

Chapter One

Introduction

1.0 Introduction

The first chapter of this thesis aims to present a general understanding of this PhD study as well as offer an outline of the thesis. It consists of seven sections: background and objectives of the research, core research concerns and research questions, theoretical framework, research methods and research design, information about the research, summary of research findings, and structure of the thesis.

1.1 Background and Objectives of the Research

Industrialisation initially started with the Industrial Revolution in England in the 18th century and was accomplished by 1850 when industry became a dominant factor in the nation's life. Later, by means of technological innovation in manufacturing processes, mainly attributable to electricity, chemicals and the gasoline engine, more advanced industrial societies came into being. The invention of machines for making machines resulted in vast economic and social change. It was all part of a wider modernisation process, with social change and economic development closely related to the application and diffusion of technological innovation (Kreis, 2001; Abbott, 2003). Over past decades, various domains in China have spared no effort in seeking and exploring modernisation, an important goal in China's development strategy. Within these circumstances, industrialisation has become the optimum approach of each of the country's industries (including the television industry) to achieving modernisation

in China. The major objective of this research is to map out Chinese television development (i.e. television industrialisation) drawing on policy documents and expert opinions, identifying problems and opportunities. Following this I propose a television development pathway with Chinese characteristics, drawing on Chinese as well as Western theories.

1.2 Core Research Concerns and Research Questions

Although the western concept of industrialisation was introduced into China in the late 19th century, a comprehensive Chinese market-led industrialisation policy only began in 1978, with the reform and opening up of China. Over the last thirty years, China's television industry has passed through various historic stages, which have seen marked changes in China's political and economic spheres, indeed in Chinese society overall. Nevertheless, in my view the ultimate aim of China's television industrialisation reform should be to transform Chinese ideological television into market-led industrial television. It should be to transform Chinese television from an industry led by states or governments (or other forms of political administrations) into one driven by markets.

This study aims to explore long-term, feasible and sustainable approaches to the further development of China's television industry, which can be considered as the furthering of television industrialisation reform in China. For realising this expectation, the following three core research concerns of the study are identified and addressed: (1) to analyse the development course and actual situation of the television industry in China, (2) to ascertain problems extant in the process of television development in China, and (3) to discuss the factors or reasons that underpin the problems that persist in the process of television

development in China. Based on these core research concerns, six corresponding research questions have been posed and answered in Chapters One to Six of this thesis. The six questions are as follows: (1) What has been the development course of the television industry in China? (2) What is the actual state of the television industry in China today? (3) What are the problems extant in the system and policy, the vertical organisational structure and horizontal administrative arrangement, and the market chain of China's television industry? (4) What are the reasons that underpin the above problems? (5) What are the problems associated with the process of digital television development in China? and (6) what are the reasons that underpin the problems that persist in this process?

1.3 Theoretical Framework

In order to examine China's approach to the development of its television industry, relevant theories of mass communication, political economy and the political economy of communication, and media economics are systematically reviewed in Chapter Two of this thesis. Theories of mass communication, starting from an overall macro-level, generally address the relevant notions of mass communication, specific perspectives of media and society, in particular McQuail's political, economic and social framework (McQuail, 2005). Apropos of political economy and the political economy of communication, addressed at a middle level, primary focus is on definitions, central perspectives and primary traditions (e.g. the neoclassic paradigm and the heterodox approach) of political economy as well as on some important perspectives associated with the political economy of communication such as commoditisation, media concentration and pluralism, commercialisation, liberalisation and privatisation (Mosco, 1996). Media economics, examined at a micro-level, chiefly explore

notions of economics and media economics, macroeconomics and microeconomics, needs and wants of markets, command economy and market economy, economics of scale and economics of scope, market and dual product market, media market structures, governmental intervention, television industry economics, television industrialisation and the ‘market chain’ theory of the television industry (Lu, 2002). Reviews of relevant literature provide the theoretical foundation for the study and the answers to the research questions posed in later chapters.

1.4 Research Methods and Research Design

To achieve the objectives of this research, i.e. exploring the three research concerns and answering the six research questions, a qualitative research approach was adopted as the fundamental research method in this thesis¹, using secondary data analysis, in-depth interviews and focus groups². Of these three methods (shown in Figure 3.1 in Chapter Three), secondary data analysis was mainly applied to answer research Questions One and Two, which correspond to Chapter Four ‘The Development and the Actual Situation of Television Industry in China’ and Chapter Five ‘Commercial Television in the U.S. and Public Television in the U.K.’³. In-depth interviews and focus groups were mainly undertaken to answer research Questions Three, Four, Five and Six, which correspond to Chapter Six ‘Results and Discussion’. The answers to all six research questions and their corresponding Chapters (Four,

¹ Despite having adopted a qualitative research approach vis-a-vis the fundamental research methods in this thesis, in light of certain research demands, secondary analysis of quantitative data is applied in a few places. For example, in section 4.2.2.2, Chapter Four, I use quantitative statistics produced by CVSC-SOFERES MEDIA (CSM) to analyse the changes in television audience market shares adopted by different administrative level’s television stations/channels in China from 2002 to 2005 (see section 4.2.2.2, Chapter Four).

² Full details of the research methodology employed can be found in Chapter Three.

³ Focus in Chapter Five is on the typical world systems of commercial television and public television, i.e. commercial television in the U.S. and public television in the U.K. Chapter Five aims to provide comparable and referenced material regarding the development of China’s commercial television and public television in the future. Although this chapter has no direct connection with research Questions One and Two, most of the content of Chapter Five is gained by the application of secondary data analysis. Chapter Five is thus viewed as one of the corresponding chapters of secondary data analysis (see Figure 3.1 Chapter Three).

Five and Six) elicited by the application of the aforesaid three fundamental research methods, jointly produce Chapter Seven ‘Conclusions and Recommendations’. Furthermore, secondary data analysis was undertaken for the subsidiary answers to Questions Three, Four, Five and Six, and in-depth interviews and focus groups conducted to elicit the subsidiary answers to Questions One and Two.

1.5 Information about the Research

This doctoral study was undertaken in Sydney, Australia over a 45 month period dating from February 2005 to October 2008. During the period December 2006 to January 2007, twenty-two respondents involving scholars, media practitioners and officials were invited to participate in in-depth interviews and three focus groups were conducted in China (Beijing and Jinan)⁴. Full details associated with the twenty-two in-depth interviews and three focus groups can be found in Chapter Three.

This research chiefly focuses on the development of the television industry in China. The term ‘China’ in all chapters of this thesis means the mainland of the People’s Republic of China (i.e. mainland China) which includes thirty-one provincial level divisions consisting of four municipalities (directly under the control of the central government) and twenty-two provinces and five autonomous regions, but excludes the two special administrative regions of Hong Kong and Macau, and Taiwan, in general (if I do not indicate otherwise).

⁴ Before conducting the in-depth interviews and focus groups in China, I spent six months preparing work in Australia, including obtaining approval to proceed with the in-depth interviews from Macquarie University Ethics Review Committee (Human Research), preparing a formal consent form, formulating interview questions, and seeking, selecting and contacting the respondents. After the in-depth interviews and focus groups were conducted, I returned to Australia and spent ten months transcribing all of the recorded video tapes and analysing and discussing the collected data (see also Chapter Three).

1.6 Summary of Research Findings

The findings of this research will be mainly summarised in four parts. (1) The first addresses the problems extant in the system and policy of China's television industry and the reasons that underpin these problems. 'One Ownership – Three Operation Patterns' (OOTOP) (一元体制, 三元运作) is the biggest problem in the system of China's television industry today, with most of the problems that plague the policy aspect of China's television industry revolving around television policy making, content and implementation (such as 'official oriented' (官本位)), the political dimension of television policy's regulation and the economic dimension of deregulation, excessive unscientific and impractical content of television policy, 'rule of man' (人治), and a system that is 'totally bureaucracy-led'. China's fundamental political system, a 'One-party Dictatorship Socialist System' (ODSS) (一党执政的社会主义制度), is the most dominant factor that determines China's fundamental television system of OOTOP. The ODSS system, together with the traditions and culture of Chinese officialdom as well as the present setup of governmental administrative bodies, forms the basis of the problems that persistently revolve around television policy-making, content and implementation.

(2) The problems extant in the vertical organisational structure and horizontal administrative arrangement of China's television industry – and the reasons that underpin these problems – comprise the second part of the research findings. The 'dual leadership' (双重领导) system, i.e. the vertical supervision and horizontal administration of China's television broadcasting institutions, is the chief problem in the vertical organisational structure and horizontal administrative arrangement of China's television industry. This system has been responsible

for the repetitious building of television broadcasting institutions, the crises endured by most provincial non-satellite (terrestrial and cable), prefecture/city and other television stations/channels⁵, and restrictions on cross-region, cross-administrative rank and cross-industry operations and/or integration of television stations. And just as China's fundamental political system (ODSS) is the root cause of most of the problems that impede the process of television development in China, it also determines the specific vertical organisational structure and horizontal administrative arrangement of China's television industry. The two components of this particular structural arrangement, taken together, constitute the manifestation of two parts and/or 'dual leadership'.

(3) The third part of the research findings includes exploration of the market chain of China's television industry and the reasons that underpin the associated problems. Due to the fact that China's television industry does not have the due elaborate division and high degree of specialisation to match its vast size, the Chinese television market chain and its six markets (capital, production, trading, broadcasting, consumption and investigating markets) continue to be incomplete and immature. This is seen as the main problem extant in the market chain of China's television industry, which also forms the basis of the distinct problems that impact on each market of this market chain. The essential factor that contributes to the above main problem can be found in China's special national conditions, particularly in China's fundamental political system, the ODSS. The all-dominant ODSS and its effects combine to determine (a) China's basic television system OOTOP, (b) the particular style of television policy-making, content and implementation in China, and (c) the specific vertical

⁵ 'Other television stations/channels' denotes educational stations and broadcasting and television stations on central/national, provincial, prefecture/city or county levels in China. The content of 'other television stations/channels' is detailed in Chapter Four.

organisational structure and horizontal administrative arrangement of China's television industry (i.e. the 'dual leadership' system of China's television broadcasting institutions).

(4) The problems associated with the process of digital television (DTV) development in China, and the reasons that exacerbate the problems that persist in this process, constitute the fourth part of the research findings: (a) due to the mutual influences of the internal factor of China's television industry, the external factor of China's television industry inside China and the external factor of China's television industry outside China, the Chinese government has expedited the development of DTV in China while simultaneously neglecting one extremely important factor, i.e. the actual situation of China, particularly China's television industry. This negligence on the part of the government has served only to intensify the various problems that plague many areas of China's DTV industry today; (b) the imbalance in the development of China's DTV transmission networks consisting of digital terrestrial television (DTT), digital cable television (DCT) and direct broadcast satellite (DBS) caused by the Chinese government's faulty DTV development strategy; (c) the serious shortage of high quality DTV programmes due to a lack of programme production capability (including shortages of money and a paucity of true professionals and innovations); and (d) the limited consumption ability and the demands of Chinese television audiences, and their 'no paying' approach to accessing television, indicative of the specific characteristics of Chinese television viewing audiences.

Full details of the above research findings can be found in Chapter Six. Chapter Seven provides the relevant solutions to the aforementioned problems; as well, it recommends a

comprehensive reform project and development strategy of China's television industry in conformity with the national conditions of China. Considered also will be 'the proposed reform strategies and the development prospects of China's television industry: the furthering of television industrialisation reform' within the framework of China's ODSS political system, i.e. 'the proposed reform strategies and the development prospects of China's television industry: the furthering of television industrialisation reform' within the framework of China's ODSS political system.

1.7 Structure of This Thesis

This thesis comprises seven chapters, including the current 'Introduction'.

Chapter Two, 'Literature Review', systematically examines the theories and perspectives associated with this research, from macro-level, middle level and micro-level perspectives. These theories and perspectives comprise three sections: (1) the relevant theories of mass communication, such as the relevant notions of mass communication, some perspectives of media and society, in particular McQuail's political, economic and social framework; (2) political economy and the political economy of communication, involving definitions, central perspectives and primary traditions (e.g. the neoclassic paradigm and the heterodox approach) of political economy as well as some important perspectives associated with the political economy of communication such as commoditisation, media concentration and pluralism, commercialisation, liberalisation and privatisation; (3) media economics, containing the principles and notions of economics and media economics, macroeconomics and microeconomics, needs and wants of markets, command economy and market economy,

economics of scale and economics of scope, market and dual product market, media market structures, government intervention, television industry economics, television industrialisation and the ‘market chain’ theory of the television industry. The chief purpose of Chapter Two is to provide the theoretical foundation for the study and the answers to the research questions posed in the later chapters.

Chapter Three, the methodology chapter, which explains the core research concerns and research questions of this thesis in detail, offers a comprehensive expatiation of the relevant research methods involving secondary data analysis, in-depth interviews and focus groups, and the appropriate research design applied to answer the various research questions. As well, it discusses the primary methodological problems I encountered during the research process as well as the corresponding solutions.

Chapter Four, entitled ‘the development and the actual situation of the television industry in China’, is the corresponding chapter that answers research Questions One and Two. It traces the trajectory of the development of China’s television industry and what the actual state of the television industry in China is today, mainly using secondary data analysis. Some respondents’ perspectives, gained from in-depth interviews in China, are quoted in this chapter as well, to supply certain subsidiary answers to the two research questions.

An analysis and discussion of commercial television in the U.S. and public television in the U.K. constitutes the primary content of Chapter Five. This chapter aims to provide comparable and referenced material regarding the development of China’s commercial and

public television in the future.

Chapter Six, ‘Results and Discussion’, presents the main findings of this research, which are chiefly based upon the data gathered from the three focus groups (involving twenty-six participants) and the twenty-two in-depth interviews undertaken in China. These findings can be considered to answer research Questions Three, Four, Five and Six. As well, it discusses the primary reasons that have given rise to these problems, explores the problems that retard the process of digital television development in China, and examines the primary factors that contribute to these problems.

Chapter Seven, ‘Conclusions and Recommendations’, the final chapter of this thesis, aims to present the conclusions of this PhD study as well as offer valuable recommendations for further industrialisation reform and development of China’s television industry. Actually, the recommendations in this chapter address not only the proposed solutions to the problems mentioned in the previous chapter (Chapter Six) but also the comprehensive reform project and development strategy of China’s television industry in conformity with the national conditions of China (i.e. ‘the proposed reform strategies and the development prospects of China’s television industry: the furthering of television industrialisation reform’ within the framework of China’s ODSS political system).

The significance of this thesis lies (a) in its providing an insight into China’s television reformation; and (b) in its adding of the Chinese experience to the field of communication and development. As a researcher studying communication, notably China’s media field, I have a

responsibility to contribute this research to the development of China's television industry and to share my findings with others.

Summary

This chapter has supplied a general background along with the objectives, expectations and significance of this research, concisely explaining this study. As well as summarising the theoretical framework and research findings; it has outlined the research concerns, research questions, methodology, structure of the thesis and provides a brief outline of each chapter. In the following chapter I review the literature dealing with relevant theories.

Chapter Two

Literature Review

2.0 Introduction

This chapter systematically examines the theories and perspectives associated with this research, which fall into three primary sections: first, the theories of mass communication, starting from an overall macro-level, generally address the relevant notions of mass communication, specific perspectives of media and society, in particular McQuail's political, economic and social framework; second, apropos of political economy and the political economy of communication, which I address at a middle level, primary focus is on the definitions, central perspectives and primary traditions (e.g. the neoclassic paradigm and the heterodox approach) of political economy as well as on some important perspectives associated with the political economy of communication such as commoditisation, media concentration and pluralism, commercialisation, liberalisation and privatisation; third, media economics, examined at a micro-level, chiefly explore notions of economics and media economics, macroeconomics and microeconomics, needs and wants of markets, command economy and market economy, economics of scale and economics of scope, market and dual product market, media market structures, governmental intervention, television industry economics, television industrialisation and the 'market chain' theory of the television industry. Reviews of relevant literature aim to provide the theoretical foundation for the study and the answers to the research questions posed in later chapters.

2.1 Mass Communication

This section, examined at a macro-level, reviews the relevant theories of mass communication, in particular McQuail's political, economic and social framework, which contains five primary parts: general conceptions of mass communication theory, the rise and development of mass media, theory of media and theory of society, four theories of mass media in modern society, and media and the forces of society, politics and economy. In the following, the five parts will be explored in detail.

2.1.1 General Conceptions of Mass Communication Theory

In order to construct general concepts of mass communication theory, a working definition of communication is required. Wright (1975) suggests that "one purpose of any definition is to inform the reader of the sense in which a word – which may have many meanings – is to be used as a term for purposes of the discussion that follows" (p.4).

2.1.1.1 Definitions of Communication

'Communication' is not an easy term to define. Some scholars have claimed a collection of 126 various definitions of the term (Dance and Larson, 1976). As Theodore Clevenger Jr. (1971, quoted in Littlejohn, 2002) suggests, in the process of defining the term 'communication' an inextricable difficulty lies in the fact that the origins of the word 'communication' are in the verb 'to communicate'⁶. Although many scholars have attempted to find an accurate definition of the term, in fact it seems inadvisable and ineffective to limit it

⁶ Dictionaries in general attribute common-sense meanings to the term: for example, the *Oxford Advance Learner's Dictionary of Current English* (1992) interprets communication as "the act of communicating" (p.181). *The Concise Oxford Dictionary of Current English* (1990, p.230) and *The Australian Oxford Dictionary* (2004, p.257) define communication as "the act of imparting", implying imparting information or by extension communication. Hence, it is hard to grasp the definition of communication vis-a-vis academic criteria.

to any single definition.

McQuail and Windahl (1981) do not “wish or need to be tied to one particular definition” (p.3) having observed that communication has been defined in a number of ways and that the authors to whom they refer have different notions of the concept. Notwithstanding, they believe that certain examples can impart some idea of the variety of meanings attached to communication. In the following, I particularise three categories of definition of ‘communication’:

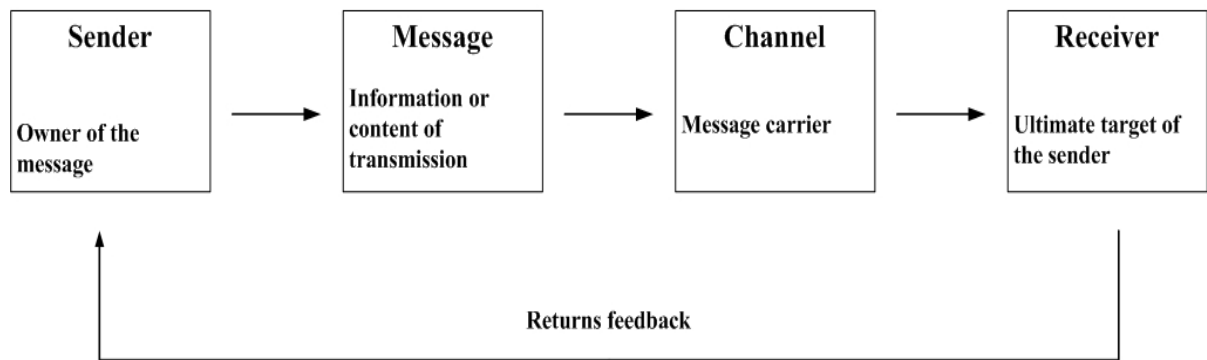
- (1) Focusing on the course and content of transmission, information senders and receivers, for example, communication is the act or process of transmitting information, ideas, attitudes, or emotion from one person or group to another (or others) mainly via symbols (Theodorson and Theodorson, 1969);
- (2) Based on “effectiveness or efficiency, concentrating on the functions of message or on the abilities of individuals or groups to process information” (Hardt, 1992, p.16), for example, Osgood and Tannenbaum (1957) have “communication wherever one system, a source, influences another, the destination, by manipulation of alternative symbols, which can be transmitted over the channel connecting them” (quoted in McQuail and Windahl, 1981, p.3);
- (3) In light of a process of interaction, for example, “communication is social interaction through messages” (Gerbner 1967, quoted in McQuail and Windahl 1981, p.3).

McQuail and Windahl (1981) integrate the above three types of definition into the following:

... In the most general terms, communication implies a sender, a channel, a message, a receiver, a relationship between sender and receiver, an effect, a context in which communication occurs and a range of things to which ‘messages’ refer. Sometimes, but not always, there is an intention, or purpose to ‘communication’ or to ‘receive’. Communication can be any or all of the following: an action on others; an interaction with others and a reaction to others (p. 3).

This appears to be a comprehensive and one of the most detailed means of understanding communication to date, especially for mass communication researchers. Taken together, the above definitions facilitate clear recognition of the four fundamental elements of communication: sender, channel, message and receiver, as shown in Figure 2.1.

FIGURE 2.1 Four fundamental elements of communication



The sender is the ‘owner’ of the message, the one who dominates the whole process. Messages are the information or contents of transmission and channels are their carriers. The receiver is the ultimate target of the sender; as the recipient of transmission, he/she is influenced by the sender, and is the one who returns feedback to the sender. Therefore, the term ‘communication’, as used in this thesis, may be seen to depict a transmitting relationship connected by sender, receiver, message and channel.

To sum up, whether correct or incorrect, the choice of definitions must never be neglected. The variety of definitions reflects the diversity of research’s theoretical approach. Hence, different investigative techniques and purposes motivate researchers to choose diverse means of arriving at understandings or explanations of communication (Andersen, 1999).

2.1.1.2 From Communication to Mass Communication

Chaffee and Berger (1987, quoted in Baran and Davis, 2006) maintain that communication phenomena can be classified into four categories based on the scope and extent of communication: intrapersonal communication, interpersonal communication, organisational

communication and mass communication⁷. The focus of this section is upon mass communication, which I believe warrants greater attention than it has to date been afforded. In fact, the concept of mass communication, first presented in the 1930s, was to “capture the essence of the dominant means of public communication of the early twentieth century” (McQuail, 2002, p.4). After over seventy years of theoretical development, mass communication has attained more comprehensive meaning and been defined in various ways based on different research approaches⁸.

McQuail (2000) points out that the key term ‘mass’ in truth unites a number of concepts that are very important for understanding mass communication. Thompson (1995) argues to the effect that ‘mass’ is “especially misleading” (p. 26). Although McQuail (2000) describes the concepts of mass as ‘large aggregate’, ‘undifferentiated’, ‘lacking order or organisation’ and ‘reflective of mass society’, he still maintains that ‘large aggregate’ and ‘undifferentiated audiences’ are the closest explanations of the meanings of the term ‘mass’ as referred to in ‘mass communication’. As McQuail (1987) observes, the term ‘mass’ may be applied to mass media, e.g. newspapers, books, magazines, films, radio or television programmes and

⁷ The four categories of communication contain: ‘intrapersonal communication’ – person’s subjective course of processing individual information such as thinking and soliloquy (Shen, 2004); ‘interpersonal communication’ – communication relationship between two or small groups of people, typically face-to-face (Baran and Davis, 2006), e.g. a conversation or negotiation between two or a few people; ‘organisational communication’ – communication of “larger groups of people and the contexts of their continuing relationships” (Chaffee and Berger 1987, quoted in Baran and Davis 2006, p.360). The communication may occur inside groups or between groups of people and their external environment to achieve certain needs or aims of the groups, e.g. a speech at a conference or some promotional activities; ‘mass communication’ – “a source, typically an organization, employs a technology as a medium to communicate with a large audience” (Baran and Davis, 2006, p.6), e.g. the professionals at *The Sydney Morning Herald* use “printing press and newspaper (technology and medium) to research their readers (a large audience)” (p.6). Journalists, filmmakers, editors, directors, news-presenters and other professionals at Phoenix Television use diverse video and audio technologies via various transmission approaches (e.g. cable television, satellites and home receivers) to communicate with their millions of audiences around the world.

