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The Political Economies of Media and the Transformation of the Global Media Industries

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Setting the scene: baseline considerations

In this introductory chapter, I want to set the scene for this book and to paint a broad portrait of a certain view of communication and media studies, and the role of different political economies of the media in the field. Communication and media studies often labor under the illusion that political economy comes in one flavor, but here I suggest that we can identify at least four perspectives that have considerable currency in the field. They are (1) conservative and liberal neoclassical economics; (2) radical media political economy, with two main versions, the monopoly capital and digital capitalism schools; (3) Schumpeterian institutional political economy and two recent offshoots, the creative industries and network political economy schools; and lastly (4) the cultural industries school. Of course, neither all of this volume's authors nor communication and media studies as a field can be placed so neatly in these categories, but other approaches can be thought of as derivatives of them (e.g. cultural economy, neo-Marxian political economy, critical cultural political economy, and economic geography).

To begin, we need to clearly specify our "object of analysis." To that end, I focus on the "network media industries," a composite of the 10 largest media and internet industries, ranked by total worldwide revenues: television, internet access, newspapers, books, films, magazines, music, radio, internet advertising, and video games. These industries do not exist all on their own but are surrounded by the "social ecology of information" and flanked, on one side, by the telecoms industries and, on the other, by the information, communication, and technology (ICT) sector. I use the concept of the network media industries in a way that follows Yochai Benkler (2006). The construct refers to the core and emergent public communications media that migrate around various distribution networks and media platforms and devices. It is not convergence, per se, but a network of media tied together through strategies, capital investment, ownership, technologies, uses, alliances, rights regimes, and so on. Methodologically and empirically, the concept is an important tool because it establishes what is included and excluded from analysis.

The network media concept also reflects judgments about how far digitally mediated communication has been subsumed by the processes of commercialization and capital accumulation (McChesney 2008; Mosco 2009a; Schiller 1999a). I follow the cultural industries' claim that understanding the capitalization of the communication and media industries is essential but that the process itself is never complete (Miège 1989). In other words, digital network media are immersed within the market, but they also enable and depend upon forms of expression that are not market driven. These ideas line up well with Benkler's concept of the "social production of information" and what others call "gift culture," the "digital commons," and "mass self-expression" (Andrejevic 2007; Castells 2009)—an amalgamation of which I call the "social ecology of information" (see below). These ideas also fit well with the cultural industries school's emphasis on how the uncertainty and habits of people's lives and patterns of media use erect strong barriers to the complete commodification of media and culture.

Political economies of media take it as axiomatic that the media must be studied in relation to their place within the broader economic and social context. This context is undeniably one where capitalist economies have expanded greatly over the past quarter of a century, albeit at a relatively slow pace in most of the Euro-American "advanced capitalist economies" since the post-1973 "long downturn." After expanding across the planet, however, the global economy has staggered badly from one crisis after another in recent years, starting with the Asian Financial Crisis of 1997, followed by the collapse of the dot-com bubble (late 2000–3), and the global financial crisis that erupted in 2007–8. The impact of these events on all aspects of the network media has been substantial in the Euro-American countries. Elsewhere, however, almost all media, from newspapers to the internet, are growing at a fast clip, as is the case in, for example, Brazil, China, India, Indonesia, Russia, and Turkey (Organisation for Economic Co-operation and Development (OECD) 2010: 7; PriceWaterhouseCoopers (PWC) 2010: 29).

The fact that the global financial crisis (2008) fell so fast on the heels of the collapse of the telecoms–media–technology (TMT), or dot-com bubble, should certainly disabuse us of the notion that improved communications will create "perfect information" and therefore "perfect market," the mainstream economists holy grail. During the dot-com bubble years (1996–2000), the media, telecoms, and internet industries served as objects of massive financial investment and speculation (Brenner 2002; "The Great Telecom Crash" 2002). Some scholars also argue that the fast paced growth of business media, such as *Business Week*, CNBC, and *The Economist*, especially in India and China, have essentially served as the "handmaidens" of Wall Street and "the City" (London) (Shiller 2001; Chakravarty and Schiller 2010). Things are likely more complicated than that, however, as the chapters by Aeron Davis and

Marc-André Pigeon in this book explain, but can essentially be boiled down to the idea that elite business-oriented newspapers (e.g. *Financial Times*, *The Wall Street Journal*, *The Economist*), television channels (CNNfn, CNBC), and specialized news services (e.g. Bloomberg, Dow Jones, Thomson Reuters) help to circulate and crystallize certain key economic “conventions” among financial market traders, central bankers, policymakers, politicians, and journalists. The public is well aware of the financial world and its impact on people’s lives, but most people are neither all that interested in nor the primary subjects of these “convention-making conversations.”

Many observers argue that some segments of the media, journalism and music especially, that were already staggering from the steady rise of the internet and falling advertising revenues have been tipped headlong into the abyss by the global financial crisis of 2007–8. The financial crisis, however, has also spurred many governments to invest substantial sums of stimulus money into next generation networks (NGNs), basically 100 Mbps fiber-to-the-home networks. In Australia, Korea, France, the United Kingdom, the United States, and at least a dozen other countries, more than US\$71 billion has been pledged to develop universally accessible fiber and/or wireless-based NGNs over the next few years. The most ambitious of these projects, in Australia, will bring 100 Mbps fiber networks to over 90 percent of homes in the next 5 years through a new government-created company, the National Broadband Network Company (NBN Co.). In Sweden and Holland, municipal governments and cooperatives are doing the same thing (Benkler, Faris, Gasser, Miyakawa, and Schultze 2010: 162–4; Middleton and Givens 2010). These are the digital public works projects of the twenty-first century. Some wonder if they mark the renationalization of telecoms after 30 years of privatization and neoliberalism (IDATE 2009: 16).

In reference to the United States, Robert McChesney and John Nichols (2010) argue that the crisis now facing journalism will only be turned around if new forms of journalism and public media, including universal, affordable, and open broadband internet services, are well-financed by these stimulus projects. The range of such initiatives suggests that we live in unconventional times, and in such times the boundaries of what is possible expand. Of the nonconventional media options now on offer, Benkler (2010), Benkler *et al.* (2010), McChesney and Nichols (2010: 96–7), and Eli Noam (2009: 15–16) identify the following “ideal types”: public service media (e.g. BBC), employee or co-op ownership, effective nonprofit media (Wikipedia), municipal broadband networks, community media, small commercial media (Talking Points Memo, Huffington Post, GlobalPost), and volunteer partisan media (Indymedia). This is truly an impressive display of structural diversity. It is significant and should not be underplayed. But is it revolutionary? As we will see, that depends on whether you ask followers of Joseph Schumpeter or Karl Marx.

Perhaps, however, this is just another wave of “creative destruction” that happens every so often to wipe away the old, and usher in the new, as Joseph Schumpeter (1943/1996: 83) put it in his classic, *Capitalism, Socialism and Democracy*. This, I believe, would not adequately capture the essence of the situation either. There is scant evidence to support the view that traditional media are going the way of the dinosaur, although many of the media conglomerates cobbled together near the end of the twentieth century have since been restructured, dismantled, or fallen into financial disarray, as Chapters 6 and 7 in this book show. For the most part, however, the traditional media are not in crisis. Among the top 10 internet companies worldwide, 3 are well-known media conglomerates, and another is a nonprofit entity: Google, Microsoft, Yahoo!, Facebook, Wikipedia, AOL, Ask.com, CBS, Apple, News Corporation (News Corp.)—ranked by monthly users (Comscore 2010a). Internet-centric firms have obviously carved out an influential role for themselves, and this is even more apparent among second-tier firms, all of which are internet centric, with five Chinese firms figuring prominently among them: Glam Media (14th), Tencent (16th), Baidu (17th), NetShelter Technology (19th), and Alibaba (20th) (Comscore 2010a: s.03). Nonetheless, when we turn our gaze to the traditional media, the “big 10 global media conglomerates” are not, give or take a few additions and deletions, all that different from the end of the 1990s: Disney, Comcast, News Corp., Viacom–CBS, Time Warner, Bertelsmann, Sony, NBC–Universal, Thomson Reuters, and Pearson, ranked in that order on the basis of revenues (2009).

Of course, such rank-ordered lists assume that paying attention to the top 10 global media companies and top 10 to 20 internet companies is a wise thing to do. I believe that it is. Figure I.1 gives a sense of the scale of the telecoms, ICT, and network media sectors and the social ecology of information, respectively, and a portrait of how all the pieces fit together. Table I.1 introduces the biggest 10 players in the traditional media, internet, telecoms, and ICT sectors, respectively. Table I.2 then shows the revenues for the “network media industries” (the 10 largest media and internet sectors) from 1998 to 2010. The goal in each case is to establish some common empirical referent points for the discussion that follows. Each of the authors in the book also presents key elements of their own approach, essentially offering a guide on how to do political economy of media research. Creating a set of common empirical reference points also helps guard against what Terry Flew (2007) calls the “fallacy of big numbers,” that is, big numbers that come with no proper sense of scale. He implies that this is primarily a problem of critical media political economy, but it is far wider than that, as we will see.

Gathering information on the media industries, even in countries that are relatively open by global standards, is not easy (Noam 2009). In Canada, for instance, as my experience with the International Media Concentration Research Project (IMCRP)¹ shows, and in the United States, as other researchers

Figure I.1 The multiple economies of network media, 2009 (billions, US\$)

Sources: PWC (2010: 36), IDATE (2009: 24), Canadian Radio-television and Telecommunications Commission (CRTC) (2010), OECD (2007b: 163).

state, regulated companies' claims that the data they provide to policy-makers are "trade secrets" are often accepted and thus excluded from the public record. As a result, crucial data that are needed to properly examine the media industries are off-limits (Frieden 2008). Matters are worse in (ex-)authoritarian countries, as Guillermo Mastrini and Martín Becerra note in their study of the media and telecoms industries in South America in this book, because the topic has been a forbidden area of public discussion and academic research until relatively recently. Consequently, there is no systematic data collection on the subject, and much baseline research needs to be done.

Public corporate documents, such as Annual Reports, Financial Statements, and so forth, are essential reading for political economists. The 2009 Annual Report of Baidu—the world's 17th largest internet company,² and China's equivalent to Google—for example, offers important insights into its ownership, business models, and so on. It also offers an exquisitely detailed discussion of the difficulties of operating one of the world's largest internet firms in a country where that is strictly supervised by an all-powerful Ministry of Industry and Information Technology (Baidu Inc. 2010: 21–8). Consultants' reports can also be excellent sources of information but are often inconsistent over time, tied too closely to clients' needs, and prohibitively expensive. The *Global Entertainment*

Table I.1 The “big 10” in the media, internet, ICT, and telecoms industries (2009) (billions, US\$)

Firm	Ownership	Base	Capitalization	Revenue	International revenue US\$ (%)
“Big 10 global media companies” by capitalization and revenue					
Disney	Diversified	United States	49.5	36.1	24
Comcast	Roberts	United States	57.1	35.8	0
News Corp.	Murdoch and others	United States/Australia	26.5	28.0	45
Viacom–CBS	Redstone	United States	27.6	27.2	28
Time Warner	Diversified	United States	33.7	25.8	30
Sony	Diversified	Japan	20.2	21.7	27
Bertelsmann	Bertelsmann/Mohn	Germany	Private	21.4	65
NBC Universal	Diversified/GE	United States	161.3	15.4	25
Thomson Reuters	Thomson Family	Canada/United Kingdom	26.7	13.0	94
Pearson	Diversified	United Kingdom	11.4	8.8	87
“Big 10 internet companies” by capitalization and revenue					
Google	Brin/Page/Schmidt	United States	197.0	23.7	43
Yahoo!	Yang	United States	23.6	6.5	27
Apple Inc.	Steve Jobs	United States	164.1	4.0	55
AOL	Diversified	United States	2.5	3.3	12
Microsoft	Gates/Ballmer	United States	211.0	3.1	43
News Corp.	Murdoch and others	United States/Australia	26.5	2.4	45
IAC (Ask)	Diller/Liberty Media (Malone)	United States	2.5	1.4	15
CBS	Redstone	United States	27.6	0.6	14
Facebook*	Zuckerberg	United States	15.0**	0.15	NA
Wikipedia	Jimmy Wales Volunteer Foundation	?		Patron	?

