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Manfred Kops

**A Revenue-Based Methodology
for the Classification and Comparison
of Broadcasting Systems**

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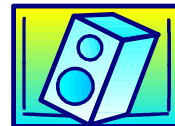
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Manfred Kops

**A Revenue-Based Methodology
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of Broadcasting Systems**

**1. The Market, the State, and the Voluntary Sector
as Alternative Institutions
for the Provision of Broadcasting Programs**

**1.1. The Market, the State, and the Voluntary Sector
as Alternative Institutions for the Provision of Goods**

There are many international comparative studies on broadcasting systems (or more generally: on media systems). They take very different variables into account, depending on the research questions posed and on the academic background of the researchers. The study at hand follows a common economic approach. It tries to classify and compare broadcasting systems according to the way broadcasting is provided and financed in a country. As this approach is very general, it can be used both for traditional broadcasting programs (radio and television programs) and new forms of broadcasting (like IP-TV and other forms of electronic communion that are based on the internet). And it also could be applied to other forms of mass communication (like the print media), thus expanding the methodology from the classification and comparison of broadcasting systems to media systems.

In general economic theory distinguishes three alternative ways to provide goods: the market, the state (government), and the so-called “voluntary” (non-governmental, non-profit) sector. Each of these institutions has advantages and disadvantages, capabilities and weaknesses. They have been discussed in detail in many economic text books, both in general¹ and applied to different types of goods or different sectors of economies in particular:²

- The *market* relies on self-interest and profit making, and thus is highly cost efficient, motivating and dynamic. It is a capable instrument to discover latent demand, and to adapt to the preferences of consumers. And it also is an instrument to influence preferences and to create new demands. As the decision to offer and buy goods is left to the individual, the market also allows the utmost freedom in decision-making. On the other hand, for certain goods the market may fail: It may not (or not sufficiently) provide public goods and goods with positive externalities, and may provide too many goods with negative externalities. It also may fail for goods which are not excludable (i.e. when it is not possible to enforce payments,), for goods which have sub-

¹ See for instance GHOSH 2001, DUBBINK 2003, WINSTON 2006.

² For the broadcasting sector see section 1.2. below.



additive costs, i.e. economies in scale and scope (which may lead to monopolies), and for goods for which the information about the product quality differs between the suppliers and the consumers (so called “asymmetric information” which may lead to moral hazard and adverse selection). Besides these weaknesses in allocative efficiency the results of a market provision may differ from a societies’ ideal of the fair distribution of income and welfare.

- The *state* relies on sovereign authority and cohesion. As a central and authoritarian decision maker it can take positive and negative externalities and asymmetric information into account, and it can provide non-excludable goods, which need to be financed publicly by taxes and fees. On the other hand, the state is less cost efficient, and it is less motivating and dynamic than the market, as it does not rely on the consumers' individual evaluation, and it is not based on free individual decisions but on central (collective) decision-making. The state may also cause distributive deficiencies, as politicians and bureaucrats are not always benevolent but sometimes maximize their own benefits instead of distributing income and welfare according to the respective societies' distributive norms.
- The *voluntary sector* is neither driven by private profit making, nor by the target to assure and obey political power. Instead it relies on intrinsic motives, e.g. on human care for loved ones (child raising, caring for the old and sick), on the motive to create durable beauty or originality (arts) or on the wish to influence and convince others (poetry, literature and journalism). These motivational powers may lead to the provision of goods that are innovative, consumer-oriented and at the same time in the interest of the public. On the other hand the voluntary sector per se suffers from financial straits, as the goods and services provided are non-excludable (and thus cannot be sold). This notorious scarcity of resources for most voluntary organizations usually results in an unprofessional quality in the goods and services provided. And also with regard to the distributive results the voluntary sector may have deficiencies, as its non-governmental, non-profit organizations also may be managed by selfish individuals who cannot be controlled perfectly by the organizations’ members and thus try to achieve private targets.

Because of these pros and cons, the market, the state, and the voluntary sector are combined in all existing economies. However, the size or relative importance of the three institutions varies. In capitalist economies the market dominates, and the state and the voluntary sector are of relatively little importance; in centrally planned economies the state dominates, and in many traditional or less developed economies the voluntary sector dominates. These differences can be explained both by differences in the capability of the three institutions (e.g. due to the different stage of the social and economic development of the countries) and by differing ideologies about these capabilities – which may be based on the experiences, people have had with the alternative institutions in the past, but also may have been influenced by parents, teachers, friends, the mass media, the governments etc.

1.2. The Market as Provider of Broadcasting Programs

What has been said for goods in general also holds true for broadcasting programs in particular. Like other goods, broadcasting (radio and television programs, new forms of electronic mass communication) satisfies private needs of the viewers and listeners on the one hand, e.g. the need to be entertained, to be informed, or to be educated. With regard to these attributes there is a private willingness to pay: Broadcasting programs can be sold to “consumers” by subscriptions, either separately (pay per view) or as program bundles (pay per channel). In addition, broadcasting programs are a most suitable means to catch the viewers' and listeners' attention for advertisements. They therefore are appropriate carriers of commercials and sponsoring messages, which are sold to advertising companies. In both forms broadcasting programs can generate private revenues and profits. And they have: During the last century, at least until the end of the last decade, in most of the industrialized countries of the Western world the turnarounds and profits from broadcasting programs, especially from television programs, grew faster than the economies in general. In developing countries broadcasters meanwhile belong to the fastest growing industries as well.¹

The World Trade Organization (WTO) emphasizes these attributes of broadcasting programs as private goods and as commercial goods, for instance. It sees the markets' advantages as being highly efficient and preference oriented, cutting slack and abolishing unattractive or unprofitable program offers (or programs for audiences that are not able to pay or that are not attractive as consumers and as targets for advertisers).² Thus the WTO protects and promotes international free trade, also for services, and also for the audiovisual sector.³ And it tries to expand this mission to more and more industries, also the audiovisual sector.⁴

On the other hand *market failures* or market deficits also apply to broadcasting programs. Only a few of them are obvious, others are subtle or hidden. In order

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

² The trade policy of the WTO is described at http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm11_e.htm.

³ It should be mentioned, however, that also the WTO's “General Agreement on Trade in Services” still makes considerable exceptions for audiovisual products, as some of the cultural and social functions of the media have been recognised. See MICHEL 2003.

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.”



to discover them, one has to adapt the general economic theory to the peculiarities of broadcasting programs, whilst taking into account the findings of other social sciences (like communication theory, political science, and political journalism).¹ Only then can the general economic attributes of the theory of market failure be properly translated into journalistic and artistic/creative attributes. And only then does it become apparent that there are several forms of market failures, which cause a divergence between the markets' offerings and the desired outcome, especially with regard to the social and political functions of the media, and especially with respect to the media's important functions for the promotion of public communication.² The main forms of such market failures and deficits for broadcasting programs are:³

- *Highly sub-additive costs (economies of scale and scope)* cause horizontal, vertical, and diagonal media concentration. It allows the monopolistic or oligopolistic program providers to dominate public opinion and to promote their own commercial interests. It also leads to a focus on mainstream programs ("more of the same"), while programs for minorities (which are more expensive for each of the few viewers and listeners) are not provided.⁴ In the course of globalization of program markets this mechanism may lead to focusing on identical contents and formats worldwide and to a diminishing amount and scope of programs that are in the interest of minorities (also with regard to local, regional or even national program content).⁵

Non-excludability means that the supplier cannot hinder consumers, who are not able or willing to pay for a product, from consuming it. Non-excludability thus impedes a decentralized "quid pro quo" exchange between suppliers (providers) and consumers (recipients) of broadcasting programs and promotes forms of indirect exclusion (e.g. of air time for advertising companies), causing negative program effects (such as ignoring the programming needs of people with low income or invariable consumer structures).⁶

- *Production and consumption externalities* cause deviations between the overall welfare created by the sum of individual production and consumption

¹ *ibid*

² SCHULZ/HELD/KOPS 2002, KOPS 2006b

³ See *ibid*, pp. 107 et seq.; KOPS 2001b, pp. 57 et seq., HELM 2005b, WARD 2006.

⁴ See GRANT/WOOD 2004; KOPS 2006b.

⁵ *Ibid*. This is the theoretical background for recent attempts to exclude the media from the WTO's "General Agreements on Trades in Services" (GATS). See e.g. METZE-MANGOLD 2006; METZE-MANGOLD/MECKEL 2006.

⁶ While broadcasters that are financed by commercials try to maximize the benefits of the advertising industries (which are closely related to the program attention of viewers with higher purchasing power and a higher disposition for advertising messages) the programs diverge from the viewers' preferences with regard to attention-catching contents (like sex and violence) and certain stylistic elements (like fast motions, loudness and shrillness).

decisions and the total public welfare. Positive externalities of programs, that generate public welfare for instance, (e.g. by supporting integration, democracy, and peace) are not positively evaluated (and thus are not included by the calculations of markets), and negative externalities of programs that reduce common welfare (e.g. by supporting separation, dictatorship, and violence) are not negatively evaluated (and thus are not excluded by the calculations of markets).¹

- *Information asymmetries* between the providers and recipients of the broadcasting programs (e.g. of news, political commentary, consumer awareness) can generate an “adverse selection”, i.e. the substitution of programs with non-visible attributes (so-called trust goods) with programs with visible attributes (so-called search goods).² At the same time they change the journalistic and artistic/creative attributes of programs, e.g. increasing program elements that are more seductive (such as emotional, sensational, fictional, entertaining, violent or sexual elements).³

Intransitive consumer preferences allow broadcasting programs with high private and public benefits that are preferred under circumstances favorable for a rational choice to be displaced, by programs with smaller or even negative benefits under other, less favorable circumstances (e.g. after a hard days’ work, television programs are passively consumed, mainly providing entertainment, relaxation and escape).⁴

In sum, the market is not as competent in the provision of broadcasting programs as it is for many other consumer goods. And for certain types of broadcasting programs⁵ it may fail completely. In addition to these allocative market

¹ GRAHAM/DAVIS 1997, pp. 11f.

² For the differences between search goods and trust goods and the economic consequences of allocating them by markets see e.g. SHAPIRO 1983.

³ These consequences are characterized in more detail by newer studies in political journalism. See e.g. LEDBETTER 1997, HAMILTON 1998.

⁴ See BRENNAN/LOMANSKY 1983 who distinguish between „R-preferences“ (reflexive preferences) and „M-preferences (market preferences). Also see KOPS 1997; KOPS 2005c pp. 355 et seq.

⁵ While some of these allocative market failures occur in broadcasting programmes in general (e.g. economies of scope), others are restricted to special types of programs or their importance varies according to specific attributes of the programs. Externalities for example are higher for programs that focus on public information (e.g. news magazines or political magazines, and political reports), and are lower for programs that focus on entertainment (e.g. sports or tv-serials and films). Likewise, information asymmetries are higher for programs whose benefits rely mainly on non-visible attributes (such as truth, actuality, fairness, or plurality, which determine the value of political reports). And they are lower for programs whose benefits mainly rely on visible attributes (such as action, excitement, or comedy). The economic (and journalistic and artistic/creative) tributes of the programmes thus determine whether they can be provided by markets or should be provided by governments or non-governmental public organizations.



failures, in other words *negative distributive effects* of market provision, have to be considered. Whereas for many goods a distribution according to the citizens' income and purchasing power is accepted (also with regard to its value as an incentive to work), for broadcasting programs such an exclusion is problematic: When citizens with a higher income are better served with broadcasting programs than citizens with a lower income, there is the risk that societies split into information "haves" and "have-nots", and that this gap will increase in the long run – with negative impacts on the societies' coherence and stability.¹ This risk becomes even higher for "information societies", in which more and more functions (education, culture, politics) are imparted by the media – and especially by broadcasting (in future also by new online services via the Internet).² The buzz phrase "digital divide" describes this risk of modern information societies, and it indicates that not only for allocative reasons but also for distributive reasons, broadcasting programs and other communication services should not be provided (solely) by markets.³

1.3. The State as Provider of Broadcasting Programs

The disadvantages relating to commercial and third sector broadcasters could be prevented by state broadcasters. A benevolent state broadcaster could and would provide programs of public value that are not profitable (and therefore would not be provided by commercial broadcasters, e.g. educational programs for poor viewers and listeners who are unable to pay for a subscription or buy the advertised goods) or programs with high external benefits (e.g. programs that support the integration and stability of a society, or programs that foster the cultural heritage and traditions of a country and its regions). And – in contrast to the third sector – a benevolent state broadcaster also could and would ensure that the voices of all social groups would be represented, regardless of their motivation and financial or non-financial capabilities.

However, these theoretical capabilities hardly are relevant, as state broadcasters are never benevolent. Instead, they attempt to express and popularize the political ideas of the respective government and to ensure that a particular government will be re-elected. This target reduces and biases the content of broadcasting programs with political contents (like news or political debates, reports and commentary). Since the attitudes of governments are supported systematically and the attitudes of political oppositions are systematically suppressed, fair

¹ See PHELPS 1986, pp. 130f.

² See with reference to the USA e.g. INFORMATION INFRASTRUCTURE TASK FORCE 1993; UNITED STATES ADVISORY COUNCIL 1996, pp. 7 et seq., pp. 31 et seq.; with reference to Germany see BOOZ/ALLEN/HAMILTON 2000; KUBICEK/WELLING 2000.

³ 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. See KOPS 2006b, pp. 12 et seq.

competition between competing political ideas is prevented. Broadcasting then does not serve the citizens' interests, but the governments' interests exclusively – This risk is reduced (though not abolished), when the respective parliament, not the government, is the decisive authority on broadcasting.¹

In addition, state broadcasters suffer from some other disadvantages. Compared with commercial broadcasters, they are less efficient (as they do not focus on profit-making), and they also are less consumer-oriented, i.e. they only react slowly to the viewers' and listeners' changing program preferences. The latter disadvantage is even higher for broadcasting than for other sectors of the economy, because broadcasting requires a high degree of administrative support, and programming cannot be standardized and qualified – two peculiarities that make the controlling of cost and quality by accounting and benchmarking more difficult (and more important) than in other industries.²

Additionally, a provision of broadcasting programs by the state may also have distributive defects. Although access to broadcasting services, or, more generally, to communication services according to the criteria of need, rather than those of purchasing power, might be an advantage (see above), this does not mean that a non-market provision necessarily assigns broadcasting programs (communication services) more appropriately than markets: Depending on the distributive criteria (need indicators) that are considered by politicians and bureaucrats and their administrative execution, the distributive results of a non-market system can be as inappropriate or even more inappropriate than distribution according to market factors.³ At the latest when it comes to patronage and bribing, the lack of transparency, accountability, and political legitimacy of some of the non-market factors for distribution induce negative allocative effects.⁴ For these reasons the choice between market provision and non-market provision can only be made by cautiously weighing up all allocative and distributive pros and cons of both alternatives.

¹ To achieve this target, parliaments' competences for broadcasting law and broadcasting policy should be strengthened, and safeguards that hinder governments from exerting force against bad and or rival political ideas should be put in place. These safeguards may be in the form of comprehensive duties for governments, or the absolute or 2/3 parliament majority for laws that affect broadcasting and mass media in general. This can be achieved by strengthening and explicitly formulating parliaments' competences in the form of written law, preferably constitutional law. However, historic examples show that even with such safeguards, governments tend to abuse broadcasting and the mass media for their own propaganda purposes.

² See TJERNSTRÖM 2000 for a theoretical foundation of externally controlling public service management, and SCHWERTZEL 1997 for the description of appropriate benchmarking instruments for public service broadcasters.

³ BAUMOL 1986, Chapter 1.

⁴ Like disincentives to work or to invest or incentives to work and to invest abroad.



For all these reasons state broadcasters are inappropriate program providers. They tend to abuse broadcasting programs to preserve and increase the state's political power. This is especially true when this influence is not based on decisions of the particular parliament (the "state"), but is only performed by the government or certain governing politicians and bureaucrats: this prevents fair political competition.¹

1.4. The Voluntary Sector as a Provider of Broadcasting Programs

The voluntary sector has neither commercial nor political interests. From that standpoint it could well provide unbiased broadcasting programs that mirror the opinions of citizens. This conclusion, however, requires:

1. a strong and diverse civil society with many organizations that champion public affairs and public welfare and that are willing and able to articulate their attitudes via public communication,
2. a government that creates or improves the financial capabilities of civil society (e.g. by granting the right to levy public revenue, e.g. a license fee),
3. a government that does not abuse its role as a sponsor of civil society to influence the (political) opinions of the institutions of civil society.

