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THE ROLE OF MEDIA ECONOMICS IN THE MODERN WORLD

Abstract

The availability of information is crucial for efficient decision-making by consumers. Nowadays this information can be received from various sources. This paper examines the place of the media in spreading facts and data across the world and shows how it affects national economies. The role of media economics is studied through an exploration of such topics as micro- and macroeconomics, communication channels, creative economy and creative industries. The first part of the research is designed to provide a framework of reference in the media and economics. It should enable the reader without a background in these areas to appreciate the conceptual content, relationship of media and economy and application of economics to the media. The second part of the paper analyses empirical data on media penetration and helps to understand how governments can affect citizens through the media. Media economics is challenging but necessary to study while the media is becoming today one of the most important factors of global economic development.

Key words: *media economics, creative economy, creative industries, information technologies, communication channels, government, consumers*

It is considered that media economics emerged during the 1950s. The age of digitalization in the 21st century accelerated and made more visible the development of media economics. Information technologies and communications have helped to create new arrangements of place, time and space in a culture with globalizing tendencies. Media products represent a small but growing proportion of total economic activity, especially in developed economies, e.g. in the United Kingdom they account for 3-5% of GDP.

The interaction of the media with economics

To better understand what media economics is, this paper offers a comparative analysis of vision presented by various academics (Table 1).

Table 1

Concepts of media economics

Media economics	describes how media industries use scarce resources to produce content that is distributed among consumers in a society to satisfy various wants and needs [1].
	is concerned with how media operators meet the informational and entertainment wants and needs of audiences, advertisers, and society with available resources [6].
	is an effort to show out the role of media as an economic institution, taking into account the role of globalization in an ever-evolving network of media industries [3].
	is the business operations and financial activities of firms producing and selling output into the various media industries [4].

Source: own composition.

Media economics unites the study of as economics so media. We agree with the statement that media economics, being a part of the economy, is related to the concepts of macro- and microeconomics as it studies economic processes as well as small and large corporations. Media economics concerns of the structure of media markets and media industry, the way, how media corporations make money and nature of their goods and services, especially in terms when media companies are usually operating today as oligopolies.

Media economics as media is communication channels through which data, news, education, entertainment, and promotional messages are distributed. It includes broadcasting (TV, radio, billboards), publishing (newspapers, books, magazines), and the Internet (websites, blogs, social networks). On a whole, media economics deals with the content, which is produced and disseminated by media companies. For instance, a large corporation can promote its brand through different communication channels in a single media market.

Therefore, there four major factors which affect the interaction of the media with the economy, including technology, globalization, regulation, social aspects.

Media economics presents its specific challenges, as the media have many distinctive attributes:

1. Media companies operate in “two-sides” markets [7, p. 991] because they produce at the same time two different commodities. First, content which means

articles, television programmes, arranged into a schedule, e.g. a magazine, and, second, an audience and its attention. What is fascinating about media content, that is its use-value derives from immaterial. The value of media goods for consumers is involved into messages they convey. These messages can be consumed by audiences without being depleted in the process, so the values of the product are not reduced for other customers. Due to this, the same content can be supplied over and over again to additional consumers. That’s why media content can be considered as a public good, as its consumption doesn’t diminish anyone else’s opportunity to use it. As more customers consume an item of content, marginal returns will increase, and the industry can be characterized by economies of scale. Costs for the production of first items of the content are very high, but marginal reproduction and distribution costs are low or even sometimes they can be equal zero.

Economies of scope are also to be found in the media economics as media companies are able to provide a large number of different products on the market which stimulate decrease of the average total costs of production.

So media content is one form of output while a second valuable output is an audience represented by listeners, viewers or readers. Audiences nowadays play a crucial role in creating and distributing content. People are the main source of income for media companies as they pay for the consumption of media products.

2. Media content is classified as a cultural good as it is expressed by films, books, television broadcasts and music, which don’t provide just a commercial component but may also be appreciated as cultural values.

In this regard, media economics is intertwined with creative economy. Moreover, media economics can be considered as a part of the creative economy, which describes creativity throughout a whole economy sharing many elements. The creativity-based model involves all kinds of creativity comprising advertising and marketing; architecture; crafts; design: product, graphic and fashion design; film, TV, video, radio and photography; IT, software and computer services; publishing; museums, galleries, and libraries; music, performing and visual arts [5].

3. Media economics encourages the sharing of content across different communication channels around the world using computer network technologies.

