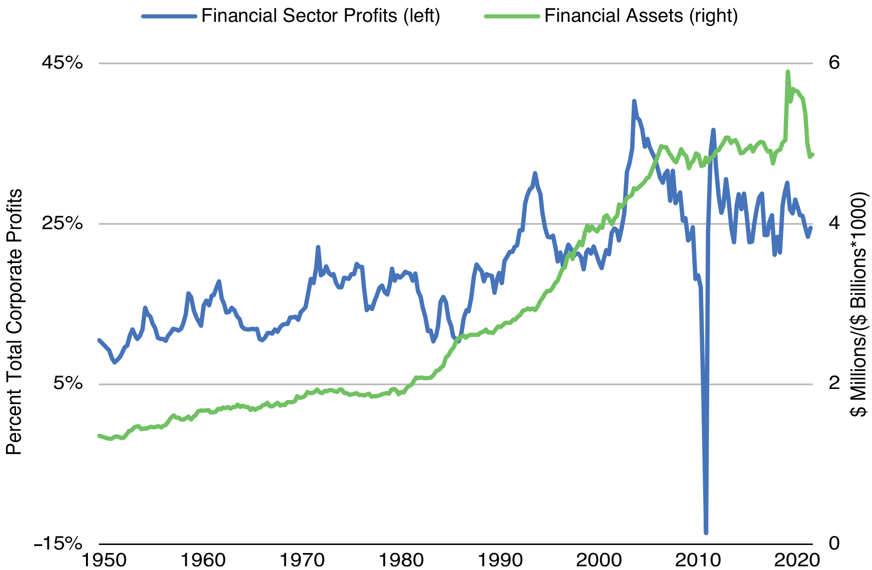
2

Derivative Media and the Tools of Financialization

A popular misconception about the financial industry is that it merely allocates capital in efficient ways, according to neutral principles of the “free market.” Yes, investors might be greedy and ruthless, this myth suggests, but they are driven by profit into distributing resources effectively. Market forces and consumer demand are to be trusted. This myth is dangerous because it obscures the fact that the financial sector is not *responding* to market forces, it is *driving* market forces. In Donald MacKenzie’s elegant framing, finance is *An Engine, Not a Camera*, as the title of his book on the subject succinctly summarizes, paraphrasing influential neoliberal economist Milton Friedman.[1] Finance is not a picture or representation of some external phenomenon we call the marketplace; rather, finance has become the powerful engine that drives the marketplace in certain directions. The destination is power, wealth, and inequality.

For most of the twentieth century, understanding the structure and practices of the U.S. cultural industries required vocabulary like *commodity*, *supply and demand*, *ownership*, and *market research*. The derivative media of today are driven by new financial forces with another set of terms: *asset management*, *speculation*, *diversified portfolios*, and *securitization*. To grasp the broader conditions of this system requires a critical financial literacy that is attuned to the *strategies* of contemporary capitalists and the *structures* of contemporary capitalism. Chapter 1 made the case for looking beyond the narrow focus of either “the economy” or “the political.” Instead, we should look to the intertwined nature of our political economy, the *longue durée* of capitalism, and its cyclical return to finance in the face of steadily declining growth. Recent scholarship uses the term *financialization* to describe and analyze the expansion and increased power of the financial sector; this chapter follows that line of thought, using it as a lens to analyze the contemporary media industries.

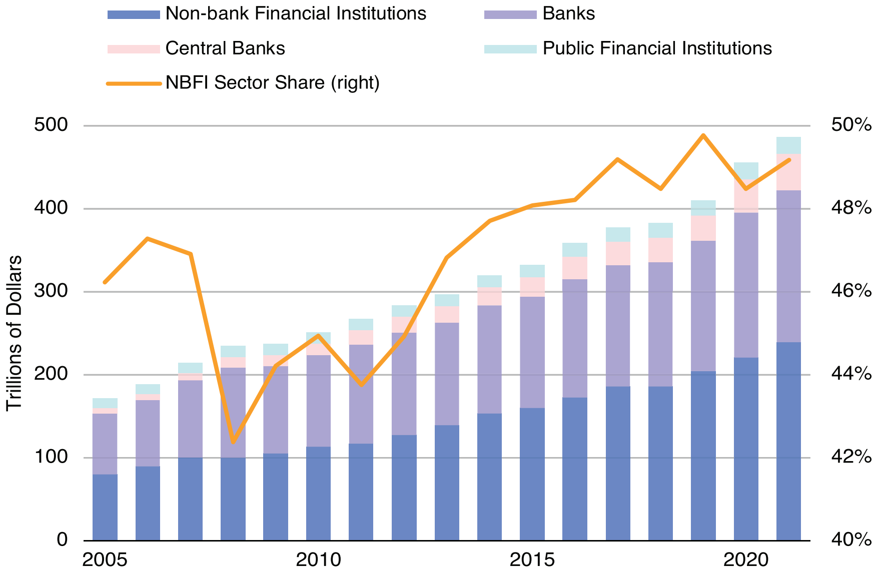
FIGURE 2.1. Rise in U.S. financial-sector profits and assets, 1950–2022. Federal Reserve Economic Data; Aguilera, 2020.



An early, narrow definition of *financialization* was provided in 2002 in Randy Martin's *Financialization of Daily Life*, in which he looks at how finance "insinuates an orientation toward accounting and risk management into all domains of life."[2] A broader, influential definition of the term came in 2005, when Gerald Epstein posited that *financialization* refers to "the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies."[3] Between these two scales—micro and macro, personal and institutional—a wide range of scholarship blossomed to analyze this growing development, accelerating in the wake of the 2007–8 financial crash. Financialization is both a broad phenomenon with common characteristics across the political economy and a fluid process that has distinct operations and outcomes in different situations. Scholars have interrogated the financialization of food,[4] housing,[5] fertility,[6] pharmaceuticals,[7] environmental economic transition,[8] medicine,[9] and others. This book joins that lineage.

The term *financialization* is used here, as it is in most cases, to suggest a critical perspective on the destructive process of finance capital that produces inequality, precarity, and instability. Though there is a long history to the processes of credit, debt, and finance, this chapter is concerned with the contemporary financial institutions that have come to form a global networked framework of imposing scale: stock markets, mutual funds, asset managers, private equity firms, hedge funds, venture capital, derivatives markets, central banks, and powerful international institutions, such as the World Bank and the International Monetary Fund. The scale and scope of financial capital is difficult to determine with accuracy, but we

FIGURE 2.2. Total global financial assets, 2005–2021. Data: Financial Stability Board.

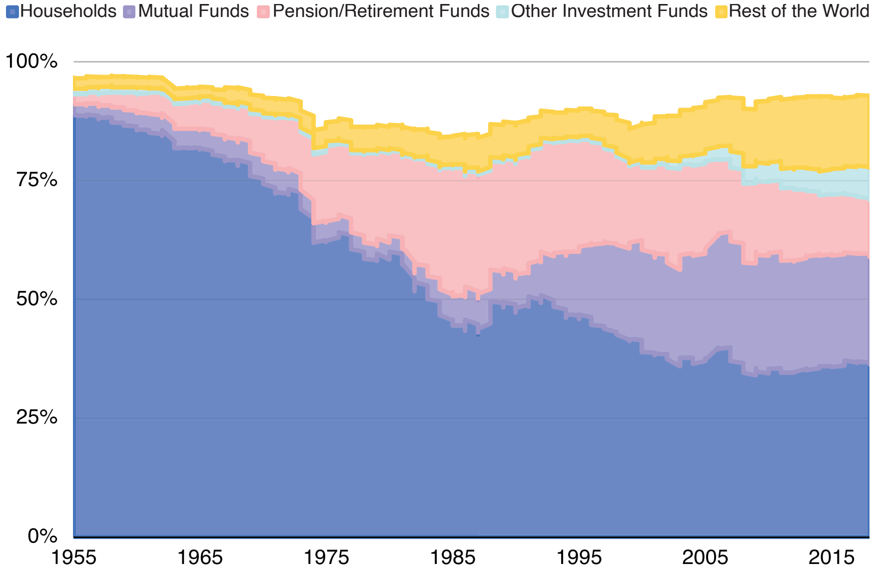


can start with figure 2.1, which shows the percentages of total corporate profits in the U.S. that have gone to the financial sector. In the post–World War II period, financial-sector profits were less than 10 percent of the economy; in 2000, during the dot-com bubble, they reached 40 percent, before returning to their steady path upward, nearing 30 percent. Figure 2.2 shows total global financial assets, which have tripled since 2004; furthermore, non-bank financial institutions, or "shadow banks," are nearing 50 percent of all financial assets. To understand the impact of this development, we need to look at the many tools of finance, especially its arcane instruments and its shadow banks, which would prefer to stay in the dark.[10] Shining a light on the corruption of our financial system means learning its language and developing critical financial literacy.[11] We will start with some basics about the stock market, including dividends and stock buybacks, before moving to five distinct tools of financialization: asset management, private equity, hedge funds, venture capital, and derivatives. At each point, we will explore their effect on the U.S. media system.

STOCK MARKETS, DIVIDENDS, BUYBACKS, AND CEOs

A multitude of financial institutions and instruments have been developed to facilitate transactions across the network of global capitalist exchange, perhaps none more prominent in contemporary life than the *stock market*, the collective term for stock exchanges. Examples include the New York Stock Exchange (the world's biggest, with its companies jointly valued at over $30 trillion) and the

FIGURE 2.3. Ownership of U.S. corporate equities, 1955–2018. Data: U.S. Federal Reserve.



Nasdaq (the first electronic market known for its technology stocks). As venues for the buying and selling of equity shares (ownership claims) of public corporations, as well as bonds and other securities, a stock exchange is often thought to allocate capital and prices efficiently, given its scale and dispersed ownership. The reality has been something quite different, with widening inequality and concentration of ownership readily apparent. Figure 2.3 shows the vast decline in individual, household ownership of corporate equities in the U.S., including the voting rights associated with that ownership, steadily replaced by institutional investors using mutual funds, pension/retirement funds, and investment funds. In figure 2.4, we see how the wealthiest individuals in the U.S., the top 1 percent, have recently surpassed ownership of over 50 percent of the corporate equity and mutual fund market, while the top 10 percent own 86 percent.[12] The share allocated to the next 40 percent has been slipping for twenty years, nearing merely 10 percent, while the entire bottom half of the country owns a negligible share, less than 1 percent. The standard defense of this situation claims that many Americans are involved in the stock market through their retirement savings, and thus benefit from its rise, but the overall allocation is clear. The stock market is an inequality engine that is accelerating in speed.

While ownership of corporate equities is increasingly dominated by the few and the powerful, the corporations themselves are increasingly dominated by a few companies in each sector as well, using their market power to prevent competition. In figure 2.5, we see the overall decline in the number of firms listed on U.S. stock exchanges, with an inverse relationship to the market valuation of the companies

FIGURE 2.4. Distribution of equity and mutual fund holdings by wealth group, 1990–2022. Data: Federal Reserve U.S. Distributional Financial Accounts.

