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Manfred Kops

**The German Broadcasting Order.
A Model for China?**

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Institut für Rundfunkökonomie
an der Universität zu Köln

Hohenstaufenring 57a
D-50674 Köln
Telefon: (0221) 23 35 36
Telefax: (0221) 24 11 34

Manfred Kops

The German Broadcasting Order. A Model for China?*

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Manfred Kops

**The German Broadcasting Order.
A Model for China?**

1. TV Programmes as Marketable Economic Goods

Like other goods, TV programmes satisfy private needs of the viewers, e.g. the need to be entertained, to be informed, or to be educated. Consequently, there is a private willingness to pay: TV programmes can be sold to “consumers” by subscriptions, either separately (pay per view) or as programme bundles (pay per channel). In addition, TV programmes are a most suitable means to catch the viewers` attention for advertisements. They therefore are appropriate “carriers” of commercials and sponsoring messages, which are sold to advertising companies. In both forms TV programmes can generate private revenues and profits. And they did: During the last centuries, at least until the end of the last decade, in most of the industrialized countries of the Western world the turn-arounds and profits from TV programmes increased more rapidly than the economies in general. And now in developing countries, including Asia and China, broadcasters belong to the fastest growing industries.¹

TV programmes have the economic peculiarity that the costs to produce the first version are high, but that the repeated use of this first version causes no costs. Economists call this “non-rivalry in consumption”.² For programme producers and broadcasters this property includes the risk that high first copy costs cannot be refinanced if the audience of a programme is too small; and it includes the chance of high profits, once a programme has passed the break even number of viewers. From this point onwards additional revenues can be rendered without additional (production) costs – one of the few constellations which in German is called “Schlaraffenland” (“fool’s paradise”). Although in practice it is not really a perfect fool’s paradise, as there are variable costs for marketing and distributing the programmes, it still is a very comfortable constellation, especially if the potential audiences beyond the break-even point are large.

Figure 1 illustrates how the expansion of the broadcasting markets increases outputs, decreases average costs, and reduces the number of broadcasters. For the year 2000 it supposes that the optimal output size for a certain TV programme, let us say for a US-American daily soap, is 220 million households. For this output the average costs per unit are minimal. If by means of an increasing international programme exchange, especially driven by the political opening of nations and by new broadcasting technologies (first and foremost through the digitalisation), the average costs can be reduced and if enough viewers outside of the U.S.A. watch this daily soap, the optimal output size rises

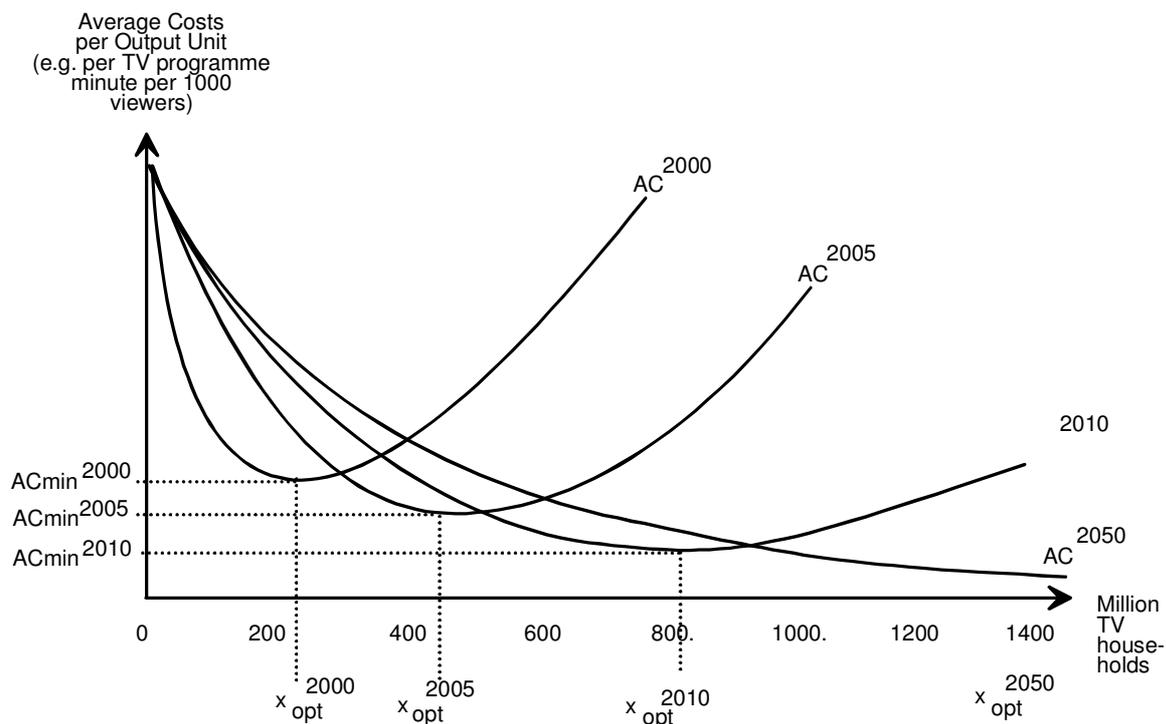
¹ For a description and forecast of the economic importance of 14 entertainment and media segments see PRICEWATERHOUSECOOPERS 2005.

² See e.g. HOSKINS/FADYEN/FINN 2001.



(to about 430 million households in 2005, and 800 million households in 2010). If we assume perfect non-rivalry in consumption, and perfect homogeneousness (i.e. no cultural discount), the average costs actually fall continuously; and the minimal costs will then be reached in the maximal world wide output: Everybody in the world will watch the same daily soap at the cheapest price possible (in Figure 1 fortunately not before the year 2050). And only one US-company will remain in business as producer and broadcaster of daily soaps.¹

Figure 1:
Increasing Outputs, Decreasing Average Costs, and Concentration
as Results of the Digitalisation and Globalisation of Broadcasting



This model simplifies the complex and complicated reality of producing and selling TV programmes. But it can illustrate the high potentials for broadcasters to gain additional revenues without additional production costs, simply by expanding programme markets. This is most obviously clarified by German TV programmes that have already been refinanced on the domestic market and are then successfully exported to China. Because of the huge number of Chinese

¹ Due to the non-rivalry and the large economies of scale a concentration of media ownership can be observed in most countries (see for instance MOTTA/POLO 1997; with focus on trans-national media concentration in Europe see COUNCIL OF EUROPE 2004). But also for goods for which there is rivalry in consumption a trend of concentration can be observed, as the economies of scale increase in the course of globalisation (KOPS 2006). In the long run this will lead to natural monopolies, to the „one-goods-world“ that is criticised by the opponents of globalisation, like AT-TAC, and that already can be observed in the narrow scope of goods that are offered in high priced shopping centres of the world (see WAGNER 2002, S. 15f.).

TV households, German programmes could render enormous additional profits, even if the audience shares in China were small. No wonder that German programme traders permanently suffer from high blood pressure when they look at the spread-sheets by which they calculate the expectable revenues from programme trades with China. Chinese programme traders probably do not become as breathless when they calculate the possible revenues from programme sales to Germany. But taking into account that here again additional revenues can be rendered with no additional production costs and that Germany is only one part of the much larger European or even western world market, a TV programme exchange would be attractive also from the Chinese point of view.

From Figure 1 we can thus also conclude that the TV programme exchange between countries not only is to the benefit of the programme producers and distributors, whose profits are increased, but also to the benefit of the programme viewers. Supposing the competition on the programme markets works, the decrease of the average costs per programme unit (programme minutes per viewer) will also be to the benefit of the audiences: The subscriptions for pay-TV and the prices for commercials *ceteris paribus* will fall, and – depending on the national peculiarities of the regulation – TV programmes can be watched for lower subscriptions and/or with fewer or shorter interruptions for commercials. By expanding the markets for TV programmes, as for other goods, the costs and prices will fall as a consequence and the welfare of the customers (viewers) will rise.¹

In this regard the expansion of TV-programme sales between Germany and China, driven by the attempts to raise private profits, is not only legitimate, but it is most deserving:

- it will increase the profits of the Chinese and German programme producers and broadcasters,
- it will reduce the average production costs per unit of programme output, which increases the efficiency and competitiveness of the programme industries of both countries (with positive effects for its national economies and chances for higher employment rates), and
- it also will be to the benefit of the Chinese and German TV viewers, as it reduces the programme subscriptions and the amount of programme interruptions by commercials.

¹ For a theoretical economic underpinning see KOPS 2000, HOSKINS/McFADYEN/FINN 2004, especially chapter 13. -- The distribution of these advantages between producers and consumers depends on the consumers' preferences, the degree of competitiveness in the different markets, and the protection of property rights (see e.g. GRANT/WOOD 2004, pp. 80 et seq.). Media products that are unique in the eyes of the consumers, as the books and films about Harry Potter, for instance, generate high earnings for the copy right owners, in this case for Joanne K. Rowling (whose earnings exceeded one billion Euro already in 2004, before the fifth of the Harry Potter books was published and the third film in the sequel was released, see http://www.forbes.com/2004/02/26/cx_jw_0226rowlingbill04.html). In contrast, for media products, for which there are close substitutes or copy rights are not protected, the advantages of high circulation mainly go to the consumers.



Ergo it is a double “win-win-constellation”, firstly between TV-suppliers and consumers and secondly between Germans and Chinese. This conclusion is in line with the economists’ mainstream thinking since Adam Smith noted that under certain conditions the maximisation of private profits also maximises social welfare.¹ And it also is in line with David Ricardo’s proof that the international trade of goods is to the benefit of all trading nations, even to those that are less efficient in the production of all traded goods (“comparative advantages” in contrast to “absolute advantages”).² The market here is considered as the superior allocation mechanism, as the best suited method to discover which goods customers prefer, and as the best suited method to discover the most efficient way to provide the preferred goods. The tool kit which has been developed by economists for other industries can then be applied to the broadcasting industry.

Also the World Trade Organisation (WTO) looks at the media this way. It protects and promotes international free trade, also for services, and also for the audiovisual sector.³ Although the WTO’s “General Agreement on Trade in Services” still makes considerable exceptions for audiovisual products, this sector in the long run also shall be forced to follow the market rules of free international trade; and there are strong proponents to enforce this soon.⁴ With China’s WTO accession in 2001⁵ this also has affected the Chinese media and TV programme industry.⁶

¹ Adam Smith: *An Inquiry into the Nature and Causes of the Wealth of Nations*, First Published 1776 London: Methuen and Co., Ltd., ed. Edwin Cannan, 1904. Fifth edition. <http://www.econlib.org/library/Smith/smWN.html>

² David Ricardo: *On the Principles of Political Economy and Taxation* (Reprint 1977). Hildesheim/New York: Georg Olms Verlag (1817), p. 161f. <http://socserv2.socsci.mcmaster.ca/~econ/ugcm/3ll3/ricardo/prin/index.html>

³ The trade policy of the WTO is described at http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm11_e.htm

⁴ The WTO expresses this expectation on its homepage (ibid) as follows: “The Uruguay Round was only the beginning. GATS requires more negotiations, which began in early 2000 and are now part of the Doha Development Agenda. The goal is to take the liberalization process further by increasing the level of commitments in schedules.” BEVIGLIA-ZAMPETTI (2005, p. 279) concludes: “the WTO regime provides a highly relevant and sophisticated framework for the audio-visual sector, both in the area of trade liberalization and in that of the protection of rights. ... We have so far only witnessed the opening salvos in the discussion.”

⁵ For the history and consequences of China’s WTO accession see BHATTASALI/LI/MARTIN 2004.

⁶ See part 5, below.

2. TV Programmes as Non-Marketable Economic Goods: Implications for National Broadcasting Orders

The positive evaluation of the allocation of TV programmes according to the market rules assumes that TV programmes are marketable economic goods. If we take a closer look at the economic peculiarities of TV programmes, this becomes doubtful. At least certain types of programmes or programme contents do not possess the attributes the economic theory requires for perfect markets. As a consequence the market may fail for such programmes, or in other words: the output generated by the market may deviate from the social optimum. It may generate (high) private profits, but less – or even negative – social welfare.¹

The most important forms of market failures that might apply to TV programmes – or better: to certain types of TV programmes – are non-excludability, non-rivalry in consumption, externalities, and information asymmetries.²

- *Non-excludability* is the providers' lack of capability to restrict the consumption or usage of a good to those who pay for them. In this case there will be no private provision as it is not possible to raise private revenues. Without encoding, broadcasting signals are also non-excludable goods. By selling air time for commercials, as a complement to the programmes, a private provision of the programmes becomes possible as a second best solution; but the excluded goods are then the air times for commercials, and the customers are the advertising companies, not the viewers. The programmes then fit the preferences of these customers, not the preferences of the viewers. This becomes most obvious in the case of programmes for poor people (who cannot buy the advertised products) or for old people (who cannot be sufficiently persuaded by commercials): Although the viewers may have a willingness to pay for such programmes, they will not be provided by broadcasters that are financed by commercials. Besides these most obvious forms of discrepancies between supply and demand there are other discrepancies that are less obvious but maybe even more negative. Advertisement financed programmes e.g. focus on content that promotes consumption (and they ignore content that criticises or reduces consumption). And also the style of these programmes deviates from the viewers' preferences: As these programmes try to catch attention, they tend to be loud, shrill, fast, short, superficial, spectacular, indiscrete etc. -- With the new technologies (especially with the digitalisation) encoding and decoding become easier, which allows private companies to exclude non-payers and to shift from indirect financing by commer-

¹ For a brief description of the reasons for market failure see TM TREASURY 2003; chapter 3, for an application of the economic theory of market failure to the media see for instance HEINRICH 1999, HOSKINS/McFADYEN/FINN 2004, HELM et al 2005, KOPS 2005, LOBIGS 2005.