⁸ For instance, Wight (1975) suggests that it is “a special kind of social communication involving distinctive operating conditions, primary among which are the nature of the audience, of the communication experience, and of the communicator” (p. 5). Thompson (1995) calls it “...The institutionalized production and generalized diffusion of symbolic goods via the fixation and transmission of information or symbolic content” (p. 26). McQuail (2000), on the other hand, terms it “...An efficient device for getting a message to many people whether as advertising, political propaganda or public information” (p.47). However, the above three concepts fail to provide a clear and coherent sense of mass communication. In fairness, it has often been noted that mass communication, as a phase, is not so easy to perceive.

websites; mass channels or platforms, e.g. printing, terrestrial, cable or satellite broadcasting, cassettes, CDs, DVDs and the Internet; mass messages, e.g. news, information, stories, entertainments and views; and mass or undifferentiated audiences, which may be “very widely dispersed” (p.31) and larger than most groups, crowds or publics (Blumer 1939, quoted in McQuail, 1987). Its members are “usually unknown to each other or to whoever brought the audience into existence” (p.31).

The key components of mass communication are encapsulated in the following ideal-type concept: “...The simultaneous transmission from a single or centralized (and organized) sender to all or most of a population of a recurring and standardized set of message (news, information, fiction, entertainment and spectacle), without there being much possibility of responding or answering back” (McQuail, 2002, pp.4-5). Wright (1975) summarises three major characteristics of mass communication as follows: (1) mass communication is directed toward those relatively large and anonymous audiences; (2) “messages are transmitted publicly, often timed to reach most audience members simultaneously, and are transient in character; (3) the communicator tends to be, or to operate within, a complex organization that may involve great expense” (p.8).

So far I have considered the concepts and particularities of mass communication. However, there is another important context in which the expressions ‘media’ and ‘mass media’ may be misleading in contrast to the previous representation of ‘communication’ and ‘mass communication’.

2.1.1.3 Media and Mass Media

Ancient people regarded the process of communication with reverence and awe. Such phrases as 'In the beginning was the word' and 'It is written' testify to the power and authority associated with oral and written language in the Judeo-Christian and Islamic traditions. Similar attitudes characterized the earlier Chinese and the literate civilizations of the New World.

DeFleur and Ball-Rokeach (1982, pp.1-2)

In the modern era, we all live in what McLuhan terms a 'global village', a space in which it is possible for every person to contact others via various communication media irrespective of location (McLuhan and Powers, 1992). It is thus inconceivable to envision the existence of communication without media. Gerbner (1967, quoted in Littlejohn, 2002) clarifies the significance of media: it not only supplies mediums or channels of mass communication but also creates and provides moral criteria for publics, and accordingly effects the equal distribution of social attention and power. Littlejohn (2002) states that media have been the core of mass communication study. Media promulgates among mass audiences those messages which may reflect mass society; simultaneously, this allows media to become an important part of institutional influences in society today.

Littlejohn (2002) terms media a 'message carrier' – carrying or transferring messages between senders and receivers, or between external environments and audiences. In terms of a summary of McQuail's (1987) metaphors that pertain to media, media is a 'window', an 'interpreter', a 'platform or carrier', a kind of 'interactive link', a 'signpost', a 'mirror', a 'filter' and an 'obstacle'⁹. Meyrowitz (1993) insists that media is channel, language and

⁹ The following is a summary of McQuail's (1987) metaphors that pertain to media. Media are alternatively: a 'window' that lets us see the external view; an 'interpreter' that helps us understand our own sense of experience; a 'platform or carrier' 'for/of information or opinion'; a kind of 'interactive link' involving feedback from its audiences; a 'signpost' that furnishes enlightenment and guides; a 'mirror' that reflects ourselves, our images; a 'filter': it selects out "part of experiences for

environment. But what does the term ‘media’ mean exactly? To date, there is no one or simple definition (Littlejohn, 2002).

The term ‘mass media’ has “been difficult to define” (Morris and Ogan, 2002, p. 137). McQuail (2000) claims that the term ‘mass media’ “refers to the organized means for communication openly and at a distance to many receivers within a short space of time” (p.17). However, Schement and Curtis (1995) see these criteria as relative, since any forms of mass media including (1) print media, e.g. books, newspapers and magazines, (2) film, (3) broadcasting, e.g. radio and television¹⁰, (4) recorded music (phonogram) and video media, e.g. music magnetic-tapes and VCRs (video cassette recorders), (5) new electronic and digital media, e.g. CDs (compact discs), DVDs (Digital Versatile Disc), digital cameras, printers and camcorders, and (6) the Internet or World Wide Web were all limited to the minority groups in society. McQuail (2000) notes that “the most obvious feature of mass media is that they are designed to reach many. Potential audiences are viewed as large aggregates of more or less anonymous consumers, and the relationship between sender and receiver is bound to be influenced by this fact” (p.40).

Generally, it is either the media organisation themselves or certain professionals (such as journalists, publishers, television or film directors, programme producers, news presenters) in their employ who are the senders. If not these agencies, it may be “another voice of society given or sold access to media channels (such as advertisers, politicians, preachers, advocates

special attention and closes off others aspects of experience, whether deliberately and systematically or not” (p.53); an ‘obstacle’ that trammels us to acquire verities.

¹⁰ Television is the only media form adopted for the study of Chinese media industrialisation in this thesis. I include more detail about television in later chapters.

of a cause)” (p.40). The relationship between senders and receivers is “inevitably one-sided and impersonal, and there is a social as well as a physical distance” (p.40) between them. The former are usually more authoritative, prestigious, or expert than the latter. According to McQuail (2000), “the relationship is not only asymmetrical, it is often calculative or manipulative in intention. It is essentially non-moral, based on a service promised or asked for in some unwritten contract with no mutual obligation” (p.40).

2.1.2 The Rise and Development of Mass Media

In recounting the rise and development of mass media we should hark back to the 1800s – a turbulent period in world history. One characteristic of this period was “enormous social change” (Baran and Davis, 2006, p.45). Both Europe and the United States, reshaped by industrialisation and urbanisation, initiated the modern age. Baran and Davis (2006) argue that most of the social change involving the rise and development of mass media was possibly caused by innovation and “the rapid dissemination of new forms of technology” (p.45). Schement and Curtis (1995) state that the new technologies, from the earliest forms of mass media such as rock paintings to the latest digital or Internet forms, have expanded the capacity, speed and efficiency of transmission.

In the 1860s, reports of the Civil War in the United States, transmitted via telegraph, fuelled the public’s interest in the fast-breaking news coverage of the conflict and by extension spawned a host of wire services¹¹ by the time the Civil War ended (Baran and Davis, 2006).

These wire services supplied news to affiliated papers spread across the U.S., signifying “the

¹¹ Baran and Davis (2006) define wire services as “news organizations that provide content to subscribing media outlets” (p.45). Wire services were also called ‘news agency’ or ‘press association’, e.g. Reuters, Associated Press, French Press Agency and Xinhua News Agency.

first electronically based media networks” to be created (p.45).

By the mid-late nineteenth century, the advantages of the new technologies were increasingly discovered¹² (Marvin, 1999). In addition, public demand for cheap media content resulted in the rapid development of certain new media forms such as “the penny press, the nickel magazine and the dime novel” (p.45). All of these factors contributed to the later full flourishing of urban newspapers in (a) the major trading centres, and (b) along the east coast of the United States. Competition among the print media became increasingly intense (Marvin, 1999), creating a few press barons (e.g. William Randolph Hearst¹³). But it also “swept aside many small-circulation” print media (Baran and Davis, 2006, p.45). At the same time, a newspaper circulation war broke out, which led to the emergence and development of ‘yellow journalism’¹⁴, i.e. the irresponsible side of the cheap press (Baran and Davis, 2006).

In the 1900s, the rise of the mass media always followed a pattern of industrial development, which meant that every ‘revolution’ in media technology would result in subsequent mass media development (Baran and Davis, 2006). “Whenever important new media technologies appear[ed]” (p.46), the extant media industry was often forced into a process of large-scale and quick restructuring (Morley and Robin, 1999). As Baran and Davis (2006) observe, “large corporations based on old technologies go into precipitous decline while a handful of the upstart companies reap enormous profit. To survive, the large corporations are forced into

¹² For example, the “high-speed printing presses and Linotype machines made it practical to mass-produce the printed word at very low cost” (Baran and Davis, 2006, p.45).

¹³ Baran and Davis (2006) describe Hearst (1863-1951) as “the most notorious – if not the greatest of the press lords” (p. 46). Hearst was a newspaper and magazine publisher in the U.S. Beginning with the *San Francisco Examiner* in 1887, he established the world's largest publishing empire, which comprised 28 major newspapers. Hearst demonstrated that the news may be traded in the same way as the business of oil, railroads or steel. Overall, he had “little respect for reporting accuracy” (p.46) like most yellow journalism (2006).

¹⁴ ‘Yellow journalism’ is sensational and often irresponsible news reporting (Baran and Davis, 2006).

cutthroat competition to gain control of new technology. Sometimes they succeed and sometimes they fail” (p.46). This process can also be seen as ‘functional displacement’, that is, “when the functions of an existing medium are replaced by a newer technology, the older medium finds new functions¹⁵” (p.46).

Today, another mighty technology is transforming mass media. The PC (personal computer) connected to the Internet (and World Wide Web), is the repository of a burgeoning fund of information (Lyon, 1999). One can find duplicates of almost all traditional media forms on the Internet such as Internet newspapers, magazines and books, on-line cinema, music and video downloading, and Internet television. Viewing the Internet as a powerful menace, many traditional media have been forced to improve their strategies in order to compete for readers and audiences (Winston, 1998). For example, as a way of attracting bigger audiences, Phoenix television established its own website through which every registered member is supplied with on-line watching or the downloading services of all Phoenix TV programmes.

Baran and Davis (2006) conclude that “functional displacement may be slowed, but it cannot be stopped” (p.49). The old media never give up as new technologies drive the rapid development of new media. But overall, the circumscriptions between heterogeneous media have become blurry and tend to disappear, representing newspapers more like magazines and even radio or television (Cole 1995, quoted in Fonti, 1995). This may well be why books,

¹⁵ For example, “newspaper brought a litigation of copyright violations against radio stations in the 1920s, when it was common practice for broadcasters to read newspaper stories on the air. The Hollywood studios futilely spent twenty years and millions of dollars using an array of legal strategies to fight the rise of television. In the same way (and with same result), television went to court to stop cable television’s development, cable went court to stop the growth of direct satellite systems, Hollywood and the television industry went to court to stop the spread of video-cassette technology, the recording industry went to court to limit the availability of digital audiotape, and all the traditional media are now in court fighting the diffusion of digital video recording systems such as TiVo” (Baran and Davis, 2006, p.49).

newspapers, magazines, film, radio, television, recorded music (phonogram) media, digital media and the Internet may exist in the same world at the same time.

2.1.3 Theory of Media and Theory of Society

Modern society is nearly unimaginable without mass media: newspapers, magazines, paperbacks, radio, television and film. The mass media are many things to many people and serve a variety of functions, depending on the type of political and economic system in which the media function, the stage of development of society, and the interests and needs of specific individuals...

Severin and Tankard (1988, p.209)

Media theory and society theory constitute a wide domain, and for this reason it is not easy to design a specifically clear map of the link between them. In order to facilitate the study of theory of media and theory of society relevant to this thesis, this part will address two aspects: ‘media – society relations’ and ‘media – society theory’.

2.1.3.1 Media – Society Relations

McQuail (2000) describes the relationship between media and society as a “potentially spiralling and self-fulfilling process, driven by ever-increasing estimation of their significance by political and cultural actors” (p.5). He observes that media are subject to the criteria set by and limitations imposed by the wider society, and while they constitute a separate social institution within society “with its own roles and practices” (p.5), they are “ultimately dependent on society” (p.5). This signifies that (1) the mass media institution is a section of the structure of society; (2) its technological infrastructure is a part of “the economic and power base” (p.61); (3) media as a disseminator of opinions, images and messages is an important facet of culture. However, as their ranges of “activity, economic significance and

informal power grows” (p.5), there are signs that they may be both gaining a degree of autonomy and may have “some scope for independent influence” (p.5).

Rosengren (1980), who states that media should be considered as both a ‘societal’ and a ‘cultural’ phenomenon, presents a simple typology of society – culture (media content) relations comprising two opposed propositions: (1) social structure influences culture (media content); and (2) culture (media content) influences social structure (1980). See Figure 2.2 below:

FIGURE 2.2 Four types of relation between culture (media content) and society

		Social structure influences culture (media content)	
		Yes	No
Culture (media content) influences social structure	Yes	<i>Interdependence (two-way influence)</i>	<i>Idealism (strong media influence)</i>
	No	<i>Materialism (media are dependent)</i>	<i>Autonomy (no causal connection)</i>

Source: Rosengren (1980, quoted in McQuail 2000, p.62)

The above figure displays four chief options for depicting the relation between media and society: (1) Idealism – media in terms of their contents are considered more as culture: they are assumed to have a strong potential to significantly influence society (McQuail, 2000). Furthermore, media as the conveyers of particular opinions and values, irrespective of

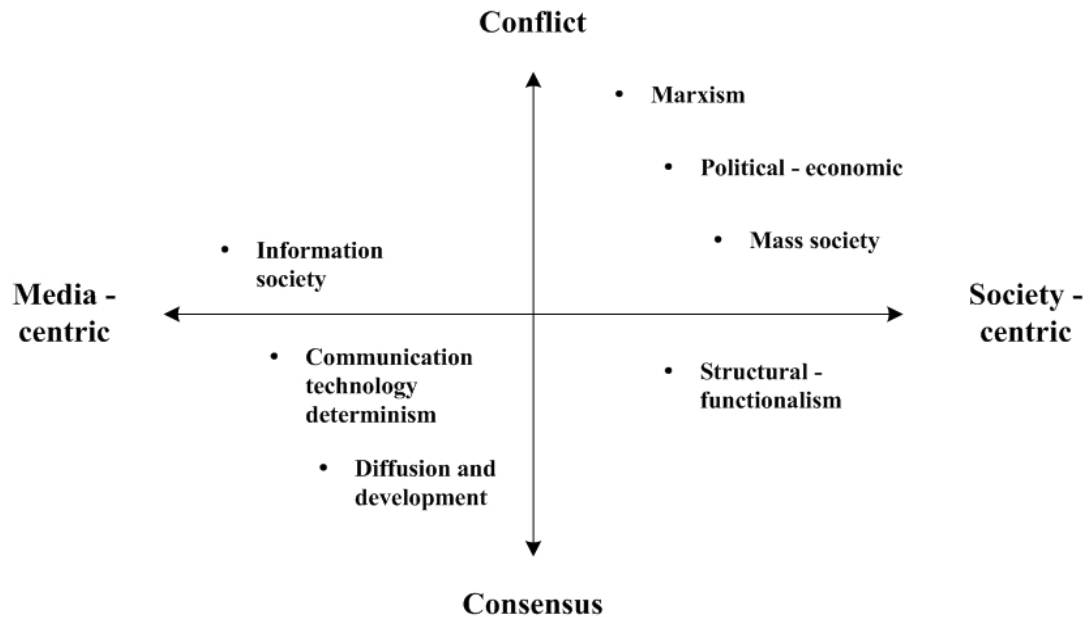
whoever owns or controls, may possibly effect social change through certain individual movements and actions (2000); (2) Materialism – media in this option imply a separate section or facet of society (base or structure) (Rosengren, 1980). McQuail (2000) claims that a considerable body of theory sees culture as reliant upon “the economic and power structure of a society” (p.61). It is assumed that whoever “owns or controls the media can choose, or set limits to, what they do” (p.62); (3) Autonomy – media and society are generally assumed to have no causal connection. The option of autonomy in the relation between culture (media content) and society “is not necessarily inconsistent with this view, unless interpreted very literally” (p.63); (4) Interdependence – this option implies that like society and culture, there are continual interactions and influences between media and society (2000). The media can be viewed as a sort of culture industry responding to society’s demands for information and entertainment, and simultaneously stimulating innovation and contributing “to a changing social-cultural climate, which sets off new demands for communication” (p.62). Clark (1969) cites French sociologist Gabriel Tarde’s envisaging of a constant interweaving of influences: “technological developments made newspapers possible, newspapers promote the formation of broader publics, and they, by broadening the loyalties of their members, create an extensive network of overlapping and shifting groupings” (quoted in McQuail, 2000, p.62).

In the current era, the multifarious influences of media and society appear inextricably interlaced. It is inconceivable that either mass media or society can exist without the other, despite the fact that each is a needed but not sufficient condition for the other (McQuail, 2000). Accordingly, ‘interdependence’ will be the option deemed comparatively closest to one of the fundamental opinions adopted by this thesis.

2.1.3.2 Media – Society Theory

Taking into account the diverse theoretical perspectives of the relations between media and society, there is a strong possibility that the numerous and different perspectives pertaining to media-society theory “hold under different conditions and at different levels of analysis” (McQuail, 2000, p.63). While theories of media and society may be distinguished and point to different paths into the future, they may not all be reconcilable, “since they represent alternative philosophical positions and opposed methodological preferences” (p.88). Media-society theory, which includes seven types of theory (information society, Marxism, political economy, mass society, communication technology determinism, diffusion and development, and functionalism), is based on two prime dimensions of approach: (1) the contrasting of a critical with a consensual view of society and (2) focusing on the distinctions between ‘media-centric’ and ‘society centric’ viewpoints (2000), as shown in Figure 2.3.

FIGURE 2.3 An overview of theories of media and society: the main choices are between conflict and consensus and between media as moulder and media as mirror of society

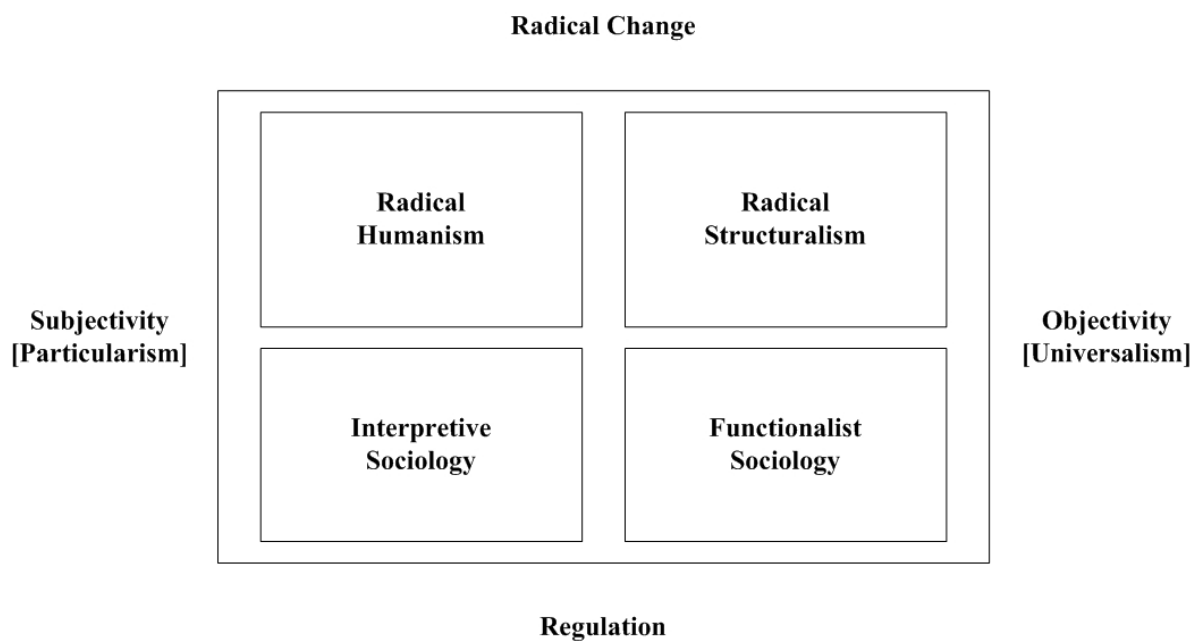


Source: McQuail (2000, p.89)

Generally speaking, the 'conflict' approach conveys the notion of society "in a continual state of conflict or power struggle between (mainly) 'haves' and 'have-nots'" (pp.88-89). Conversely, the 'consensus' approach implies a pluralistic view of society as dominated by multi-forces of "equilibrium and the hidden hand of the market and leading to the best that can be hoped for" (p.89). The second dimension tend to be more self-explanatory, indicating the distinction between a 'media-centric' and a 'society-centric' view of the relationship. It represents "the difference between those who see media technology (and content) as primary movers in social change and those who consider the roots of change to lie with the society" (p.89). As McQuail (1987) notes, "the former stresses the means of communication as a force for change, either through technology or the typical content carried. The latter emphasises the dependence of both on other forces in society, especially those of politics and money" (pp.60-61).

Burrell and Morgan (1979) present the typology for schools of sociology, which is somewhat similar to the mapping of differences in sociological theory (quoted in Rosengren, 1983), as shown in Figure 2.4.

FIGURE 2.4 Burrell and Morgan's typology for schools of sociology



Source: Burrell and Morgan (1979, quoted in Rosengren 1983, p.186)

They argue that the field of sociology has been structured by two dimensions: (1) the 'sociology of radical change' versus the 'sociology of regulation', corresponding with 'conflict' and 'consensus' in McQuail's overview of theories of media and society, respectively; (2) the 'subjective views (particularism)' versus the 'objectives views (universalism)', corresponding with a couple of other elementary oppositions in the area of social sciences, such as nominalism versus realism, antipositivism versus positivism, and voluntarism versus determinism. In line with the above two dimensions, sociological theory

can be plotted with four fundamental paradigms – radical humanism, radical structuralism, interpretive sociology and functionalist sociology (1983).

Liberal political economy and theories of media and society have affinities to functionalist sociology. Marxism has affinities with radical structuralism. Some media theories have an affinity with interpretive sociology, but I have not drawn on these in trying to understand the structure of the television industry in China. In important ways, radical structuralism and functionalist sociology are similar in that they are positivist. Based on the needs of this thesis, I consider it unnecessary to analyse every type of media and social theory. Rather, I will focus on three types involving ‘mass society’, ‘political economy’ and ‘Marxism’, which are more relevant to my research. ‘Political economy’ and ‘Marxism’ will be discussed in-depth in section 2.2 ‘Political Economy and the Political Economy of Communication’ of this chapter. In the following section, I focus on ‘mass society’.

According to X.Y. Lu (2005), the notion of ‘mass’ in the modern industrial society implies the most average, ordinary and numerous group in the traditional agricultural society. The elements of mass society theory are built around the term ‘mass’, which has already been discussed earlier in section 2.1.1.2 of this chapter. X.Y. Lu (2005) observes that the development of mass society theory experiences three stages.

(1) From the end of the 1800s to the beginning of the 1900s

Mass society theory first emerged in the late 19th century. The Industrial Revolution¹⁶

¹⁶ The Industrial Revolution commonly expresses the complex of radical socioeconomic change. It first took place in England in the late 18th century, having been brought about when extensive mechanisation of production systems resulted in a

resulted in the radical restructuring of western society. Members of the social elite (e.g. the monarchy, the clergy and upper-class politicians), having lost their power, failed to deal with the prevailing social problems. Thus the third estate, the civilian and proletarian, emerged as an important power in mass society. Scholars who supported the peerage, along with leaders in education and religion, and the peers themselves, regarded the mass media as the symptom of all that was wrong with modern society (Baran and Davis, 2006). They collectively resented the media's power, and considered that the mass media attracted semiliterate or underbred mass audiences by disseminating highly objectionable, sinful and Philistine content (Brantlinger, 1983). I will suggest that the view of mass society theory at this stage had two weaknesses: first, there was a lack of apprehension of the inevitability of radical social change forced by the Industrial Revolution; second, there was a class-conscious bias in the third estate's researching of mass society theory. Therefore, from the contemporary viewpoint, the early aristocratic mass society theory cannot be countenanced today (X.Y. Lu, 2005).