“Big 10 telecoms companies” by capitalization and revenue					
AT&T	Diversified	United States	165.4	123.0	0
Verizon	Diversified	United States	94.0	107.8	0
NTT	Diversified	Japan	49.7	104.1	0
Deutsche Tel	Diversified	Germany	64.3	90.1	56
Telefonica	Diversified	Spain	127.5	79.1	65
Vodafone	Diversified	United Kingdom	92.1	70.5	87
France Tel	France	France government (27%)	66.1	64.1	56
Tel. Italia	Diversified	Italy	30.0	37.9	20
BT	Diversified	United Kingdom	8.7	36.8	22
Sprint Nextel	Diversified	United States	10.9	32.3	0
“Big 10 ICT companies” by capitalization and revenue					
Nokia	Diversified	Finland	47.4	57.1	57
Microsoft	Gates/Ballmer	United States	211.7	43.5	43
Apple	Steve Jobs	United States	164.1	32.5	55
Cisco	John Chambers	United States	130.4	36.1	46
Oracle	Larry Ellison	United States	98.0	23.2	56
SAP	Diversified	Germany	58.0	14.9	80
Ericsson	Diversified	Sweden	29.4	27.2	98
Sony	Diversified	Japan	20.2	57.0	75
Motorola	Diversified	United States	17.9	22.0	46
Alcatel-Luc.	Diversified	France	7.7	21.1	91

Note: Revenues for cross-listed firms were allocated by sector. ICT list compiled to include firms most relevant to media and internet advertising. *Facebook is a private firm; **estimate based on Microsoft investment of US\$240 million for 1.6 percent share.

Sources: Compiled using OECD (2008, 2009), Comscore (2010a), and Corporate *Annual Reports* and Bloomberg (2010), for each company.

Table I.2 The “big 10 network media, entertainment, and internet industries,” 1998–2010 (global revenues, millions, US\$)

	1998	2000	2004	2008	2009	2010 (estimate)	% change
Television	202,893	243,322	279,971	342,509	334,461	351,300	+73
Internet access	15,556	35,483	110,370	210,788	228,060	247,453	+1,490
Newspapers	142,794	156,641	174,395	174,723	154,887	149,317	+4.6
Books	94,442	97,340	103,407	109,485	108,201	108,516	+15
Film	46,484	52,803	82,834	82,619	85,137	87,385	+88
Magazines	69,814	76,972	75,817	79,931	71,475	69,548	−0.4
Music	51,201	54,000	62,955	66,802	68,436	71,410	+40
Radio	38,289	45,658	67,696	75,243	67,269	68,298	+93
Internet advertising	953	6,533	17,922	58,068	60,568	66,176	+6,844
Video games	15,968	17,738	27,807	51,390	52,507	58,168	+264
Total	678,394	786,490	1,003,174	1,251,558	1,231,001	1,277,571	+88

Note: I have taken the internet out of the telecoms sector and put it into the “network media.” Revenue for ICTs was extrapolated from figures for 2008 based on 4.5 percent per annum growth rate identified by IDATE (2009).

Sources: PWC (2003, 2009), PWC (2010: 33) for all segments, and IDATE (2009).

and Media Outlook by PWC that I use heavily in this introduction, for example, is US\$1,500 per edition for a single user or US\$6,000 for a library license. Online information sources such as Alexa.com, Comscore, Experien Hitwise, and Internet Stats World also offer timely data on internet use, some of which are free.

All approaches to the political economy of media take it as axiomatic that the media industries—the structure of the markets they operate in, their patterns of ownership, the strategies of key players, trajectory of development, and so on—are important objects of analysis. As Figure I.1 shows, ICTs are the biggest of the three sectors, with revenues of US\$1,817 billion in 2009 versus US\$1,326 billion for telecoms (excluding internet access)³ and US\$1,231 billion for all 10 segments of the network media industries *combined*. In total, the network media industries, telecoms, and ICTs had worldwide revenues of US\$4,374 billion, or about 6.5 percent of global GDP, in 2009 (IDATE 2009: 24). The social ecology of information is, by definition, “priceless” and is valued by different criteria (see below). Table I.1 identifies some basic descriptive characteristics of the “big 10” firms in each of the network media, telecoms, internet, and ICT industries: that is, capitalization, ownership, total revenues, global receipts, and national base. One other point that can be quickly sketched here is the rapid growth of the internet from about 200 million users worldwide in 1998 to 2 billion in 2010. The tectonic shift in the center of gravity of internet use to Asia, notably China, from the United States and Europe over this period also stands out (International Telecommunications Union (ITU) 2010: 201; see Figure I.5).

Two other features in Table I.2 are important for the discussion that follows. First, the network media industries nearly doubled in size between 1998 and 2010. The steady upward trajectory was interrupted in 2009 in the wake of the global financial crisis, but this was followed by the expectation that total revenues will clamber back to new heights in 2010 (PWC 2010; IDATE 2009). Otherwise, *every* segment of the media industries has grown, except for newspapers and magazines, which seem to have peaked in 2004, stayed steady afterward until 2008, before falling in the 2 years since. This trend strongly challenges claims that the traditional media are “in crisis.” Matters are not as clear-cut with respect to newspapers, however, with some arguing that the industry is in demise (McChesney and Nichols 2010; Goldstein 2009; Scherer 2010), while others claim that the fate of the newspaper business has always closely tracked the ups and downs of the economy, thus suggesting that the current state of the press reflects long-term trends rather than a crisis, *per se* (Garnham 1990; Picard 2009; OECD 2010: 6). I return to a detailed examination of these questions below.

The last word for now on Tables I.1 and I.2 and Figure I.1 relates to the concept of the “social ecology of information,” an idea that I appropriate mainly from Yochai Benkler’s (2006) account of the expanding diversity of

media and informational forms that are created for reasons other than money and profit. The “social ecology of information” has no direct, measurable economic value but instead should be seen as sitting in the background of the network media, ICTs, and telecoms domains as well as straddling both the market and nonmarket areas of life.

The “social ecology of information” concept is novel, but it is not new because all societies possess deep “stocks of knowledge” (Melody 1987; Polanyi 1944/1957). These “stocks of knowledge” are typically taken for granted but appear to be gaining greater visibility by being dis-embedded from their ordinary contexts and re-embedded in the flows of communication enabled by digital technologies.⁴ The fact that the internet pushes the ability to create and share information, by design, outward to the edges of the network and into the hands of more speakers extends and deepens such processes. This, of course, allows the market to penetrate into more and more domains of life, as many critical political economists argue (Mosco 2009a; Schiller 1999a), but it has also breathed new life into the social ecology of information as well (Benkler 2006; Lessig 1999).

The online encyclopedia, Wikipedia, is the poster child for these ideas, given that it relies on volunteer contributors, does not accept advertising, and is based on an alternative model of property, that is, the GNU Free Documentation License. Wikipedia is also the fifth most visited website in the world, another indication that the social production of information is not peripheral to either the internet or to digital media economies but is central to them (see Table I.2). The social ecology of information concept also reflects the fact that, historically, many foundational features of the internet—the WWW, Mozilla, Netscape, Yahoo!, Lycos, Google, TCP/IP, Linux, the hyperlink structure, and so forth—emerged from the public domain or “digital commons” (Lessig 2004).

The social ecology of information also retrieves an idea advanced by Aristotle more than two millennia ago, who observed that people devote some of their labor to meeting their own needs (i.e. *self-production*), the needs of others with whom they share a social bond (i.e. *the community*), and commerce (i.e. *the market*) (Swedberg 2005). These “multiple economies” are present in all societies and represent one more reason for using the plural “economies” in the title of this book. Lastly, the social ecology of information concept highlights another feature of *all* theories of media political economy: the understanding that information and communication are “strange commodities” or, in the language of neoclassical economics, public goods. As communication scholars grasp, communication uses peculiar symbolic expressions (language, symbols, images, gestures, thoughts) that do not conform to conventional definitions of products. Communication, and the media of communication, provides the “stuff” from which we build our sense of self-identity, our perceptions of the world, and social ties with others; it is a source of pleasure and conviviality and the basis upon which societies are organized. In other words, both the social

ecology of information and a broad view of our domain offer a more expansive view of communication than the conventional concept of “public goods” in neoclassical economics. As Robert Babe (1995) provocatively concludes, taking all of these ideas into account would lead to a fundamental transformation of economics into the political economy of communication.

Big sweeping trends, critical details, and political economies of the media

Political economies of the media evolve in relation to developments in their objects of analysis—media institutions, technologies, markets, and society—and to changes in scholarship. The fact that so much is changing around us means that we must be open to theoretical revision more than ever. People who embrace political economy do not just sit back passively on the receiving end of these changes but try to influence them by, among other things, doing policy-relevant research and fostering knowledge that can be used by social and media reform and activist movements. Just how closely scholarship should be tied to political ends, however, is a hotly contested issue, as we will see.

In the latter half of the 1990s, it seemed easier to speak confidently about globalization, particularly in its Anglo-American or neoliberal version, the consolidation of national and global media conglomerates as well as the wholesale triumph of the commercial media model of development that had first been staked out in the United States and subsequently exported around the world. However, it was the techno-enthusiasts who seemed to crow loudest, predicting the imminent demise of television (Gilder 1994), the music business (Barfe 2003), the press (Negroponte 1995), radio, and in short, the “old media regime” entirely due to the rapid growth of the internet (Thierer and Ekselsen 2008: 31).

Many critical media political economists responded to such triumphalism by taking an opposing tack, arguing that the “enormous market power of the media giants” gave them the capacity to “colonize the internet” (McChesney 2000: xxii). The unprecedented US\$350 billion amalgamation of AOL–Time Warner in 2000 appeared to confirm just such prospects (Bagdikian 2004: ix). The fact that AOL immediately abandoned its role as an outspoken advocate of the need for all internet service providers (ISPs) to have open and nondiscriminatory access to cable and telecoms networks to deliver their services to customers did not bode well either. This was especially true in light of the fact that AOL had played a lead role funding open access movements in the United States and Canada in the late 1990s, chalking up significant victories along the way. Once AOL–Time Warner was in place, however, vertical integration, synergy, cross-promotion, and portals designed as “walled gardens” became the “new norm.”

AT&T's resurrection as a dominant player across telecoms, media, and internet in 1998 also fueled concerns that the open, end-to-end internet was being sacrificed on the altar of corporate consolidation and convergence. The company's Internet Services CEO, Daniel Somers, further stoked the flames by exclaiming, "AT&T didn't spend \$56 billion to get into the cable business to have the blood sucked out of our veins" (quoted in Lessig 2000: 995). Legal decisions at the time giving AT&T the First Amendment right to program, edit, and control its network as it saw fit also seemed to bless the corporate takeover of the internet (*Comcast Cablevision v. Broward County* 1999). Telefonica's (Spain) purchase of Dutch television producer Endomol (e.g. "Big Brother," "Fear Factor," "Deal or No Deal") and the ISP Terra Lycos as well as the French utility and telecoms provider Vivendi's acquisition of Universal Film Studios indicated that these trends were global. As Peter Curwen (2008) observed in 1999, in the first of an annual series of articles published over the following decade, "the era of the telecoms, or perhaps more appropriately simply 'coms,' dinosaurs bestriding the world is upon us" (Curwen 2008: 3). Or was it?

The above examples were part of a bigger, global trend. Indeed, as Figure I.2 depicts, two powerful waves of consolidation, the first from the mid-1990s to 2000, followed by a more modest surge from 2003 to 2007, fundamentally restructured the network media industries. The first wave of mergers and acquisitions began in the United States in *anticipation* of the Telecommunications Act of 1996 and rippled outward as one country after another opened their markets. The 1997 World Trade Organization's *Basic Telecommunications*

Figure I.2 Worldwide mergers and acquisitions in the media and telecoms industries, 1984–2008 (millions, US\$)

Source: Thomson Reuters (2009).

