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Broadcast Television: A comparison between the stations of Finland and America

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Abstract

With the revolution of the internet, the recent economic downturn, and the increased number of natural disasters across the globe, the challenges of being a news broadcasting station, and more specifically, a broadcast meteorologist, have increased over the recent years. These effects can be seen both in Finland and the United States. As time goes on, these stations have had to cut workers while increasing the number of news-broadcast hours. As competition increases in larger markets, many stations are trying to find ways to keep their share of viewers tuned in with entertaining news coverage and accurate reporting. The integrity of news coverage and accuracy are being threatened by the aforementioned challenges in both the Finnish and American commercial and public broadcasting sectors. Based on this study, the style of journalism, accuracy of reporting, and ability to generate accurate forecasts appear to depend on the amount of cash coming into a station, whether it is public or private. While a public station may tune into what viewers actually want to see and hear, a private company can have the ability to attract more viewers due to the amount of resources available in certain economic conditions.

Broadcast Television: A comparison between the stations of Finland and America

The research and findings conducted in this study focus on a comparison between the public broadcasting system in Finland versus that of the United States' commercial system. The comparison seeks to find which system features the most quality programming, specifically in the area of broadcast journalism and meteorology. With entertainment-based news on the rise, the comparison will show the differences and similarities between the two systems and determine which system provides the most accurate and objective reporting in the areas of news and weather forecasting. This topic is of importance due to the growing trend in commercially funded news broadcasts becoming entertainment based at times. The reporting being done within these broadcasts is focused more on attracting the most number of viewers instead of sharing, perhaps, the most important newsworthy stories. Phrases like "if it bleeds, it leads" seem to have become the norm. In an era where money matters more than anything in a commercial economy, news stories and broadcast qualities have been affected by the recent economic situation and decline commercial revenue. With these economic conditions, the accuracy of the information being distributed to the masses could be affected by the lack of money supporting the reporting going on. With this study, it is the intent that such conditions be identified and solutions developed to meet the needs of broadcast stations and viewers. As news is being reported in new and developing methods, whether it is television, radio, print, or the numerous electronic forms via the internet, challenges are bound to occur. This study is meant to understand current problems and generate solutions for the future while adding to the research currently being conducted in this area. The research conducted in this study focuses on several questions pertaining to the information being examined. The study seeks to answer how commercial broadcasting stations are being affected by the current and recent economic conditions in America, with interviews with people in the business and research on stations across the United States. The research also seeks to answer what commercial stations are doing to make up for the loss in revenue, how newscasts are different now when compared to more prosperous years, and what the future of commercial broadcasting holds. A similar style of interview and literature review is used to find answers to these questions. In comparison, the research conducted in this study seeks to find whether or not the public broadcasting system of Finland and Western Europe as a whole is more efficient when compared to the commercial system of the United States. On site investigations, polling, literature review, and interviews with professionals in the field will

provide answers to this question. Using these methods of research will also provide answers regarding the quality of weather forecasts being generated in both commercial and public broadcasting. With weather being the most commonly reported topic in both styles of broadcasting, the accuracy of forecasts will be crucial in determining the accuracy and efficiency of either system.

Literature Review

The television industry as a whole differs from culture to culture as well as country to country. Specifically, the divide between the continents of Europe and the United States has a large effect on the style of TV broadcasting that exists. This review will concentrate on the differences between the public broadcasting system of Finland and the commercial system in the United States. The literature reviewed involves topics such as Holm's discussion of modesty in Finland, and how such traits translate into different styles of journalism on the air (Holm, 2006). The review also concentrates on the articles like that of Socci's describing effects each system has on the methods and skill of broadcast meteorology (Socci, 2007). Text by Mustonen and Pulkkinen is also reviewed for methodologies involving observation of program-violence content along with compilation of raw data in the viewing sectors (Mustonen & Pulkkinen, 1993). As a whole, the information provides support and inspiration for further investigation in regard to accuracy of the data as well as the effectiveness of the research itself. With the global financial crisis well underway, such an investigation seeks to find what qualities of Finnish and United States systems could benefit television as a whole. The literature in review is organized according to specific topic being researched. Due to the comparison being made several sections are devoted to highlighting the qualities making up the respective side of the comparison.

America's Commercial Industry

In the recent decades, the United States has become known for its reliance on advertising and commercialism in nearly all aspects of life. Opinions vary, however, regarding how much of a negative effect this has on the quality of broadcasts. According to Papuga, few industries rely on this commercialism less than the television broadcasting industry, and, with programming that reaches coast to coast in the U.S., there are plenty of examples of how this idea is true (Papuga, 2009). Because of the media's influence on society, there is much information to be found. For

this study, selection was based on several criteria. Literature that dealt with the cultural values, upheld in a commercial based system, like that of Holms' article, were obtained (Holm, 2006). In addition, articles that dealt with the idea that commercialized news stations have an effect on the accuracy and scientific quality of weather forecasts, like that of Socci's, were collected (Socci, 2007). Papuga's article mentions the need for television stations to acquire more money through national advertisers (Papuga, 2009). Having a competitive advantage over another station is key in the American form of broadcasting and acquiring such advantages may actually relate the amount of time allotted for such advertisements. After all, television in the United States was founded as a commercial enterprise generating much, if not all of its revenue from commercial sales. According to Papuga, such time slots may, today, range from 15- to 30-second blocks (Papuga, 2009). With such an emphasis on gaining money through advertisement sales, additional sources, like articles by Socci and Wood, stating that commercialized stations are losing credibility, especially in weather forecasting, are frequently found. Socci, for example, states that competition results in "endless rounds of one-upmanship (between stations) where science and alleged forecast skill become casualties" (Socci, 2007). Though these campaigns for increasing the amount of capital coming into a station are described, the process of where exactly the money comes from and how it is being used as a competitive advantage is not discussed in great detail in any of the literature found.

Broadcasting in Western Europe with a Focus on Finland

In comparison, sources dealing with the public broadcasting industry of European nations were involved in the research. Investigating this information will hopefully offer clues as to what can be done in America to improve television programming. With a wide range of companies to choose from in the European context, narrowing the literature down to the most pertinent information was a cumbersome process. While there were fewer sources available on the industry and its relationship in regard to Finland, there were related articles, such as Holm's study on Denmark, that dealt with such companies and issues in surrounding Scandinavian countries (Holm, 2006). With cultural similarities between Denmark and Finland, this literature represents both countries well. This comprehensive study examines journalistic practices and differences between the United States and Denmark. Holm finds that Denmark's emphasis on conformity clashes with the accepted style of "Anglo-American" style of reporting (Holm,

2006). With such a diverse range of possibilities represented in this section of the literature, inclusion in the review was based on whether or not the subject matter dealt with commercial or public companies, since Europe is currently leaning toward becoming more commercialized.

Adding to broadcast journalism practices, an overall history of broadcasting within Finland and how the industry is related to the rest of Europe provides an excellent background in how the Finnish broadcasting industry got to where it is today. This history is provided by Seppänen beginning with the Finland's television network's birth. Seppänen describes how Finland's Yleisradio was begun based on a broadcasting and business model like that of BBC Radio's (Sumiala-Seppänen, 1999). The article also provides important definitions. According to Seppänen, public broadcasting is defined as any form of broadcasting that is overseen by the public owners, allowed rights, and obligated to fulfill certain objectives with the audience in mind (Sumiala-Seppänen, 1999). Seppänen goes on to discuss the modern company, Yleisradio, and that the company has survived in such a commercial world lends credibility to the way it has been run (Sumiala-Seppänen, 1999). This long-term success can be attributed to the fact Finland's public television's purpose is to serve the people. With the funds from taxation, the Finnish supports Yleisradio's development of programming catered to underrepresented groups among the population. Using additional sources like Holm's study on Denmark, evidence from studies in Finnish content when compared to Europe and the U.S. gives way to the idea that a public system does an excellent job of reflecting the society it is broadcasting to (Holm, 2006).

Adding to this content, Mustonen and Pulkkinen provide a study on the amount of aggression in Finnish programming. Mustonen and Pulkkinen enumerate the number of aggressive acts per hour of television included in this research and find that "the rate of aggression and the brutality of aggression on Finnish TV were moderate" (Mustonen & Pulkkinen, 1993). Their study provided another facet to the comprehension of cultural differences between Finland and America. There were gaps, however, in the areas of financial impact on the public system. Information regarding specific funding and allowances in the Finnish system would be helpful in furthering the current study.