² The effects of such attention catching for the media and for society are discussed by MOSLEY 2000, from an economic perspective the effects of the market for the style and content of the media (and the effects of the media on society) are well discussed by CROTEAU/HOYNES 2006, especially pp. 158 – 190.



cial to the direct financing by pay TV.¹ However, in several countries such a shift causes objections with regard to the distributive effects, as in these countries there is a common opinion that certain programmes, especially programmes that are to the benefit of poor and under-privileged people (e.g. educational programmes) and programmes that contribute to public communication (e.g. news and political debates), should be available to everybody, also and foremost to poor citizens who are not able to pay for them.²

- *Non-rivalry in consumption* was already mentioned as a peculiarity of the media: Once the program is produced, additional viewers can watch it (and benefit) without reducing the benefit for the other viewers. Non-rivalry explains the high potentials for private media companies to make huge profits with (world wide) mainstream programmes, but it also is a central reason for market failure: As the costs per unit continuously fall with the size of the output (see the function for the year 2050 in figure 1), costs are sub-additive, in the extreme case there are “natural monopolies” which result in high incentives for concentration.³ -- In addition, and independent of the degree of media concentration, there also are incentives for each of the (many or few) broadcasters to focus on mainstream content: As programmes for large audiences per unit cost less (and generate higher profits) than programmes for minorities, mainstream content crowds out minority content. The consequences are lack of diversity (“more of the same”) and reduced chances of (e.g. racial, religious, ethnical or regional) minorities to gain access to the media and to participate in public communication.⁴ This reduces the scope and depth of the public discourse, the societies’ chances to properly adapt to a changing environment, and the willingness of minorities to accept and put common decisions into practice.⁵ In the long run this weakens the flexibility, capability, and coherence within the nation states, and with regard to the important discourse between nations it also reduces the flexibility, capability, and coherence of world society.⁶
- *Positive externalities*, which are not gratified, and *negative externalities*, which are not sanctioned by the market, are another reason for market failure. As the market only considers the internal effects for the decision makers

¹ The general trend by which Free TV is substituted by Pay TV can be observed world wide. Even in Germany, where strong public service broadcasting makes it difficult to establish pay TV, Global Information Inc. expected already for 2004, that the spending for Pay TV would exceed the spending for Free TV. See the GII media market outlook of Germany at http://www.gii.co.jp/english/scr15391_media_market.html.

² Free access to public communication, especially through the mass media, is considered here as a form of fairness that – together with other measures – prevents that people with low incomes becoming less informed and less educated and the differences in income and social status are thus reinforced in the long run.

³ See GRANT/WOOD 2004. CROTEAU/HOYNES 2006, pp. 73 et seq.

⁴ See *ibid*, pp. 153 et seq., KOPS 2006, p. 11.

⁵ *ibid*

⁶ *ibid*

involved, it provides too many programmes with negative externalities (e.g. programmes that separate a society or that jeopardize peace, freedom and democratic values) and too few programmes with positive externalities (e.g. programmes that integrate or that foster peace, freedom and democratic values).¹

- *Asymmetric distribution of information* between providers and users of the media is another possible market failure: If the viewers and listeners cannot evaluate the quality of a programme (e.g. the actuality, fairness and correctness of a political report, of the news, or of a program with consumer advice), adverse selection takes place: Good (and more expensive) programmes are crowded out by poor (and less expensive) programmes.²

Although it did not use the economic terminology and did not explicitly refer to the economic theory of market failure, the Federal Constitutional Court of Germany (“Bundesverfassungsgericht”) has persistently emphasised these deficiencies in its jurisdiction.³ For a long time commercial broadcasters were not permitted in Germany at all, and when the Constitutional Court permitted them in 1984, it concluded that the programmes of the commercial broadcasters, due to the economic logic, would have a lower quality and a lower positive impact on public communication than the existing public service programmes. It only allowed commercial broadcasters as it assumed, that the public communication in spite of the new commercial programmes would keep on functioning, as vital public service broadcasting was guaranteed by German law.⁴

Concerning broadcasting programmes, the Federal Constitutional Court was pessimistic about the capabilities of the market. In contrast to the principle of subsidiarity, usually favoured by German market economists, it did not regard the market as the first choice, but it rather primarily preferred a non-market provision. To Chinese economists this may sound familiar, although the first option of the Constitutional Court, in contrast to China, was not the state, but “public service broadcasting” – a hybrid mixture of the state, the market, and the voluntary sector (see part 4, below).

Other voices were less sceptical. E.g. there were expectations that the permission of commercial broadcasters would generate new, innovative formats of TV programmes, maybe even new programme contents, and that the viewers’ and listeners’ programme preferences would be considered more intensively.⁵ Others have expected that the economic power of commercial broadcasters would increase the quality of the programmes. It is hard to determine if these hopes have fulfilled, and there are contrasting judgments in the relevant literature.⁶ The same is true for the broadcasters’ own statements on this issue, which

¹ CROTEAU/HOYNES 2006.

² LOBIGS/BRACHT 2003

³ BÖRNER n.d.; INSTITUTE OF GLOBAL LAW 1991

⁴ Ibid; also see EIFERT/HOFFMANN-RIEM 1999, pp. 62 et seq.

⁵ See LANGENBUCHER 1999, especially pp. 255 et seq.

⁶ For a summary of the differing evaluations see SCHWARZKOPF 1999, ZART 2005.



have to be noticed with a grain of salt, as vested interests, public relations policy, and political lobbying are involved in such judgements. So the dispute about the existence and importance of market failure for broadcasting programmes still continues in Germany.¹ However, it is sound to say that the debate has lost much of the enthusiasm about the capability of the market, which could be observed before the first commercial broadcasters were permitted.² It also does not have the enthusiasm that might be appropriate for other countries (especially for the transformation countries that only now have started to gain experiences with the capabilities and deficiencies of the market).³

The political debate about the “dual order” of commercial and public service broadcasters in Germany has unveiled that the relevance of market failures varies greatly with the content of the programmes. Programmes with hidden quality attributes and asymmetrically distributed information (e.g. non-fiction, especially political reports and news), for instance, are less marketable than search goods (e.g. sports, fiction). And programmes with strong externalities (non-fiction, e.g. news, political reports, attitude-shaping political magazines, but also lifestyle magazines), which contribute more to public communication, are less marketable than programmes with mainly internal (“private”) contents (fiction, music, sports). This result fits in with the expectations connected with the implementation of the German dual order that the commercial broadcasters would concentrate on marketable (and profitable) programmes and that public service broadcasters would concentrate on non-marketable programmes that serve the public interest.

However, as this public service function depends on large audiences, public service broadcasters are also allowed in Germany and requested by the jurisdiction to combine non-marketable (minority) programmes with marketable (mainstream) programmes. The “core set” (“Grundversorgung”) of public service broadcasting in Germany therefore includes a broad mixture of programmes with information, education and entertainment.⁴ Despite (or because) of this broad definition of the legitimate set of programmes of public service broadcasters it is difficult to draw a line between those mainstream programmes that can legitimately be provided (so to say as a “transportation means” for its public mission) and programmes which could be left to commercial broadcasters without weakening the public service broadcasters’ obligations to public communication. Naturally commercial broadcasters answer this question differently than public service broadcasters; and the Federal Constitutional Court, the most in-

¹ See e.g. STOCK 2004.

² This evaluation e.g. is confirmed by the title of a recent publication by ZART (2005) that deals with this subject: “Nach dem Feuerwerk” (“After the Fire works”).

³ The evaluation of the capabilities of markets to provide goods according to the preferences of the public depends on the experiences with this mechanism (and with alternative mechanisms). In countries like China or the CIMS where most goods have been provided by the state for a long time and where experiences with markets are still minimal, the capabilities of the market are usually overestimated, and market failure is also usually underestimated.

⁴ BÖRGER n. d.; BUCHWALD 1999a, pp. 320 et seq.

fluent institution for the national broadcasting order in the past, has answered it differently than the European Commission. For the future, this promises thrilling debates about the scope of the public service broadcasters' mission,¹ but also about the distribution of jurisdictional competencies in a unified Europe and in a globalised world economy.²

3. A Geometric Model for the Description of National Broadcasting Orders

The German dual broadcasting order does not suit the usual recommendations of economic text books. For an economist it is common to conclude that goods, which the market fails to provide or for which the provision deviates from the public interest are provided by the state. This is the usual paradigm of economists, mentioned already as a form of the subsidiarity principle. In this paradigm, the state is the only alternative to the market, and the market is the only alternative to the state. For many branches, such as infrastructure, the health sector, and the educational sector, this paradigm suits the reality in Germany by and large.

Figure 2:
State Broadcasting and Commercial Broadcasting



With regard to our subject this would mean either commercial broadcasters or state broadcasters as pure organisational forms, or it could mean “mixed” broadcasters that combine the de-central and horizontal steering of the market (and consequently market revenues) with the central and vertical steering of the state (and state revenues). Figure 2 shows these options as a one-dimensional space, ranging from pure commercial broadcasters on the one (right) side (E, with 0 % state revenues, and 100 % market revenues) via several “mixed” broadcasters (e.g. C with 50 % market revenues and 50 % state revenues) to pure state broadcasters on the other (left) side (A, with 100 % state revenues, and 0 % market revenues).

¹ See BUCHWALD 1999b, SCHWARZKOPF 1999, pp. 1168 et seq.

² This discussion is threefold. Firstly it includes the division of competences between the federal states and the central state (which is controversial in federations, for instance in Germany, see SCHULER-HARMS 1995, RÜTER 1998, LIBERTUS 2004), secondly it includes the division of competences between nation states and supra-national unions (in Europe between the Member States of the European Community and the bodies of the European Community, see SCHWARZKOPF 1999, pp. 1166 et seq., HOLZ-BACHA 2006), and thirdly it includes the division of competences between nation states (or the supra-national unions) and international regimes, e.g. the WTO, or UNESCO (SINGH 2003, GUEIRRIERI/KOOPMANN 2005).



From this point of view one would conclude that state broadcasters should provide TV programmes with high market failures and commercial broadcasters should provide TV programmes with low or with no market failures. The term “dual broadcasting order”, which I already mentioned, indicates this interpretation.

In fact, it is different. The German broadcasting order does not at all correspond to such a bi-sectoral structure. State broadcasting in Germany does not exist. The state in Germany is regarded as a bad provider of broadcasting programmes (and of the media in general).¹ This common attitude partly dates back to the bad experiences with the propaganda broadcasting during the Nazi-regime, but it also is confirmed by more recent experiences in our own and in other countries: As broadcasting programmes – to say it in the words of our Constitutional Court – are not only medium but also a factor of public opinion, the state permanently feels seduced to abuse broadcasting for political interventions. And when votes become scarce, politicians usually cannot resist this seduction.²

For these reasons, in Germany the state is obliged to keep its distance from broadcasters. There are politically independent boards, both for the regulation of private broadcasters and for the public control of public service broadcasters. Although the state sometimes tries to influence also these boards, there usually are sufficient checks and balances to prevent this. Especially the awareness of the socially relevant groups of society – of civil society – is regarded and included as a watchdog for the political independence of broadcasting. The control boards of public service broadcasters consequently recruit representatives from civil society organisations, like churches, labour unions, employers’ and consumer organisations, organisations of artists, local authorities and the like, in accordance with a formula laid down in the respective state broadcasting law or interstate broadcasting treaty. Also the states’ parliaments send off a (limited) number of members (roughly on third). As a result the public service broadcasters are controlled neither by the market nor by the state, but by a hybrid mixture of non- or low-commercial and non- or low-governmental bodies.³

This mixture cannot be located in the bi-sectoral paradigm. It cannot be positioned anywhere on the axis of Figure 2, as it is constituted by a third institution, which exists alongside the market and the state: the so-called voluntary sector (also called the “Third Sector”).⁴ Although many activities, like religious, social and cultural activities, local life and neighbourhood, mainly belong to this sector (which also with regard to its economic product in many countries is equally as important as the market and the state), most economic textbooks ignore this sector (in contrast to sociological textbooks which usually deal with it in greater detail).

The voluntary sector is based on intrinsic, non-profit motives of the actors being organized by means of non-market and non-governmental (but collective) rules

¹ BÖRNER n. d.; LIBERTUS 2004, p. 5; for the political bias of the media in general see SEMETKO 2003.