Agreement consolidated these trends on a global scale. In the final 3 years of the 1990s alone, the capacity of global telecom networks multiplied 100 fold because of massive levels of investment and rapid development of the internet (Brenner 2002; Federal Communications Commission (FCC) 2000). These trends did not add up to deregulation, however, as the number of telecom and media regulators worldwide skyrocketed from just 14 in 1990 to 100 in 2000, to 150 today (ITU/UNCTAD 2007: 66). The mandate of these agencies, however, is not primarily to serve as a check on unbridled market forces but to deepen and extend them.

These dynamics fueled the rise of massive communication and media conglomerates that, at least for a time, stood at the apex of a rapidly converging communication environment. In the United States, vertical integration between all the Hollywood film and major US television networks reached unmatched levels, with Rupert Murdoch's News Corp. leading the way by combining Twentieth Century Fox film studios with the launch of Fox television (1985/86), Sony's acquisition of Columbia (1989), Time and Warner's merger in 1989 and launch of the WB network (1995), Disney's takeover of ABC (1995), Viacom's merger with CBS (1999), and later in the game, as General Electric–NBC purchased Universal Studios in 2004 (Winseck 2008). Elsewhere, particularly in midsize media economies such as Latin America and Canada, as Chapters 2 and 6 in this book show, family-owned media businesses morphed into huge media conglomerates, with some taking advantage of globalization to expand abroad and diversify (especially Televisa, Cisneros, Globo, and Canwest).

At the same time, however, and especially in Latin America, these large media groups remain at a crossroads, with ample opportunities to expand but their options hemmed in by the potential for powerful telecoms-based rivals to enter their domains, on one side, and by the more assertive regulators, on the other. In Latin America, media reform is now on the agenda in ways that would have been unthinkable a decade ago. Elsewhere, governments in Australia, Britain, Canada, the European Union, and the United States, among others, have conducted more examinations of media concentration in the past decade than the previous quarter of a century combined, and there is mounting public and scholarly interest in the issue (Baker 2007; Canada 2006; McChesney 2008; Noam 2009; Rice 2008; United Kingdom, House of Lords, Select Committee on Communications 2008). All in all, these are additional signs indicating that we may be witnessing the “return of the state” and standing on the cusp of a post-neoliberal era.

By the end of 2000, the TMT bubble had burst and with it many of the earlier prophesied scenarios failed to materialize. A decade after his 1999 article, Peter Curwen (2008) reached a very different conclusion, stating that rather than a handful of “coms dinosaurs” straddling the earth, “a settled structure” for the telecoms, media, and technology sector “remains a mirage” (Curwen 2008: 3). In fact, several bastions of the “old order”—Time Warner, AT&T, Bertelsmann,

Vivendi, and ITV, among others—have been restructured or dismantled since the turn of the century. Others have crashed entirely (Kirch Media, Adelphia, Canwest, Knight Ridder, etc.) or now stand on the brink of financial ruin (e.g. the Prisa Media Group). In 2005, Telefonica sold its stake in Endomol to Mediaset, the giant media group owned by Italian Prime Minister Silvio Berlusconi. Some elements of the media, the press in particular, appear to be in grave trouble, as venerable titles such as *The New York Times*, *Le Monde*, the *Guardian*, *Chicago Tribune*, and *LA Times* struggle to attract new benefactors, hive off parts of their operations, and lay off media workers in droves. By 2009, the severity of the situation led the Conservative Government in France to bail out the daily press at a cost of US\$800 million. In the meantime, websites such as papercuts.org and newspaperdeathwatch.com chronicle the carnage. As the Project for Excellence in Journalism (2009: 2) stated, this is one of the “bleakest” moments in history for journalism and the press in the United States (cf. Almiron 2010; McChesney and Nichols 2010; OECD 2010; Picard 2009; Scherer 2010; Starr 2009).

Which media political economy?

Making sense of this dynamically shifting terrain turns on the theoretical views and methods that we adopt. As indicated earlier, there is a tendency to see the political economies of media as constituting a single field (McChesney 2008; Mosco 2009a; Hartley 2009; Holt and Perren 2009). David Hesmondhalgh (2007, 2009a) offers an important exception in this regard by distinguishing between the McChesney–Schiller model and the cultural industries school, but even this framework strains to contain the diversity of views on offer. Here I broaden the lens to include the following: (1) conservative and liberal neoclassical economics, (2) radical media political economies (the monopoly capital and digital capitalism schools), (3) Schumpeterian institutional political economy and two of its contemporary progeny, the creative industries and network political economy schools, and (4) the cultural industries school.

Neoclassical political economy

The neoclassical approach is probably the most well-known school, instantly recognized by its stress on the “marketplace of ideas” in democratic societies. The heritage of John Milton’s *Areopagitica* (1644) through to John Stuart Mill’s *On Liberty* (1859) and the views of US legal jurist Oliver Wendall Holmes Jr in the early twentieth century, among others, offer a treasure trove of liberal

ideas about free markets and free speech that have been retrospectively fused together into the concept of the “marketplace of ideas”—a neat and tidy bit of phraseology that has lent the neoclassical cannon much rhetorical appeal ever since (Peters 2004: 79).

The two main wings of the neoclassical school—conservatives and liberals—are mainly divided over how each sees the potential for market failure and the role of governments. The latter are more open to the idea that markets sometimes fail and that governments will occasionally need to step in to set things right. However, in both cases, State intervention should be minimized to providing meritorious public goods (e.g. museums, libraries, and “high art and culture”), bringing a small number of essential services to areas not served by private business (e.g. broadband internet to rural communities), and striking a balance between the public good qualities of information versus protecting its status as valuable property. Conservative economists are likely to stress the need for strong government intervention to protect private property rights in information, while their liberal counterparts are more inclined to promote the idea that the wider the information is spread the more valuable it is. Information is a public good because after the high cost of producing the first copy of information is absorbed, the subsequent cost of reproducing, transmitting, and storing it declines quickly to zero—qualities that have been amplified greatly by digital communication technologies. Furthermore, when I consume information, it is still available for others to enjoy (i.e. it is non-rivalrous). For these reasons, the cost of excluding people from information is socially and economically inefficient, a conclusion that leads many economists to oppose strict copyright rules (e.g. Atkinson 2010: 13; Hayek 1945: 519; Pool 1990).

For neoclassicists, especially on the conservative and libertarian side, any notion that information is scarce is a delusion. As Adam Thierer and Grant Eskelsen (2008) of the US Progress and Freedom Foundation exclaim, “*to the extent there was ever a ‘golden age’ of media in America, we are living in it today*” (Thierer and Eskelsen 2008: 11, italics in original). In this view, the enormous growth of television networks and cable and satellite channels—MTV, HBO, ESPN, al Arabiya, Al-Jazeera, Canal1, to name just a few—has created a cornucopia of choice. Throw into this mix the internet, with its endless well of web pages, news sites, social media, music and video downloading services, and the freewheeling commentary of millions of blogs, and any concerns with media concentration are obsolete. Indeed, media markets have been utterly transformed by the proliferation of new technologies. Goldstein (2007) depicts the magnitude of these changes by comparing the state of the television universe in the 1970s versus today, as shown in Figures I.3 and I.4.

The above-mentioned authors argue that all of the layers in the media system—(1) media content, (2) media distributors, (3) media reception

Figure I.3 Television in the video continuum value chain, *circa 1975*

Figure I.4 Television in the video continuum value chain, *circa 2007–12*

Source: Goldstein (2007: 15–16).

and display devices, and (4) personal storage options—have become more fragmented and competitive than ever (Thierer and Eskelsen 2008: 13; Goldstein 2007: 17). Digitization and convergence are drawing different players from the media, telecoms, internet, and ICT industries into a common

field of competition. The portrait that emerges is of a complex media ecology organized as so many Lego building blocks that can be snapped together in an endless array of personal choices. If there is a problem, it is not media concentration but that fragmentation is eroding any sense of a common culture (Goldstein 2007; Sunstein 2007).

Of course, not all dimensions of the media conform to the textbook ideals of competitive markets. The existence of potential rivals, for example, to broadband internet networks providers—cable systems, telecom operators, satellite systems, IPTV, wireless cable, public utilities, VOIP, and so on—reveals a contestable market. In contestable markets, incumbent players do have opportunities to abuse their dominant position, but they are constrained by the prospect that rivals on the horizon could become real competitors in practice (Atkinson 2010: 8). Attempts by regulators to correct even limited cases of market failure, it is argued, will make matters worse. For instance, retaining limits on media ownership confers enormous advantages on new rivals such as Apple, Microsoft, Google, Facebook, and Yahoo!, which tend to have capitalization levels greater than traditional media firms and are almost completely unregulated (Thierer and Eskelsen 2008: 20–5). To take another example, attempts to regulate broadband networks are seen as interfering with the property rights of network owners, discouraging investment, and short-circuiting market forces in setting private companies' "business models" (Yoo 2008). In the United States, such claims underpin the telecoms and cable companies' opposition to municipal broadband networks and their successful efforts to have many state legislatures pass laws that prohibit such initiatives—despite evidence from other countries that such initiatives have played a vital role in extending broadband internet services faster than would otherwise have been the case (Benkler *et al.* 2010).

Taking these ideas altogether, MIT economics professor Benjamin Compaine (2001) argues that the "marketplace of ideas ... may be flawed, but it is ... getting better, not worse." As he states, looking at the information industries as a whole, even the largest firms are but tiny specks in the competitive universe. In response to critics who argue otherwise, Compaine offers a terse, one-word retort: *internet*. And if a lack of internet access is a problem, its rapid spread will solve the problem soon enough (Compaine 2005: 574).

Columbia University professor of finance and economics, and author of the authoritative *Media Ownership and Concentration in America* (Noam 2009), Eli Noam is another well-known neoclassical economist, but his approach and the conclusions he reaches set him apart from those just addressed. Noam argues that objective economic analysis of the media industries is essential. However, he laments the fact that such studies are rare because ideology tends to color the analysis of most observers, critics tend to overburden the media with all of societies' ills, and most analysts do not clearly specify what elements of the media they are studying (also see Hesmondhalgh 2009a: 249). Noam

singles out the work of Ben Compaine and Ben Bagdikian with respect to this latter point. Compaine's overly broad conception of the "information industries," he says, dilutes any potential for concentration to be found. In contrast, Bagdikian's specification of the media is so vague that it is all but impossible to meaningfully assess his dire claim that the number of giant media corporations controlling the bulk of the US media plunged from 50 to 5 between 1984 and 2004 (Noam 2009: 3–22).

Noam (2009) responds to these problems by developing a broad definition of the information industries that covers 100 sectors and divides these into four groups: electronic mass media, telecoms, internet, and ICTs (Noam 2009: 4). He assesses the changes in market structure from 1984 to 2005 in the United States for each sector, then combines them at successively higher stages of abstraction to portray trends over time for each group, and then for the "information industries" as a whole. Several important results emerge: First, a "U-shaped" pattern can generally be seen for each level of analysis, with concentration declining in the 1980s (under Republican administrations), rising steeply in the 1990s (during the Clinton administrations), before plateauing in the 2000s (under Bush II). Overall, concentration in the media, telecoms, ICTs, and internet is more serious than Compaine suggests but not as catastrophic as Bagdikian alleges. In the mass media, the top firm in each sector typically accounts for just under a quarter of the market, followed by three others with 10 percent market share each, and many small players rounding out the rest. Companies in one sector, however, "are not necessarily the same firms across the various industries" (Noam 2009: 5). For the mass media as a whole, the top five companies' share of the market doubled from 13 percent in 1984 to 26 percent in 2005—half the level cited by Bagdikian but substantial all the same (Noam 2009: 5). Lastly, Noam demonstrates that the internet is neither an antidote to media concentration nor immune to such outcomes. In fact, many dimensions of the internet exhibit high, and growing, concentration: search engines, ISPs, broadband internet, web browsers, and media players, among others (Noam 2009: 290–3).

Noam offers several valuable lessons. First, his findings are historically informed and reflect a liberal temperament, where an open mind and systematic research are deployed to discover answers to meaningful questions. Second, he shows that consolidation is not foreign to the media industries but endemic to them. Third, he argues that digitization is creating stronger economies of scale, lower barriers to entry, and digital convergence. In the end, Noam concludes that a two-tier media system is crystallizing around a few "large integrator firms" (e.g. Apple, Google, and traditional media conglomerates), surrounded by numerous smaller, specialist firms (Noam 2009: 33–9). Ultimately, whether the future of the media is bright or bleak will largely turn on us and politics.