Weather Forecasting and Television

Adding to the background of television, the current study is focusing, primarily, on the effects that both commercial and public broadcasting systems may have on the science of

broadcast meteorology. Similar to the vast amounts of information available on the commercial broadcasting industry in the U.S., there was a wide range of topics dealing with broadcast meteorology and its association with the media. The decision on what to include for review was based heavily on whether or not the source contained references to the effects that television stations may have on the forecasts that their broadcasts meteorologists were putting on the air. Such examples include articles by Wood's article on computer models, Socci's on credibility, and Stuart, Schultz, and Klein's text on the role of humans. The concern of many of the studies reviewed was that a commercialized industry is having a negative effect on the ability for these meteorologists to produce accurate forecasts grounded in the science behind weather forecasting itself. Again, Socci discusses increased competition between stations unrealistic forecasting periods as a culprit (Socci, 2007). Socci is supported by the American Meteorological Society (AMS). In addition, Wood is concerned that computer models coupled with TV weather forecasts can lead to confusion and misrepresentation when it comes to informing the public (Wood, 2008). This information is exactly what needs to be investigated further. Finally, Stuart, Schultz, and Klein mention that many forecasters are unqualified for their jobs and more knowledgeable forecasters need to be present (Stuart, Schultz, & Klein, 2007). There was, however, little information available regarding how weather forecasters function in a public broadcasting system.

Members of meteorological academic communities have the loudest voice when broadcast meteorology is concerned, and they provide a majority of the information regarding this subject. For example, sources from the AMS, like Socci's, are greatly concerned with this area of study, and one of their main arguments is that commercialized television is pushing broadcast meteorologists to forecast for unreasonable periods of time. Socci gives examples of 10- and 15-day forecasts that, they claim, lack scientific skill and accuracy (Socci, 2007). Considering this point, the AMS provides a great deal of information and argumentation for the advancement of weather forecasting. Lorditch's article on such advancement goes into detail about the strides that have been made in the science. For example, Lorditch states that flashflood forecasting has improved 43 percent in the recent decade (Lorditch, 2009). Overall, the information that can be found within these sources can greatly enhance the understanding of the successes and failures that can be seen within the field of broadcast meteorology. Further

research will still need to be conducted, however, to examine the effects a public broadcasting system may have on weather forecasting for television.

Differences in Forecasting Technique

In addition to interests in the types of broadcasting that employ meteorologists, literature pertaining techniques in weather forecasting was obtained and reviewed. Research conducted in this area will seek to improve forecast quality and accuracy. Sources like the Finnish Meteorological Institute (FMI) dealt with the process of gathering meteorological data and interpreting the information via scientific methods. According to FMI, such methods include satellite imagery, local observations, and sea buoys (Institute, 2008). Out of all the literature reviewed, these sources provided the most detailed look at topics like data collection, interpretation and forecast generation. In addition to detailed descriptions of data collection, like those found Benkiran and Greiner's article, these sources also provided the greatest comparison between forecasting in the U.S. and Finland. For example, Benkiran and Greiner mention that "data assimilation in meteorology has generally been performed in an intermittent manner over the last decades" (Benkiran & Greiner, 2008). Taking into consideration the heavy reliance on computer models, as mentioned by Wood, it may seem that there is little comparison to be made between Finland and the United States.

Both countries, however, have their own means of utilizing these models and errors and successes may be found on either side. Wood's article discusses a false forecast that predicted too much snowfall for Philadelphia (Wood, 2008). On the other hand, Lorditch cites an increase in hurricane track prediction from 336 miles to 111 miles over a 20-year period (Lorditch, 2009). Once again, the AMS examines the existence of computer models in the forecasting process. Stuart, Schultz, and Klein speculate on the future of forecasting if computers were to take the place of human intuition (Stuart, Schultz, & Klein, 2007). This information details the number of forecasters that view their job as mechanical and a source of income and discusses how the advancement of computer-model technology could easily replace these people and have a negative or positive effect on the science of weather prediction in America (Stuart, Schultz, & Klein, 2007). On the other hand, Finnish sources, like the FMI, indicate a reliance on computer models that can easily be compared to that of the U.S. in the way that ensemble forecasting is

utilized (Institute, 2008). Either of these techniques have an effect on the accuracy and skill of broadcast meteorology.

The Current Study

As mentioned before, the research in progress seeks to find a solution for economic woes that may be facing both the public and commercial television broadcasting industry. Although it is difficult to determine the initial effects of the crisis on the industry without conducting further research, the literature reviewed does provide a strong background in the history, development, and operation of both broadcasting sectors. The overall goal of this research is to determine which elements of both public and commercial companies could lead to the success of each. More specifically, the study will investigate the way broadcast meteorology is affected in each circumstance and what kind of solution can be constructed for those companies that are sacrificing scientific accuracy for entertainment value.

Methodology

For this study, there was a specific methodology employed throughout the research process. Analyzed in the research is literature on the topics of broadcasting, journalism, and weather forecasting. The information obtained for these three main areas was obtained through a variety of research methods. Literature on each subject was reviewed in addition to interviewing professionals in the respective fields. From the research and general knowledge of the study subjects, the concepts overviewed focus on the broadcasting industries of both America and Finland. Specifically, the study deals with standards of journalism in weather forecasting and broadcast meteorology. The research being conducted in this study is similar to numerous studies conducted by the American Meteorological Society in the way that it analyzes accuracy of forecasts and developments in forecast technology. Similarly, studies conducted by the Finnish Meteorological Institute (FMI) relate to the current research being conducted. The FMI analyzed different methods of data collection and forecast generation, which is what this study analyzes in addition to placing that data next to a journalistic standpoint. The research is different in the way that it compares both public and commercial broadcast companies in both the United States and Finland and focuses on the subject of broadcast meteorology. The combination of these fields combines elements of research from studies like Socci, Mustonen and Pulkkinen, Seppänen.

The data examined in this study comes from a variety of sources and can be analyzed in a number of different ways. From the broadcast side, numbers of viewers per station, customer surveys, and ratings polls are reviewed. Using a comparison between the public and commercial stations, and understanding of which type of broadcasting company will be ascertained. Statistics regarding the accuracy of forecasts throughout select time periods will also be examined to determine whether or not accuracy increased or decreased over time in both the public and private sectors. The criteria came from published statistics provided by specific television stations. In addition, interviews with professionals in the broadcast journalism and television media industries are used as a supplement to the statistical data collected. These professional testimonies and reports come from a variety of sources ranging from professors of broadcast media to broadcast meteorologists.

As with all studies, this study has its share of limitations. The science of meteorology is an ever-changing field. As technology improves and the accuracy of forecasts changes year to year, it is impossible to make a solid definition of which area, commercial or private, is the best choice. As some stations acquire more funding, their technology may increase their ability to give the best forecasts over time. With a set time period for research, advances in the technology and accuracy of forecasts has the potential to change dramatically at the conclusion of this research. In addition, access to financial records and commercial funding to the stations featured in this study are limited. Without exact financial statistics, the correlation between funding and forecast accuracy cannot be defined exactly.

This study serves as an opportunity for journalists and, specifically broadcast meteorologists, to determine what areas need to be improved when it comes to reporting. With the competition between public and private stations ongoing across the globe, this study will help future journalists determine which kind of station suits their ideals best. On the other hand, this study does not provide information on which station will lead to a journalists' maximum success as far as careers are concerned, nor does the research supply data on the specific accuracy specific journalists' reports.

Research

The research conducted during this study yielded several results that paint an interesting picture for the modern television broadcasting scene both here in America and in Finland. With

the literature on the topic, interviews with professionals, and statistics available for the stations involved, information on which direction the industry is headed was able to be found and interpreted.

MTV3

The Finnish broadcasting company known as “MTV3” was an important focus point in the research of this study. According to the MTV Media site, the station has been in operation since 1957 and was the first commercially funded station to broadcast in Finland (MTV Media, 2008). The creation of MTV3 was a major step in the commercial revolution that Western Europe was about to experience. The station was third to join Europe’s “two other commercial TV companies: the UK’s ITV and the Central European RTL” (MTV Media, 2008). Interestingly enough, the stations earliest programs were broadcast using public competitor Yleisradio’s airwaves (MTV Media, 2008). Throughout its history, MTV3 developed business strategies similar to American counterparts. When it comes to commercial broadcasting companies, there were few differences between the Finnish MTV3 and American WTAE-TV in the area of station revenue. Based on several interviews with professionals in the field like International News Correspondent, Kalle-Ville Lathtin, two broadcasting stations are both funded by commercial revenue (Lahtinen, 2009). The sale of advertisements and promotional campaigns by company sales representatives is the major source of funding for the programming and broadcasts and is directly affected by the economic conditions facing the stations’ respective nations and the world’s economy. The ability for stations to hire personnel and develop new programming is directly influenced by the amount of money being brought in from advertisements. As the economy goes down, the number of people working for a station and the number programs offered goes down as well. MTV3 has experienced this downfall in recent months according to Lahtinen. Commercial sales essentially stopped in December of 2008 which left network executives high and dry (Lahtinen, 2009). This decrease in revenue has caused some networks to make drastic changes. Because of these changes, MTV3 had to revise its budget for 2009 (Lahtinen, 2009). Cuts from production were among a small portion of the alterations made. Revisions included cutting morning news programming, cutting European Election coverage, and reducing the overall budget to 20% of what it had been in the previous edition (Lahtinen, 2009). With the commercial news companies competing with other stations as well as publicly funded stations, these cuts are never a good move. Because of the nature of funding, however,