There are no societies in which these conditions are fulfilled perfectly. Not all relevant groups of society are similarly motivated to engage in public communication: some groups have higher motivational powers to lobby for their targets than others. In addition, most civil society organizations suffer from a structural financial scarcity, as they provide public goods that cannot be excluded (and for which no revenues can be levied from the users of the public goods). While governments have sovereign rights to yield revenues and taxes, non-governmental organizations in most countries are restricted to voluntary financial contributions from their members.² Most NGOs therefore lack financial revenues, and thus their performance is *less professional* than the performance of governments.³

¹ Whereas in this paper the terms „state (broadcasting)“ and „government (broadcasting)“ are generally used as synonyms, this footnote can indicate that there actually are important differences between a state broadcaster, which is controlled by the parliament (i.e. both by the politicians of the government and of the political opposition) and a government broadcaster, which is only controlled by the actual governing politicians (to the disadvantage of the politicians of the actual political opposition). For the more general comparison of the state as an alternative to the market and the voluntary sector this is a peculiarity, however, which can be neglected in this paper.

² The funding rules of public service broadcasting in different countries are described by FLECK 1984; ALBARRAN/CHAN-OLMSTED 1988, BLUMLER/NOSSITER 1991; HOFFMANN-RIEM 1996; HANS-BREDOW-INSTITUTE 1998; McCORMACK 1999, McKINSEY 1999, MENDEL 2000, MACQUARIE 2002; McKINSEY 2004.

³ SEIBEL 1992. The problems that result from limited financial resources and the dependence on "occasional volunteers with limited time" are illustratively reported by Dorothy Collins SWANSON 2000, who founded and ran "Viewers for Quality Televi-

If the state provides institutions of civil society with their own public revenue bases (such as the church tax in Germany) or grants them public money (subsidies), this fiscal scarcity can be abolished. Under these conditions, NGOs can provide goods and services as professionally as governmental organizations or commercial companies. However, with regard to the overall fiscal burden for the citizens, the state has to restrict this aid to a few institutions. The chances to produce a sufficient output of better quality become higher for these select few, whereas they simultaneously become lower for all institutions that are not promoted by the state. The chance to participate in public communication is thus distributed unevenly, and the diversity of voices is low. In addition, governments often abuse their positions as sponsors of civil society: They use it as a golden tie to create good behavior from those institutions that get – or want to get – financial support. It is obvious that civil society broadcasters under these conditions can be forced to articulate positive attitudes about the government and to renounce critical reports and statements.

The fact that in many countries it is not legitimized by formal and transparent forms of collective decision-making should be considered as another disadvantage of non-governmental public provision.¹ This especially applies to the non-governmental provision of broadcasting, for which only few countries have explicit rules regarding public decision-making.^{2,3}

On the other hand, a non-governmental broadcasting system has some advantages compared to a governmental broadcasting system: While intrinsic motives are important for citizens' voluntary engagement with NGOs (and for the common welfare that is pursued by these organizations), they are less important for governmental organizations (where the engagement of most politicians and bureaucrats primarily attempts to increase income and political power). To prefer governments to NGOs therefore *suppresses such intrinsic motives* that could compensate financial weaknesses and could generate creative and innovative solutions. This especially holds true for broadcasting, where the quality of journalists' work depends heavily on intrinsic motives, such as the search for truth,

sion", an American grassroots organisation consisting of more than "1500 advocates of innovative and enriching television programming".

¹ SEIBEL 1992; FRANKE 1998; BUSSHOF 2000

² For descriptions of the decision-making rules of public service broadcasting in different countries see FLECK 1984; HOFFMANN-RIEM 1996, ALBARRAN/CHAN-OLMSTED 1998, HANS-BREDOW-INSTITUTE 1998; MACHET/ROBBILLARD 1998; AMIC 1999; TRACEY 1998; MENDEL 2000.

³ This is not a general argument in favour of a governmental provision, but it is valid as long as non-governmental forms of public decision-making are missing. Main reasons for this are the citizens' insufficient willingness to participate in those processes and the considerable transaction costs that are induced by them. The lack of formal mechanisms of collective decision-making can be explained by the economic principal-agent-theory. See e.g. BLANKART 1994; for an application to collective decision-making in public service broadcasting see KOPS 1999, pp. 49ff.



upholding freedom of information and freedom of expression, and the pursuit of social, cultural, or educational objectives.¹ A non-governmental public provision of broadcasting can, for instance, generate a more profound and deeper journalistic investigation and a broader and more pluralistic scope in content and attitudes than broadcasting provision by government, which would focus on content important for supporting and strengthening the government's position.

For these reasons the evaluation of the voluntary sector is ambivalent. In most countries it is only granted a supplementary role to provide certain program contents that are not sufficiently provided by the market and the state, mainly for smaller, but highly motivated subpopulations (like local communities, religious groups or activists that lobby for certain cultural or educational targets, for the support of disabled or underprivileged people or for the protection of the environment). But the effects of this supplementary role should not be underestimated: Also the quality, variety and objectivity of state broadcasters and commercial broadcasters will be affected positively, if strong civil society media exist as a counterpart and watchdog of the public interest.

1.5. Mixed Broadcasting Orders

The choice between markets, governments (or states) and NGOs must be made by trading out the specific advantages and disadvantages described above. For broadcasting programs these advantages and disadvantages have to be evaluated with regard to the economic, journalistic and artistic/creative effects they generate. Due to the peculiarities of these effects, this choice can vary for different types of broadcasting programs. In most countries for instance, -entertainment programs, are provided to a large extent by markets, since market failures (especially asymmetrical information and externalities) are not very important for these type of programs. On the other hand, in many countries non-political educational and information programs, are provided by governments that possess the content for this type of program anyway, also because this content also serves as input for other governmental functions (like the promotion of education and professional qualifications). Also in many countries cultural, political and religious programs are provided, by NGOs, like religious communities, local communities, universities, and public service broadcasters, at least to some extent.

¹ BULLERT 1997

2. The Revenue Structure as a Main Determinant for the Broadcasters' Program Output

2.1. Financing Broadcasters through the Market, the State, or the Voluntary Sector

There are different ways to steer the program output of broadcasters politically and thus influence its effects on society. Whereas most political scientists and lawyers focus on legal orders and inhibitions, most economists consider them merely a second-best solution. As a first, best solution they pre-suppose an adequate revenue structure. For them the right mix of market revenues, state revenues and revenues from the voluntary sector is the key steering wheel to determine the behavior and program output of broadcasters.

To illustrate this, we should first imagine the program output of three broadcasters that are funded exclusively by the market, the state, and the voluntary sector, respectively:

1. Broadcasters may be financed solely from *market revenues*. Revenues from advertising, from sponsoring, from merchandising and from program sales should be mentioned as the most abundant forms of commercial revenues. For pay-per-channel and pay-per-view broadcasters subscriptions and viewer payments are most important. These revenues all ensure that the broadcasters offer programs that fit the customers' preferences (where the advertising companies are the customers of advertising funded broadcasters, and the viewers and listeners are the customers of pay per-channel and pay-per-view broadcasters). When there are market failures, these revenues cannot ensure, however, that the commercial broadcasters also provide the programs that are appropriate for public welfare.

When we again exclude legal orders and inhibitions as measures of adjusting commercial programs' common interests, financial incentives and disincentives remain as alternative form of regulation, preferred by economists. The provision of programs with negative externalities e.g. can be reduced by taxes, and the provision of programs with positive externalities can be increased by subsidies. External effects of broadcasting programs thus can be internalized, and commercial broadcasters can be motivated to take the public effects of their programs that run counter to their internal (profit-seeking) purposes into account. Commercial revenues are then complemented by public revenues (either by governmental means or by private donations), and commercial programming is corrected by governmental and public interest programming. In this case commercial broadcasters are actually mixed broadcasters, and the portions of non-commercial revenues determine the importance of the non-commercial programming elements.

2. With regard to the reservations mentioned above, it is doubtful if *state broadcasters* should exist at all. If they are considered useful for certain (narrow) functions (e.g. for the government's obligations to inform people about their political targets and measures), they should be funded by state money that



can be taken from the state's budget (usually from the ministry of information or the like) or from public revenues (grants or tax revenues). However, in order to keep the risk of state indoctrination of broadcasting low, the funding should be restricted to a narrow program scope. For instance it should not provide programs that also can be provided by the voluntary sector (e.g. religious, cultural and educational programs) and it also should not include programs that can be provided in a better and more efficient manner by private companies (like entertainment programs and sports).

3. In principle broadcasters can be financed by *voluntary contributions*, either in cash (donations) or in-kind (honorary services). However, because of the characteristics of broadcasting programs as public goods that cannot (and should not) be exclusively provided to those members of the society that are willing and able to pay, in general voluntary contributions are too small to finance a broad spectrum of high quality programs. Also attempts to increase intrinsic motives (e.g. to publicly honor the donors or to involve them in programming decisions) and to reduce the free rider problem (e.g. by combining public programs with private services) are usually not very successful. For these reasons there are only a few broadcasters that are financed solely through donations or honorary services, and their programs are usually restricted to narrow subjects for which there is a deep intrinsic motivation to inform and to shape the options of others, such as in local, religious, educational, or cultural matters.

As the abundance of voluntary contributions usually cannot be increased sufficiently, supplementary state and/or market revenues are inevitable for broadcasters that want to cover a wider and varied spectrum of contents of compatible quality. For this reason almost all *public service broadcasters* are supported by grants from the state or even possess the right to exploit their own revenue bases (which are given to them by the state too). In addition many public service broadcasters receive commercial revenues, mainly from advertising and sponsoring, and from program sales.¹

In general, this mixed revenue structure is acceptable, and it corresponds with the attribute of public service broadcasting as a hybrid system.² One should keep in mind, however, that commercial and governmental influences might become dominant and hence jeopardize the public service broadcasters' task of providing program in accordance with the public interest. The actual proportions of commercial and governmental revenues must be determined with regard to the abundance of the voluntary contributions (which varies with the country's political, cultural and economic framework) and with the political and legal safeguards, through which the political and commercial influences on the broadcasters can be reduced.

¹ See section 4.2., below, for the revenue structures of selected public service broadcasters in the world.

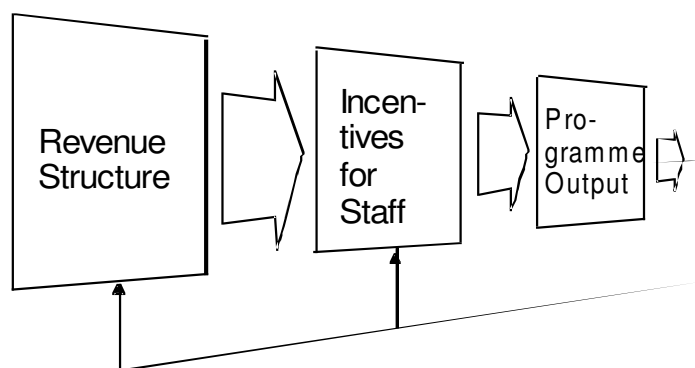
² See section 3.3., below.

Also from this standpoint the receiving license fee is not a purely voluntary revenue but a revenue mix in itself. It requires the state's decision to allocate it to the public service broadcasters and to enforce the fee payment (which offers the state high opportunities to steer the behavior of public service broadcasters by discretionary varying of the level of the fee or the intensity of enforcing its payments). However, if the yield of the license fee flows directly into the public service broadcaster's purse (supporting the attitude that the revenues originally belong to the public service broadcasters and cannot be varied or even held back totally by the state), it is a good "pragmatic" solution: It entails a higher risk of being influenced by the governments than purely voluntary donations, but this disadvantage is compensated as the license fee creates a higher abundance and thus reduces the dependency on both partial interests of the civil society donors and commercial restraints.

2.2. Revenue Structures, Incentives and Program Outputs

The description of effects that the different revenues have on the broadcasters' program output illustrates the basic assumption that was already mentioned at the beginning of this chapter: Revenues generate certain incentives for the broadcasters' staffs, and these incentives generate certain actions and program output (figure 1).

Figure 1:
Causality between the Structure of the Revenues, the Incentives for the Staff, and the Program Output of Broadcasters



1. If a broadcaster is completely financed by *market revenues*, he will act according to the rules of the market. He will attempt to maximize his private profits. The programs are a means for that purpose. The content, the artistic and journalistic style of working, the target audience and the audience flow are deemed to maximize the market revenues: For a commercial broadcaster financed by commercials and sponsoring, for instance, the programs address audiences that are likely to buy the advertised products; for a commercial broadcaster financed by subscriptions, the programs address audiences that are willing to pay for the programs. For these broadcasters the public effects



- the public value – of program output is not a target in itself, but will only be created to the extent to which public value is a by-product of private profit making.¹
2. If a broadcaster is financed completely by *state revenues*, he will act according to the rules of the political system. If the state directly finances and controls them, the programs will focus on content that supports the state.² As is the case for commercial broadcasters, the public effects of program output are not the target for state broadcasters as such, but will be created only to the extent to which public value is a result of the political decision-making process. Thus it depends on the political system whether the broadcasters simply maximize the politicians' power and chances to stay in power, or the public succeeds in only keeping those politicians and broadcasters in office, who serve the public interest (as a side product once again).³
 3. If a broadcaster is financed completely by the *voluntary sector*, it will act according to the expectations and requests of the donors. The program content and the artistic and journalistic style of work are closely related to these expectations. Public value is created here to the extent to which it is a side-effect of the donors' special interests. Therefore, little can be said about the output of a third sector broadcaster in general. It can be as small as the public value of commercial broadcasters (e.g. if only a few private companies donate): it can be as small as the public value of state broadcasters (e.g. if only a few political parties or pressure groups donate). But it can also be large if the civil society feels strongly involved and strongly champions broadcasting.

In practice, this close relationship between funding structure, incentives and program output is spoiled. The funding structure of broadcasters (the input) does not determine the program output in the direct and mono-causal manner that is suggested in figure 1. Instead, there are intermediate factors that influence the incentives for the broadcasters' staffs – and hence also the program output, in addition to the revenue structure (see figure 2): The importance of these intervening factors depends on the peculiarities of the respective broadcasting order and

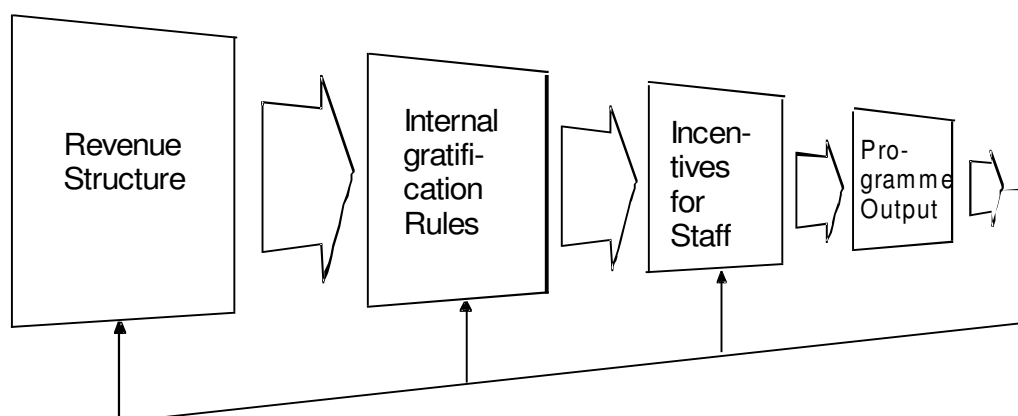
¹ Economic theory has traditionally stressed that the maximization of private profit also maximizes public welfare in perfect markets (see SMITH 1776). However, if there are market failures, like the external effects mentioned in section 1.2., private and public welfare diverge. See BESLEY 2002).

² "State" may mean either the Government or the Parliament. If the Government has the legal responsibilities for the broadcasters, the promotion is restricted to the interests of the parties and politicians that are in power (and thus exclude the political opposition); if the Parliament has the legal responsibilities, the promotion may include the interests of all parliamentary parties and politicians (and exclude the non-parliamentary parties and politicians).

³ The economic principal-agent-theory illustrates the means to make sure that the politicians act as the agents of the citizens (in democracies: of the voters), e.g. by way of duties that reveal the political decisions and by instruments that facilitate the selection of politicians who pursue the citizens' interests and the de-selection of politicians who pursue their own interests. See BLANKART 1994.

on organizational peculiarities of the broadcasters. Thus the internal gratification rules of two commercial broadcasters that are both completely funded by advertising, for instance, may differ considerably. If the management of the broadcaster feels obliged to adhere to certain journalistic codes of conduct (e.g. as cultivated by a public service broadcaster) and thus gratifies journalistic contributions that deal with public matters, the program output may attach more importance to public values than a management that was drilled by a commercial broadcaster, or even crossed the lines from a non-media industry, and thus gratifies journalistic contributions that maximize audiences or revenues, disregarding the public effects of the programs.