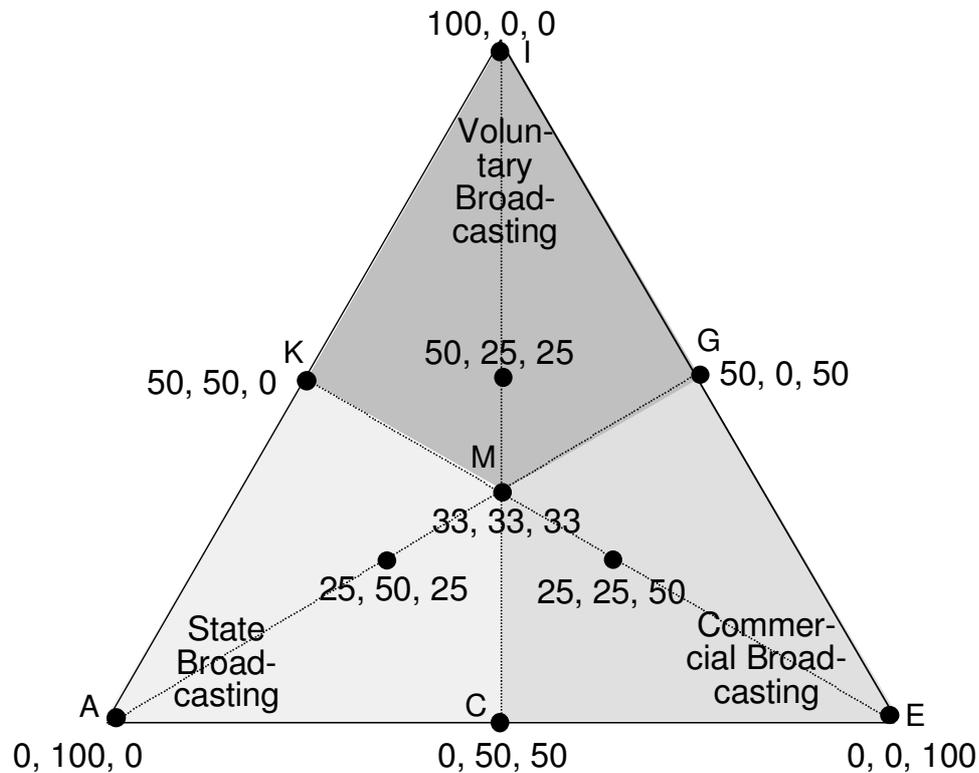
² *ibid*, with additional references

³ BÖRNER n. d., LIBERTUS 2004

⁴ See BIRKHÖLZER et al 2005.

of decision making. As far as these activities are not purely private but also have public effects, the elements of the voluntary sector also are called “civil society”.¹

Figure 3:
Voluntary Broadcasting, Commercial Broadcasting, and State Broadcasting



Also broadcasters run by citizens that voluntarily provide resources in kind or in cash have to be allocated to the voluntary sector in this sense of a non-governmental non-profit sector (see figure 3). They are based on the citizens' belief that there are certain values or contents, e.g. of a political, religious, cultural, or

¹ Here Civil Society is understood as the sum of individuals and groups who influence society by public communication without being provided with state power or market power. This definition fits in with the more detailed one by the London School of Economics Civil Society Center: “Civil society refers to the arena of uncoerced collective action around shared interests, purposes and values. In theory, its institutional forms are distinct from those of the state, family and market, though in practice, the boundaries between state, civil society, family and market are often complex, blurred and negotiated. Civil society commonly embraces a diversity of spaces, actors and institutional forms, varying in their degree of formality, autonomy and power. Civil societies are often populated by organisations such as registered charities, development non-governmental organisations, community groups, women's organisations, faith-based organisations, professional associations, trade unions, self-help groups, social movements, business associations, coalitions and advocacy groups.” See for the definition of civil society EDWARDS 2004, QIN 2004. -- The “magic triangle” with the civil society, the state, and the market at the corners first was presented in KOPS 2001. The same triangle is presented by SCHULZ 2004, p. 47. Similarly, KLEINSTEUBER (2003, p. 156) distinguishes between the “civil society”, the “market”, and the “nation”.



educational kind, that should be communicated to the public, with the intrinsic motive of promoting this communication by voluntarily contributions in kind (like editorial or organisational assistance) or in cash (donations). First and foremost they are based on the journalists' attempts to understand the social, political, and economic factors that determine public welfare, and on the drive to communicate their opinions to others.

In Germany there are several broadcasters rooted in the civil society. They are called "Bürgerfunk" (Citizen Broadcasting). The English term which best describes it is "Community Broadcasting".¹ These programmes usually focus on interests of the citizens, mostly about local and regional affairs; they are diverse, often grass-root-oriented, and usually critical about commercial companies and the (local) governments.² Most contributions are provided by non-professionals, voluntarily, i.e. without payments,³ and thus can be considered as private donations in kind. Main motives to engage voluntarily are the opportunity to learn the journalistic profession and to participate in the public communication.⁴

However, experiences in Germany – as well as in other countries – have shown that such voluntary broadcasters are not able to provide high quality programmes of a sufficiently wide range. Even in countries where the citizens realize and highly appreciate the benefits of independent broadcasters, there are too few donations. Therefore these broadcasters usually are hooked on revenues from the market and/or from the state. The German Citizen Broadcasters for instance receive some donations in kind from private companies, e.g. for technical equipment, and also the "Landesmedienanstalten", i.e. the German regulatory authorities for private broadcasters, provide financial grants.⁵ A small part also

¹ Besides the Citizen Broadcasting there are other "Bürgermedien" in Germany, like newspapers and journals. Most "Bürgermedien" are "Bürgerfunk", though, i.e. radio stations and (a few) TV stations. As the federal states (Länder) are responsible for the licensing and regulation, the organisational forms and the terminology of the "Bürgermedien" in Germany varies considerably. In some states they are called "Offener Kanal" (open channel), in others "nichtkommerzielles Lokalradio", NKL (non-commercial local radio stations) or "Freies Radio" (free radio). Also "Campusfunk" (Campus broadcasting) and "Studentenradio" (students broadcasting), "Ausbildungs- und Fortbildungsradio" (educational and training radio), "Erprobungs- und Bürgerkanal" (testing and citizen channel) are forms of the "Bürgermedien". See ALM 2006, p. 420, WILLERS 2004). In Germany about 35 Million citizens are able to listen to and watch the "Bürgerfunk", between 3 and 6 million use it occasionally, and about 1.5 million use it daily (ALM 2006, p. 421).

² Ibid, p. 420 et seq., LPR HESSEN 2000a, LPR HESSEN 2000b, LPR HESSEN 2001.

³ In Germany, about 20,000 - 30,000 people work voluntarily for the "Bürgermedien" (ALM 2006, p. 421). If one assumes that each of them works 10 hours/month (see LPR HESSEN 2000b, pp. 69 et seq.) and if one evaluates each working hour with 20 €, this is a yearly total donation in kind of 60 m. € (25,- x 10 x 12 x 20).

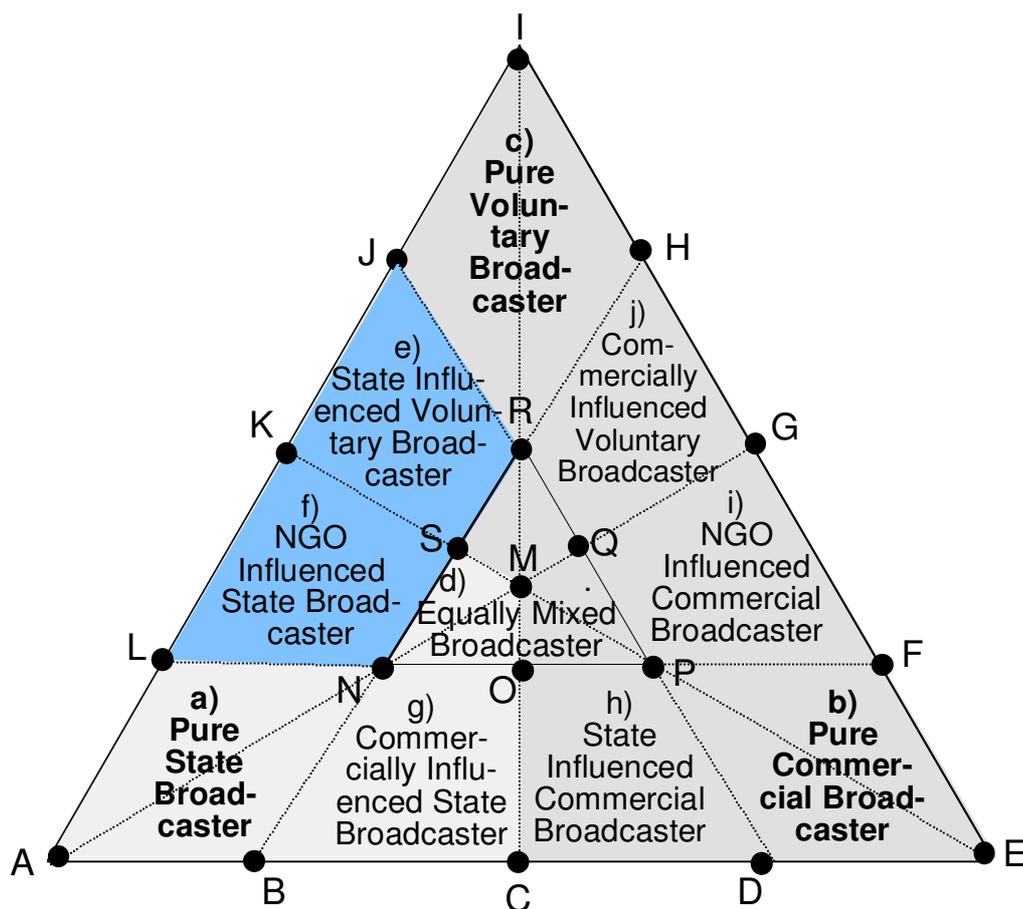
⁴ There are several broad studies about the organisation, the motives, and the output of Bürgerfunk stations in Germany. See e.g. the extensive bibliography of the Niedersächsische Landesmedienanstalt, NLM, at <http://www.nlm.de/doku/literatur.pdf>.

⁵ So called "Landesmedienanstalten" which exist for each of the (larger) Bundesländer or a group of (smaller) Bundesländer. As the Landesmedienanstalten are funded by the license fee, these revenues indirectly also stem from civil society respectively from the government.

stems from market revenues, e.g. from programme sales, but not from commercials (which Citizen Broadcasters are not allowed to broadcast in Germany).¹

For Public Service Broadcasters market revenues are higher, as they are allowed to broadcast commercials within certain limits. And for them also the state is an important indirect donor, as it allows public service broadcasters to yield a license fee, as it provides the public service broadcasting stations (or an institution that is authorized by them)² with the legal and organisational remedies to enforce the collection of this fee, and as it penalizes citizens who neglect to pay the license fee. Hence also the “voluntary” broadcasters from the civil society in practice combine elements of the voluntary sector with elements of the state (e.g. the state’s power to enforce public revenues) and with elements of the market. This makes them a “hybrid” or “mixed” system, as I already have called it.

Figure 4:
Public Service Broadcasting As a Hybrid System,
Combining Elements of the Voluntary Sector, the State, and the Market



¹ For details of the revenue structure of the German Citizen Broadcasters see below.

² In Germany, for instance, the public service broadcasting stations have founded a centre for licence fee collection (“Gebühreneinzugszentrale”, GEZ) that collects the license fee and forwards it to the different stations.



Figure 4 illustrates this. Public service broadcasting is located in the area JRNL (the dark area). In this area there is an influence (with regard to the financial incentives: revenue shares) both of the market and the state, but this influence remains restricted compared to “pure commercial broadcasters” (area PFED) and compared to “pure state broadcasters” (area LNBA). As sub-types of public service broadcasters then “state-influenced voluntary broadcasters” (sector JRSK), which are located inside the voluntary sector (inside the civil society) and “NGO influenced state broadcasters” can be distinguished.¹

The members of the civil society are the natural allies of public service broadcasters. They try to organize a society by non-governmental non-profit rules, similar to public service broadcasters; and they need public service broadcasters as capable stake holders of the civil societies’ targets. This constitutes a reciprocal responsibility: Public service broadcasting has to lend its voice to the civil society, especially when the institutions of civil society are threatened, and the institutions of civil society have to support public service broadcasting – including a benevolent critical control if public service broadcasters disregard its mission, e.g. by serving state interests or by commercialising themselves.

The location of public service broadcasting inside the civil society, as shown in figure 4, also illustrates, that it is endangered by two poles: by its market partners that pursue their own commercial interests, and by the state that tries to settle and secure its power by means of the mass media. Thus there is a two-fold risk that the public service elements are crowded out either by characteristics of state power (and state control) or market power (and market control). In this regard public service broadcasters have to seek the nearness of the market and the nearness of the state in order to gain the resources necessary for its mission, but at the same time they have to keep a sufficient distance from both poles – a task equally complicated as Odysseus’ passage between Skylla and Charybdis.²

¹ A narrow definition of public service broadcasters would only include the first of these sub-types. In reality, however, in many countries the stations that are labelled as “public service broadcasters” fall into the second sub-type (according to our typology some even would have to be classified as “pure state broadcasters”).