(2) From the early 20th century to the 1960s

The rise of mass media in the late 19th century posed a direct threat to the political and business establishment, with audiences strongly attracted by mass media reports. Comparing with previous theoretical research, mass society theory has given little attention to the protection of the interests and values of feudal peerages, rather its focus has been on mass media's effect on individuals, the masses and social change. Thus, the established politicians and businessmen regarded mass media as their real threat (Baran and Davis, 2006). Mass society theory researchers note that social forces involving the force of mass media were

controlled by a few media lords, who oppressed the masses' abilities vis-a-vis thinking and duty¹⁷.

Baran and Davis (2006) indicate that at this initial stage mass society theory gained wide acceptance. In time, however, people started to question "its unqualified assertions about the media's power to corrupt and debase individuals" (p.68). Researchers in time found it too hard to demonstrate the media's direct and routine influence on what people think or do.

(3) From the 1970s to today

The confrontation between mass society theories and apologists for the media industries raged throughout the whole of the 20th century. Until today, the debate continues albeit in renewed and more interesting variations (2006). Despite the fact that a few mass communication researchers and theorists continue to support mass society theory in the contemporary era, "the basic assumptions of a corrupting media and helpless audiences have never completely disappeared. Attacks on the pervasive dysfunctional power of media have persisted and will persist as long as dominant elites find their power challenged by media" (pp.64-65).

McQuail (2000) represents modern articulations of mass society theory, which have proven quite valuable for this thesis. Mass society theory, he claims, implies "the interdependence of institutions that experience power and thus the integration of the media into the sources of

¹⁷ In addition, envy, discontent and outright fear were "often at the roots of mass society theory" (Baran and Davis, 2006, p.53). This theory is outlined in six basic assumptions about individuals, the role of media, and the nature of social change. "(a) The media are a malignant, cancerous force within society and must be purged or totally restructured. (b) Media have the power to reach out and directly influence the minds of average people. (c) Once people's minds are corrupted by media, all sorts of bad long-term consequences result – not only bringing ruin to individual lives but also creating social problems on a vast scale. (d) Average people are vulnerable to media because they have been cut off and isolated from traditional social institutions that previously protected them from manipulation. (e) The social chaos initiated by media will inevitably be resolved by the establishment of a totalitarian social order. (f) Mass media inevitably debase higher forms of culture, bringing about a general decline in civilization" (p.53).

social power and authority” (p.74). This theory, however, is more likely to serve the interests of the dominant elites, who hold both political and economic power. Mass media cannot supply “a critical and alternative definition of the world, and their tendency will be to assist in the accommodation of the dependent public to their fate” (p.74). McQuail (2000) further argues that mass society is both ‘atomized’ and centrally controlled. The media may be seen as “significantly contributing to this control in societies characterized by largeness of scale, remoteness of institutions, isolation of individuals and lack of strong local or group integration” (p.75). He summarises six main features of mass society theory of media: (a) “large-scale society, (b) atomized public, (c) centralized media, (d) one-way transmission, (e) people depend on media for identity and (f) media used for manipulation and control” (p.76).

Finally, McQuail (2000) argues that “the widely accepted designation of contemporary society as ‘postmodernist’ runs contrary to the mass society vision, which appears as an essentially ‘modernist’ perspective” (pp.75-76). Currently, a host of new or old forms of media “seem also to undermine the validity of mass society theory in its portrayal of mass media as one of the foundation stones of the mass society” (p.76). The newest electronic and digital media “give rise to a near-utopian vision of what society can become that runs counter to the central mass society thesis” (p.76).

2.1.4 Four Theories of Mass Media in Modern Society

Siebert, Peterson and Schramm, in their 1956 publication *Four Theories of the Press*, presented a famous classification of the world’s press system. The three authors classified the world’s press into four categories: authoritarian, libertarian, social responsibility and

Soviet-totalitarian (See Table 2.1 below). These four theories have not only been circumscribed within the press system; over the past fifty years, they have gradually become the underlying theories that have been applied to the study of mass media in modern society, albeit they are progressively oppugned¹⁸ (Severin and Tankard, 1988). In the following section I introduce each theory in detail.

¹⁸ Nerone (1995) argues that *Four Theories of the Press* was produced in the climactic period of the 'Cold War'. Its authors' standpoints are based on maintaining the benefits of the system of capitalism and liberal economy in 20th century U.S. The four theories do not pay attention to the centralisation of media ownership; in fact, they mystify the role of mass media in society, particularly in the capitalist society. The three authors ignore the fact that mass media sometimes are not manipulated by both government and capital (e.g. certain publications of parties, movement groups, labour unions, nonprofit organisations and religious fellowships).

TABLE 2.1 Four rationales for the mass media

	<i>Authoritarian</i>	<i>Libertarian</i>	<i>Social Responsibility</i>	<i>Soviet-Totalitarian</i>
Developed	in 16 th - and 17 th -century England; widely adopted and still practiced in many places	adopted by England after 1688, and in the U.S.; influential elsewhere	in the U.S. in the 20 th century	in the Soviet Union, although some of the same things were done by the Nazis and Italians
Out of	philosophy of absolute power of the monarch, his government, or both	writings of Milton, Locke, Mill, and general philosophy of rationalism and natural rights	writings of W.E. Hocking, Commission on Freedom of Press, and practitioners; media codes	Marxist-Leninist-Stalinist thought, with mixture of Hegel and 19 th -century Russian thinking
Chief purpose	to support and advance the policies of the government in power; and to service the state	to inform, entertain, sell – but chiefly to help discover the truth, and to check on the government	to inform, entertain, sell – but chiefly to raise conflict to the plane of discussion	to contribute to the success and continuance of the Soviet socialist system, and especially to the dictatorship of the party
Who has right to use media?	whoever gets a royal patent or similar permission	anyone with economic means to do so	everyone who has something to say	loyal and orthodox party members
How are media controlled?	government patents, guides, licensing, sometimes censorship	by "self-righting process of truth" in "free market place of ideas," and by courts	community opinion, consumer action, professional ethics	surveillance and economic or political action of government
What is forbidden?	criticism of political machinery and officials in power	defamation, obscenity, indecency, wartime sedition	serious invasion of recognised private rights and vital social interests	criticism of party objectives as distinguished from tactics
Ownership	private or public	chiefly private	private unless government has to take over to insure public service	public
Essential differences from others	instrument for effecting government policy, though not necessarily government-owned	instrument for checking on government and meeting other needs of society	media must assume an obligation of social responsibility; and if they do not, someone must see that they do	state-owned and closely controlled media existing solely as an arm of the state

Source: Siebert, Peterson and Schramm (1956, p.7)

2.1.4.1 Authoritarian Theory

In the West, the technologies of the printing press and movable type were invented “at a time when the world was under authoritarian rule by monarchs with absolute power” (Severin and Tankard, 1988, p.209). This is why the first theory or rationale of mass media, i.e. ‘authoritarian theory’, is considered an instrument for supporting and promoting the policies of the government in power and serving the state (1988). Siebert, Peterson and Schramm (1956) noted that it was only the media (i.e. in the pre-Internet age) who were granted permission by the monarch or the government (except for some special cases), and who could qualify for publishing or broadcasting. The government in power inhibits criticism from individuals by using patents, licensing, direct censorship and the self-regulation of media guilds. In the authoritarian system, irrespective of whether media ownership is public or private, “...It is regarded as an instrument for furthering government policy” (Severin and Tankard, 1988, p.212).

Severin and Tankard (2001) note that censorship, whether government (outside) or individual (inside), generally exists in many countries around the world, including self-proclaimed democratic states. For instance, the television programme ‘60 Minutes’, screened by American CBS (Columbia Broadcasting System), was compelled to terminate its criticism of the tobacco industry because the CBS senior governors feared indictment by the tobaccoists (2001). Asian satellite television institutions have to employ self-regulation or self-censorship in order to either pander to their billions of audiences or please nervous governments. Media magnate Ted Turner’s cartoon network deleted the image of a pig for fear of offending

Muslims; Rupert Murdoch's Star TV cancelled its broadcast of BBC News for the North Asian area because communists found the western news threatening without censorship; Star TV was also forced to bowdlerise a host of popular music programmes on Channel [V] before it could be passed by the rigorous Singaporean government (2001).

2.1.4.2 Libertarian Theory

The libertarian theory, which originated and developed out of the Enlightenment, and the general theories of rationalism and natural rights, are counter to the authoritarian standpoint (Siebert, Peterson and Schramm, 1956). The writings of Milton, Locke and Mill claim that the aim of mass media is to "serve the function of helping discover truth and checking on government" (Severin and Tankard, 1988, p.212) as well as informing, entertaining, selling and meeting other needs of society (1988). In line with libertarian theory, mass media are mainly private: "anyone who can afford to do so can publish" or broadcast (p.212). The media can be manipulated in two ways: one is a multiplicity of voices, through which the "self-righting process of truth" in the 'free market place of ideas' would enable individuals to differentiate between truth and falsehood" (p.212); the other is the legal system, which constitutes "provision for the prosecution of defamation, obscenity, indecency, and wartime sedition" (p.212).

Libertarian theory was first developed in England during the 1700s. However, its adoption was forbidden in the British colonies in North America until they declared their independence from Great Britain in 1776 (Siebert, Peterson and Schramm, 1956). After 1776, libertarian theory was gradually implemented in the United States and "was formally adopted with the

First Amendment to the new Bill of Rights appended to the Constitution” (Severin and Tankard, 1988, p.212).

In the mid-19th century, the well-known libertarian scholar John Stuart Mill aired his opinion of the ‘free press’ in his book *On Liberty*. Mill (1991) insists that judgment of the truth and the falsehood of an opinion should be left to every person since nobody is absolutely right. Humans are capable of correcting their own errors if they have opportunities to ultimately elicit fact or truth through discussion or argument. The only avenue of truth that a human being wants to take is to listen respectfully to all varieties of views from people who hold heterogeneous opinions or character of mind.

“Libertarian theory, with its notion of truth eventually winning out in the marketplace of ideas, was useful and viable before the Industrial Revolution made itself felt in publishing and later in broadcasting” (Severin and Tankard, 1988, p.213). With time, the economic value of mass production has become progressively important as technology facilitates the distribution of newspapers ever-faster and ever-wider (1988). Smaller newspapers are bought by or merge with larger newspapers; thus only a few cities have competing newspapers today (1988). In Severin and Tankard’s words, as diverse media voices become less and less, it becomes “more difficult for significant and sometimes unpopular views to gain a hearing” (1988, p.213).

2.1.4.3 Social Responsibility Theory

In the early 20th century, the notion emerged in the United States that the media must shoulder the responsibility for society as the only industry protected by the Bill of Rights (Severin and

Tankard, 1988). Later, this notion evolved into the social responsibility theory, i.e. “media practitioners, media codes, and the work of the Commission on Freedom of the Press (Hutchins Commission)” (p.214). Siebert, Peterson and Schramm (1956) held that in terms of the social responsibility theory, the chief purposes of mass media are to inform, entertain and sell (as is the case of libertarian theory). Mass media are also required to “raise conflict to the plane of discussion” (p.7).

The social responsibility theory states that every person should be granted a forum when he or she has anything significant to say (1956). If mass media fail to assume their obligation of allowing the public this kind of platform, “somebody must see to it that they do” (Severin and Tankard, 1988, p.214). According to this theory, mass media are controlled by community opinion, consumer action and professional ethics (1988). In the case of broadcasting, both television and radio are additionally regulated by governmental regulatory agencies “because of technical limits on the number of channels and frequencies available” (p.214). Siebert, Peterson and Schramm (1956) wrote that mass media are usually private, unless government has to take over to ensure public service. They also insisted that mass media are not permitted the “serious invasion of recognised private rights and vital social interests” (p.7).

However, in recent years, the reliability of mass media has been undermined by media’s perceived increasing misrepresentation, which has prompted the public to begin to oppugn the accuracy of mass media reporting. For example, *The New Republic* fired its editor Stephen Glass on the 11th of May 1998 because of his six fictitious articles and the mendacious sections in twenty-one writings (Severin and Tankard, 2001). On the 2nd of June in the same

year, CNN (Cable News Network) had to withdraw a report pertaining to 'nerve gas', which claimed that U.S. soldiers murdered two anti-American people using a certain nerve gas in a military operation in Laos in 1970. As this report could not be authenticated, two producers were dismissed and prominent journalist Peter Arnett was reprimanded sharply (2001). A survey undertaken by the Pew Research Centre for the People and the Press indicates that in 1998, 56 per cent of the interviewees considered that news reporting is usually inaccurate. This proportion has risen 20 per cent since 1985; in addition, 70 per cent of the interviewees believed that media practitioners who report falsities or inequities should be punished (2001).

The Hutchins Commission points out that the radical reason behind the public's calling into question of the accuracy of reporting is that journalists and editors make frequent mistakes. This may be variously attributable to the lower educational level of some media practitioners and lack of preparation before reporting. The sum of these discrepancies suggests that to date public opinion vis-a-vis the reliability of mass media has reached rock-bottom (2001).

2.1.4.4 Soviet-Totalitarian Theory

In the modern era, the authoritarian theory of the press has evolved into the Soviet-totalitarian theory in many soviet nations or socialist countries such as the former Soviet Union, North Korea, Vietnam, Cuba and the People's Republic of China (PRC). These nations hold that the primary aim of mass media is to contribute to the success and continuance of the Soviet socialist system (Siebert, Peterson and Schramm, 1956). The Media are controlled by governmental economic and political action as well as by surveillance. Only the loyal and orthodox party members can access the media regularly. And while party's tactics or strategies

may be discussed and criticised, its tenets and goals may not (1956). Under the Soviet system, all media were state-owned and state-manipulated and “exist[ed] solely as an arm of the state to further the state” (Severin and Tankard, 1988, p.214)

Nevertheless, it should be noted that some regulations in the socialist countries have altered considerably since the 1980s. In the PRC, for example, the mass media are currently considered to be in a transitional phase, during which new forms, policy systems, and the structure and institutions of mass media are being constructed¹⁹ (Yu, 2005). As Severin and Tankard (1988) suggest, private ownership of newspapers is “allowed on a limited scale. More criticism is tolerated, especially if it is criticism of individuals or local policies that undermine the goals of the nation’s ‘four modernisations’ program” (p.214). In the fifteen republics of the former Soviet Union, including Russia, White Russia, Ukraine, Estonia, Latvia, Kazakhstan among others, the original model of mass media has already been abandoned, with the new form tending more toward the western pattern. Today, only North Korea, Vietnam and Cuba are still following the Soviet-totalitarian paradigm. The media of these countries insist that they serve the purposes of the government (Severin and Tankard, 2001).

The aforesaid four theories of mass media in modern society consisting of authoritarian, libertarian, social responsibility and Soviet-totalitarian, are generally considered as the theoretical description related to the system, policy, structure and functions of mass media in a certain society or nation. In the real world, one can see a combination of the four theories

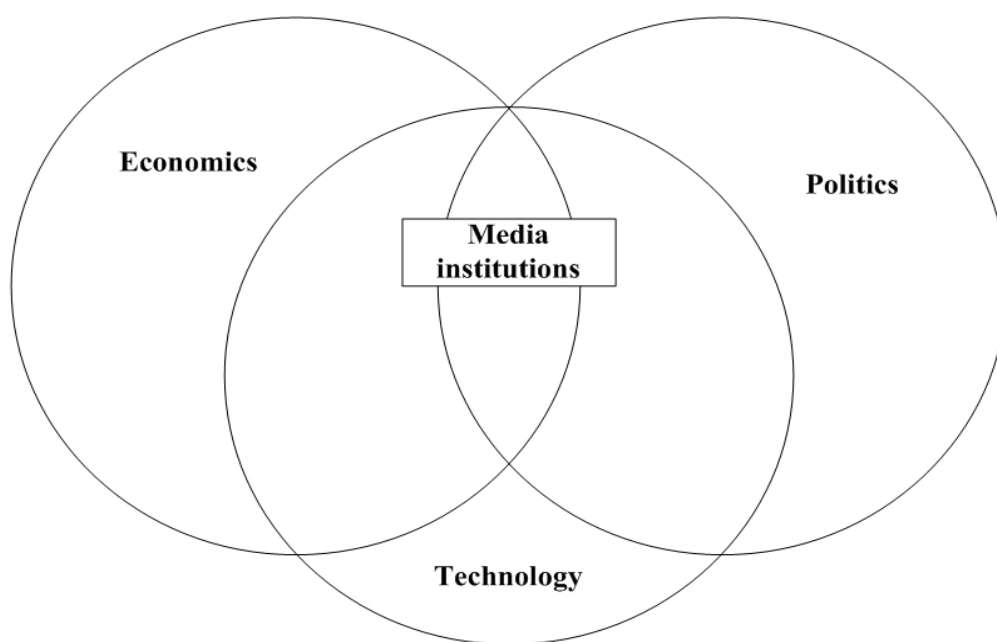
¹⁹ Most Chinese scholars claim that the present Chinese mass media is in a transitional phase (Yu, 2005). For more analysis of the system and policy, the vertical organisational structure and the horizontal administrative arrangement, and the market chain of China’s television industry, see Chapters Four, Six and Seven.

rather than the adoption of one pure theory. This means that many countries actually have ‘mixed’ media systems with various elements from the four theories. For example, in China, the television industry is a typical ‘mixed’ media system, which will be analysed and discussed in detail in Chapters Four, Six and Seven of this thesis.

2.1.5 Media and the Forces of Society, Politics and Economy

Analysis of the four theories of mass media renders it seemingly impossible to conceive that mass media could be totally ‘independent’ or ‘autonomous’, either in the past or present. Media existing in a mass society will never break free from the constraints and control of multiple forces, i.e. political, economic and social (including cultural and technological, for example). McQuail (2005) demonstrates the unusual position of media at the centre of three main forces – political, economic, and technological – that can be viewed as one aspect of social (as shown in Figure 2.5).

FIGURE 2.5 The media at the centre of three overlapping forms of influence



Source: McQuail (2005, p.220)

Figure 2.5 shows media at the centre of three overlapping types of ‘pulls’ and ‘pushes’. The diversities that mark the media system, in this sense, are the result of different external environments, which are replete with various forms of power. Hence, this is why media systems differ in various countries and/or circumstances. As I mention in the preceding discussion of theory of media and theory of society and the four theories of mass media in modern society (see sections 2.1.3 and 2.1.4 of this chapter), Marxists and Socialists believe that media (a) belong to the category of ideology; (b) serve the socialist system and the dictatorship of party; and (c) reflect the political viewpoints, opinions and positions of the party in power²⁰ (Jiang 1996, quoted in Zhang, 2003). Liberalists claim that media should be run based on the regulation of a free-market economy. Scholars who support mass society theory and social responsibility theory, state that there are continual interactions and

²⁰ Originally quoted by China’s ex-president Zemin Jiang, a speech published in the *People’s Daily* on the 22nd of January 1996.

influences between media and society, and that media must assume their obligation of social responsibility. All of the above factors create the free-enterprise media system enjoyed by the United States and the state-run media system of China²¹. Many countries “have ‘mixed’ systems, with private and public elements, and these may well be organised according to a set of national media policy principles, leading to a degree of integration” (McQuail, 2005, p.221).

In the following section, I will choose two entry points for further comprehending the meanings of media as subject to the forces of society, politics and economy, media ownership and control, and the media organisation in a field of social forces.

2.1.5.1 Media Ownership and Control

Any attempt to understand the specific media system of a society or state requires close examination of the media ownership and how the powers of ownership are exercised. That media ownership ultimately determines some features of media is not only the belief of the Marxists but also a common sense (McQuail, 2005). Generally speaking, the owners of media have the capability to affect and control media’s system, structure and content. As Schramm (1984, quoted in Shen, 2004) claims, media are always controlled by multifarious forces. However their broader effect on society, politics and economy differs according to the forms and extent of control. In any society, all control of the media originates from the society’s beliefs and values. The media in the former Soviet Union were brought into the whole political system and controlled like any other institution of politics. A non-communistic

²¹ Detailed contents of China’s media system, especially the system and policy, the vertical organisational structure and the horizontal administrative arrangement, and the market chain of China’s television industry will be presented in Chapters Four, Six and Seven.

authoritarian regime usually controls media via restriction, surveillance and ownership by the government. In the United States, media are controlled at the minimum level by politics or governments, but synchronously at the maximum level by the economy within the framework of private ownership. Economic control has considerably more influential power over the U.S. media than government control.

Altschull (1984) points out in his book *Agents of Power: the Role of the News Media in Human Affairs* that neither in the past nor in the present have media been independent or autonomous: they have been the ‘trumpeters’ of certain powers. He presents four types of power group control or manipulation of media: (1) official forms – in any country, no media can free from the control or effects of governments. However, the extents and measures of control vary according to the distinctions of political or social circumstances of the different nations; (2) commercial forms – media content mirrors the views of the media owners and their advertisers; (3) interest forms – media content serves to benefit the particular interest groups who finance them such as political parties, religious bodies and/or some organisations seeking certain specific goals; (4) informal forms – the aim of media content is to benefit people who enjoy good relationships with media. “Not surprisingly, there are several different forms of ownership of different media, and the powers of ownership can be exercised in different ways” (McQuail, 2005, p.226).

There are media owners who personally pay for the privilege of influencing and controlling the media. However, most simply focus on profit. Most media are financed from diverse sources comprising “private investors (among them other media companies), advertisers,

consumers, various public or private subsidy givers, and governments. It follows that the line of influence from ownership is often indirect and complex – and it is rarely the only line of influence” (p.227).

McQuail (2005) observes that most media belong to one of three categories of ownership: (1) commercial companies; (2) private non-profit bodies; and (3) the public sector. Commercial media companies are established based on private ownership. Irrespective of whether the private enterprises are large media chains, conglomerates, or small independents, all of them have to make profit to survive. This is their ultimate goal. Clearly according to McQuail (2005), “most private media have a vested interest in the capitalist system and are inclined to give support to its most obvious defenders – conservative political parties” (pp.227-228). Non-profit bodies such as political parties and churches can adopt a neutral position, designed to safeguard independent operation of media or bodies pertaining to certain special cultural or social tasks. Public ownership, McQuail (2005) continues, “comes in many different forms ranging from direct state administration to elaborate and diversified constructions designed to maximise independence of decision-making about content” (p.227). Public ownership is considered to neutralise or balance particular pressures or fundamental tensions peculiar to the various forces in a given society.