Figure 2:
Causality between the Structure of the Revenues, the Incentives for the Staff, and the Program Output of Broadcasters, with the Internal Gratification Rules as an Intermediate Factor



The incentives for the staff can diverge considerably from the incentives that are set by the revenue structure, especially if these "official" internal gratification rules are not controlled and enforced. The factual gratification rules and the program output may then even contradict the incentives that are set by the revenue structure.¹ In some cases such contradictions can be explained by the fact that the management simply does not understand the donors' intentions; in other cases the management might follow the right targets, but it may have chosen the wrong internal gratifications, and therefore unintentionally may generate faulty program output.

¹ If the management of a broadcaster which is affiliated with and financed by a religious group, for instance, is not controlled by the donating community the program output may diverge extremely from the donors' targets and expectations, e.g. if it makes revenues from advertisement for products that are in opposition to the religious principles of this group or if it takes revenues from sponsors who do not obey these principles.



Another fact that makes it difficult to steer the program output of broadcasters by means of incentives that are set for the staff, is the mixture of different types of revenues. Most broadcasters are not only funded by market revenues or state revenues or voluntary revenues, but they combine all three types of revenues. Therefore different incentives interfere with each other, and the causalities between the type of the revenues, the internal gratifications and incentives they create, and the program output cannot be determined unambiguously. This problem becomes even more complicated when the influence of the different revenues is not proportional to its shares in the overall budget.¹

2.3. Empirical Evidence for the Effects of Revenue Structures on Program Output

In spite of these complications, there is strong empirical evidence that the revenue structures of broadcasters substantially determine their program output. In this paper we can only refer to a few studies that prove this relationship. Commercial programs in Germany, for instance, contain less editorial content and more advertisements and program bridging (trailers, announcements etc.). Commercial broadcasters offer more entertainment within the editorial programs, whereas public service broadcasters offer more information.² In addition, according to the studies that are prepared annually by the “Institut für empirische Medienforschung” (Institute for Empirical Media Research), the category “Information/Infotainment” in public service broadcasting represents a much higher proportion than in commercial broadcasting, whereas fiction and especially entertainment, including music, represent a smaller proportion (see table 1).

¹ For German public service broadcasters, for instance, the incentives that are created by revenues from commercials are very high, although this type of market revenue contributes less than five percent to the broadcasters’ total revenues. However, in contrast to the revenues from the license fee that contribute more than 80 % to the broadcasters’ total revenues but are determined externally (by an independent commission), the broadcasters’ management can influence the revenues from commercials by internal decisions.

² Empirical studies from national broadcasting systems have to consider and eventually to correct institutional and methodological peculiarities. Empirical data that is available to the German broadcasting system, for instance, is not very appropriate to check our hypotheses, as it concentrates on an evaluation of the German “dual” order, which does not recognise any government broadcasters. Nevertheless, these empirical data already confirm our general assumption that the different revenue structures of commercial and public service broadcasters generate differences in the programme structures.

Table 1:
Program Characteristics of Commercial and Public Service Broadcasters,
in Percent of Total Program Time (3:00 to 3:00), for the year 2000

No.	Programme Categories	Public Serv.		Commercial	
		ARD	ZDF	RTL	SAT.1
1.	Information/Infotainment ^{a)}	43,6	51,2	21,9	20,6
		<i>41,8</i>	<i>50,5</i>	<i>22,0</i>	<i>18,5</i>
2.	Fiction ^{a)}	31,5	29,4	36,0	36,9
		<i>30,9</i>	<i>26,4</i>	<i>36,2</i>	<i>33,7</i>
3.	Entertainment (incl. Music)	12,8	7,9	24,5	23,6
		<i>12,6</i>	<i>8,2</i>	<i>21,8</i>	<i>22,4</i>
4.	Sport	10,7	10,1	2,5	2,6
		<i>11,1</i>	<i>10,9</i>	<i>0,9</i>	<i>3,4</i>

a) includes Children Programmes

Figures from AFG-Coding, italic figures from ARD/ZDF-analysis

Source: Based on KRÜGER/ZAPF-SCHRAMM 2001, p. 327

In a program study for the year 2000, KRÜGER/ZAPF-SCHRAMM (2001) have labeled the actual trends of German broadcaster's programming a "tabloid journalism gap": This term intends to express that "tabloid themes" in general have increased, and that this trend was stronger for commercial broadcasters than for public service broadcasters. On the basis of their empirical results they deduce: "While public service broadcasters create a base for orientation, articulation of opinions and democratic discourse, commercial broadcasters devote much less attention to these functions. Instead, they concentrate on fictitious and non-fictitious entertainment."

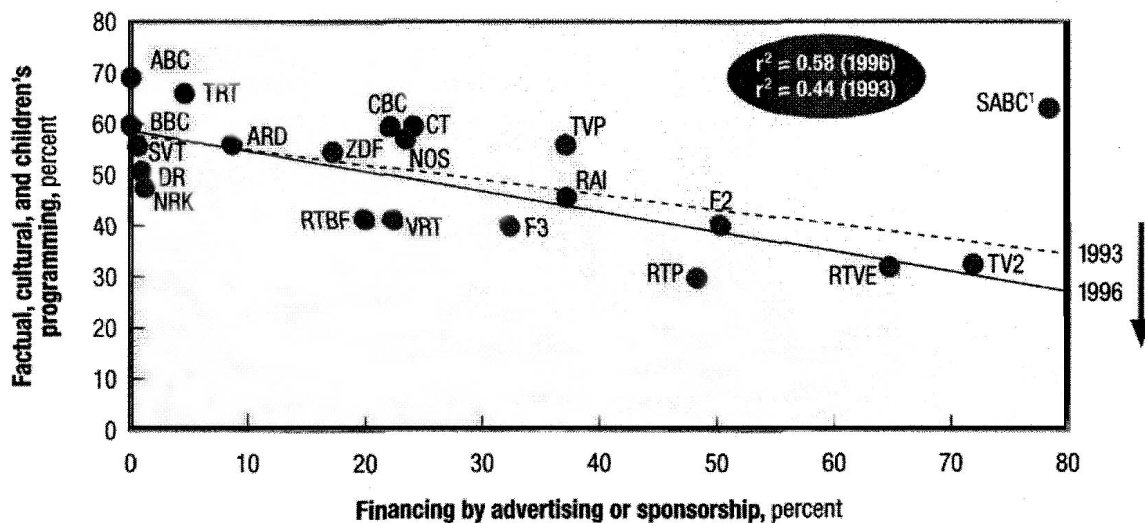
Analyses of special program genres and formats generally have confirmed these differences, although the categories used often cannot be compared directly. In a study of television magazines for instance, WEGENER (2000) discovered that in comparison to public service magazines, reports on violence and personal issues are considerably more frequent in commercial magazines whereas reports with political content are strongly under-represented. WEGENER'S explanation for these differences is in line with our own argumentation: „The opportunities for information-based, political reports obviously stem from the conditions under which political magazines can be produced by public service broadcasters. Magazines that are not directly confronted with economic competition and do not only serve as frames for commercials, probably manage to renounce sensational reporting." In summary, empirical results for the German broadcasting sector confirm our thesis that revenue structures determine program output. To put it more



provocatively: commercial broadcasters offer programs which maximize their profit, irrespective of the program content and its social, political, and cultural effects.¹

Similar results stem from empirical studies that compare the program output of broadcasters in different countries, funded by different types of revenues. The data of a study by McKINSEY 1999, for instance, show that the portion of factual, cultural, and children's programming decreases with the proportion of revenues from advertising and sponsorship (see figure 3).²

Figure 3:
Advertising Drives a More Populist Programming Mix



r^2 = the proportion or percentage of variance explained by a regression
¹ Excluded from regression because of monopoly status.
 Source: European Broadcasting Union; annual reports; McKinsey analysis

Source: McKINSEY 1999, p. 29

2.4. Broadcasting Systems: Pure or Mixed, Monistic or Pluralistic?

As the shares of state revenues, commercial revenues and voluntary revenues should match the capability of the state, the market and the voluntary sector to provide broadcasting programs, the revenue structure of a broadcasting system should be shaped accordingly. And it should be permanently checked and eventually readjusted, as the evaluation of the capabilities of alternative institutions varies over time.

¹ See STOCK 2004, STOCK 2005. For content analyses that compare German public service broadcasting programs and commercial programs see e.g. KRÜGER 2005, ALM 2005, ALM 2006a.

² For some key variables the study from McKINSEY in 2004, which was a rather poor replication of McKINSEY's study from 1999, did not detect a correlation with the share of program output that was defined as public service specific (cultural, factual, news and children's). For content analyses that compare public service broadcasting programs and commercial programs internationally see e.g. KLEINSTEUBER et al 1991, MATTERN/KÜNSTNER 1998, PICARD 2002.

There are different ways to perform such an adjustment. In a simple “broadcasting system” that consists of only one broadcaster with a pure revenue structure (“*pure monistic system*”, see Type 1 in table 2) such an adjustment would necessarily mean a total system change: If a society came to the conclusion, for instance, that the state had become less capable of providing broadcasting programs than the market, a state broadcaster would have to be abandoned, and a commercial broadcaster would have to be established in its place.

Table 2:
Four Types of Broadcasting Systems,
Determined by the Number of Broadcasters
and by the Broadcasters' (Pure or Mixed) Revenue Structures

Revenue Structure of the Broadcaster(s) \ Number of Broadcasters	(all) pure	(all or some) mixed
one (monistic system)	(1) pure monistic system	(3) mixed monistic system
more than one (pluralistic system)	(2) pure pluralistic system	(4) mixed pluralistic system

A finer adjustment is possible in a broadcasting system that consists of more than one (purely financed) broadcaster. Such a system may be called “*pure pluralistic system*” (Type 2 in table 2). Here the budget of the state broadcaster(s), commercial broadcaster(s) and voluntary broadcaster(s) could be raised or reduced according to its increasing or decreasing capabilities.

A precise fine-tuning is also possible in a “*mixed monistic system*” (Type 3 in table 2), i.e. e. in a system that consists of only one broadcaster that either receives revenues from more than one sector or revenues that are “mixed” in themselves (like the license fee that combines influences from the state and the voluntary sector). An equally sound fine-tuning is possible for “*mixed pluralistic systems*” (type 4 in table 2), i.e. for systems that consist of more than one broadcaster with mixed revenues.

The question of which of the systems distinguished in table 2 is most capable, cannot be answered in general. On the one hand there are strong arguments that “pluralistic systems” which generate competition between several broadcasters and allow a gradual and precise fine-tuning of the revenue distribution are superior to “monistic systems”. On the other hand, a monistic system can profit from the high economies of scale and scope that are characteristic for broadcasting



programs; and the costs per viewer and listener *ceteris paribus* will greatly decrease for a monistic system.

Therefore the complicated federal broadcasting system in Germany has sometimes been criticized as being too expensive.¹ According to these views, an almost equal degree of competition and plurality could be achieved by a less complex broadcasting system consisting of a smaller number of (especially public service) broadcasters. Some politicians have therefore suggested reducing the number of regional broadcasters of the ARD, especially to merge the stations of the small States (Länder), like Saarland and Bremen; others have suggested abolishing either the common (nationwide) programs of the ARD or the ZDF.² The German example illustrates that it depends on the economic, social and political peculiarities of a country – and on its historic experiences – if a pluralistic and decentralized broadcasting system is preferred to a less expensive monistic system that has less checks and balances against political or commercial concentration and domination.

Also the decision whether the existing broadcasters of a pluralistic system should be financed by “pure” or “mixed” revenues cannot be made once and for all. On the one hand, one can argue that alternative institutions can best unfold their specific capabilities if they are financed strictly by pure revenues, and that mixed revenues dilute these capabilities. On the other hand, one can argue that pure revenues make the broadcasters more dependent on the state, the market or the voluntary sector, respectively, and that a mixed revenue structure reduces this dependency and protects the broadcasters from external influences.³

¹ Germany has a highly decentralized and pluralistic broadcasting system that consists of almost twenty public service broadcasters and another twenty commercial broadcasters. Such a system is very expensive, but it is considered an affordable necessity perhaps primarily in view of of it's the country's bad experiences in the “Third Reich”, when centralized propaganda radio was the main prerequisite for the success of the Hitler regime. For similar historic factors that influence the shape of material broadcasting systems see WOOD 2007.

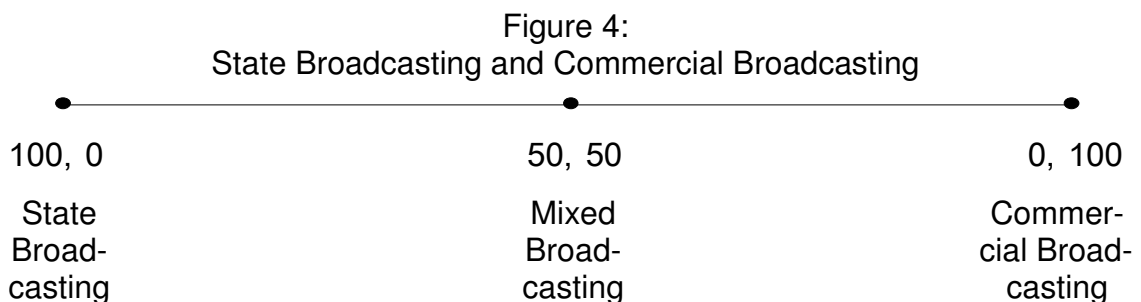
² These suggestions are partly accompanied by proposals to increase and/or deregulate the commercial broadcasters (which indicates that some of these proposals primarily are forms of rent-seeking, by which resources should be shifted from the public service sector to the commercial sector).

³ See ZDF 1994. In Germany, for instance, there has been an extended debate whether public service broadcasters should be allowed to realise revenues from advertisement and sponsoring. Whereas “purists” argue that these revenues cause a self commercialisation and jeopardize the public service mission, “pragmatists” defeat the present rules (in Germany advertising is allowed before prime time and during working days only) as they protect the public service broadcasters from the higher dependency which is assumed if they were solely financed by the license fee.

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

3.1. A "Magic Triangle" as Frame for the Classification of Broadcasters

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 above 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 and the educational sectors, this paradigm conforms to reality by and large.



With regard to our subject matter this could mean either commercial broadcasters or state broadcasters as "pure monistic systems", or it could mean "mixed" broadcasters that combine the de-centralized and horizontal steering of the market (and consequently market revenues) with the central and vertical steering of the state (and state revenues). Figure 4 shows these options in a one-dimensional space, ranging from purely 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).

From this point of view one would conclude that state broadcasters should provide TV programs with high market failures and commercial broadcasters should provide TV programs with low or with no market failures. The term "dual broadcasting order", which was mentioned above, indicates this interpretation.

In fact, the reality is quite different. The German broadcasting order does not correspond to such a bi-sectoral structure at all. State broadcasting in Germany does not exist. In Germany the state is regarded as a bad provider of broadcasting programs (and of the media in general).¹ This commonly held attitude partly dates back to negative experiences with propaganda broadcasting during

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



the Nazi-regime, but it also is confirmed by more recent experiences in our own and in other countries: As broadcasting programs – to say it in the words of the German Constitutional Court – are not only a medium but also a factor of public opinion, the state is permanently seduced into abusing broadcasting with the intent of intervening politically. Especially when votes become scarce, politicians usually cannot resist this seduction.¹

For these reasons, the state is obliged to refrain from influencing broadcasters in Germany. 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 these boards, there are usually sufficient checks and balances to prevent this. The attention of socially relevant groups in society – especially of civil society – is held in esteem and integrated as a watchdog for the political independence of broadcasting. The control boards of public service broadcasters consequently recruit representatives from organizations of civil society, like churches, labor unions, employers' and consumer organizations, organizations 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 state parliaments depute a number of members (limited to roughly one 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 bodies and non- or low-governmental bodies.²

This mixture cannot be located in the bi-sectoral paradigm. It cannot be positioned anywhere on the axis of figure 4, since it is constituted by a third institution, which exists alongside the market and the state: the voluntary sector (also called the "third sector").³ Although many activities, like religious, social and cultural activities, local life and neighborhood, belong mainly to this sector (which also in many countries is equally important as the market and the state with regard to its economic product), most economic textbooks ignore this sector (in contrast to sociological textbooks, which usually concern themselves 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 of decision-making. As far as these activities are not purely private, but also have public effects, the elements of the voluntary sector are also called "civil society".⁴

¹ *ibid*, with additional references

² BÖRNER n. d., LIBERTUS 2004

³ See BIRKHÖLZER ET AL. 2005.