Radical media political economies: the monopoly capital and digital capitalism schools

Radical media political economies have a long and diverse set of influences that have shaped their development. One thing held in common, however, is that the neoclassical claim to being a “value-free” science is seen as being neither tenable nor desirable (Babe 1995; Murdock and Golding 2005; Mosco 2009a).

I want to initially focus on the scholarship of Robert McChesney because he has been a key figure in the monopoly capital school for over a decade. Many critics claim that the monopoly capital school, and McChesney’s work specifically, is thin on theory; weak on history, method, and evidence; and that it rests on the dubious media effects tradition (Hartley 2009; Hesmondhalgh 2009a; Holt and Perren 2009). Some of these claims hit their mark, but many critics misconstrue the monopoly capital school, and McChesney’s work specifically, and thus are wide off their target.

McChesney takes the media industries as serious objects of analysis, both in the United States and globally, and places greater emphasis on the “public good” characteristics of journalism and media goods than neoclassical economists. This is not because he is prone to wishful thinking but because information and media goods are “public goods,” as we saw earlier. Seen in the light of free press principles and theories of democracy, we all benefit from living in a society where quality journalism and a rich media environment exist, whether we directly consume these “goods” or not. Indeed, it is hard to argue with the idea that it is better to live in a society of knowledgeable and tolerant citizens rather than ignorant and parochial ones (cf. Baker 2007).

The problem, however, is that news and information goods that lack effective commercial demand will be underproduced in the media marketplace—*unless* they are subsidized by advertising or some other form of subsidy (e.g. public license fees for the BBC, access to spectrum and public rights-of-way, copyright). The advertising-for-journalism *quid pro quo* has always been the bastard child of free press theories because it expects commercial media to take on responsibilities that they are ill-equipped, and often unwilling, to do, not least because *by law*, if not just by the laws of capitalism, they must maximize shareholder profits (Baker 2007: 100–21; Curran and Seaton 2003: 345–62; McChesney 2008). McChesney and Nichols (2010) argue that the advertising-for-journalism model, while always a thin reed to begin with, is on the verge of collapse as internet companies such as Google, Yahoo!, Craigslist, and so on pick apart advertising functions from news and journalism functions. The migration of advertising revenue to the internet, coupled with the fact that companies such as Google and Yahoo! create little original content of their own, means that the engine of journalism in the United States is being gutted with no adequate replacement

in sight. Add to this the unfolding of the global financial crisis since 2007–8, and these blows could be fatal (cf. Davis 2009; OECD 2010; Scherer 2010; United Kingdom, House of Lords, Select Committee on Communications 2008 for related concerns in Europe and the United Kingdom).

In contrast to critics' charges, McChesney's analysis relies on a fairly extensive body of historical material, especially relative to the standards of the field. I disagree with him on three important points of media history—that is, the “struggle for control model of global media history” that he and Herman use in *The Global Media*, the claim that the definitive historical moments in the early politics of radio in the United States fell between 1927 and 1934 (rather than 1918 to 1926), and a reading of the 1996 US Telecommunications Act that leads him to conclude that it was a complete capitulation to the incumbent telecom and media players negotiated outside of public view (McChesney 2008). That said, however, McChesney has “rediscovered” the history of radical media and media criticism in the United States; his account of radio history makes extensive use of archival material, and his recent book *The Death and Life of American Journalism* (2010) (with John Nichols), uses some of the best scholarships available on the history of the press, post office, and journalism in the United States. Indeed, the bibliography is as impressive as it is long, and the belief that the First Amendment bars the government from implementing policies to help foster high-quality journalism and a good media system is convincingly discredited.

Behind the regularly updated ranking of the small number of mega-conglomerates that McChesney sees as controlling the media industries, he uses a respectable and straightforward “three-tier” model of national and global media systems. In this theoretical model, the first tier consists of 6 to 10 major media conglomerates that dominate film, television, music, radio, cable and satellite, publishing, and internet, followed by another 15 to 20 firms in the United States, and about three dozen worldwide, that makeup the second tier. The actions of the latter, in turn, are constrained by the contexts set by large global media conglomerates, a grouping that most analysts would probably agree includes some variation of the following list: Disney, Comcast, News Corp., Viacom–CBS, Time Warner, Bertelsmann, Sony, NBC-Universal, Thomson Reuters, and Pearson. Finally, the third tier consists of thousands of tiny voices that “fill the nooks and crannies of the media system” (McChesney 2004: 183; Herman and McChesney 1997: 70–1; McChesney and Schiller 2003: 13; Castells 2009; Noam 2009). Ultimately, the whole of the media system is stitched together by strategic alliances that blunt the sharp edge of competition. In sum, the conditions of monopoly capitalism replace those of competitive capitalism, leaving the *liberal ideals* of the “free press” and democracy in tatters as a result (McChesney 2008: 13–14).

Ultimately, McChesney's is not only an academic argument but also a political one designed to inspire people to challenge the prevailing state of affairs.

And if that is a key measure of success, then by all indications McChesney has been hugely successful. He has put media political economy on the map in an unprecedented way, and the media reform group, *Free Press*, that he created (December 2002) with Josh Silver and John Nichols has had a major influence on media politics. Finally, there are limits to his method, as there are with *any* method, but as Noam (2009: 21) states, “one can quibble with some of McChesney’s data,” but it is not bad.

The main weakness of the monopoly capital school is its view of the media industries as a giant pyramid, with power concentrated at the top and not enough attention paid to the details of key players, markets, and the dynamics and diversity that exist among all the elements that makeup the media. Even a friendly critic like Vincent Mosco (2009a) is at pains to take his distance from the monopoly capital school on the grounds that its focus on big media behemoths embodies a static view of the world that blots out issues of class, race, gender, and other standpoints of resistance, especially labor (see Mosco 2009a: 27, 113, 133). In contrast to hostile critics, however, Mosco (2009a) seeks to establish a dynamic view of the political economy of communication, which he defines as being the “*study of the social relations, particularly the power relations, that mutually constitute the production, distribution, and consumption of resources*”; more broadly, it is “*the study of control and survival in social life*” (Mosco 2009a: 24–5, italics in original). He also identifies four characteristics—history and social change, social totality, moral philosophy, and praxis—of this approach that anchor communication studies in a dynamic Marxian ontology, or in other words, a view of the world that is constantly in motion, with the play of its parts all set amidst a broader set of dynamic processes and forces (Mosco 2009a: 26; Murdock and Golding 2005: 61; Chapter 9 in this book). This is the core of the digital capitalism view.

In contrast to Daniel Bell’s (1973) idea of a “postindustrial society” or Manuel Castells’ (2009) recent claim that networks have become the axial principle of social organization in the “network society,” the digital capitalism approach, as Dan Schiller (1999a) states, views “networks as directly generalizing the social and cultural range of the capitalist economy” (Schiller 1999a: xiv). Rather than emphasizing the *differences* between “industrial societies” of the past and “information societies” of today, the digital capitalism school stresses the underlying *continuity* of capitalist principles of exchange and social organization within both periods. In this view, the media in capitalist societies have always been important businesses in their own right and served to deepen the processes of commodification. Initially, this was done *indirectly* because commercial media relied on advertising for their financial base, instead of direct payments from consumers. Now, however, *direct commodification* is playing a greater role because digital media make it easier, more efficient, and effective than ever to monitor, measure, and monetize the value of content,

audiences, and information. Thus, far from constituting a rupture with the past, *the* “central tendency” of digitalization “is to deepen and expand the capitalist market system” (Mosco 2009a: 120).

There is no doubt that a dynamic ontology needs to be at the heart of political economy of *any* kind, but Mosco’s effort to shift the focus from *institutional structures* to *dynamic processes*, by and large, abandons the terrain of the media industries as serious objects of analysis. Second, the effort substitutes overly unified *processes* of capitalist integration for a unified *structural* view of the media. Overall, neither version of radical media political economy pays sufficient attention to the complexity of the media industries, the reasons for this diversity, and the pervasive role of uncertainty across all levels of the media (Bustamante 2004: 805; Garnham 1990: 38; Garnham 2005: 18). Writing nearly a quarter of a century ago, Bernard Miège (1989) crystallized the gist of these criticisms in a slim but extremely valuable volume, *The Capitalization of Cultural Production*.⁵ Those criticisms are probably even more relevant today than when they were first expressed. They are as follows:

- First, the line between culture and commerce is artificial and ignores the fact that culture has developed *within* industrial capitalism for the past 150 years. The “distrust of technology and artistic innovation” implied by such views is excessive and unnecessary (Miège 1989: 10).
- Second, referring to the industry or “system” “in the singular misleads one into thinking that we are faced with a unified field, where the various elements function within a single process ... The cultural industries are complex, and an analysis must bring out the reasons for this diversity” (Miège 1989: 10).
- Third, “new communication technologies ... contribute to tightening the hold of capitalist production over culture as well as communication, [but] this does not mean that the capitalist industrialization of culture has been fully realized” (Miège 1989: 11)

In other words, the monopoly capital school overemphasizes the tendency toward market concentration, while the digital capitalism school (or Frankfurt school before it) overplays the ineluctable colonization of the lifeworld by market forces and the one-dimensional commodification of all cultural forms, even oppositional ones.⁶ These criticisms have been dealt with in several different quarters ever since. In Britain, some neo-Marxian political economists such as Nicholas Garnham, Graham Murdock, Peter Golding, Colin Sparks, and James Curran have responded through a series of (not always friendly) historical encounters with the cultural studies of Raymond Williams, William Hoggart, E.P. Thompson, and the Birmingham school (especially Stuart Hall) (see the chapters by these authors, for example, in Calabrese and Sparks 2004).

They have also paid far greater attention to the coevolution of communication and modernity (Murdock 1993), and been more sensitive to arguments from popular cultural theory about audience autonomy. Several dimensions of this “sensitivity” are shared with the cultural industries school as well. Therefore, instead of covering the well-trodden and disputatious terrain between neo-Marxian political economy and cultural studies, the bulk of these points can be addressed by a discussion of the cultural industries school. Doing this will also help to avoid bringing in a bevy of additional writers to whom justice cannot possibly be done and which would not do much to advance the core elements of this introduction anyway. Yet, before turning to the cultural industries school, I want to discuss what I will refer to as Schumpeterian institutional political economy and two of its contemporary progeny, the creative industries and network political economy schools. This is vitally important because Schumpeterian-derived approaches to institutional political economy have long played a pivotal role in scholarship and policy-oriented research, although more outside the field of communication and media studies than from within, and because, as we will see, the cultural industries school itself has developed in crucial ways through ongoing critical conversations with one or another version of this approach.

Creative destruction: Schumpeterian institutional political economy, the creative industries school, and network political economy

The ideas of Joseph Schumpeter are the pillars of the network political economy and creative industries schools. His views also underpin a wide range of other approaches, from information economics to the monopoly capital school (Foster and Magdoff 2009; Freeman and Louca 2001; Pool 1990; Garnham 2000). William Melody (2007a) captures some of the essence of this broad appeal when he observes that “the ‘creative destruction’ associated with the ICT revolution has introduced obsolescence not only for many older technologies, business models, industry structures, government policies and regulations, but for a significant portion of the conventional wisdom and mainstream thinking across all the social sciences” (Melody 2007a: 70).

The Schumpeterian view differs from neoclassical and radical views in four substantial ways. First, technological innovation is the motor of competition in capitalist economies, not price and markets, as neoclassical economists hold. Second, competition through technological innovation creates temporary monopolies and superprofits, but these are likely to be short lived because “superprofits” attract new rivals. Third, Schumpeter (1943/1996) makes the process of “creative destruction” a central fixture in his view of capitalism, which he outlines as follows:

The opening up of new markets, foreign or domestic, and the organizational development from the craft shop and factory ... illustrate the same process of industrial mutation ... that incessantly revolutionizes the economic structure *from within*, incessantly destroying the old one, incessantly creating a new one. This process of Creative Destruction is ... what capitalism consists in and what every capitalist concern has got to live in. (Schumpeter 1943/1996: 83, italics in original)

The emphasis on creative destruction as a function of technological and economic forces contrasts with the emphasis on *equilibrium* in the neoclassical view and the Marxist idea that it is people's interaction with the material world (labor) and class conflict that drives socioeconomic change. Fourth, the privileging of technology and economics as "agents" of change over people and social forces embodies Schumpeter's disdain for classical liberal views of democracy and the notion that people have the capacity to govern in complex societies. If radicals and some liberals believe in "strong democracy," Schumpeter held a weak view of "elite democracy." Curiously, a cone of silence has been placed around this aspect in the current revival of Schumpeterian ideas (see Schumpeter 1943/1996: 250–96).