they are necessary in order for a station to stay afloat. Over time, these cuts may lead to loss of viewers and reputation as news programming is impacted. Of course, in a good economy, the opposite is true. According to MTV3's publicly distributed annual report for 2008, MTV3 was reaching four million viewers every week (Metula, 2009). This number of viewers is a considerable number when the Finnish population is taken into account. With an estimated population of 5.3 million people at the end of 2009, this commercial station has a broad share of Finnish viewers (Google, 2010). In addition, the report mentions an increase in viewers and internet users. This increase report states weekly visitors to the MTV3 News Site was up 35% in 2007 (Metula, 2009). Information regarding viewer demographic was also obtained from this station. The report discloses that the MTV3 is the number-one station for the 25-54 year-old population (Metula, 2009). All of these statistics combined make MTV3 the largest "media house" in Finland. With daily news content totaling three hours across 10 different shows prior to the budget cuts, it is no surprise that this commercial station has taken the majority of viewers away from the publicly funded station "YLE (Metula, 2009)."

YLE

Yleisradio (YLE) has been broadcasting television and radio since the early part of the 20th century. The station first began to broadcast to Finland in 1926 (Marketing, 2010). The difference between YLE and MTV3 is the source of funding. According to Gregory F. Lowe, professor at the University of Tampere, Finland, YLE's revenue and financial support comes from the government (Lowe, 2009). Basically, all Finns pay a tax for television service. This tax, in turn, goes to the government to support the television programs being broadcast over the Finnish airwaves (Lowe, 2009). With this constant tax and income for YLE, the stations under its control have a steady flow of cash to put into programming. This programming is aimed at what Finns are said to want to see. It is for this reason that YLE's core value is to serve everyone (Lowe, 2009). While this may be true, the popularity of paying a tax for television is waning. With the technological revolution that is taking place across the globe, people are looking for new, exciting, entertaining and free ways to get their news. YLE just does not offer all of these attributes. In general, the Finns view the station and its news to be "credible, fair, accurate, and boring (Lowe, 2009)." On the other hand, Finns find the commercial stations, like MTV3, to be "entertaining, interesting, fun, but not very trustworthy (Lowe, 2009)." Clearly there is a

difference between the two types of stations. It is no wonder, then, that Europe is beginning to move toward a more commercialized broadcasting system. With success in the United States, the trend seems to be growing worldwide. With the economy in such bad shape in the recent months, however, it is difficult to predict just how drastic the move toward commercialism may be.

WTAE

With so much competition going on in Europe, an American perspective on the situation is required to judge how different stations are being affected and what can be said for the future of commercial and public stations. One specific station involved with this study is WTAE-TV in Pittsburgh, PA. WTAE is similar to MTV3 in the way that it is a commercially funded station which generates much of its revenue from the sale of advertisements (Cropper, 2008). Unlike MTV3, however, WTAE is one of hundreds of smaller television markets across the United States. In fact, WTAE was most recently ranked 23rd out of the top 210 markets in America when it comes to size and number of viewers (Nielsen Media Research, 2009). Considering the audience size, broadcast size, and business model, this makes WTAE and MTV3 comparable. The major difference between the two stations is that MTV3 is competing for viewers across the entire nation of Finland. In the past decade, however, MTV has seen a rise in competition from stations like Nelonen, which is also a small-niche-audience station. WTAE is facing fierce competition from two additional Pittsburgh-based stations, both of which are commercial (Cropper, 2008). This competition between the three stations taxes advertisers to the limit, and with the recent downfall in the economy, many of these advertisers have cut back. This trend, along with changes in technology, has created a visible impact on the way WTAE does news. The elimination of a “weather producer,” robotic cameras, and a reduced number of broadcast meteorologists are only a few of the signs that the station is looking for ways to save money (Cropper, 2008).

The Future of Broadcast Television

With the answers found from researching both commercial and public stations, conclusions may be drawn about the future of either sector. With technological revolutions like the Internet and the increasing number of web sources for television, news, and weather, stations, both public and private, are being searching for new ways to bring in business, viewers, and readers. Originally, these companies had different origins and reasons for their chosen method of

funding. YLE, for example, was begun in the 1920s, because it was the Finnish and the Western European belief that radio, and eventually television, had the ability to change the masses (Lowe, 2009). YLE was kept publicly funded through the government to prevent developing communist groups from starting their own private companies with potentially sinister goals (Lowe, 2009). With this powerful new tool to communicate with entire countries, Europe and Finland were strict in regulating the broadcast industry. With the endless possibilities for the dissemination of news, i.e. the Internet, Facebook, Twitter, YLE's methods of broadcast are obsolete. America, on the other hand, saw broadcasting in a different light. Because of the capitalist economy in the states, media in America became based on "select groups" rather than the population as a whole (Lowe, 2009). Television and radio became supported by those who were able to afford such technology, which led to the commercially-funded system still in place today. America's unwillingness to trust the government during various periods throughout the 20th century also led to the scarce development of government-funded television (Lowe, 2009). While America's commercial television still dominates the airwaves in the United States, the historically "standard" public television in Finland has lost ground to the rise of the European commercial system. This shift began in the 1980s after the European Union pressured members to create commercial media in order to enhance ties between European countries (Lowe, 2009). This has since created a constant dialogue between the two systems. The commercial sector claims that the public stations distort the market place and gets into subjects they should not like pop music, and the public side retaliates often claiming that the commercial stations do not care about the poorer population of Finland. (Lowe, 2009). As a result of this conflict, there is a constant discourse in Finland about what media should be and what its function should be. In the U.S., this discourse is often seen between competing commercial stations. The absence of a prominent public sector in America leaves what disagreements could arise up to speculation. What is clear with both public and commercial companies in both Finland and America is that broadcast news is losing viewers to partisan newscasts like FOX (Lowe, 2009). Trends in editorial newscasts are on the rise and some stations are finding it difficult to adapt. Challenges facing the future of broadcast media in both Finland and America are how to get young viewers/readers interested and what a new more successful business model may look like.

Conclusions

As stated before, the purpose of this study was to focus on a comparison between the broadcasting systems of Finland and the United States. The comparison sought to find which system features the most quality programming with regard to broadcast journalism. The comparison showed the differences and similarities between the two systems and determined which system provides the most accurate and objective reporting in the areas of news and weather forecasting.

After reviewing all the research and drawing final conclusions, the results of this study speak for themselves. With the current economic situation and lack of funding for some commercial stations, the quality and accuracy of broadcasts and forecasts can be affected. Where cash flow is steadier and stations can rely on continuous public support, the number of people working on a story is greater than that of similar stations that are losing money and, consequently, losing people. This is a direct result of the fact that news and weather forecasts are for a profit. If the number of viewers wanes, advertisers will no longer buy commercial airtime during news broadcasts. With the lack of commercial revenue, broadcasts inevitably suffer. Though a difference was originally thought to exist between the style of broadcasting found in Finland and the style in America, aside from language and cultural differences, the journalists' story-telling part of the reporting was very similar. Though the advances in technology have led to more accurate reports and forecasts as a whole across the globe, the number of people available to interpret the data being put out by that technology has dwindled in some markets due to the current economic conditions. With a more extended research period spanning multiple years, rather than months, a more accurate assessment of the differences between the two countries may be made. Questions about forecast accuracy across different seasons would be examined further in addition to tracking the accuracy of temperature and conditions on a day-to-day basis for both Finnish and American stations. Finally, as the technology associated with content being broadcast via the internet develops and improves, additional research could be conducted on the effects this revolution has had on the television industry.

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**NURSING; Universalities and Diversalities;
A Comparison of Nursing in Nicaragua and America**

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OVERVIEW OF NICARAGUA

The republic of Nicaragua is the largest country in Central America spanning 53,762 square miles. The country has a population of over 5.6 million people. Managua is the capital of Nicaragua and is the largest city with over 1.6 million people. Nearly all Nicaraguans speak Spanish but other dialects include English and Miskito. Eighty-five percent of Nicaraguans follow the Roman Catholic religion. It is a tropical country where the average temperature is 81 degrees Fahrenheit. The average rainfall ranges between 40-70 inches annually. The population is young and growing. Life expectancy at birth is sixty-nine years for males and seventy-three for females (Aliprandini, 2009).