⁴ 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 prac-

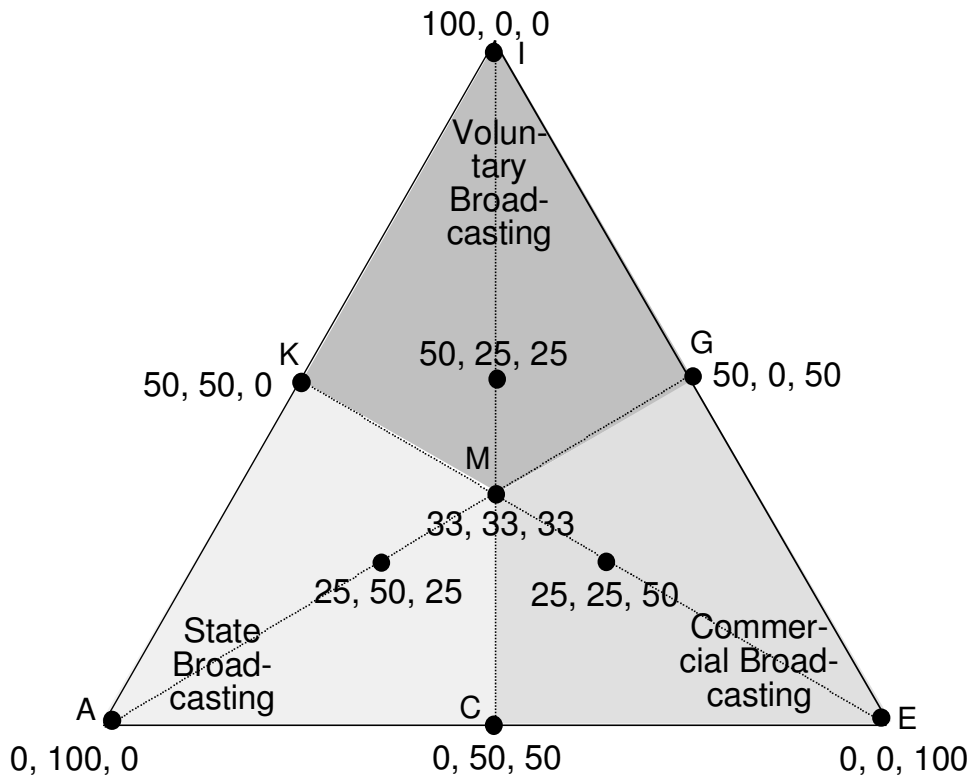
Also broadcasters run by citizens that voluntarily provide resources in kind or in cash have to be allocated to the voluntary sector in this very sense of a non-governmental non-profit sector. They are based on the citizens' belief that there are certain values or contents, e.g. of a political, religious, cultural, or educational nature, that should be communicated to the public with the intrinsic motive of promoting this communication by voluntary in-kind contributions (like editorial or organizational 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 civil society. They are called "Bürgerrundfunk" (Citizens' Broadcasting). The English term which best describes it is "Community Broadcasting".¹ These programs usually focus on interests of the citizens, mostly with regard to local and regional affairs; they are diverse, often grass-root-oriented, and usually critical about commercial companies and (local) governments.² Most contributions are provided by non-professionals, voluntarily, i.e. without payment,³ and thus can be considered as private donations in-kind. The main motives to volunteer are the opportunity to learn professional journalism and to participate in public communication.⁴

tice, 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 organizations, 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.

- ¹ Besides Citizens' Broadcasting there are other "Bürgermedien" in Germany, like newspapers and journals. Most "Bürgermedien" are "Bürgerrundfunk", though, i.e. radio stations and (a few) TV stations. As the federal states (Länder) are responsible for the licensing and regulation, the organizational 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" (investigative and civic channel) are forms of the "Bürgermedien". See ALM 2006b, p. 420, WILLERS 2004). In Germany about 35 Million citizens are able to listen to and watch the "Bürgerrundfunk", between 3 and 6 million use it occasionally, and about 1.5 million use it daily (ALM 2006b, 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 2006b, 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 an annual total donation in-kind of 60 m. € (25,- x 10 x 12 x 20).
- ⁴ There are several studies about the organization, the motives, and the output of Bürgerfunk stations in Germany. See for example the extensive bibliography of the Niedersächsische Landesmedienanstalt, NLM, at <http://www.nlm.de/doku/literatur.pdf>.



Figure 5:
State Broadcasting, Commercial Broadcasting, and Voluntary Broadcasting



If one considers the voluntary sector as a third basic institution for the provision of goods in general and of broadcasting programs in particular, the one-dimensional space exposed in figure 4 expands to a "magic triangle" (figure 5).¹ Broadcasters located in the corners of this triangle are funded solely from the state (A), the market (E), or the voluntary sector (I), respectively. In section 2.4. we have labeled these broadcasters as "purely financed". The revenue vectors, i.e. the proportions by which the three sectors fund the broadcasters, consist in this case of only one component (=100 %); the two other components are empty (=0%).²

Two institutions jointly fund broadcasters that are located on the edges between the edges of the triangle. In section 2.4. we have labeled these broadcasters as "mixed financed". Broadcasters located on line AE, for instance, are funded by the state and the market (in figure 5 broadcaster C, located in the middle of this

¹ The "magic triangle" with civil society, the state, and the market at the corners was first presented in KOPS 2001. The same triangle is presented by SCHULZ 2004, p. 47. Similarly, KLEINSTEUBER (2003, p. 156) distinguishes between "civil society", the "market", and the "nation".

² As we have defined them, the revenue vectors' first component always indicates the proportion of voluntary sector funding, the second component always indicates the proportion of state funding, and the third component always indicates the proportion of market funding.

line, is evenly funded 50 by the state and 50 % by the market.). Broadcasters on line AI are funded by the state and the voluntary sector (in figure 5 broadcaster K, located in the middle of this line, is evenly funded 50 % by the state and 50 % by the voluntary sector.). And broadcasters on line IE are funded by the voluntary sector and the market (in figure 5 broadcaster G, located in the middle of this line, is evenly funded 50 % from the voluntary sector and 50 % from the market.).

Broadcasters that are located inside the triangle, are funded by all three sectors. According to our typology in section 2.4., these broadcasters are also "mixed funded". Broadcaster M, for example, located in the middle of the triangle, is funded evenly 33,3 % by the state, 33,3 % by the market, and 33,3 % by the voluntary sector.¹ Other revenue vectors mentioned in figure 5 are 50 %, 25%, 25%, and 25 %, 50 %, 25 %, and 25 %, 25 %, 50 %.

3.2. A Revenue Based Distinction between Three Types of "Pure" Broadcasters and Seven Types of "Mixed" Broadcasters

A more detailed classification is shown in figure 6. Here a system is classified as "pure", if the dominating type of funding exceeds 50 % of the total budget (i.e. the other two types of resources attribute less than 50 % to the total budget). In this classification a broadcaster is thus classified as:

- a) "*pure state broadcaster*" if the state revenues exceed 50 % of the total revenues (in figure 6 this type is located inside the rhombus ABNL),
- b) "*pure commercial broadcaster*" if the market revenues exceed 50 % of the total revenues (rhombus EFPD),
- c) "*pure voluntary broadcaster*" if voluntary revenues exceed 50 % of the total revenues (rhombus IJRH).

In addition to these types of "pure" broadcasters (or better: of broadcasters that are dominantly financed by only one type of revenue), in figure 6 seven types of "mixed" broadcasters are distinguished:

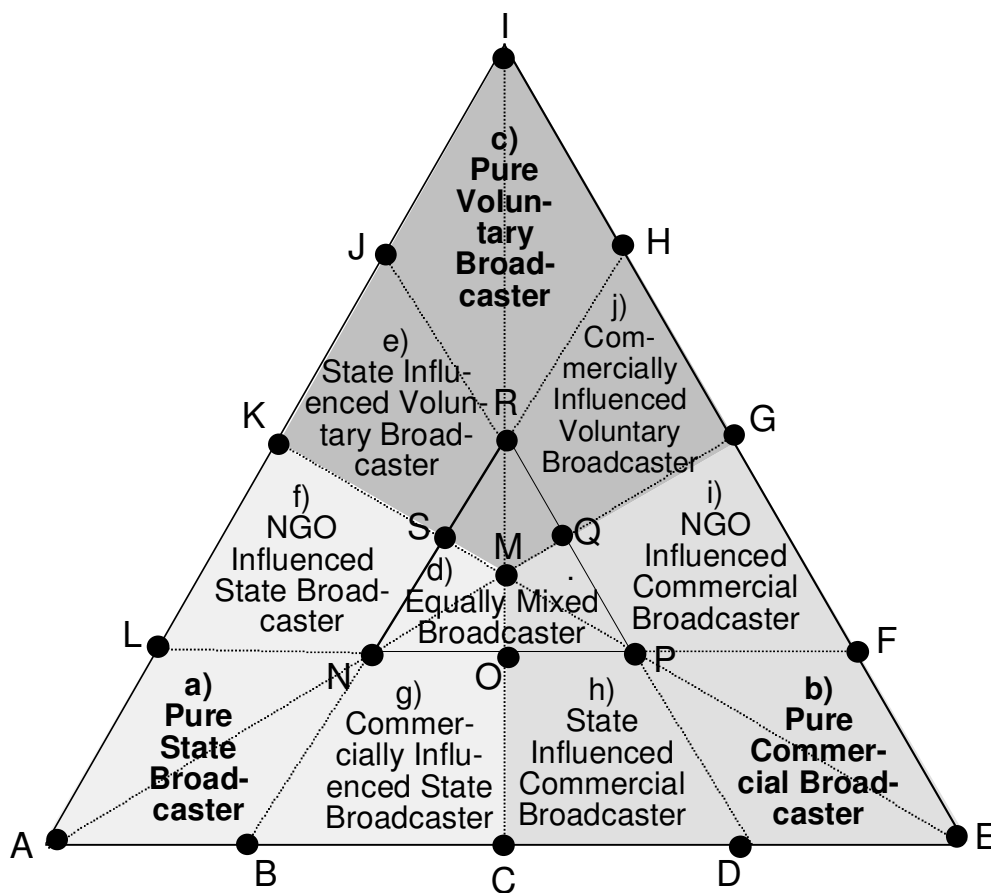
- d) "*Equally balanced mixed broadcasters*" (in figure 6 this type are located inside the inner triangle NPR). Here the state, the market and the voluntary sector all contribute approximately one third to the total budget. Minimal deviations from equal shares are allowed, but all sectors must contribute at least 25 % to the total budget.
- e) "*State influenced voluntary broadcasters*" (JKSR) are predominantly financed by voluntary donations, but also receive state revenues, like taxes, state grants or license fees. *Public service broadcasters* also belong to this type,

¹ For simplicity's sake, revenue shares in this paper are always rounded off to zero positions behind the decimal points.



as they depend on the state's decision to grant them state revenues or to provide them with their own public revenue source (e.g. the license fee, or a supplement to the state's resources from electricity, telephone or the like) and to enforce the collection of this public revenue source. The particularities of whether such broadcasters are nonetheless relatively independent from the state depend on the specific laws and the political culture of the country in question, as is the case in Germany, where the amount of the license fee is determined by an independent commission, or whether they are extremely dependent on the state or not. In the latter case they would have to be classified as:

Figure 6:
A Geometric Exposition of the Revenue Structure of Broadcasters,
Distinguishing Three "Pure" Forms and Seven "Mixed" Forms of Financing



- f) "NGO-influenced state broadcasters" (KLNS). For this type the state's influence is either dominant due to direct political directives or due to the "golden tie" that exists, if no transparent, jurisdictional and enforceable rules determine how much revenue the state has to spend on the broadcasters. Also a broadcaster that receives a discretarily paid license fee may fall into this category, even if it is labeled as an "independent broadcaster" or as a "public service broadcaster".

- g) “*Commercially influenced state broadcasters*” (BCON) are dominated by the state, but also in addition the market (i.e. private companies) has/have a limited influence. One reason may be that a greater portion of the broadcasters’ revenues stems from the market; in this case the broadcasters are forced to obey market rules in order to receive these revenues. Another reason may be the connection between political and economic interests, which is only seldom visible (e.g. if politicians own private media corporations or if media owners possess political positions). In this regard broadcasters that are financed solely by state revenues may indirectly be steered by private companies to a large extent (and thus should be classified as “commercially influenced state broadcasters” or even as “state influenced commercial broadcasters”, see below). On the other hand there may also be broadcasters that are financed solely through market revenues, but are still dependent on the state (e.g. if the state establishes and defeats their monopolistic market positions by prohibiting new market entries
- h) “*State influenced commercial broadcasters*” (CDPO). Here the market dominates, but the state also has a certain influence, either because a considerable portion of total revenues stems from taxes or state grants or because an indirect influence from the state exists, which was mentioned above (and predominates) for Type f (and which in comparison to Type f is of less importance here).
- i) “*NGO influenced commercial broadcasters*” (FGQP). Here the market also dominates, but NGOs have a certain influence, either because they spend a considerable amount on donations or because they have other ways to make their voice heard by the broadcasters. Some countries for instance empower certain NGOs (like labor unions, churches, consumer organizations) by law to participate in programming or at least to systematically observe and evaluate broadcasting programs. In other countries there are at the very least informal ways of lobbying and networking, through which NGOs can influence the broadcasters’ programming decisions and program contents.
- j) “*Commercially influenced voluntary broadcasters*” (GHRQ). In addition to donations, these broadcasters either receive a considerable portion of market revenues, or they are influenced considerably by indirect influences of the market, e.g. when subsidies are given by private companies only under the (often unexpressed) condition that the broadcasters promote the companies’ products or at least renounce all actions that could impede the companies’ success.



3.3. Public Service Broadcasters - a Hybrid System between State and Civil Society

According to our typology, public service broadcasters are not a pure type. Thus they do not appear in figure 5, which only distinguishes between state broadcasters, market broadcasters and voluntary broadcasters. Nor do they appear in figure 6, which in addition to these pure types, distinguishes between seven mixed types.

However, it is possible to locate public service broadcasters in our typology. In order to do so, we have to recall the above-mentioned weaknesses of pure voluntary broadcasters. Experiences in Germany – as well as in other countries – have shown that in general such voluntary broadcasters are not able to provide high quality programs 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 are usually hooked on revenues from the market and/or from the state. The German Citizens' Broadcasters for instance receive some donations in-kind from private companies, e.g. for technical equipment, and the "Landesmedienanstalten" (the German regulatory authorities for private broadcasters) also provide financial grants.¹ A small part also stems from market revenues, e.g. from program sales, but not from commercials (which Citizens' Broadcasters are not allowed to broadcast in Germany).²

Compared to voluntary broadcasters, public service broadcasters may yield higher market revenues, as long as commercial pressures do not jeopardize its public programming mission. In most countries they thus are allowed to broadcast commercials within certain limits, to perform sponsoring and merchandising, or to re-sell programs. Also the state is often an important indirect donor, allowing public service broadcasters to yield a license fee and providing them (or an institution that is authorized by them)³ with the legal and organizational remedies to enforce the collection of this fee. Hence in practice the "voluntary" broadcasters from civil society also 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.

¹ 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.

² For details of the revenue structure of the German Citizen Broadcasters see below.

³ In Germany, for instance, the public service broadcasters have founded a service centre for the collection of the licence fee ("Gebühreneinzugszentrale", GEZ).