2.1.5.2 Media Organisation in a Field of Social Forces

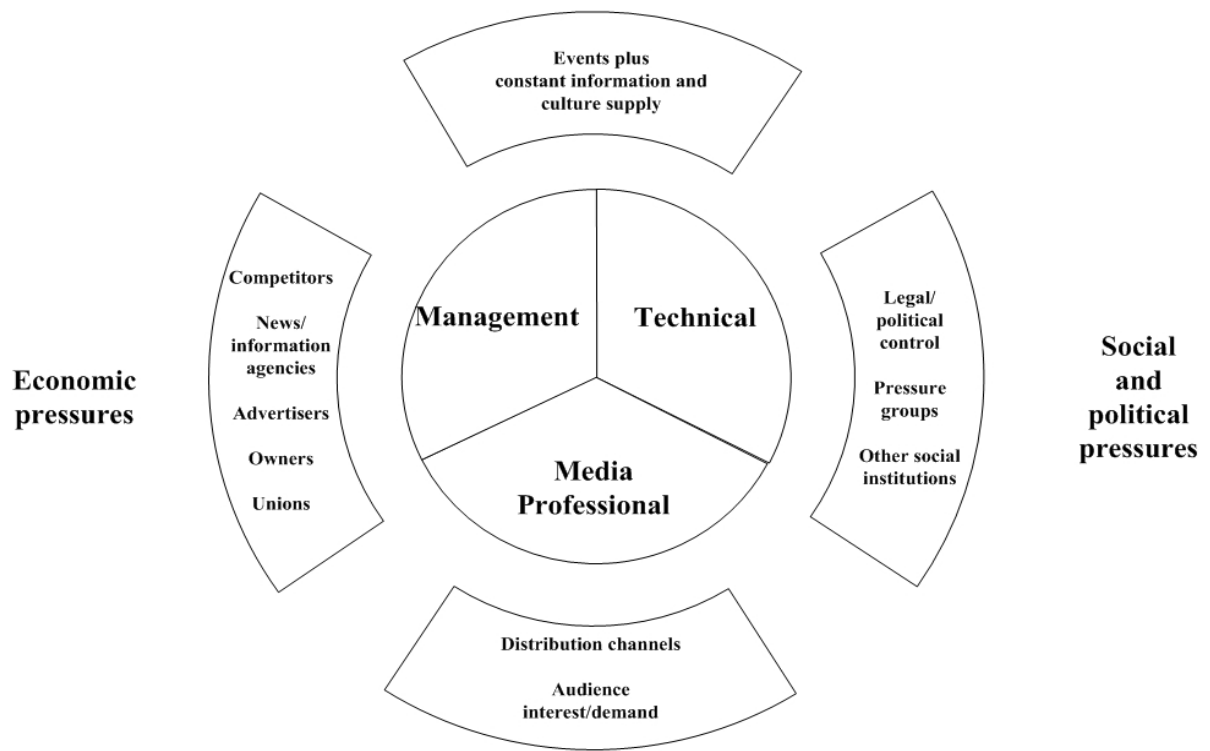
Media organisations, in which media content is ‘made’, can be seen as social institutions or units intent upon satisfying society’s political, economic or social demands via processing communication activities (Shao, 2000). According to McQuail (2000), the media organisation

“is an essential link in the process of mediation by which ‘society addresses itself’” (p.244). Any theoretical examination of this term has to take into account a host of diverse relationships across or within the boundaries of the media organisation. These relationships are often “active negotiations and exchanges and sometimes conflicts, latent or actual” (p.249). Westley and MacLean (1957) describe the communicator role as “that of a broker, between on the one hand, would-be ‘advocates’ in society with messages to send and, on the other, the public seeking to satisfy its information and other communication needs and interests” (quoted in McQuail, 2005, p.281). In the section that follows I discuss the external influences that shape the activities of media organisations and the forces at work within them.

Gerbner (1969) and McQuail (2005) claim that media organisations operate under pressure from multifarious external ‘power roles’, chiefly consisting of owners, clients (e.g. advertisers) and suppliers, news or information agencies, experts and unions, competitors (e.g. other media in the main), authorities (especially legal and political), other institutions and groups, and the audience. Gerbner (1969) writes:

While analytically distinct, obviously neither power roles nor types of leverage are in reality separate or isolated. On the contrary, they often combine, overlap and telescope...the accumulation of power roles and possibilities of leverage gives certain institutions dominant positions in the mass communication of their societies (quoted in McQuail, 2005, p.281).

Based on the above notions and the wide support afforded this view in the research literature, the position of the media organisation can be depicted in general terms as follows:

FIGURE 2.6 Media organisation in a field of social forces

Source: McQuail (2005, p.282)

Media organisation is at the centre of a field of diversified external constraints, demands or attempted uses of power and influences, comprising four main aspects: (1) social and political pressures; (2) economic pressures; (3) events plus constant information and culture supply; and (4) distribution channels and audience interest or demand. McQuail (2005) argues that not all pressures and demands are necessarily constraining. Some may be sources of liberation “by way of alternative sources of income, or government policy protection for their task” (p.281). Some of the forces cancel or balance each other; for example, “audience support against advertiser pressure, or media institutional prestige against external institutional or source pressure” (p.281). In addition, there are three internal dominant work cultures, containing management, technical and media professionals, “indicating the main sources of tension and lines of demarcation which have been found to exist within media organizations” (p.281).

To summarise, I have completed a review of mass communication theory involving the necessary general conceptions, the rise and development of mass media, theory of media and theory of society, four theories of mass media in modern society, and media as subject to the forces of society, politics and economy. I will now proceed to analyse and discuss the political economy and the political economy of communication.

2.2 Political Economy and the Political Economy of Communication

In this section, addressed at a middle level, primary focus is on two subjects: (1) political economy, which reviews a set of definitions and explores the development and central perspectives of political economy; and (2) the political economy of communication, which provides a concise overview of the political economy of communication, rethinks the concepts of ‘communication’ and ‘mass media’, and discusses three issues in the political economy of communication field related to the concerns of the thesis including commodification, media concentration and pluralism, and the role of the state in the media industries.

2.2.1 Perspectives of Political Economy

In order to understand the structure of our culture, its production, consumption and reproduction and the role of the mass media in that process, we need to confront some of the central questions of political economy in general.

Garnham (1979, p.129)

Political economy, as a broad-based and variegated approach to social analysis, supplies a stage for the further detailed study of the political economy of communication. The aim of

this part is to examine what political economy is. I will first start with a set of definitions, and then, explore the development and central perspectives of political economy.

2.2.1.1 Definitions of Political Economy

Williams (1977) observes that a definition should be based upon social practices and not on imaginative design or construction. In his publication *Keywords: A Vocabulary of Culture and Society* (1976), he notes that while certain notions or issues are discussed, their relevant historical and social conditions should also be considered at once both conscious and critical. Harking back to the early stage of human society, and in line with the Williams' (1977) view, political economy initially expressed the social customs, practices and knowledge pertaining to how to manage first the 'household' and later the 'community', before it became a science or an intellectual term. As Mosco (1996) suggests, the term 'politics' derives from the Greek term '*polis*' (city-state); 'economics' is rooted in the Greek terms '*oikos*' (house) and '*nomos*' (law). Thus, the origins of political economy lie in "the management of the family and political households" (p.24). In the words of Steuart (1967), "what economy is in a family, political economy is in a state" (quoted in Mosco, 1996, p.24).

From the end of the nineteenth century to the middle of twentieth century, the defining of political economy experienced a process ranging from an original wide to a later narrow sphere. Gilpin (1977) suggests that from the very beginning, political economy combines both objective descriptions and subjective criteria. But afterward, it is only regarded as a study, in which moral judgments are made on particular issues. Palgrave (1913) claims that despite the fact that the name political economy is still preserved, the science, in light of the current

understanding, cannot be seen as strictly political. In other words, “it is not confined to relations between the government and the governed, but deals primarily with the industrial activities of individual men” (p.741). Horton (1948) presents a similar definition of political economy – the theory and practice of economic affairs.

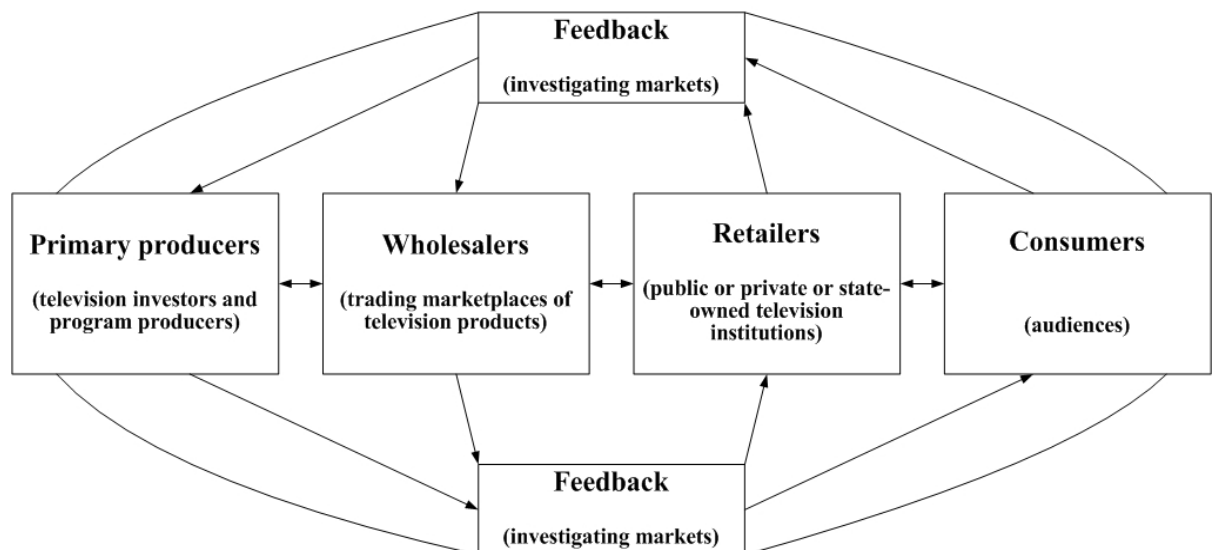
Nowadays, the defining and describing of political economy reverts back to the initial and even broader field. The study emphasis of this science is once again returning to political economy. According to *The New Palgrave: A Dictionary of Economics* (Eatwell, Milgate and Newman, 1987), political economy, as an old discipline, has been given renewed life by increasing numbers of researchers such as the one who supports “the 1960s the radical liberation right from Chicago” (p.906) and the Marxists who “never abandoned the old terminology of political economy” (p.906).

Drawing upon these ways of seeing political economy, I will highlight two definitions of political economy produced by Mosco (1996), which have been used broadly in communication research. One defines political economy as “the study of the social relations, particularly the power relations, that mutually constitute the production, distribution, and consumption of resources” (p.25).

In terms of the above definition, media productions (e.g. newspapers, books, magazines, recorded music, films, radio or television programmes and new media products) and audiences are the main resources (Mosco, 1996). This formulation has a certain heuristic value for communication researchers because it calls their attention to “the fundamental

forces and processes at work in the marketplace” (p.25). As well, it places emphasis on “the institutional circuit of communication products that links, for example, a chain of primary producers to wholesalers, retailers, and consumers, whose purchases, rentals, and attention are fed back into new processes of production” (p.25). Citing this circulation of communication products to the television industry, it can be evolved to a television market chain, as shown in Figure 2.7.

FIGURE 2.7 The circulation of communication products (the television market chain)



Within this chain, there are five sections: (1) primary producers may consist of television investors and programme producers; (2) wholesalers can be viewed as having similar functions to trading marketplaces of television products; (3) retailers mainly comprise public or private or state-owned television institutions such as TV companies, stations and networks; (4) consumers are certainly audiences; (5) a series of feedback from consumers, and even primary producers, wholesalers and retailers can mutually constitute the comprehensive

investigating markets linked with each section of this chain²² (Lu, 2002). As Mosco (1996) contends:

Political economy tends to concentrate [on] a specific set of social relations organised around power or the ability to control other people, processes, and things, even in the face of resistance. This would lead the political economist of communication to look at shifting forms of control along the production, distribution, and consumption circuit (p.25).

If the first definition is considered a useful starting point, the second is far more general and ambitious – “political economy is the study of control and survival in social life” (Mosco, 1996, p.26). ‘Control’ specifically expresses the internal organisation of individuals or body members; ‘survival’ implies they produce what is needed to reproduce themselves. Usually, control processes are broadly political because they concern “the social organisation of relationships within a community” (p.26). Survival processes are fundamentally economic in that they involve production and reproduction (1996). The advantage of this definition is that it supplies political economy “the breadth to encompass at least all of human activity and arguably all organic processes” (p.26).

However, political economy as theory of management of political ‘households’ can not be separated from the specific external environment. As Mosco (1996) argues, “whatever our specific entry point or focus of analysis maybe, it is inextricably bound up with a long history and with a vast organic totality” (p.27).

2.2.1.2 The Development and Central Perspectives of Political Economy

I will now proceed to provide an overview of the central perspectives of political economy

²² A further evolved ‘market chain’ of the television industry (see Figure 2.12) based on the one presented above (Figure 2.7) will be analysed in-depth in section 2.3.4.2 ‘Perspectives/Theories of Television Industrialisation’ of this chapter.

along its developing track. Notwithstanding the fact that there are many distinct perspectives or schools of thought surrounding this discipline, in light of the emergence time and viewpoint of each principal theory, the development of political economy in the main experiences three stages: the Enlightenment stage (the eighteenth century), the initial stage (from the eighteenth century to the first half of the nineteenth century), and the middle and late stage (from the last half of the nineteenth century up to today) (Mosco, 1996).

(1) The Enlightenment Stage (The Eighteenth Century)

There are two chief opinions about the origins of political economy. The first proposes that this discipline has its genesis in the period of classical Greece, “which allows for a start at the etymological origin of the term” (Mosco, 1996, p.39). The second maintains that political economy derives from the eighteenth-century Scottish Enlightenment moral philosophers and culminates in Adam Smith. However, irrespective of which viewpoint may obtain more recognition, it is fact that the moral philosophers of the Scottish Enlightenment supplied the firm roots for the further development of political economy.

(2) The Initial Stage (From the Eighteenth Century to the First Half of the Nineteenth Century)

Harking back to the world of the eighteenth and first half of nineteenth century capitalism, the most obvious feature of political economy development during this period was the confrontation with each other vis-a-vis the classical paradigm, i.e. classical political economy (rightist), the radical critique (leftist) chiefly from Utopian socialists and Marxists, and the conservative critique (centrist).

(a) The Classical Paradigm

Mosco (1996) observes that the two principal theoretical underpinnings of classical political economy are Cartesian rationality and Baconian empiricism of the Enlightenment. In general, the rationales of this discipline can be comprehended by the three following propositions:

Classical political economy seeks to apply the principles of Galilean and Newtonian mechanics to further study in the eighteenth and nineteenth centuries, in order to extend the seventeenth century revolution in the physical sciences. This results in the focus of this scientific project being shifted gradually from the research into concrete objects to concentration on their abstract properties such as mass, velocity and acceleration (Bell, 1981). Subsequently, Adam Smith, an heir to the Scottish Enlightenment, along with his English counterparts, David Ricardo, Thomas Malthus and John Stuart Mill, present a set of classical ideas or theories (e.g. self-interest, private property, labour theory of value) based on three immediate traditions, i.e. the Lockean tradition of political philosophy, Mercantilist thought, and the French physiocratic notion of *laissez-faire* (Roll, 1942). In the words of Mosco (1996):

Focusing on variables like value, price, and cost led to abstract laws, codified in a mathematical form, which described their interrelationships. Additionally, by abstracting the specific concept of value from the narrow context of the precious metal so dear to the mercantilists and from land, the alternative by the Physiocrats, the classical school of political economy opened the way to its general application to all forms of industry and trade (p. 40).

Classical political economists successfully shift the emphasis and attention of their research from the prevailing bullion and land to productive labour, despite there being so many differences between them. They understand that the power of the division of labour in the

marketplace can create more wealth (Mosco, 1996). Therefore, the image of classical political economy is often seen as the “home of free market economics²³” by many scholars (p.41).

Giving as it does considerable attention to freedom and individuality, economic nationalism is certainly seen as one of the goals of classical political economy (Mosco, 1996). For example, the major works of Adam Smith aim to explain and advance the wealth of nations, and by that they imply chiefly the wealth of Britain (1996). Joan Robinson states in her *Economic Philosophy* (1962) that although their position “purported to be based on universal benevolence, ... they naturally fell into the habit of talking in terms of National Income. ... Our nation, our people were quite enough to bother about” (p.125, quoted in Mosco 1996, p.42). As Mosco (1996) indicates, “so powerful was the hegemony of nationalism that, although classical political economy successfully demystified many of the ideas entrenched in earlier schools of thought, e.g. land is the source of wealth, the conflict between national and general welfare was simply not entertained” (p.42).

(b) The Radical Critique

The radicals in the main consist of Utopian and Marxian socialists, who criticise the ideas and theories of the classical position on a wide range of grounds. Utopian critics (e.g. Godwin and Paine) rebuke governments for reducing the protections which have been few for the people who survived poverty and starvation. Moreover, they question whether the classical political economists actually vindicate the ubiquitous fact that society, i.e. the masses of people who work hard, cannot participate in the fruits of their own sweated labour (Mosco, 1996). This is

²³ According to Mosco (1996), the works of David Ricardo and John Stuart Mill impart further this image of classical political economy. Their attention to the distributional consequences of the free market raises “the specter of inequality and exploitation” (p.41).

the reason why Utopians attack the classical view “for failing to direct the Enlightenment spirit of rationality against a cornerstone of the new economy: private property” (p.42). Several of the later Utopian socialists, notably Owen, Fourier and Saint-Simon, aim to build a planned and communal society instead of what they call ‘the anarchy of the market’ (1996).

Marxism, which is rooted in the thought of Karl Marx and Friedrich Engels and is founded on the above critique, opts to shift the focus of debate to equality and community. Numerous Marxian ideas are built on classical theory and the Hegelian tradition. Marx (1976) spent a great deal of time and energy on his most mature work *Capital*, which includes many critiques of political economy. I will now consider several representative viewpoints of Marxist theory.

Marx (1976) accepts the view of classical theory that labour is the principal source of value. But he separately takes account of the use and exchange value of labour²⁴, and develops a theory of exploitation²⁵²⁶. Marx (1976) introduces a critical concept of commodity in his *Capital*. He believes that while the commodity is ubiquitous, it is, nevertheless, a ubiquity of appearance. This is because “the wealth of societies in which the capitalist mode of production prevails appears as an immense collection of commodities” (p.125). When the

²⁴ Use value is the natural attribute of products as well as the satisfaction for human want or need. Exchange value is for exchanging, which is created during the process of exchange (Marx, 1976).

²⁵ Marx argues that the difference between the value and price of labour is surplus value, which may be gained by capital through increasing the work day (absolute exploitation) or intensifying the work process during the work day (relative exploitation). Marx is critical of the fact that in the capitalist world, elites dominate society primarily via their direct control over the means of production, i.e. labour, factories and land, which he refers to as ‘the base of society’ (Baran and Davis, 2006).

²⁶ Marx’s theory of exploitation has been widely accepted in China (as well as in the former Soviet Union). In recent years, under the impact of capitalisation and globalisation, Chinese Marxists developed the exploitation theory embedded in the Marxian paradigm. They argue that “the material basis for the automatic growth of capital has changed dramatically in an age when capital assumes total mobility. Disembodied capital – the nonmaterial perception of production – that took the form of transnational buying and selling seems to replace the old concept of capital that was closely tied to labor [labour] and production in a fixed locale. Exchange no longer takes place between capital and labor [labour], but between capital and capital” (Wang, 1996, p.292).

layers of appearance are peeled back, it is found that “all commodities are merely definite quantities of congealed labour-time” (p.130)²⁷ (also see section 2.2.2.3 of this chapter).

Another fundamental viewpoint of Marxian critiques pertains to the relation between the base and the superstructure. Marxist theory claims that superstructure can be regarded as a society’s culture. In this sense, elites maintain themselves in power by controlling culture, i.e. the superstructure of society (Baran and Davis, 2006). Marx views culture as something that elites freely manipulate “to mislead average people and encourage them to act against their own interests” (2006, p.235). He uses the term ‘ideology’ to refer to these forms of culture²⁸.

Marx also attaches importance to the approaches of communication in society, suggesting that communication practice is the result of the tension between individual creativity and social restrictions. People can only achieve their personal liberation in times when they are absolutely free and able to express themselves explicitly and rationally. This will never be realised in any society based on an hierarchical class system (Littlejohn, 2002)²⁹.

(c) The Conservatism Critique

In general, conservatism occupies a central position between classical theory and radical

²⁷ As Mosco (1996) points out, in Marxist theory, “...the social relations of capitalism embody a mass of producers who do not own the means of production but have to sell their labor power to a class of owners organized in separate firms that compete in various commodity, labor, raw material, and capital markets. Competition drives these different firms to maximize surplus value from producers in order to increase capital accumulation” (pp.44-45).

²⁸ According to Marxism, an ideology operates much like a drug. People who fall under its influence fail to ascertain to what degree they are being exploited. In fact, what they do is merely strengthen the power of the elites while at the same time making their own lived reality worse (Baran and Davis, 2006).

²⁹ According to Baran and Davis (2006), the central viewpoints of Marxist theory can be explained as follows: “...the hierarchical class system was at the root of all social problems. ...The only hope for social change was a revolution in which the masses seized control of the base – the means of production. Control over the superstructure – over ideology – would naturally follow. ... Little possibility that reforms in the superstructure could lead to social evolution, or if they could, that the resulting transformation would be very slow in coming. Elites would never willingly surrender power. Power must be taken from them. Little purpose would be served by making minor changes in ideology without first dominating the means of production” (p.235).

theory. Therefore, the critiques of conservatism contain two aspects. On the one hand, most conservatives, e.g. Thomas Carlyle and Edmund Burke, criticise the French revolution not only as a failed political project but also as an intellectual failure. This demonstrates the utter failure of the Enlightenment. The classical political economy rooted in the Enlightenment holds little hope of improving the human's material or intellectual life (Mosco, 1996). The extreme conservatives go strong on hierarchy and difference irrespective of gender, race, or class. They maintain that the natural order will be led by those who are "male, white, and wealthy" (p.46). However, there is more support for the working people among the conservatives than can "be found in most classical political economy" (p.46). For example, Carlyle (1984, quoted in Mosco, 1996) holds that direct producers should be given more powers to enhance their sense of community and create an harmonic atmosphere in the workplace. Moreover, he advises governments to establish a public health and safety system and appeals for the provision of social assistance for those the system reject.

On the other hand, while conservatives may appear to express their concerns, and recognising the needs of the working people and the poor, conservatism is fundamentally at odds with Utopian socialism and Marxism. Conservatives are opposed to the radical views of socialists and Marxists, which encourage intervening in social life, fundamentally altering the social order, and rebuilding a more rational world (Mosco, 1996). They notably reject "giving power to the masses to carry out this social transformation" (p.47).

(3) The Middle and Late Stage (From the Last Half of the Nineteenth Century up to Today)

In the last half of the nineteenth century, the struggle among political economists centred on

the difference between an increasingly orthodox neoclassical economics (the centrist and the right-of-centrist) that traded “the broad characteristics of political economy for utilitarian principles and a positivist method” (Mosco, 1996, p.68) and heterodox approaches that mainly covered a range of neo-conservatism (rightist), institutional economics (leftist), neo-Marxian political economy (leftist), feminist political economy (leftist), and environmental political economy (leftist). In the section that follows, I primarily focus on four theories relevant to this thesis involving an orthodox mainstream approach (i.e. neoclassical economics), and the three heterodox approaches (i.e. neo-conservatism, institutional economics and neo-Marxian political economy).

(a) An Orthodox Mainstream Approach: Neoclassical Economics

Orthodox mainstream neoclassical economics, which occupies the centre and right of centre space in the political spectrum, evolves from classical political economy. There is no sharp break in this transformation. However, in the last half of the nineteenth century, increasing research outcomes eventually came to embody the neoclassical approach, which attacked the classical defense of natural law and rights. This approach is concerned with the wants expressed in preferences as well as the determinable and measurable choices made in the marketplace vis-a-vis capital, labour, and consumer goods and services (Jevons, 1965). Alfred Marshall (1961) defines the most fundamental principle of the neoclassical system in his *Principles of Economics* as follows: ‘market price (for goods, services, labour and capital) is determined at the intersection of a downward sloping demand curve and an upward sloping supply curve’. As well, he presents two chief notions covering almost all features of neoclassical economics as a discipline. First, neoclassical economists particularly concentrate

on the social order (i.e. on describing forces in equilibrium). Second, like Newtonian mechanics, neoclassical economics accepts the principle of ‘nature makes no sudden change’; that is, it recognises the fact that the economic universe is comprised of small and incremental changes and realises the necessity of the study of microeconomic data when granting wider institutional arrangements (1961). As Jevons states, neoclassical economics, “if it is to be a science at all, must be a mathematical science” (quoted in Galbraith, 1987, p.125)³⁰.

During its period of long-term development, neoclassical paradigm branches off into four principal streams. The first, called the Austrian school and founded by Menger, Böhm-Bawerk, von Mises and Friedrich Hayek, insists that only a market economy can provide the essential discipline of supply and demand as well as guarantee the most efficient allocation of resources, including goods, services, labour, capital, and the information required for rational action (Mosco, 1996).

The second, the Cambridge school, was established by the work of the followers of Marshall’s tradition, particularly Pigou and Robinson, scholars less willing to “completely accept an individualistic, market-centered approach” (Mosco, 1996, p. 50). They state that while in general the market may determine or influence most aims and forms of economic activities, in certain cases it will fail. Hence, the requirement for instituting corrective mechanisms involves government intervention (1996).