² Sometimes public service broadcasters miss the right passage. There was a close cooperation between a German public service broadcaster and a private telecommunication company, for instance, that jeopardized its editorial independence (or at least the image of its editorial independence), and had to be given up. Also product placement does not correspond with the necessary distance between a public service broadcaster and the private sector. In other cases public service broadcasters have cruised too close to the state sector. There are complaints, for instance, that the boards of some public service broadcasters are dominated by those members that are appointed by the states parliaments. Jobst Ploog, director general of the NDR (one of the regional stations of the ARD), has recently claimed, for instance, that the states’ parliaments should not be allowed to appoint any parliamentarians to the public service broadcasters control boards (“Rundfunkräte”). See the article about Ploog’s suggestion and about politicians’ reaction to it at: <http://www.abendblatt.de/daten/2005/01/28/392151.html>.

Also the recent decision of the German state parliaments to cut part of the license fee increase recommended by the independent commission for the determination of

4. The German Dual Broadcasting Order Geometrically Exposed: Balance of Power Between Public Service Broadcasters and Commercial Broadcasters

The geometrical model for the description of national broadcasting orders that has been introduced above can be applied to the German dual broadcasting order. The revenues of the public service broadcasters (ARD, ZDF, DeutschlandRadio, Deutsche Welle), the Citizen Broadcasters and the commercial broadcasters (primarily the big networks RTL-Group and ProSieben.Sat.1) are listed in Table 1.

Table 1:
Revenue Vectors of German Broadcasters

| | CS Donations 1 | | State Rev. 2 | | Market Rev. 3 | | License Fee | | Total Revenues | | Revenue Vector | | | |
|------------------|----------------|-------|--------------|-------|---------------|--------|-------------|-------|----------------|------|--------------------------|-------|-------|-------|
| | Mill. € | % | Mill. € | % | Mill. € | % | Mill. € | % | Mill. € | % | Civil Soc./Gov.mt/Market | | | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12a) | (12b) | (12c) | (12d) |
| ARD | 0.0 | 0.0% | 0.0 | 0.0% | 955.1 | 15.8% | 5.093.7 | 84.2% | 6.048.8 | 100% | 0% | 0% | 100% | 100% |
| ZDF | 0.0 | 0.0% | 0.0 | 0.0% | 272.8 | 14.8% | 1.575.5 | 85.2% | 1.848.3 | 100% | 0% | 0% | 100% | 100% |
| DLR | 0.0 | 0.0% | 4.4 | 2.1% | 16.0 | 7.5% | 192.8 | 90.4% | 213.2 | 100% | 0% | 22% | 78% | 100% |
| DW | 0.0 | 0.0% | 301.9 | 96.3% | 11.7 | 3.7% | 0.0 | 0.0% | 313.6 | 100% | 0% | 96% | 4% | 100% |
| total PSB | 0.0 | 0.0% | 306.3 | 3.6% | 1.255.6 | 14.9% | 6.862.0 | 81.5% | 8.423.9 | 100% | 0% | 20% | 80% | 100% |
| Citiz. Broadc. 4 | 60.0 | 66.7% | 5.0 | 5.6% | 10.0 | 11.1% | 15.0 | 16.7% | 90.0 | 100% | 80% | 7% | 13% | 100% |
| RTL-Group 5 | 0.0 | 0.0% | 0.0 | 0.0% | 3.249.5 | 100.0% | 0.0 | 0.0% | 3.249.5 | 100% | 0% | 0% | 100% | 100% |
| Pro7Sat.1-Gr. 6 | 0.0 | 0.0% | 0.0 | 0.0% | 2.593.2 | 100.0% | 0.0 | 0.0% | 2.593.2 | 100% | 0% | 0% | 100% | 100% |
| other Comm. 7 | 0.0 | 0.0% | 0.0 | 0.0% | 897.9 | 100.0% | 0.0 | 0.0% | 897.9 | 100% | 0% | 0% | 100% | 100% |
| total Comm. | 0.0 | 0.0% | 0.0 | 0.0% | 6.740.6 | 100.0% | 0.0 | 0.0% | 6.740.6 | 100% | 0% | 0% | 100% | 100% |
| Sum | 60.0 | 0.4% | 311.3 | 2.0% | 8.006.2 | 52.5% | 6.877.0 | 45.1% | 15.254.5 | 100% | 1% | 4% | 96% | 100% |

| | CS Donations 1 | | State Rev. 2 | | Market Rev. 3 | | License Fee | | Total Revenues | | Revenue Vector | | | |
|------------------|----------------|-------|--------------|-------|---------------|--------|-------------|-------|----------------|------|--------------------------|-------|-------|-------|
| | Mill. € | % | Mill. € | % | Mill. € | % | Mill. € | % | Mill. € | % | Civil Soc./Gov.mt/Market | | | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12a) | (12b) | (12c) | (12d) |
| ARD | 3.395.8 | 56.1% | 1.697.9 | 28.1% | 955.1 | 15.8% | 5.093.7 | 0.0% | 6.048.8 | 100% | 56% | 28% | 16% | 100% |
| ZDF | 1.050.3 | 56.8% | 525.2 | 28.4% | 272.8 | 14.8% | 1.575.5 | 0.0% | 1.848.3 | 100% | 57% | 28% | 15% | 100% |
| DLR | 128.5 | 60.3% | 68.7 | 32.2% | 16.0 | 7.5% | 192.8 | 0.0% | 213.2 | 100% | 60% | 32% | 8% | 100% |
| DW | 120.8 | 38.5% | 181.1 | 57.8% | 11.7 | 3.7% | 0.0 | 0.0% | 313.6 | 100% | 39% | 58% | 4% | 100% |
| total PSB | 4.695.4 | 55.7% | 2.472.9 | 29.4% | 1.255.6 | 14.9% | 6.862.0 | 0.0% | 8.423.9 | 100% | 56% | 29% | 15% | 100% |
| Citiz. Broadc. 4 | 70.0 | 77.8% | 10.0 | 11.1% | 10.0 | 11.1% | 15.0 | 0.0% | 90.0 | 100% | 78% | 11% | 11% | 100% |
| RTL-Group 5 | 0.0 | 0.0% | 0.0 | 0.0% | 3.249.5 | 100.0% | 0.0 | 0.0% | 3.249.5 | 100% | 0% | 0% | 100% | 100% |
| Pro7Sat.1-Gr. 6 | 0.0 | 0.0% | 0.0 | 0.0% | 2.593.2 | 100.0% | 0.0 | 0.0% | 2.593.2 | 100% | 0% | 0% | 100% | 100% |
| other Comm. 7 | 0.0 | 0.0% | 0.0 | 0.0% | 897.9 | 100.0% | 0.0 | 0.0% | 897.9 | 100% | 0% | 0% | 100% | 100% |
| total Comm. | 0.0 | 0.0% | 0.0 | 0.0% | 6.740.6 | 100.0% | 0.0 | 0.0% | 6.740.6 | 100% | 0% | 0% | 100% | 100% |
| Sum | 4.765.4 | 0.4% | 2.482.9 | 16.3% | 8.006.2 | 52.5% | 6.877.0 | 45.1% | 15.254.5 | 100% | 31% | 16% | 52% | 100% |

1 Donations in cash and kind from individuals and NGO-organisations

2 Financial grants; from the central Government (to Deutsche Welle) and from State and Local Governments

3 Revenues from commercials, sponsoring, programme sales and programme rights etc.

4 Revenues from the Civil Society Sector mainly as donations in kind; revenues from the license fee via Landesmedienanstalten

5 RTL, RTL II, VOX, Super RTL, N-TV, RTL-Shop, Traumpartner TV; advertising rev. plus 50 % of adv. rev. as other market rev.

6 SAT.1, ProSieben, Kabel eins, N24, NeunLive; advertising revenues plus 50 % of advert. rev. as other market rev.

7 Includes Commercial radio stations; advertising Revenues plus 50 % of advertising rev. as other market rev.

Sources: ARD-Jahrbuch 2005, ZDF-Jahrbuch 2005, ZAW 2006, MP-Basisdaten 2005, European Audiovisual Observatory 2005

According to the three ideal types of broadcasters, Table 1 distinguishes civil society donations (column 2), governmental revenues (column 4), and market revenues (column 6) as basic revenue types. As the license fee, in the upper

the financial need of public service broadcasters (KEF) indicates that the distance from the state must permanently be controlled and occasionally readjusted. This will probably happen in near future via the Federal Constitutional Court, which has to decide about the complaint of unconstitutionality that has been filed on this decision by the German public service broadcasters. See HANDELSBLATT 2005.



part of Table 1 listed as a fourth kind of revenues (in shaded figures, column 8), cannot be allocated to any of these basic revenue types, it has to be reallocated (see lower part of Table 1): Two thirds of the license fee are considered as civil society donations (column 2), and one third of the license fee is considered as governmental revenue (column 4). These quotas seem to be appropriate, as the state has some influence on the amount of the licence fee and on the enforcement of its collection, but the major competences belong to civil society boards, like the KEF and the Rundfunkräte.^{1,2} If one allocates the license fee that way, the ARD has a revenue vector of 56 %, 28 %, 16 %, the ZDF has a vector of 57 %, 28 %, 15 %, and DLR (which is not allowed to broadcast commercials) has a vector of 60 %, 32 %, 8 % (see lower part of Table 1, columns 12a, 12b, 12c).

A special case is Deutsche Welle (DW). Its programmes should “present Germany as a cultural nation that has evolved in Europe, and as a liberal constitutional state, and for German and other viewers it should offer a platform for important themes, namely politics, culture and the economy, with the purpose of promoting the understanding and exchange of cultures and peoples.”³ As the programmes of DW cannot be received inside Germany, they also should not be financed by the payers of the German receiving licence fee. Therefore – and because of the closeness of its mission with the states’ public relations tasks – DW is financed by state grants.⁴ However, for DW some precautions are also made to prevent political interventions in the programmes and to secure a strong influence of the voluntary sector.⁵ Therefore, in the lower part of Table 1 we assign only 60 % of the governmental revenues to the state sector, and 40 % to the civil society sector.⁶ The revenue vector for the DW then is 39 %, 58 %, 4 %.⁷ If one

¹ See LIBERTUS 2004.

² That 67 % of the license fee is categorized as civil society revenue and 33 % as state revenue can not be reasoned beyond dispute. Compared to the broadcasting orders of countries where the government funds the broadcasters from the state budget, often without transparent and explicit criteria for the amount of the funding, and where the state can influence the programme decisions by the “golden tie”, the allocation seems plausible, though.

³ § 4 of the Deutsche-Welle-Gesetz from 16. 12. 1997 (BGBl. I S. 3094), lastly changed by the “Gesetz zur Änderung des Deutsche-Welle-Gesetzes” from 15. 12. 2004 (BGBl. I, S. 3456).

⁴ With the exception of the new TV Service of the Deutsche Welle, “German TV”, which has the primary purpose to cover the private demands of Germans living in the USA. This service is funded by subscriptions.

⁵ Programme decisions are made by the “Rundfunkrat” of DW in approval with the government (BETTERMANN 2005, for details NIEPALLA 2003, NIEPALLA 2005).

⁶ Again, the allocation of 60 % for the state sector and 40 % for the civil society sector can not be reasoned beyond dispute. It is derived from the fact that the (central) state, although it provides the grants for the DW, has only limited possibilities to influence its programme decisions. On the other side the influence is higher than for the license fee funded broadcasters ARD, ZDF, and DLR (where we allocated 33 % to the state sector and 67 % to the civil society sector, see above).

⁷ The example illustrates that the classification as a public service broadcaster or as a state broadcaster not only depends on where its resources come from. It also depends on the rules relating to how these resources are determined, especially if the donors can intervene in the programme decisions. On the other hand the example

aggregates the revenues of all public service broadcasters, the average revenue vector is 56 %, 29 %, 15%.

The Citizen Broadcasters have a revenue vector of 78 %, 11 %, 11 %. They resemble the ideal type of civil society broadcasters most, because they rely mainly on voluntary donations in kind from citizens, who engage themselves as journalists, technicians, administrators, and the like without payments, and also receive support from private companies and from the regulatory bodies of commercial broadcasters (via the license fee). -- The commercial broadcasters are funded exclusively from market revenues. Consequently, their revenue vectors are 0 %, 0 %, 100 %.¹ – For the (weighted) average of all German broadcasters (public service broadcasters, Citizen Broadcasters and commercial broadcasters) the revenue vector is 31 %, 16 %, 52 %.

