

*Media Economics: A Media Theoretical Approach**

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Abstract

The term “Media Economics”, as a reference for a scientific field, is widely used as a generic term for the economic investigation of single media, such as film, television, radio, the internet or others. Studies often focus on consumer habits, market structures or the production properties of a media as a commodity. This paper suggests an enhanced approach toward “Media Economics.”

An interdisciplinary approach is introduced which intends to combine the media theoretical framework of “Medialität” with economic thought. The theoretical outlines of the media scientific framework for media economics will be explained and possible connections between media theory and institutional economics are briefly portrayed.

* This paper covers one principle aspect of the dissertation “The Order of the Senses - A Media Economic Code of Man” [working title - work in progress]. Please note that, within this paper, the single term “media” is not a synonym for the term “media company”, but refers to entities as “the book”, “the movie”, “the internet,” etc.

Media Economics - A Media Theoretical Approach

Media in general fulfill many, often taken for granted, functions within society. Without media, modern societies would lack fundamental communication infrastructure, as well as the political power of the fourth estate, and the wide range from trivial to sophisticated information, not to mention the entertainment provided by media. This importance of media in combination with the outstanding developments within media technology in the last century has made the study of media more popular and significant, but it has also resulted in amorphous academic structures. This paper presents an approach to bring some of these structures into an interdisciplinary order.

Media sciences, in contrast to economics, do not have a general acknowledged set of terms and definitions to rely on. If you browse through different media departments in Europe and the US, you will find nearly as many definitions of media as there are media scientists. Given there is no available tradition of this science, a lot of scientists from different fields work in the same area. While economists, journalists and lawyers focus on the mass media and the new media, media sociologists devote their time to “social generalized communication media”, like “power”, “love”, “trust” or “money”. Scientists with a background in philosophy or literature care mostly about symbolic theories of media; This includes the wide range of items regarded as a medium, from likely things as the photograph or language itself to more uncommon objects as the telescope or light.

It is likely that the only agreement you will find among scientists who refer to media theory is that they assume that *the technology of the medium applied for a certain task “shapes”*

the possible outcome, hence the perception of the world and therefore the structure (or 'unstructure') of human thought. To illustrate this sentence in the words of a German media historian: "The world of an illiterate is different from a citizen of the Gutenberg Galaxy, from a Televisionary, from an internet-surfer."¹ What matters is *not what* somebody watches on television - i.e. soap operas or documentaries - but *that* he watches television makes all the difference.

Media sciences thus start with the assumption of a 'media a priori' of the world. This 'media a priori' is summarized by Niklas Luhmann as follows: "All we know about society, alas about the world we live, we know through ... media."² The following pages follow these assumptions and try to explain why media economics can benefit from the different approaches on media.³ A basic model of media theoretical analysis is introduced first. Secondly, the focus will be "shifted" towards an economic point of view of this model, in order to merge media theory and economic theory into a consistent media economic approach.

¹ Hörisch, Jochen (2001): *Der Sinn und die Sinne - Eine Geschichte der Medien*. Die Andere Bibliothek. Herausgegeben von Hans Magnus Enzensberger. Frankfurt am Main : Eichborn. p. 71 (own translation)

² Luhmann, Niklas (1996): S. 9 (own translation)

³ The dissertation, this paper is drafted from, therefore has two "audiences": (1) media scientist who want to know more about media economics, and (2) economists who want to know more about media theory.

The big picture: Economics and Media Theory

To understand why to bother with merging media theory and economic thought into a media economic approach, we need to look at the two general relationships of media and economics:

1. *Applying economic thought on media:* The first relationship is the application of economic theory on single media, within the traditional economic figures of the market, the household and the firm. “Media” are equated with media companies (such as AOL - Time Warner), who produce media content, which is delivered to media recipients. Special properties as immaterial informational good and the cultural role of media often leads to the integration of normative values to these researches. This area is already quite developed. An outline to this area for the US can be seen in Albarran (1996).
2. *Applying media theoretical thought on economics:* The role of media within the interactions between different economic actors is to be analyzed. Media themselves act as the foundation of the meeting of production and demand within impersonal markets. From the cuneiform script of the Babylonians to the bits of the Internet, media have been the abilities of contracting and impersonal trading. Hence media has always been an important but taken for granted part of modern economic exchange. The media influence on these processes forms a quite undiscovered territory.