³⁰ Neoclassical economics, which is also called ‘neo-liberalism’ in China, is used to describe the primacy of growing domestic and international markets over all other considerations (Zhu, 2008). China’s neo-liberals oppose strict government controls and interventions vis-a-vis economic activities. Furthermore, they consider “a retreat to Confucian values to save the world to be arrogant and misguided, insisting that adding democratic reform to continued market reform is the only way to move forward without affording more corruption and vice” (p.28).

The third stream, Keynesianism, is esteemed as the standard for macroeconomic analysis by Nobel laureate Paul Samuelson (Mosco, 1996). This approach emerged in the Great Depression of the 1930s and culminated in the sustained economic growth period of the 1950s. The Keynesian perspective sees business cycles as the natural products of market activities, which will “invariably provide the appropriate signals for making business decisions” (p.51). Keynes (1964) and his adherents call for government adoption of effective fiscal instruments, which primarily signifies an increase in financial spending during recessionary periods (e.g. the building of roads, railways, schools, hospitals and other public establishments), to counter declines in the spending of consumers and businesses and ultimately stimulate investments. This may well create budget deficits of government accounts in the short term. However, once the economy begins to recover, government may cut back on spending again. Concomitant economic growth will raise government revenues as well as make up for previous overspending.

The fourth stream, Monetarism, was derived from the global recession and economic ‘stagflation’ (i.e. slow growth and inflation) of the 1970s. Monetarists hold that economic variations within a given system, such as changing rates of inflation, are most often caused by increases or decreases in the money supply. An economy can be regulated by altering the domestic money supply, especially by increasing it in a moderate but steady manner (Friedman, 1973). Thus, Monetarists advise governments to control inflation via reducing spending and maintaining high interest rates, which is contrary to the Keynesian approach. Monetarists will admit that in the short term a tight money policy will engender higher unemployment, but “this was a price worth paying in order to control what they felt was the

more significant damage that inflation was inflicting on the world monetary system” (Mosco, 1996, p.52).

Since the 1980s, most Western nations and some developing countries (e.g. the People’s Republic of China) have adopted and applied the perspectives of Monetarism to their own and even the whole world’s economic development. To quote Mosco (1996), “today, versions of Keynesian and Monetarist economics continue to contend for the neoclassical mainstream, raising questions about the state of this paradigm and its value in economic policy-making. More fundamental questions come from streams of thought outside the mainstream” (p.52).

(b) The Three Heterodox Approaches: Neo-Conservatism, Institutional Economics and Neo-Marxian Political Economy

It is a fact that although many internal disagreements exist within the orthodox neoclassical paradigm, it “appears to have triumphed in the profession and in the public policy” (Mosco, 1996, p.52). Nevertheless, there has been increasing criticism from the heterodox approaches to political economy. In this part of the thesis, I explore three critical theories: neo-conservatism, institutional economics and neo-Marxian political economy.

Neo-conservatism, which is regarded as the rightist of political economy, has two different schools of thought that often compete with each other. One criticises the fact that mainstream neoclassical economics has been excessively cautious in concentrating on economic behaviour, insisting that the principles of economic analysis should be applied to all fields of political, social and cultural activities (Stigler, 1988). The other, the corporatist, is rooted in

the works of Nisbet (1986) and Kristol (1983). This form of neoconservative thought argues that the neoclassical perspective neglects the politics of political economy, as well as expects the establishment of political economy based on identifying social traditions, upholding civic virtues, and determining moral values through political intervention (1986 and 1983)³¹³².

Institutional economics, one of the major leftist theories, claims that the primary force of controlling the production, distribution, and exchange of goods and services is located in the organisational structure of economy and not in the market as the neoclassical school insists (Mosco, 1996). Institutional economists hold that the neoclassical paradigm misses the central characteristic of contemporary economics: “the breakdown of competition and the growth of monopoly, the social construction of wants and of value, and the transformational consequences of technological innovation” (p.55). In addition, all institutionalists tend to share a mutual feature, which separates them from both neoclassicists and the range of Marxian perspectives; that is, “the maximization of power with bureaucratic structures as a more potent driving force, for better and for worse, than the maximization of profit” (p.56).

Neo-Marxian political economy, a significantly critical approach of the leftist position, contains many schools of thought that directly criticise the neoclassical synthesis. Working on the premise that no view can be exhaustive, in the following I address several exemplars of

³¹ As Mosco (1996) suggests, these two neoconservative positions “have gotten along to the extent that they have been able to maintain the division between the economic and political worlds. The former is the place where utility reigns, the latter is the home of custom and order. The growth of the new positive political economy signals a dissatisfaction with this division and the likelihood that these positions will clash as much with one another as with mainstream economics” (p.54).

³² Neo-conservatism in China, which evolved from neo-authoritarianism and was formulated in the early 1990s, (a) opposes the wholesale political reform pushed by liberal intellectuals sympathetic to the student movement, and (b) rejects direct democracy, favouring instead the building of indirect (elite suffrage) democracy (Zhu, 2008). Chinese neo-conservatives agree that for now, China is best served by an authoritarian government. They argue that gradual political and economic reforms can eventually support limited democracy (2008). Neo-conservative thought in China has thus emerged as “an ‘intermediate’ ideology for the Chinese who can no longer accept Marxism but who also reject the liberal call from the 1980s for a ‘new Enlightenment’ inspired by the French Enlightenment and Anglo-American liberal democratic theory” (p.24).

neo-Marxian political economy relevant to this thesis.

Noted neo-Marxian political economists including Baran, Sweezy, Mandel and Gunder Frank, whose works derive from the *Capital* of Marx, attack neoclassical economics “for its failure to address social change in anything more than an incremental fashion” (Mosco, 1996, p.56). In line with their perspectives, “the transition to capitalism and, within it, to monopoly capitalism represents central shifts in the economy that the neoclassical tend to ignore” (p.56).

While the above scholars are seen as carrying on the tradition of deepening and extending the application of *Capital* to the contemporary political economy, other neo-Marxists seek to rethink the entire Marxian works – including his *Capital* – in fundamental ways (Mosco, 1996). For example, analytical Marxists sustain “the critique of neoclassical economics, often in critical encounter with Marxian theory” (p.57). They attack neoclassical defense of capitalism. This is not because capitalism contributes to inequality, but principally because even when it can reduce labour-time, it still seeks economic growth (Cohen, 1978). Analytical Marxists pursue the vision of market socialism as a form of social organisation. As Nove (1983) and Miller (1989) claim, market socialism “abolishes the distinction between capital and labor – a class of owners facing workers who give up control over the means of production – and replaces it with a market system based on worker-owned firms” (quoted in Mosco, 1996, p.58).

A further two prominent exemplars of neo-Marxian political economy are regulation approach and systemic school. The former “examines successive development periods in capitalism that

are based on combinations of regimes of accumulation and modes of regulation” (Mosco, 1996, p.59). The latter, heavily influenced by radical geography, aims to “integrate post-Fordist with postmodernist scholarship to produce an analysis of transformation in the global space of flows: material; informational, and cultural” (p.59). As Mosco (1996) states, “Marxian tradition continues to inspire a wide variety of positions in political economy” (p.59). In the next section I examine the political economy of communication studies.

2.2.2 The Political Economy of Communication

Based on the previous delineation of the definitions and the development and central perspectives of political economy, this section focuses on the study of the communication domain, applying the manifold political economy tradition with which the relevant issues pertaining to this thesis are concerned. I will first provide a concise overview of the political economy of communication. Then I will rethink the concepts of ‘communication’ and ‘mass media’. Finally, I will discuss three issues in the political economy of communication field related to the concerns of the thesis: commodification, media concentration and pluralism, and the role of the state in the media industries.

2.2.2.1 A Concise Overview of the Political Economy of Communication

As a discipline covering a wide intellectual expanse, the political economy of communication contains numerous thematic interests including the management of communication business, the role of the state or government, the connections between enterprises and state or government sectors, and the linkages between the political economy of communication and the wider global and national political economics (Mosco, 1996). A propos of distinctions of

space and time, the political economy of communication branches off into three main research approaches: the political economy approach to communication in North America, in Britain and Europe, and in the ‘Third World’³³. Additionally, there are also important differences in the approaches adopted by the various researchers of this discipline. For example, some scholars insist on the centrality of social class; others emphasise “gender or race within an overall political economic analysis” (p.134). According to Mosco (1996), there are two noteworthy political economy approaches to communication: one focuses on “the global political economy, stressing for example the power of transnational communication conglomerates” (p.134). The other looks at “how the logic of capital is contested within the internal operations of a media firm, such as the point of production” (p.134). I will explore the second approach as an investigation trend and apply it in the following section.

2.2.2.2 Rethinking ‘Communication’ and ‘Mass Media’

My previous review of the political economic tradition provides a new base or platform from which to rethink the concepts of ‘communication’ and ‘mass media’ via a distinct angle (the two concepts have already been analysed in section 2.1.1 of this chapter). In line with the political economy approach, communication systems should be seen as “integral to fundamental economic, political, social, and cultural processes in society” (Mosco, 1996, p.71), i.e. ‘decentring the media’³⁴. According to this view, “communication and society are

³³ Mosco (1996) states that despite the ‘Third World’ being a problematic concept, it is sufficiently valuable to use albeit only as a deceptive term that makes no theoretical claims, i.e. it represents “nations outside the highly developed core of North America, Western Europe, Japan, Australia and New Zealand” (p.119).

³⁴ Mosco (1996) argues that any discipline has to face the challenge of essentialism, which tends to “reduce reality to the disciplines’ central constituents” (p.70). However, in avoiding communication essentialism, “political economists of communication have sought to ‘decenter the media’ even as they have concentrated on investigating their economic, political, and other material constituents” (p.71). There are several ways to accomplish decentring the media, “including, for example, starting from constituents of capitalism, such as capital accumulation, wage-labor, etc., and situating the media within the framework of production and reproduction set out by these constituents” (p.71). In this sense, “the media, in their economic, political, social and cultural dimensions, parallel education, the family, religion, and other foci of institutional activity” (p.71).

mutually constituted” (p.72). Communication can be considered as “a social process of exchange whose product is the mark or embodiment of a social relationship” (p.72).

Similarly, in terms of the viewpoint that advocates ‘decentring the media’, mass media may be rethought first and foremost as “industrial and commercial organisations which produce and distribute commodities” (Murdock and Golding, 1973, p. 206). Garnham (2000) suggests that mass media, as a system for the production, distribution and consumption of symbolic forms, have the typical industrial attribute of culture, which necessarily requires “the mobilization of scarce social resources – both material and cultural” (p.39). This implies that in modern societies, most media productions subject to capitalist market competition and exchange are in general produced, distributed and consumed in the form of commodities³⁵. In this sense, mass media, seen as cultural industries or economic entities, have “both a direct economic role as creators of surplus value through commodity production and exchange and an indirect role, through advertising, in the creation of surplus value within other sectors of commodity production” (Garnham, 1979, p.132).

2.2.2.3 Commodification

Commodification is an important notion for both the study of political economy of communication and this particular research. In this section, I discuss the meanings of commodification and the application of this term to this thesis based on Marx’s *Capital* and Mosco’s critiques and comments of Marxian and other political economists’ perspectives of commodification. There will be two main parts: (1) the definition of commodification, and (2)

³⁵ Garnham (2000) states that to examine mass media from this perspective “is then to be concerned with two distinct forms of power” (p.39). The first one is structural and the second is “that exercised by economic agents within these overall structural constraints” (p.39).

commodity forms in the television industry.

(1) The Definition of Commodification

As already suggested in my analysis of central perspectives of political economy in section 2.2.1.2 of this chapter, Marx (1976)³⁶ accepts the views of Adam Smith and classical political economy, and separates the value of products into use and exchange value. Use value is the natural attribute of products as well as the satisfaction of human wants or needs. Exchange value is created during the process of exchange. Commodities may be understood as either congealed labour-time or exchanged labour-products (also see section 2.2.1.2 of this chapter). Based on the aforementioned premise, commodification can be defined as “the process of transforming use values into exchange values” (Mosco, 1996, p.141).

In his *Capital*, Marx argues that the most essential representation of capitalism is an “immense collection of commodities” (1976, p.125), which is determined by the capitalist-specific characteristic of exploitation, which seeks the maximum surplus value. Mosco (1996) applies Marxist perspectives to determine the relationship between commodification and communication in the capitalist production system, which contains two general dimensions of signification. First, “communication process and technologies contribute to the general process of commodification in economy as a whole” (p.142)³⁷. Second, “commodification processes at work in the society as a whole penetrate communication processes and institutions, so that improvements and contradictions in the

³⁶ Sources are Marx’s *Capital* (1976), translated by Ben Fowkes.

³⁷ For example, in the motorcar industry, the improvement of communication channels – such as new telecommunication technologies and global e-business – enriches the information at the original steps of production, distribution and sales. This strengthens control over the varieties and numbers of motorcars produced. Manufacturers may only produce and store suffice to meet customer demand.

societal commodification process influence communication as a social practice” (p.142)³⁸.

(2) Commodity Forms in the Television Industry

As Mosco (1996) states, the advantage of political economy of communication is that it applies itself to describe and analyse the structural forms effecting communication production, distribution and exchange. In his *The Political Economy of Communication* he explores commodity forms in communication, through the commodification of content, the audience commodity, the cybernetic commodity (including intrinsic and extensive commodification), and the commodification of labour. In the section that follows, attention is centred on the three commodity forms in the television industry based on definitions of political economy (see section 2.2.1.1 of this chapter) and the perspectives of Marxism and Mosco pertaining to commodity forms in communication: (a) the commodification of television content, (b) the television audience commodity, and (c) the commodification of investigating results of television audience feedback.

(a) The Commodification of Television Content

In the television industry, investment in, the production of, and the sale and ultimate broadcasting of a TV programme is seen as a typical commodification process of television content, i.e. a process of transforming use values into exchange values. If this process is considered within the circulation of communication products (see Figure 2.7), one finds that the process actually goes through four marketing operations: (i) Capital market operation – television investors invest their capital in the production or reproduction of television

³⁸ For example, the gathering wave of media mergers and/or acquisitions after the mid-1980s impacted many media firms and telecommunication institutions throughout the world. I will present a detailed discussion of media concentration and pluralism in section 2.2.2.4 of this chapter.

products with the aim of gaining profit; (ii) Production market operation – television programme practitioners (e.g. directors, cameramen and editors) process the original television material involving video and audio of the complete products through their labour (e.g. designing, shooting and editing); (iii) Trading market operation – television products are supplied to state-owned or public or private television institutions via certain trading approaches (e.g. selling and leasing); (iv) Broadcasting market operation – state-owned or public or private television institutions broadcast programmes through transmitting networks (e.g. terrestrial, cable and satellite) to gain profit through advertising income, audience viewing charges, or license fees. These four market operations collectively accomplish the commodification of television content, that is, the transforming process of television content from its use value to exchange value. In line with Marxian political economy (see section 2.2.1.2 of this chapter), this process also realises the surplus value because the capital controls the means of production (e.g. equipment, offices and broadcasting resources), so as to “receive in labor more than it pays out in wages” (Mosco, 1996, p.146).

(b) The Television Audience Commodity

The television audience commodity is always a controversial issue. Opponents cite Garnham’s perspective vis-a-vis two principle dimensions of television commodification: the direct television products and the use of television advertising “to perfect the process of commodification in the entire economy” (Mosco, 1996, p.148). Additionally, they quote Marx’s definition of commodity, arguing that television audiences must be seen neither as congealed labour-time nor as exchanged labour-products. Therefore, in their opinions, the television audience should not be regarded as commodity.

However, and conversely, supporters persist with their viewpoint of television audience as commodity. They cite Dallas Smythe's view which holds that television programme-making companies tend first to produce certain TV products that audiences like. Then, these products will be purchased or rented, programmed, and aired as advertisements by television stations or institutions, and finally broadcast to audiences via transmitting networks. Thus, while audiences are immersed in the act of watching TV, they are actually consuming the products recommended by television advertisements. Television audiences are regarded as a large consumption market, consuming both TV products for television enterprises or institutions and advertising products for advertisers. In this sense, the television industry is constituted out of a process in which television firms generate audiences and deliver them to advertisers. Audience and audience labour are not only the chief products of the television industry: as well, they are commodities (Babe, 1993).

Nevertheless, there is no consensus to date as to whether or not TV audiences are commodified. Smythe's perspective may constitute a blind spot in Marxian theory. This issue is still considered as "one of the more important challenges facing the political economy of communication" (Mosco, 1996, p.150).

(c) The Commodification of Investigating the Results of Television Audience Feedback

In order to examine the commodification of investigating results of television audience feedback, it is necessary to first examine the general concept of cybernetics. Cybernetics, initially founded by Norbert Wiener, was based on a theoretical study of communication and

control processes in biological, mechanical, and electronic systems, in particular a comparison of these processes in biological and artificial systems. Wiener (1961) suggests that the essential of cybernetics is research into 'feedback'. Its fundamental principle is to adjust and control activities in a given system, using the received feedback to accomplish the established objectives. In terms of this theory, not only can senders send out messages but receivers also can send out messages, i.e. the feedback for their received information (Hu, 1997; Littlejohn, 2002).

While cybernetics traditions are applied when taking account of commodity forms in the television industry, it is found that investigating the results of television audience feedback can also be exchanged as commodity and not just as television content and audience. Meehan (1984, quoted in Mosco, 1996) argues that in the television industry, the investigating results of television audience feedback may contribute to new television production while they are constituted as commodity. For example, audience ratings, as the investigating results of television audience feedback, can be provided to television firms or institutions as the direction or reference for their new TV programmes production. From this perspective, audience ratings are products with use value vis-a-vis investigating business. They will become commodity with exchange value when exchanged in the investigating market. Therefore, investigating the results of television audience feedback is both the products and commodity of investigating business. The process of their exchanging in markets is the commodification of investigating results of television audience feedback.

The above analysis demonstrates the various commodity forms and commodification that characterise the television industry. The tradition and approach of commodification will be applied in later discussion in sections 2.3.2 and 2.3.4 of this Chapter.

2.2.2.4 Media Concentration and Pluralism

Since the mid-1980s, the relaxation of cross-media ownership restrictions, the deregulation of the business scope of media corporations, and the improvement and innovation of media technologies involving satellite, cable, digital and the Internet in many countries, have given rise to a wave of media mergers and acquisitions which has spread all over the world (Thussu, 2000). For example, in the U.S. Time Inc. merged with Warner Communication in 1989 and Turner Broadcasting System in 1995, forming today's Time Warner, the world's largest media, entertainment and information corporation covering major business in movies, publishing, music, cable TV, the Internet, and telecommunications. The Walt Disney Company bought Capital Cities/American Broadcasting Company (ABC) in 1995, "thereby adding a broadcast network to a traditionally entertainment company" (p.120). In China, a reformation of television conglomeration³⁹ has been under way since 1999. Despite this reform being discontinued in December 2004, over twenty so-called 'corporation groups'⁴⁰ of radio, film and television' or 'group corporations'⁴¹ of radio, film and television' were established during this

³⁹ According to Lu (2002), conglomeration has two different meanings. From a dynamic perspective, it is a transmission process of a company from single operation pattern to multi-operation pattern through new establishment, merging capital and operation of stock ownership or relevant agreements designed to meet the needs of business growth or market expansion. From a stationary perspective, it means that a company has already completed the transmission process from a single operation pattern to a multi-operation pattern.

⁴⁰ Lu (2002) claims that a corporation group is an alliance of a group of corporations under different ownership, which is based on technique and business connections and linked by capital in a certain way. The essence of this alliance is multi-centred, which means their development strategies may overlap as well as diversify. The rights and obligations of each member in an alliance are symmetrical.

⁴¹ Lu (2002) argues that a group corporation or group enterprise is a community of diverse companies under common ownership. The essence of group corporation is centralised, which means that all members in this community have identical development strategic goals. The rights and obligations of each member can be symmetrical, or, based on the interest of the whole community, adjusted to meet individual needs. (Footnotes 39, 40 and 41 are translated from Chinese into English by Ming Ming Diao.)

five year period⁴² (D. Lu, 2005).

Academia, facing this series of phenomena of media mergers or acquisitions, arrived at two distinct perspectives. The first holds to the proposition of ‘media concentration’, that is, accepts the neoclassical approach, suggesting that:

... Both economies of scale and scope can lead to concentration – economies of scale being the situation where the unit costs of production decline as production increases ... and economies of scope being the situation where two or more products or services can be produced more cheaply jointly by one supplier than separately by different competitive suppliers⁴³ (Garnham, 2000, p.55).

Proponents of media concentration consider that the convergent structure of media industries is an inevitable stage “in a sequence of organizational changes reflecting their changing economic base” (Murdock and Golding, 1973, p. 207). Almost all forms of media have to go through one such similar cycle:

Firstly, small-scale or personalized production of a cultural product expands. Distribution and selling become separated and commercialized. As new technology enters the medium, production becomes industrialized and consumption becomes large-scale and impersonal. This process of differentiation is succeeded by a period in which the growth of the industry reaches saturation and is hit by a series of pressures due to rising costs, declining revenue, and a changing pattern of demand. ... The final stage in this sequence involves a development tension between new technological potentialities on the one hand and economic concentration on the other (p.207).

However, the second supports the ‘media pluralism’ viewpoint, which opposes any form of media concentration. Media pluralism maintains both (a) a diversity of media ownership, i.e. “the existence of a plurality of autonomous and independent media” (Committee of Experts 1997, p.7, quoted in Meier and Trappel 1998, p.42) and “the competition between a variety of

⁴² I include more detail about the reformation of China’s television conglomeration in Chapters Four, Six and Seven.

⁴³ Both economies of scale and economies of scope are regarded as highly prevalent features of the media industry. Supporters of ‘media concentration’ consider that media mergers or acquisitions, as the phenomena or tendency existing in the current media industry, are the results of both economies of scale and scope. A detailed analysis of economies of scale and economies of scope appears in Chapter Two (2.3.1.5).

media enterprises” (Meier and Trappel, 1998, p.42), and (b) diversity of media content, i.e. the provision of multifarious media products covering various information, issues or entertainment and serving different audience groups (Doyle, 2002a; Meier and Trappel, 1998). In terms of this perspective, media concentration has proved a serious issue for those in favour of media pluralism because it leads to the convergence of media ownership of a small number of media firms and a gradual decrease in the variety of media products in a given market. In order to better examine the arguments surrounding media concentration and media pluralism, in the following section, focus will be upon the distinct viewpoints and attitudes that mark these two perspectives, pertaining to the primary approach and process of media concentration, i.e. ‘media integration’.

‘Media integration’ can be defined as “an increase in the presence of one (monopoly) or a few media companies (oligopoly) in any market as a result of acquisitions and mergers or the disappearance of competitors⁴⁴” (Meier and Trappel, 1998, p.41). Generally speaking, there are two main types of integration in the media industry: “horizontal integration, where firms acquire additional units at the same level of production, and vertical integration where they acquire units at different levels. Both types of integration are accomplished by the familiar mechanisms of mergers and take-overs” (Murdock and Golding, 1973, pp. 213).

(1) Horizontal Integration

Media concentration claims that horizontal integration “stands for concentration processes within one and the same media industry sector” (Meier and Trappel, 1998, p.41). It enables

⁴⁴ An in-depth analysis of media market structures including perfect competition, monopolistic competition, oligopoly, and monopoly appears in Chapter Two (2.3.2.2).

media enterprises to “consolidate and extend their control within a particular sector of media production and to maximize the economies of scale and shared resources” (Murdock and Golding, 1973, p.213). This is chiefly because lean smaller media firms are either acquired or taken over by larger ones: the number of competitors and suppliers in a market will decline, which means that resources are converged as well as more effectively used for the innovation and improvement of media products (Doyle, 2002a). The merger of two or more television companies in the same geographical market is considered as typical horizontal integration.