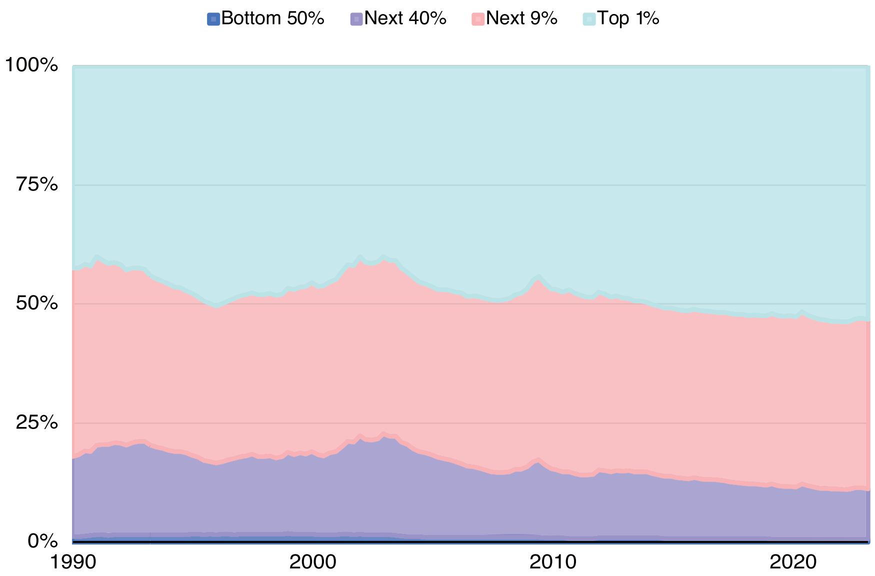


FIGURE 2.5. Firms on U.S. stock markets and market capitalization, 1980–2020. Data: World Bank.

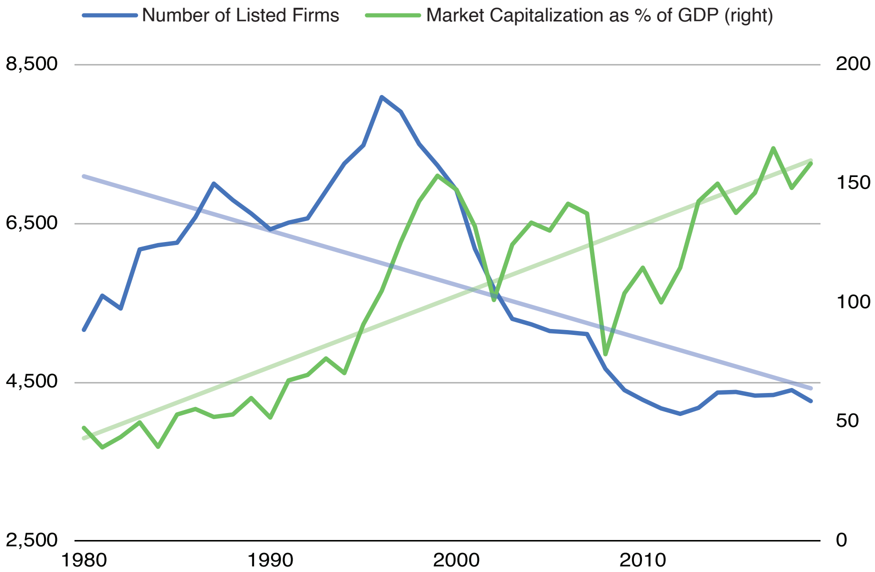
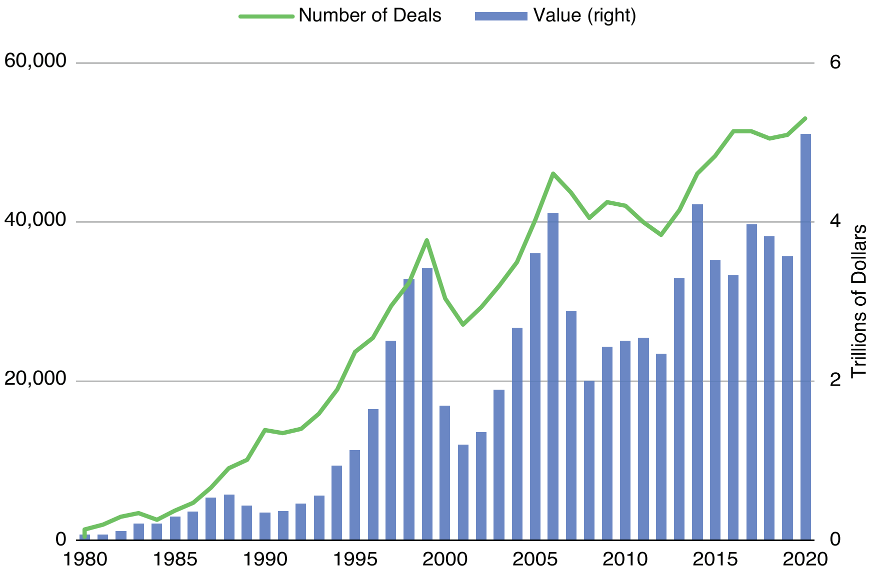


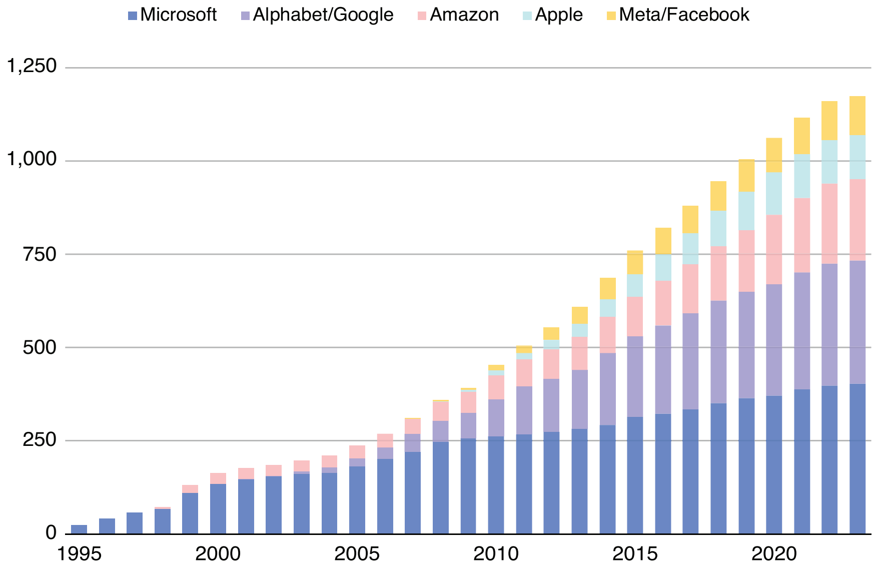
FIGURE 2.6. Worldwide mergers and acquisitions, 1980–2020. Data: *The Economist*; Refinitiv.



remaining, which continues to climb steadily. In other words, the overall trend is toward fewer, more powerful, and more profitable companies. In figure 2.6, we see one of the key strategies that companies pursue to reach that scale: mergers and acquisitions, which have skyrocketed to over fifty thousand deals annually across the globe, reaching $5 trillion in value. The legal and political effort to protect citizens from the abuses of anticompetitive practices stalled, another component of the deregulatory atmosphere that arose in the 1980s. However, this development has not gone unnoticed.

"Antitrust has once again been thrust to the forefront of public conversation," Lina Khan writes, documenting the birth of a wide-ranging campaign in the 2010s to revive antimonopoly actions in the wake of this rising market power. "Antitrust law has been transformed quickly from a relatively settled and sequestered domain of expertise to an area of active debate, with its future now something to be constructed rather than inherited."[13] Khan herself is perhaps the most influential scholar in this construction: her article "Amazon's Antitrust Paradox" pioneered new legal analysis on monopoly in the platform age, finding new forms of predatory practices.[14] She was appointed chair of the Federal Trade Commission (FTC) in 2021, where she oversaw a new era of competition enforcement. The FTC has successfully challenged further consolidation in many sectors, such as the attempted acquisition of Simon & Schuster by Penguin Random House, in which the biggest book publisher in the U.S. tried to buy one of its chief competitors. Other prominent antitrust scholars have joined the FTC and the Justice Department, and—in addition to much legal scholarship—pithy, popular books

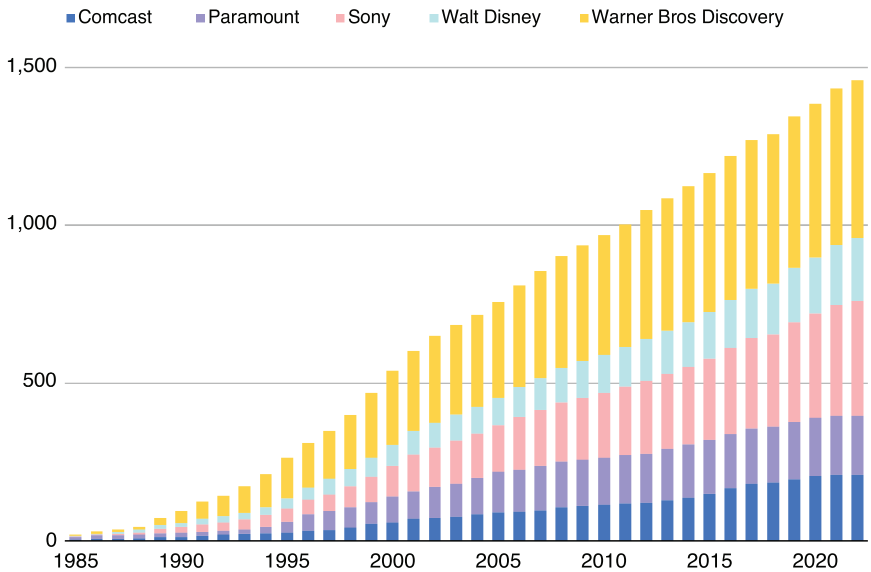
FIGURE 2.7. Cumulative mergers and acquisitions of the Big 5 tech companies, 1995–2023. Data: Refinitiv.



have made the case to the public, with titles like *Goliath*, *Monopolized*, and *Break 'Em Up*.[15]

Well-founded worries about the unchecked power of Big Tech motivates a lot of this debate, but the media system should not be overlooked. It is well known that the Big 5 tech companies (Apple, Microsoft, Amazon, Alphabet/Google, Meta/Facebook), with high valuations on the stock market and thus easy access to credit, bought their size and scale through constantly acquiring competitors. Microsoft excelled (no pun intended) in this strategy in the personal computing sector, while the Google/Facebook duopoly bought up the vast majority of firms in the AdTech market, up and down the value chain. In total, as seen in figure 2.7, the Big 5 tech companies have gobbled up at least eleven hundred other companies. Less well known is the fact that the Big 5 media companies actually surpass Big Tech in terms of mergers and acquisitions, approaching fifteen hundred by my calculations, as seen in figure 2.8.[16] The biggest acquisitions—like Comcast buying NBCUniversal, or Disney's string of acquisitions in the 2010s that included Pixar, Marvel, Lucasfilm, and Fox—are mere drops in a very large bucket. Consolidation has been a recurrent feature of the film, television, and music industries for decades,[17] but media companies are increasingly expanding their dominance across the globe and across multiple sectors. The next two chapters explore the dominant companies within the music industry and the film and television industries, respectively, but at this point we can note that although consolidation is not a new phenomenon, it is supercharged by financial capital.

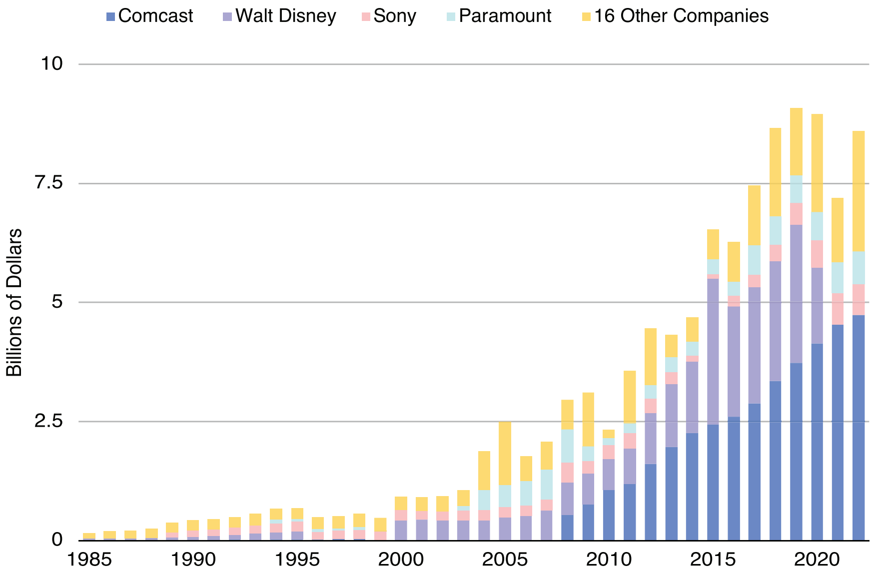
FIGURE 2.8. Cumulative mergers and acquisitions of the Big 5 media companies, 1985–2022. Data: Refinitiv.