The first approach is blind about the role of media within economics itself. Though traditional media economics is not blind towards institutions in general (especially in the current quarrels about property rights problems), the contribution of media toward the rules

of the game are, in general, neglected. Thus we follow the second road in order to get a deeper understanding of the relationship of media and economics. In order to do this, we take a look into the contribution of media theory and the concept of “Medialität.”

Zooming in: The micro analysis of media: ›Medialität‹

In order to make the ‘media a priori,’ suggested by media theory, useful to economics, I like to introduce an abstract layer model that was developed at the Bauhaus University of Weimar. It abandons the focus on single media (like economics of television, economics of the press etc.) and allows analysis on a more abstract but still structured level. It does so by defining ‘layers’ of a medium. The term for the unity of these layers is “Medialität”, a German noun that is referring to the *properties* and *forces* generated by a medium.⁴ According to this layer model media consist of three inseparable forces: 1. The Object, 2. The Dispositive, 3. The Symbolic Form, as illustrated in figure 1.

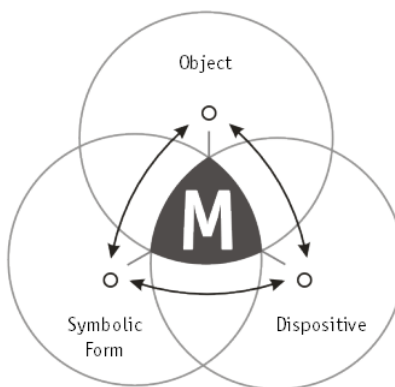


Figure 1: Illustration of the layer model of Lorenz Engell (1999)

These layers cannot be extracted from one another in the day-to-day world; they always come together since *all media* consist of them. The relation from one layer toward the other is not that of a fixed ratio. Some media have a stronger appearance in the object layer, some

⁴ To my knowledge there is no proper translation of this word. German websites tend to use “mediality”, but I think that is rather German free styling of the English language

are stronger in their dispositive, or stronger forces of the symbolic form. Some media even share the same technology, but differ in the dispositive. Before we take a look at how this can be brought together with economic thought, I'll give you a brief description, what these three layers of "Medialität" are describing in general.

The "Object" layer:

This is the layer of the apparatus, the technical presence of the medium. It embraces objects, hardware, machinery and also production units. This layer defines the purpose of a medium, for example transmission, storage, etc.

For the medium "Movie", this layer would include all the equipment for the production, the post-production, editing and the projecting of the movies as well as the necessary facilities, such as studios, cinemas, etc.

The "Dispositive" layer:

The second layer is the one of the dispositive. A dispositive consists of an arrangement of an apparatus within time and space. In the words of Michel Foucault, it is an "...arrangement of objects, surfaces, lights, glances; within an apparatus which inner mechanisms constitute the ratios, within individuals are captured."⁵ This is a conditional structure that relies on physical arrangement and a cognitive imprint that constrains human beings to specific rules of perception.

In the movie example, the dispositive describes the rules, which are to be "obeyed" by all players in order to allow the consumption of the film. Referring to the construction of the cinema and the projection of the film, it has to be quiet and dark; All viewers have to be set

⁵ Foucault, Michel (1976): S. 259 (own translation)

in an inflexible relation to the screen etc. The dispositive is describing, somewhat, the “rules” of the specific medium.⁶

The layer of the “Symbolic Form”:

The layer of the symbolic form is the third and most complex layer, since it describes the individual “perception of the world“ shaped by media. This layer describes the possibility of combining single conscious learned rules to aggregations of sense, which shape the perception of the world.⁷ Within this layer, possible cognitive changes to the perception of the rest of the world take place. In other words the layer of the symbolic form is about the contribution of media to the belief systems of humans over time.

A superficial but illustrative example would be the assumption that the dominance of film as a recreational medium in our society contributes to the experience pool of humans and thus leads consumers who start to structure their lives according to learned cinematographic principles, faster, louder, more romance, less linear, etc.⁸

The single layers of media, structured in the model of the “Medialität” as object, dispositive and symbolic form provide several possibilities to connect with economic theory. These possible connections will be discussed in the following section.

⁶ Note, as you watch a film on a TV set, the content stays the same, but the dispositive changes!