As regards the development of media industries, Meier and Trappel (1998) extend the scope of horizontal integration and add two new types. The first, cross-media integration, “stands for a situation whereby one media enterprise controls through cross-ownership different media products or outlets in different media markets and industries” (p.41). For example, a given television enterprise consolidates a film company, a radio station, a magazine and a daily newspaper into a larger media corporation. This type of integration “enables the enterprise to take advantage of cross-marketing (cross-promotion) and economies of production costs and leads to further dominant market power and positions” (pp.41-42). The second, diagonal or conglomerate integration, stands not only for cross-media integration but also “for activities of an enterprise from another economic sector outside the media industries taking certain control in media markets” (p.42), such as acquisitions or mergers between media corporations and telecommunication companies. “This type of integration increases the size and the financial, political and market power of the corporation, but does not necessarily reduce competition” (p.42). In fact, cases of cross-media integration and diagonal or conglomerate integration are not infrequent in today’s media industries. A number of firms,

including Time Warner which I mentioned previously, are involved in press, broadcasting, film, and telecommunications. China's reform of television conglomeration is also the result of a trend toward the above integrations (see Chapters Four, Six and Seven).

Conversely, media pluralism argues against horizontal integration, taking into account its evolvments – cross-media integration and diagonal or conglomerate integration. Media pluralism suggests that horizontal, cross-media and diagonal or conglomerate integration causes the ownership of media and cross-media to gradually decrease from many firms to fewer firms. This implies that the supply of media products is accomplished by one or a few dominant media proprietors. As Doyle (2002a) claims:

... It might be inferred that there is a negative correlation between levels of market domination and levels of pluralism – i.e. that higher levels of concentrated ownership represent a reduction in the number of different independent suppliers and, in turn, the range of output in any given market. Higher level of market domination means fewer competing suppliers; fewer competing suppliers implies less pluralism (p.13).

Thus, diversity of media ownership is important for achieving media pluralism. In a certain sense, the existence of numerous and various media enterprises is the precondition for guaranteeing an open and plural media system.

(2) Vertical Integration

Meier and Trappel (1998) claim that vertical integration “stands for activities of a given media enterprise seeking or exercising control over all or some steps necessary for the production and distribution of a given media, such as preparing information, reproducing information, distribution, promotion, financing operation and so on” (p.41). “This considerably reduces the company's vulnerability to fluctuations in the supply and cost of essential materials and

services and enables it to regulate and rationalize production more precisely and to increase its control over the market” (Murdock and Golding, 1973, p.214). The merger of a financing operation entity, a production corporation of a television programme, an advertising or public relations company, a television station, a broadcasting network or system and an investigating institution can be viewed as perfect vertical integration in the television industry. Media concentration implies that vertical integration “allows a greater market autonomy by simplifying long-range planning processes and legal contracting. At the end, the vertically integrated firm has the benefit of reduced competition and a market advantage over the others” (Meier and Trappel, 1998, p.41).

Antithetically, media pluralism uncompromisingly opposes any activity of vertical integration in the media industries and attacks it for breaking the free competition between a variety of media enterprise and destroying the diversity of media content (such as failing to provide the masses with a broad range of information and services) (Doyle, 2002a). Media pluralism argues that vertical integration open up television programme production corporations to preferential treatment vis-a-vis competition in market through their special relationship with their parent company. For example, in a trading market, a given television station will recognise its subsidiary enterprises as the preferred programme suppliers; in like manner, television programme-making corporations will also provide products to their parent company preferentially. This, in fact, damages the right of free competition of the other television stations and programme production enterprises. As well, it threatens the diversity of media content because the television station fails to pay enough attention to the selection of TV programmes (e.g. to take into account the products of the other suppliers).

Swayed by Adam Smith's notion of *wealth of nation*, media pluralism holds that diversity of market is strictly restricted by the market scale, which means that the gradually larger market scale must lead to increasingly deeper division and higher degree of specialisation of the market (Lu, 2002). However, vertical integration, which requires media firms to cover all or some steps of a specific business, infringes the above principle because it merges sections or steps unnecessarily. The advantages of deep division and a high degree of specialisation on a large market scale are not fully exerted. This means that although large media enterprises or conglomerates may have achieved many steps or sectors in the business field, they have failed to become accomplished in them. Thus, vertical integration fails to enhance; on the contrary, it diminishes the competitive capability and specialisation degree of media firms in markets. As Mosco (1996) suggests, some media conglomerates or large companies have sold off units as "new companies look to fill old and new niches" (p.91).

To summarise, media concentration and media pluralism are two representational forms of 'spatialisation' (i.e. the process of the transformation of space with time)⁴⁵. Irrespective of which has more advantages or disadvantages, these perspectives should neither be wholly affirmative nor negative but be applied in terms of the actual situations and external conditions⁴⁶. Scholars believe that debate surrounding these two opposite perspectives is likely to occupy political economy of communication for some time to come.

⁴⁵ Mosco (1996) observes that the meaning of spatialisation, as the process of the transformation of space with time, is referred to by Marx, Harold, and others. This notion comprises "globalization, or the worldwide agglomeration of the communication industries, and industrial restructuring, or their manifold integration" (p. 139).

⁴⁶ I discuss the practical application of media concentration and media pluralism to the reformation of China's television industrialisation in Chapters Four, Six and Seven.

2.2.2.5 The Role of the State in the Media Industries

Any discussion of the role of the state in the media industries has to take into account the concept of ‘regulation’⁴⁷. Although there are various views of this notion, a particular issue is the mutual concern for all perspectives; that is, are media industries more influenced by industry decisions or state intervention? The former own the characteristic form of ‘market regulation’, which states that media industries should be driven chiefly by market and not by state intervention. The latter takes up the opposite position, supporting ‘state regulation’ in which the state plays the central role of influencing media industries (Mosco, 1996)⁴⁸. The debate surrounding the role of the state in the media industries “frequently comes down to the choice between regulation and deregulation” (p.201). In order to better examine the role of the state in the media industries, I will now analyse three different media regulation forms (i.e. commercialisation, liberalisation and privatisation) drawing on Mosco’s work addressing ‘the state’.

(1) Commercialisation

Mosco (1996) observes that commercialisation “takes place when the state replaces forms of regulation based on public interest, public service, and related standards, such as universality, with market standards that establish market regulation” (p.202). Nowadays, commercialisation occurs in both public and private media. But that which occurs in the former is more significant than that in the latter because it can be a preconditioned step for public media sectors or organisations toward privatisation. For example, a state-owned or

⁴⁷ A further relevant discussion about regulation as a major approach of government intervention in the media market appears in Chapter Two (2.3.3).

⁴⁸ Hong (1995) observes that while many studies of media marketisation attribute the phenomenon mainly to market factors, that is, new technologies, capital flows and quality production of programming, in many countries (e.g. China), state factors such as government policy and regulation play decisive roles in the development of media industries.

public television institution is allowed to entirely or partly implement commercial management based on market regulation such as producing or broadcasting commercial advertisements and programmes. Commercialisation proponents believe that despite public media enterprises or institutions having commercial activities, they do not contravene their purpose of serving the masses and may even enhance public service goals such as universality (Noam 1987, quoted in Mosco, 1996). Conversely, opponents insist that in the environment of limited media resources, commercialisation must benefit more those who have control over and use the resource to synchronously damage others (Castell 1989, quoted in Mosco, 1996).

(2) Liberalisation

Liberalisation can be called “a process of state intervention to expand the number of participants in the market, typically by creating, or easing the creation of, competing providers of communication services” (Mosco, 1996, p.202). From this perspective, liberalisation may also be seen as a process of ‘deregulation’ of the media industries, reducing state control and intervention and accepting direct market effects and adjustments to media business. For example, the purpose of expanding the number of participants and permitting certain forms of free competition in an originally oligopolistic market is to increase the competitive plane of said market. This is different from commercialisation that attempts to enable all commercial activities of media firms or institutions to tally with certain market standards or regulations, irrespective of whether or not competitors exist. Supporters of liberalisation hold that liberalisation leads to a decrease of product price, an expansion of service, and the acceleration of innovation in media markets because it enhances the competitive degree of media industries. However, objectors argue that liberalisation can easily

contribute to oligopoly in media markets. The ultimate result may be that a few media companies or groups advance the interests of their privileged customers and themselves, using the oligopoly of media product price, service and innovation (Mosco, 1996; Wang, 2005).

(3) Privatisation

Privatisation is generally seen as a process of state intervention that literally sells off state-owned media enterprises or institutions such as public broadcasting institutions or state-owned television stations to private investors. In fact, many countries have sold off their state-owned media enterprises or institutions. A good example occurred in 1986, when the French right-wing government of the time, subject to the European privatisation wave, sold France's largest public television station (TF1) to private enterprise.

According to Lu (2002) and Mosco (1996), there are three customary forms of privatisation in the media industry. The first is the sale of stock ownership, i.e. accomplishing the entire or part ownership transference of state-owned or public media enterprises via the sale of shares. For example, since 1991, under the precondition of retaining fifty-one per cent of shares, the Russian government sold off forty-nine per cent of Russian public television 'ORT' shares (i.e. ORT – the former Soviet Union central television Channel One) to twelve private corporations. The second is the sale of properties; that is, the sale of entire or part/s of state-owned or public media enterprises through inviting public bidding. In 1997, the BBC separated its programme-making sectors and transmitting sectors. It then sold off the latter, i.e. their broadcasting equipment, rights and debts, to American and French corporations. Through this act of privatisation, the BBC raised two hundred and fifty million pounds that

would go towards building a digital broadcasting network. The third is the attraction of private capital investment in state-owned or public media enterprises. However, many countries maintain certain limitations on foreign investment in their media industries. While both Malaysia and South Korea, for example, allow foreign capital investment in their television industries, the proportion of the shares foreign investment may hold is limited to thirty per cent and fifteen per cent respectively.

Commenders (see below) persevere in their support for privatisation, believing that commercialisation is merely the first step toward promoting media regulation. Privatisation not only enhances the competitive capabilities of media enterprises in markets but also distances media from state intervention. Conversely, a propos of selling off state-owned media enterprises or institutions to foreign firms, discommenders argue that privatisation will result in loss of state-owned media assets, loss of national sovereignty “and the consequent loss of local control over national policy” (Mosco, 1996, p.203).

In recent years, along with the development of human society and the changing of national or international positions, the activity scope of states in the media industries has expanded to a broader domain including participation in internationalisation and globalisation albeit to different degrees. Despite this, and irrespective of commercialisation, liberalisation, privatisation and even current internationalisation and globalisation, all represent the various regulatory forms that states bring to bear on media industries. More importantly, and as Mosco (1996) points out, “they suggest the value of a political economy approach which starts from the mutual constitution of the industry and the state in the creation of forms of

regulation” (p.204). In the next section I provide a review of media economics.

2.3 Media Economics

This section, which is oriented toward the micro-level, chiefly explores the relevant theories and perspectives associated with media economics. It comprises four primary parts: introduction to the study of media economics, the media market, government intervention in media market, and television industry economics. In the following, the four parts will be addressed in detail.

2.3.1 Introduction to the Study of Media Economics

In order to construct a base for further analysis of economic theories or principles of mass media, notably the television industry, in this section I review some key notions of media economics and pose the following questions: what are economics and media economics, macroeconomics and microeconomics, associated needs and wants, command economies and market economies, and economies of scale and scope?

2.3.1.1 What are Economics and Media Economics?

In a broad sense, economics is an extensive field which covers issues of international trade, commercial strategy, price policy, and market competition and concentration. Although there are many definitions of economics, economists share a common cognition; that is, economics is a study of how people select and deal with scarcity, a discipline investigating how limited or scarce resources are allocated to satisfy market competition and the demands of societies or masses. Economics also researches the production and consumption of resources, in which

production means the creation of goods and services and consumption uses these products to satisfy various wants and needs (McTaggart, Findlay and Parkin, 2003; Picard, 1989; Walker and Ferguson, 1998).

Media economics, rooted in the tradition of economics, is also viewed as a discipline combining economics and media study. Its research objectives are a ceaseless variation of economic factors that directly affect the determination of media policy makers and lead media practitioners' conduct (Doyle, 2002b). While numerous media academics have attempted to define this term, the most classic definition is provided by Picard (1989): "Media economics is concerned with how media operators meet the informational and entertainment wants and needs of audiences, advertisers, and society with available resources. It deals with the factors influencing production of media goods and services and the allocation of those products for consumption" (p.7). In fact, this depiction has been recognised as fundamental to evolving and constructing further perspectives in the media economic domain.

2.3.1.2 Macroeconomics and Microeconomics

Generally speaking, economics consists of two primary aspects: macroeconomics and microeconomics. Macroeconomics is concerned with very broad economic aggregates and averages involving gross national product (GNP), national income, the general price level, the rate of inflation, total employment, and economic growth as a whole (Doyle, 2002b). In theory, macroeconomics also relates to specific political economic issues, such as public policies vis-a-vis the economy (e.g. money and finance) and policies that stimulate or retard growth or promote social welfare. For example, governments commonly implement processes

that change monetary policies and adjust interest rates to influence general economic activities such as investments, thus controlling the growth of the economy⁴⁹. However, there are certain indicators that suggest that employing these governmental manipulative instruments to affect economic behaviour has gradually become ineffective in recent years (Hoskins, McFadyen and Finn, 2004). Contrary to macroeconomics, microeconomics is concerned with the individual conduct of economic units, such as analysis pertaining to manufacturers, companies, families, markets and products, or the role that price plays in the process of influencing economic behaviour. In other words, microeconomics is the study or consideration of what to produce, how to produce, when and where to produce, as well as for whom to produce (McTaggart, Findlay and Parkin, 2003).

In light of the above analysis, the fundamental difference between macro and micro-economics is that the former focuses on large groups and broad economic aggregates while the latter focuses on small well-defined groups and individual firms and sectors (Doyle, 2002b). Despite the fact that the investigating objectives and domains of the two subjects are different, there exists a certain interactive relationship between the two. Picard (1989) maintains that “government actions and policies affect the decisions of producers and consumers, and the performance of various product markets in turn stimulates government action or inaction” (p.8).

In line with the interactive relationship between the two economic spheres, the relevant theories of both macro and microeconomics will be explored. Already, some approaches or

⁴⁹ Using monetary policies and interest rates to influence the general economic activities for the purpose of controlling economic growth is one aspect of monetarism. See Chapter Two (2.2.1.2).

perspectives related to economics (e.g. Keynesianism, monetarism, commodification, media concentrations and pluralism, and the role of the state in the media industries) have been discussed in section 2.2 of this chapter. In the following section, other economic and media economic theories will be elaborated in detail.

2.3.1.3 Needs and Wants

Needs and wants, which can be both private and public, are the important research content of economics. Private needs and wants are pivotal to maintaining individual survival, and, based on this, seek a convenient and comfortable life and accordingly gain enhanced satisfaction. Public needs and wants chiefly require satisfaction of the demands of the masses or publics, to enhance the public educational level, improve the public traffic service and medical care systems, to strengthen the nation's economic capabilities, to participate in international competition and to ensure military power that will protect the public against foreign aggressors (Picard, 1989).

When examining the needs and wants of the media economic system (e.g. television industrial system) from the above perspective, it is found that distinct interest groups differ with each other in the areas of needs and wants. According to Picard (1989), media serve the needs and wants of four different interest entities: (1) media owners or proprietors, whose needs and wants include the upkeep of companies and companies' assets, the profits of capital and investments, and the further development of media firms; (2) consumers or audiences, who ordinarily need and want low-priced high quality media goods or services that are easy to access; (3) advertisers, whose needs and wants include conveying commercial messages to

their target audiences at a low cost via media, thereby increasing the aggregate sales of their products in the market; (4) media employees, who are concerned with ensuring a good personal income, fair and equal treatment, safe and comfortable working conditions, and the psychological satisfaction they gain from their work. Walker and Ferguson (1998) note that although each interest entity has distinct needs and wants in a same media system, they share a mutual consideration; that is, how to gain the maximum profit with minimum cost and limited resources.

2.3.1.4 Command Economy and Market Economy

Command economy and market economy are two incompatible economic systems. Command economy mainly exists in socialistic states (e.g. the former Soviet Union, North Korea, Cuba, and China in the case of the latter, prior to the current reforms and opening up in 1978). Its chief features are state-owned firms; the process of production, circulation and distribution of all products is centrally planned, proposed and implemented by the government according to the preconceived demands of the people. As a matter of fact, it is very hard to forecast the exact demands of the masses due to the lack of – or demoded – economic data. Many cases have proved that command economy is a kind of stiff economic system, which cannot acclimatise itself to the variation of markets and people's demands for bringing about better living standards (Hoskins, McFadyen and Finn, 2004).

Picard (1989) states that market economy, “a system in which allocative decisions are made on the basis of the economic forces controlling operations of the market, is the primary basis of the capitalist or free enterprise economic system” (p.11). Based on this definition of the

market economic mechanism, decisions taken as to what goods or services should be produced, how they should be produced, and who gets to consume these goods or services are ultimately determined by markets.

Nowadays, the economic systems of most countries are actually representative of a mixed economy that allows for the simultaneous operation of publicly and privately owned enterprises. In the majority of mixed economy mechanisms, private firms enjoy the dominant status, their amount being usually more than the amount of public or state-owned enterprises (Hoskins, McFadyen and Finn, 2004). In China, after approximately thirty years of reform and opening up, the managing and operational systems or pattern of most businesses or industries have shifted from the previous command economy to a current market or mixed economy. However, China's television industry is an exception. Despite the fact that some sectors of China's television industry (e.g. the business of television series) have operated based on market economy principles, the holistic industrial system, management pattern and economic activities maintain very typical characteristics of command economy. This is chiefly because of the special situation of China. Given that the predominant focus of this thesis is on the reform of China's television industrialisation, I will examine the industrial structure and system of Chinese television in Chapters Four, Six and Seven.

2.3.1.5 Economies of Scale and Economies of Scope

Economies of scale and economies of scope are two prevailing economic features of media industries, which have been defined in the analysis of media concentration and pluralism (see section 2.2.2.4 of this chapter). As the two concepts will be used frequently in this thesis, I

will now proceed to explore the salient characteristics of each.

Economies of scale universally exist in the industry in which marginal costs (i.e. the cost of one additional unit of any item produced or bought in quantity) are lower than average costs (i.e. the cost amount calculated by dividing the total cost by the units of production). When the unit cost of production declines as production increases or the sale of output expands, then economies of scale are present (Doyle, 2002b; Garnham, 2000). In fact, economies of scale occur in many industries. For example, in the TV set manufacturing business, larger scale of production may bring about lower average costs. Accordingly, the price of each TV set will decline and the product will become preponderant in the competitive market. In this way benefits of economies of scale are visualised.

Similarly, media goods or services are also regarded as commodities (see section 2.2.2.3 of this chapter). Thus, economies of scale exist in media industries as well. According to Doyle (2002b), for media firms, “marginal costs (MC) refer to the cost of supplying a product or service to one extra consumer. Average costs (AC) are the total costs involved in providing the product or service, divided by its audience – the total number of users who watch, read, listen to or otherwise consume it” (p.14). In most sectors of the media, marginal costs are virtually lower than average costs, even sometimes zero. Thus, the increasing amount of audiences or consumers of media products implies decreasing average costs in media industries. This achieves media firms’ purpose of economies of scale – extending the scale of production, lowering average costs and gaining substantial profit.

Economies of scope mean that “two or more products or services can be produced more cheaply jointly by one supplier than separately by different competitive suppliers” (Garnham, 2000, p.55). This is primarily because enterprises can raise the aggregate sales by diversifying their goods or services for carrying out the aim of lowering production costs. Economies of scale generally exist in media industries. One important reason is that media products selling in a given market may be reformatted as another form and sold in a different market (Doyle, 2002b). For example, a video of a politician being interviewed can first be edited and then broadcast through television news reports or political commentary programmes. The content may be reformatted as audio broadcasting by radios or in a letter published by newspapers. Eventually, this interview may appear as a section of a documentary or be issued as a chapter of a book. From this viewpoint, “the reformatting of a product intended for one audience into another ‘new’ product suitable for a different audience creates economies of scope” (p.15).

Diversification will always be an economically efficient strategy whenever economies of scope are present because “the total cost of the diversified firm is low compared with a group of single-product firms producing the same output” (Moschandreas 1994, p.155, quoted in Doyle 2002b, p.15). In the current society, this economic strategy which actually reflects the widespread availability of economies of scope, has been progressively accepted by media enterprises. The notions of economies of scale and economies of scope, significant characteristics of media economics, will be referred to and applied in later sections of this chapter.

2.3.2 The Media Market

Having grasped the fundamental concepts of media economics, it is obvious that the market plays a core role in the entire media industry. In Picard's (1989) words, "the economic behavior of media is impelled and constrained by the characteristics of and influences on media markets" (p.16). In this section I review first the concepts of 'market' and 'dual product market' and second, media market structures.

2.3.2.1 Concepts of 'Market' and 'Dual Product Market'

Market is a very broad concept. It can be defined according to various industries, geographies, types of revenue and the nature of the goods and/or services. Different industries participate in markets that may be analysed using a similar concept; that is, "a market consists of sellers that provide the same good[s] or service[s], or closely substitutable goods or services, to the same group of consumers" (Picard, 1989, p.17).

Given that the above notion of market can be widely applicable to every industry, when discussing media markets it is necessary to define a special market concept peculiar to media industries only because markets are somewhat more complex than those of many other industries. Within this situation, the concept of dual product market is present. The term dual product market suggests that media industries generally contain two markets – the consumer market for media goods and services and the advertising market in which services are sold to advertisers in the form of access to audiences, as shown in Figure 2.8⁵⁰ (McQuail, 2005; Picard, 1989).

⁵⁰ Figure 2.8 is a modified version of Figure 2.1 in Picard's (1989, p.18) *Media Economics: Concepts and Issues*.

FIGURE 2.8 Elements in the definition of dual product market existing in media industries

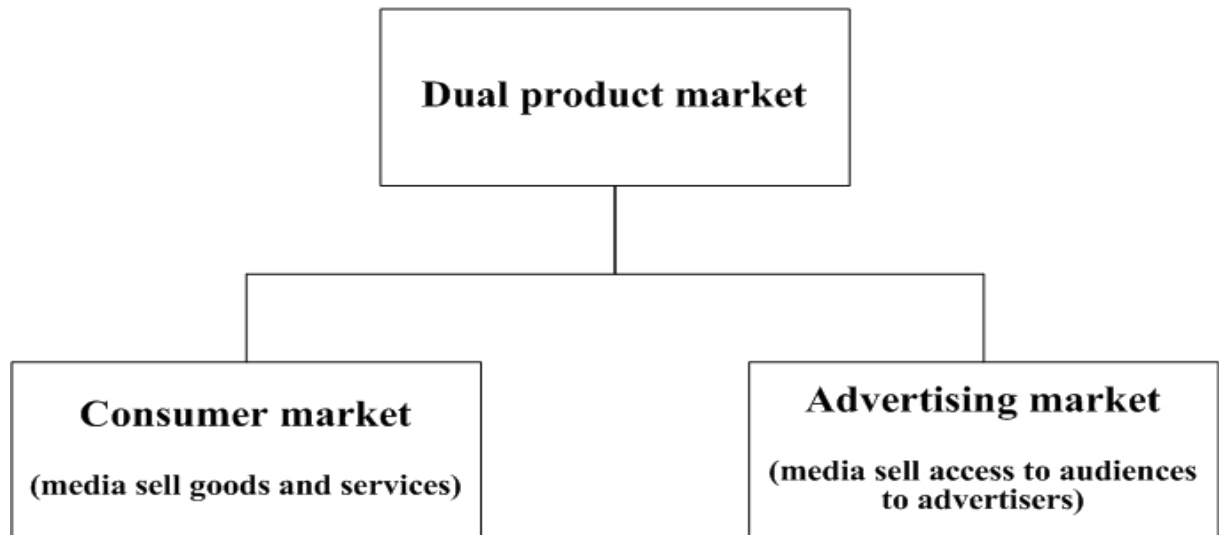


Figure 2.8 shows the elements in the definition of dual product market existing in media industries. There are two obvious markets: (a) the consumer market wherein media participate in selling media goods, i.e. ‘one-off’ products like newspapers, magazines, books, videos or audio tapes, CDs and DVDs sold directly to consumers, and continuous media services such as satellite or cable television or online media; (b) the advertising market wherein media firms sell space and time to purchasers of advertising for financial gain (McQuail, 2005). Picard (1989) provides a more precise and descriptive explanation of the advertising market, stating that, “media sell access to audiences to advertisers” (p.18).

