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The Rise and Expansion of Research in Media Economics

Abstract

Media economics is the study of choices, what incentives and disincentives influence them, and how to make better choices to inform company decisions, public understanding, and policymaking. The present paper reviews the development of the field since the beginning in the 1970s with scholars such as Alfonso Nieto at the University of Navarra, Nadine Toussaint-Desmoulin at the University of Paris 2, and Karl Erik Gustafsson at the University of Gothenburg to the emerging of the field with more scholars from different countries. Nowadays the field of media economics research has matured and become multifaceted, encompassing a wide variety of theories and approaches necessary to explore multiple developments and issues in media structures and operations. It is particularly relevant because media and communications are amid a massive transformation created by technology, social changes, and changes in demand. Expansion of commercial media and personal communications, new means of production and distribution, and new economic arrangements are altering well established relationship and interactions in media. This situation requires clear mindedness and knowledge to comprehend the developments and to develop the best individual, firm, and social responses to the challenges arising from the changes.

Keywords

Media economics, research methods, economic crisis, social media, participation economics, viability, cross-media, competition.

The economics of media gained widespread interest because of the economic crisis of 2008–2011, during which media firms experienced plummeting advertising revenues and undertook significant staff reductions. Business conditions for print, broadcast, cable, satellite, and other services were affected and did not improve significantly as the economy recovered, because maturing digital competitors had destabilized the markets of established media operations and drawn significant numbers of readers, viewers, and listeners away from them. Industry personnel and scholars rapidly became aware of the need to understand media economics and its related business challenges and began producing conferences and research at a rapid pace. They immediately discovered that other scholars had been developing a field of inquiry on media economics for four decades that most in media and communications studies had previously overlooked.

They discovered a well-established body of literature that explored how economic forces affect the availability of media, the content of media, media company decisions, consumption of media goods and services, and the implications for culture, politics, and society in general. This economic study is fundamentally the study of choices, what incentives and disincentives influence them, and how to make better choices to inform company decisions, public understanding, and policymaking.

Economics research is a theoretically driven, evidence producing social science focused on relationships and interactions in society regarding exchange and wealth. It is concerned with interactions at the individual and firm levels and those in the whole economy. Media economics research reflects the range of economic interests in capital, labor, production, distribution, costs, demand and consumption, prices, the economy, and public sector provision and other policies involving media and communications. These are the primary objects of study in the field, which employs both microeconomic and macroeconomic approaches.

The field's importance derives from media and communications being central institutions of society. They affect the national economy, politics, culture, religion and all other aspects of society. The decisions that individuals and firms make are crucial not only for themselves but also for the development of society.

1. Development of the field

Prior to the sudden widespread interest in economic issues affecting media, the field had developed steadily and sturdily in Spain, France, Scandinavia, and the United States at the conjunction of media and communications, business, and economics research. Beginning in the 1970s, scholars such as Alfonso Nieto at the University of Navarra, Nadine Toussaint-Desmoulin at the University of Paris 2, and Karl Erik Gustafsson at the University of Gothenburg began developing a body of knowledge and introducing the topic to communications students in their universities, with Professor Toussaint-Desmoulin (1978) producing the first book specifically devoted to media economics. The work was augmented by economics and business economics scholars, particularly in the United States, who were wrestling with economic issues posed by the development of cable and satellite television (Baldwin *et al.*, 1978) and concentration in newspaper markets (Furhoff, 1973; Gustafsson, 1978).

The field of study became known as *media economics* in media and communications studies, although economists and business scholars considered it mainstream economics and business economics studies. This division occurred primarily because research from scholars in media and communication programs and associations was perceived as less fundamental in the conventional paper competitions and courses offered in those departments and organizations; this, consequently, led to establishment of specialized research organizations and courses that embraced the term media economics. There is nothing about media, however, to which economics laws, theory, approaches, and analysis cannot be applied, although there are complexities –as in some other industries– that require research and explanation using more complex and robust economic approaches and methods.

Until the 1980s, research remained disparate and dispersed, with scholars interested in related topics beginning to find and make interdisciplinary and international contacts and to form personal networks. Research and teaching began to be incorporated in university courses on media management and a few specialized courses appeared, usually under the titles media economics or media economics and policy because much of the research had strong public policy concerns. A dedicated journal, the *Journal of Media Economics*, began publishing in 1988 and the first English language text on media economics appeared the following year (Picard, 1989). Their appearances are seen by many as the point in which a critical mass of interest was reached in the development and acceptance of the field.

During the 1990s, media economic research and teaching expanded rapidly in Europe and Asia. Research centers and master's courses were established in the Nordic countries and Switzerland, and research and courses appeared in Australia, South Korea, and China. New research appeared reflecting regional interests and concerns (Jürgen & Kopper, 1997; Zhou, 1997).

Viewed in hindsight, research in the 1970s-1990s was rudimentary, asking elementary research questions and providing explanations needed to comprehend industry developments and trends. Scholarship explored and explained the emerging field (Gomery, 1989; Gomery, 1993; Wirth & Bloch, 1995; Albarran, 1998) and many studies were often descriptive, laying out economic forces affecting media, often within a specific national and media context (Noll *et al.*, 1973; Nieto Tamargo, 1973; Owen *et al.*, 1974; Udell, 1978; Baldwin *et al.*, 1978; McFadyen *et al.*, 1980; Owen & Wildman, 1992; Albarran, 1996; Alexander *et al.*, 1998). Research addressed issues such as the state of and weakening of print industries (Compaine, 1978; Picard *et al.*, 1988), rising competition in audio-visual media (Noam, 1985; Worth, 1990; Doyle, 1998), and globalization of media (Gershon, 1997; Albarran & Chan-Olmsted, 1998).