Nicaragua has one of the lowest levels of education in Central America. As the country descended into civil war, fewer resources were available for education, and schools were frequently attacked by counter-revolutionaries. The literacy rate is sixty-eight percent. Primary education, comprising six grades, is free and mandatory, however; many students do not attend school and if they do, they do not complete the primary grades. Nicaraguans share common foods that are found throughout parts of Latin America which include tamales, grilled meats, and enchiladas. They have, however; developed their own distinct cuisine which include; gallo pinto, a combination of rice, beans, and onions (Ross, 2007).

When asking Edgar Largaespada about his native country he said, poetry is the most popular literary form in Nicaragua. Many native poets have influenced the course of Latin American literature. Baseball is the national sport and the country's professional teams receive tremendous support (personal communication, 2010).

Land is the most important natural resource. The forests cover approximately 27 percent of the land. Deforestation is an ongoing environmental problem. The regions' volcanoes have deposited ash into the soil which creates excellent conditions for agriculture. The economy relies on the export of agriculture commodities like coffee, sugar cane, tropical fruits, corn beans, rice, and peanuts. Nicaragua has significant mineral deposits, but only gold, silver, and salt are mined. The currency in Nicaragua is the Gold Cordoba, approximately 21 cordobas equal 1 US dollar. The per capita GDP is \$2,628 and about half of the population lives at or below the poverty line. Monthly salaries range from \$40-50 US dollars as well as about 45 percent of the population is either underemployed or unemployed (Aliprandini, 2009).

The government is a republic. The president is chief of state, head of government, and commander in chief of the armed forces. The president and vice-president are elected by popular vote and serve a five-year term. The national health care system is inadequate for approximately ninety percent of the population because it is under-funded, unequipped, and under-staffed. The infant mortality rate is high and continues to increase and children often suffer from malnutrition. Lack of clean drinking water, inadequate housing, and poor sanitation also contribute to the many health problems. Most doctors and hospitals are found in urban areas which makes it even more difficult for citizens in rural areas to get the medical attention they need (Ross, 2007).

NURSING AS A DISCIPLINE

For years now, researchers have been discussing what category nursing falls into; whether it is a profession, discipline, or an occupation. To truly understand the meanings behind the words, one must look at the original description of the word. The Flexnor report, which was originally published in 1910, set a standard of what a profession is by looking at 155 medical schools in America. Through his research, he identified a number of criteria he believed were required for the formation and authenticity of a profession. These were:

Professions involve essentially intellectual operations; they derive their raw materials from science and learning; this material they work up into a practical and definite end; they possess an educationally communicable technique; they tend to self-organization; they are becoming increasingly altruistic in motivation. (Flexnor, 1915 p.904)

In British Columbia, the Registered Nurses Association of British Columbia (RBNAC) established several attributes that serve to legitimate nursing as a practice profession. These include:

Professionals are responsible and accountable to the public for their work. Professional practice is based on a specialized body of knowledge. A profession provides a service to the public. A profession is self-regulating (1988, p.5).

According to Northrup, the notion of nursing as a professional discipline emerged within the strong movement to establish a specialized knowledge base for professional practice. The professional discipline classification came about to distinguish nursing from other accepted

academic disciplines. Differentiation of nursing roles encompasses the matching of knowledge, values, and skills of the individual nurse to the health/illness needs of the public who they care for. These characteristics will not serve any purpose to either the public or the profession if the various roles are not built on a common core of values, knowledge, and skills and should not change by nursing role or practice site (2004). These essential roles should form the fundamental foundation of the Registered Nurse's responsibilities and nursing education at all levels.

Nursing science continued to advance and evolve our specialized body of knowledge in the past couple decades and will continue to grow in future decades; it is an ever changing field. There are many different aspects in which they have laid the ground work for the establishment and recognition of nursing as a basic academic discipline and science. These areas include a growing number of nursing theories and frameworks specific to guiding, informing and enhancing practice, the development of congruent research methods, and a body of impressive scholarly works. Disciplinary means the existence of boundaries that differentiate nursing science from other fields (Northrup, 2004). Once established as a distinct domain of knowledge, responsibility for expanding the conceptual basis of nursing science, for articulating extending nursing's contribution to healthcare, and ultimately clarifying the difference we make to the people we serve, rests within nursing and not with other disciplines.

In McIntyre's article, caring was the main theme identified in the curriculum when discussing discipline, shaping both the study and practice of nursing. Educational and nursing literature have led both to planning and teaching of courses aligned with the assumptions and values sensitive to human being, human experience, and human health. The discussion of caring includes both subtypes of caring inquiry and caring practice to emphasize the importance of ethical relations in the use of nursing knowledge (1995). The foundation in which nurses practice involves the characteristic of caring which every nurse should behold.

NURSING AS AN "ART AND SCIENCE"

Through theory and research in nursing practice, nursing has been defined by an art and a science. The art of nursing develops from the compassion of the nurse to the patient. Some believe it is taught as the "hidden curriculum" which is the curriculum of subtle socialization, of

teaching students how to think and feel like nurses. Laboratories and lecture halls do not allow students to truly learn the art of nursing. The heart of nursing is in the nurse/patient interaction. Through Idczak's research, she was able to show that clinical experiences provide excellent opportunities for student to learn the art and science of nursing together. She also learned that nursing education must be restructured to include an equal balance between the art and science of nursing. Traditionally, nursing programs require a heavy science focus in the curriculum as well as the use of behavioral objectives to measure outcomes of the educational process which further reflect a heavy focus on science (2007). This results in students becoming more focused on an applied science that borrows from medicine and biological and physical sciences. Paterson and Zderad believe that "science may provide the nurse with knowledge on which to base his/her decision but it remains for the arts and humanities to direct the nurse toward examination of value underlying his/her practice" (1976, p.3).

NURSING AND HEALTHCARE

The state of health care in the United States has and will continue to have a profound effect on the nursing profession. Watson (2001) contends that roles have evolved such that nursing has strayed from its roots. The future of the profession demands that nurses reestablish a fundamental philosophy for caring-healing work. This includes becoming authentically available to others, accessing, and interpreting timely information. Although the nursing field has adopted the role of the patient advocate, the public has not quite fully recognized this nursing identity. In order for this to occur, nurses must effectively address meaningful patient-related issues at the national, states, and local levels. The shifting of decision-making power from federal to state offers more opportunity for nurses to establish connections, watch for chances to initiate change, and propose policy and legislation. With medical-science background and an orientation to assisting others, nurses are more than qualified to help shape the future of healthcare (Des Jardin, 2001).

While most American businesses have responded to the challenges of a global economy by restructuring and becoming more responsive to a faster changing world, health care has not. Organizational hierarchy in the healthcare industry remains largely centralized (Swiadek, 2009). Therefore, the obstacles of cost-containment are resolved from the top level directors who are

not as familiar with the every day events that are occurring like the nurses and other healthcare professionals working on the floor.

As part of government's proposed reforms in healthcare provision, the Department of Health (DoH) states that there should be further expansion and blurring of professional boundaries. The DoH states that healthcare professionals should be educated in a manner which allows flexible ability to work across traditional and professional boundaries (DoH, 2000). The government's aim is to begin interprofessional education at an early stage to reduce professional barriers, but it is clear that the distinction between professions in the health care setting is already established and would be extremely difficult to white out.

Melling and Hewitt-Taylor take a different approach in looking at new healthcare roles by first describing what the nurse's responsibilities should entail. Nurse-led care is described as encompassing the roles at the interface between nursing and medicine. Nurse-led care entails nursing sharing some of its function with medicine. In nursing there is still a tendency for role development to also represent taking on areas of practice previously carried out by other professional groups, notably medicine. It is therefore important to distinguish how nurse-led care differs from nurses adopting individual tasks that would once have been the province of medicine. Nurse-led care should mean nurses planning and providing care, some elements of which may be medical interventions or tasks, but in an encounter in which patient empowerment and autonomy are central. It should also extend beyond equality between patient and healthcare provider and include equality between healthcare professionals (2003). Nursing needs to be able to articulate its unique value clearly in both local and national facilities in order for everyone to have a common understanding of the nurse's role and limitations.

NICARAGUAN NURSING THRIVING THROUGH THE POLITICAL ERA'S

Understanding a country's nursing history is crucial in recognizing the large amount of factors that have influenced nursing care. Events from the past can help researchers determine present and future relationships leading to the creation of new ideas and therefore bring about massive contributions to the nursing profession. Speciale & Carpenter once said, "historical research opens windows into the past creating new ideas and reshaping human thinking and understanding" (2003).

Social, economical, and political determinants have a direct correlation with decisions regarding the nursing profession and its linkage to a nation's health care trends. In 1912 and again in 1930, the US marines occupied Nicaragua due to internal government struggles. The United States' nurses associated with the marines had a major contribution to founding the structure of modern nursing in Nicaragua. During the 1930s, the presence of U.S. military forces brought physicians and nurses who oversaw government facilities and helped develop a health care system known today as the Ministry of Health.