The information economist Ronald Coase (1937) added to these ideas by suggesting that changes in the information environment lead to changes in the organizational structure of firms and markets. Information that is scarce and costly creates bureaucratic hierarchies. This is why the "industrial mass media" of the past were ruled by enormous bureaucratic firms. Conversely, when information costs less to acquire, produce, store, transmit, and consume, markets emerge and hierarchies recede. This idea is central to claims that the steep drop in information costs enabled by digital technologies is tilting the structure, not just of the communication and media industries but society as a whole, toward a much larger role for markets and dispersed forms of socioeconomic organization. A recent OECD (2007a) report expresses this view as follows:

New digital content innovations seem to be more based on decentralized creativity, organizational innovation and new value-added models, which favour new entrants, and less on traditional scale advantages and large start-up investments. ... [U]ser created content has become a significant force for how content is created and consumed and for traditional content suppliers. (OECD 2007a: 5)

The creative industries approach harnesses these ideas to a broad research agenda that examines the disintegration of media work from the confines of the towering hierarchies of media conglomerates and stresses the need for mid- and micro-range studies of media organizations, media work, the participatory web, and other forms of creative expression that have been enabled by the open innovation ecology (Born 2004; Caldwell 2008; Flew 2007, Chapter 3 in this book; Holt and Perren 2009; Pratt and Jeffcutt 2009). These studies also

recast an enduring debate in a new light over whether the creation of cultural goods is best viewed as dominated by global media conglomerates or as a mix of large and small firms that depend on specialized markets, flexible networks of production, unique skills, and social relationships. In several studies in the 1980s and 1990s, Susan Christopherson and Michael Storper (1989) developed and applied an early version of the latter view to an analysis of the film industry. However, in a manner highly relevant to debates today, Asu Aksoy and Kevin Robins (1992) criticized their approach as follows: “Their interest is almost exclusively in examining changes in the film *production* process, and they fail to address the key areas of *film distribution, exhibition and finance*” (Aksoy and Robins 1992: 7, italics added). Variations on this debate continue to be replayed but mainly between creative industries and monopoly capitalism school scholars (e.g. Flew 2007; Miller, Govil, McMurria, Wang, and Maxwell 2005; Moran and Keane 2006; Tinic 2005; see Chapters 3, 4, and 5 in this book).

Terry Flew makes an exceptional contribution to the creative industries approach because he consistently strives to foreground both the centripetal and centrifugal forces at play in the media industries. As Susan Christopherson states in her chapter, however, the bulk of such studies adopt a romantic view of creative workers, even if sometimes battered and bruised by their work, with little sense of how some key elements of the media industries have become more concentrated over time. Also underplayed is the fact that many of these same entities retain control over distribution channels/platforms and the “finance for content property rights” regime that most media professionals labor under to begin with (see Lash and Urry 1994: 113; Garnham 1990, 2000). Three other problems beset the creative industries view. First, by critiquing radical media political economists’ focus on big media, but without doing much comparable research of their own, there is a tendency, ironically, to reify political economy as an unified intellectual approach while relying on the very same sources they criticize to ground their own writing (Grossberg 2006: 20). Second, the approach implies a simplistic distinction between people who work with their heads versus those who toil with their hands. Third, it is vague, leading to some pretty big numbers being tossed around, but with little sense of scale (e.g. Hartley 2009: 236).

In the network political economy school, Manuel Castells and Yochai Benkler extend Schumpeter’s ideas in a different direction. First, instead of seeing changes in the techno-economic and information environment as only affecting the balance of hierarchies and markets, they stress the *role of the state* and also attach much significance to the “social ecology of information,” which they see as growing *alongside* the information marketplace, rather than being subsumed by it, in contrast to radical political economies of media.

Benkler's (2003, 2006) self-described approach to the political economy of information puts technology, individuals, markets, and social justice, in roughly that order, at the center of attention (Benkler 2006: 12–13). He is skeptical of grandiose political philosophical goals but tolerant of State intervention to break up monopolies, expand networks where capital investment is slow on the uptake, and highly critical of the ability of incumbents in the telecom and media industries to bend policy to their own interests. He is keen on the “digital commons,” the social production of information, creativity, pleasure, and the potential of the network media to make valuable contributions to many aspects of life, without being naïve. Benkler (2006) describes the network political economy approach as a way of

framing ... the institutional ecology of the digital environment ... in ways that are more complex than usually considered in economic models. [Institutions] interact with the technological state, the cultural conceptions of behaviors, and with incumbent and emerging social practices that may be motivated not only by self-maximizing behavior, but also by a range of other social and psychological motivations. In this complex ecology, institutions ... coevolve with technology and with social and market behavior. This coevolution leads to periods of relative stability, punctuated by periods of disequilibrium ... caused by external shocks or internally generated phase shifts. (Benkler 2006: 381)

Benkler sees strategic, often incumbent, interests from the telecoms, ICT, and media content industries as being locked in a battle over the future of the information ecology, but not of one mind when it comes to these struggles. Pressures to “flip” the internet from an open network into a more closed system have been a strong, persistent, and sometimes successful part of these efforts (Andrejevic 2007; Benkler 2006; Lessig 1999, 2004; Vaidhyanathan 2004). However, telecom and ICT industries are also sometimes aligned with fans, hackers, and activists in terms of the need to curb the media content industries' copyright maximalist position. At other times, though, they are deeply at odds with the same groups over issues of network neutrality, open source code, privacy, and so forth. These cleavages were revealed during recent hearings on a US Senate bill that aims to give new powers to the Department of Justice, a move that the CEO of the Computer and Communications Industry Association, Ed Black, condemned as follows:

If legislation like this goes through, we start to break the internet Nobody is arguing that copyright infringement doesn't exist. But Lady Gaga isn't going to go broke tomorrow. We should try to solve the copyright issue in as an unobtrusive and thoughtful way as possible and not creating anti-First Amendment laws. (quoted in Sandoval 2010a, np)

Open internet, copyright, and free speech constitute the “holy trinity” of contemporary media politics, with such issues arising in one country after another. Typically, the push is to have ISPs and ICT firms assume

more legal responsibility for protecting copyrighted information. And on each occasion the lineup on each side of the debate is similar. ICT, internet, and telecom firms, along with consumer and freedom-of-expression groups, stand opposed, while the media industries plead that their future hangs in the balance (European Commission 2010; Mansell 2010; United Kingdom 2010). In each case, however, network media politics is conducted strategically. Drawing on Bob Jessop (2008), this means that we need to adopt a conjunctural frame of analysis to understand the nature of such events, rather than a strictly structural or pluralistic approach to politics and policy (Jessop 2008: 34–7).

Ultimately, not all mediated communicative activities are owned, generated, or controlled from within the core of the network media system. Mass self-expression (Castells 2009) and the social production of information (Benkler 2006) have put the power of creative expression into the hands of more people than ever and elevated the logic of the “social ecology of information” in the media as a whole. For Schumpeter’s followers, this *is* a revolution *within* capitalism; for those who follow Marx, however, the prospects of that happening have only been slightly brightened by digital media, if at all (Dyer-Witheford 1999; Chapter 9 in this book; Terranova 2004).

Mutations: the cultural industries school

Since its inception in the late 1970s, the cultural industries school⁷ has always drawn judiciously from different strands of political economy and systematically engaged the different versions of Schumpeterian institutional political economy that have emerged over the years. This can be seen, for example, in the role now played by the concept of “mutations” among the adherents of this approach (see Chapter 1), a concept critically appropriated directly from the passages in Schumpeter’s *Capitalism, Socialism and Democracy* that set out the concept of “creative destruction” (see above). It is also in the foreground of the work of Nicholas Garnham, a leading figure in this school, who also functions somewhat as a bridge between this approach’s European roots and British neo-Marxist political economy of communication. As Garnham (2005) explains, the cultural industries school has always taken “the term ‘industries’ seriously and attempted to apply both a more detailed and nuanced Marxist economic analysis and the more mainstream industrial and information economics to the analysis of the production, distribution and consumption of symbolic forms” (Garnham 2005: 18). In contrast to the “very general model of the capitalist economy” found within *some* mainstream and radical versions of political economy, the emphasis of the cultural industries school is on the unique and specific attributes of the media economy *and*

the persistent *barriers* that impede the wholesale commodification of culture (Garnham 2005: 18; Garnham 1990: 37–40).

The cultural industries school has always advanced the idea that different sectors of the cultural industries cannot be treated as one and the same thing because of the crucial organizational differences that exist between what they called the “publishing” (e.g. books, music, film), “flow” (e.g. broadcasting), and “editorial” (e.g. the press) models. Since that time, and based on the ideas of French Canadian scholars Jean-Guy Lacroix and Gaetan Tremblay (1997), the editorial model has been gradually discarded in favor of a “club” model to reflect the growing centrality of the telecoms, cable, and internet sectors in the production, distribution, display, and consumption of media and cultural products. While the media content industries have *always* developed in close proximity to the communication hardware and equipment industries, Bernard Miège observes in Chapter 1 in this book that the dominance of the TiC sectors over the media content and cultural industries is growing over time, with TiC being the acronym for the telecoms, information, and communication sectors.

The dominant cultural industries model in the twentieth century was the “flow” model, based on the central role of television, radio, and in some respects, film (especially during the Hollywood Studio era). The “flow” model is defined by advertising-supported and public service broadcasting, where the demand for a steady flow of programs/content is met by a handful of gigantic, hierarchically organized firms and large steadily employed media workforces that operate under tight, but not complete, administrative and management structures. Programs/content in the flow model is mostly immaterial and, consequently, is neither possessed nor paid for directly by consumers. Instead, advertisers and government funds subsidize media consumption (i.e. *indirect commodification*).

The publishing model, in contrast, is based on creating a “*catalog of content*” that can be sold directly to consumers in as many ways as possible. It is based mostly on material goods that people can touch and pay for *directly* or rent access to: books, music, video, and film. For these goods, the logic of *direct commodification* prevails. The publishing model is also typified by a core group of companies that commission, finance, package, and distribute content, and own the intellectual property rights to their “catalogs.” Rather than directly creating content, “publisher firms” depend on independently sourced programming and a “flexible” pool of cultural workers who are paid from royalties and employed from one project to another. Originally, this model played a modest role in the overall scheme of things. Since then, however, it has moved closer to the center of the media, first through policy initiatives, such as the creation of Channel 4 in the United Kingdom in 1982, and subsequently as the template for neoliberal capitalism writ large (Lash and Urry 1994).

The “club” model is a hybrid of elements from the publishing and flow models as well as some new characteristics unique to digital media. The

gradual shift from the “flow” to the “publishing” and “club” models reflects the cumulative changes since the 1980s due to the growing centrality of digitization and communication networks (cable, telecoms, DTH, internet, wireless, etc.), corporate consolidation, restructuring and the rise of new players (e.g. Apple and Google), and the proliferation of content receiving and storage devices (Lacroix and Tremblay 1997). These models are being extended through the direct pay model of television and subscription services based on large catalogs of content rather than the scheduled *flow* of programs. Content integrators/aggregators (Noam) exemplify the “publishing” and “club” models, but they simultaneously continue to cultivate audiences’ expectations that content is free. The free culture norm, in turn, does not reflect new expectations, however, but the enduring “sociocultural fact” that information and cultural products are public goods as well as more than a century of socialization by the flow model where most of the costs of media consumption were paid by someone else (Bustamante 2004: 811). The three models of the cultural industries are summarized in Table I.3.