Figure 7:
Public Service Broadcasting As a Hybrid System,
Combining Elements of the Voluntary Sector, the State, and the Market

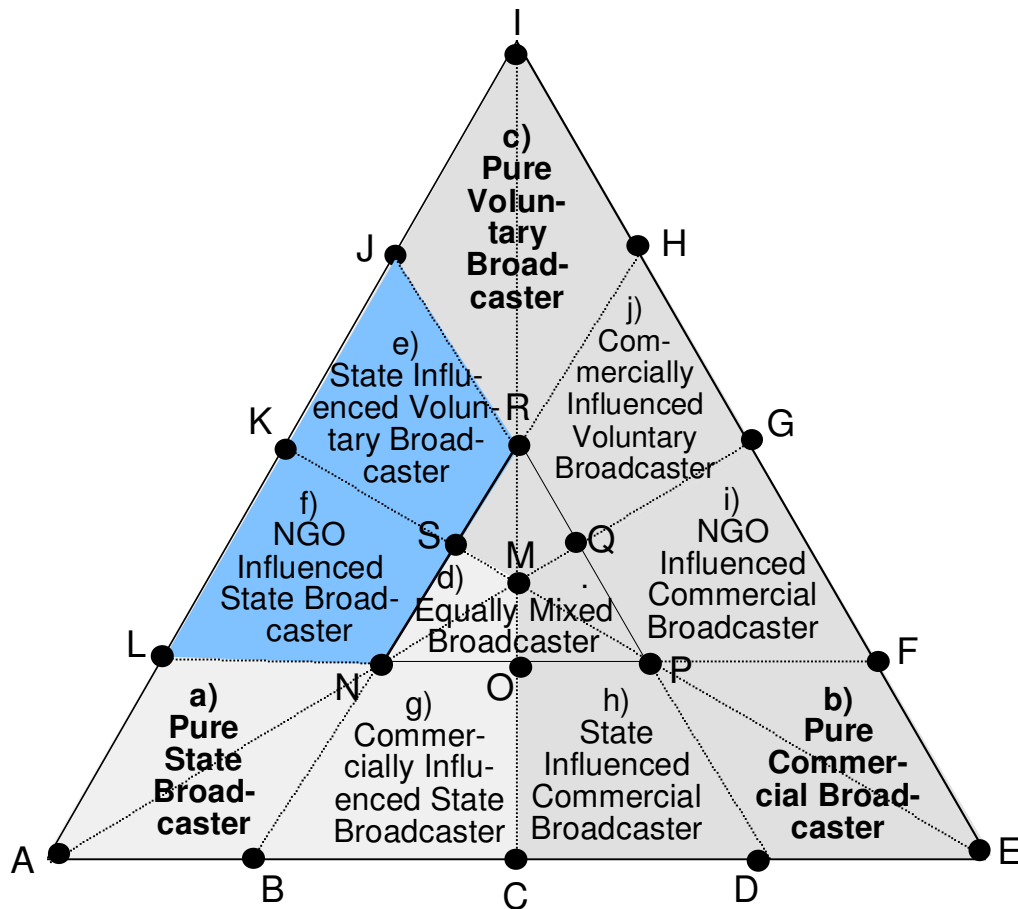


Figure 7 illustrates this: Public service broadcasting is located in the area JRNL (the blue area). In this area there is an influence both from the market and from the state (with regard to the financial incentives: there are revenues). But this influence remains restricted in comparison with “pure commercial broadcasters” (area PFED) and “pure state broadcasters” (area LNBA). As sub-types of public service broadcasters “state-influenced voluntary broadcasters” (JRSK), which are located inside the voluntary sector (inside the civil society) and “NGO influenced state broadcasters”, can then be distinguished.¹

The position of public service broadcasters near the upper corner of the triangle illustrates that the members of civil society are the 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 broad-

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”).



casters as capable share-holders of civil societies' targets. This constitutes a reciprocal responsibility: Public service broadcasting has to lend its voice to 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 their mission, e.g. by serving state interests or by commercializing themselves.¹

The location of public service broadcasting inside the civil society, as shown in figure 7, 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 by market power (and market control). In this regard, public service broadcasters must seek proximity to the market and proximity to the state in order to gain the resources necessary for its mission, but at the same time they must keep sufficient distance from both poles – a task that is equally complicated as Odysseus' passage between Skylla and Charybdis.^{2,3}

¹ This reciprocity of responsibilities is expressed in the title of KOPS 2003: "Die Verantwortung des öffentlich-rechtlichen Rundfunks für die Gesellschaft, und die Verantwortung der Gesellschaft für den öffentlich-rechtlichen Rundfunk" ("The responsibility of public service broadcasting for society, and the responsibility of society for public service broadcasting". Also see KOPS 2005b.

² In Section 2.2. defective internal incentives were mentioned as a reason, why public service broadcasters sometimes miss the right passage. In Germany, for instance there was a close cooperation between a public service broadcaster and a private telecommunication company that jeopardized its editorial independence (or at least the image of its editorial independence), and had to be relinquished. Also product placement was common practice, although it 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' respective 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 <http://www.abendblatt.de/daten/2005/01/28/392151.html>. Also the recent decision of the German state parliaments to cut part of the increase of the license fee that was recommended by the independent commission for the determination of the financial need of public service broadcasters (KEF) indicates that the distance from the state must permanently be controlled and occasionally re-adjusted. This will perhaps happen through the Federal Constitutional Court, which must soon decide about the complaint of unconstitutionality that has been filed on this decision by the German public service broadcasters.

³ In this paper we cannot deal with the question of what strategies public service broadcasters should follow in the future to find the right passage, perhaps even in rougher times. There were attempts to suggest answers to this question in KOPS 1999a, EIM 2001; MEIER 2002; KOPS 2003; KOPS 2005c, NISSEN 2005; LOWE/JAUERT 2005; NISSEN 2006.

3.4. Representing Revenue Structures of Broadcasting Systems by Aggregating the Revenue Structures of the Systems' Members

If there is more than one broadcaster in a country (in the terminology introduced in section 2.4: a "pluralistic system"), the revenue structure cannot be clearly illustrated in the introduced diagram, but rather a two-step procedure is necessary: The first step is to investigate the revenue structure of each of the existing broadcasters empirically. The second step is to aggregate the revenue structures of all the broadcasters in order to determine the average revenue structure of the broadcasting system.

To achieve this aggregation two cases must be distinguished: In the first, easier case, the broadcasters' budgets are equally high; in the second, more complicated case, the budgets vary in size. Table 3 illustrates this by a simple, fictitious "broadcasting system", consisting of the three broadcasters X, Y, and Z, with equally high budgets. "Pure" revenues finance each broadcaster: X is purely financed by voluntary donations, Y is purely financed by state revenues, and Z is purely financed by commercial revenues. The average revenue structure for all three broadcasters together (i.e. for the "broadcasting system") can easily be calculated. Expressed as the vector introduced above, it is 33%, 33%, 33%.

Table 3:

The Revenue Structure of a Fictitious Pure Pluralistic Broadcasting System, Consisting of Three Broadcasters with Equally High Budgets and Pure Revenues

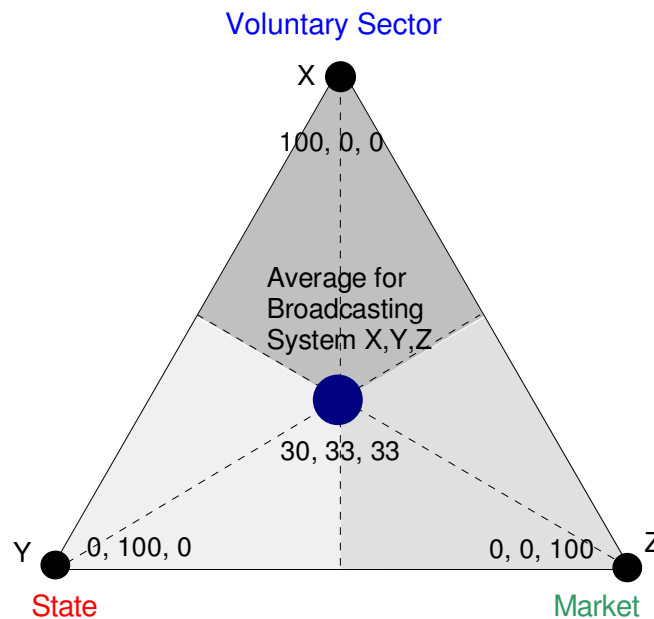
Broad-caster	Budget Mill. \$	Volunt. Rev.	State Rev.	Market Rev.
X	100	100%	0%	0%
Y	100	0%	100%	0%
Z	100	0%	0%	100%
Sum X+Y+Z	300	100%	100%	100%
Aver. X+Y+Z	100	33%	33%	33%

Figure 8 shows this result by means of the diagram introduced: The three broadcasters all are located at the corners of the triangle; the equal size of the dots represents the equally high budgets (here: 100 Mill. \$ each). The resulting average for the broadcasting systems' structure is represented by a dot that is three times as big as the dots of the three broadcasters (representing an overall budget of 300 Mill. \$), and is located in the middle of the triangle, with a revenue vector of 33%, 33%, 33%.



Figure 8:

The Revenue Structure of a Fictitious Pure Pluralistic Broadcasting System, Consisting of Three Broadcasters with Equally High Budgets and Pure Revenues



The calculation becomes more complicated if some or all broadcasters have mixed revenues. Table 4 shows such an example: Broadcasters X and Y have a revenue vector of 10%, 10%, 80%, and 20%, 20%, 60%, respectively. Because of the dominance of market revenues, according to the classification in figure 6 they are “commercial broadcasters”, although a minor portion of their revenues stems from the state and from NGO’s. According to our classification broadcaster Z, with a revenue vector of 80%, 10%, 10%, is a “pure voluntary broadcaster”, although minor portions of its revenues stem from the state and from the market. The vector for the broadcasting system consisting of these three broadcasters can thus be compiled by adding and averaging these three vectors. It is 37%, 13%, 50%.¹ This average represents the countries' overall broadcasting system. In the terminology introduced in figure 6, it would be classified as a “NGO influenced commercial system”.

Figure 9 shows these results graphically. The dots that represent the broadcasters are again of equal size, according to the equal budgets; and the one dot that represents the aggregate results for the broadcasting system is three times as large as the single dots. With a vector of 37%, 13%, 50% it is placed nearer to the commercial corner than to the corner of the voluntary sector, as two of the three broadcasters (X and Y) are predominantly commercial broadcasters and only one (Z) is a predominantly voluntary broadcaster.

¹ The values are compiled as follows:
 $80\% + 20\% + 10\% = 110\% / 300 = 37\%$.
 $10\% + 20\% + 10\% = 40\% / 300 = 13\%$.
 $10\% + 60\% + 80\% = 150\% / 300 = 50\%$.



Table 4:

The Revenue Structure of a Fictitious Mixed Pluralistic Broadcasting System, Consisting of Three Broadcasters with Equally High Budgets and Mixed Revenues

Broad-caster	Budget Mill. \$	Voluntary Revenues	State Revenues	Market Revenues
X	100	80%	10%	10%
Y	100	20%	20%	60%
Z	100	10%	10%	80%
Sum X+Y+Z	300	110	40	150
Aver. X+Y+Z	100	37%	13%	50%

Figure 9:

The Revenue Structure of a Fictitious Broadcasting System, Consisting of Three Broadcasters with Equally High Budgets and Mixed Revenues

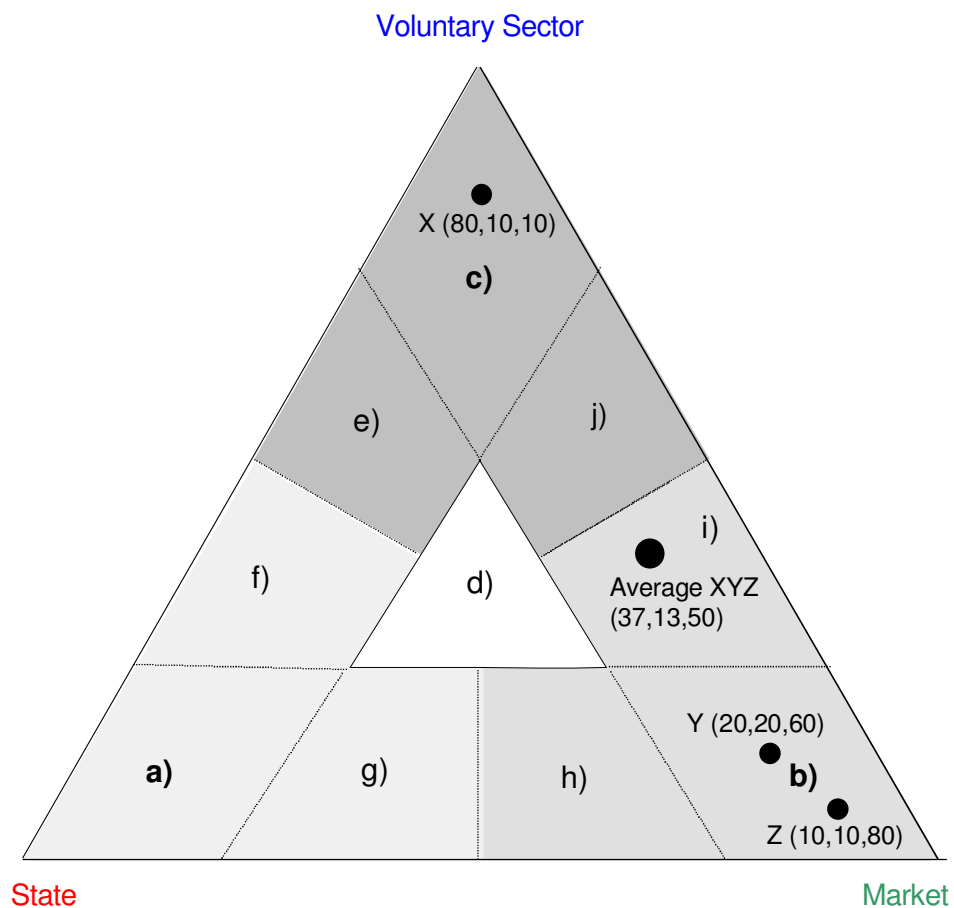




Table 5:
The Revenue Structure of a Fictitious Mixed Pluralistic Broadcasting System,
Consisting of Three Broadcasters with Different Budgets and Mixed Revenues

Broad-caster	Budget Mill. \$	Voluntary Revenues	State Revenues
X	600	80%	10%
Y	200	20%	20%
Z	100	10%	10%
Sum X+Y+Z	900	180	110
Aver. X+Y+Z	300	59%	12%

Figure 10:
The Revenue Structure of a Fictitious Mixed Pluralistic Broadcasting System,
Consisting of Three Broadcasters with Different Budgets and Mixed Revenues

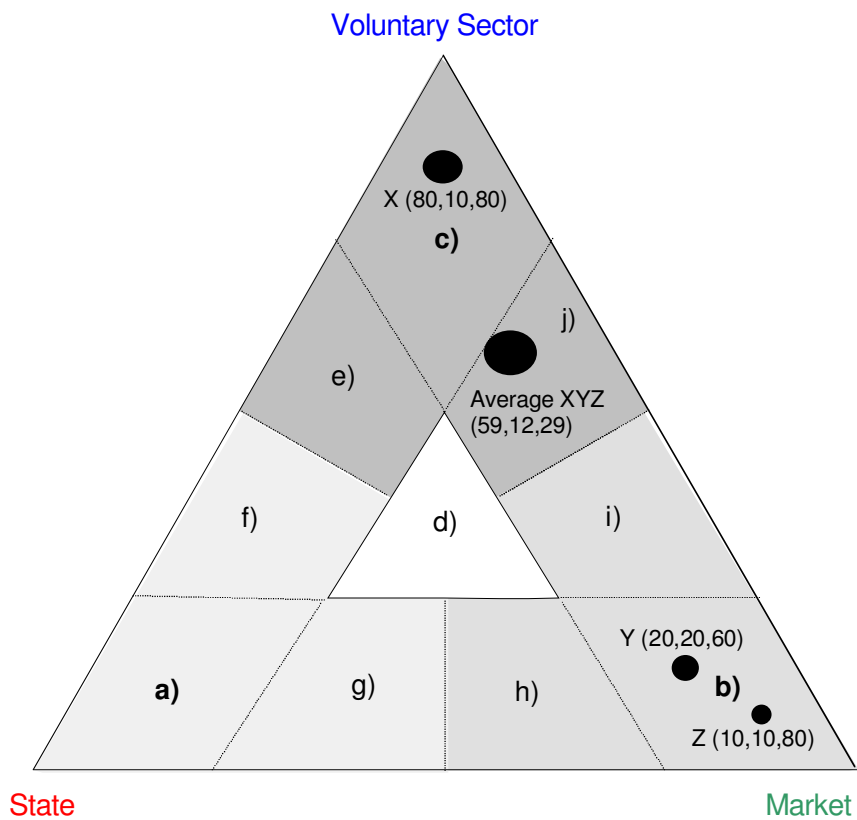


Table 5 and figure 10 describe a more complicated and more realistic example. Once again the three broadcasters that have been considered have mixed revenues, and its revenue structures are the same as in the last example. However, their budgets now differ: Broadcaster X has a budget of 600 Mill. \$; Broadcaster Y has a budget of 200 Mill. \$, and Broadcaster Z has a budget of 100 Mill. \$. Under these circumstances, the average vector for the “broadcasting system”

has to be calculated as a *weighted* average with the different budgets as the weights. With 59%, 12%, 29%¹ this is a predominantly voluntary broadcasting system (see the position of the average dot in figure 10). Most influential for this result is Broadcaster X with the highest budget by far, which therefore influences the average more strongly than Broadcaster Y and Broadcaster Z.

