semiconductors and software, without which Northern Telecom's then President, Walter Light, claimed Canada would have a peripheral existence. Linked to this technology-driven strategy was an equally forceful message for the content side of the consciousness industry. It would flourish best if a 'free marketplace of ideas' could be fostered. This meant freeing markets from regulatory restraint as much as possible – except where an incumbent's status needed to be protected.

William Melody (1978), Babe's contemporary at Simon Fraser University, had clearly demonstrated the bankruptcy of the idea of a 'free market' in ideas. Babe shows in his work how regulatory interventions kept the cable and telecommunication industries separate, despite all the talk of convergence. By the mid-1990s technology was said to be driving the market and the Canadian government was championing the new 'electronic marketplaces and virtual communities'.

As Babe wrote: "In fact, 'convergence' is by and large a code word for the deregulation of capital flows in media industries" (p. 47 in manuscript). Of course policy makers did not reveal that it was mainly the transnational corporations that were driving the extension of the reach of commodified information, albeit not for sale in 'free markets'.

Babe's work witnesses what in hindsight we can see as a continuous corrosion of the space for broad public interest considerations by policy makers. That corrosion promoted the interests of incumbent private sector actors in Canada, and later, a more extensive set of increasingly global economic interests in all aspects of the information and communication technology and content sectors.

Could it have been otherwise? Undoubtedly, at various historical junctures different pathways could have been followed. The paper on 'media technology and the great transformation of Canadian cultural policy' (1998) is Babe at his best in terms of the range of intellectual resources he brings to bear on the problem of Canadian cultural autonomy. Here he explains 'how we came to be as we are' in terms of the overtaking of a public commitment to a distinctively Canadian pursuit of cultural developments by an attraction to 'the universal beneficence of profits' (drawing on Karl Polanyi's account of economic transformation). Babe argues there was a shift from a policy commitment to the intrinsic value of cultural outputs to an increasingly strong support for their commodity value. He seems to imply that there was a halcyon time of a commitment to culture (beauty) when Canadian cultural production resided beyond capitalist forces. It is perhaps more appropriate to suggest, following Garnham (1990), that while all cultural production is 'determined' under capitalism, determinations should be understood to refer to a *set of limits* which make some outcomes more likely than others. These outcomes are, however, not uncontested or unchanging. This suggests that we need to ask not only whether it could have been otherwise, but also what scope there is today for creating incentives through policy intervention for new outcomes that value citizens and their interests rather than, predominantly, those of the large corporate players.

As Babe highlights in his work, the Canadian government drafted the private sector into the project of developing Canada's cultural industries by licensing private radio stations and, later, by seeking competition for CBC television. He demonstrates how by the 1950s it was being acknowledged that there was an economic cost involved in efforts to shift the cultural 'terms of trade' from their 'natural' north-south axis, towards a 'north of the 49th parallel' east-west axis. However, although this policy was couched in public service, nationalist and cultural policy language, it also can be argued that this was merely tinkering with economic incentives. In 1968, when a new regulator, the Canadian Radio-television and Telecommunications Commission, was set up, it exhibited signs of understanding that market intervention was needed to promote the east-west axis of cultural production, but this policy gave way by the 1980s, as Babe shows, to a policy of 'technological nationalism'. Melody (1979) challenged the Canadian government's policy in this area over its domestic satellite initiative, calling them the 'tinkertoys' of an industry agenda that was, in the main, dedicated to profit making rather than to finding ways to foster Canadian content production.⁴

As Babe recounts, the then Department of Industry view was that technological prowess was essential, whether satellites, teletex systems or other digital technologies were the subjects of its consideration. The emphasis then shifted from a concern about symbolic content to a much stronger focus on access to the infrastructure of communication. Whether described as a 'technological imperative' or as an 'information revolution', Canada joined the bandwagon of the great transformation towards the digital and in so doing created a basis for a new rhetoric that was partly couched in terms of technological neutrality and partly in terms of promoting the diversity of content distribution outlets. Now competition was expected to stimulate the strong gales of innovation.

⁴ See also Mansell (1985).

In Canada, historically, there has been neither a strong political will to implement policy in line with a public interest which favoured the citizen, nor a propensity towards public investment that might have preserved the institutions of cultural production in a way that could have mitigated counter-flows encouraging the north-south axis of the cultural industry. However, towards the end of the first decade of the 21st century, there is an anti-globalisation counterflow that is appearing in some of the newer spaces for cultural production enabled by the Internet. Although, it is difficult to discern how the new social movements can be associated with a distinctively Canadian project of resistance to the rhetoric and the material reality of the dominant structural incentives for Canadian content production, there are perhaps grounds for renewed attention to 'dealing with where we are' today.

In this respect, Babe's insights from the 1980s and 90s are applicable today. The rhetoric has moved on, but cultural policy in Canada and elsewhere is being driven by the juggernaut of technological inevitability that his work calls so clearly to account. If today we are informed that Canada's and other nations' economic prosperity hinges on its leadership within a global knowledge-based economy, issues of incumbency, economic interest, regulatory intervention and the potential for domestic cultural developments which respect values beyond those of the market **remain** in play. Historical analysis of market, institutional and cultural dynamics remains essential to understand the *limits* of capitalist determinations and the opportunities for creative, distinctive outcomes in the consciousness industry in Canada.

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