The change from a commercial media model based on *indirect commodification* to one based on *direct commodification* captures an essential feature of these changes. However, this is just a part, albeit an important one, of broader changes that cannot be reduced to a single thing or process, whether technology, market forces, commodification, or corporate consolidation. Instead, they embody a series of mutations, as Miège calls them, that are unraveling the organizational, economic, and technological props that have underpinned the media historically, while reassembling them, with the addition of new elements, into a yet-to-be completed “new digital media order.”

The more intense capitalization of the network media industries that coincided with the two waves of media consolidation from the mid-1990s to, roughly, 2007 is also highly significant in relation to these developments. This is not primarily because they fostered even more media concentration in the media industries (although they did, e.g. see Noam 2009; McChesney 2008) but because they signaled that the telecoms, media, and internet sectors had become ensnared in the *financialization* of capitalist economies. In fact, they were at the forefront of the process, accounting for a far greater proportion of all mergers and acquisitions than their weight in the economy dictated. As the TMT frenzy peaked at the end of the 1990s, firms in these sectors were absorbing upward of three-quarters of *all* venture capital investment (Picard 2002: 175; Brenner 2002). As media, telecom, and internet firms became inserted more tightly into the circuits of capital accumulation, they were no longer just competing with one another but with *all* other firms for capital.

Financial investors prefer enormous, vertically integrated media conglomerates (Picard 2002), but the financialization process also reconceives of the corporation as a “portfolio of assets.” Consequently, each division, for instance, within Time Warner, News Corp., Disney, Bertelsmann, and so forth—television, cable,

Table I.3 General economic and organizational models of the media industries

	Flow	Publishing	Club
Sector	Broadcast TV & radio	Books, Music, & Film	Digital network media
Content	Continuous flow & immaterial Huge uncertainty, large amount of commercial failures	Durable and fixed in individual copies Huge uncertainty, large amount of commercial failures	All content types Huge uncertainty, large amount of commercial failures
Central function	Programmer & scheduling	Publisher & catalog creation	Publisher & aggregator
Commodification	Indirect—advertising & government subsidies	Direct purchase	Mixture of direct & indirect financing
Industrial structure	Quasi-industrial, vertical integration, & central planning Managerial control of all elements in the value chain	Hub & spoke model—few large companies, shared infrastructure (printing, studios, etc.), project-based networks and small firms	Large infrastructure providers and layers of application, service, & content providers, which may or may not be under common ownership
Market structure	Tight oligopoly, vertical integration	Oligopolistic core surrounded by small firms	Oligopolistic core surrounded by small firms
Creative workers	Steady employment: broadcast workers, technicians, journalists, hosts, etc.	Small core workforce flanked by large pool of writers, directors, composers, artists, etc.	Mix of steady and contract-based labor plus freelance writers, web designers, hosts, etc.

Source: Adapted from Lacroix and Tremblay (1997: 56–65).

DTH, film, books, internet, and so on—must compete against one another, and other firms generally, based on prevailing norms of return on capital investment. Thus, and with no shortage of irony, as *convergence* becomes more feasible, financialization has been regearing the internal operations of media conglomerates in a way that pits one division against another *inside* these companies. This, in turn, reinforces the distinctions between media sectors along the lines identified by the cultural industries school. Consequently, instead of creating well-oiled corporate structures founded on tangible assets, economies of scale, synergy, and expertize, the financialization of the media spawned bloated, debt-laden corporate behemoths governed by the pursuit of unsustainably high levels of capital return, crosscutting objectives and inchoate incentives—perched atop the delusion that all this could, essentially, go on forever. In sum, the logic of financialization and the “bundle of assets” image of the corporation are at cross-purposes with digitalization, economies of scale, synergy, promotional government policies, and so on, which should make convergence more feasible than ever. None of this, however, even touches on the “rational” development of democratic media, the quality of life for media workers, or long-term technological and cultural innovation (Almiron 2010; Bouquillion 2008; Duménil and Lévy 2005; Fitzgerald 2011; Melody 2007b).

**“All that is solid melts into air” (Karl Marx):
the global transformation of the network
media industries**

By any account, television, film, music, and the press constituted the core of the mass media during the twentieth century, but as I indicated earlier, there is a great deal of debate over how they have fared as the internet and digital media move closer to the center of the network media universe. The last section of this introductory essay examines this question in light of the theoretical perspectives just discussed.

Despite early widespread rumors about the impending death of television (Gilder 1994), it is thriving, *everywhere* (Miller 2009). At the beginning of the 1980s, there were a handful of television channels in the “advanced capitalist economies” of the OECD. By the end of the twentieth century, there were 600. Now there are roughly 1,200 (OECD 2007b: 175). A total of 200 television channels are available to two-thirds of households in India that pay for cable and satellite television service. In China, 40 percent of households subscribe to such services. The “total television universe” has become more complex and encompasses cable and satellite distribution networks, pay television services, video-on-demand, Internet Protocol Television (IPTV), streaming internet video (Hulu, Daily Motion, YouTube), digital download services (Apple iTunes,

Netflix, BBC's iPlayer), and mobile phones. Watching television is no longer tied to a single device or place but a series of television screens, computers, and portable devices. Television viewing is not shrinking but becoming more mobile and personalized ("Changing the Channel" 2010: 1–14; OECD 2007b: 177; Ofcom 2010: 160).

In the United States, the total television universe is worth an estimated US\$136.9 billion (2010) versus US\$89.4 billion in 1998. Worldwide, the total television universe grew from US\$203 billion to US\$351.3 billion during this time. Film revenues also grew in the United States (including Canada) from US\$24.9 billion to US\$38.4 billion, while total film industry revenues worldwide nearly doubled. DVD sales and video rentals *have* tumbled but have been roughly compensated for by online subscriptions and digital downloads. The bottom line is that the television and film industries have grown considerably, and their share of the vastly enlarged total network media economy is now only slightly smaller than it was 12 years ago (34 vs 37 percent) (PWC 2003: 29–43, 2010: 41–5). Table I.4 shows the trends.

The logic of the television industry is passing from one based on advertising and state subsidies to the "direct commodification" model. The pay-per model of television has grown far faster than advertising-supported television (7 vs 1.5 percent per annum), and overall the amount of television revenues accounted for by advertising has fallen from 54 to 45 percent during the past decade. The ascent of the "publishing" and "club" models is also clear, as television programs are detached from specific platforms and assembled as part of a catalog of content delivered to audiences one by one. This is the "logic" of the Apple iTunes model and it being adopted by public service (e.g. the BBC's iPlayer) and commercial media alike (e.g. Hulu and the "Television Everywhere" strategy in the United States) (Ammori 2010; see Chapter 6 in this book regarding Canada). These changes raise issues about the role of public service broadcasters in the digital media world and how their activities will be financed, if they are permitted at all, as Chapter 10 discusses. In the United Kingdom, News Corp., the British Publishing Association, and

Table I.4 Worldwide TV and film industry revenues, 1998–2010 (millions, US\$)

	1998	2000	2004	2008	2009	2010 (estimate)	% Change
TV	202,893	243,322	279,971	342,509	334,461	351,300	+73
Film	46,484	52,803	82,834	82,619	85,137	87,385	+88
Total	249,377	296,125	362,805	425,128	419,598	438,685	+76

Sources: PWC (2003, 2009, 2010).

Newspaper Publishers Association, for example, have derided the BBC's efforts to carve out a place for itself in the digital media universe. As the director of the latter association, David Newell, argues, the BBC's ambitions "threaten to strangle an important new market for news and information" (quoted in "Call to Block BBC iPhone Apps" 2010). The basic assumption appears to be that new media should be reserved for commercial media, while public service media remain lashed to the mast of a sinking ship, that is, the "flow" model.

In contrast to the continued hostilities between commercial and public service media operators, the tensions between traditional media players and companies such as Google appear to be abating, despite periodic flare-ups (IDATE 2009; PWC 2010). The trend is well illustrated by the judgment in Google's favor in the long-drawn-out "blockbuster" Viacom versus Google case in 2010, where the latter's video sharing site, YouTube, was accused of facilitating unauthorized uses of commercial television programs. The case, however, revealed that some divisions within Viacom, notably MTV, were secretly uploading vast amounts of video to YouTube and, more to the point, that Google had signed agreements with Viacom, NBC-Universal, Sony BMG, Time Warner, and News Corp. *before* it acquired YouTube for US\$1.65 billion in 2006. According to the arrangements made, Google would (1) implement content identification technology, (2) share access to its technology, and crucially, (3) share advertising revenue (*Viacom International, et al. v. YouTube, Inc., YouTube LLC, and Google, Inc.* 2010).⁸ Google, in sum, was working hand and glove with the traditional media conglomerates to preserve their copyright interests, not against them. The online movie streaming service, Netflix, has also signed agreements with Paramount (Viacom), MGM (Disney), and Lions Gate that point in a similar direction. Crucially, these arrangements are built around *the* cornerstone of the television and film industries' "business model": time- and territory-based "distribution windows" (Wasko 2004a). Netflix is already becoming a serious new "distribution window" for the film industry (Sandoval 2010b). In these arrangements, movies first appear in theaters, then pay-TV services a year later, and 90 days afterwards Netflix can stream them over the internet for another year before they are broadcast on basic cable (Nakashima and Liedtke 2010: B10).

Although the television and film industries have grown substantially, their growth rates pale alongside those of internet access and advertising, as Table I.5 highlights. Even the growth of these latter two sectors, however, stalled in the face of the global financial crisis. Moreover, despite all of the talk about the migration of advertising to the internet cannibalizing the revenue base of the "old media," internet advertising still only represents about 5 to 6 percent of the total network media economy, as Table I.5 indicates.

Table I.5 Worldwide internet industry revenues, 1998–2010 (millions, US\$)

	1998	2000	2004	2008	2009	2010 (estimate)	% change
Internet access	15,556	35,483	110,370	210,788	228,060	247,453	+1,490
Internet advertising	953	6,533	17,922	58,068	60,568	66,176	+6,844

Sources: PWC (2003, 2009, 2010).

Internet access is probably more important than internet advertising in the general scheme of things. Indeed, it is an index of the growing centrality of communication networks, as some of the following examples suggest. The number of telephone users worldwide, for example, rose from 800 million in 1998 to 4.2 billion in 2009, while the number of mobile phone users soared to 4.5 billion subscribers. A total of 2 billion people use the internet in 2010, about 10 times the number in 1998. Today, 28.7 percent of the world's population has internet access, up greatly from 5 percent 12 years ago, although it is still sobering that 70 percent of people have no access whatsoever. In 1996, two-thirds of all internet users lived in the United States; since 2009, China has had the most internet users, although citizens in the United States are more than twice as likely (77 percent) to have internet access than their counterparts in China (30 percent). The gap between the “info rich” and the “info poor” is still very significant, within countries and worldwide. People who live, for instance, in the “advanced capitalist economies” are more than *300 times* likely to have broadband internet access than people in the poorest regions (ITU/UNCTAD 2007: 22; ITU 2010: 195–202; Internet World Stats 2010). Overall, however, the *primary* trend, according to a joint study by ITU/UNCTAD (2007: 26), is of “*growing* equality over time in the global distributions of internet users, mobile and fixed [phone] lines.” Figure I.5 shows the distribution of internet users in 2010.