As companies expand and receive higher valuations on the stock market, investors expect financial discipline and certain rewards. A straightforward example of this is dividends, which are another basic building block of stock exchanges and the financial system, and which, like stocks, have evolved into something quite troubling. A dividend is merely a distribution of profits from a company to its shareholders, paid in cash or additional stock. It is a way for companies to reward their investors during profitable quarters, which in turn attracts more investors. Dividends demonstrate a firm's confidence in their performance and are, of course, welcomed by investors. Though they may appear benign, any profits paid out in dividends are not reinvested by the company into productive means. In the case of media companies, that means profits that could have been reinvested in creators, performers, and other laborers in the form of wages or new hires; instead, they are distributed to investors who, as we've just seen, are disproportionately already wealthy.

Figure 2.9 shows a cross section of media companies and the total cumulative dividends they have paid out over the past twenty years, led by Comcast and Disney. Apple and AT&T were removed from the chart because their dividends ($217 billion and $117 billion, respectively) were so large they skewed the scale. My calculations show that over $110 billion has been paid out to investors rather than being reinvested in media creation and wages. During the postwar period, a considerable share of profits was retained by corporations for reinvestment; in the 1970s and 1980s, though, instead of reinvestment, shares of after-tax profits

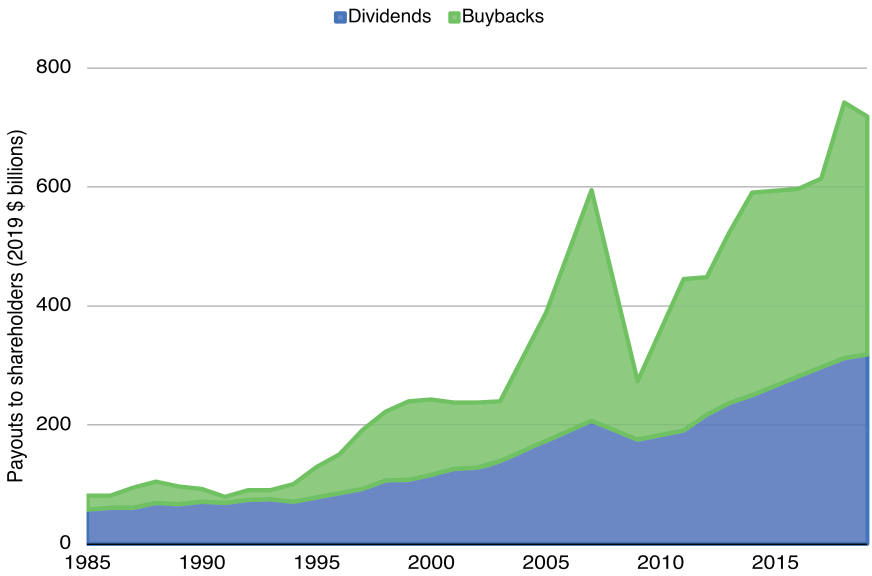
FIGURE 2.9. Dividends paid out by media companies, 1985–2022. Data: Refinitiv.



paid out by corporations as dividends soared, from a yearly average of 51 percent up to 74 percent.[18] Dividends are a key way that profits are distributed among the privileged investor class, while opportunities for wage growth, research, development, and stability are curtailed. Corporations are structured less as producers of goods and services, and more as vehicles for upward redistribution, financial engineering, and speculative capital.

Similar to dividends, stock buybacks are another simple financial activity with grave implications. A stock buyback occurs when a corporation pays shareholders the market value of a share, thus repurchasing shares of stocks previously issued, reabsorbing that portion of ownership. This activity increases the value of the remaining shares because there is now less stock outstanding and earnings are split between fewer shareholders. Stock buybacks also increase earnings per share (since there are fewer shares), a valuable metric to Wall Street and thus to CEOs and other executives. Why go through the pesky process of attracting customers with new, useful products when you can just financially engineer yourself a payday? In 1982, the Securities and Exchange Commission (SEC) adopted a rule that shielded executives from stock manipulation charges for engaging in stock buybacks. Soon after, buybacks quickly escalated, eventually surpassing dividends as a form of shareholder distribution in 1997. Between 2010 and 2019, the publicly traded companies in the S&P 500 Index spent $6.3 trillion on buybacks. In addition, they spent over $3 trillion on dividends.[19] Much of it was debt-financed, or the result of a windfall of liquidity following Republican tax

FIGURE 2.10. Rise of buybacks and dividends in the S&P 500, 1985–2019. Data: Palladino and Lazonick, 2021.



cuts in 2017 and the aforementioned actions of the Federal Reserve in 2008 and 2020. Figure 2.10 documents the trillions of dollars being spent on dividends and buybacks each year.

Stock buybacks are a massive upward redistribution of wealth; they are also bad business, generating no revenues, growth, or innovation, while endangering the company during the next downturn. For instance, the airline companies spent roughly $50 billion on buybacks in the years preceding the pandemic, then required a bailout in 2020 when the lockdown arrived. As figure 2.11 demonstrates, the media sector has experienced an explosion of stock buybacks in recent years, totaling over $200 billion. Disney, for example, bought nearly $50 billion of its own stock since 2010, despite persistent labor action by its theme-park workers, who complain of low wages and long hours.[20] Three-quarters of employees at Disneyland said they couldn't afford basic living expenses and many lived in their car; over thirty thousand workers were let go during the pandemic.[21] It is no wonder workers have given Disneyland the nickname Mousewitz.[22]

Cumulatively, as seen in figure 2.12, the total cost of dividends and stock buybacks by media companies amounts to a staggering $320 billion. To put it lightly, this could have financed a lot more songs and stories. In fact, it could have produced over twenty thousand films with the same budget as *Parasite* (Bong Joon-ho, 2019), over seventy thousand films with the same budget as *Get Out* (Jordan Peele, 2017), and over two hundred thousand films with the same budget as *Moonlight* (Barry Jenkins, 2016). Or it could have financed a massive public works program

FIGURE 2.11. Stock buybacks in media companies, 1985–2022. Data: Refinitiv.

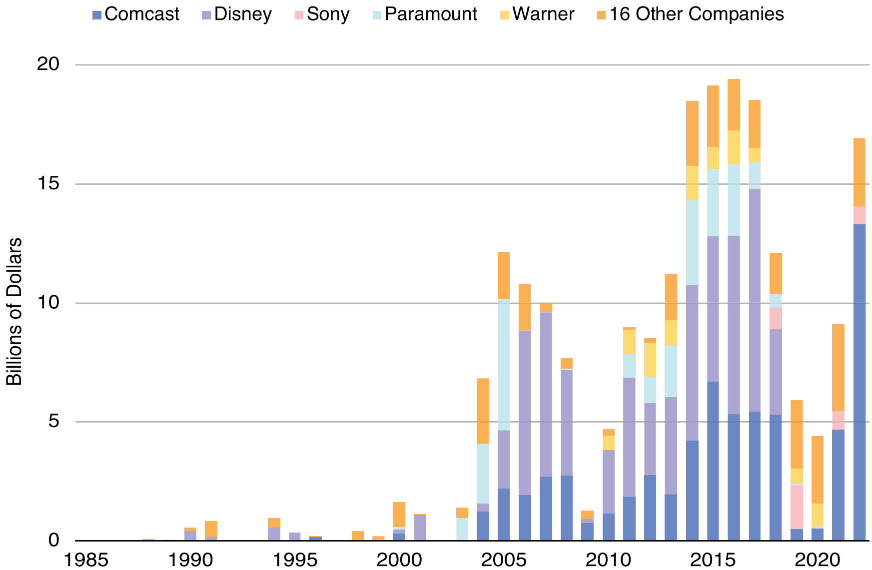


FIGURE 2.12. Cumulative dividends and stock buybacks at media companies, 1985–2022. Data: Refinitiv.

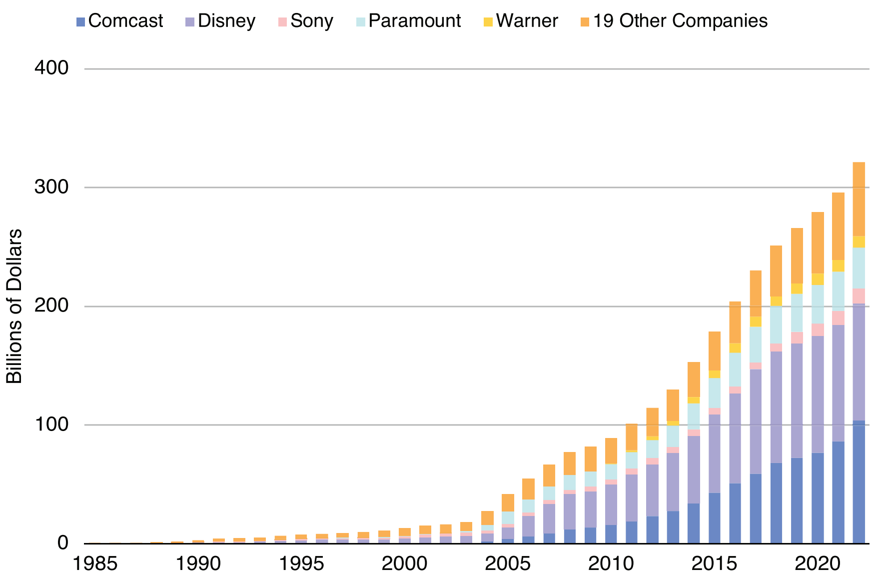
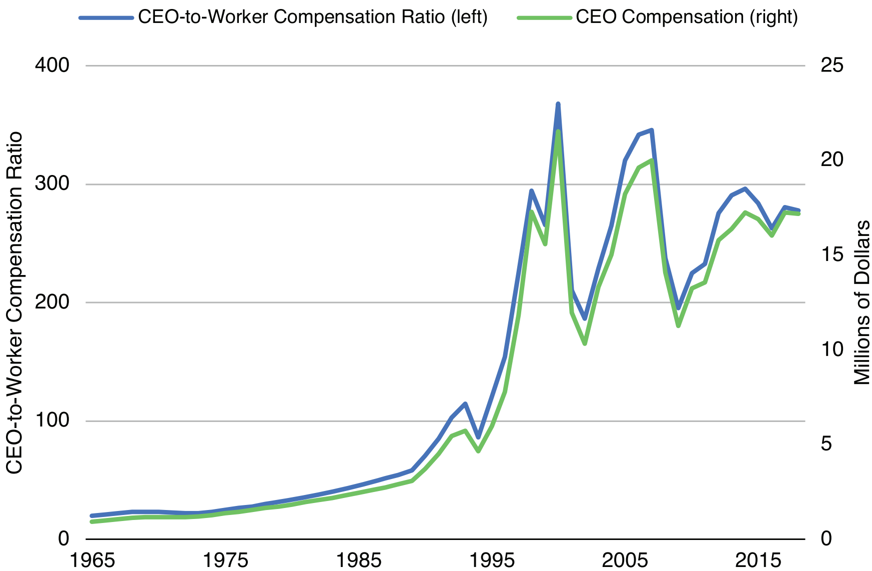