If a revenue source cannot be allocated purely to the market, the state, or the voluntary sector, it must first be decomposed, and the shares then have to be allocated to the three sectors. Revenues from the license fee are a good example. Since they contain both elements from the voluntary sector and from the state sector (see above), they have to be decomposed artificially and the components then have to be allocated to the two sectors. The ratios for the split depend on the relative influence the state and the voluntary sector have on the determination of the amount of the license fee, and on the way the broadcasters spend it. If the state can arbitrarily decide how high the license fee it pays to the broadcasters is, and if it can easily use this golden tie to influence the broadcasters programming decisions, the license fee has more the character of state revenues, approximately 60 % or even two third of the revenues from the license fee should then be classified as state revenues, and in this case approximately 40 % or only one third should be classified as voluntary revenues. If the state is bound to legal rules and the broadcasters are well-protected against state influences, and if civil society decisively determines the amount of the license fee and the programs for which it is used, approximately 40 % or one third of the revenues from the license fee should be classified as state revenues, and approximately 60 % or even two third should be classified as voluntary revenues.²

Table 6 illustrates this decomposition and reallocation process by means of a fictitious example. The figures for the broadcasters' budgets (column 2), and for its purely voluntary revenues (column 3), its state revenues (column 4) and its market revenues (column 5) are taken from table 4. In addition to these figures we assume revenues from the license fee (column 6). For simplicity's sake we classify half of these revenues as state revenues (column 7) and the other half as voluntary revenues (column 8). For broadcaster X that receives 20 Mio. \$ from the license fee, 10 Mio. \$ are thus regarded as voluntary revenues, and another 10 Mio \$ are regarded as state revenues. We can then add these assigned revenues from the license fee to the pure voluntary revenues (column 3) and the pure state revenues (column 4). Broadcaster X then receives a total of 90 Mio \$ voluntary revenues: 80 Mio. \$ as pure voluntary revenues plus 10 Mio. \$ as "assigned" voluntary revenues from the license fee. As state reve-

¹ The values are compiled as follows:

$$(600 \times 80\%) + (200 \times 20\%) + (100 \times 10\%) = 530\% / 900 = 59\%.$$

$$(600 \times 10\%) + (200 \times 20\%) + (100 \times 10\%) = 110\% / 900 = 12\%.$$

$$(600 \times 10\%) + (200 \times 60\%) + (100 \times 80\%) = 610\% / 900 = 68\%.$$

² See section 3.4.



nues Broadcaster X receives 10 Mio \$ as “pure” state revenues and another 10 Mio. \$ as “assigned” state revenues from the license fee. The respective figures for Broadcaster B are 20 Mio. \$ + 15 Mio \$ = 35 Mio. \$ as voluntary revenues and 20 Mio \$ + 15 Mio \$ = 35 Mio \$ as state revenues. For Broadcaster C the figures are 10 Mio \$ + 50 Mio \$ = 60 Mio. \$ as voluntary revenues, and 10 Mio \$ + 50 Mio \$ = 60 Mio. \$ as state revenues. The revenue vector for this mixed pluralistic broadcasting system is 41%, 26%, 33%.¹

Table 6:
The Revenue Structure of a Fictitious Mixed Pluralistic Broadcasting System
(One Half of the Revenues from the License Fee Being Classified
as State Revenues, the Other Half Being Classified as Voluntary Revenues)

Broad-caster	Budget Mill. \$	Volunt. Rev	State Rev	Market Rev	Rev from L. Fee	State Rev fr. L. Fee	Vol. Rev. fr. L. Fee
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
X	100 (+20) = 120	80 (+10) = 90	10 (+10) = 20	10 (+0) = 10	20	10	10
Y	100 (+30) = 130	20 (+15) = 35	20 (+15) = 35	60 (+0) = 60	30	15	15
Z	100(+100) = 200	10 (+50) = 60	10 (+50) = 60	80 (+0) = 80	100	50	50
Sum X+Y+Z	300(+150) = 450	110 (+75) = 185	40 (+75) = 115	150 (+0) = 150	150	75	75
Aver. X+Y+Z	150	41	26	33	50	25	25

3.5. Geometrical Exposition of the German Dual Broadcasting Order

As an example, this geometrical model for the description of national broadcasting orders shall be applied to the German dual broadcasting order. In table 7 the basic data, i.e. the revenues of the public service broadcasters (ARD, ZDF, Deutschland Radio, Deutsche Welle), the Citizen Broadcasters and the commercial broadcasters (primarily the big networks RTL-Group and ProSieben.Sat.1) are listed (as mentioned above there are no state broadcasters in Germany).

According to the three ideal types of broadcasters, table 7 distinguishes civil society donations (column 2), governmental revenues (column 4), and market revenues (column 6) as basic revenue types. As the license fee, which is listed as a fourth kind of revenues in the upper part of table 7 (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 7): 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 license fee and on the enforcement of its collection, but the major competences belong to civil society boards, like the KEF and the Rundfunkräte.^{2,1} If one allocates the li-

¹ The values are compiled as follows:

$$(600 \times 80\%) + (200 \times 20\%) + (100 \times 10\%) = 530\% / 900 = 59\%.$$

$$(600 \times 10\%) + (200 \times 20\%) + (100 \times 10\%) = 110\% / 900 = 12\%.$$

$$(600 \times 10\%) + (200 \times 60\%) + (100 \times 80\%) = 610\% / 900 = 68\%.$$

² See LIBERTUS 2004.

cense fee in this 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 7, columns 12a, 12b, 12c).

Table 7:
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-Yearbook 2005, ZDF-Yearbook 2005, ZAW 2006, MP-BASISDATEN 2005, EUROPEAN AUDIOVISUAL OBSERVATORY 2005a

A special case is Deutsche Welle (DW). Its programming mandate is to “present Germany as an evolved European cultural nation, and as a liberal constitutional state. For German and other viewers it should also 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.”² Since the DW

¹ Categorizing 67 % of the license fee as civil society revenue and 33 % as state revenue cannot 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 programming decisions by the “golden tie”, the allocation seems plausible, nonetheless.

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

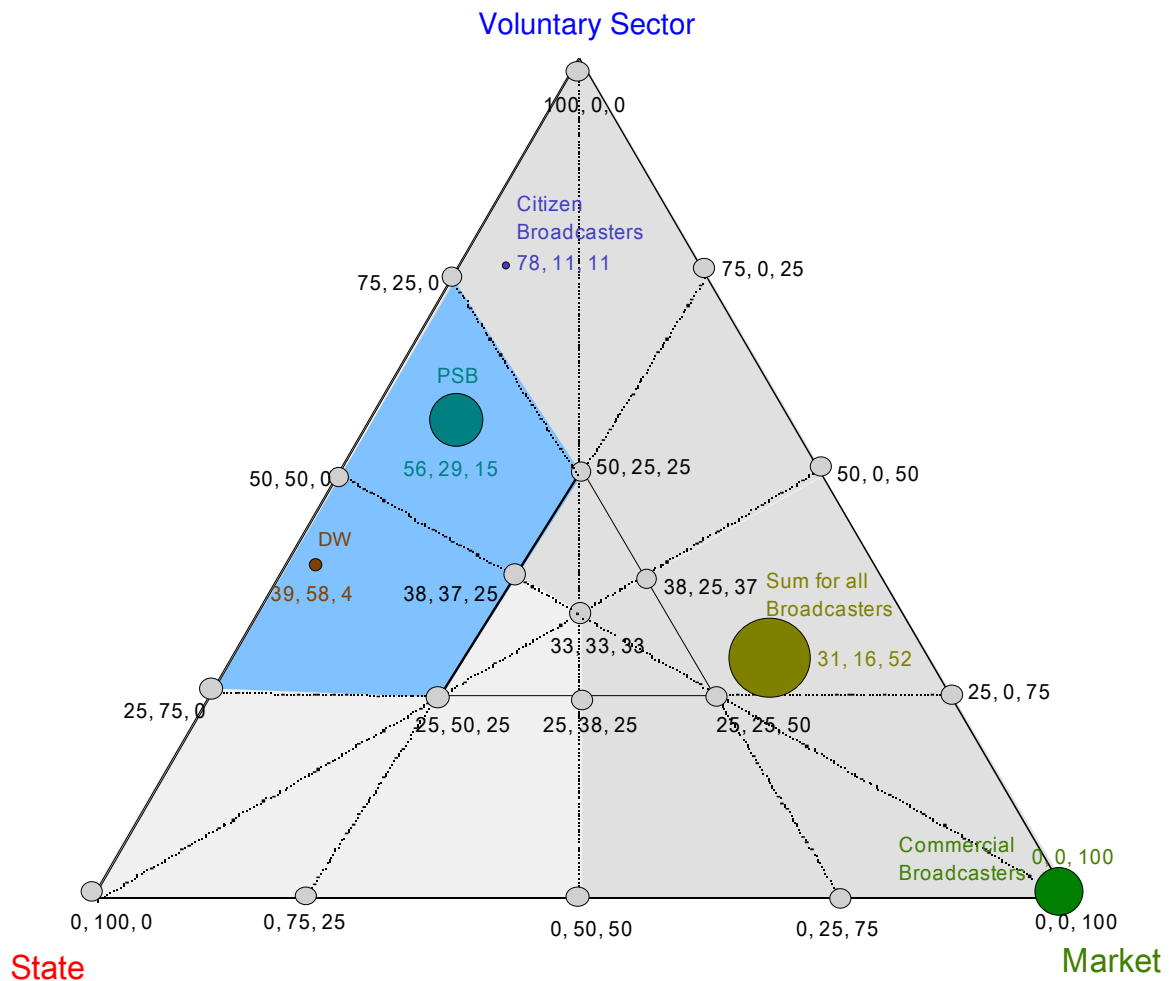


programs cannot be received inside Germany, those who pay the German receiving license fee should not finance them. Therefore – and because of the proximity of its mission to the state's public relations' tasks – DW is financed by state grants.¹ However, for DW some precautions are also taken to prevent political intervention in programming and to secure a strong influence of the voluntary sector.² Therefore, in the lower part of table 7 we assign only 60 % of the governmental revenues to the state sector, and 40 % to the civil society sector.³ The revenue vector for the DW then is 39 %, 58 %, 4 %.⁴ If one aggregates the revenues of all public service broadcasters, the average revenue vector is 56 %, 29 %, 15%.

The Citizens' Broadcasters have a revenue vector of 78 %, 11 %, 11 %. They resemble the ideal type of civil society broadcasters the most, because they rely mainly on donations in-kind from citizens, who volunteer as journalists, technicians, administrators, and the like, without payment, 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 through market revenues. Consequently, their revenue vectors are 0 %, 0 %, 100 %.⁵ – For the (weighted) average of all German broadcasters (public service broadcasters, Citizen Broadcasters and commercial broadcasters) the revenue vector is 31 %, 16 %, 52 %.

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- ¹ With the exception of the former TV Service of the Deutsche Welle, had the primary purpose of "German TV", was originally to cover the private demands of Germans living in the USA. The service was funded by subscriptions, in 2006 it was terminated.
 - ² Programming decisions are made by the "Rundfunkrat" of DW in approval with the government (BETTERMANN 2005, for details NIEPALLA 2003, NIEPALLA 2005).
 - ³ Again, the allocation of 60 % for the state sector and 40 % for the civil society sector cannot be reasoned beyond dispute. It is derived from the fact that the (central) state, has only limited possibilities to influence its programme decisions even though it provides the grants for the DW. On the other hand 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).
 - ⁴ The example illustrates that the classification as a public service broadcaster or as a state broadcaster depends not only 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 programming decisions. On the other hand, the example also illustrates that not all broadcasters that are mainly funded 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 program or advertising markets.
 - ⁵ A closer look would reveal that commercial broadcasters also receive some civil society revenues and governmental revenues. They can be quantitatively neglected, however, and thus will be ignored for the purpose of this study. See KOPS 2001.

Figure 11:
The German Broadcasting System, Geometrically Exposed



The revenue vectors of the German broadcasters are visualized in figure 11 by means of our "magic triangle". The Citizens' 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 6 (p. 32) and thus have to be classified as "pure voluntary broadcasters". The size of the dot however, indicates that the German Citizens' Broadcasting is not important quantitatively speaking.¹

On the average² public service broadcasters are located further away from the ideal type of the voluntary sector, mainly due to state having a certain influence on the license fee (we assume 33.3 %, see above), which is the main type of

¹ In Figure 11 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 7.

² In Figure 11 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.



funding for public service broadcasters. According to the classification of broadcasters from figure 5 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”. Exceptionally the state-funded DW is located nearer to the state pole, but as it is located in sector KSNL of figure 6, it would be categorized as “NGO influenced state broadcaster” according to the general typology provided by this figure; and it 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, thus corresponding to the ideal type of market-funded broadcasters. – The average of all German broadcasters, for which the weighted revenue vector is 31 %, 16 %, 52 %, is located in segment GFPQ, and in the typology of figure 6 thus has to be classified as “civil society influenced commercial broadcaster”.

In general most observers evaluate the German broadcasting landscape, as it is revealed in figure 11, positively.¹ The combination of public service broadcasters with a total budget of 8.42 billion € (see table 7, Col. 10) and commercial broadcasters with a total budget of 6.74 billion € is considered fitting since both parts of the dual order create a balance of power between the public interest of bureaucratic public service broadcasters and the private interests of profit-driven commercial broadcasters and since 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 fine-tuning are common though (see next chapter).

¹ See HOFFMANN-RIEM, 2000, pp. 181f. Fritz Pleitgen, at that time Director (Intendant) of the largest German public service broadcaster WDR („Westdeutscher Rundfunk“) and also Director of the Association of German Public Service Broadcasters (ARD, „Arbeitsgemeinschaft der öffentlich-rechtlichen Rundfunkanstalten“) evaluated the German broadcasting system as being „well-balanced“, in: “ARD-Chef sieht TV-Markt im Gleichgewicht“, in: Berliner Zeitung from 6/26/2001.

4. The Revenue Structures of Existing Broadcasting Systems. An International Comparison

4.1. Some Existing Typologies for Broadcasting Systems

Because of the pros and cons of the three types of broadcasters, most real broadcasting systems are mixed systems (similar with economic systems in general, which also always are mixtures of markets, states and voluntary institutions), and there are only a few countries, in which pure systems are (still) established.¹ The relative importance of the three alternatives to provide broadcasting programs varies with the evaluation of the relative capabilities of each of the alternatives, but also depends on the economic, social, political and cultural conditions of the countries that determine the market's, the state's and the voluntary sector's possibilities and capabilities as program providers. Therefore the one ideal broadcasting system that would be appropriate for all countries does not exist; each country must establish and shape its own solution with regard to its peculiarities.

In search of this ideal system it is advisable to know the solutions other countries have chosen. Unfortunately there are only few data and studies, which have empirically compared broadcasting systems internationally.² The large-scale study by FLECK (1984) is one of them. It compared the broadcasting systems of 155 countries worldwide.³ Somewhat similar to the typology we introduced in section 2.2., FLECK distinguished five types of broadcasting systems (table 8):

- I. *State broadcasting*; this type corresponds with the "pure state broadcasting" we distinguished in our typology (see section 3.2.); according to FLECK 102 of the 155 countries fell into this category;
- II. *Public service broadcasting*, this type corresponds with our "public service broadcasting" (as sum of our "state-influenced voluntary broadcasting" and "NGO-influenced state broadcasting"); 22 countries fell into this category;
- III. *Commercial broadcasting*, this type corresponds to our "pure commercial broadcasting"; only 5 countries fell into this category;

¹ Even if pure systems are defined in the way this has been done in Figure 6 (p. 32), where a broadcaster already is regarded as "pure" if the dominating revenue exceeds 50 % of the overall revenues, most countries do not have pure broadcasting systems in this sense.

² For qualitative descriptions of the broadcasting orders of selected countries see KLEINSTEUBER 1991, KLEINSTEUBER 1993, MATTERN/KÜNSTNER 1998, ESSER/PFETSCH 2004, HALLIN/MANCINI 2004a, WOLDT 2005.

³ FLECK included all 156 member states of the International Telecommunication Union (ITU) for the year 1983. As one state (Lichtenstein) did not have a broadcasting act, only 155 states were classified. See FLECK 1984, pp. 56ff.