The revenue vectors of the German broadcasters are visualized in Figure 5 by means of the introduced triangle. The Citizen Broadcasters are located nearest to the upper corner, which represents the ideal type of civil society media. In spite of the supplementary revenues they receive from the state and the market, they fall into the segment IHRJ of Figure 4 and thus have to be classified as “pure voluntary broadcasters”. The size of the dot however, indicates that the German Citizen Broadcasting is not important quantitatively.²

Public Service Broadcasters on the average³ are located further away from the ideal type of the voluntary sector, mainly as the state has a certain influence on the licence fee (we assume 33.3 %, see above) which is the main type of funding for public service broadcasters. According to the classification of broadcasters from Figure 4 this average position is located in the sector JRSK, i.e. the sum of public service broadcasters in Germany has to be classified as “State influenced voluntary broadcasters”. As a special case, the state funded DW is located nearer to the state pole, but as it is located in sector KSNL of Figure 4, according to the general typology provided by this figure it would be categorized as “NGO influenced state broadcaster and thus would have to be subsumed under the broader definition of public service broadcasting. – The German commercial broadcasters are located in the bottom left corner, matching with the ideal type of market-funded broadcasters. – The average of all German broad-

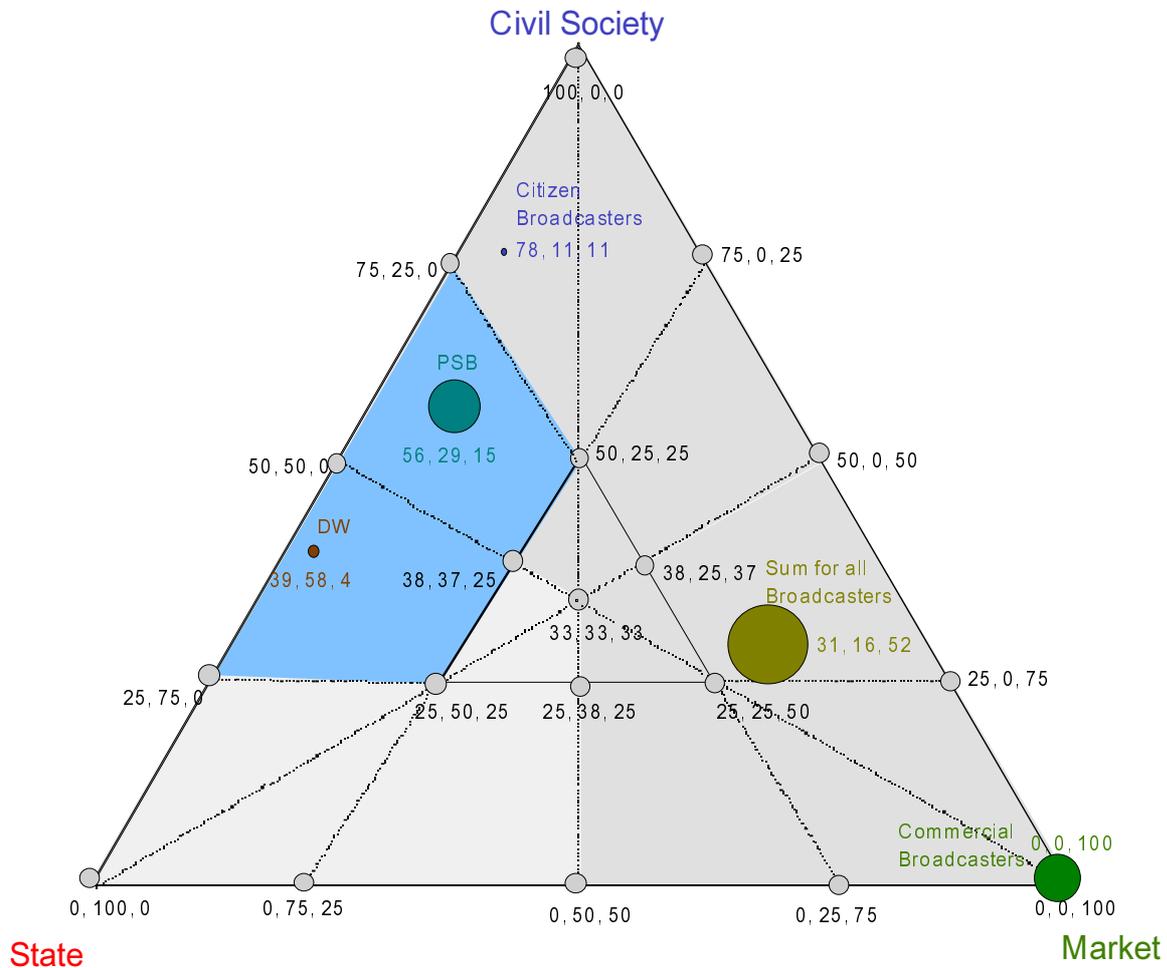
also illustrates that not all broadcasters that mainly fund from market revenues are independent from the state. The details here must also be examined in order to decide about possible programme interventions the state may have indirectly, e.g. by protecting certain programme or advertising markets.

- ¹ A closer look would reveal that commercial broadcasters also receive some civil society revenues and governmental revenues. They are neglectable quantitatively, though, and thus can be ignored for the purpose of this study. See KOPS 2001.
- ² In Figure 5 the quantitative importance of the different broadcasters is represented by the size of the respective dots, which corresponds to the sum of its revenues, listed in column 10 of Table 1.
- ³ In Figure 5 we only expose the average vector for the sum of all public service broadcasters ARD, ZDF, and DR. The positions of the single public service broadcasters do not vary much from this average position. For a more detailed exposition see KOPS 2001.



casters, for which the weighted revenue vector is 31 %, 16 %, 52 %, is located in segment GFPQ, and in the typology of Figure 4 thus has to be classified as “civil society influenced commercial broadcasters”.

Figure 5:
The German Broadcasting Order, Geometrically Exposed



In general most observers evaluate the German broadcasting landscape, as it is revealed in Figure 5, positively. The combination of public service broadcasters with a total budget of 8.4 billion € (see Table 1, col. 10) and commercial broadcasters with a total budget of 6.8 billion € is considered appropriate, as both parts of the dual order possess create a balance of power between the public interest of bureaucratic public service broadcasters and the private interests of profit-driven commercial broadcasters and as the two types of broadcasters together generate a diverse program output that serves the private interests of the media consumers and the public interests of the citizens. Permanent disputes about the fine tuning are common, though (see next chapter).

5. TV Programmes as Marketable or Non-Marketable Economic Goods: Implications for Supra-National Broadcasting Orders

The quality and quantity of market failure in the media not only affects the design of the national media orders, but are also relevant on the supra-national and international level. Some of the market failures that exist in national markets could be even more essential in international markets. If for instance in the course of globalisation the media markets enlarge spatially, the costs per output unit will further diminish, the optimal output size of media companies will further increase, and the number of remaining media companies will decrease further (Figure 1 has illustrated this already). Higher concentration and a stronger economic, journalistic and political power of the (fewer) companies would be the consequences for the international media markets.¹

Also the reduced diversity of media content, which already was mentioned as a problem of domestic media markets, could increase in the course of globalisation. Programmes for minorities, e.g. for small countries, or for small cultural, ethical, or religious communities, would be crowded out further; and programmes for “majorities”, e.g. for large language communities and for large nations, would dominate further, especially for nations that possess large domestic markets, allowing them to dump their programmes on foreign markets.²

In spite of the chances and advantages of a free trade of TV programmes, described in the first chapter, these reasons underpin the objections against a further commercialisation and globalisation of the media on the supra-national and international level. There are concerns, for instance, about the WTO's attempts to include the audiovisual sector, especially broadcasting programmes, into the GATS. They mainly stem from non-governmental and non-market organizations of civil society. UNESCO, for instance, has recently passed a “Convention on the Protection of the Diversity of Cultural Contents and Artistic Expressions” (CCD),³ as a counterweight to the WTO regime. Broadcasting programmes (and other audiovisual goods and services) are not considered as economic goods therein, but as parts and forms of national, regional, and local cultures. This would allow WTO-members to exclude certain audiovisual services from the GATS, and to regulate its production and distribution by national law. With the World Summits on the Information Society (WSIS), which took place in 2003 (in Geneva) and in 2005 (in Tunis),⁴ these voices have created a platform to articulate particular views.⁵ It will be interesting to observe to what extent the world wide globalisation, commercialisation, and concentration of the media can

¹ In his book “Rich Media, Poor Democracy”, Robert McChesney has criticised this perspective (which partly has come true already), and he has warned that these global media companies possess a high political power which is not controlled by public institutions. For details see KOPS 2006.

² *ibid*

³ See http://portal.unesco.org/culture/en/ev.php-URL_ID=11281&URL_DO=DO_TOPIC&URL_SECTION=201.html

⁴ <http://www.itu.int/wsis/>

⁵ KLEINWÄCHTER 2004



be combated, which presently takes place in most parts of the world as a consequence of changing cost structures (especially as a result of digitalisation) .

In the course of the GATS negotiations the member states of the WTO must reveal their positions. For once they have to decide about the allocation between goods (ruled by the General Agreement on Tariffs and Trade, GATT) and services (ruled by the GATS); and within the services they have to decide about the allocation of the specific services into a “Service Sectoral Classification List”. The latter is important as some classes (like telecommunication services) are more liberalized than others (like audiovisual services). On the base of this classification list all member states can request and offer measures for liberalisation. At present the “Doha Round” (which temporarily was stopped after the WTO Ministerial Conference in Cancun failed in 2003) aims to fit the “initial requests” from 2002 with the “initial-offers” from 2003.¹

The member states’ positions in these negotiations depend on their national views about the relative capabilities of markets and free trade, and on whether they perceive the media primarily as an economic or cultural good. Additionally, or maybe even predominantly, these positions are determined by the states’ differing chances to make a profit with a commercial audiovisual industry. Therefore, it is not surprising that states with a well-established audiovisual industry and with a sufficiently large domestic market attempt to classify certain services that are currently classified as (less liberalized) audiovisual services (e.g. audio streams) as (more liberalized) telecommunication services. It is also not surprising that – within the audiovisual services – these countries try to eliminate the existing exemptions from free trade (the so called “carve-out”). States with small domestic markets and without domestic audiovisual industries, on the other hand, usually try to preserve their autonomous national audiovisual policies. These states therefore prefer a broader definition of the audiovisual sector, and they try to expand the number and strength of the exceptions for the audiovisual sector.

In addition, the effects of commercialisation and globalisation of mass media on their citizens and societies as a whole determine the states’ positions in the WTO negotiations. If the mainstream content of the commercialized mass media corresponds to citizens’ opinions and attitudes (and thus confirms and reinforces them) the states will evaluate the disadvantages (costs) of commercialisation as small. The USA, for instance, is not bothered by American dominance of the international film industry, as these films – in economic terms – suit the “consumer preferences” of its citizens. A benevolent American government that aims to maximise the welfare of American citizens will therefore promote com-

¹ See http://www.wto.org/English/tratop_e/dda_e/dohaexplained_e.htm. For the Doha Round an agreement originally was expected for 2005. Meanwhile many observers fear that the agreements of the Doha Round cannot be put into practice at all (see BBC News: “Q&A: World trade in crisis”, <http://news.bbc.co.uk/1/hi/business/4512367.stm>), especially after the Ministerial Meeting in Summer 2006 in Geneva was terminated without results. See “WTO Talks Called Off”, <http://www.euractiv.com/en/trade/wto-talks-called/article-156912>.

mercialisation and globalisation. Under these conditions, even an authoritarian government that tries to maximize the welfare of ruling politicians would favour a commercialized media supply which is in line with its citizens' social, cultural, and political attitudes, and thus would stabilize the existing political system.

In contrast, the disadvantages (the costs) of commercialisation are high, if citizens' attitudes (in economic terms again: consumer preferences) deviate considerably from the mainstream supply of a globalised commercial media industry. With regard to cultural attributes, media economists traditionally have labelled this as "cultural discount".¹ However, to what extent the (globalised) supply differs from citizens' demands depends not only on cultural peculiarities but also on social and political attributes. If, for instance, in a given country, the political attitudes of citizens contrast with those presented by a commercialized mainstream media industry, this could induce a rapid and perhaps uncontrollable social and political transformation. Even benevolent governments could consider this as high costs for the society (not to mention authoritarian governments, for which the influences of foreign mass media could be the cause of a peaceful or violent revolution).

Figure 6 illustrates this. It distinguishes between states for which an increased commercialisation of the audiovisual sector would generate

- a) high or low benefits of a further commercialisation of the media (due to additional market revenues), on the horizontal axis; and
- b) high or low costs of a further commercialisation of the media (due to a deviation and modification of the citizens' cultural, social, or political attitudes (in economic terms: consumer preferences with regard to audiovisual services), on the vertical axis.

States that yield additional revenues from a further commercialisation of the audiovisual sector and that are not affected by large discrepancies between demand and (globalised) supply (cell 2 in Figure 6) will clearly prefer the globalisation of the audiovisual sector, and they will support the WTO regime (in Figure 6 the U.S.A. is taken as an example). States that yield no or only small additional revenues and are considerably affected in their cultural identity (cell 3), on the other hand, will combat the WTO regime (Malaysia is taken as an example).²

¹ If for instance viewer (consumer) preferences for films in a country differ considerably from the output of the Hollywood film industry, the costs of a further globalisation of the film industry are high. Already in the sixties of the last century this effect was discussed and criticized as "media imperialism", with regard to the dominance of US-American media products also as "Americanization" of the media, e.g. by SCHILLER 1969, p. 8: "Free trade is the mechanism by which a powerful economy penetrates and dominates a weaker one, the "free flow of information", the designated objective incidentally of UNESCO, is the channel through which life styles and value systems can be imposed on poor and vulnerable societies." Similar arguments are provided by Noam, Collins, and Tracey, in NOAM/MILLONZI 1993.

