

# MEDIA ECONOMICS



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# Mass media



- Diversified media technologies that are intended to reach a large audience by mass communication
- [http://www.sciencedaily.com/articles/m/mass\\_media.htm](http://www.sciencedaily.com/articles/m/mass_media.htm)

# Mass media



- Broadcast (radio, television)
- Publishing
- Print media (newspapers, magazines, books, etc.)
- Recorded music
- Cinema, films
- Outdoor media (billboards)
- Internet media – many mass media services (websites, blogs)

# We will concentrate on



- Broadcast in general (radio, television)
  - Particularly television
- Internet media

# Media



- Media -economic entities which work within economic context to produce and sell media content to consumers
  - Operate with a variety of business models and value- creation processes and in a wide variety of settings
  - Sold vs. Free
- Financed via advertising (none, some or all income), state and private subsidy

# Media Economics



- Explores the specific application of economics laws and theories to media industries and firms
- examines theoretical economic questions and practical economic questions to media of all types

# Media economics



- How economic and financial pressures affect:
  - The kinds of media available in society
  - Content of the media
  - Culture, politics and society as a whole



# Broadcasting



# Broadcasting



# Broadcasting



- A diverse range of radio and television services for entertainment, educational and informational purposes.
- Includes:
  - program production
  - Program selection for networks and local stations
  - Program delivery
  - Funding of this whole process

# Broadcasting



- A key sector in modern society, not only economically but, more than most industries, culturally, socially and politically.
- Is subjected to government regulation more than other cultural sectors

# Broadcast regulation



- Should broadcast be regulated?
- Arguments for and against
- Group discussion

# Broadcast regulation. Market failures



- Program diversity / Tendency to homogeneity
  - Competition, funding from advertiser reduce programme diversity and neglect minority tastes, duplicating popular programs
- Monopolistic market
- Asymmetric information (advertising)

# Broadcast regulation. Market failures



- Social and political effects
- Externality
- Merit goods
- E.g. programme with explicit violence
  - Induces (influence) actual violence from some viewers (externality)
  - Immoral even if not affecting people's behavior (merit good)

# Broadcast regulation. Policy



- Objectives:
  - Reduce signal interference
  - Increase programme diversity
  - Prevent private monopolies
  - Increase desirable social and political context

# Broadcast regulation Policy



- Instruments
- Control of access and introduction of new technology in broad casting
- Fiscal subsidy
- Regulation of ownership
- Regulation of programme content



# Broadcast regulation Policy



- Licensing (to reduce signal interference)
- Public broadcasting (diversity of programmes social and political concerns)
- Principal -agent problem' people are unable to transmit preferences easily to public broadcaster
- Political interference

# Broadcasting - television



- has become a commercial mass medium by the 1950s, competing for audiences with radio and other media

# Television – specific features



- Non – exhaustibility
  - Programme content can be used repeatedly without additional cost
  - With few incremental costs content can be translated into other languages and reach wider audience
  - Low cost of distribution
- Non-excludability – Free rider problem

# Television. Specific features



- Non-exhaustibility & Non excludability
  - Result in protection of intellectual property becoming relevant issue
  - Solution: content protected by copyright

# Television. Funding



- Advertisers
- Tax payers (government subsidies)
- Viewers (fees)

# Television - Government regulation



- Licensing
- Public broadcasting
- Problem political influence:
- License for set period, apply for license renewal
- Influencing public broadcasters through funding

# According method of financing we distinguish:



- Commercial media
- No commercial media
  - public broadcast media

# Dual system



- The coexistence of public and private operators on the basis of state **granted** and **controlled** broadcasting licenses



# Models of financing public medias



Method of financing	Country	Operator
licence fee and government subsidy	Great Britain	BBC
	Japanesse	NHK
	Canada	CBC
	Australia	ABC
licence fee and market financing	Germany	ARD, ZDF
	France	FT
	Italy	RAIS
	Holland	NOS
	Czech republic	ČT
	New Zeland	TVNZ
Market financing	Spain	RTVE
	Portugal	RTP

# Neil Postman



- Famous media theorist and cultural critic
- Works: Amusing Ourselves to Death, Informing Ourselves to Death, Technopoly: The Surrender of Culture to Technology



- „Television is our culture's principal mode of knowing about itself. Therefore - and this is the critical point -how television stages the world becomes the model for how the world is properly to be staged. It is not merely that on the television screen entertainment is the metaphor for all discourse. It is that off the screen the same metaphor prevails. (92)”

Neil Postman, *Amusing Ourselves to Death*

# Internet culture



- Rapid expansion of the Internet = rapid expansion of culture?
- No. The commercial purpose prevails.
- Free supply – guiding principle of the Internet



- Cultural goods – selling of books and e-books, CDs, videos
- Internet is used to offer product from personal MP3 libraries = violation of copyright restrictions

# Clearing the obstacles between artists and audience?



- Internet – direct interpersonal relations, free from intermediaries
- = lower cos at both ends of the supply chain
- Anyone is able to access the information on Web (order book, songs), but the idea dealing directly with consumer is fantasy

# Method of finance



- Charging users a network access subscription fee
- Advertising

# Internet platform for



- e-commerce, online media, financial trading, social networking and other Activities
- Feature of last two decades: dramatic growth
  - Amazon , opened 1995, today annual revenue over thirty billion of dollars,
  - Google – started 1998, today over billion dollars
  - Facebook – hundreds millions of users



# Some economics cost has become lower



- the cost of creating and distributing certain types of products and services
- the cost of collecting and using data on consumer preferences and behavior
- **Big distinction to traditional industries:**
  - Internet firms often have very low costs of serving additional user
  - Facebook, for example, grew to over 500 million users with less than 500 engineers (1 engineer to every million users!)

# Distinction to traditional industries:



- Internet firms often have very low costs of serving additional users numbers above is scale, or scalability
  - Facebook, for example, grew to over 500 million users with less than 500 engineers (1 engineer to every million users!)
- Customization
- Rapid innovation
- creation of new products and ideas

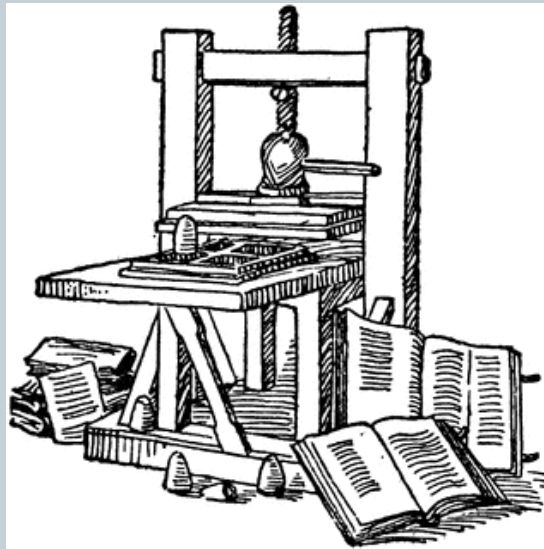
# Internet culture



- Internet was supposed to bypass entry barriers into cultural industry
- However, without promotion, a cultural good, even free, have difficulties to find an audience



*„Nothing could be more misleading than the idea that computer technology introduced the age of information. The printing press began that age, and we have not been free of it since.” Neil Postman*



# Sources



- *A handbook of cultural economics. Edited by Ruth Towse. Cheltenham: Edward Elgar, 2003*