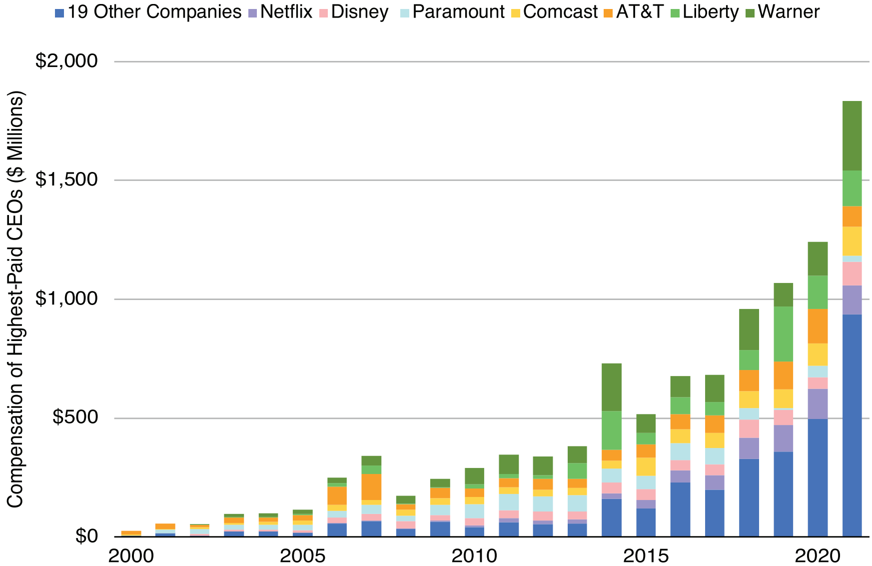
FIGURE 2.13. U.S. CEO compensation and CEO-to-worker compensation ratio, 1965–2018. Data: Compustat; Bureau of Labor Statistics; Bureau of Economic Analysis; Economic Policy Institute.



oriented toward creative production: five years of a living wage for over 1.7 million folks. Imagine the creative community, practical skills, and unique art that could be produced from that kind of allocation of resources. Instead, a single company, Apple, spends an even bigger sum on buybacks: $480 billion since 2015—a colossal misallocation of resources while the world burns.

The simple explanation for why buybacks take place is that they increase pay for top executives, whose compensation and bonuses are linked to rising stock prices. As figure 2.13 demonstrates, executive compensation rates exploded in the late 1990s, well beyond the CEO-to-worker compensation ratio that remained steady in the postwar years, until the 1980s. Figure 2.14 shows that media companies are subject to the same inequality; in fact, some of the highest-paid executives in the country work for media companies, such as David Zaslav (Warner Bros. Discovery), Reed Hastings (Netflix), and Bob Iger (Disney). The trajectory is steady incline, but 2021 sees a huge expansion, in part because of just two paydays: Ari Emanuel, CEO of Endeavor, a talent agency that went public in 2021, netted over $300 million in compensation through stock options; and Zaslav, CEO of Warner Bros. Discovery, collected $246 million in compensation, largely because of a $203 million stock option grant. Why has CEO pay skyrocketed? Their pay is set by a company's board of directors, which is stacked with other CEOs and CFOs (chief financial officers), who are all acting in their class interests. For example,

FIGURE 2.14. Executive compensation at media companies, 2000–2021. Data: Refinitiv.



current or former chief executives make up ten members of Warner Bros. Discovery's twelve-member board, ten out of eleven members at Disney, and eight out of ten at Comcast.[23] As Duménil and Lévy claim in their analysis of the disciplining functions of neoliberalism, "top management is metamorphosed into financial management."[24] In addition to CEOs enriching themselves, the other key reason why stock buybacks take place is the rise of hedge funds, discussed below, which pressure corporations to increase cash flow through buybacks because it is profitable for them. As with many of the financial engineering strategies and instruments at play in the media industries, they often work in tandem; further inequality is the result.

BROUGHT TO YOU BY VANGUARD: ASSET MANAGEMENT IN MEDIA

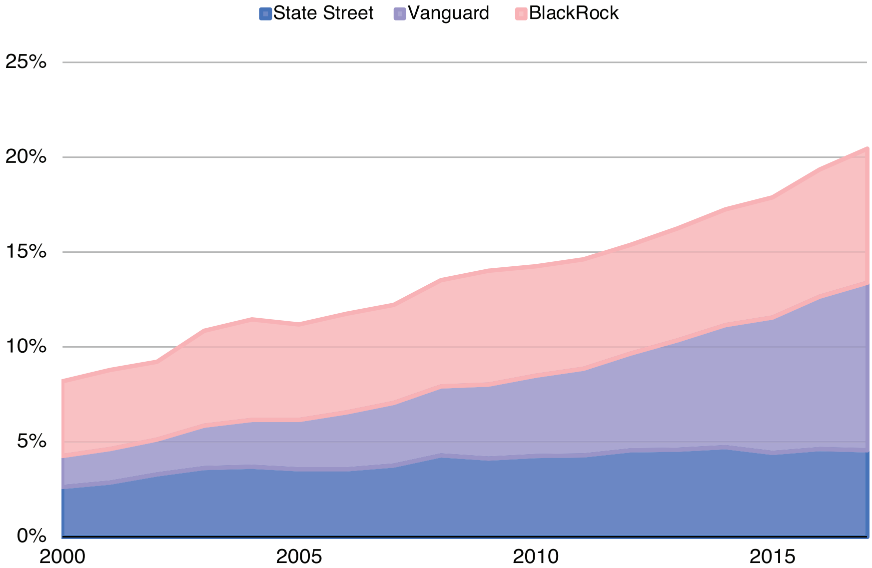
Up to this point, we have considered the stock market to be a site of exchange between companies and investors, but this is not the whole story. The historical development of U.S. stock ownership, according to Benjamin Braun, is a U-shaped one.[25] The Gilded Age at the end of the nineteenth century was an era of "blockholder oligarchy" and highly concentrated stock ownership. Conversely, the mid-century era of postwar prosperity, aided by antitrust laws, regulation by the SEC, and high rates of unionization and taxation, was marked by 94 percent of U.S. corporate equity being held directly by individual households in 1945.[26] Reconcentration began with financial deregulation in the 1980s and the rise of institutional investors, such as pension funds, endowments, and mutual funds, that pooled capital to be invested collectively. In 1950, institutional investors owned about 7 percent of the U.S. stock market; by 2017, they owned 70–80 percent.[27]

In the 1980s, these institutional investors started delegating their investment responsibilities to for-profit asset managers, a new sector that swelled with the introduction of privatized retirement funds in the 1990s. The asset management sector is now highly consolidated. The largest 1 percent of asset managers control 61 percent of assets managed.[28] Three asset management firms in particular—BlackRock, Vanguard, and State Street, known as the "Big 3"—have found outsized influence by cornering the market in exchange-traded funds (ETFs). The latter investment instrument is similar to a mutual fund, in that it bundles a number of different assets, but is more liquid and has lower fees. Over a long period, active investment management and stock picking rarely outperforms a diversified index fund, and many investors, institutional and personal, have shifted to index funds as a result. Vanguard, the largest provider of mutual funds and the inventor of the index fund, holds more than $8 trillion in assets under management. BlackRock, the developer of Aladdin, a risk-management software system that is used by it and its rivals, manages more than $10 trillion of assets. As of 2017, if counted collectively, BlackRock, Vanguard, and State Street are the largest owners of equity in 88 percent of the companies listed on the S&P 500 (an index of the five hundred largest U.S. publicly traded companies as determined by market capitalization), up from 25 percent in 2000.[29] Figure 2.15 shows the steady rise of corporate equity owned by the Big 3 in companies listed on the S&P 500.

By virtue of their scale and diversification, asset managers hold large blocks of corporate equity across the entire stock market and, thus, of competing firms within the same industries. This is known as "common ownership" (or "horizontal shareholding"), the rate of which has increased from less than 10 percent in 1980 to about 60 percent in 2010.[30] As a result, companies are incentivized to keep prices high and wages low. Far from using these as the "passive" investment vehicles (earning light regulation) they were designed to be, asset managers now actively engage in their investments by exercising the voting power of the shares owned by their funds. The Big 3 firms utilize coordinated voting strategies and meet privately with management and board members in order to influence the direction of their investments.[31] Common ownership of airlines was discovered to have increased prices by as much as 5 percent, while common ownership of banks led to increases in fees and reductions in interest rates.[32] For Brett Christophers, the deep reach of asset managers into real estate, utilities, education, health, food, and more has established an "asset manager society."[33]

A reciprocal relationship also exists between asset management firms and corporate managers; not only does the former manage equity in the latter, but the

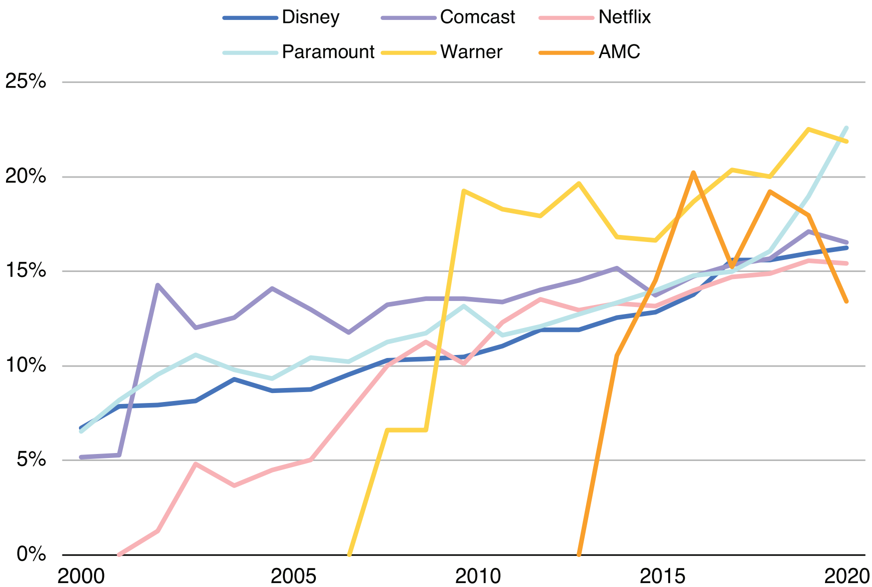
FIGURE 2.15. Share of corporate equity in S&P 500 held by the Big 3 index funds, 2000–2017. Data: FactSet Research Systems; S&P Global; Bebchuk and Hirst, 2019.



latter invests with the former through 401(k) retirement plans, a lucrative asset class. They are each other's clients, and asset managers do not want to alienate corporate management. Asset management firms routinely vote with corporate management and rarely submit public shareholder proposals.[34] For Braun, this consolidation of shareholdings in the hands of a few, very large, asset management companies constitutes "asset manager capitalism."[35]

How is the media sector faring under asset manager capitalism? The pattern of common ownership is readily apparent, as demonstrated in figure 2.16: note how much asset managers have increased their holdings in media companies over the past twenty years. The individual companies matter less than the overall trend of the lines: a slow climb from around 5 percent up to 15 percent and even 20 percent of competing companies. Though only six media companies are shown on the chart, many other media companies exhibit a similar trend, including Audacy, Cinemark, Cumulus, iHeartMedia, Lionsgate, Live Nation, and Warner Music Group (WMG). BlackRock, Vanguard, and State Street own many of the largest stakes in all rival companies, gravely harming competition. Vanguard owns significant stakes in key film and television companies Disney, Netflix, Comcast, and Paramount; music companies WMG, Live Nation, Liberty, iHeartMedia, Audacy, and Cumulus; and tech titans Apple, Amazon, and Google. By this metric, nearly every popular film, television program, and hit single should include a "brought to you by Vanguard" credit. BlackRock holds a similar portfolio, and the Big 3 form

FIGURE 2.16. Equity of media corporations held by Vanguard, BlackRock, and State Street, 2000–2020. Data: Refinitiv.



an interlocking group of ownership here as they do in many industries. Traditional banks, such as JPMorgan, provide some of Hollywood's biggest loans, but their largest equity stakes are also owned by BlackRock, Vanguard, and State Street—another example of cross-ownership and concentrated control.