² It is a simplification that the nations' decisions about combating or supporting the globalisation of the AV-sector only are determined by the related benefits and costs. Also states whose net benefit from globalising the AV-sector is negative might support it (and vice versa states whose net benefit is positive might condemn it), if they



Figure 6:
The Position of States as Supporters or Opponents of the Commercialisation
of the Audiovisual Sector as Determined by the
Related National Benefits and Costs

| | | benefits of a commercialisation of the AV-sector due to increased market revenues | |
|---|------|--|--|
| | | low | high |
| costs of a commercialisation of the AV-sector due to increasing cultural, social, and political discrepancies between supply and demand | low | undetermined action ① (The Netherlands) | supporting globalisation of the AV-sector ② (USA) |
| | high | combatting globalisation of the AV-sector ③ (Malaysia) | undetermined action ④ (France, Germany, Canada, U.K, Japan, India, China) |

For states that do not gain considerable additional revenues from a further commercialisation of the audiovisual sector and also are not considerably affected by large discrepancies between demand and (globalised) supply (cell 1, e.g. the Netherlands), the action is not determined per se. The same is true for states that do gain considerable additional revenues from a further commercialisation of the audiovisual sector, but also have to suffer from expanding discrepancies between demand and (globalised) supply (cell 4, e.g. France, Germany, Canada, the U.K., Japan, India, and China). In these cases the positions depend on the nations' evaluation of the costs and benefits, which often are intangible and seldom are evaluated explicitly and transparently.

Some states, like France, seem to consider the costs of a further commercialisation of the audiovisual sector as high, perhaps because of the assumed alteration of the (cultural) preferences that were induced by a globalisation (Americanisation) of audiovisual products, especially of movies and broadcasting programmes. Although France could benefit substantially from a further commercialisation and globalisation of its audiovisual sector, as there is a large Francophile and

are compensated for their decisions by advantages in other sectors. BIRDSALL /LAWRENCE 1999, p. 147, state that such bargains are common practice: "In the Uruguay Round, for example, many developing countries were only willing to conclude an agreement on intellectual property in return for the elimination of the Multi-Fibre Arrangement, which restricted textile export from developing countries."

French-speaking-community worldwide, and although it possesses a considerable audiovisual (film) industry, it has always opposed the WTO's attempts to liberalize the audiovisual sector,¹ and it was one of the European nations that recently paved the way for the adoption of the UNESCO CCD. Similarly Canada traditionally has defeated all attempts to commercialise the audiovisual sector, especially by its neighbour state, the USA, although Canada's audiovisual products would find large markets in English and French speaking foreign countries.²

The positions of other countries, like Germany, the U.K., India, Japan, or China, are more ambivalent, and have been less consistent and continuous in the past. In these countries many media companies would definitely benefit from a commercialisation of the audiovisual sector, where they could raise additional market revenues. These companies consequently favour commercialisation, and they support the WTO regime. On the other hand, there are voices from civil society organisations that resist a commercialisation of the audiovisual sector. The public service broadcasters in these countries usually share these concerns. Hence, a clear national position cannot be identified for these countries.³

6. TV Programmes as Marketable or Non-Marketable Economic Goods: Implications for the Chinese Broadcasting Order

It would be interesting, but probably also difficult, to analyse the media policy of China using this model. With regard to the gigantic domestic market, one could assume that China, similarly to the USA, would favour a further globalisation and commercialisation of the audiovisual sector. However, one should realize that this would only affect the viewers and listeners of Chinese audiovisual products living abroad. While this is a large community, it is much smaller than the number of Chinese people living in their home country. Secondly, and maybe even more importantly, globalisation would reduce the diversity of programmes within China, which would contrast with the program needs of viewers and listeners with rather heterogeneous program preferences, e.g. about cultural affairs or about "common life" problems.⁴ Thirdly, and probably most im-

¹ See CHAUDENSON 2003, COCQ 2005.

² The Canadian broadcasters cannot compete with the US-American networks that possess considerable economies of scale. The Canadian government, therefore, traditionally has regulated the Canadian broadcasting system to enable its domestic broadcasters to provide content for the Canadian citizens. See the instructive report of the "Standing Committee on the State of the Canadian Broadcasting System" under www.parl.gc.ca/InfoComDoc/37/2/HERI/Studies/Reports/herirp02/18-Ch17-e.htm#4, also see DORLAND 1996, ACHESON/MAULE 2005.

³ For Germany, the U.K., and other ambivalent European countries such a clear position might not really be necessary, though, as the European states are not directly involved in the GATS negotiations (the European Commission takes a common position on behalf of all European states). However, as unanimity is required for all contracts that affect the cultural and linguistic diversity of the European Community, the national interests of the member states are guaranteed.

⁴ Large differences in common live problems result for instance from the large discrepancies in income and education, and in the sharp contrast between the way of



portantly, a full liberalisation would not only open up world markets for Chinese programming, but also Chinese markets for foreign programming, especially from the USA. One can assume that the “costs of a commercialisation of the audiovisual sector due to increased cultural, social, and political discrepancies between supply and demand” connected with such imports are perceived as high in China, especially if possible influences on its political ideology and political system are taken into account.¹

China therefore, like any country, has to weigh the advantages and disadvantages of opening its media markets, and it is an open question which factors will dominate and determine the political future. For a political economist, it is most interesting to observe this process of qualifying and preferably quantifying the national costs and benefits that are related to opening up China’s media market.²

China’s accession to the WTO also has affected the Chinese media industry, in particular the Chinese TV programme industry.³ During the last years the Chinese Government gradually has deregulated its media markets and has opened it to foreign companies. The Chinese Government has described this process as follows: “Since China entered the World Trade Organization, the trend within China’s media industry is to form inter-media and trans-regional media groups operated with multiple patterns so as to meet competition and challenges from powerful overseas media groups. In 2001, the Chinese government put forward a goal of promoting media amalgamation by establishing trans-regional multi-

life in the urban areas versus rural areas of China. WU/GUO 2006, p. 2, state in this context: “Although the official ‘national culture’ has been compromised ideologically to some extent to accommodate Confucianism, it persists in adhering to its principle of uniformity, particularly in the national TV system. Cultural representations on CCTV tend to be too uniform – a uniformed nation with a uniform language. Such a holistic image conceals and suppresses a rich variety of regional diversity within China which, besides 55 ethnic minorities, also entails astonishingly diverse local cultures within the Han nationality alone.”

¹ See *ibid.* That these costs are evaluated as high – at least by the Chinese Government – is indicated by the strict censorship that still is common for films and broadcasting programmes in China (POLUMBAUM 2003). From this perspective the new digital services might be a threat for the Chinese government: “The expansion of these new channels of communications has important implications for the dissemination of knowledge and ideas in a society where news and information traditionally have been restricted. The growth of Internet access and activity has prompted some Western commentators to attribute to this medium the ability to silently but inexorably undermine Communist rule, citing as a harbinger the growth of the quasi-religious Falun Gong movement through computer-mediated communication and the Chinese government’s panicky reaction in outlawing the group in the summer of 1999. However, the transformation of China’s mass communication system may have its most profound repercussions not in ideological domains but rather in much more mundane details of material life” (*ibid.*, p. 225). In contrast, SY (2005) states, that “the government is concerned about material that is spreading “politically and socially dangerous” influences. Regulators frequently cite foreign culture as a source of unwholesome influence.”

² See KOPS 2006, pp. 16 et seq.

³ See “China To Open Its Media Market”, Business Alert, Issue 06, 2002, <http://www.tdctrade.com/alert/cba-e0206sp1.htm> “.

media news groups. It also instituted detailed regulations on media industry fund-raising, foreign-funded cooperation and trans-media development. China Radio, Film and Television Group, founded at the end of 2001, integrated the resources of central-level radio, television and film industry plus those of the radio and television, Internet companies into China's biggest and strongest multi-media group covering the fields of television, Internet, publishing, advertising, etc. At the same time Chinese media industry is cooperating with overseas media groups. By 2003, 30 overseas television stations, including "Phoenix Satellite TV," "Bloomberg Finance," "Star Satellite TV," "Eurasian Sports" and "Chinese Entertainment TV" had landed in China with limitations. At the same time, the English language channel of CCTV entered the United States through Fox News Internet under the jurisdiction of the News Group."¹

According to these official voices, China's media are on a clear and fast trend moving from the state sector to the market sector (see Figure 7). These official voices have to be complemented and adjusted, however. The optimistic outlook that was caused when the Chinese State Administration of Radio, Film and Television (SARFT) and the Chinese Ministry of Commerce (MOFCOM) jointly enacted several remittals that enable foreign investors to form a joint venture with Chinese companies for the production of films in 2002² and when the "Provisions on the Administration of Sino-foreign Cooperation in the Production of TV Programmes" came into force in 2004 meanwhile has been substituted by less optimistic expectations. The pace of opening its markets is rather slow, and there are still many restrictions for foreign companies that do not conform to the WTO regime.³ Considering more recent developments in this area some observers even think that since 2005 the liberalisation of the media sector has stagnated or even been inverted:⁴ The so-called February 2005 Notice, for in-

¹ This is the official view of the Chinese government (http://english.gov.cn/2006-02/08/content_182637.htm). Independent observers confirm it in general, though: "Most notably, China has now created the possibility of equity investment in film or tv programme producing companies - even though this may not be a majority stake. It has also recently allowed the first of such a joint venture to broadcast a children's tv programme via a cable tv network (that is a joint venture between Viacom/Nickelodeon and Shanghai Film Group), though this appears to contravene the February 2005 Notice. However, China clearly encourages big scale investment in China's media industry, though it also ensures this investment is not too big scale to constrain a genuine Chinese industry in their development." BENSINGER (2005, p. 8).

² See FABER 2005, pp. 3 et seq.

³ The strongest barriers stem from the SARFT that strictly controls all foreign TV programmes, e.g. with regard to cultural, moral and political criteria (see FABER/XIAOMEI 2005, p. 7 et seq.). Also the detailed documents and files that have to be provided to SARFT by the importers of foreign programmes (in Chinese language) are a considerable complication. Another barrier is the restriction that maximally 15 % (films and dramas: 25 %) of all programmes may stem from abroad. See *ibid*, p. 14, also see BENSINGER 2005; CMM 2005b, pp. 10 et seq. actual reports about the state of the Chinese media law and practice can be obtained from <http://www.chinalawandpractice.com/default.asp>).

⁴ See SY 2005. On the other hand many procedures that beforehand were subject to internal and unpublished administrative rules or guidelines have now been regulated



stance, limited the scope of the TV Joint Venture Regulation and the possibilities for foreign media companies to form joint ventures,¹ and during the summer of 2005 Chinese authorities blocked the release of most foreign (and in particular, US) films.² In the analogy of our triangle model, this would mean that the shift from the left to the right corner was smaller or slower than claimed officially, or that even a backward shift from right to left has occurred.

Figure 7 visualizes this. Before the political and social reforms took place in the early 1980s, the Chinese position certainly was located in the left corner of the triangle: Almost all revenues directly or indirectly stemmed from the state. To determine the present location is more complicated, as there are about 350 broadcasters in China, for which no official data about the revenue structures are available.³ Especially there are no data which classify the revenues precisely as market revenues, state revenues, and civil society revenues. Therefore only a rough estimation for the sum of all Chinese broadcasters is attempted here, based on data from CMM 2005a, on estimates about the relative importance of the different revenue types by ZHANG 2001, p. 233, QIAN 2002, p. 80, and CHIN 2005, p. 121, and on own assumptions. According to CMM, the total net revenues from advertising in 2004 for all Chinese broadcasters summed up to 3,521 m. US \$.⁴ If one adds 5 % of this amount (=176 m. US \$) for “other self generated revenues,”⁵ 1.92 % (=81 m. US \$) for “private investments,”⁶ and 1.66 % (=70 m. US \$) for “other sources,”⁷ the sum of all market revenues is 3.849 m. US \$ (3,521 + 176 + 81 + 79 + 70). For state revenues we assume a proportion of 9.22 % in total revenues;⁸ in absolute figures this accounts for 381 m. US \$. – Donations are zero in China, according to this source. -- The average revenue vector for the Chinese broadcasters then is 0 %, 9 %, 91 % for the civil society sector, the state, and the market sector (see column 12 in the upper part of Table 2).

in a far more transparent and comprehensible way (see CARNABUCI 2004, BENSINGER 2005, GUO 2005).

¹ BENSINGER 2005, p. 8.

² *ibid*

³ For 2002 OLLIG 2006, p. 3, reports 338 national, regional and local broadcasters.