These changes are also accompanied by a more general reorganization of the “world communication order.” Table I.6 depicts some of this change by showing the growth in the 10 largest *national* media economies over time. As Table I.6 demonstrates, media markets in all 10 countries have grown substantially. It also shows that the United States is still the biggest media market and is in fact larger than the next four media markets combined: Japan, Germany, China, and the United Kingdom. In total, 6 of the 10 biggest transnational media conglomerates (Disney, Comcast, News Corp., Viacom–CBS, Time Warner, NBC–Universal) are still United States based, while the other four are located in Japan, Germany, Canada, and the United Kingdom (Sony, Bertelsmann, Thomson Reuters, Pearson) (see Table I.1). Firms from the core capitalist economies continue to dominate the telecoms, ICT, and internet industries, as Oliver Boyd-Barrett (2006) also stresses in his effort to recast the media imperialism thesis in a contemporary light. However, the world no

Figure I.5 Global distribution of internet users by region, 2010

Source: Internet World Stats (2010). Available at www.worldinternetstats.com

Table I.6 Top 10 network media, entertainment, and internet markets by country, 1998–2010 (millions, US\$)

	1998	2000	2004	2008	2009	2010 (estimate)	% change
United States	336,885	395,695	395,936	420,397	406,733	411,357	+22
Japan	94,255	100,799	114,330	141,340	156,120	157,985	+68
Germany	59,919	68,981	79,877	84,635	84,100	89,905	+50
China	23,057	27,599	32,631	66,310	72,024	81,005	+251
United Kingdom	56,738	65,319	75,637	72,346	70,478	72,605	+28
France	39,984	46,031	53,302	63,863	58,841	59,587	+49
Italy	29,626	34,107	34,494	41,528	39,890	39,924	+35
Canada	18,346	21,432	25,842	31,287	30,701	31,229	+70
S. Korea	17,687	18,492	22,760	26,672	27,394	28,589	+62
Spain	19,219	22,132	25,622	28,736	27,200	27,479	+43
Total	695,716	797,358	860,431	977,114	973,481	999,665	+44

Sources: PWC (2003, 2009, 2010).

longer orbits so tightly around the US axis as it once did, and “cyberspace,” as we will see shortly, is by no stretch of the imagination the exclusive dominion of Western-based transnational communications corporations. The United States’ “mature market” is growing slower than the others and is in relative

decline. In 1998, the US media market accounted for one half of all worldwide media revenues; in 2010, the figure was less than a third. The four largest Anglo-American markets—United States (1), United Kingdom (5), Canada (8), and Australia (12)—still account for about 44 percent of media revenues worldwide, but this is a drop from 60 percent in the late 1990s. The average foreign revenues of the big 10 media (42.5 percent), internet (25 percent), and telecoms companies (31 percent) are significant, but less than ICTs (65 percent), and not a solid and unambiguous index of “strong globalization.” Internet companies are actually *less* global than traditional media companies on the basis of revenues. The most global of the media conglomerates are Thomson Reuters, Pearson, Bertelsmann, and News Corp., in that order (see Table I.1).

The steady rise of China among the major media economies along with Japan (2) and South Korea (9) is tilting the center of gravity of the global media decisively toward Asia. National internet companies dominate in each of these countries, allowing them to carve out a significant spot for themselves among second-tier firms, with five Chinese internet companies standing out in this regard: Glam Media (14th), Tencent (16th), Baidu (17th), NetShelter Technology Media (19th), and Alibaba (20th) (Comscore 2010a: s.03). Moving beyond the “big ten” national rankings also shows that there is considerable diversification among smaller media economies and firms: Brazil and India rank 11th and 14th in terms of the size of their media economies, for instance, while several so-called small media economies figure quite prominently, that is, Canada (8), South Korea (9), Australia (12). These are not, thus, quite the “small national media economies” they are often made out to be, and therefore, the reigning orthodoxy that they require a few massive media groups is not as compelling as some might like to think.

Table I.7 maps some of the differences between “national network media spaces” along six key dimensions: (1) online time/user/month, (2) top internet company, (3) top search engine, (4) top two social network sites (SNS), (5) number of online videos viewed per month, and (6) Wikipedia ranking. In terms of time and the number of online videos watched per person, Canadians are the heaviest internet users in the world. Wikipedia ranks among the 10 most visited websites in all of the countries addressed, except South Korea (16th), Brazil (17th) as well as China, where it does not even rank in the top 100 (Alexa.com). Google looms largely in several categories in many countries but not all categories everywhere. Brazilians have embraced Google to an unusual degree, as illustrated by its hold across four out of the six categories. Globally, Google dominates the search engine category, accounting for 67 percent of all searches in a tight oligopolistic market where Google and three others—Yahoo! (7.1 percent), Baidu (6.4 percent), and Microsoft (3.1 percent)—account for 84 percent of all search traffic. This figure is rising over time, not falling. In the United States, Britain, Canada, Australia, Germany, France, India, and

Brazil, Google controls 80 to 90 percent of the search engine category, while ranking highly in other categories through its social networking site Orkut (Brazil and India) or its online video site, YouTube (Canada, Brazil, Australia). In Australia, 93 percent of all searches in 2010 used Google, while the top four search engines accounted for 97 percent—up from 91 percent 9 years earlier (Papandrea 2010).

In several countries, however, Google and other “Western” companies play minor roles and operate mainly in the shadows of “national champions” as is the case in South Korea, Russia, China, and Japan. In South Korea, the NHN Corporation (naver.com) as well as CyWorld, a branch of South Korea Telecom, dominate the national network media space. Google, in contrast, accounts for only 8 percent of searches; Facebook lags far behind CyWorld in social network sites. In other words, the network global media system shows characteristics of diversification between some countries but high levels of concentration in all countries.

There is nothing about digital networks that render them immune to concentration. Concentration at a relatively small number of nodes in the network media environment enables control—economic, political, and cultural—and helps to explain why Wikipedia is unavailable in China, for example, whereas it ranks highly almost everywhere else, that is, it is blocked. That this power is leveraged to control national media spaces is undeniable (Diebert, Palfrey, Rohozinski, and Zittrain 2010). Market dominance also means that Google, Facebook, Microsoft, and MySpace, for example, possess a great deal of power to set *de facto* standards for privacy, copyright, the distribution of advertising revenues, and the parameters of “audience behavior.” The concentration of control over network media is a function of money and power (Baker 2007; Noam 2009; McChesney 2008), but the idea of “network effects”—that is, the value of the network to each user increases exponentially as more “conversational partners” join the network—also biases network evolution toward concentration at key points. Furthermore, communication networks also tend to collect large volumes of traffic, people, messages, and so forth at a relatively small number of nodes, followed afterward by a “long tail” of sites receding into lesser and lesser visibility. This is known as “power law” and it can be a good thing in the network media environment because it helps to “gather attention” and create a “structure of importance” on the basis of “soft factors,” such as trust, communities of interest, hyperlinks, credibility, and so forth, that allow intelligibility, relevance, and mutual understanding to emerge amidst a babble of voices, cultural fragmentation, and the potential for money and power to run roughshod over online communication (Benkler 2006; Shirky 2003). The upshot, nonetheless, is that it is more important than ever to keep digital networks as open and free from money and power as possible so that the processes of social and communicative interaction can unfold in as undistorted a fashion as possible.

Table I.7 New world media order? Global homogeneity and “varieties of capitalism” in the network media

	Minutes online per user per month	Top internet companies (% reach)	Top search engine (Google share)	Top two SNS (% reach)	# of online videos per viewer per month (YouTube share)	Wikipedia rank
Canada	2,750	Google, 92%	Google (81%)	Facebook, 79% Windows Live, NA	185 (49%)	7
United States	2,050	Yahoo!, 84%	Google (66%)	Facebook, 62% Google, 19%	196 (26%)	6
S. Korea	1,974	NHN naver.com, 85%	NHN (8%)	SK Tel (CyWorld), 56% Facebook, 8%	NA	16
United Kingdom	1,800	Google, 87%	Google (80%)	Facebook, 76% Windows Live, 16%	185 (45%)	9
France	1,625	Google, NA	Google (90%)	Facebook, NA Windows Live, NA	138 (NA)	10
Brazil	1,550	Google, 90%	Google (63%)	Orkut (Google), 72% Facebook, 20%	95 (80%)	17
Germany	1,475	Google, NA	Google (93%)	Facebook, NA Twitter, NA	193 (50%)	6
Japan	1,450	Yahoo!, 89%	Yahoo! (48%)	Mixi JP, 19% Facebook, 6%	154 (44%)	6
Australia	1,325	Microsoft, 93%	Google (92.5%)	Facebook, 74% Windows Live, NA	92 (55%)	8
Russia	1,250	Yandex, 79.3%	Yandex (39%)	Vkontakte, 73% Facebook, 8%	NA	6
China	780	Tencent, 65%	Baidu (13%)	Baidu (QQ), 16% Kaixin, 7%	50 (5%)	NA
India	750	Google, 94%	Google (86%)	Facebook, NA Orkut (Google), NA	NA	8

Sources: Comscore (2010a,b), Alexa.com (2010), and Experien Hitwise Canada (2010) (all sources last accessed October 20, 2010).

The internet is not the same “thing” in every place; nor has it been the same “thing” over time (Braman 2010). For instance, Elizabeth van Couvering, in Chapter 8 in this book, sketches three phases in the development of the internet since its popularization after the introduction of the world wide web in 1993: first, a phase of technological and commercial innovation (1994–7), followed by attempts to consolidate ownership and control over the internet by media and telecoms firms (1997–2001), and finally the rise of a commercial internet model based on the searchable web, syndicated search engines, user-created content, and selling access to audiences (2002–). The fact that the internet changes over time and space also suggests that its potential impact on other media will vary over time and place.

As I have shown, the traditional media are largely thriving, growing more diverse, yet becoming concentrated in key areas. The strongest potential counterpoints to this portrait, however, are the newspaper and music industries. Newspapers are still the third largest segment of the network media industries, with revenues significantly higher than the film industry, about double those of the music industry and nearly 3 times as high as video games (see Table I.2). Some, however, argue that the press is in terminal decline. There is no doubt that *some* elements of the press have been battered badly in recent years. In the United Kingdom, for instance, the internet accounted for 24 percent of all advertising revenue in 2009, up greatly from 3 percent just 5 years earlier (Ofcom 2010: 10). This is far more than the worldwide average of 5 to 6 percent and substantially greater than in the United States (17 percent) and Canada (14 percent)—two other countries where the flow of advertising to the internet is relatively high. This is undoubtedly part of the reason why the United States, United Kingdom, and Canada are among just five countries that have seen *medium-term* newspaper revenues decline since 2005 (Japan and the Netherlands are the other two).¹⁰ In the United States and United Kingdom, revenues plummeted by about 30 and 21 percent, respectively, between 2007 and 2009. Newspaper revenues fell in *every* OECD country during the “crisis years” but at a more modest pace (e.g. about 9 percent) (OECD 2010: 17–18; PWC 2010: 29).

The consequences of these trends for journalists and newspaper workers have been harsh. In the United States, the number of full-time journalists dropped from 53,000 in 2007 to 40,000 by early 2010. There were one-quarter fewer full-time journalists in 2009 than at the turn of the twenty-first century. Many US newspapers have been closed or forced into bankruptcy, while coverage of foreign affairs, Washington, state legislatures, science, and so forth has been slashed. The “crisis of journalism” is also allowing spin and official news sources to gain greater control over the news agenda and the primary definition of events, with baneful effects for the role that journalism and media are supposed to play in democratic societies (McChesney and Nichols 2010: ix; Project for Excellence in Journalism (PEJ) 2010; Starr 2009).

Despite the severity of these issues, however, the OECD's (2010) report, "The Evolution of News and the Internet," concludes that it is too early "to make the case for 'the death of the newspaper'" (OECD 2010: 6). Why? First, only five countries have suffered *mid-term* revenue losses (i.e. since 2005–6). For the rest of the OECD countries, the decline has been *short term* and not nearly as severe. In fact, and second, "most OECD countries have seen a growth of their newspaper market between 2004 and 2008" (OECD 2010: 17). This pattern is actually the "norm" on a global basis, where the number of daily newspaper titles *doubled* in the past decade and revenues expanded substantially. In Brazil, China, India, Indonesia, and South Africa, newspaper circulation grew, on average, by 35 percent from 2000 to 2008 (OECD 2010: 24). Third, there has been no downward spike in daily newspaper circulation due to the internet, and newspaper revenues grew even in the worst-hit countries until the mid-2000s. Fourth, newspapers are still often highly profitable, as Chapter 6 shows with respect to Canada. Even in the United States, three out of the four newspaper groups that filed for bankruptcy between 2008 and 2010—Media Group, Freedom Communications, and the Tribune Company—were profitable (the fourth is Philadelphia Newspapers). Bankruptcy allowed them to remove debt, journalists, and old assets from balance sheets that had been warped by the logic of financialization ("Update 1—Big US Newspaper" 2010; Picard 2009: 5). Table I.8 shows the global trend for newspaper revenues for the past 12 years.