⁷ Cassirer describes this as follows: “Through them [symbolic forms] alone we see and in them we own what we call ‚reality‘: because the highest objective truth, that reveals to the mind, is finally the product of his own activity. In the entirety of it’s own performance and the insight of the specific rule, [...] as well as the consciousness of the connections that integrates these rules to the whole of a task or a solution: in all of this, the mind now owns a view on himself and on reality.“ Cassirer, Ernst (1998): S. 96 (own translation)

⁸ Note that this is a reciprocal process. “Faster, louder, more romance, less linear” would be only adapted if this is a cinematographic concept which is generally used to choose a film to watch. The Theory of Symbolic Forms does not imply a one-way stimulus response model. It implies that there is a dynamic feedback process between human action and “learned” symbolic form.

Economic Theory and ›Medialität‹

How could this concept of “Medialität” be applied beneficially to media economics? One useful way is this apply the structure on research topics. At Bauhaus University, we have used this as a framework in order to structure studies on single media. Examples are "The Euro as Medium of the European integration" (Jancke 2003), “Brands as Media” (Lambrecht 2003), or with the concern to applying these concepts to economic thought such as: "Elements of a Theory of Media Production" (Maier 2001) or “The Allocation of Media Time” (Treutler 2002). With the focus on institutions, the possible connections between the model of “Medialität” and economic theory shall be summarized briefly in the following.

Economics and the ‘Object’ layer:

This is the layer to which most economic works refer. Producers, markets and consumers can be well distinguished and analyzed. Within neoclassical economics, media can be described as information goods with certain well known properties. But obviously, the perfect individual rationality assumption of the neoclassical theory has it’s difficulties with media in general, since perfect information and instantaneous feedback put media outside the world of these models and cannot integrate the media a priori stated by media theory. Thinking about a media would therefore only make sense within the boundaries of incomplete rationality, which recognizes transactions costs and opens the view that media impacts these costs (this became most obvious with the rise of internet technologies). But since transactions costs open the world to uncertainty (this also became obvious with the rise of the internet), institutions must be recognized by media economics.

Economics and the ‘Dispositive’ layer:

The layer of the dispositive is especially interesting from an institutional perspective for two reasons: (1) media are embedded into the institutional matrix of society; (2) since the Dispositive layer refers to the rules that media imply and (technically) enforce, it can be assumed that media are also contributing to the “rules of the game”. Since the first one is quite obvious in terms of constitutional rules (i.e. freedom of press), property rights (i.e. copyright), etc, the second one needs a further explanation. I shall illustrate this point on the basis of the levels of institutional distinction which were suggested by Oliver Williamson (Figure 2):