- IV. *A combination of state broadcasting and public service broadcasting*; this type corresponds with our "commercially influenced state broadcasting" or our "state influenced commercial broadcasting"; 13 countries fell into this category;
- V. *A combination of state broadcasting and commercial broadcasting*; this type probably resembles our "equally mixed broadcasting"; 13 countries fell into this category.¹

Table 8:

International Comparison of Broadcasting Systems for the Year 1983 by FLECK

	I	II	III	IV	V
	State Broadcasting	Public Service Broadcasting	Commercial Broadcasting	Mixture of I and III	Mixture of II and III
Europe	14	8	3	1	5
Africa	39	4	1	5	1
The Near and Middle East	13	1	0	2	1
Asia	16	1	0	1	2
The Pacific	1	3	0	0	2
Nord America	0	0	1	0	1
Central America and the Carribean	12	2	0	3	0
South America	7	3	0	1	1
Total	102	22	5	13	13

Source: FLECK 1984, p. 56

Although there is no comparable worldwide study based on actual data, we can assume that FLECK's results have changed considerably during the last twenty years: State broadcasting probably has lost its predominance in the course of democratization, especially in Central and Eastern Europe, and commercial broadcasting has gained importance in the course of the worldwide commercialization and globalization of societies.² The dominance of pure systems (which is partly a result of FLECK's classification method)³ has been replaced by a dominance of mixed systems, combining two or even all three forms of provision.

¹ The other three types that are distinguished in our typology ("pure voluntary broadcasters", "commercially influenced voluntary broadcasters" and "NGO influenced commercial broadcasters" are not considered by FLECK 1984. And in fact they can hardly be found in reality, as the results of our empirical classification will reveal in chapter 4.2. below.

² See below, chapter 4.3. and also see KOPS 2006a.

³ FLECK 1984 classified mixed broadcasting systems, in which one of the allocation mechanisms dominates, as a pure type. Although this is not explained explicitly by FLECK, it can be concluded by the classification of the separate countries (published in Appendix I of this paper): West Germany, for instance, is classified as a pure public service broadcasting system, although it always contained (quantitatively low) elements of state broadcasting.

Table 9:
Some Key Attributes of Selected Public Broadcasting Systems

	Revenues per Capita (in ECU)	Revenues As % of GDP	% Commercial Revenues	TV Audience Share
	(1997)	(1997)	(1998)	(2000)
Denmark	104.5	0.37	34.8	69
United Kingdom	103.7	0.30	15.8	39
Switzerland	99.7	0.36	26.2	
French				32
German				32
Italian				25
Austria	88.6	0.39	49.9	57
Germany	85.5	0.38	17.2	42
Norway	72	0.23	0	41
Ireland	69.8	0.36	66	48
Finland	68.8	0.34	25.4	43
Sweden	67.4	0.30	7.3	44
Belgium	56.3			
Flemish			33.4	32
French			27.6	25
France	55.8	0.21	45.5	44
Italy	49.2	0.20	43	48
Netherlands	45	0.22	22.5	37
Spain	33.9	0.28	77.6	33
Canada	23.8	0.13	32	9
Greece	17.9	0.18	43.1	12
Portugal	12.5	0.15	55.5	34
United States	5.8	0.02	13	2

Source: HALLIN/MANCINI 2004, p. 42

It would be worthwhile to check this assessment empirically by replicating FLECK's study with new figures.¹ However, for most countries in the world current data is hardly available. Some data can be found in HALLIN/MANCINI 2004 (see table 9). They provide interesting attributes for the "public broadcasting systems" of 18 countries: the revenues per capita, the revenues as % of GDP, % of commercial revenues, and TV audience share.²

Although we cannot discuss these data here, it is obvious that they could be used to check several interesting hypotheses, e.g. about the relation between the broadcasters' revenues per capita or % of commercial revenues and TV audience share. On the other hand, neither does this study offer detailed information about the broadcasters' revenue structures. Most notably, there is no distinction between market revenues, state revenues, and third sector reve-

¹ For the technical details of this approach see KOPS/KHABYUK 2007.

² Notice that HALLIN/MANCINI 2004 consider even those broadcasting systems as public that are funded dominantly by commercial revenues (like the Spanish system that is financed by 77,6 % from commercial revenues).



nues, which would be essential for the empirical examination of our theoretical approach.¹

Table 10:
Hallin/Mancini's Pattern of Variation in Four Media System Dimensions

	Polarized Pluralist	Democratic Corporatist	Liberal
Development of Mass Press	Low	High	High
Political Parallelism	High	High	Low
Professionalization	Low	High	High
State Intervention	High	High	Low

Source: HALLIN/MANCINI 2004, p. 299

The book by HALLIN/MANCINI 2004 is nonetheless extremely informative. Based on qualitative attributes, it offers a typology of three "models of media and politics" that can partly be subsumed into the typology we have offered in Part 2. The models are called "polarized pluralist", "democratic corporatist", and "liberal". They are characterized by several qualitative attributes, paramount to the development of the mass press, political parallelism, and to the degree of professionalization and state intervention (see table 10).

- The *polarized pluralist model* is characterized by a low development of the mass press, and low professionalization, and by a high degree of political parallelism and high state intervention. HALLIN/MANCINI 2004 mention Greece, Spain, and Portugal as examples of this model (see figure 12). In our typology (compare figure 6, p. 32) this model would be located near the state pole with regard to the political parallelism and the high influence of the state, but it would have to be located near the third sector with regard to the low degree of professionalism (and the low development of the mass media). Hence polarized pluralist countries are probably located in the section JRNK in our triangle, having many attributes in common with public service broadcasters as we defined them (compare figure 7, p. 35).

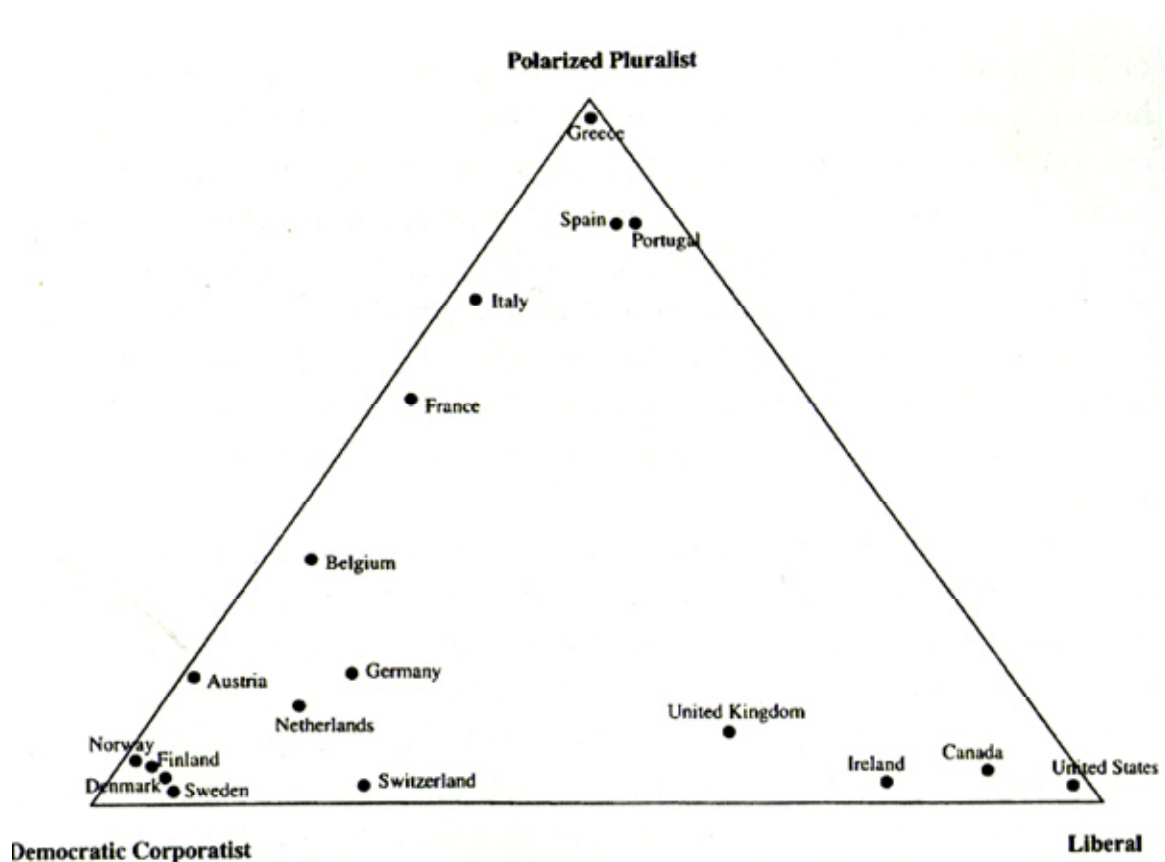
The *democratic corporatist model* is characterized by a high development of the mass press, high political parallelism, high professionalization, and high state intervention. HALLIN/MANCINI 2004 name the Scandinavian states as examples of this model. It combines influences from the state and influences from the market, leaving little space for the third sector (civil society). In our typology this model is to be located in sector NPDB, i.e. it consists of "com-

¹ This is a problem for most empirical data. Also the data provide by IP 2006 or the EUROPEAN AUDIVISUAL OBSERVATORY 2005a, for instance, are not appropriately categorised as they only distinguish between public and commercial revenues.

mercially influenced state broadcasters" or/and "state influenced commercial broadcasters" (compare once more figure 7, p. 35).

- The *liberal model* is characterized by a high development of the mass press, by high professionalization and by low political parallelism and low state intervention. HALLIN/MANCINI 2004 name the United States and Canada as examples of this model. It seems to be dominated by market forces. In our typology it probably is located in sector QGED, i.e. it consists of "pure commercial broadcasters" or "NGO influenced commercial broadcasters" (compare once more figure 7, p. 35).

Figure 12:
Relation of Individual Cases to the Three Models of Hallin/Mancini



Source: HALLIN/MANCINI 2004, p. 70

A somewhat different typology has been offered by MCKINSEY 1999. This study refers to data for the year 1996. It also only considers broadcasters that are labeled as "public service broadcasters". It distinguishes two attributes of revenue systems: firstly a "base mechanism", which is either dominated by a license fee or by state grants, and secondly a "supplement market mechanism", which is determined by the extent to which advertising and sponsoring are part of the funding mix.



In figure 13 these two attributes are used for a cross tabulation, with the first attribute (which corresponds to the left edge in our triangle model) on the horizontal, and the second attribute (which corresponds to the right edge or base edge, respectively of our triangle model) on the vertical.

- *Type 1* in the upper left field of the cross table contains broadcasters what are solely or dominantly financed by a state grant and receive no revenues from advertising. In our typology, introduced in section 3.2., they would be labeled as “pure state broadcasters” or as “NGO influenced state broadcasters”. McKINSEY 1999 mentions Australia (ABC) and the United States PSB as examples for this type – which is correct for the ABC, but which is false for the US (where public service broadcasters are financed by voluntary subscriptions and donations, but not by state grants).¹
- *Type 2* in the lower left field of the cross table contains broadcasters what are solely or dominantly financed by a state grant and receive some revenues from advertising. In our typology they would be labeled as “commercially influenced state broadcasters”. McKINSEY names Canada (CBC), Portugal (RTP) and Spain (RTVE) as examples, which is right in general, but where a more precise classification would be helpful, depending on the jurisdictional and political rules by which the grants are distributed (and the states influence is determined).
- *Type 3* in the upper right field of the cross table contains broadcasters what are solely or dominantly financed by a license fee and receive no revenues from advertising. In our typology these broadcasters would be labeled as “state influenced voluntary broadcasters” or “NGO influenced state broadcasters”, depending on the states’ role to decide the amount of the license fee. McKINSEY mentions Denmark (DR), Japan (NHK), Norway (NRK), Sweden (SVT) and the United Kingdom (BBC) as examples.
- *Type 4* in the lower right field of the cross table contains broadcasters what are solely or predominantly financed by a license fee and receive some revenues from advertising. In our typology these broadcasters would be labeled as “state influenced voluntary broadcasters” “NGO influenced state broadcasters” or “equally mixed broadcasters”, depending on the states’ scope to decide the amount of the license fee and on the share of revenues from advertising. McKINSEY mentions Belgium (VRT, RTBF), the Czech Republic (CT), Denmark (TV2), France (F2, F3), Germany (ARD, ZDF), Italy (RAI), the Netherlands (NOS, etc), New Zealand (TVNZ), Poland (TVP), and South Africa (SABC) as examples; once again this is correct in general, but deserves a more exact classification, depending on the jurisdictional and political regulations according to which the license fee is distributed (and the state’s influence is determined), and on the share of revenues from advertising.

¹ As McKINSEY does not distinguish voluntary revenues as a separate category, this misclassification is inevitable. The footnote in the McKinsey study cannot correct this.

Figure 13:
Different Types of Public Service Broadcasters,
According to Different Funding Mechanisms

Extent to which advertising included in funding mix	None	Australia (ABC) United States (PBS)**	Denmark (DR) Japan (NHK) Norway (NRK) Sweden (SVT) United Kingdom (BBC)
	Some	Canada (CBC) Portugal (RTP) Spain (RTVE)	Belgium (VRT, RTBF)*** Czeck Republic (CT) Denmark (TV2) France (F2, F3) Germany (ARD, ZDF) Italy (RAI) Netherlands (NOS, etc) New Zealand (TVNZ) Poland (TVP) South Africa (SABC)
		Grant	License Fee
Base mechanism*			

- * Turkey funds its PSB (TRT) by means of a levy on electricity bills and a tax on electronic goods, as well as through advertising
- ** Major non-secure source of funding is voluntary subscription/donation
- *** VRT advertising relates only to radio

Source: MCKINSEY 1999, p. 30

In summary, the classification by McKINSEY 1999 offers some insights into the variety of revenue structures that can be found for “public service broadcasters” in the world. However, since it does not consider voluntary revenues as an own originated type of revenues, it falsely equates public service broadcasters in the US, which are dominantly financed by voluntary donations with public service broadcasters in Australia, which are dominantly financed by government grants.¹

¹ In addition, the allocation for some of the counties named in figure 13 meanwhile is outdated. For Germany, for instance, the share of revenues from commercials has decreased from 9 % in 1996 (McKINSEY 1999) to 6 % in 2005 (MP BASISDATEN 2006, p. 10 - 11).



4.2. A Revenue-Based Classification and Comparison of Broadcasters

If the data provided by McKINSEY are transformed, a more appropriate classification is possible. For this purpose, the categories used in the McKINSEY study (table 11, left side) have to be reallocated to the three basic sectors, by which broadcasting programs can be provided. In a rough estimation that does not properly consider the varying peculiarities of the countries considered, we allocate half of the revenues from the license fee (column 3 in table 11) to the voluntary sector, the other half to the state sector.¹

A reallocation is also necessary for the McKINSEY category “other revenues”. Although this category is considerably high for some countries (e.g. for Turkey, the Czech Republic, Poland or Spain), in the McKINSEY classification it is treated as a heterogeneous marginal category, not allocated to the voluntary sector, the state sector or the market sector. Lacking more precise information, we allocate these revenues proportionally to the three sectors. The results are listed in table 11, columns 8a, 8b, and 8c, again. For Turkey, for instance, with a sum of operating incomes of 102 Mio GBP (column 2), the “other revenues” are 15 % (i.e. 15,3 Mio GBP), and we have allocated 5,1 Mio GBP to each of the three sectors. The total revenues allocated to the voluntary sector then amount to 35 Mio GBP (table 11, col. 8a),² the total revenues for the state sector sum up to 57 Mio GBP (Col. 8b),³ and the total revenues allocated to the commercial sector amount to 10 Mio GBP (Col. 8c).⁴

In the last columns 9a, 9b, and 9c of table 11 the relative portions of the revenues from the voluntary sector, the state sector and the market sector are listed. These figures thus correspond with the revenue vector, introduced in section

¹ As was mentioned in section 3.4., the classification of the license fee as voluntary revenue or the state revenue depends on the legal and institutional peculiarities, that determine the states influence on the recipients of the fee. For Germany, e.g. it was argued, that 67% of the license fee should appropriately be allocated to the voluntary sector, and 33% should be allocated to the state sector (see section 3.5.). These appropriate ratios for Germany were not considered in table 11, where the rough 50:50 estimation was applied for all countries. Obviously this does not take into account that besides Germany in other countries, especially in the United Kingdom, capable precautions have been implemented to provide the state to influence the recipient broadcasters. Therefore, a more appropriate re-allocation of the McKINSEY data, which takes into account these peculiarities, would be necessary.

² This figure compiles as follows: revenues from the license fee ($102 \text{ Mio GBP} * 0,59 * 0,5 = 30,0 \text{ Mio GBP}$) + “other revenues” ($102 \text{ Mio GBP} * 0,15 * 0,333 = 5,1 \text{ Mio}$) = $30,0 \text{ Mio GBP} + 5,1 \text{ Mio GBP} = 35,1 \text{ Mio GBP} \approx 35 \text{ Mio GBP}$.