Knowing that common ownership in other industries results in decreased competition and increased prices, we should expect the same in the media industries, even though specific outcomes and effects on content are difficult to isolate. The propensity for joint ventures (e.g., Hulu, The CW, Epix, Vevo) and joint franchises (e.g., Harry Potter, Terminator, Lego, James Bond, Lord of the Rings, Spider-Man) is the kind of cartel-like behavior we can expect from common ownership. Another indicator is that concert and movie ticket prices continue to rise beyond inflation because of the increasingly onerous terms set by the major companies. For example, to screen *Star Wars: The Rise of Skywalker* (J. J. Abrams, 2019), Disney required theaters to commit to four-week engagements in their largest auditorium, with Disney retaining a much higher cut—65 percent—than in a typical film rental.[36] Disney's market power may be the most immediate factor in that deal, but asset management also plays a long-term role. While difficult to track on the ground—as with climate change, in which any one extreme weather event may not be conclusively attributable to human-caused climate change but the overall probability of extreme weather steadily rises—the overall trend in the derivative media era is toward increased consolidation, layoffs, CEO raises, and minimal competition within a climate of financialization and common ownership.

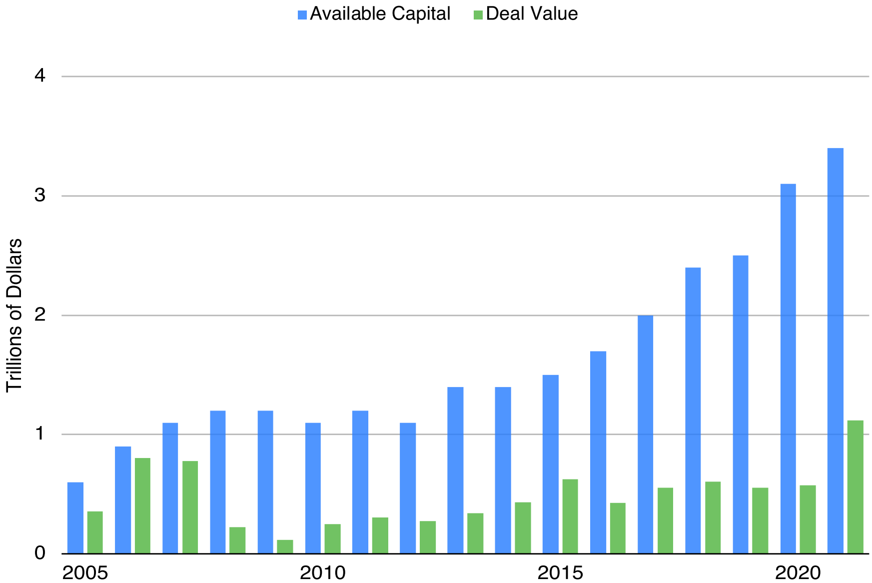
GETTING THEIR MEAT HOOKS IN: PRIVATE EQUITY AND CULTURE

"You know how, like, everyone hates you?" Kendall Roy asks. "Well, no, that's not something I'm aware of," Stewy responds impishly. "Private equity," Kendall continues, "getting your meat hooks in, chiseling your profit like a vampire locust fuck."[37] This description of the private equity (PE) industry in *Succession* may be crude, but it is not inaccurate. The violence suggested by this metaphor is well earned: private equity is an extractive financial technique that leaves behind it many bankruptcies, layoffs, and unpaid bills. Its reputation was so tarnished by exploitative behavior in the 1980s and 1990s that it was rebranded from "leveraged buyout firms" to the more opaque term used today, *private equity*. Bain Capital, Blackstone Group, Kohlberg Kravis Roberts (KKR), Texas Pacific Group (TPG), the Carlyle Group, Apollo Management, and other PE firms operate specialized, high-risk investment funds, available only to the wealthy or to institutional investors such as pension funds, endowments, sovereign wealth funds, and investment banks. Investors provide capital for a period of five to ten years, in which time the PE firm seeks out a variety of aggressive, high-risk investments; its primary (but not exclusive) strategy is the leveraged buyout.

A leveraged buyout is when a PE firm acquires a company owned by public shareholders by using the target company's own assets as collateral to secure debt, which it uses to pay a premium for all of the company's shares. In other words, the public company that is acquired is taken private and is then responsible for paying back the debt that was used to purchase it. This technique is considered "leveraged" because the PE firms are using borrowed capital, which increases their scale and thus their potential return on investment. Following the acquisition, the PE firm then restructures the company over the next several years, pays itself dividends and fees in the mean time, then "exits" the investment by selling the streamlined property or taking it public. While the company is private and controlled by the PE firm, it is not bound by SEC regulations requiring disclosures and prohibiting highly speculative strategies.

Since the turn of the century, in part due to expansionary monetary policy, increased liquidity, and favorable tax breaks, there has been a huge boom in PE deals, as evidenced in figure 2.17. There are thousands of PE firms in the U.S., raising trillions of dollars each year to make leveraged buyouts of almost eighteen thousand companies that employ roughly 7.5 million people.[38] The financial collapse in 2008 temporarily slowed deal making, but the capital raised has continued to rise; in the past decade, PE firms have built up a significant war chest of available

FIGURE 2.17. Global private equity capital and deal value, 2005–2021. Data: Preqin; Dealogic.



capital (or "dry powder" in financial slang), ready to be used for leveraged buyouts when the price is right. Economic headwinds such as the pandemic, multiple wars, inflation, and supply chain issues have wreaked havoc on many businesses, creating many new targets for private equity.

Though they invest only 1–2 percent of the equity in the private equity fund, the PE firms retain 20 percent of the profit if the rate of return achieves a certain threshold (usually 8 percent). With these massive funds (as high as $20 billion), PE firms target companies ripe for exploitation through financial engineering: paying themselves a special dividend, forcing layoffs, reducing wages, increasing debt, offshoring, exploiting bankruptcy, exploiting tax loopholes, selling assets for profit, eliminating pensions, and other nefarious methods (outlined in table 2.1). Gretchen Morgenson and Joshua Rosner, in their book *These Are the Plunderers: How Private Equity Runs—and Wrecks—America*, document the wreckage: 20 percent of companies taken over by private equity filed for bankruptcy, compared to just 2 percent in other acquisitions; employment decreased by 13–16 percent; and some six hundred thousand layoffs in retail alone.[39] With little to lose if the company's debt drives it into bankruptcy and much to gain if the investment can be exited from successfully, private equity is a textbook case of "moral hazard," as someone else bears the cost of their risks.

Though it is a relatively unknown aspect of corporate business to your average citizen, PE firms buy companies in all sectors of the economy, and leveraged buyouts are a pervasive phenomenon that constantly intersects with everyday

TABLE 2.1 Private Equity's Financial Engineering Methods

Method	Description
Dividend recapitalization	Taking on new debt in order to pay a special dividend to shareholders, which pressures the portfolio company to reduce costs/lay off workers
Transfers from workers	Laying off high-wage labor, subjecting remaining workers to intensified work, reducing wages and benefits, shifting from union to nonunion
Transfers from taxpayers	Increasing the company's debt load, which reduces tax liabilities because of the favorable tax treatment of debt compared to equity
Leverage/debt arbitrage	Restructuring a company's financial structure or offshoring its headquarters in order to reduce tax payments
Buying back debt	Although private equity ownership is private, debt is freely traded, so when the company struggles, its debt can be bought back at a steep discount
Debt exchange	Bondholders forgive part of their debt in exchange for a higher interest rate or a more senior position in the capital structure
Bankruptcy for profit	Taking a portfolio company into and out of bankruptcy in order to slash debt and pension obligations
Breach of trust	Not honoring implicit agreements/contracts with workers, vendors, and lenders; negative reputational effects accrue to company, not private equity firm

SOURCE: Appelbaum and Batt, 2014.

consumption and services. If you have eaten at Domino's or Burger King, stayed at a Hilton, rented a car from Hertz, shopped at Albertson's, clothed yourself at J. Crew, indulged in a Twinkie or other Hostess snack, fed your pet from Petco, or bought gifts for your children at Toys "R" Us (RIP), then you've interacted with private equity. Even the water from your tap and the road you drive on are sometimes managed by private equity. As an alarming *New York Times* series revealed, some ambulance and firefighting services are now managed by private equity as well. "When you dial 911 and Wall Street answers," the results are often disastrous: "A man in the suburban South watched a chimney fire burn his house to the ground as he waited for the fire department, which billed him anyway and then sued him for $15,000 when he did not pay."[40] When PE firms acquired nursing homes, deaths among residents increased by an average of 10 percent while taxpayer spending per patient episode increased by 11 percent.[41] "Distressed assets," or companies that are facing financial or operational difficulty, are prime targets for this kind of financial engineering.

How is this clearly predatory behavior legal, you might ask. It's called the "carried interest loophole." Because the acquisitions are structured as investments, PE firms can treat the profits as investment income, which are taxed at the much lower capital gains rate, permitting the whole racket to occur. Closing this loophole is a recurring, popular, bipartisan campaign promise (Barack Obama, Hillary Clinton, Donald Trump, and Joe Biden all promised to end it), but lobbying by the financial sector, as well as the revolving door between government and big business, have ensured the survival of this destructive loophole.

TABLE 2.2 Key Private Equity Investments and Acquisitions in Media

Year	Private equity firm(s)	Media company target
1997	Bain Capital, THL Partners	LIVE Entertainment
1998	KKR, Hicks, Muse, Tate & Furst	Regal Cinemas
2004	JPMorgan Partners, Apollo Global Management	AMC
	KKR, Carlyle Group, Providence Equity	PanAmSat
	Madison Dearborn Partners	Cinemark
	Providence, TPG, Sony, Quadrangle, DLJ	MGM
	Terra Firma	Odeon Cinemas, UCI Cinemas
	THL, Bain Capital, Providence, Edgar Bronfman	Warner Music Group
	Tailwind Capital Partners	Concord Music Group
2005	Bain, Blackstone, THL	Cumulus
	Apax Partners, HSBC Private Bank	Stage Three Music
2006	THL, Blackstone, Carlyle, KKR, Hellman/Friedman, AlpInvest	Nielsen Company
2007	Providence	Hulu
	Terra Firma	EMI
	TPG, Providence, THL, Madison Dearborn, Haim Saban	Univision
2008	Bain Capital, THL Partners	Clear Channel (iHeartMedia)
	Blackstone, Bain Capital, NBCUniversal	The Weather Channel
	Reliance ADA Group	Dreamworks
2010	Apollo, Crestview, Oaktree	Charter
	Colony Capital	Miramax
	TPG Capital	CAA
2012	Silver Lake	WME
2013	WME/Silver Lake	IMG
2018	Virgo Investment Group	One77 Music
2019	Providence	Tempo Music Investments
2020	Blackstone	Sunset Gower Studios
2021	Blackstone	Hello Sunshine
	TPG Capital	DirecTV
	Apollo Global Management	HarbourView Equity Partners
	Blackstone	Hipgnosis
	Oaktree Capital	Primary Wave Music
	Northleaf Capital Partners	Spirit Music Group
2022	Apollo	Legendary
	KKR	Skydance