Media corporations may use different ways to raise revenues for their products, but all of them can be divided into two major groups:

1) the money which comes from customers who consume media products, their levels of disposable income and confidence. Interrelations between media companies and consumers lead to the emergence of media convergence, which presents more opportunities to both of them. On the one hand, the power and control in the media industry are held by private owners, e.g. companies, such as Warner Bros. in the film industry, today have control over various aspects of the entertainment industry, including books, magazines, computer games, and toys. Media industry owned by big corporations can improve the quality and value of the services as well as facilitate technological developments. Such ownership indicates the process of media convergence. On the other hand, it may cause the decline in the diversity of offered material;

2) the money which comes from advertising: as most media companies are highly sensitive to the ups and downs of the economy, and most of them believe an advertising can become a primary source of income.

In practice, many media firms combine two ways to provide themselves a steady flow of money.

The behavior of consumers affected by governments via media

Today, it is increasingly acknowledged that the media industry is of crucial importance in the economic development process. While factors like investments, human capital, social and demographic factors have been historically considered to be necessary components for development, over time, more academics recognized the media sector's critical role.

At present, governments, using media, can significantly affect communication processes in a society, and direct the activities of media companies and media organizations. It happens because the media offers platforms which give the opportunity to share information very easily and the level of interaction is very high.

The media can drive both economic growth and increasing spatial and individual inequalities. The impact of mass media is not likely to accentuate spatial or individual inequalities. Broadcasting evens out asymmetries in information availability. However, the quality of news generated is influenced by government treatment of the media industry.

According to surveys, media are trusted more than governments across the globe, especially in developing countries, by an average of 61% compared to 52% for governments [2]. Trust in media is highest in Nigeria (88%), India (82%), Indonesia (86%) and Egypt (74%) (Figure 1).

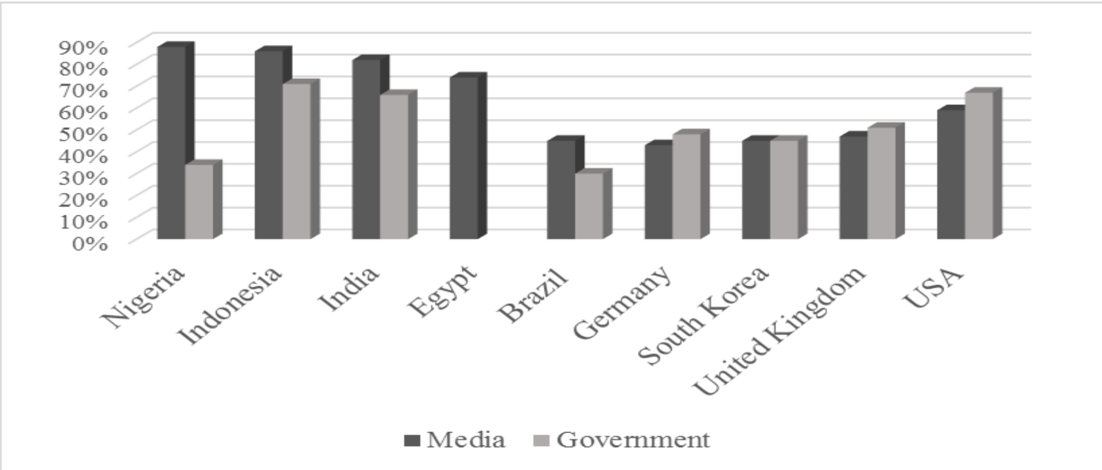

Figure 1. Share of the media and governments trusted in developing countries

Source: own composition.

But, still they strongly believe that governments interfere too much in the media. Young audience is moving away from television towards the Internet preferring to get the necessary information on-line. One in five of young people aged 18-24 names the Internet as their primary source of information. Interestingly, awareness of more “global” news brands is very low in most countries, although the most popular and trusted are brands are BBC and CNN. Consumers often consider that media is too focused on Western values and ideals which make them prefer checking several sources than relying on just one.

Meanwhile, public opinion is heavily affected and sometimes even created by media companies due to the open and penetrative political and social influence used by powerful media corporations.

Conclusion

This paper addresses the place and role of media economics in the modern world. Media economics deals with media (different communication channels like TV, radio, the Internet, etc.) and economy (microeconomics, which includes the study of individual markets, and macroeconomics, which studies national economies in the context of global trade) simultaneously. Media is considered to be a catalyst toward economic impact. However, the introduction of new information technologies has intensified the centralization of the media, which can be used by governments for their benefit.

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