By the 1950s the Ministry of Health in Nicaragua took control of nursing education and practice. The nurses appointed to run the Nursing Department for the Ministry of Health were responsible for planning, controlling, and evaluating nationwide, the nursing services of hospitals and health centers as well as the National School of Nursing. During this time period, nurses established important positions in the Ministry of Health. The Division of Public Health Nursing was created in 1958 and nurses appointed were actively involved in defining their roles and functions. There are very few historical written accounts on the history of nursing that can examine their contribution to the development of the health care system (Zamora 2006). Therefore, there is a major gap in trying to analyze nurses' identity as professionals and as individuals who have made significant contribution in the improvement of the nation's health in Nicaragua.

Nicaragua, as well as the rest of Central America, has been through social, economical, and political modifications that have had far reaching consequences. Such changes include economical reforms moving towards free market reforms. Also, political changes have evolved from a dictatorship to a government-centered ideology to a civil society termed "democratization". Nurses are affected in these national transformations since they are involved as direct care providers and administrators within the health care system. Throughout the 20th century, nurses from the United States have continued to impact the formation of nursing education. Looking at the current condition of Nicaragua; it seems that there might be a need for more international nursing assistance and exchanges that could help Nicaraguan nurses as well as other nurses in Central America, to the creation of new nursing education and practice models.

According to Dr. Carl Ross, in 1972, there was social stability until Nicaragua had a massive earthquake in Managua that left 10,000 dead, 20,000 injured and more than 200,000

homeless. This natural disaster had a negative economic impact and Somoza dictatorship was subjected to more serious criticism and attacks. In response, there was an intense repression by the government. The National Sandinista Liberation Front in 1979 led the overthrow of the Somoza's 40 year dictatorship. In the 1980's, Nicaragua experienced monumental changes politically and socially. The government guaranteed free health care and education. Nurses were aggressively involved in health prevention and promotion of activities and playing a leading role in the promotion of health care volunteers known as *brigadistas*. These *brigadistas* were sent around the country giving vaccinations and basic health aide (personal communication, March 26th, 2010).

Nursing was significantly impacted by this political restructuring that occurred with the overthrow of the Somoza's. The country was so desperate for nurses that the students received government funding for their tuition, room and board, and an additional stipend for personal expenses. Most nursing schools accepted students with a 9th grade proficiency, which ultimately led to a decrease in the quality of nursing care in the hospitals and community settings. The 1980s also brought a civil war between the Sandinistas and the Contras that lasted ten years. The economy suffered serious losses in which the damage to the country's infrastructure and productive activities was close to 221 million dollars (Zamora, 2009).

The next decade brought peace and stability. There were free elections and the first female president in all of Central America was elected. From 1998 to 2000 the number of students attending universities increased by 64,000. The Nicaraguan people were hopeful that this was going to be a time of change and things would improve, but it would be nearly impossible to change such an impoverished country (Guevara, 2009).

During the Somoza dynasty nursing was generally looked down upon by society, but it remained a feasible career opportunity for low income, young women, who could not afford university-level tuition, but desired to have professional training in order to move up the social ladder. The Ministry of Public Health in the 1960s visited public schools all over the country recruiting potential nursing students to enter into the National Nursing School.

Nursing programs were three years in duration and modeled after the diploma schools in the United States. The nursing curriculum included: fundamentals of nursing, pharmacology, medicine, surgery, and specialties of neurology, orthopedics, urology, pediatrics, neonatology, obstetrics, and psychiatry. At the end of the third year, students did a five month clinical rotation

in the hospitals and health centers. The quality of nursing was adequate since there were just a handful of students, good hospital conditions, and available material resources. Since there was barely any university of nursing education during the 1960's, the Ministry of Health sent nurses to other countries in Central America and the United States for one year of courses in nursing education, nursing administration, family planning, pediatrics, psychiatric nursing, and obstetrics (Zamora, 2006). During this decade, most nurses did not hold university nursing degrees, and other nurses could have seen these studies as opportunities for professional and personal growth. The Sandinista era imposed significant changes in nursing education. In the 1980s hundreds of students entered MINSA nursing schools for free. The nursing curriculum was changed to a more preventative approach, expanding in community health nursing. The curriculum included travels to remote areas to immunize children and conducting community assessments. Nicaragua adopted the Cuban nursing education model, dropping the training acceptance standards from upper-level to middle-level technician, in hopes of expanding health care coverage.

Unfortunately, this program only lasted two years after student enrollment in nursing schools dropped (Stevens, 1998). As educational standards decreased, the quality of nursing practice and care decreased as well.

The health care system implemented auxiliary personnel in which they were trained in 6-12 months but had the same level of practice as the midlevel technician program. The program seemed to recruit many people because basic nursing care increased to four times the number of nurses. The Ministry of Health was still searching for a health care model that would fit their needs and requirements. The Cuban health care model was partially utilized as well as implementing *Brigadistas* (community lay health workers), the large amount of auxiliary personnel, and attempting to increase the number of physicians all came together to try and make a different health care system. Over time, it showed the hospital needed more qualified health care professionals than auxiliary personnel and depended more on professional nurses (Guevara, 2009).

University Schools of Nursing regained total autonomy during the Violeta Camorro era, which had been lost during the Sandinista regime. University based schools offered new modalities in nursing education, for example post-RN programs with specialties in maternal and child critical care nursing. Master nursing faculty progressively emerged. A small number obtained masters in public health. MINSA established connections with Duquesne University

and George Mason University in 1993 and the universities conducted seminars in which nurses from all over the country attended the courses. A special nursing educational program was conducted, The Nicaragua/American Project in which 21 Nicaraguan nurses traveled to Duquesne to receive these courses. The program included learning modules in community health, adult health, nursing administration, critical care, and medical surgical (Zamora, 2006).

In the interview with Ross, he described from 1997 to 2007, the Constitutionalist Party held power while diversification of nursing programs continued to develop. Nursing curriculum underwent reform and the first four-year nursing program was instituted at the UPOLI School of Nursing in 1999. Although there had been an increase in the number of students graduating from nursing school, it was still insufficient to meet all the needs of the Nicaraguan population. The number of physicians continued to rise but MINSA lacked adequate funding in which to invest in the formation of more nurses (personal communication, March 12th, 2010).

From the poor economic conditions of the country, hospitals and health centers severely lacked enough resources and equipment for the number of patients in need. Also, the nursing students were limited in their learning from the inadequate resources in the labs and materials/books in the classrooms in order to receive a proper education. The primary means of support from the hospitals was the mentorship program involving student nurses, but because of the nurse's heavy workload, unsteady working conditions, and salaries of only 100 US dollars a month, they did not have the time or energy (Guevara, 2009). These economic obstacles had a negative effect in the nursing education in Nicaragua.

HISTORY OF AMERICAN NURSING

Despite the differences politically, economically, and socially, the United States and Nicaragua have numerous similarities in nursing. The nursing profession has struggled for decades to prove their profession as a highly respectable and honorable career. Regardless of how hard they fight, there are many stereotypes that keep popping up and refuse to be laid to rest. Unfortunately, the media encourages certain images of nursing, such as the young, sweet, and sexy, to the efficient, starchy, older nurse. They also convey images of the underappreciated doctor's aide, to the ministering angel. None of these images accurately represent the role of a nurse.

Social influences in the society have deemed nursing as a female profession which makes it incredibly difficult for males to join in this community. Men in nursing have a misconstrued stereotype of being homosexual, low achieving, and effeminate. Men currently compromise 5-6% of the work force in the United States (Martorella, 2010).

The education of nursing has steadily grown to become known as a difficult schooling for students as opposed to the late 1800's, where it was more of an apprenticeship. Currently we have opportunities for nurses to get their doctorate and excel in the health care field. The lowest form of nursing is the diploma which is not an academic degree, but an educational degree. It is operated by hospitals and clinical institutions. Many states are looking to phase out diploma schools in order to increase the level of practice preformed. Associate's degree was formed in response to a nursing shortage in the 1950's and is the most common type of basic nursing education in the United States. Associates degrees are found at community or junior colleges. Baccalaureate degrees began in the early 1900's and was referred to as the gateway to graduate degree. It is a four year academic degree. A graduates degree is broken up into different specialties which include; education, administration, Nurse Practioner, Clinical Specialist, Nurse Midwife, Forensics, and Informatics. The first nurse earned a Doctorate in 1927 and now the US has more than 60 programs (Ross, 2009).