⁴ CMM 2005a

⁵ According to QIAN 2002, p. 80 (quoted by CHIN 2005, p. 121), the share of advertising revenues in total self generated revenues has increased from 85 % in 1995 up to 92 % in 2002. For 2004 there are no data, but if one extrapolates these figures, one can assume that in 2004 95 % of all revenues stem from advertisements, and 5 % (=176 m US \$) consequently stem from other self generated revenues.

⁶ This proportion stems from ZHANG 2001, p. 233 (quoted by CHIN 2005, p. 121). It applies to 2000, and we assume that this proportion also holds for 2004.

⁷ *ibid*

⁸ *ibid*

Table 2:
Revenue Vectors of Chinese Broadcasters

| | CS Donations | | Gov.'l Rev. 1 | | Market Revenues 2 | | License Fee | | Total Revenues | | Revenue Vector | | | |
|-------------|--------------|------|---------------|------|-------------------|-------|-------------|------|----------------|--------|--------------------------|-------|-------|-------|
| | Mill. \$ | % | Mill. \$ | % | Mill. \$ | % | Mill. \$ | % | Mill. \$ | % | Civil Soc./Gov.mt/Market | | | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12a) | (12b) | (12c) | (12d) |
| All Broadc. | 0 | 0.0% | 391 | 9.2% | 3.849 | 90.8% | 0 | 0.0% | 4.240 | 100.0% | 0% | 9% | 91% | 100% |

¹ "Subsidies" from Government (9,22 % of 4,240 m US \$ total revenues)

² "Self Generated Revenues" from advertising (3,521 m US \$)
plus other Self Generated Revenues (5 % from 4,240 m US \$ total revenues = 176 m US \$),
plus Private Investment (1,92 % from 4,240 m US \$ total revenues = 81 m US \$),
plus "Other Sources" (1,66 % from 4,240 m US \$ total revenues = 70 m US \$)

| 0 | CS Donations 1 | | Gov.'l Rev. 2 | | Market Revenues 3 | | License Fee | | Total Revenues | | Revenue Vector | | | |
|-------------|----------------|------|---------------|-------|-------------------|-------|-------------|------|----------------|--------|--------------------------|-------|-------|-------|
| | Mill. \$ | % | Mill. \$ | % | Mill. \$ | % | Mill. \$ | % | Mill. \$ | % | Civil Soc./Gov.mt/Market | | | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12a) | (12b) | (12c) | (12d) |
| All Broadc. | 42 | 1.0% | 2.292 | 54.1% | 1.905 | 44.9% | 0 | 0.0% | 4.240 | 100.0% | 1% | 54% | 45% | 0% |

¹ 1 % of the Government Rev. of 391 m US \$ (=3.9 m US \$) and 1 % of the Market Rev. of 3,849 m US \$ (=38,49 m US \$)

² 99 % of the "Subsidies" of 391 m US \$ (= 387 m US \$) plus 49,5 % of 3,849 m US \$ (=1,905 m US \$) of the Market Rev.

³ 49,5 % of the Market Rev. of 3,849 m US \$

Source: estimations based on CMM 2005, ZHANG 2001, p. 233, QIAN 2002, p. 80, CHIN 2005, p. 121

However, this vector has to be corrected for hidden qualitative peculiarities of the Chinese broadcasting system (similarly to the corrections that have been explained above for the German broadcasting order). A first correction refers to the revenues from the civil society sector. Although there are no donations which directly stem from or are controlled by civil society institutions (as the license fee in Germany), there are some indications that also in China elements of the civil society have appeared and have managed to influence the decisions about the broadcasting order, also about the amount and the allocation of the broadcasters' revenues. Although these influences are still small and they mainly function indirectly, e.g. via the decision-making processes of the political parties and governments, it would be wrong to neglect them totally.¹ As a rough estimation we assume that 1 % of the state revenues and 1 % of the market revenues mentioned in the upper part of Table 2 are allocated to the civil society sector. This compounds to 41 m US \$ of revenues from the civil society sector, this is 1 % of the broadcasters' total revenues (columns 2 and 3 in the lower part of Table 2).

A second correction affects the market revenues. As already mentioned, the Chinese broadcasters are still controlled rigorously by the Chinese government, namely by SARFT and MOFCOM. A closer examination unveils, however, that also the "market revenues" of the Chinese broadcasters are strongly steered by the state, either as the market prices are administered or as the state protects the broadcasters' monopolies on (advertising) markets.² Therefore the state

¹ Several studies report that tendencies for grassroots and civil society organisations tendencies to blossom have developed during the last years (YE 2003, YU 2003, QIN 2004, LU 2005). Others evaluate the development of civil society organisations more pessimistically. HEILMANN 2004, p. 217, for instance, expects a gradual incorporation of interest groups into the political decision-making process rather than the eminent formation of a pluralistic civil society.

² See CHIN 2005, pp. 125 et seq., with further references.



easily can use these market revenues to discipline the amount of these revenues – and to control the financial positions (and the programmes) of the broadcasters. From that regard it seems appropriate to reallocate half of the “market revenues” listed in the upper part of Table 2 as state revenues.¹ With these corrections the revenue vector of the Chinese broadcasting order alters to 1 %, 54 %, 45 % (see column 12 in the lower part of Table 2).

In Figure 7 this vector is used to locate the present status of the Chinese broadcasting order. As mentioned, it only should be considered as a rough estimation. If one would assume a higher correction factor for the political influences on the broadcasters’ “market revenues”, it would be located nearer to the left corner, if one would assume a lower correction factor it would be located nearer to the right corner (in Figure 7 this corridor is indicated by the light brown ellipse).

Also the vertical position might deviate slightly, if other correction factors for the civil society were used. Due to the negligible influence the civil society sector still has on the Chinese broadcasting order (or more general: on the media order), the vertical corridor is smaller, though, and the changes have mainly affected and probably also will affect the horizontal axes. This is not really astonishing, as the political system in China traditionally has emphasized the state as main steering instrument of the public interest that did not allow the development of a civil society for a long time.

Such a restriction on horizontal shifts along the base line causes ambivalent feelings. On the one hand it has to be evaluated positively, as the freedom of the media increases when it is released from state control; on the other hand new restrictions and failures emerge when the market becomes the dominant mechanism for the provision of mass media.² Therefore one could say that the commercialisation moves the Chinese media “out of the frying pan into the fire” – i.e. that it substitutes the old (state) failures by new (market) failures.

No matter how China decides about the development of the media order, especially about the WTO regime in general and the GATS negotiations about the audiovisual sector in particular, it is obvious that all states will be highly affected by the organisation of the media industry and of international public communication. The media industry generates a great deal of money and many jobs – with a strong upward trend.³ It has a high impact on public and political communication, both within and among nations. Therefore, it is worthwhile to carefully examining the legal and factual decision-making processes concerning international communication, cultural and other policies that affect the ability of states

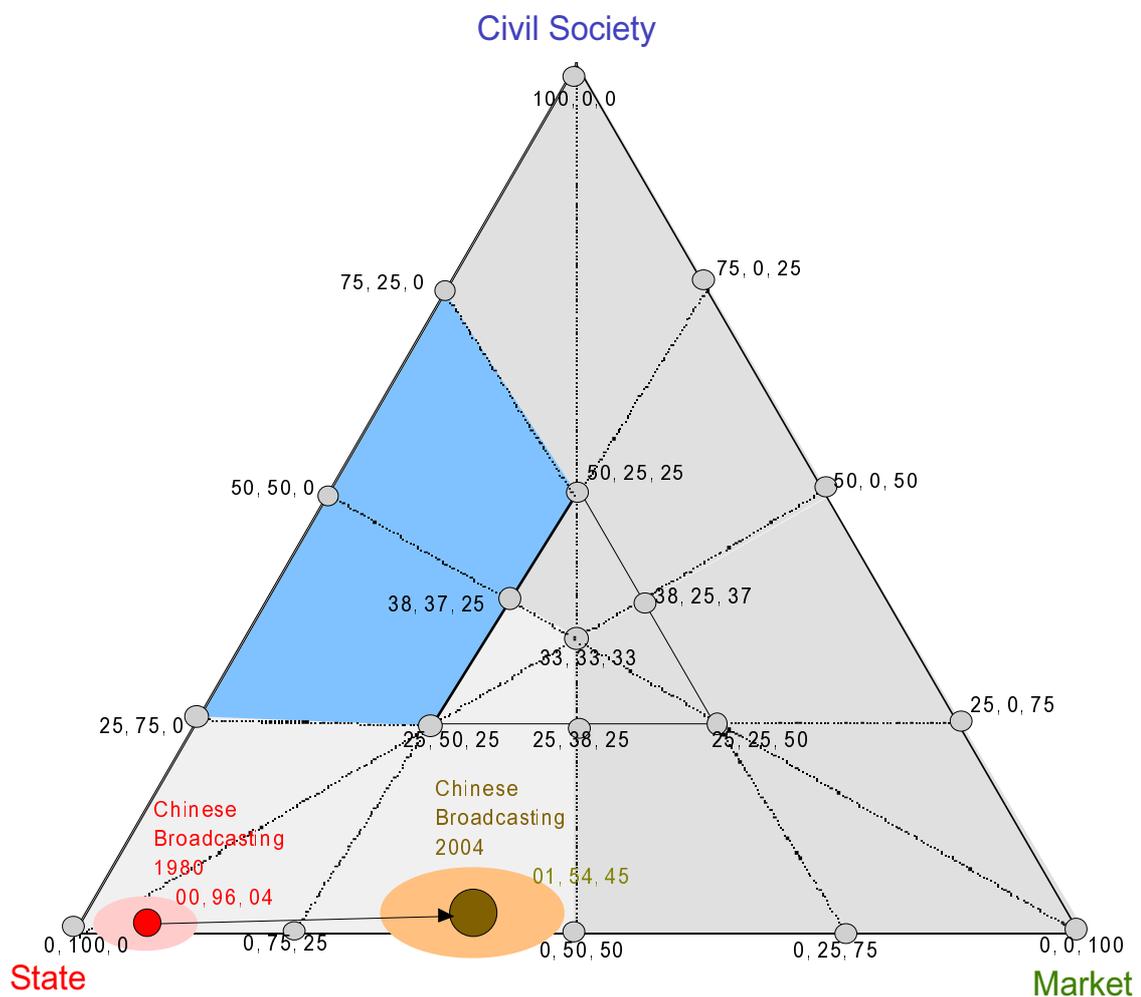
¹ Taking into account that 1 % of the market revenues are allocated to the civil society sector, only 49.5 % of the market revenues of 3,849 m. US \$ (=1.905 m US \$) are allocated to the state sector. The other 49.5 % remains classified as market revenues.

² See the market failures mentioned above. For details see KOPS 2005, for the reduction in diversity and the negative effects of a reduced diversity of the media for public communication see KOPS 2006.

³ See once more the outlook by PRICEWATERHOUSECOOPERS 2005. According to this outlook, the Chinese media sector will grow by 25 % between 2005 and 2008.

to regulate the media. This requires instruments and institutions which prevent the domination of these decision-making processes by large countries that mainly profit from a further globalisation of the media, and provide room for the influence of small countries whose national identities are most threatened by media globalisation. The discussion of the UNESCO CCD has increased awareness about these matters, but its acceptance does not necessarily mean that this sufficiently tempers the strong influence towards globalisation that is induced by the WTO-regime. It still remains to be determined during the next WTO-negotiations, to what extent the UNESCO CCD will become relevant politically.

Figure 7:
Chinas Broadcasting Order on the Way from the State Control to the Market





7. Some Final Remarks from an International Comparative Perspective

The last remark leads to a short final look at the international stage. Again we use the triangle model for a geometric exposition and comparison (Figure 8). The dots there do not stand for single broadcasters, but represent the averages for the sum of all broadcasters of the countries that are considered for this international comparison (the different sizes of the dots again represent the differences in resources, in this case the countries total revenues from broadcasting).¹

The plot points demonstrate that public service broadcasters in most European countries (the United Kingdom and Germany are taken as examples in Figure 8) are relatively closely related to the voluntary sector, further away both from the state and the market. These positions have been rather stable over time. Some observers believe, that in the U.K. during the last decade there has been a minor shift towards the market pole (mainly as a result of increased market shares of commercial broadcasters and of a self-commercialisation of the BBC),² and maybe also toward the state pole (as a consequence of increased political pressure on the BBC after the Gilligan affair).³ In Germany the powers in favour of a higher influence of the market and in favour of a stronger and transparent embedding into the civil society have almost cancelled each other out,⁴ and also the powers in favour of a higher influence of the state and in favour of a higher political independence of broadcasters have been offset.⁵

¹ The dot for Germany, for instance, represents the sum for all German broadcasters (15.270 m €, which equals 19'583 m US \$, see Table 1, p. 19 and Figure 5, p. 20), and the dot for China represents the sum for all Chinese broadcasters (4,240 m. US \$, see Table 2, p. 29). For other purposes a comparison of the per capita values would be more appropriate. In this case the difference between Germany and China would be much bigger.