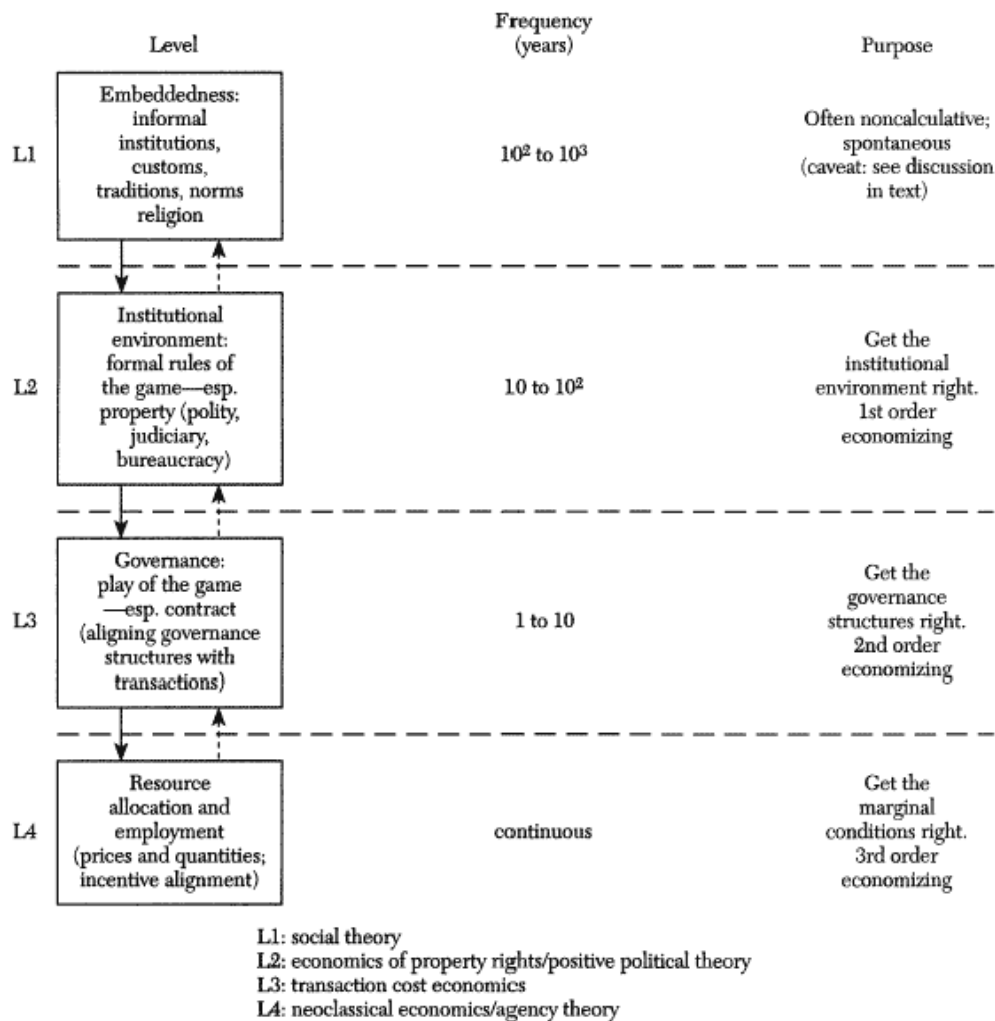


Figure 2 - Economics of Institutions (Williamson 2000, p. 597)

The media a priori of media theory assumes that media contribute to level 1 of this chart. This view is supported by a statement by Richter and Furubotn, who suggest that language and writing, as well as divisions of time and also communication, belong to the *elementary operational rules of general character* (Richter/Furubotn 1997, p. 268). If these elementary operational rules change, the institutional frameset changes. This might become only visible with a glimpse into media history that considers different epochs of so called “Leitmedien” (leading media of a society), which determine a great deal of human communication and therefore influence the culture. For illustration purposes, these could be very roughly outlined as: 1. oral cultures (based on speech and memorization), 2. literary cultures (based on handwriting and storage); 3. print “Gutenberg” cultures (based on the printing press, linearization and decentralization); 4. electric cultures (based on electronic media and reciprocity); and 5. digital cultures (based on digital media and ephemeral flexibility).⁹ It is arguable that leading media contributed to tacit knowledge of the individuals and therefore contributed informally to the elementary operational rules.

Like Williamson suggests, this is a process, to which institutions on the other levels (level 2 to 4) can consecutively adjust on the long time scale. Especially, the rise of the printing press or recently the internet illustrate that media technological innovations as a result of level 4 can have a substantial and instantaneous effects on level 2 and 3, which doesn't follow the chronological order of Williamson's model. Media theory itself assumes that new evolving technology alters general operational rules in something like a 'jump cut' from level 4 directly to level 1. Unfortunately, it doesn't tell us precisely how this change is

⁹ Drawn from Hörisch, Jochen (2001)

supposed to take place. A possible answer for media economics could be given within the layer of the symbolic form.

Economics and the layer of the ‘Symbolic Form’:

If we agree that media contribute to the way individuals perceive the world, it seems necessary to investigate the relationship between cognition and institutional evolution. The theory of the symbolic form suggests symbolic experiences culminate to a greater concept of making sense of new symbolic receptions. In other words, this investigation should attempt to answer how media contribute to a system of the mind actively constructing a pattern, which is helpful to classify new information. It can therefore be suggested that media can change over time *what* is regarded as an incentive. These assumptions are quite compatible to the thoughts of Hayek (1952) and, more recently, North (2004 forthcoming) and, therefore, shall be contrasted with the theory of symbolic forms within a next step.

Conclusion

The interdisciplinary combination of media theory and economic thought towards a media economic approach brings two scientific fields together that don't fit easily. But in a world that is shaped by fast changing mediated communication, we need to investigate both, the “fabric” of media and the embedded economics. The media theoretical model and especially the layer of the “dispositive” both imply that media economic analysis doesn't make sense without the theory of media institutions and their change. Once fully developed, this approach could therefore guide us within the “undiscovered territory” of the role that media play within economic activities.

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