All nursing programs must have state board nursing approval in order for their graduates to take the licensure examination. Accreditation is a voluntary review process by a professional accrediting agency. Accreditation compares the quality of the education with established standards and criteria. Once a school is accredited, reaccreditation takes place every 8-10 years. The education of nursing in both Nicaragua and the United States has come a long way and still has immense potential to continue growing. Since the foundation of Nicaragua's nursing, educational programs have been taught by American Nurses and the preparation and basic health skills come from the same roots. They might vary slightly, but comparing both curriculums, the main concepts are similar.

War has always made a tremendous impact on nursing and change came about, based on impact from the various wars. The American Civil War was the main reason that nursing schools were first initiated. The conditions were horrible on the battlefields and the amount of injuries would grow exponentially each day so the women who were not on the forefront helped in other ways, like tending to the sick and wounded.

Clara Barton began an independent campaign to provide relief for the soldiers. She worked outside the government's official organization and refused to join military nurse's corps. Her devoted care to aid the soldiers earned her the title "Angel of the Battlefield". She then went on and became the founder of the American Red Cross. During World War I, the flu epidemic occurred, and nurses responded in the provision of care to soldiers. The epidemic increased the public's awareness of the necessity of public health nursing.

Congress passed a bill in the 1920s that provided nurses with military rank. This increased the use of hospitals and an acceptance of the scientific basis of medicine. The crash of the stock market in 1929 had a profound impact on nursing. Nurses lost jobs in private duty. Schools of nursing closed down due to decreased external funding. In World War II, nurses accompanied troops to Europe, resulting in severe shortages of nurses at home. Cadet Nurse Corps were started to increase recruitment to schools of nursing (Ross, 2010). War has made a tremendous impact on the way nursing has progressed throughout the years. Each war has prompted an increase in demand for nurses as well as the several women who changed the future of nursing.

DIVERSALITIES OF NICARAGUAN AND AMERICAN NURSING

Although nurses in both the United States and Nicaragua are both taught the same way in school, the way they practice differs dramatically. When looking at nurses taking care of patients on a medical-surgical floor, the ratio of nurses to patients varies greatly. A study done in Massachusetts researched nurse patient ratios and found the average to be one nurse for 5 patients on a medical surgical floor (Blegen, 1998). According to Largaespada, in Nicaragua, the average is around one nurse to 40 patients. Therefore, due to the numerous patients Nicaraguan nurses are responsible for, there is not enough time to complete health assessments on each patient so the responsibility lies on the physicians to complete. Role confusion happens too often in the hospital between the nurses and physicians because the duties learned in school are not practiced in the hospital setting because the physicians believe it is their responsibility and they outnumber the nurses greatly. There is a five to one ratio of doctors to nurses in the hospital which only hinders nurses even more to practice to their full capabilities. When comparing the nursing shortage in both countries, Nicaragua is in much more of a crisis.

The salary between a registered nurse in the United States and Nicaragua are both on the low spectrum of possible career salaries but Nicaragua's is much less. Nicaragua's average annually salary is 2,136 US dollars in comparison to United States' yearly salary of 62,527 US dollars (personal communication, April 5th, 2010). Both countries are very underpaid in comparison to other careers in which a college degree is required.

A major difference in Nicaragua is that once a student completes their degree, they must work one year of social service for the government before being able to chose where they would like to work. The government mandates this to ensure that students will not get a degree and then leave the country to work elsewhere. Nurses have no say as to where they will be placed and what they will be doing.

To truly understand the differences between these two countries, one must witness firsthand the practice of nursing in Nicaragua as well as America. Sims writes in her diary, "stool samples lie in match boxes; urine samples are in open baby food jars. In the postpartum area, a woman still in street clothes snuggles her baby; the baby is wrapped in a blanket, wet and bloody from the delivery. They rest in an old bed; the only patients who have linens are those who bring them from home...Infectious control on the unit seems to be nonexistent. Dirty syringes are tossed into the garbage; the only staff member wearing gloves is the physician" (1997, p.20)

My fellow classmate, David Lee Folk whom I traveled with to Nicaragua, explains it best in describing the conditions of the hospital,

"The rooms house as many as eight patients in each, with nothing to separate their bed spaces. As we walk along, the safety hazards are flying through my mind. Beds are high off the ground. There are no guard rails. The windows are left open for ventilation, allowing insects to have free reign though the halls. We pass a bathroom that is under construction, and the air becomes choked with dust. We pass the nursing station at the end of the hall, though it looks more like a bombed out foxhole. Cabinet doors hang off their hinges. The counters are filthy. The paint is peeling off. A sickly shell of a man passes us in the hallway. There are no IV poles for such low-priority patients, so he carries it himself. I watch him for a moment as he shuffles pitifully down the corridor" (personal communication, March 21st, 2010).

There are many contributions to the lack of sterility and sanitation, the main cause is lack of funding.

Since there is universal health care, the government does not have enough money to provide all the hospitals with necessary equipment and resources for everyone needing health care assistance. The country provides universal health care in terms that they will not turn anyone away who comes to the hospital seeking medical assistance, however, anything after that, whether medications are administered or a wheelchair is needed, the expenses come out of the pocket of the patient. When one sees chest tubes draining into empty coke bottles or a man using a straw to blow up a glove as a substitute for an incentive spirometer, it shows Nicaragua is severely lacking in essential supplies that a hospital needs to survive.

After looking at all of the universalities and diversalities, one can determine that the main differences between Nicaraguan and American nursing are availability of resources, staffing, role confusion, and governmental service. Both countries nursing programs are set up in similar ways and the faculty use comparable curriculums to teach the students. Nursing in both countries are impacted when political changes arise and new wars are begun. When comparing the two countries politically, economically, and socially, they differ drastically, but when looking at nursing, one may see a greater number than expected of similarities.

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**Ownership Structure and Monopolization: An Analysis of Publicly and Privately Owned
Life Insurance Firms**

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Abstract

Life insurance companies can be publicly or privately owned, but what advantages are there to each structure and why? Through intensive literature research, it is clear that there are distinct differences in the management theories, goals, and purposes of the two ownership structures. Further, the evidence suggests that each structure holds certain advantages over the other. The potential for monopolization of one of these structures is examined, but due to the numerous tradeoffs in the two structures, it is unlikely this would occur. The literature shows that there is a need for more research on the subject of ownership structure since a very slim body of knowledge exists and the subject is very speculative.

Introduction

It is intuitive that there is a difference between publicly and privately owned firms. It is also clear that there must be advantages to each type of structure. If this were not the case, one structure would hold too many advantages to make the other competitive, thus driving them from the market (Jensen & Meckling, 1976). So what advantages does each type hold, and how can they both stay competitive in the market? This question is important since a greater body of research that gives better familiarity with these advantages, and disadvantages, will allow for better understanding of these firms and a larger knowledge base to make business decisions as the head of one of these companies.

Background

The structure of ownership is not a topic that has garnered a lot of scholarly attention. With that in mind, it is easy to see that further research is necessary to gain more insights about these important differences between privately and publicly owned firms (Perry & Rainey, 1988). Privately owned firms are owned by a group of investors or a sole proprietor. These firms are called “mutual” firms and do not have stock that is publicly traded in theory. This means that the firm does not have to base financial decisions on how it will affect stock, but what will be best for policyholders in the long-term. A publicly owned firm, however, has stock that is traded on an exchange, so ownership changes hands frequently. The goals for a public firm are typically more focused on the short-term gains of the stockholder. Whether a firm is working for the stockholders or the policyholders can play a large role in the decision-making process. This will be discussed in greater depth.

Research on privately versus publicly owned firms has accelerated in recent years (Rainey & Bozeman, 2000). This includes a new body of literature about special topics on private versus public firms in recent years. This is an essential topic for competing businesses and scholars alike. Why has one ownership structure not monopolized the market? Is there potential for monopolization in the future? What would the corporate culture look like if there was not a competition between these structures? These are just some of the questions that will be answered in a few sections.

Summary of Findings

The following table (Figure 1) summarizes advantages and disadvantages of privately versus publicly owned firms for various related issues found in this study. Each of the topics listed will be explained further.

	Privately Owned	Publicly Owned
Separation of Ownership and Control	Advantage	Disadvantage
Agency Costs	Large Advantage	Large Disadvantage
Stability of Credit	Large Advantage	Large Disadvantage
Average Credit Rating	Large Advantage	Large Disadvantage
Investment Risk	Advantage	Disadvantage
Firm Size (Average)	Advantage	Disadvantage
Dispersion of Ownership	Advantage	Disadvantage
Regulation	Small Advantage	Small Disadvantage
Administrative Intensity	Advantage	Disadvantage
Efficiency	Similar	Similar
Percent of Market	Large Disadvantage	Large Advantage
Raising Capital	Large Disadvantage	Large Advantage
Benefit to Investors	Large Disadvantage	Large Advantage

Figure 1: Advantages and Disadvantages of Privately Versus Publicly Held Firms

Review of the Firm

There has been much speculation about the nature and tendencies of the firm. Because of this, there is a robust body of research and speculation on the firm. Goals, purposes, and management theories are all part of this research. Jensen and Meckling define a firm as “a legal fiction which serves as a focus for a complex process in which the conflicting objectives of individuals ... are brought into equilibrium within a framework of contractual relations” (Jensen & Meckling, 1976). Because of this, a firm behaves like a market and uses a complex set of contracting relationships to delineate the rights of the parties involved.

