
REVIEW

Media Economics

Alan Albarran, Media Economics: Understanding Markets, Industries and Concepts, Iowa State University Press, Ames, Iowa, 1996

Alison Alexander, James Owers and Rod Carveth (eds), Media Economics: Theory and Practice, 2nd ed., Lawrence Erlbaum Associates, Mahwah, New Jersey, 1998

Reviewed by Franco Papandrea

The past decade has brought enormous change in media industries. In Australia, we witnessed unprecedented upheaval of media industries generated by the variety of factors such as financial crisis in commercial television and in the Fairfax Newspaper Group, the introduction of new media such as Pay TV, new legislation for broadcasting and communications, parliamentary inquiries into the print media and various aspects of electronic media as well as several other official inquiries commissioned by the Government, including an inquiry into the film industry. But massive change in media industries was not a peculiarly Australian phenomenon. Rapid technological change and privatisation policies have brought about extensive transformation of media industries around the world. Faced with such change, media scholars have turned increasingly to economics seeking to understand its causes and effects. These two books are examples of expanding interest in the field.

Although both books traverse similar terrain and have similar structures, they are likely to appeal to different readers. The Albarran book is very much an introductory text and is intended for people with an interest in media issues, but with little, if any, understanding of economics. This is clearly indicated in the preface, which says that the book 'is aimed primarily at undergraduates and graduate students as well as professors and professional practitioners. ... Students and professors need an understanding of how economics — and economic concepts — impact on media companies and industries. By understanding the economic activities of media industries, one can better understand the role, function and purpose of media in society' (p.vii). The presentation of material is also done with the student in mind and each chapter concludes with a set of 'discussion questions' and 'exercises' clearly intended as learning aids.

The book is made up of an introduction followed by six different sections comprising a total of 14 chapters and two appendices. The opening chapter

introduces the reader to terms such as microeconomics, macroeconomics and media economics and outlines the plan of the book. The first section, comprising the next three chapters, is devoted to discussion of economic concepts such as demand and supply, market structures and the application of economic analysis tools to evaluate media markets. The coverage of these chapters is limited, but should be sufficient to convey a basic understanding of key concepts to newcomers to the field. The material is generally well presented in a clear, easy to follow style. Unfortunately the presentation is spoiled somewhat by a few instances where the author appears to be a little confused (for example, illustrations of elasticity and of demand/supply under different market structures, and a correct definition of macroeconomics wrongly illustrated with microeconomic examples) and which are likely to be misleading to novices.

The next three sections deal in turn with the broadcast and cable industries (four chapters, one each on the radio industry, the television industry, the cable television industry, and premium cable/pay-per-view), the film and recording industries (one chapter on each) and the print industries (one chapter on each of newspaper, magazine and book industries). The fifth section addresses the future of media economic research and the sixth and final section labelled as a 'supplement' comprises two Appendices on research resources and common financial ratios) and a Glossary. Each of the industry chapters follows a fairly similar format, loosely based on the industrial organisation analysis format of 'market structure, conduct and performance'. The final chapter in the book, 'The Future of Media Economics Research', discusses some of the topical developments and issues likely to face media industries in the years ahead.

The book concludes with a 'supplement' made up of two appendices and a glossary. The first appendix, 'Reference Sources for Media Economics Research', provides a useful aid to students, as does a detailed glossary of key terms. The second appendix lists commonly used financial ratios without any explanation of their use, and consequently, is unlikely to be as helpful to students unfamiliar with business analysis.

Although the material is addressed to the book's primary market in the United States, the approach and issues discussed would also be broadly applicable to Australia and New Zealand. Overall, the book should prove to be a practical resource for students and teachers involved in 'primer' courses on media economics where the objective is to provide background, rather than in-depth, knowledge and understanding of the issues. It should also be useful as a primer to industry practitioners with non-economics backgrounds.

Media Economics: Theory and Practice edited by Alexander, Owers and Carveth is a collection of essays written by some well-known practitioners. Although pitched at a slightly higher level than the Albarran book, it also is essentially an introductory text for the study of media economics. The book

contains 13 chapters organised in two sections: 'Economic Value and Structure' and 'Industries and Practices'.

Section I begins with a 43 page overview of economic concepts by the editors and is intended as a background for the discussion in subsequent chapters. Apart from some minor updating, the material presented here is substantially the same as that in the opening chapter of the first edition of the book, albeit somewhat rearranged. Detracting from the generally well-presented material, the amendments and additions contain a substantial number of typographical and other minor errors, giving the impression that the authors relied too heavily on an electronic 'spell-checker' at the expense of traditional proofreading. In the following chapter, Gomery argues for the increased application of economic analysis to the evaluation of media policies. Another chapter by Corn-Revere and Carveth discusses recent legislative and regulatory changes affecting the communications and media industries in the United States. Some of the changes have parallels in the new Australian legislation for telecommunications and broadcasting. In chapter 4, Bates highlights factors that influence the valuation of media assets and discusses typically used valuation methodologies. In the final chapter of Section I, Ozanich and Wirth discuss merger and acquisition activities in the US communication and media industries.

Section II is a collection of eight essays each devoted to the economics of a different sector of the media industry. Although the extent of coverage differs from chapter to chapter, the material is generally well presented and provides a good introduction to pertinent issues facing the industry sector in question. All the chapters in this section are written by people with extensive knowledge of the field and provide the reader with interesting and informed insights to important sectors of the industry. Picard discusses the daily newspaper industry (chapter 6); Litman, television networks (chapter 7); Carrol and Howard, cable television (chapter 8); Gomery, Hollywood film studios (chapter 9); Tankel and Williams, contemporary radio (chapter 10); Rothenbuhler and Streck, the music industry (chapter 11); Carveth, Owers, Alexander and Fletcher, international media (chapter 12); and Carveth, Owers and Alexander, online media (chapter 13). Some of these chapters are updated versions of similar chapters in the first edition, others are new. In particular, the chapters on contemporary radio, the music industry and online media are important and timely additions dealing with issues of current interest. The chapter on international media could also be considered a new chapter even though it draws significantly on material presented in two chapters of the first edition.

The book also provides two short, but useful appendices on 'media accounting practices' and 'financial management', as well as a detailed glossary. Separate author and subject indexes are also provided. However, the subject index is rather skimpy and is really no more than an agglomeration of some of the subheadings from the individual chapters. This is a pity as it detracts somewhat from an otherwise well-organised book.

Overall, *Media Economics: Theory and Practice* is a valuable resource for media scholars and useful as a text for introductory or intermediate courses in media economics.

Although the two books considered in this review cover similar issues, they are broadly directed at two different levels of readership and are consequently not conducive to direct comparisons. Both books are useful depending on the reader's level of interest. Individuals seeking only a basic introduction to media economics are likely to find the Albarran book more suitable to them. However, anyone seeking more than a basic primer would be well advised to consult the Alison, Owers and Carveth book.

Franco Papandrea is an Associate Editor of Agenda and Director of the Communication and Media Institute, University of Canberra.