In fact, media participate in the dual product market differently. Participation is determined by the various features or business forms of media. Some media participate only in the consumer market (e.g. mostly books) or in the advertising market (e.g. free newspapers, promotional magazines and quite a lot of commercial television). Then again, numerous media are

concerned with both consumer and advertising markets, which means commercial newspapers and magazines as well as satellite and cable television. It should be noted that in the case of those media that operate in both, their performance in one market must influence the performance in another (McQuail, 2005; Picard, 1989)⁵¹.

2.3.2.2 Media Market Structures

Media market structures express the competitive degree of media goods or services in the market. This involves the features and forms of the relationship between media firms as well as between media producers and consumers. The central issues of media market structures are competition and monopoly (or oligopoly). Thus, an analysis of competition and monopoly (or oligopoly) in media markets is seen as the important content of media economic study (Chen, 1993; Wu, 2003).

Generally speaking, “the number of producers in a given market is important because it is an indication of the market power that firms possess and their ability to control and influence the economic operations in that market” (Picard, 1989, p.31). Picard (1989) and Wu (2003), having applied the tradition of economics to the study of media markets, conclude that there are four major market structures in media industries: perfect competition, monopolistic competition, oligopoly, and monopoly, as shown in Table 2.2⁵².

⁵¹ For example, in the television industry, if a particular TV programme has a very high audience rating, not only it will attract more advertisers but also its advertising price will be correspondingly higher than others. On the contrary, if only limited audiences show interest in a TV programme, it will be hard for this programme to find an advertiser even though its advertising price is very low. This involves issues of the economic characteristics associated with the television industry, which will be discussed in Chapter Two (2.3.4).

⁵² Table 2.2 is drawn based on modifying Table 4.1 in Wu's (2003, p.149) *Mass Media Economics*.

TABLE 2.2 The four major market structures in media industries

<i>The type of media market structure</i>	<i>The number of media firms</i>	<i>The differentiated/ substitutable degree of media products</i>	<i>The degree of controlling of price by media firms</i>	<i>The difficult degree of the entry of new competitors</i>
<i>Perfect competition</i>	numerous	selfsame/can be substituted completely	no	very easy with no barriers
<i>Monopolistic competition</i>	many	same category but differentiated/ basically can be substituted	appreciably controlling	comparatively easy
<i>Oligopoly</i>	a few	homogeneous or differentiated/ can or cannot be substituted	considerably controlling	difficult, with some obstructions
<i>Monopoly</i>	single	the only product/ no homogeneous substitutes	greatly controlling but commonly regulated or restricted	very difficult almost impossible

Table 2.2 summaries the four core factors that determine the type of market structure in a media industry: (a) the number of firms in a media market; (b) the differentiated (or substitutable) degree of media goods or services; (c) the degree of controlling of price by media firms; and (d) the difficult degree of the entry of new competitors in a media industry. In the following, I expound the four major market structures in media industries in terms of these core factors.

(1) Perfect Competition

Perfect competition is a kind of media market structure devoid of any oligopolistic or monopolistic factors. “In such a situation the economic forces operate freely” (Picard, 1989,

p.31). This type of media market structure customarily has three characteristic elements: (a) There are a large number of sellers (producers or firms) and buyers (consumers or audiences) of media goods or services. Each media firm snatches only a small part of the market. Neither sellers nor buyers can affect the price of media products; on the contrary, they have to totally accept the price determined by the media market; (b) All media products are selfsame as well as completely substitutable by other products. Hence, buyers will not have any specific predilection for certain media goods or services; (c) It is absolutely free with no barriers to the entry of new competitors in certain media industries (Gans, King and Mankiw, 2005; Wu and Ma, 1996).

Under the perfect competition media market structure, every buyer may at his/her discretion choose or alter the sellers of media goods or services without any cost being incurred. It is the same with each seller. Therefore, it is only media market mechanisms that can influence or determine the price of media products, the commercial dealings between media firms, and between media producers and consumers. The fact is, that “no media industries operate under the perfect competition market structure. This is not particularly surprising, however, because few industries operate in perfect competition – including manufacturing industries. The market for agricultural products most approximates perfect competition” (Picard, 1989, p.76).

(2) Monopolistic Competition

Monopolistic competition refers to a media market structure which supports numerous media firms selling goods and services belonging to the same category. “[But] the [media] products are differentiated and each [media] product is available only from the [media] firm that

produces it” (Picard, 1989, p.32). In the sense of products differentiation, despite the goods and services of media firms being differentiated, they belong to the same category as well as substitute each other. Thus, in this situation, there is very fierce competition among media producers.

According to Hoskins, McFadyen and Finn (2004) and Wu and Ma (1996), the features of the monopolistic competition media market structure can be reduced to three points: (a) The existence of numerous firms in any one media industry implies that the output of each media firm occupies a limited share of the market only. Consequently, the conduct of one or a few media producers will not necessarily affect other media producers’ operations and commercial strategies; (b) It is comparatively free and easy for new competitors to enter a certain media industry. From this angle, in the short term, the original media producers may gain substantial profit in the market before the new competitors commence participation. But in the long term, the commercial profit in this media market tends to disappear (or zero) along with the enhancement of competition; (c) Media goods and services belonging to the same category are differentiated. Because no other competitors can supply the selfsame products in a particular media market, to some extent media firms may control the price of their goods and services. However, since their competitors are able to produce adequate substitutes, the fluctuated scope of price is limited. This implies that although media firms can determine the price of their goods and services, these determinations must be reached based on specific market conditions (such as the general price level of a media product or its supply and demand in the market). For example, a customer may have a predilection for the popular music magazine ‘X’ due to certain reasons (e.g. its abundance of musical information and

informative comments). If the price of this magazine is more expensive (e.g. one dollar, within the acceptable scope of price difference for this customer and not over two dollars, exceeding the acceptable scope of price difference for this customer) than other similar popular music magazines, this customer will maintain his/her loyalty to the original magazine. However, if the price difference between this magazine and other similar popular music magazines is more than two dollars, the customer may very possibly choose other magazines.

(3) Oligopoly

Oligopoly implies a media market structure existing for a few media producers only, with some competition for either their homogeneous or differentiated goods and services. This means that the media products in the market have only a few or few substitutes. In this market structure, a handful of media firms may exercise considerable control over the price of media goods and services. At the same time, because of certain obstructions, new competitors could find it difficult to gain entry to certain media industry (Picard, 1989; Wu, 2003).

Compared with other media market structures, the chief features of oligopoly are the interdependency and interaction between media firms. As there are only a few media producers, the output of each looks very important in the total output. This gives rise to a particular phenomenon; that is, any commercial activity or strategy (e.g. the price change of a media product or a sales promotion project) promoted by one media firm will trigger a similar activity or strategy by other competitors. Thus, it is necessary for an oligopolistic media firm to estimate the possible reaction of other competitors before any significant commercial decision-making is undertaken. This is because whether or not its competitive or strategic

behaviour can be effective to a great extent rests with the response of its competitive adversaries (Albarran, 1996; Hoskins, McFadyen and Finn, 2004).

Wu and Ma (1996) observe that in modern society, oligopoly gradually tends towards the main media market structure in line with the characteristics of the economies of scale and economies of scope in media industries (see sections 2.2.2.4 and 2.3.1.5 of this chapter). As regards the television industry, the effect of these two economic principles is more pronounced on its oligopolistic market structure. I discuss this in detail in section 2.3.4 of this chapter, in which I address the economics of the television industry.

(4) Monopoly

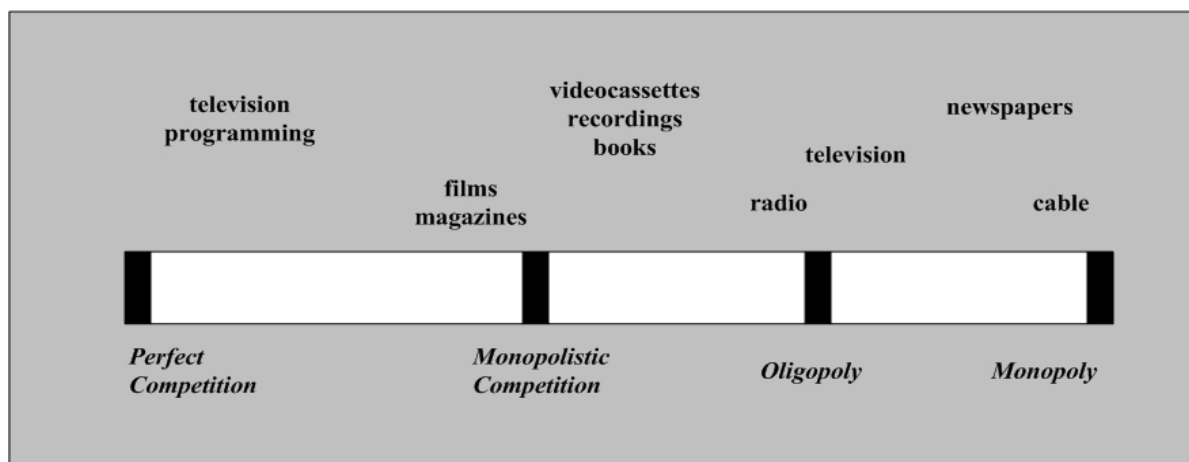
If there is only one single media firm selling goods and services in the market, and this media firm has great control over the economic functions of the market (e.g. over the price of media products and media industrial productivity), the media market structure can be viewed as monopolistic. In such a market structure, there are no competitive factors. It is almost impossible for new competitors to enter the media industry, a situation contrary to perfect competition (Picard, 1989).

Ordinarily, a monopoly media market structure contains three features: (a) There is only one media firm or producer or seller in the market; (b) The goods and services of this media firm have no homologous substitutes; accordingly, only the media producer can at his/her discretion make the price or output decisions pertaining to products; and (c) New competitors are unable to enter this media industry (Wu, 2003).

Actually, as is the same with perfect competition, no media can operate successfully under the monopoly market structure. In the entire media industry, only cable television and the cable systems would be considered monopolistic. However, if the monopoly market structure exists in media industries, it may be regulated or restricted either by governments or other external factors (see section 2.3.3 of this chapter).

Any attempt to comprehend the four major market structures in media industries must take into account the following issues: which media market structures fit a particular media industry (or market) and what is the location of each media industry (or market) on the market power continuum? According to Picard (1989), “if one considers the average markets in which major media industries operate nationally, the industries fall upon the continuum” (p.32)(see Figure 2.9).

FIGURE 2.9 Media industries on the market power continuum



Source: Picard (1989, p.33)

The above figure shows that cable television and cable systems are the media industries that most approach the monopoly media market structure. The chief reason for this is that they either operate somewhat similar to a utility or have a monopoly franchise within their areas of operation. Usually, cable television or a cable system is granted the exclusive right to supply cable services to a certain region, which may be a town, city, metropolitan or larger area (Picard, 1989). Whereas television (here mainly referring to terrestrial television but excepting television programming) locates between the monopoly and the oligopoly on the market power continuum, it tends more toward on oligopoly. The market structure for television programming (e.g. various kinds of television programmes including musical, sports and fashion) was once an oligopoly; then it entered into monopolistic competition. However, in recent years, it has moved closest to perfect competition on the market power continuum due to “the expansion of outlets for [television] programming through syndication and cable television channels” (p.32).

Newspapers lie between monopoly and oligopoly on the market power continuum. But they tend more toward a monopoly because most newspapers are limited to publishing within a specific geographic market. Radio, videocassettes, recordings and books locate between oligopolistic and monopolistic competition, with radio closer to an oligopoly and the other three to monopolistic competition. Both films and magazines clearly operate in a monopolistic competition market structure. Picard emphasises that “no media industries operate in a perfectly competitive situation because most media differentiate themselves and try to segment their audiences” (Picard, 1989, p.53).

2.3.3 Government Intervention in Media Markets

In most nations, governments regularly intervene in media markets, particularly television markets, with the aim of promoting social/political goals and influencing the market conduct of media firms. Under the conditions of a market economy, governments sometimes use administrative intervention in media markets to resolve the problem of resources allocation failures in media market mechanisms, promote fair competition between media producers, support rising media industries, protect media producers and consumers, satisfy society's demands regarding media products, and ultimately to achieve certain political aims (Picard, 1989). In this part of the chapter I mainly address the four major approaches of government intervention: regulation, advantage, subsidies and taxation.

2.3.3.1 Regulation

Regulation represents a series of regulated or controlled approaches (or instruments) to the media markets, initiated by governments to protect the public welfare, the interests of producers and consumers, and to ensure the effective operation of the media markets. According to Picard (1989), there are three types of media market regulation – technical, market structure and behavioural. Technical regulation occurs in the setting or maintenance of technical standards of each media industry such as the setting of broadcast (including television and radio) and cablecast technical standards. Market structure regulation occurs in the gaining of certain licenses or franchises (e.g. television licenses and cable franchises). Governments do so in order to control the numbers of producers or sellers, horizontal or vertical integration, and the development of monopoly of a specific media market, thereby protecting the media market structure. Behavioural regulation occurs when governments

control the acts of media firms. For example, governments may move to prevent any form of anticompetitive conduct that will potentially harm media markets and prices and rates in an effort to achieve governmental macroeconomic goals. Behavioural regulation will also engender some economic effect involving “increase or decrease in costs, revenues, or profits caused by the addition of nonmarket requirements and forces” (p.96).

2.3.3.2 Advantages

Advantages mainly means the preferred treatment provided by governments to entire or target specific media industries that governments wish to aid. The benefits of advantages in media markets can make for the reduction of costs of media goods and services, a rise in profits of media firms, and the stimulation of media production (Picard, 1989).

2.3.3.3 Subsidies

Subsidies imply cash transferred from governments to a certain media industry or firm to promote that particular industry or firm or type of production. Subsidies may take the form of research funding for the improvement of journalistic and media production techniques, or the direct purchase of media goods and services by governments. As in the case of advantage, the benefits of subsidies in media markets can both increase the revenue and profits of media firms and stimulate media production (Picard, 1989; Wu, 2004).

2.3.3.4 Taxation

Taxation can be viewed as a circular process. Cash, as a form of tax, is first transferred from producers or consumers in media markets to governments, after which governments use this

money to ameliorate any undesirable externalities existing in media markets (Wu, 2004).

Altogether, regulation, advantage, subsidies and taxation basically cover almost all of the approaches or instruments of government intervention in media markets under the condition of a market economy. Taking into consideration the distinct characteristics of each approach, governments customarily choose the most appropriate one to put into practice according to the different external conditions. The intervention of the Chinese government in television markets will be discussed in Chapters Four, Six and Seven. The next section reviews the economics of the television industry.

2.3.4 Television Industry Economics

For many countries, television is the largest component of the entire media industry. According to Gasson (1996, quoted in Doyle, 2002b), in the U.S., television accounts for over 20 per cent of all media revenues. *The Advertising Statistics Yearbook* (2000, quoted in Doyle, 2002b) reports that television attracts approximately 28 per cent of total expenditure on advertising in the U.K. In China, television advertising occupies primacy among the four dominant media (i.e. television, newspaper, radio and magazine) advertising revenues. According to statistics produced by the Center for Media Operation and Management of Tsinghua University, China's television advertising revenue was 30.851 billion yuan (approx. USD 4.104 billion)⁵³ in 2004, which is 1.16 times newspaper advertising revenue, 9.88 times radio advertising revenue, and 10.54 times magazine advertising revenue⁵⁴ (Cui, Lu and

⁵³ According to *OANDA.com* (2007), the exchange rate between the U.S. dollar (USD) and the Chinese yuan (CNY) on 30th September 2007 was 1:7.51756, which is regarded as the only exchange rate between USD and CNY in this chapter.

⁵⁴ According to the Center for Media Operation and Management of Tsinghua University, China, in 2004, the newspaper advertising revenue was 26.5 billion yuan (approx. USD 3.525 billion), the radio advertising revenue 3.123 billion yuan (approx. USD 0.415 billion), and the magazine advertising revenue 2.926 billion yuan (approx. USD 0.389 billion) (Cui, Lu

Wang, 2005). This section is concerned with certain fundamental issues or perspectives of television industry economics. I will now apply the media economic traditions and approaches to discuss first, the economic characteristics of the television industry, second, perspectives of television industrialisation.

2.3.4.1 Economic Characteristics of the Television Industry

From the time the television industry emerged in the last century, its process of development has differed from other media industries in certain economic respects. Television firms and organisations have experienced various difficulties throughout the development process of the television industry, notably the number of market failures that have constantly beset television broadcasting. In this part of the thesis, I will first analyse the market failures of the television industry; then, I will explore two distinct solutions to conquering this problem, which are (a) to establish publicly funded television broadcasting, and (b) to promote commercial television broadcasting.

(1) Market Failures

In the initial stage of television development, television firms were confronted with the difficulty of finding an efficient means of gaining profit through broadcasting TV programmes. At the time, there was no feasible approach to ascertaining whether audiences who accessed television broadcasting services should be charged for them. This is because in the interests of the common good, its price and supplied quantity were determined by a matching supply and demand in the normal market. Thus for television commodities in the

early days, there was no available approach for audiences to deliver their demands and preferences to television producers (Doyle, 2002b). The television industry was devoid of a mechanism to “collect fees or to realize profits directly from audiences” (p.60). This I will term a ‘market failure’ of the television industry.

Owen and Wildman (1992) argue that market failures of the television industry are chiefly caused by the public-good attributes of TV products. According to Lipsey and Chrystal (1995), “a public good ... is one for which the total cost of production does not increase as the number of consumers increases” (pp.420-421). Furthermore, public goods and services “cannot be provided by the normal market mechanism. This is because they are jointly consumed, so that, once provided, everybody gets the benefit whether they like it or not” (p.896). In terms of this viewpoint, public goods and services often have the characteristics of being non-excludable (i.e. nobody can be prohibited from consuming certain public goods or services) and non-exhaustible (i.e. at the production level, marginal costs of public goods or services are zero).

Television products, as a kind of public goods and services, have both non-excludable and non-exhaustible features. The former means that in the case of terrestrial television, everybody can receive terrestrial television broadcasting if they so desire; in other words, terrestrial television producers are unable to exclude those audiences who do not want to pay. As regards cable or satellite television, audiences can view programmes or use the services of cable or satellite television producers by paying a charge (e.g. a setting fee, connection fee, or viewer subscriptions) and installing the necessary receiving equipment. Audience

consumption behaviour vis-a-vis television products will not affect other audiences. ‘Non-exhaustible’ means that there are zero or nearly zero marginal costs involved in supplying the television goods or services to an additional audience. Consequently, the benefits of economies of scale occur along with the increase in audience numbers. However, television firms cannot save on basic expenditure when audiences decrease (Doyle, 2002b; Wu, 2004). There are two distinct solutions to overcoming market failures in the television industry. One is to establish publicly funded television broadcasting, and the other is to promote commercial television broadcasting. In the following I elaborate the two different forms of television broadcasting – public television and commercial television.

(2) Public Television

Public television is a television operation system or pattern in which television goods or services are provided free by publicly funded or state-owned television broadcasting stations, enterprises or organisations. The funding for public television may be sourced in government budgets or subsidies, television license fees or taxes, or in certain public funds, organisations, parties and individuals. Public television does not usually restrict the broadcasting of a few commercial advertisements that cannot affect the normal content of public television programmes. This benefits television producers because they need not to be concerned about the influences of television investors or advertisers and can focus on their work. Public television is generally supervised by governmental sectors and the masses (Wu, 2004). “[Most] countries have established some sort of publicly funded and state-owned broadcasting entity to provide public service broadcasting (PSB)” (Doyle, 2002b, p.67). The two classic examples of public television are the British Broadcasting Corporation (BBC) and the Japanese

Broadcasting Corporation (Nippon Hoso Kyokai, i.e. NHK). Even in the U.S., which advocates commercial competition, there are public television organisations such as the Corporation for Public Broadcasting (CPB) and the Public Broadcasting Service (PBS).

According to Wu (2004), the existence of public television is primarily dependent on three specific elements: (a) The transmitted medium of television broadcasting involving terrestrial television spectrums and cable or satellite television channels that belong to public resources and have common and scarce attributes. Limited television broadcasting resources are uniformly allocated and used by states or public institutions; (b) As I have mentioned previously, television products often have the characteristic of being both non-excludable and non-exhaustible. Therefore, it would seem most efficient for public institutions or states to supply television goods or services because of the potential for market failures of the television industry; (c) Television products are regarded not only as common commodities in a market but also as spiritual or cultural goods guiding public opinion. Almost every country, government, political party or community has affected their own or other nations, societies or masses through television broadcasting.

However, concomitant with the augmentation of the amount of commercial advertising on public television, the increase in cable and satellite channel numbers brought about by the development of digital technology, and the popularisation of direct payment from views led by the advances in encryption technology in recent years, increasing people question whether the system or pattern of publicly funded television is outmoded. There are two opposite standpoints pertaining to this issue. Those who object to public television maintain that “a

well-functioning market in television broadcasting now seems feasible” (Doyle, 2002b, p.67) because advertising and direct payments from audiences have gradually become the main sources of revenue of most television enterprises or organisations. Objectors argue that the rapid increase in the number of television channels implies that television resources are no longer scarce, and that the popularisation of direct payments enables views-expressing audiences to choose their favourite television products as well as pay for their own needs and/or wants. From this view, the market failures of television industry have been foregone⁵⁵.

Challenging the above opinions expressed by opponents, proponents of public television insist that “[a]lthough private markets in [television] broadcasting may be good in some areas, on their own they will generally fail to produce the overall quality of [television] broadcasting that consumers individually or collectively would desire” (Porter 1999, p.36, quoted in Doyle 2002b, p.68). Proponents suggest that in some sense, television goods or services include two categories: one is morality (i.e. the relatively ‘good’) television products, involving television programmes or television series that the masses need or benefit from, such as documentaries, educational, religious (moral), or cultural TV programmes; the other is commercial (i.e. the relatively ‘less good’) television products involving television programmes or television series that are produced only to attract audiences and boost audience ratings. For example, programmes that realise commercial profit purposes, include musical programmes, soap operas, even violent and ‘blue’ television series. It seems in the nature of some human viewers to avidly consume these ‘less good’ TV products and not the ‘good’ ones that provide them

⁵⁵ In Doyle’s (2002b) words: “... Demand and supply for public service content could also be matched up directly, thus removing the need for a ‘distorted’ funding mechanism or public funds. ... An old-fashioned paternalistic PSB system is undesirable when a ‘free market’ in television broadcasting is now entirely feasible and would give viewers exactly what they want” (pp.67-68).

with long-term educational or training interests. According to this viewpoint, in the market economic mechanism, the demand for morality television programmes (or services) maybe exceed the supply. By contrast, the volume of commercial television programmes (or services) maybe exceed the demand. Therefore, even though television spectrums and channels are not scarce, and direct payments from viewers have been all-pervading, it is still possible for market failures to occur in the television industry, leaving television proprietors or investors unable to attain their profit goals (Doyle, 2002b).

Nowadays, although public television is faced with increasing competition and challenges, it exists in the world through self-adjustment and self-reform: as well, it plays a significant role in the overall television industry. In the next section, I will discuss a particular television broadcasting system/pattern – commercial television.