In their article, “The Theory of the Firm,” Jensen and Meckling assert that firms are able to be successful despite the agency costs inherent in the corporate form (Jensen & Meckling, 1976). An agency cost is the cost that is associated with the separation of ownership and control, stockholders and managers, and the interests of the two parties. These agency costs are much more common in a publicly owned and traded corporation since there is far more separation of control. This then, is a disadvantage for a publicly held firm. Yet, investors will still invest their money in firms despite these agency costs. This is a testament to how solid a model the public firm is, as these costs can be enormous.

Another significant characteristic of the firm is that it can also use resources that can be more efficiently ascertained by the conventional search through the general market and thus promote competition (Alchian & Demsetz 1972). This is significant because it provides more evidence to suggest that the firm does behave like an efficient market itself to find an equilibrium with competition. Finally, Coase states that the purpose of a firm is to forecast and operate through the price mechanism by the making of new contracts. Furthermore, management merely reacts to price changes and rearranges the production factors that they can control (Coase, 1988). Therefore, management cannot control all aspects of the firm, but will use the factors that they can control in order to react to price changes and stay competitive in the industry. The goal is essentially to remain competitive no matter what happens in the market. This is true for all types of ownership. Conclusively, the firm is a very essential, yet broad topic in scholarly research that includes many different theories and added complexities. Even though it is such a broad topic, this knowledge about the firm is a platform on which to base the effects of public and private ownership on firms.

Review of Ownership Structure

The first thing to note about ownership structure is that on average, private companies will have a higher credit rating than their public counterparts (see figure 2).

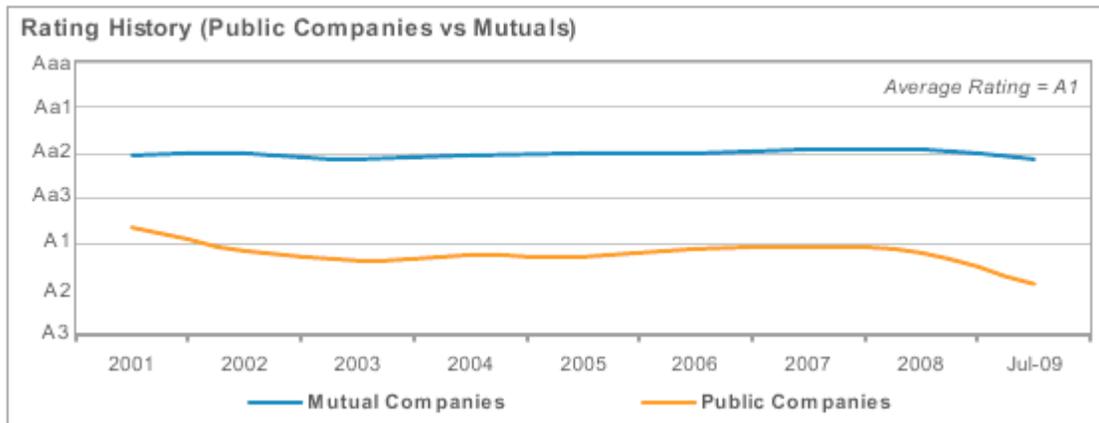


Figure 2 (Fliegelman, 2009): History of Moody Ratings for Private and Public Firms

Note that the figure from Moody's average credit ratings in 2009 of life insurers shows that large private firms have held a higher average credit rating with little variation, even with the recession that began in 2008. With the stock companies, there was significantly more fluctuation of average credit rating consistent with the business cycle. This may likely be due to a public firm's dependence on capital markets, which fluctuate over time. So when the economy is booming, public corporations will have more capital and get higher credit ratings. Conversely, when the economy is in a downturn, the public firms will see adverse effects in their credit ratings.

Another interesting note is that the average ratings for stock companies were always lower than those of the private companies, even during expansion. So why is this? The answer may be that stock companies tend to be more risky than mutual companies (Lamm-Tennant, 1993). Public firms tend to take on more risk because of their potential for greater reward and expanding shareholder wealth. Making riskier investments is more common for stock companies who are seeking higher returns. An example of this is AIG. AIG is a publicly held company that took on subprime mortgage investments. This was a risky strategy that caused a financial crisis for the company and a downgrade in their credit rating from AAA in 2004 to A1 in 2009 (Fliegelman, 2009). Investments like these are far less likely to be made by privately held companies, which explain their higher overall rating due to less risk.

The literature on ownership structure deals with other relevant topics that can aid in the understanding of ownership structure. Demsetz and Lehn point out three determinants of ownership structure: value-maximizing size, control potential and systematic regulation

(Demsetz & Lehn, 1985). First, the structure of corporate ownership varies systematically in ways that are consistent with value maximization. The larger a firm is, the larger the firm's capital resources ought to be as well. This gives a greater value to each portion of the firm's parts, which should diffuse ownership (Demsetz & Lehn, 1985). Since the ownership would be spread over more parts of the firm, it could cause the firm to specialize in bearing specific risk types within the company. (De Alessi, 1973). This would mean that each part of the company will have a specific task and risk associated with that task. Instead of having fewer divisions in the firm and having greater total risk to each part, specialization will occur with diffusion of ownership and risks will become associated with that division of the firm. Specialization in what parts of the company bears what risks is an advantage to the rational owner as it will have a tendency to maximize the potential for each sector of the firm. Another advantage is that a diffuse ownership will likely keep the costs of capital lower, which could help make more profits. Because of this, it would seem proper that both a publicly owned or privately owned corporation would attempt to seek this advantage by increasing their size but keeping sectors diffused to specialize and maximize potential. However, a privately owned firm has the edge with this ownership structure determinant because it is privately owned and can therefore diffuse ownership as seen fit by policyholders and managers, not as the stockholders see fit. In a study by Adams and Hossain, it was observed that privately held firms are generally larger than publicly held firms, and had a more diffuse ownership (Adams & Hossain, 1996).

The second determinant of ownership structure, control potential, is more difficult to measure says Demsetz and Lehn. The authors define control potential as "the wealth gain achievable through more effective monitoring of managerial performance by a firm's owners" (Demsetz & Lehn, 1985). This means that, if there were no agency costs, control potential would have no role in ownership structure. When the ownership of a public firm and the managers have shared goals for the firm, the corporation will do well and the control potential will be minimized, which will increase the firm's value. However, the problem is that all too often the stockholders interests conflict with those of the managers of the firm. These agency costs will be a disadvantage to a public firm. Private firms incur less agency costs, and the ownership has more direct control over the managers of the firm. Exercising too much ownership control may seem to lower the value of the firm though; this is more relevant to a public firm (Demsetz & Lehn, 1985).

The final determinant, regulation, restricts the options of owners. Regulation heavily favors neither a public nor a private firm, but rather has an effect on both. Regulation causes a lot of scrutiny by regulators to replace management if the balance sheet looks too risky (Demsetz & Lehn, 1985). This slightly favors a private firm because the change in management will not have the potential to drop the price of investing in the firm. The management change could cause less interest in investing for a time, but if the price significantly decreases in a publicly owned firm, this is a disadvantage.

Another note on ownership structure differences is administrative intensity. Administrative intensity is defined by Pondy as “the number of managers, professionals, and clerical workers divided by the number of craftsmen, operatives, and laborers employed by the organization” (Pondy, 1969). Pondy’s work found that administrative intensity will decrease with organization size and increase with functional complexity as well as the separation of ownership and management (Pondy, 1969). Due to these findings, it is found that a privately owned firm tends to encounter less administrative intensity. Since private firms tend to be larger than public firms (Adams & Hossain, 1996), administrative intensity would be less for a private firm. Also, separation of ownership and management are much greater in a publicly owned firm than a privately owned firm. This being the case, it would cause a higher administrative intensity for public firms compared to private firms yet again. Functional complexity is the only factor that does not favor a public firm. Pondy states that, “if all occupational specialties in an industry are equally populated, then only the number of occupational specialties needs [to] be counted to get a measure of functional complexity” (Pondy, 1969). Therefore, functional complexity shows a bias toward neither a public nor private firm. Overall, that gives private firms a definitive advantage over public firms with respect to administrative intensity.