Much of the initial research focused on issues of industrial organization and competition concerns (Wirth & Bloch, 1995). It reflected the needs to better describe the industries and their activities and to address concerns raised by lessening competition within some industries created by firm mortality and growth of horizontal and vertical concentration (Chan-Olmsted & Litman, 1988; Picard, 1988; Picard *et al.*, 1988; Brennan, 1990; Albarran & Porco, 1990; Santini, 1991; Chan-Olmsted, 1991) and subsidies and other intervention in media economics by public authorities (Smith, 1977; Picard, 1981; Picard, 1985; Picard, 1987; Busterna & Picard, 1993; Dible, 1993; Gustafsson, 1995; Murschetz, 1997; Council of Europe, 1998).

2. The current state of research

The field of media economics research today has matured and become multifaceted, encompassing a wide variety of theories and approaches necessary to explore multiple developments and issues in media structures and operations. It is a full, rich field of study.

Media economics is particularly relevant today because media and communications are amid a massive transformation created by technology, social changes, and changes in demand. Expansion of commercial media and personal communications, new means of production and distribution, and new economic arrangements are altering well established relationship and interactions in media. This situation requires clear mindedness and knowledge to comprehend the developments and to develop the best individual, firm, and social responses to the challenges arising from the changes.

Contemporary texts and handbooks in media economics provide fundamental grounding in the economics of individual media and cross-media and cross-platform competition (Dimmick, 2003; Alexander *et al.*, 2004; Hoskins *et al.*, 2004; Picard, 2011; Doyle, 2013; Picard & Wildman, 2015; Cunningham *et al.*, 2015; Albarran, 2016; Albarran *et al.*, 2016).

Studies focus on issues of multisided platforms and their implications for media firms (Kaiser & Wright, 2006; Argentesi & Filistrucchi, 2007), on demand and how expanding media opportunities affect audience choices (Becker & Schönbach, 1999; Napoli, 2003 & 2010), and the effects of competition and the economy on advertising choices and expenditures (Picard & Rimmer, 1999; Picard, 2003; Van der Wurff *et al.*, 2008; Anderson *et al.*, 2012; Reisinger, 2012). Contemporary issues of geography and media are also beginning to be addressed (Sinai & Waldfogel, 2004; Karlsson & Picard, 2011).

The effects of competition and lack thereof on content is gaining increased attention because of its effects on consumers and social participation (Strömberg, 2004; Van Der Wurff, 2005; George, 2007; Oberholzer-Gee & Waldfogel, 2009; Ji, 2015; Noam *et al.*, 2016).

The appearance and maturation of digital media has produced large amounts of scholarship exploring its underlying economics and the economics of its operations, network

economics, and revealing why and how it reduces entry and operating costs and thus makes it accessible to a wider number of content producers and individuals (McKenzie, 2003; Peitz & Waldfogel, 2012). How the contemporary changes are altering relationships between producers, consumers, and distributors is an important subject in research (Curien & Moreau, 2009).

Continuing challenges to the viability of media, especially news organizations and public service broadcasting, has continued to promote research on public intervention that reveals its benefits and limitations (Picard & Grönlund, 2003; Fernández-Alonso, 2006; Netherlands Press Fund, 2009; Murschetz, 2013).

Research thus remains salient to contemporary issues and challenges, focusing on social and commercial questions raised by modern media developments and their effects.

3. The future of media economics research

Media economics research in the future can be expected to flourish. Hundreds of scholars worldwide are asking probing questions about media choices and performance influenced by economic factors. Many were students of those who pioneered the field of inquiry in the 20th century. Despite the significant amount of work completed in the past 5 decades, many questions remain unanswered and more have yet to be asked.

A fundamental question today involves how researchers define media. For decades, the term media was accepted to indicate producers and packagers of content, but the arrival of platforms, social media, other intermediaries and distributors has muddled the classification. Agreeing on what makes them media or something else is a necessity for the delineating the field.

The field also needs to expand its boundaries to embrace wider economic concepts and approaches. There is significant need for research on the role of transaction costs in media industry structures, strategies, and choices. Application of new institutional economics (sometimes called structuralist evolutionary economics) approaches to the issues related to the economic effects of firm resources, company behavior, and various forms of firms are only beginning to be explored. More research on how media firms understand and control uncertainty and risk are warranted. Research on how media and digital networks affect and are affected by economic geography and regional economics are necessary, as are more studies on their roles in national economies.

Scholars need to begin employing a wider range of methods, moving beyond applied economics to incorporate more mathematical economics and econometrics because of their explanatory power. This will require significant new skills and knowledge among those employing media economics studies, particularly media and communications scholars who typically do not have deep mathematical training. There is also a fundamental need for research to become less descriptive and more theoretically driven, intent on testing theory and its application and developing new theory that crosses both the media studies and economics disciplines.

Media economics is a vibrant and flourishing field providing important insights into reasons for choices involving media and communications. The continuing growth of the field and mounting evidence that it is producing are significant not only to the field but to knowledge and understanding in other social science and humanities disciplines. Because it is fundamental to the choices individuals, firms, and society makes, it will continue to be relevant and useful for the years to come.

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