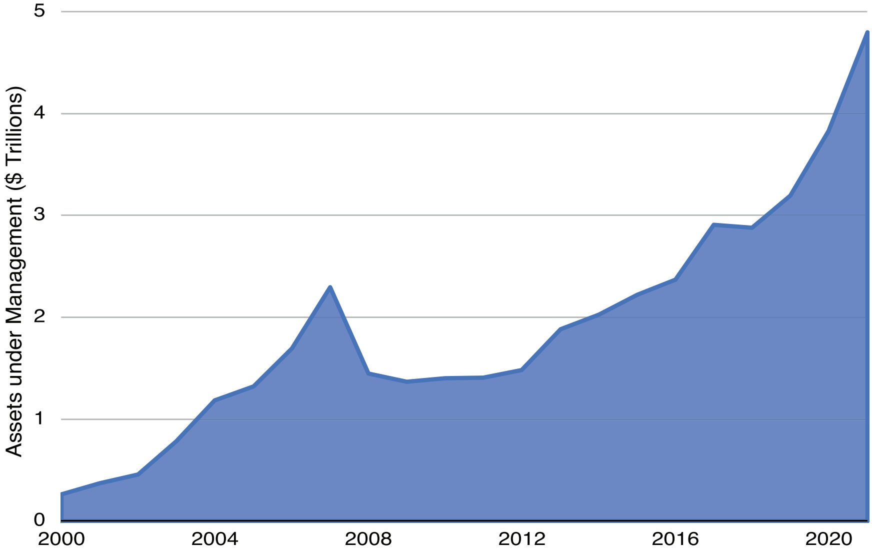
Since the turn of the century and the erratic digital transition that accompanied it, the media industries have been seen as distressed assets and, thus, have been in the crosshairs of private equity. As evidenced by table 2.2 and explored in more detail in the next two chapters, the cultural industries have fallen victim to the predations of private equity. Though earlier examples exist (e.g., Blackstone helped finance Sony's acquisition of CBS Records in 1988; both Blackstone and Apollo invested in Sirius in the late 1990s; KKR and others acquired Regal Cinemas in 1998), the year 2004 is a fitting marker for the start of sustained financialization in the media sector as multiple companies—MGM Studios, WMG, AMC Theatres, Cinemark, and Odeon Cinemas—were acquired by PE firms. Since then, weaker sectors of the industry, such as record labels (EMI) and radio (Cumulus, Clear Channel/iHeartMedia) have been common targets for PE profit extraction, while talent agencies have been the most recent acquisitions, with four major agencies (CAA, WME, IMG, and ICM) now owned by private equity. The five core Hollywood companies (Disney, Warner, NBCUniversal, Paramount, and Sony) have resisted outright private equity acquisition thus far, though they have partnered with private equity when selling an underperforming subsidiary (the aforementioned WMG in 2004). It appears as if Bain, TPG, and the like are kicking the tires in the margins of the industry: Miramax, Nielsen, Univision, DreamWorks, and others have all been acquired by private equity as investment vehicles.

Conventional wisdom holds that the cultural industries were historically not targeted as investment vehicles for two reasons: fickle audiences meant high rates of failure, and the Hollywood and music oligopolies maintained their grip on the necessary talent, distribution, and marketing networks. Over the past two decades, however, film, television, and music have lost much of their cultural centrality as a multitude of new options for entertainment and leisure activity have arisen, such as video games and social media. Meanwhile, Silicon Valley's entrance into the cultural industries has developed the data analytics to help alleviate the riskiness of audiences, while also destabilizing legacy media's grasp on the foundational components of talent, distribution, and marketing. Private equity has noticed this disturbance and has sought to capitalize on it since 2004.[42] Unfortunately, none of the financial engineering strategies that private equity employs benefit culture or citizens; they only enrich the wealthy.

LIKENED TO A WOLF PACK: HEDGE FUNDS AND THE MEDIA

Private equity firms and hedge funds share a couple of key features: both are investment firms that cater to wealthy clients, and both charge hefty fees for their ability to extract profit from publicly traded corporations in order to produce "alpha," an excess return above a benchmark index. In other words, investors are willing to pay higher fees because they are promised higher returns than can

FIGURE 2.18. Growth of global hedge fund industry, 2000–2021. Data: BarclayHedge.



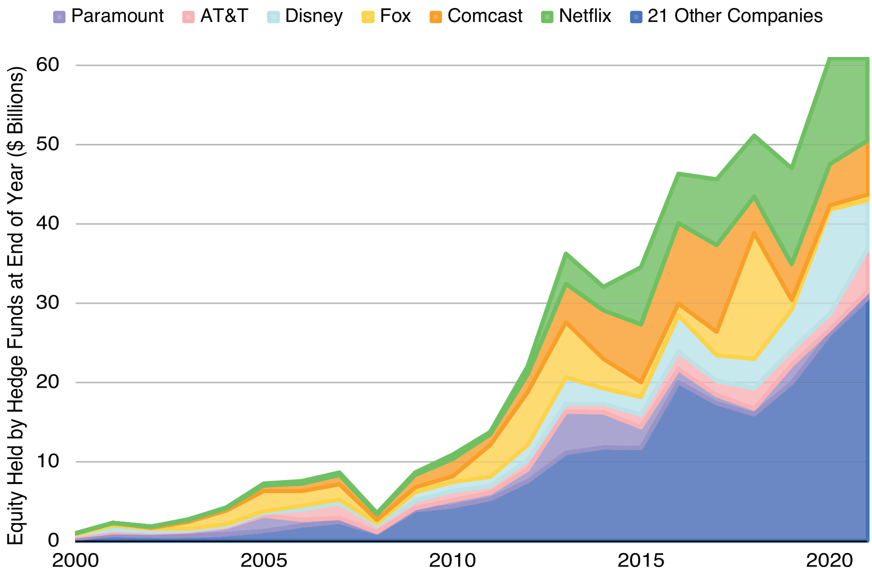
be achieved through safer investment strategies. While a PE firm's primary strategy is the leveraged buyout of a public firm, a hedge fund uses financial instruments and pressure tactics. The term *hedge fund* dates back to the 1940s, when it described a trading strategy that "hedged," or limited, risk by betting against market fluctuations, using instruments such as short selling (betting that an asset will decline in value). The term has since been appropriated by speculators for whom *leveraging* risk (using borrowed capital to increase potential return), and lots of it, is the dominant strategy. In other words, hedge funds dramatically increase risk, rather than limiting or hedging it.

The Investment Company Act of 1940 regulated private funds, including hedge funds, requiring disclosures and prohibiting certain methods of speculation, unless their client pool stayed below one hundred investors. The National Securities Markets Improvement Act, passed in 1996 as part of the Clinton administration's financial deregulation, removed this limit on the number of clients, which opened hedge funds up to more investors, including institutional investors. Within seven years, money invested in hedge funds increased tenfold, from $118 billion in 1997 to over $1.2 trillion in 2004.[43] As figure 2.18 demonstrates, that number has now ballooned to nearly $5 trillion. More than half of these assets come from pension funds, and one of every five university endowment dollars is invested in a hedge fund.[44] There are an estimated eleven thousand hedge funds in operation today.

One of the core problems with hedge funds is that they are the new home for the corporate raider, now rebranded as an "activist investor" or "hedge fund activist." In the late 1980s, corporate raiders were curtailed by public scrutiny, anti-takeover legislation, and defensive corporate strategy (such as various shareholder actions, called "poison pills," that go into effect when a hostile takeover is attempted). Pressured by lobbyists, including an organization launched by infamous corporate raider T. Boone Pickens, financial deregulation at the SEC in 1992 permitted new forms of communication between investors (resulting in investor cartels), between investors and company management (no longer considered insider information), and between investors and the public (announcing voting intentions in order to sway other voters). Corporate raiding could now occur under new auspices; a "wolf pack" of investors, garnering the support of institutional investors, can collectively intimidate corporate management and make demands. Hedge fund activists claim they are merely aiming to improve a company's operations or financial stability, but they have no incentive to produce value, only extract it. They have two goals: increase cash flow over which the company has control and extract that cash flow. Similar to the financial engineering strategies of private equity, hedge funds pressure their targets to utilize mass layoffs, corporate tax evasion, price gouging, corporate asset sales, and acquisitions of cash-rich companies. Extracting the cash is then accomplished through dividends and stock buybacks. Because the SEC does not require detailed disclosures about buybacks and because hedge funds have close relationships to senior executives, it is fair to assume that the selling of shares by hedge funds is timed for maximum profit extraction.[45]

Many of the biggest hedge funds in the world have taken sizable positions in media companies to dramatic effect. In figure 2.19, a snapshot of corporate equities in the media sector held by hedge funds at the end of each year, we see a dramatic spike in the 2010s.[46] For example, Elliott Management, an activist hedge fund with over $50 billion in assets under management as of 2021, sued Universal Studios in 2013 over a slate of films it helped finance, purchased nearly two million shares of Comcast in 2015, and took a $3.2 billion position in AT&T in 2019. Its "activist campaign" included the release of a widely publicized letter that pushed the company to divest assets, castigated its CEO, criticized its acquisition of Time Warner and DirecTV, and demanded layoffs—sorry, my mistake, it recommended "improved operational efficiency" by "eliminating . . . duplicative layers," to take advantage of a large "opportunity for rightsizing and simplification" through "workforce planning" and "strategic outsourcing."[47] It also demanded more dividends and share buybacks. Despite outcry from AT&T's main labor union, the Communications Workers of America, lamenting an "archetypal ploy of vulture capitalists,"[48] AT&T did what it was told: it fired CEO Randall Stephenson; it fired over forty-two thousand employees; it increased dividends and buybacks; it spun

FIGURE 2.19. Hedge fund trading in media companies, 2000–2021. Data: Refinitiv.



off Time Warner into a merger with Discovery; it spun off DirecTV and sold a 30 percent stake to the private equity fund TPG; it sold its anime service Crunchyroll to Sony, giving it a monopoly, as Sony already owned the other major anime service, Funimation; it sold prominent gossip outlet TMZ to Fox Corporation; and it sold Xandr, its advertising technology company, to Microsoft, which it would later use in its partnership with Netflix.

Another explicit example is Trian Fund Management, an activist hedge fund led by Nelson Peltz, who engaged in a proxy fight with Disney in 2023. Peltz used his $900 million stake in Disney to demand changes such as layoffs and dividends. In February 2023, Disney announced seven thousand layoffs, $5.5 billion in cost savings, and a dividend program—"Disney plans to do everything we wanted them to do," Peltz remarked.[49] Other notable hedge fund investments in the media sector include Pershing Square's $4 billion investment in Universal Music Group in 2021 and $1 billion investment in Netflix in 2022 (sold three months later at a $430 million loss), Third Point's aggressive positions in Disney (advocating consolidation) and Sony (advocating dissolution), and Archegos Capital Management, a firm later convicted of racketeering, conspiracy, and securities fraud, whose default caused stock price declines of 27 percent for CBS Viacom (now Paramount Global) and Discovery (now Warner Bros. Discovery) in 2021. These high-profile cases are but a drop in the bucket of the overall hedge fund investment in media companies. Hundreds of billions in liquidity flowing through the companies that make our songs and stories, by people who treat culture as just another input in their cash-flow-extraction strategies. Wagers on stock price fluctuation. Threats in financial form. Silent constraints on the media system at large.