² See PADOVANI/TRACEY 2003; UBIQUS 2004, pp. 20 et seq.; BORN 2005, for the complicated consideration of the BBC' to yield market revenues on the one hand (in order to relieve pressure on the license fee) and to avoid a strict market orientation (in order to promote public interest and to ensure diverse programmes) see DCMS 2006, pp. 38 ff.

³ For details about the dispute between the BBC and the British government that accused BBC's reporter Andrew Gilligan of tendentious reporting see CHAFETZ 2003, PHILIPS 2004. For the impact of this conflict on the position against governmental attempts to control the BBC see PALAST 2004, BORN 2005.

⁴ Since 2002 the revenues and market shares of the German public service broadcasters (that decreased dramatically after commercial broadcasters went on air since 1984) have consolidated and even increased. On the other hand, similarly to the U.K., also in Germany there are several indications of a self-commercialisation of public service broadcasters.

⁵ On the one hand the independence of German public service broadcasters has been strengthened by the Supreme Court that in 1994 installed a procedure to determine the amount of the license fee by an independent board of experts (the "KEF", see footnote 2 on p. 16, for a description of this "cable penny decision" see INSTITUTE OF GLOBAL LAW 1994) and by the successive implementation and application of an applicable KEF-procedure; on the other hand in 2005 the parliaments of the German states (Länder) for the first time refused to fully accept the KEF recommendation about a lifting of the license fee, although the preconditions for this (as stated by the Supreme Court) were hardly fulfilled. See MEIER 2005, p.

Compared to Germany and the U.K., the broadcasting orders of most other countries either are much more commercialised (the USA is the most prominent example)¹ or they are influenced by the state (like in the former communist states in Eastern Europe).² With the transformation process, the broadcasting orders in these countries, however, are on the march away from the state and nearer to the market. And states where this transformation has started sooner, like Poland, have gone further than states like the Ukraine, where this transformation only recently has started.^{3,4}

If we take the German situation as the benchmark, the advice of course would be that neither the state nor the market should dominate. For our triangular model this means that the average of all Chinese broadcasters should be positioned sufficiently far away from the state pole, further away than in the past; but also sufficiently far away from the market pole. A second piece of advice would be to strengthen the civil societies' influence on the broadcasting order⁵ (in the

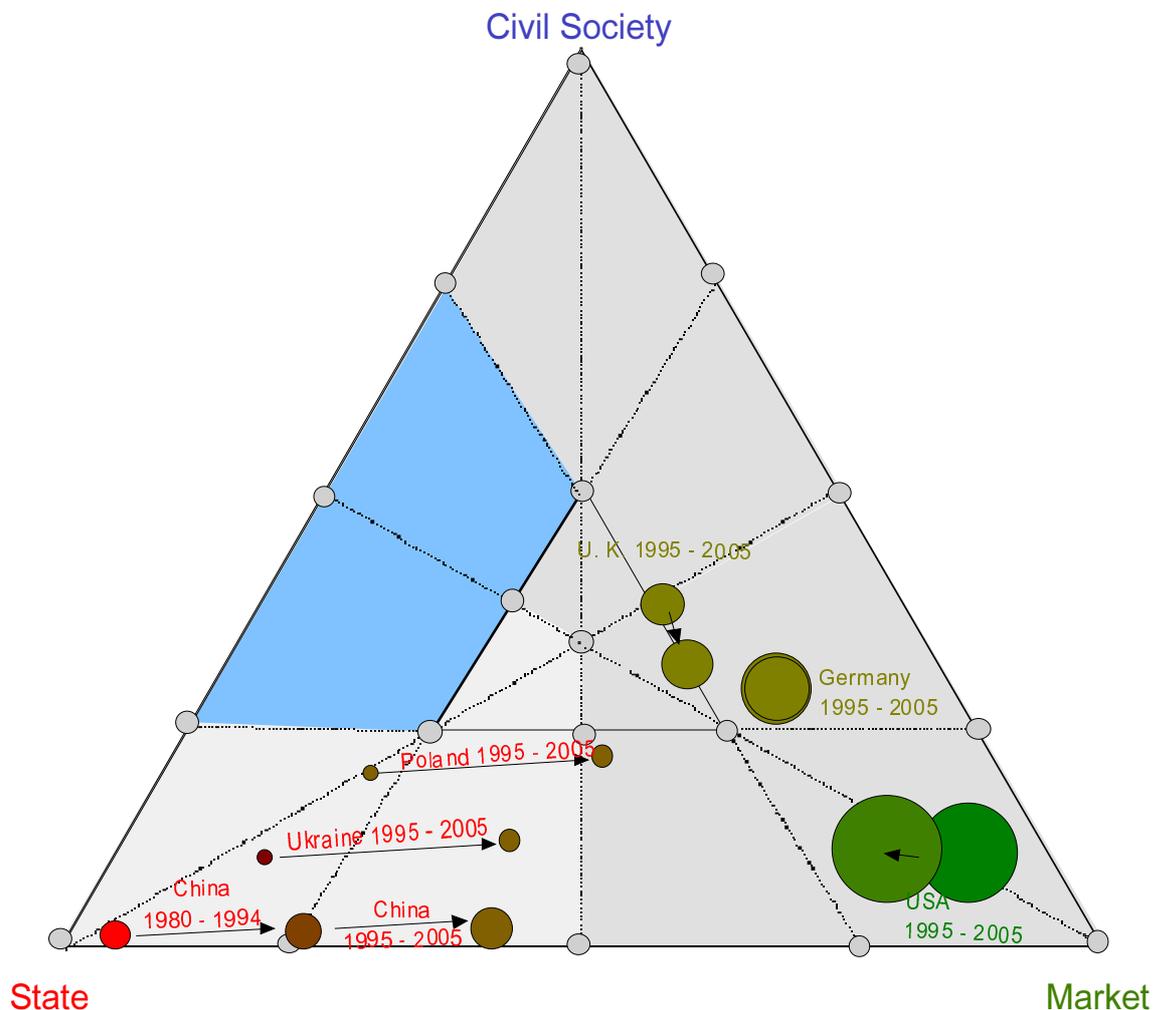
29 et seq. for details about this conflict and for the possible impact on the independence of the German public service broadcasters.

- ¹ In the U.S.A. broadcasting is traditionally located near the market pole. In the 1990s the narrow elements of public service broadcasting even declined (see TRACEY 1998). However, during the last years the criticism against commercialization has become louder and elements of non-commercial broadcasting have been strengthened (see for instance <http://www.freepress.net/content/projects>). This explains the slight upward shift in Figure 8. During this time period, especially after the attack on the World Trade Centre in 2001, the US Government has intensified the political control and influence on US broadcasters (see LEONE/ANRIG 2003), this explains the leftward shift in Figure 8.
- ² The plots in Figure 8 are based on data from MCKINSEY 1999 and MCKINSEY 2004. These studies provide a useful quantitative description of the revenue structures of broadcasters in 20 countries (2004: 12 countries), and the comparison of the data for 1997 and 2003 also points out shifts in the national broadcasting orders of the countries included. However, also the MCKINSEY data do not categorize the revenues according to our theoretical approach (into civil society revenues, market revenues, and state revenues), but they distinguish between "Government grants", "advertising/sponsoring", "license fee", and "other" (MCKINSEY 1999, pp. 29 et seq.) Therefore also these data, similarly to the data for Germany and China presented above, have to be adjusted in accordance with the countries peculiarities, e.g. the different practices of the governments of license fee funding. See KOPS 2001 for details. The MCKINSEY surveys have been discussed intensively, e.g. by WITHERS 2000, MACQUARIE 2002 (both with focus on the Australian ABC), and by JACKSON/THOMAS 2001 (with focus on the Canadian CBC). For qualitative descriptions of the broadcasting orders of selected countries see ESSER/PFETSCH 2004; HALLIN/MANCINI 2004a.
- ³ This conclusion matches with KLEINSTEUBER (2003, p. 156), who states that in the cause of globalisation markets expand more than states and the civil society.
- ⁴ Figure 8 also unveils the economic importance of the broadcasting sector: The sizes of the dots represent the total amount of resources that are deviated to this sector. With a budget of 4,240 m. US € (see above Table 2, p. 29) the Chinese broadcasters, for instance, gain less than one third of the total revenues of the German broadcasters (15,270 m. US €, see above Table 1, p. 17), and less than one fifth of the US-American broadcasters. The difference would be much higher, if the per capita revenues would be used as a measure for the importance of the broadcasting sector.
- ⁵ For the chances and difficulties of this suggestion that are related to the low importance of civil society elements in China in general see the literature mentioned in



triangular model this would mean an upward shift). Such advices would be inappropriate, though, as national broadcasting orders never can be optimised without considering a nation's cultural, social, political and economic peculiarities. Especially the social structure and the citizens' ideologies have to be considered. As the conceptions of a well functioning society differ between the nations, especially about the role of the state, a broadcasting order that is well suited for China definitely differs from the broadcasting order we consider best for Germany. International comparisons therefore, as usual, cannot render simple answers. But they can describe and enlarge the set of options from which a state can choose.

Figure 8:
The International Broadcasting Landscape
between the Voluntary Sector, the State and the Market



footnote 1, p. 29. For practical suggestions to enlarge the influence of the civil society on the established public service broadcasters in the Western World see RUMPHORST 2003, UNDP 2004, BANERJEE/KALINGA 2006.

8. Summary

Broadcasting programmes, like other mass media, serve private interests for information, education, and entertainment. As such they can be sold like other economic goods, either to the viewers and listeners directly (pay TV) or to advertising companies that use the programmes as a medium to catch attention and to transport its advertising messages. In this form TV programmes can be provided by the market, and they can generate high profits.

The exchange of TV programmes can raise these profits. Due to the non-rivalry in consumption additional revenues can be generated without additional production costs, especially if large foreign markets can be opened up. At the same time the enlargement of markets and output units diminishes the average costs per unit, and it thus strengthens the media companies' efficiency and competitiveness – to the benefit of the companies and the national economies where they reside, but also to the benefit of the viewers and listeners. From this regard the expansion of markets also increases public welfare.

However, there are some economic peculiarities of broadcasting programmes, – at least for programmes with certain contents – for which the market fails. 1. sub-additivity of costs (due to non-rivalry in consumption), 2. non-excludability, 3. positive and negative externalities, and 4. an asymmetric distribution of information about the programme quality are the most important reasons. They cause 1. concentration and a low diversity of programme contents, 2. discrepancies between the viewers and listeners' programme preferences and the advertising companies' programme preferences, served by commercial broadcasters, 3. a lack of programmes with positive externalities to the benefit of the public, and an excess of programmes with negative externalities to the disadvantage of the public, and 4. an adverse selection of viewers and listeners, crowding out high quality (and expensive) programmes by low quality (and inexpensive) programmes. For these reasons a mere market provision cannot sufficiently fulfil the broad and diverse public communication which is necessary for complex societies that have to adjust to changing environments and that have to find common and integrative solutions. In Germany, this has been recognised, especially by the Constitutional Court, and a dual order has been established, consisting of commercial broadcasters that provide marketable programmes, and public service broadcasters that provide the whole range of marketable and non-marketable programmes.

Because of these market failures, also on the supra-national and international level an overly zealous commercialisation would be to the disadvantage of the public communication – both for the public and political communication within the nations and between them. The expansion of international programme exchanges and the concentration of the media in the course of globalisation (for broadcasters especially as a consequence of the digitalisation) thus jeopardize the diversity and the nations' chances to participate in the international public communication. At present there are conflicting forces, like the WTO, which promotes the international free trade of audiovisual services, on the one side,



and certain NGOs, like the UNESCO, which combat these attempts, on the other side.

In this dispute, large nations with well settled audiovisual industries that profit economically from a further commercialisation of the international broadcasting markets, like the U.S.A., promote the WTO regime; and small nations that would not render profits on these international markets but whose national culture and identity would be jeopardised, resist it. Many countries, Germany and China among them, would be affected both positively and negatively by a further commercialisation and globalisation of the media, making it hard to predict its future policies.

In an international comparison, the German “dual” broadcasting system is less commercialised than the broadcasting systems of other countries, as public service broadcasting has a strong position. Also the states’ influence on the broadcasters is comparatively low in Germany. In contrast, in China the states’ influence on broadcasters traditionally has been high. However, since the beginning of the 1980s a steady and considerable release from the state’s control can be observed here, and after China’s WTO accession this process probably will go on. Compared with the German order, this is an ambivalent development, corresponding with the German principle of the broadcasters’ necessary distance from the state on the one side, but conflicting with objections against a too strong orientation to commercial purposes on the other. In contrast to Germany, nameable influences on broadcasters from the third sector, i.e. from institutions and organisations of a non-commercial and non-governmental civil society are still missing in China.

The German experiences and solutions cannot be exported to China. National broadcasting orders never can be optimised without considering the nations’ different cultural, social, political, and economic peculiarities. Especially the social structures and the citizens’ ideologies have to be considered. As the conceptions of a well functioning society, especially about the role of the state, differ considerably between China and Germany, also a broadcasting order that is well suited for China differs from the broadcasting order the Germans consider best. International comparisons therefore, as usual, cannot provide a role model for China, but they can clarify and enlarge the set of options from which China can choose.

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