Also, Greene and Segal found in their study on the profitability and cost efficiency in the life insurance industry that, on average, there is no significant relationship between cost inefficiency and organizational form (Greene & Segal, 2004). This is an interesting note as it gives an advantage to neither public or private firms with respect to cost efficiency. This is because stock companies may be more effective at disciplining managers because of the threat of a takeover, giving a public firm more cost efficiency. But a private firm negates that advantage by effectively eliminating owner-customer conflict because the owners are the policy holders themselves (Greene & Segal, 2004). However, there is a positive correlation with investments

and inefficiency and a negative correlation with annuities and inefficiency. This means that the investments business tends to be less cost efficient and annuities business tends to be more cost efficient (Greene & Segal, 2004). This is another interesting side note that does not necessarily give either ownership structure an advantage or disadvantage. The most interesting part of the study was that Grene and Segal found that the life insurance industry was 20% inefficient on average. Anecdotally, managerial behavior and perceptions are highly affected by ownership structures (Lachman, 1985). Lachman points out that higher formalization levels and less flexible internal managerial processes in public firms can cause the managers of public firms to believe that the rewards of their jobs are lower than that of those in the private sector (Lachman, 1985).

In general, the difference between publicly and privately owned corporations may seem insignificant at first, but when analyzed, we find that the differences can be quite substantial; causing business to be conducted in completely different manners for both types of company. There is no evidence that private insurers are less cost efficient than public insurers (Cummins & Zi, 1997). Mutual companies do tend to have higher incurred underwriting losses than do stock companies, but tend to have risk management and long-term sustainability planning that enables them to survive better in a bear market (Maguire, 2009). Mutual life insurance companies are likely to have higher asset specificity; lower incidence of reinsurance and cost of governance than stock life insurance companies as well as tending to be larger in size (Adams & Hossain, 1996). Mutual companies also have decision hierarchies that pass initiatives of the lower agents to the higher level agents, first for ratification, then for monitoring. Stock companies tend to reward agents both for initiating and implementing decisions for ratifying and monitoring the decision management of the other agents (Fama & Jensen, 1983). According to a study by Winklevoss and Zelten, mutual life insurance companies' surplus (for the largest five firms) has consistently exceeded the need for such funds in the past; they have ample margins to cope with all the risks facing them which create the need for a surplus (Winklevoss & Zelten, 1973). Also, publicly traded firms exhibit a greater international presence than privately held firms (Mascarenhas, 1989). As mentioned earlier, stock companies are riskier than mutuals. Stock firms tend to have more lines of business than mutuals but are not significantly less concentrated in more lines of business than mutuals. Stock firms have greater concentrations in geographic areas that have the greatest risk as well, contributing to their overall higher risk (Lamm-Tennant

& Starks, 1993). Finally, given that we have public policies that establish regulation and cover for insolvencies, society is often thought to be better off with the continued presence of mutuals. Mutuals tend to write less risky policies. Market contracting costs are also smaller for mutuals, which also have less insolvency. Mutuals also have lower levels of regulation and are less susceptible to moral hazards (Morse). Overall, mutuals appear to have many advantages compared to publicly owned firms. This leads to the question if these advantages are substantial enough to lead to monopolizations of private firms.

Is Monopolization Possible?

Because of the aforementioned reasons, it seems like it would be a better business decision to be a privately owned firm, as they have a number of advantages over a publicly held firm. So if this is the case, why are 90% of U.S. life insurers publicly owned firm (Greene & Segal, 2004)?

The first reason for more public firms than private is that raising capital is much easier in a public firm. With a stock company, you can issue new equity in the form of common stock or preferred stock to raise funds for expansion. With a private company, you do not have the ability to raise money in the form of an IPO like a public firm can. Instead, a private firm must raise money for investment or expansion by attracting private investors to invest in the firm, or they must simply bide their time and choose projects and security investments carefully in order to grow the company over a more extended period of time from within the funds they already have. But this is not feasible for all owners or firms, especially insurers, which is why many will take their firms public. It is far more time consuming to raise money as a sole proprietor or partner, than having a public offering of stock to raise funds quickly and easily. So it seems unlikely that sole proprietors would benefit from a monopolization of the firms as private because they would be forced to raise capital in a more difficult way, causing less expansion in the businesses. In much the same way, a sole proprietor would not be in favor of having only public firms either, as it would eliminate “family businesses” that are a part of their life and an extension of their personality. If all firms were public, a firm would have to always start out with an IPO to raise funds. If this were the case, it would be more difficult to start a small business, but more importantly, the founders of the firm would have the potential of being forced out by the

stockholders. Because of this, a business founder would want the option of being a private or public firm, and could switch partway through the life of their career.

Another reason why the public firm has not been forced out of the market is because of the investor's preference for liquidity. A liquid investment usually has much more value to an investor than a non-liquid investment. Investors can be individuals that do not have much to invest, or major corporations that are throwing a lot of financial weight around in the market. They all seek liquidity. If their investment is performing poorly, they want to get out of it fast and put that money into a stronger investment. This is another significant advantage for the public firm. Public firms are extremely liquid due to the exchanges of common stock both electronically and in physical markets. Investors can get into a firm's ownership, hold stock for a short period of time and reap the benefits of the firm's profits. With a private firm, issuing bonds is the main way to invest. The issue with these bonds is that a private firm needs very large amounts of money from these bonds, which shuts out small investors. The other issue is that they have fixed returns. It is beneficial for the risk-averse to have fixed rates, but in general, this limits returns even in expanding markets. This potential for a higher rate of return is another key advantage for a public firm in the eyes of the investor.

With this in mind, is monopolization of an ownership structure type possible? Yes, monopolization is possible, but extremely unlikely. On one hand, there are many advantages to conducting business from a private perspective, but on the other hand, raising capital and gaining investors are big advantages for public firms. The most likely way to have a monopolization occur would be to have a major economic collapse. If the economy of a nation receded by a large margin for many years, economic pressure could push public firms out of the market. If an economy collapsed in such a fashion, the public firms would be more likely to crash more quickly than the private firms. This can be seen by the recent economic recession and life insurance companies. Public companies that had capital through equity had their stock prices significantly drop, which hurt the business and caused layoffs and smaller profits. One such firm that had its prices drop was The Hartford Life Insurance Company. The drastic price drop resulted in layoffs at The Hartford to avoid bankruptcy. During the same period, mutual life insurers such as New York Life, Northwestern Mutual and MassMutual all had growth and issued dividends to their policy holders. If this recession had been more severe and lasted for much longer, companies in situations like The Hartford would have trouble staying solvent and

could potentially shut down. This could also lead to the eventual monopolization of the market by private firms.

The monopolization of a market by private firms could cause major social problems. If all the firms were mutuals, then the small investor would have no where to put his or her money except in a bond, CD, or money market account. The average rate of return for all of these would be lower than for a well diversified stock market portfolio. So investors would be a major loser if monopolization occurred by private firms. The other loser would be the consumer. If all of the public firms left the industry, there would be significantly less firms doing business. Because of this, the supply of goods and services would decrease significantly. If the supply decreases, the prices will go up. So not only will the consumer have less options to choose from, each option would cost more. This is a highly unlikely scenario. Monopolization of ownership structure by private firms would be beneficial to the business owners, but not for the investors or consumers. Expansion would take far more time because it would be harder to raise capital via equity, and the overall economy would slow.

As alluded to before, if the monopolization of public companies occurred, the business would be hurt, as would the economy. The economy would have trouble with the lack of private firms because private firms tend to be the largest. This business would be taken over by public companies, which may not have the capacity to take on as much business. Another key issue to having public companies monopolize the market is that business itself would be hurt. All firms would then have a focus more on the short-term gains and increasing shareholder profits. Furthermore, if a publicly monopolized economy fell into an extended recession, many firms may become bankrupt and supply could sharply decrease, causing extremely inflated prices on goods and services. All in all, investors would gain from monopolization of the organizational structure by public firms, but consumers would again lose, as would business itself.

Conclusion

Throughout our study, we've assessed the status of the firm, reviewed the forms of ownership structure in a corporation, and discussed monopolies in the ownership market. We found that there appears to be significant advantages to doing business and creating profits for the private ownership type. Most advantages were for a private firm, not a public firm, but public firms were still a large percentage of the market, so we looked into what advantages could

possibly keep public firms so well-entrenched in the market. We found that the ease of raising capital by way of equity and investor interest were the main reasons that public firms continue to exist. We then explored the possibilities of a monopolized market with respect to ownership structure and found that economic forces made this unlikely. Our study also indicates that a monopolization of ownership structure by either type could potentially be bad for the economy as a whole and cause higher prices for consumers.

A limitation of this study is that it is only based on a literature study, where a combination of previous literature was used to formulate hypotheses tested by thought experiments. A more comprehensive and precise study would include real-world data that was gathered over the course of a few years from a significant group of both private and public firms. As a result, further research on the topic is required to draw additional conclusions.

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