AD-VENTURES IN FINANCE: CORPORATE VENTURE CAPITAL IN CULTURE

The impacts of institutional investors, asset managers, PE firms, and hedge funds can be considered *external* forces of financialization acting on the cultural industries, by companies such as BlackRock, Vanguard, State Street, Bain Capital, KKR, Carlyle, TPG, Elliott Management, Pershing Square, and Third Point. While their executives and managers have direct effects on the actions of media production, there is also a corresponding *internal* force of financialization in the form of corporate venture capital (CVC). For large media companies, investment in tech startups through their own CVC arm has many functions: earning profits that do not need to be shared with talent, obtaining research on the latest technological and consumer developments, preventing new competition from gaining a foothold, and maintaining an oligopoly.

Traditional venture capital is financing that investors provide to startup companies or small businesses that are thought to have long-term growth potential. Investors get equity in the company and a say in company decisions.[50] Corporate venture capital, meanwhile, is when a nonfinancial corporation, such as Disney, runs a financial intermediary, such as Disney Accelerator, that makes equity or equity-linked investments in early-stage, privately held companies. For instance, Comcast has a corporate venture capital program, Comcast Ventures, with over 350 investments. One of these investments is Vox Media, itself a conglomerate of online news media properties including *Vox*, *The Verge*, *SB Nation*, *Eater*, *Polygon*, and *New York*, which itself is also a conglomerate, consisting of the news media properties *Intelligencer*, *The Cut*, *Vulture*, *The Strategist*, and *Grub Street*—a Russian nesting doll of conglomeration and investment. Comcast Ventures has made a number of highly lucrative investments, including early equity investments in DraftKings (an app-based fantasy sports and betting company with a $14 billion market valuation in 2023), Lyft (an app-based transportation company with a $4 billion market valuation in 2023), Instacart (an app-based grocery service company worth a reported $24 billion in 2022), DocuSign (a company that facilitates electronic signatures and agreements with a $10 billion market valuation in 2023), and The Athletic (a sports media company acquired by the New York Times Company in 2022 for $550 million).

As with most financial instruments, the original intent of financial arms in major corporations was toward a much different purpose. Created to provide loans to customers to purchase consumer products manufactured by the industrial division, the financial arms of major corporations are now often growing faster than their manufacturing or service divisions. Three short-lived waves of

CVC occurred during the 1960s, 1980s, and 1990s, but the current wave appears to be both more pronounced and longer lasting, with corporate investors accounting for roughly 15 percent of all venture capital activity since 2000.[51] Their financial activities, products, and global scale have come to resemble investment banks and hedge funds.

While financial gains are of course an element of this investment strategy, studies show that strategic goals are also a key reason for corporate venture capital.[52] Massive corporations become less agile and able to respond to market changes; CVC allows them to engage in research and development by proxy, acquiring resources and intellectual property from their ventures. This strategy allows big companies to gather information on new markets and technologies, monitor their growth, and enter them more easily. "It's like a radar for the company," as one venture capitalist working at a major media corporation told me. Identifying and assessing potential acquisition targets is another key function of CVC; the investment can even be made with an option to acquire the portfolio company if certain metrics are reached. CVC is also used by corporations to hedge their bets, ensuring that they are strategically placed in regard to emerging technologies, ready to act when the dominant design prevails.

The media sector has been using corporate venture capital since the turn of the century in two distinct ways, as cataloged in table 2.3. Traditional media parent companies have themselves been making substantial, focused venture capital investments in proven quantities, such as Disney's $400 million stake in Vice Media and NBCUniversal's $200 million stake in *Buzzfeed*. Meanwhile, these legacy media companies have also created semi-independent venture capital arms that make riskier bets with early-stage seed funding in a variety of related sectors, such as virtual reality, streaming technologies, and properties that reach underserved niche audiences. For example, Bertelsmann Digital Media Investments has a stake in Visionary VR, a company specializing in story-driven content for virtual reality; Comcast Ventures has a stake in Meerkat, a live-streaming mobile application; and Time Warner Investments has a stake in *Bustle*, an online women's magazine. A successful (and fittingly derivative) example would be Pluto TV, a startup founded in 2013 that received early CVC investment from Universal Music Group, Sky, and UTA Ventures, among other traditional VC firms. Pluto TV's "innovation" was to recreate the linear cable television interface of curated channels but with streaming video. In 2019, it was acquired by Paramount (then Viacom) for $340 million.

As investors, traditional media companies are entitled access to the latest digital developments and detailed reports about the preferences of young audiences. If any of these startups achieve success and prominent recognition, they become acquisition targets or lucrative paydays in the event of an IPO (initial public offering, when a private company offers equity shares to the public for the first time, which allows early investors to realize gains). This is yet another way that financialization

TABLE 2.3 Corporate Venture Capital Arms of Media Companies

Media company	Corporate venture capital arm(s)	Number of investments
AT&T	AT&T Ventures	49
Axel Springer	Axel Springer Plug and Play Accelerator Axel Springer Digital Ventures	190
Bertelsmann	Bertelsmann Digital Media Investments Bertelsmann Asia Investments Bertelsmann India Investments Bertelsmann Investments	389
Comcast	Peacock Equity Comcast Ventures Comcast NBCUniversal LIFT Labs Accelerator	436
Creative Artists Agency	CAA Ventures	65
Disney	Disney Accelerator Shamrock Capital Advisors Steamboat Ventures Disney Interactive	227
Hearst Communications	Hearst's Financial Venture Fund Hearst Health Ventures Hearst Ventures	187
iHeartMedia	iHeartMedia Ventures	14
Liberty Global	Liberty Global Ventures	89
Liberty Media	Liberty Technology Venture Capital Liberty Israel Venture Fund	53
Sony	Sony Innovation Growth Ventures Sony Financial Ventures Sony Innovation Fund	211
E. W. Scripps Company	Scripps Ventures	19
The New York Times	New York Times Digital	37
Warner Bros. Discovery	Time Warner Investments	179

DATA: Crunchbase.

intensifies and extends the power of consolidated media. From sheet music to phonographs to radio to television to cassette tapes to cable to VCRs to DVDs to streaming, the legacy media oligopoly has historically been able to co-opt any new technological development and turn it into a new revenue source; corporate venture capital is merely the latest, financialized chapter in this age-old story. What's different this time is the broader economic decline and the deepening of legacy media's relationship with the corresponding financialization. While venture capital is often associated with the cutting edge of technology and "disruption," a more accurate analysis sees it as the blunt edge of maintaining the status quo of the ruling class, in the broader political economy as well as the media sector specifically.

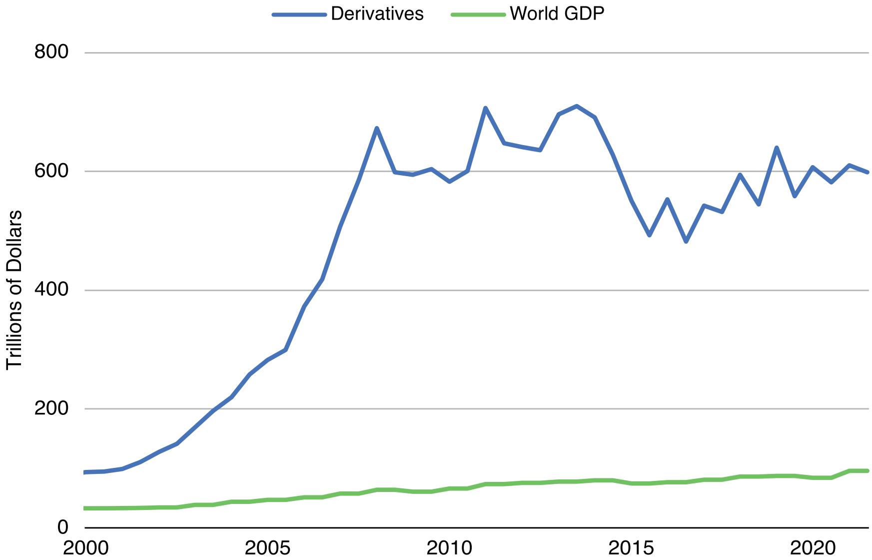
THE FUTURES OF CULTURE: DERIVATIVES AND/IN THE MEDIA

The final element in our consideration of financialization is the most mercurial. The derivative is not like the previous features, which are at least graspable in terms of typical relationships like ownership and investment. In contrast, "the derivative is the perfect capitalist invention," argue Edward LiPuma and Benjamin Lee, "because it seems to have no concrete form sufficiently legible and visible to allow it to become a sustained subject of conversation in the public sphere."[53] Though derivatives were at the heart of the financial collapse in 2007–8, even still they remained a little-understood phenomenon, what then treasury secretary Tim Geithner called "the complicated spaghetti of the derivatives market."[54] As the financial crisis fades from cultural memory for many, so too has the momentum to come to terms with the dramatic impact of derivatives markets, "the heart of calculation and competition within a capitalist economy."[55]

Financial derivatives are an instrument to hedge or speculate on risk, basically a wager on the fluctuation of the cost of money, currencies, assets, or the relationships among them. They are "essentially abstracted relations about the relations of capital."[56] Their value is *derived* from the performance of an underlying entity, either an asset, index, or interest rate. The most common derivatives are futures (a contract to buy/sell an asset at some price at some point in the future), options (the opportunity but not the obligation to buy/sell an asset at some price at some point in the future), and swaps (allowing for the exchange of one asset flow for another), though they typically involve a combination of all three. This entirely new conception of risk grew out of the desire to merely hedge against the possible decline in the price of crops at harvest time by seventeenth-century Dutch merchants, but has since grown into the key functional and structural form of speculative capital in the global marketplace. Security-minded hedging for the purpose of long-term stability has led to profit-minded speculation on short-term volatility.

The derivatives market has swelled in a nearly exponential fashion: in 1970, it was valued in the millions; by 1980, about $100 million; by 1990, nearly $100 billion; by 2000, nearly $100 trillion;[57] approaching 2010, it was estimated by the SEC to be over $500 trillion.[58] In figure 2.20, an estimation of the global derivatives market by the Bank for International Settlements (BIS) in Basel, Switzerland, is compared with global GDP, showing the derivatives market dramatically overshadowing the "real" economy. Elsewhere, BIS uses different criteria and concludes that the derivatives markets could be twice as large: $1.2 *quadrillion*.[59] Measurements of the derivatives market are inherently flawed; these contracts do not involve

FIGURE 2.20. Global derivatives market compared to world GDP, 2000–2021. Data: Bank for International Settlements (OTC derivatives notional amount outstanding); World Bank.



property itself, but merely a price derived from the underlying asset, and thus the amount circulated in these markets is abstracted. Traders don't possess the money involved in the trade, merely collateral that assures a broker they're trustworthy to make the trade. Each trader is making hundreds or thousands of trades, maybe even more using software (known as high-frequency trading or algorithmic trading),[60] in varying positions, while other traders bet the opposite, assembling this massive edifice that sits atop less abstracted relations. The total amount vastly exceeds the total quantity of the world's physical currencies.