The point is not to deny that some elements of the press have fallen on extremely hard times but to suggest that we must qualify the diagnosis and understand that the recent instability is part of the much broader dismantling and reorganization of the traditional media—even though it does appear to be most severe in this sector. Still, it cannot be ignored that, in many countries, the press is enjoying something of a renaissance. Finally, Yochai Benkler (2010), among several others, strikes a less ominous note by suggesting that a revamped press may be in the making, with the following elements at its core: (1) a large role for traditional media organizations that successfully grasp the "new logic" of digital media, (2) many small-scale commercial media (Talking Points Memo, Huffington Post, GlobalPost), (3) volunteer, partisan media (Indymedia), (4) effective nonprofit media (Wikipedia), and (5) a networked public sphere of citizen bloggers and journalists (also see PEJ 2010).

Table I.8 Worldwide newspaper industry revenues, 1998–2010 (millions, US\$)

	1998	2000	2004	2008	2009	2010 (estimate)	% change
Newspapers	142,794	156,641	174,395	174,723	154,887	149,317	+4.6

Sources: PWC (2003, 2009, 2010).

The music industry is often cast as being in equally dire straits. Indeed, the notoriety of file-sharing and peer-to-peer (P2P) networks from Napster in the late 1990s to Grokster, Pirate Bay, and the closing of Limewire as I write provides the stuff of legends. The fact that new sites emerge as quickly as old ones are closed down reinforces the view that the music industry is under siege from rampant piracy, digitization, and the internet and that this will only get worse as broadband internet becomes widely used. For about a decade and a half, the Recording Industry Association of America (RIAA) and the International Federation of Phonographic Industries (IFPI)—the two most important lobby groups for the music industry—have consistently argued that the industry’s revenues are in decline and that it is a portent of things to come for the rest of the media. As the IFPI (2010) states in its most recent *Digital Music Report*, digital piracy is wreaking havoc on all of the “creative industries” and will soon create “a world where copyright has no value” (IFPI 2010: 20). Given that “digitization” has progressed further in the music industries (27 percent of revenues from digital media) than film (5 percent of revenues), newspapers (4 percent), and all other media sectors, except video games, it should not be surprising that the effects of digitization have been severe in this sector (IFPI 2010: 10).

According to the IFPI, music industry revenues have fallen in lockstep with the advent of the internet. As its *Digital Music Report* for 2010 states, “overall music sales fell by around 30 percent between 2004 and 2009” (IFPI 2010: 18). Figure I.6 below shows the trend.

Figure I.6 Worldwide “recorded music industry” revenues, 1998–2010 (millions, US\$)

This image of a beleaguered industry, however, is badly flawed because it refers to only one element of the industry and lets that stand for the whole. Indeed, the only way that the music industry can be presented to be in dire shape is to show *only* the revenues from the “recorded music” segment of the business. Figure I.7, however, shows the trend going in exactly the opposite direction once the three fastest growing segments of the industry are included: (1) *concerts and live performances*, (2) *internet and mobile phones* as well as

Figure I.7 Worldwide “total music industry” revenues, 1998–2010 (millions, US\$)

Sources: PWC (2003, 2009, 2010) and IDATE (2009).

(3) *publishing* (lending rights + digital and network distribution platforms, broader global markets in some cases) (PWC 2009: 274–5).¹¹

The “total music industry” is *not* in decline. Instead, its revenues have grown *substantially* from US\$51 billion in 1998 to just over US\$71 billion in 2010—consistent with other sectors of the network media, with the partial exception of newspapers. The IFPI’s use of 2004 as its baseline is also dishonest because this was not a typical year but a relative high point for “recorded music” sales. By definition, anomalies skew averages and in this case the narrow measure is being skewed to advance a policy agenda. That policy agenda has been remarkably successful over the past decade and a half, with copyright laws in one country after another being made longer, broader, and more punitive (e.g. the World Intellectual Property Organization (1996), US Digital Millennium Copyright Act (1998), and Copyright Directive (2001)). This agenda has also been augmented, until recently, through the addition of digital rights management technologies that circumscribe what digital media can and cannot be used for, albeit with results, even from the industry’s perspective, that can best be described as ambivalent. Currently, the core of that policy agenda aims to legally require ISPs to restrict, and even cut off, people’s access to P2P networks, unlicensed MP3 pay sites, MP3 search engines as well as fan forums and blogs that link to “cyber-lockers” of unauthorized music stashes (IFPI 2010: 19). The IFPI has already chalked up many “wins” for this agenda in several countries that have passed legislation along such lines: France, United Kingdom, Sweden, South Korea, Taiwan, and with many others in line to adopt similar measures (IFPI 2010: 25–7). The thrust of these initiatives is to leverage control over networks to exert greater control over copyright for content. This turns the historical practice of separating control over the medium from the message on its head and poses substantial threats to creative expression by relocating editorial and gatekeeping power

back in the center of networks instead of leaving those choices at the ends of networks and in the hands of users (Benkler 2006; Lessig 2004; Vaidhyanathan 2004).

As the screws tighten on BitTorrent and other P2P sites, new commercial digital media services are moving closer to the center of the industry. The emergence of “legitimate” online digital music services is of considerable benefit to the music industry, but they also pose further challenges to traditional players. The long-standing “big four” firms in the music industry—Warner, Universal, Sony, EMI—are in disarray. All have been spun off from their former media conglomerate parents, except Sony, and their share of the market has fallen considerably over the past decade (Noam 2009). In 2009, there were 400 “legitimate” commercial online digital music services (IFPI 2010: 28–9; OECD 2008: 268). The vast majority of these entities have no formal ownership links to incumbent interests (e.g. Spotify, Deezer 3). Many of them are well funded by venture capitalists. This is extremely important because it means that they do not just compete with the incumbent interests in the marketplace for audiences but for capital, observes Hesmondhalgh (2009b: 60). Others are divisions of major telecoms and ICT firms (e.g. MSN Music/Microsoft, iTunes/Apple, TDC Play/TeleDenmark, Sonora/Telefonica, CWM/Nokia). Nonetheless, there are still other services that are owned by the well-established media conglomerates (e.g. Myspace/News Corp., Last.fm/Viacom–CBS, Vevo/Universal, Sony, Google, Abu Dhabi Media).

This is a crowded, complicated, and sometimes competitive field, which makes it easier to explain why the incumbents’ sense of being under siege is not allayed by significant revenue growth. At the same time, we must also remember that despite so many different interests and vectors of development, even digital online music services are not immune to concentration. With 100 million subscribers in 23 countries, Apple’s iTunes dominates digital music downloads globally; in the United States, it accounts for about one-quarter of such sales (IFPI 2010: 4, 10). Again concentration and fragmentation emerge as two sides of the same coin and thus ought to be considered a defining characteristic of the network media similar to the “publishing model” during the “industrial media age.”

Some closing thoughts

To bring this introductory essay full circle, we can conclude by saying that incumbents in the media and telecoms industries have not been able to simply graft the internet and digital media onto their existing operations. However, catastrophic claims regarding the “death,” “crisis,” and so on of one or another medium, with the partial exception of the press, are at odds with the evidence. In the current conjuncture, digital media, the crisis of capitalism, and a flood

of new players entering into an evermore common commercial and cultural field *do* pose significant challenges to well-established players across the network media generally. The discourse of “crisis” and use of the romantic image of “struggling artists” to front for the media industries’ bid to apply stronger-than-ever restrictions on the internet and digital media, however, skate over the reality that music, like most other areas of culture, is thriving as an artistic and cultural form and as popular culture commodities. The fact, however, that all media industries are based on “strange commodities” that have been force-fit into the commodity mold with extreme difficulty since the late nineteenth century is a significant cause of never-ending uncertainty (Babe 1995; Boyle 1996). This conundrum has been brought to a head because digitization seems to excavate the “social ecology of information” (lifeworld) from its natural setting and subject it to the processes of commodification to a greater extent than ever in the past. That process, in turn, has been given added momentum by the intense drive for new outlets for capital investment under the guise of the financialization of capitalist economies—a trend that has been very pronounced in the telecoms, media, ICT, and internet sectors relative to other sectors. These processes, however, and as we have seen, do not flatten out all significant social, political, and cultural differences but in some instances magnify them as, for example, the divergent situation of newspapers and “national network media spaces” in different countries helped to illustrate.

Each sector of the media industries, and these industries as a whole, has its own interests that compel them to cloak self-interest in the guise of a problem affecting us all. Pointing the finger at technological change, and one as ubiquitous as the internet, is easy, but also terribly flawed, and based on methodological sleights of hand that take partial elements of a particular media sector and allow it to stand for the whole. The tendency to wrap self-interests in societal concerns has gained more traction in the aftermath of the global financial crisis of 2007–8. However, radical and heterodox political economists have always emphasized that the consequences and costs of capitalism are born by citizens, while splitting over whether these tendencies can be ameliorated through reform or the belief that the system is so congenitally flawed that only its complete overthrow offers a decent way forward. We are once again at such a “fork-in-the-road” moment. While it is neither possible nor desirable to predict how things will transpire, the chapters in this book are animated by the conviction that the rich intellectual traditions in political economies of the media and an open mind are essential to shedding light on the crucial issues of our time.

Notes

- 1 The IMCRP is directed by Columbia University professor of finance and economics Eli Noam. It includes 40 researchers, including Guillermo Mastrini and Martín Becerra who have chapters in this book, investigating trends in media concentration in every sector of the media and telecoms industries in 40 countries since 1984. It is funded by a modest grant from the Soros Foundation's Open Society Institute.
- 2 By the number of users and as of December 2009, according to Comscore (2010a).
- 3 This account of disembedding, social stocks of knowledge, and mediated flows draws from Polanyi (1944/1957), Lash and Urry (1994), Benkler (2006), and Castells (2009).
- 4 Miège's criticisms were related directly to Theodore Adorno and Max Horkheimer's culture industry thesis, but the surrounding discussion makes clear that the criticisms apply to the then dominant versions of neoclassical economics (e.g. Baumol) and the monopoly capitalism school (e.g. H. Schiller as well as Baran and Sweezy 1966) as well.
- 5 I am indebted to Peter A. Thompson for a series of discussions that deeply inform this paragraph.
- 6 Among others, the key members of this school include Bernard Miège, Patrice Flichy, Gaetan Tremblay, Jean-Guy Lacroix, Enrique Bustamante, Philippe Bouquillion, Christina Pradie, Yolande Combes, David Hesmondhalgh, and Nicholas Garnham.
- 7 As also indicated in the annual reports of these firms for 2006.
- 8 Google is leveraging its market power in a range of media and cultural policy matters (see Chapter 6 regarding Google's role in Canadian broadcasting regulatory hearings). Google has also attempted an end run around copyright reform in the US Congress by setting its own standards with book publishers (the Google Books Settlement case)—a move that triggered opposition from the governments of Germany, France, the US Department of Justice, and hundreds of others (Darnton 2009; Samuelson 2010). There are many benefits to the proposed Google Books Settlement, but they come at a very steep price in terms of existing legal and cultural standards regarding the preservation, use, sale, and distribution of books and other cultural goods.
- 9 See Chapter 6 for an assessment of conditions in Canada. Newspaper revenues in the United States, Japan, United Kingdom, Canada, and the Netherlands fell by 20, 9, 7, 2, and 1 percent, respectively, over this period.
- 10 See Note 3.
- 11 Note on method for Table I.2: The music category is constructed using data from PWC and IDATE. PWC's *Outlook* does not include publishing rights, concerts, merchandizing, and advertising in its definition of the music segment, even though it observes that these are the fastest growing segments of the music industry (PWC 2010: 275). IDATE does include these elements. I have done three things to arrive at "total revenues" for the music industry: first, averaged the slightly different figures these sources identified for "recorded music"; second, I added the additional categories from IDATE to come up with a total; and third, based

on average growth rates for these “additional categories” I worked backward from the 2006 figures to come up with estimates for previous years. The “internet access” and “internet advertising” sectors are not disaggregated before 2004 in the *Outlook* report. The “book publishing” is drawn more narrowly after 2004 by eliminating professional and training books. In order to make the data consistent across time, I use the definitions from the 2009 edition and then arrive at figures for prior years by extrapolating based on average annual growth rates identified in the *Outlook* report. The 2009 *Outlook* drops “theme parks” and “sports.” I have deleted them from earlier years as well to maintain consistency over time. Data for 2010 here and throughout the introduction are based on PWC estimates in the 2010 edition of the *Outlook*.