(3) Commercial Television

Commercial television represents a specific kind of television operation system or pattern in which television producers supply TV goods or services depending upon market demand. For most commercial television firms, the ultimate goal is to gain profit. Revenue accrues primarily from selling TV goods and services, advertising and other operating income (e.g. viewer subscriptions). However, almost all governments – to some extent – apply regulations to commercial television. The U.S. has the typical commercial television operation system, in its major four commercial television broadcasting organisations – the American Broadcasting Company (ABC), Columbia Broadcasting System (CBS), National Broadcasting Company (NBC), and the FOX Broadcasting Company (FOX). The British commercial television

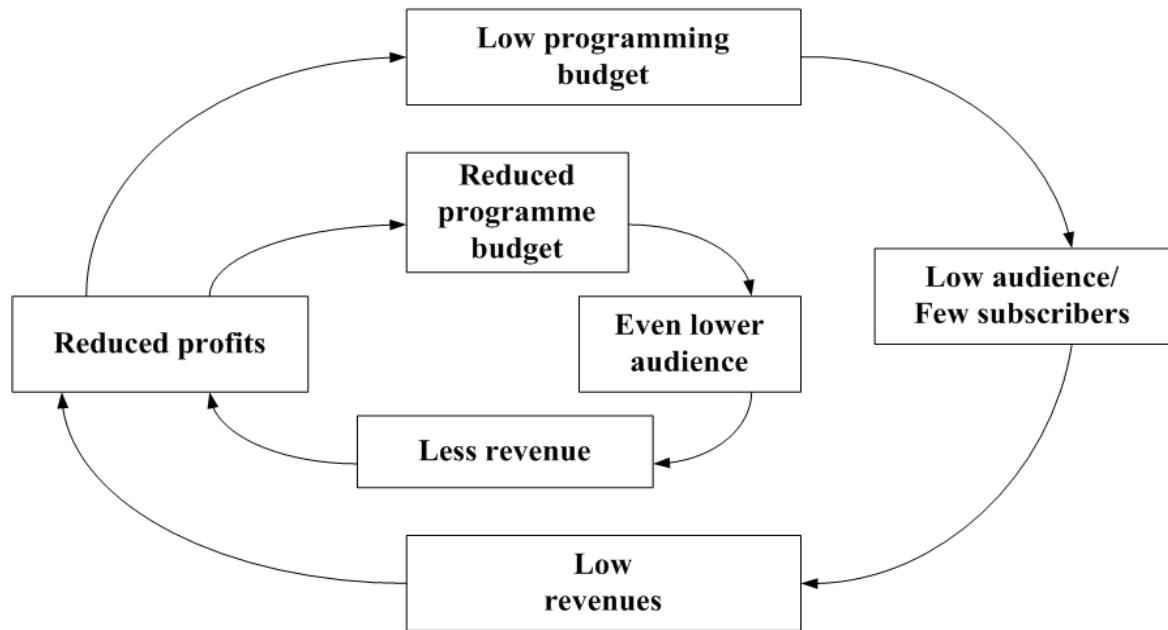
broadcasters Independent Television (ITV) and Japan's Nippon News Network (NNN) also follow the commercial television pattern (Wu, 2004).

Driven by an increase in television advertising and viewer subscriptions, commercial television has progressed rapidly in many countries worldwide. According to Doyle (2002b) and Wu (2004), the rapid development of commercial television in recent years can be understood from three perspectives: (a) As scant television resources diminish, increasingly countries allow individuals, commercial organisations or firms to use and even own television spectrums and channels for business; (b) Despite television products having spiritual or cultural attributes that guide public opinion, most countries have restricted monopolistically commercial behaviour and regulated both violent and 'blue' TV programmes in the television industry through implementation of their relevant policies or laws; (c) Like all media products, television goods and services also participate in the dual product market which consists of a consumer market and an advertising market (as analysed in Chapter Two (2.3.2.1)). In the consumer market, television goods and services (e.g. TV programmes, television series, and the continuous service of cable or digital television) are usually sold to audiences directly. In the advertising market, audiences are considered as commodity⁵⁶. This is chiefly because most commercial TV programmes or television series have the relevant advertising time. When these programmes or television series are broadcast, the attached advertisements are also broadcast at the same time. Hence, audiences have no option but to view both the TV programmes or television series and the attached advertising. Moreover, and as I have suggested in my analysis of the concept of dual product market, the performance of television

⁵⁶ This view has been discussed in 'The Television Audience Commodity', see Chapter Two (2.2.2.3).

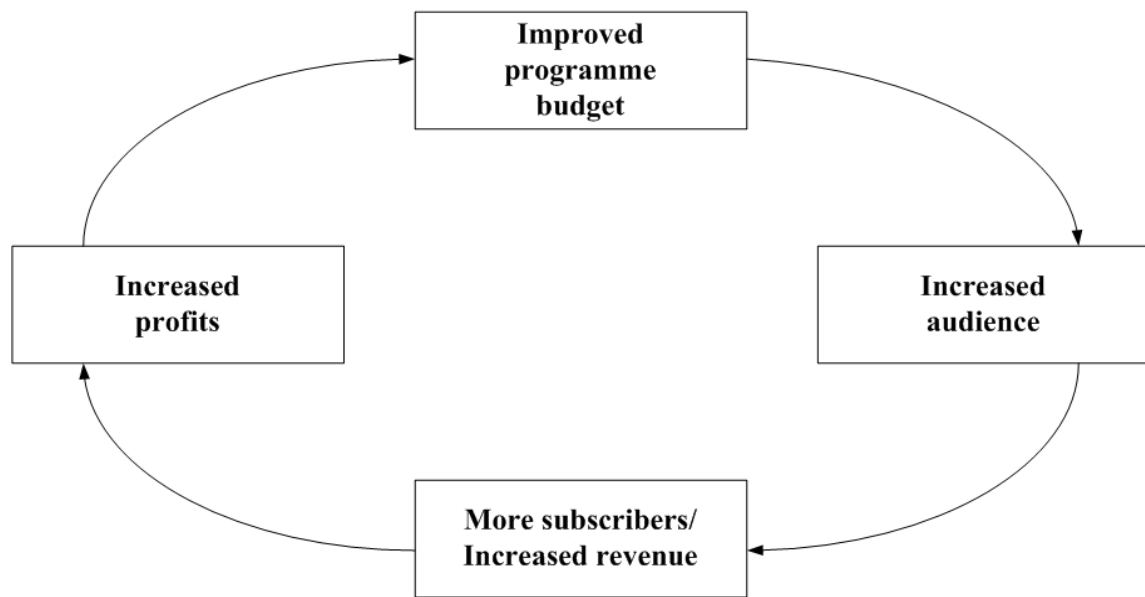
products in one market must influence the performance in another by virtue of the operation of both. In terms of this approach, the unit price of a particular television programme advertising is consequently determined or affected by the audience ratings of the programme. This also means that a high audience rating of a TV programme will raise the unit price of its advertising. By contrast, few advertisers are interested in programmes that attract very low audience ratings even though the unit prices of their advertising are quite cheap. This distinguishes the two distinct circles of profitability in television broadcasting constructed by Doyle (2002b): vicious circles of profitability and virtuous circles of profitability.

Doyle (2002b) suggests that the two circles of profitability in television broadcasting “have significant implications for the finances of any new television channel. When a new channel is launched, the only way to build up an audience is to invest in programming” (p.61). This is because only high quality and viewer-interest programmes have the potential to draw audiences with whom both television producers and advertisers are satisfied. However, expensive programming expenditure and fewer viewers in the beginning will mean that little or no revenue can be earned by any new channel in the early stages. To avoid degenerating into a ‘vicious’ circle of profitability (i.e. low programming budgets and diminishing audiences) in television broadcasting, as shown in Figure 2.10, a new channel must sustain its investment in the quality of programming, irrespective of whether the initial revenue can cover these costs (2002b).

FIGURE 2.10 Vicious circles of profitability in television broadcasting

Source: Doyle (2002b, p.62)

Figure 2.10 above reveals a special phenomenon in the television industry. The producers of most industries may determine their output in response to market demand. If demand slackens, producers can decrease their output accordingly to avoid unnecessary overstock or loss. However, for producers in the television industry, the cost of providing television broadcasting goods and services is relatively fixed: there is no obvious change that comes with increased or decreased viewership. Thus, to cover the fixed costs, every commercial television broadcaster needs to attract and retain a fixed minimum number of audiences or subscribers. Otherwise, operating losses will occur when the amount of audiences falls short of this level (Doyle, 2002b). As Doyle argues, “if a vicious downward spiral is to be avoided, weak audience figures must not be allowed to impinge on programming budgets” (p.62).

FIGURE 2.11 Virtuous circles of profitability in television broadcasting

Source: Doyle (2002b, p.63)

If a commercial television broadcaster can sustain its high investment in the quality of programming, it can hope to break into a ‘virtuous’ circle of profitability (i.e. improved audience numbers and higher programming budgets) in television broadcasting (as shown in Figure 2.11) (Doyle, 2002b). Brown (1999) notes that “it may take four or five years or even longer before a new channel has built up its revenues base to the point where it begins to break even” (p.14, quoted in Doyle 2002b, p.62). This is because commercial television broadcasters can start to gain considerable profit once a sufficient number of viewers or subscribers have been attracted and maintained to cover the fixed operating costs (2002b). In light of the characteristics of economies of scale in the television industry, the marginal costs of serving additional audiences are very low – sometimes even zero. Hence, nearly the entire revenue that accrues from these extra viewers can be regarded as profit. In addition, the television industry also has the feature of economies of scope, i.e. “savings that arise as the firm diversifies its output” (p.63). This implies that a commercial television broadcaster may

maintain as well as continuously enlarge the number of its viewers or subscribers through enhancing its investment in diversified goods and services, and accordingly achieve a virtuous circle of profitability in television broadcasting.

From all accounts, neither public television nor commercial television is a perfect television operation system. Each has its respective advantages and disadvantages. By reason of the rapid advances in television transmitting technology, the corporation and market characteristics of commercial television (e.g. the inspiring mechanism inside enterprises, market competition mechanism and seeking maximum profit), and the tendency toward commercialisation, conglomeration and globalisation in the television industry, in many countries commercial television has gradually become the dominant television operation pattern substituting for public television. On the other hand, because of increased focus on reflecting the public interest and will and serving the masses, and the non-existent pressure of market competition and wants or needs of maximum profit, public television no longer prevails in the modern society based on a free market economy. However, this does not mean that it is time for public television to retreat from history. In fact, public television is, in most countries, still playing a significant role of fulfilling its duty of serving both public and state interests (Zhang, 1999; Wu, 2004). I will proceed to discuss the perspectives/theories of television industrialisation.

2.3.4.2 Perspectives/Theories of Television Industrialisation

Television industrialisation is another important section of television industry economics. Most perspectives/theories of television industrialisation are concerned with how television is

transformed from media led by states or governments (or other forms of administration) to that driven by markets as well as operating based on the requirements of industrialisation. But in line with the various national or social situations, there must be some differences that distinguish the comprehension, requirements and standards of television industrialisation in distinctive countries (Huang and Ding, 1997). The aim of this thesis is to study the reformation of China's television industrialisation. Based upon the theories of media economics, media markets and economic characteristics of the television industry that I have discussed previously, as well as on selected Chinese scholars' works related to television industrialisation, in this part I will first analyse the concepts of industry, television industry and television industrialisation, and then examine the 'market chain' of the television industry.

(1) Concepts of Industry, Television Industry, and Television Industrialisation

The term 'Industry' is a very broad concept, one that is concerned with multiple domains. There are numerous categories of this term such as automobile industry, telecommunication industry, energy industry, aviation industry, IT industry, and so on. Generally speaking, industry can be seen as the group or industrial cluster consisting of the production units producing homogeneous products or social and economic units that have the same social and economic functions (Zhou, 2004). British economist Colin Clark (1951) compartmentalises the entire national economy into three primary sectors, i.e. the current three industries. The first industry, which is chiefly agricultural, also includes stockbreeding, and the fisheries and deforestation industries. The second industry, which is in the main the manufacturing industry, involves mining, the production of electricity, water and gas, and the architecture industry, for example. The third industry includes other industries (excluding the first and second) such as

the public service industry, the transportation industry, telecommunications industry, tourism, banking, financial and insurance industry, education industry, cultural industry, radio, television and film industry, press industry, and information industry.

Taking into account the above, television obviously belongs to the third industry. According to Lu (1999), Peng (2004) and Zhou (2004), in a narrow sense television is a subsidiary industry appertaining to the entire media industry as well as the industrial cluster comprising the corporations or organisations participating in investing, producing, selling, transmitting or broadcasting and investigating television information or programmes, and the relationship between them in the market. These corporations or organisations are concerned with a broad scope involving television investing or financing enterprises, programming companies, all kinds of TV stations, advertising firms, television broadcasting networks and investigating companies. In a broad sense, the television industry also involves the production, selling and maintenance of programme-making equipment (e.g. television cameras and video or audio editing equipment), the sending and receiving of the television signal (the microwave, cable, satellite and high definition digital).

In line with the above analysis, it is clear that television has the typical industrial attribute. This means that like other industries, the television industry also owns markets. The economic activities and commercial competition participated in by these television firms are widely based on these markets. In fact, it has been accepted and recognised that television has this industrial attribute, a principle that has been applied in the previous discussion. For example, in the section that addresses rethinking ‘communication’ and ‘mass communication’, I cited

the view of Garnham (2002) suggesting that mass media, as a system for the production, distribution and consumption of symbolic forms, have the typical industrial attribute of culture (see section 2.2.2.2 of this chapter). As a component of the mass media, television also has this industrial attribute.

So why do I emphasise the principle of the typical industrial attribute of television here? Because in China, whether television belongs to an industry and has the industrial attribute as well is a controversial issue. Reflecting the deep influence of Marxism on the ideology and superstructure of Chinese society (see section 2.2.1.2 of this chapter), television broadcasting (including other media such as newspapers, magazines and radio) as a kind of the cultural form, is regarded as the mouthpiece of parties, nations and people with the function of transmitting information, popularising scientific and cultural knowledge and guiding public opinion, all of which should be guarded by the firm hand of the party in power (i.e. the Communist Party of China) and the government. This is the so-called ‘mouthpiece theory’ insisted upon by the Chinese authority which has occupied a dominant position in China for a long period of time (Huang and Ding, 1997).

Since the implementation of reform and the opening up policy in 1978, the economic functions and industrial characteristics of television have attracted attention along with China’s great success in the field of economic development. The identity of television’s industrial attribute was not approbated by Chinese authority until 2002. At an international conference focused on television and radio broadcasting in Beijing in November 2002, China’s president of the time, Jiang Zemin, claimed to strengthen and deepen the

transformation of China's television toward an industrial system and thereby realise the reform of television industrialisation. This was the first time that China's highest leader had recognised television as an industry and its industrial attribute in public (Song, 2005). From that time on, Chinese officials began to maintain the 'dual attributes theory'; that is, television broadcasting has dual attributes simultaneously: (a) the attribute of both ideology and superstructure of society (i.e. regarded as the mouthpiece of the party, nation and people with the function of transmitting information, popularising knowledge and guiding public opinion); and (b) the attribute of industry (i.e. having markets and the relevant economic behaviours and commercial competition participated in by television firms based on market principles) (2005).

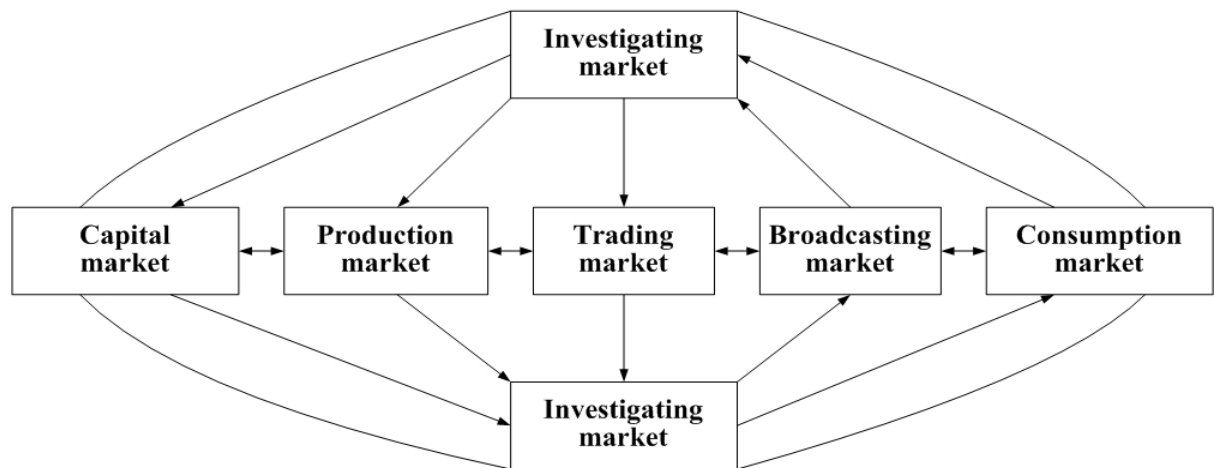
After analysing the transformative process that occurs between the 'mouthpiece theory' and the 'dual attributes theory', it is not difficult to understand the concept of television industrialisation. According to Huang and Ding (1997), television industrialisation is a process which either transforms ideological television into industrial television or transforms television from an industry led by states or governments (or other forms of administration) into one driven by markets, as well as one operating based on the requirements of industrialisation. The fundamental factors for impelling television industrialisation include the weakening of traditional forces from parties or governments to television corporations or organisations in the external environment and the impulse from the industrial attribute of television corporations or organisations themselves in the internal environment. Two typical features of television industrialisation are: (a) to seek the maximum profit for achieving the development goal of the television firms, and (b) to impair the administrative and institutional

character of television corporations and realise the independent operation as an economic entity. Further details of the regulations, policies, system and structure, and transformation of China's television industry will be discussed in Chapters Four, Six and Seven.

(2) The 'Market Chain' of the Television Industry

Industry and market are the two inseparable notions. An industry without markets (or with semi-developed markets) cannot be seen as a real industry (or mature industry). In theory, there exists at least one market in each industry. Most industries have more than two markets, which construct the 'market chain' of the industries. This principle is also applicable to the television industry. In terms of the fundamental elements of communication (see section 2.1.1.1 of this chapter), the circulation of communication products (see section 2.2.1.1 of this chapter) and the market division of industries, the market system of the television industry can be viewed as a 'market chain' consisting variously of (a) a capital market, (b) a production market, (c) a trading market, (d) a broadcasting market, (e) a consumption market, and (f) an investigating market (see Figure 2.12) (Lu, 2002). In the section that follows I will analyse the six markets in the 'market chain' of the television industry in detail, drawing on the works of Lu (2002) and Tang and Li (2005).

FIGURE 2.12 The 'market chain' of the television industry



Source: Lu (2002, p.114)

(a) The Capital Market

The capital market is explained as the financing marketplaces in which the needed capital is raised and provided to other markets (excepting the consumption market) in the 'market chain' of the television industry. Capital is mainly sourced from banks, stock markets, investment funds or other businesses. The capital market not only supplies the vital 'capital blood' for the operation and development of the television industry but also drives the construction of modern corporation mechanism and optimises resource allocation by virtue of investor supervision, the employment of professional managements, and the marketisational operation of the television enterprises.

(b) The Production Market

As with other industries, the production market of the television industry is the place or situation in which television goods or services are produced and provided. From this angle, the production market can be seen as an aggregation comprising various types of television

programme-making, producing or reproducing companies and relevant service institutions. The production market is the core of the television 'market chain'; it may directly affect the rise or fall of the markets located in the backward position (such as the trading market and the broadcasting market).

(c) The Trading Market

The trading market is the temporary or permanent marketplace where television goods, services, technologies or equipment are traded among multifarious television programme-making, producing, reproducing or service companies, television transmitting or broadcasting corporations, and television stations or other television institutions. Many international as well as Chinese television festivals or events such as the Cannes Television Festival, the NATPE Conference and Exhibition, Beijing International TV Week and Shanghai TV Festival are considered to be important trading markets. At present, television series, entertainment television programmes and documentaries are the main trading varieties in the trading market. Along with the rapid improvement of Internet technologies and the popularisation of e-business, web-trading has become increasingly prevalent.

(d) The Broadcasting Market

The broadcasting market represents an aggregation comprising independent television stations, television broadcasting networks or their subsidiary TV stations, and other television broadcasting institutions that chiefly supply television broadcasting services but have no operations or sectors of television programme-making and no capability to produce TV programmes suitable for broadcasting. The approaches of television transmitting or

broadcasting may be terrestrial, cable, satellite or the Internet. Usually, there are two ways of purchasing programmes for these television stations or broadcasting networks/organisations: direct payment or indirect payment. Direct payment involves cash payment when buying television programmes or services from their producers. Indirect payment means that television stations or broadcasting networks/organisations exchange advertising time for television goods or services. Television products producers can gain recompense by selling advertising time.

(e) The Consumption Market

The consumption market refers to entire audiences, i.e. the ultimate consumers of television goods or services who are consequently called the 'audience market'. According to the perspectives of the dual product market (see section 2.3.2.1 of this chapter), the consumption market is viewed as the marketplaces in which audiences either consume TV programmes or other services from the television firms' angle or consume common goods from the advertisers' angle. In line with this view, the consumption market is essentially the roots for the survival of all preceding markets in the 'market chain' of the television industry. For this reason, the economic and commercial behaviour of television firms or institutions are determined by the demand of audiences in the consumption markets.

(f) The Investigating Market

The investigating market represents an aggregation consisting of investigative or consultative corporations that mainly provide television investigating services (e.g. audience ratings, target audience analysing, or other feedback services from markets or audiences) to television

investors, producers, broadcasters, advertisers, audiences or other organisations in the aforementioned five markets of this television 'market chain'. These investigating services chiefly include two correlative aspects: (i) the earlier markets research and forecast or the division of conceivable audiences for television goods or services (e.g. providing the possible preferences and classifications of audiences to the investors or producers of a new television programme); (ii) quantitative and qualitative investigation that provides the feedback of audiences and markets (e.g. supplying television investors and producers with audience ratings or other audience feedback pertaining to their television programmes that can help them adjust the programming strategy and find advertisers). In addition, as I have mentioned in my discussion of the commodification of investigating results of television audience feedback in Chapter Two (2.2.2.3), investigation for audience feedback in investigating markets can be seen as a process of producing new goods. The investigating outcomes are commodities with both use value and exchange value. Thus, the advancement and completion of investigating markets is an important measure of a television industry gaining maturity.

All in all, in the 'market chain' of the television industry, capital market occupies the foremost position and consumption markets the hindmost position. Production, trading and broadcasting markets are located in the inside middle, and investigating markets in the outside middle. The relationship between these six markets is interactive. For example, investors will expand their investments in the capital markets if they have gained or may feasibly gain the target profit in the trading markets or broadcasting markets. Otherwise, they will minimise or even cancel their investments if they fail to make a profit in the other markets of the television market chain. If there is any imbalance in the development of the television industry, it will be

due to the lack of any one section of the television ‘market chain’. This will not only inhibit effective allocation and use of resources by any individual market but will also obstruct the virtuous circle of profitability in television broadcasting. As well, it should be noted that the notion of a television ‘market chain’ is an ideal and theoretical perspective explaining or defining the six markets operating in the television industry, which must be different while practicing. Therefore, television practitioners or policy makers are required to apply this perspective flexibly, based on the external factors. I will discuss more fully factual examples of the six markets of the television ‘market chain’ in China in Chapters Four, Six and Seven.

Summary

In order to examine China’s approach to the development of its television industry, relevant theories of mass communication, political economy and the political economy of communication, and media economics have been systematically reviewed in this chapter. The theories and perspectives addressed in this chapter will be appropriately quoted and applied in the later analysis, discussion and recommendations of this thesis. Reviews of relevant literature provide the theoretical foundation for the study and the answers to the research questions posed in later chapters. In the next chapter (i.e. the methodology chapter), I will explain the core research concerns and research questions of this thesis in detail, and offer a comprehensive expatiation of the relevant research methods involving secondary data analysis, in-depth interviews and focus groups, and the appropriate research design applied to answer the various research questions. As well, I will discuss the primary methodological problems I encountered during the research process and the corresponding solutions.