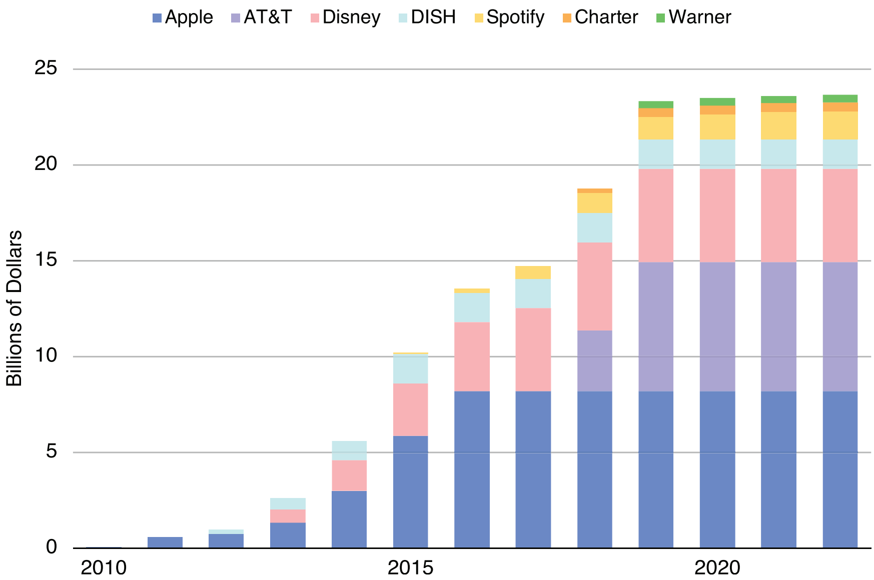
The derivatives market is now key to circulation. Commodities trading accounts for less than 1 percent of total contracts, while financial derivatives are roughly 90 percent of all contracts.[61] The derivatives market is technically available to anyone, but in practice is dominated by banking firms, corporations, and hedge funds, as its complexity and fundamental structure favors economies of scale. Betting on tiny fluctuations in the price of money makes sense only when executed with tremendous volume. Control of the markets is concentrated in the ten largest Euro-American institutions, through which 90 percent of all financial derivatives are traded.[62]

At this scale and scope, it is necessary to consider that we may be witnessing, as LiPuma and Lee argue, "a planetary shift in power away from national state political systems, or perhaps political systems of any kind, and toward the global financial markets."[63] As the structural form that circulates and globalizes risk, derivatives are a key determinant in this paradigm shift. This destructive power is perhaps most evident in the many countries of the Global South that have felt the wrath of derivatives markets. For example, the election of Luiz Inácio Lula da Silva of the Workers' Party in Brazil in 2002 set off a wave of depreciation of Brazil's currency driven by the derivatives markets. The Brazilian real fell by 30 percent compared to the dollar and euro, swelling Brazil's debt obligations and severely limiting Lula da Silva's ability to remedy the country's economic and social injustices, the platform for which he was elected. Similar events have taken place in Argentina, Thailand, and Turkey. "There seems to be no way to characterize the real effects of speculative capital on Latin America, Africa, and other points on the economic periphery," LiPuma and Lee claim, "other than as violence." This "abstract violence . . . is intrinsic to the financial circulatory system . . . it damages and endangers the financial circulatory system. . . . [I]t damages and endangers the welfare and political freedoms of those in its path, and does so without ever revealing itself." Furthermore, this violence "is external to politics, law, or any claims shaped by the state or its citizen-subjects."[64] Derivatives markets may appear outside of our purview, whether as average citizens or media scholars, but their impact is very real and very dangerous.

Derivatives are the "meta-capital that binds and blends different sorts of particular capital together"[65] and are thus unavoidable for any global corporation. Derivatives are an external force affecting the media sector in both a broad sense (e.g., the intensified maximization of individual asset value demanded of publicly traded corporations, including media conglomerates) and a narrow sense (e.g., the derivatives traders that are speculating on the future prices of media companies, shaping their perception in the investment community). Derivatives are also an internal force. In figure 2.21, we see the rise in derivatives trading enacted by media companies themselves, often to hedge their global exposure to currency exchange rates that can fluctuate widely, shaping the global flow of film, television, and popular music products. For instance, in a Form 8-K (a notification to investors of significant events) filed in 2019, Disney reported that it was managing interest rate risk and foreign exchange risk through interest rate swaps (a forward contract to hedge the risk of fluctuations in interest rate) with a total notional amount of $8.2 billion.[66] In addition, its foreign exchange cash flow hedges were $6.3 billion, and foreign exchange contracts totaled $3.6 billion. In combination with institutional investors, asset managers, private equity, hedge funds, and corporate venture capital, derivatives are a key component of the financial structure of Hollywood.

But as the key *logic* of the global financial system, derivatives surely have an indirect effect on day-to-day business operations in the cultural industries as well. The derivative's logic of fluid conversion between different forms of assets would seem a natural fit for transnational media conglomerates with holdings in film, television, music, the popular press, video games, online media, theme parks, and other cultural properties. If the logic of the derivative orients around malleability and blendability, is it any wonder that the digital cultural text is increasingly

FIGURE 2.21. Cumulative derivatives trading by major media and tech companies, 2010–2022. Data: Refinitiv.



malleable and blendable, remixable and shareable? What might a consideration of "derivative media" illuminate?

Most immediately, "derivative media" would seem to crudely capture the current textual default of cultural production in the U.S. film, television, and popular music industries: endless sequels, prequels, reboots, remakes, adaptations, franchises, cross-platforming, cross-promoting, licensing, transmedia, sampling, references, homages, and all manner of *deriving* new media content from the old or the other. There is nothing new or controversial about textual influence, of course, both conscious and unconscious, but the sheer brazenness and repeated, reliable profitability of much of Hollywood's "derivative" product suggests a concrete bankability to the once-radical concept of intertextuality.

As mentioned in the introduction, Julia Kristeva claimed that "any text is constructed as a mosaic of quotations," for which the "horizontal axis (subject-addressee) and vertical axis (text-context) coincide. . . . [E]ach word is an intersection of words where at least one other word can be read."[67] This volatility of referent across horizontal and vertical axes is now exploited by the multinational media conglomerates, which are tightly diversified by horizontal and vertical integration, micromanaging the text and context as it travels from corporate subject to global addressee. The radically open text offers vast intertextual and intermedial opportunities for potential profit. No longer confined to mere "commodification," the cultural text is subject to its raw textuality becoming a site of exchange. The corporate text is a financial marketplace; not only are all of its components for sale (locations, sets, props, costumes, lyrics, soundtracks, samples, guest appearances, etc.), but the pricing is negotiable, tradable, and in constant flux. A superhero cape becomes a Halloween costume. A logo becomes a bedspread. A shooting location becomes a tourist trap. A secondary character becomes a new story line. A piece of dialogue becomes the chorus of a hit song. If this happens enough times, then every costume, decoration, character, piece of dialogue, and textual characteristic becomes interchangeable and "fungible."

"Derivative media" captures not just the financial, legal, and textual characteristics of contemporary cultural production and circulation, but the manner in which these are self-reinforcing mechanisms. The broader financial economics of cultural production seek to capitalize on disassembled, tradable assets that it can exploit; likewise, the corporate media text increasingly derives its textual material in a fashion that lends itself to disassembly and rebundling. Each function serves the other. Futures, forwards, options, swaps—these instruments of financial derivatives have obvious parallels in the cultural industries when it comes to the cultural operating logic of *pre-sold property*. Because risk is so prevalent in the film and television industries, with unpredictable audiences constantly changing in their behaviors and tastes, successes must make up for the inevitable failures. In order to ensure future success, every effort is made to leverage past success, exposure, and pre-owned intellectual property. On the occasion of success, contracts with talent secure the option for more derivative content in the future. On the occasion of failure, resources are redeployed and intellectual property is reserved for possible "reboot" in the near future. For example, superheroes have become one of the key forms of derivative media because of their ability to be continually reformatted. There are hundreds of Batmen, Supermen, and Spider-Men across comics, film, cartoons, television, and games, with different versions targeted at different age groups; these "multiverses" exponentially increase the opportunity for exchange.

The true dynamism of the derivative media, however, is what happens in between these successes and failures, in the constant textual negotiation of influence and reference. Derivative media operationalizes intertextuality. On one end of the spectrum, figurative devices such as allusion, parody, satire, and homage create constellations of textual reference and influence; on the other, commercial devices such as product placement, brand integration, branded entertainment, and native advertising deliver consumer influence. The latter typically involves a direct transfer of money, while the former often enacts an indirect exchange of cultural capital. The key to this exchange is the interplay between these two forms of "derivation," the textual and the financial.

"The central, universal characteristic of derivatives," according to Dick Bryan and Michael Rafferty, "is their capacity to 'dismantle' or 'unbundle' any asset into constituent attributes and trade those attributes without trading the asset itself."[68]

Neither possession nor ownership of the underlying asset is required to configure its attributes into universally recognizable and thus tradable elements. The derivative dismantles or unbundles any asset into individual attributes and trades them without trading the asset itself; this operating logic finds its way into the cultural text when the fluid conversion between assets is exploited by conglomerates with holdings in a variety of intellectual property. To think of textual reference in such a manner would be to price the constitutive elements of a "mosaic of quotations," to dismantle and unbundle its textual assets.

Having successfully disassembled assets in order to price and trade their attributes, derivatives have two key functions, according to Bryan and Rafferty: binding and blending. Particularly through options and futures, derivatives "bind" the future to the present through pricing relationships; with swaps, they "blend" different forms of capital, through corresponding asset forms, into a single unit of measure.[69] "It is . . . the capacity for derivatives to [be] commensurate [to] capital in different forms, locations and time horizons that adds greater competitive discipline to the processes of calculation and decision making."[70] The spatial and temporal dimensions of derivative trading are easily applicable to cultural and textual circulation, which has been amplified in recent years due to wider digital access to a global cultural heritage. But more than just the increased capacity for transcultural and transhistorical reference, it is the overarching *system* of derivative media that has significant implications for textual circulation.

In the hundreds of trillions of dollars, the actual derivatives market's capacity is a result of its scope and scale. No longer merely reflecting spot or cash markets, derivatives markets are now considered the actual site of asset price determination. Similarly, the extreme degree of intertextuality may have eclipsed the "underlying" asset in many instances of film, television, and music production. The case studies in chapters 5–7 aim to give a sense of this immense intertextual scale, mapping thousands of references to a wide variety of texts and products made by single films, television series, and musicians. Cultural texts will be shown to contain the formation of intensified internal markets. Facilitated by reference, it is a conflicted system of hedges, exposures, and exchanges. Examining the shift from joint stock companies to financial derivatives, Bryan and Rafferty suggest that "it is as if the stock market has gone 'inside' the derivative itself: the derivative is defined so as to spontaneously absorb market calculation."[71] Considering the complexity of these referential economies, we might say the derivative media market has gone "inside" the cultural text. It is not just the film, television, and popular music *industries* that have become financialized; it's film, television, and popular music *texts* as well.

The consequences of financial hegemony are myriad: the imposition of managerial mandates to create shareholder value, the rise in income paid to financial managers, the stripping of assets for short-term profit, the reduction of returns to labor, the attrition of the welfare state, and the foreclosure of a politics that lies outside of market-based solutions. "Perhaps the most terrifying feature of financialization," Max Haiven suggests, "is that there is no one steering the ship; there is no grand conspiracy."[72] Financialization represents an unaccountable system of global economic organization, a byzantine flow of transactions that has usurped democratic control. It is difficult to conceptualize such broad macroeconomic cause and effect because the finance industry keeps a low profile and intentionally uses opaque language to discourage understanding by those other than its practitioners. But it is important to reckon with the more immediate, local, and personal elements of finance, especially its cultural effects. In its many different guises, whether asset management or private equity or hedge funds or venture capital or derivatives, the recurring theme of financialization is an extractive process that generates profit for wealthy investors and precarity for workers.

With this chapter's macro-perspective on the media industries complete, we now move to a historical, meso-level look at the music and film/television industries. The next chapter considers the destructive role of finance in the music industry, particularly its effect on the livelihoods of musicians. We then turn to the financialization of film and television in Hollywood, with a similar tale of oligopoly and extraction. Later, our case studies allow a detailed, micro-level analysis of derivative media. From the content of the securitized cultural text, to the fragmented audience that engages with it, to the precarious labor that produces it, to the overpaid management that organizes it, to the networks that circulate it, to the indebted corporations that catalog it, to the systems of accumulation that facilitate it—financial capital now fuels the pop-music hit machine and the Hollywood dream factory. The result is something that resembles less a factory floor than a trading floor.