³ Revenues from the license fee ($102 \text{ Mio GBP} * 0,59 * 0,5 = 30,0 \text{ Mio GBP}$) + revenues from government grants ($102 \text{ Mio GBP} * 0,21 * 1,0 = 21,4 \text{ Mio GBP}$) + “other revenues” ($102 \text{ Mio GBP} * 0,15 * 0,333 = 5,1 \text{ Mio GBP}$) = $30,0 \text{ Mio GBP} + 21,4 \text{ Mio GBP} + 5,1 \text{ Mio GBP} = 56,5 \text{ Mio GBP} \approx 57 \text{ Mio GBP}$

⁴ Revenues from advertising/sponsoring ($102 \text{ Mio GBP} * 0,05 * 1,0 = 5,1 \text{ Mio GBP}$) + “other revenues” ($102 \text{ Mio GBP} * 0,15 * 0,333 = 5,1 \text{ Mio GBP}$) = $5,1 \text{ Mio GBP} + 5,1 \text{ Mio GBP} = 10,2 \text{ Mio GBP} \approx 10 \text{ Mio GBP}$

3.1., and they can be used to locate the national broadcasting systems graphically into the triangle model.

Figure 14 shows this graphical representation.¹ By the different size of the dots it becomes obvious, first of all, that the broadcasters' budgets vary extensively. The dots are biggest for the German ARD (with a budget of 3.806 Mio GBP), the Japanese NHK (with a budget of 3.471 Mio GBP) and the British Broadcasting Cooperation, BBC (with a budget of 1981 Mio GBP); they are smallest for the Turkish TRT (102 Mio GBP) and the Czech CT (80 Mio GBP). One should recall, however, that in figure 14 the sizes of the dots are determined by the broadcasters' absolute budgets. If one would instead use the per capita figures, i.e. the budgets that are available for each viewer/listener or for each household, the deviations between the broadcasters would be much smaller, and the ranking would be also different.²

As the license fee in our classification is a mixture of state revenues and third sector revenues, the countries that were placed on the right borderline of the triangle before the reallocation are now placed on the bisector (i.e. on the line that starts with Japan and ends with New Zealand). Among others, also the German public service broadcasters ARD and ZDF are placed on this line (or more exactly: somewhat above this line), which confirms the results we presented in section 3.5. for the German broadcasting system.³ Turkey now is located below this line, moving further to the governmental edge, as it is funded from (governmentally steered) license fees by 59%, and from direct governmental grants by 21% (and only from 5% by commercial revenues).

¹ The figure has been produced by an algorithm that transforms the numbers of an Excel spreadsheet into a diagram. The procedure is described in KOPS/KHABYUK 2007. It can be downloaded from the websites of the Institute for Broadcasting Economics: [www.http://www.rundfunk-institut.uni-koeln.de/institut/publikationen/arbeitspapiere/ap231.pdf](http://www.rundfunk-institut.uni-koeln.de/institut/publikationen/arbeitspapiere/ap231.pdf).

² To a large extent the differences in the public service broadcasters' budgets are due to the variations in the countries' size and in the differences of their economic capabilities. By compiling the PSBs' operating incomes per capita, this factor can be eliminated. The ranking between the included nations then changes considerably. Denmark, for instance, a small country that from the absolute operating income only ranges on position eight, per capita has the highest operating income; being followed by Germany. Japan and the United Kingdom, on the other hand, those absolute operating incomes range on the second and third position, fall back on position eight and ten, respectively, when the per capita values are compared. For the per capita values also the variance between the countries is much smaller than for the absolute figures. It still remains considerable, however: Public service broadcasters in Denmark, for instance, annually can spend 83,1 £ for each citizen (i.e. about 115 US \$); in the U.K., in Italy, or in Japan, public service broadcasters can spend only about 30%, and in South Africa, the Czech Republic, or in Poland only about 10% of that amount.

³ In figure 14 the average vector of the German public service broadcasters is located nearer the state pole than in figure 11, where we allocated the license fee revenues between the state and the third sector by the (more appropriate) relation of 33% to 67% (instead of the relation 50% to 50% which was used for figure 14).



Table 11:
Revenue Structures of Selected Public Service Broadcasters

Country	Operating Income* Mio GBP	License fee %	Advert./ Spons. %	Gov't Grants %	Other revenues %	Sum of revenues %
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Japan (NHK)	3.471	100	0	0	0	100
Norway (NRK)	235	99	1	0	0	100
Sweden (SVT)	310	98	1	1	0	100
Australia (ABC)	306	98	0	0	2	100
United Kingdom (BBC)	1.981	97	0	0	3	100
Denmark (DR)	436	91	1	0	8	100
Germany (ARD)***	3.806	82	9	0	9	100
Turkey (TRT)**	102	59	5	21	15	100
Belgium (VRT)****	227	77	22	0	1	100
Canada (CBC)	534	0	22	75	3	100
Germany (ZDF)***	951	73	17	0	10	100
Belgium (RTBF)****	122	72	20	0	8	100
Netherlands (NOS)	564	69	23	0	8	100
France (F3)*****	643	66	32	2	0	100
Czech Republic (CT)	80	61	24	0	15	100
Italy (RAI)	1.688	59	37	0	4	100
France (F2)*****	643	50	50	0	0	100
Portugal (RTP)	125	0	48	48	4	100
Poland (TVP)	286	32	37	0	31	100
Denmark (TV2)	436	25	72	0	3	100
Spain (RTVE)	467	0	64	25	11	100
South Africa (SABC)	246	18	78	0	4	100
New Zealand (TVNZ)	129	0	100	0	0	100
Germany (ARD+ZDF)	4.757	80	11	0	9	100
Belgium (VRT+RTBF)	349	75	21	0	3	100
France (F3+F2)	1.286	58	41	1	0	100

* Operating income, excluding commercial income

** Public funding derives from: a 3,5% levy on electricity bills and a tax on electronic goods (59% and 21 % of operating income resp.)

*** The total operating income for ARD and ZDF was split by us by an estimated ratio of 80 % versus 20 %

**** The total operating income for VRT and RTBF was split by us by an estimated ratio of 65 % versus 35 %

***** The total operating income for F2 and F3 was split by us by an estimated ratio of 50 % versus 50 %

Source: MCKINSEY 1999, p. 30, own calculations

On the other hand, Canada, Portugal and Spain have moved upward a little, away from the governmental pole, as governments there are hindered in varying the broadcasting grants discretionarily, both by written law and by the specific political culture.

Table 11 (cont.):
Revenue Structures of Selected Public Service Broadcasters

Country	Operating Income* Mio GBP	tot. Rev. vol sect Mio GBP	tot. Rev. state sect Mio GBP	tot. Rev. com sect Mio GBP	tot. Rev. vol %	tot. Rev. state %	tot. Rev. com %
(1)	(2)	(8a)	(8b)	(8c)	(9a)	(9b)	(9c)
Japan (NHK)	3.471	1.736	1.736	0	50,0%	50,0%	0,0%
Norway (NRK)	235	116	116	2	49,5%	49,5%	1,0%
Sweden (SVT)	310	152	155	3	49,0%	50,0%	1,0%
Australia (ABC)	306	152	152	2	49,7%	49,7%	0,7%
United Kingdom (BBC)	1.981	981	981	20	49,5%	49,5%	1,0%
Denmark (DR)	436	210	210	16	48,2%	48,2%	3,7%
Germany (ARD)***	3.806	1.674	1.674	457	44,0%	44,0%	12,0%
Turkey (TRT)**	102	35	57	10	34,5%	55,5%	10,0%
Belgium (VRT)****	227	88	88	51	38,8%	38,8%	22,3%
Canada (CBC)	534	5	406	123	1,0%	76,0%	23,0%
Germany (ZDF)***	951	379	379	193	39,8%	39,8%	20,3%
Belgium (RTBF)****	122	47	47	28	38,7%	38,7%	22,7%
Netherlands (NOS)	564	210	210	145	37,2%	37,2%	25,7%
France (F3)*****	643	212	225	206	33,0%	35,0%	32,0%
Czech Republic (CT)	80	28	28	23	35,5%	35,5%	29,0%
Italy (RAI)	1.688	520	520	647	30,8%	30,8%	38,3%
France (F2)*****	643	161	161	322	25,0%	25,0%	50,0%
Portugal (RTP)	125	2	62	62	1,3%	49,3%	49,3%
Poland (TVP)	286	75	75	135	26,3%	26,3%	47,3%
Denmark (TV2)	436	59	59	318	13,5%	13,5%	73,0%
Spain (RTVE)	467	17	134	316	3,7%	28,7%	67,7%
South Africa (SABC)	246	25	25	195	10,3%	10,3%	79,3%
New Zealand (TVNZ)	129	0	0	129	0,0%	0,0%	100,0%
Germany (ARD+ZDF)	4.757	2.053	2.053	650	43,2%	43,2%	13,7%
Belgium (VRT+RTBF)	349	135	135	78	38,8%	38,8%	22,4%
France (F3+F2)	1.286	373	386	527	29,0%	30,0%	41,0%

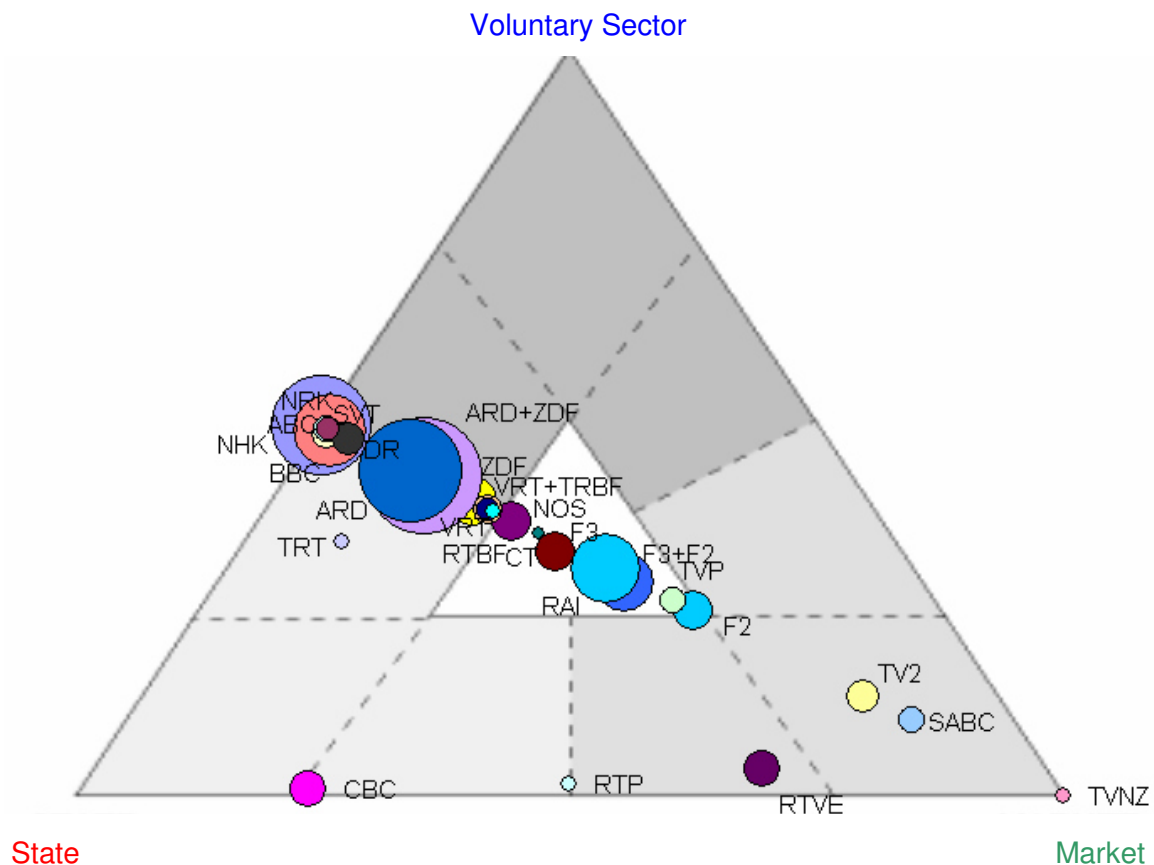
Figure 14 also shows that many of the broadcasters are located inside the inner triangle. According to the classification we introduced in section 3.2., these broadcasters are "*equally mixed broadcasters*". Especially the revenue vector of France 3 with 33%, 35%, 32% corresponds almost perfectly with such an equally balanced budget: Consequently, F3 is located almost in the centre of the triangle. As for these broadcasters the market revenues are of considerable importance, it can be questioned if they should be called public service broadcasters.

A second cluster of broadcasters can indisputably be labeled as public service broadcasters. This cluster is located in the left middle part of the triangle, or – with reference to figure 6 (p. 32) – in section e (state influenced voluntary broadcasters) and section f (NGO influenced state broadcasters). Since we have allocated the revenues from the license fee for all countries as a lump sum only (50 % for the state sector, 50 % for the voluntary sector), all broadcasters of this cluster are located on the border between section e and section f (with



the exception of the Turkish TRT, that is located nearer the state pole because of the state grants it receives). A more detailed allocation that would take the jurisdictional and institutional peculiarities of the countries into account would lead to a more precise location, with some broadcasters clearly located in section e (state influenced voluntary broadcasters), and others clearly located in section f (NGO influenced state broadcasters).

Figure 14:
International Comparison of Public Service Broadcasting Revenue Structures



Source: Own representation on the basis of figures from MCKINSEY 1999

The distance from the left edge of the triangle is different for this cluster of broadcasters. Some are located on the rim of the triangle (like the Japanese NHK, the Norwegian NRK, the Swedish SVT and the British BBC, which receive (almost) no market revenues); others are located nearer to the centre of the triangle, as they receive higher portions of their revenues from the market (like the German ARD and ZDF or the Belgian VRT and RTBF).

The graphical representation also reveals that some of the broadcasters considered as “public service broadcasters” by MCKINSEY, in fact cannot be classified as public service broadcasters. Firstly, this is true for all broadcasters that are mainly funded from market revenues, like the Polish TVP (47,3% market

revenues), the French F2 (50%), the Spanish RTVE (67,7 %), the Danish TV2 (73%), the South African Broadcasting Corporation SABC (79,3%), and New Zealand's TVNZ (100%). Secondly, there are some broadcasters, for which the revenue structures suggest a high state influence, like the Portuguese RTP and the Canadian CBC. For them a classification as public service broadcasters is at least questionable. On the other hand, we have emphasized in former sections that state revenues do not necessarily mean state control, if there are explicit rules about the amount of the grants, and watchdogs that prevent the state from violating these rules, state grants may be comparable to revenues from a license fee.¹ Under these assumptions the Canadian CBC, and maybe also the Portuguese RTP would be funded like public service broadcasters. In figure 6 (p. 32) they would be located in section f (CBC) or in section d (RTP).²

4.3. Changing Revenue Structures of Broadcasting Systems over Time

4.3.1. Changing Revenue Structures of Selected National Broadcasting Systems over Time

In the last section we have used our typology for the classification and comparison of national broadcasting systems at a certain point in time. Provided that the appropriate longitudinal data are available, it also can be used for the description of medium-term and long term changes of the broadcasting system(s) of one or more countries. We illustrate this application below for some selected countries that seem to be most instructive, and for which we possess quantitative and qualitative longitudinal data,³ as we have dealt with them in earlier studies:¹ the U.K., the USA, China, Ukraine, Poland, and Germany.

¹ In the more detailed description of the German broadcasting system (section 3.5.) we had argued for the state grants that go to the Deutsche Welle, for instance, that the state influence is not much higher than for the revenues from the license fee. Therefore 45% of these grants were allocated to the voluntary sector, and 55% were allocated to the state sector (for the German license fee we had assumed, that 55% ought to be allocated to the voluntary sector, and 45% to the state sector).

² In figure 14 the smaller public service broadcasters Deutschlandradio, DR and Deutsche Welle, DW, which were not included into the McKinsey study, are missing. In addition, the positions of the German broadcasters that are exposed in figure 15 deviate a little bit from those of the more detailed analysis of the German broadcasting system, exposed in figure 11. One reason is that the McKinsey data stem from 1996, whereas the more detailed analysis we did in section 3.5. is based on figures for 2002. Secondly, McKinsey only considered revenues from advertising and sponsoring as commercial revenues, whereas we also took into account other forms of commercial revenues, like revenues from programme sales, and from capital interest. Thirdly, and most importantly, the proportions we used in our detailed analysis for the allocation of the revenues from the license fee to the state sector and the voluntary sector differ from the lump allocation that was used for the international data (also see footnote 3 on page 55).

³ The plots in figure 15 are based on data from MCKINSEY 1999 and MCKINSEY 2004. These studies provide a useful quantitative description of the revenue struc-



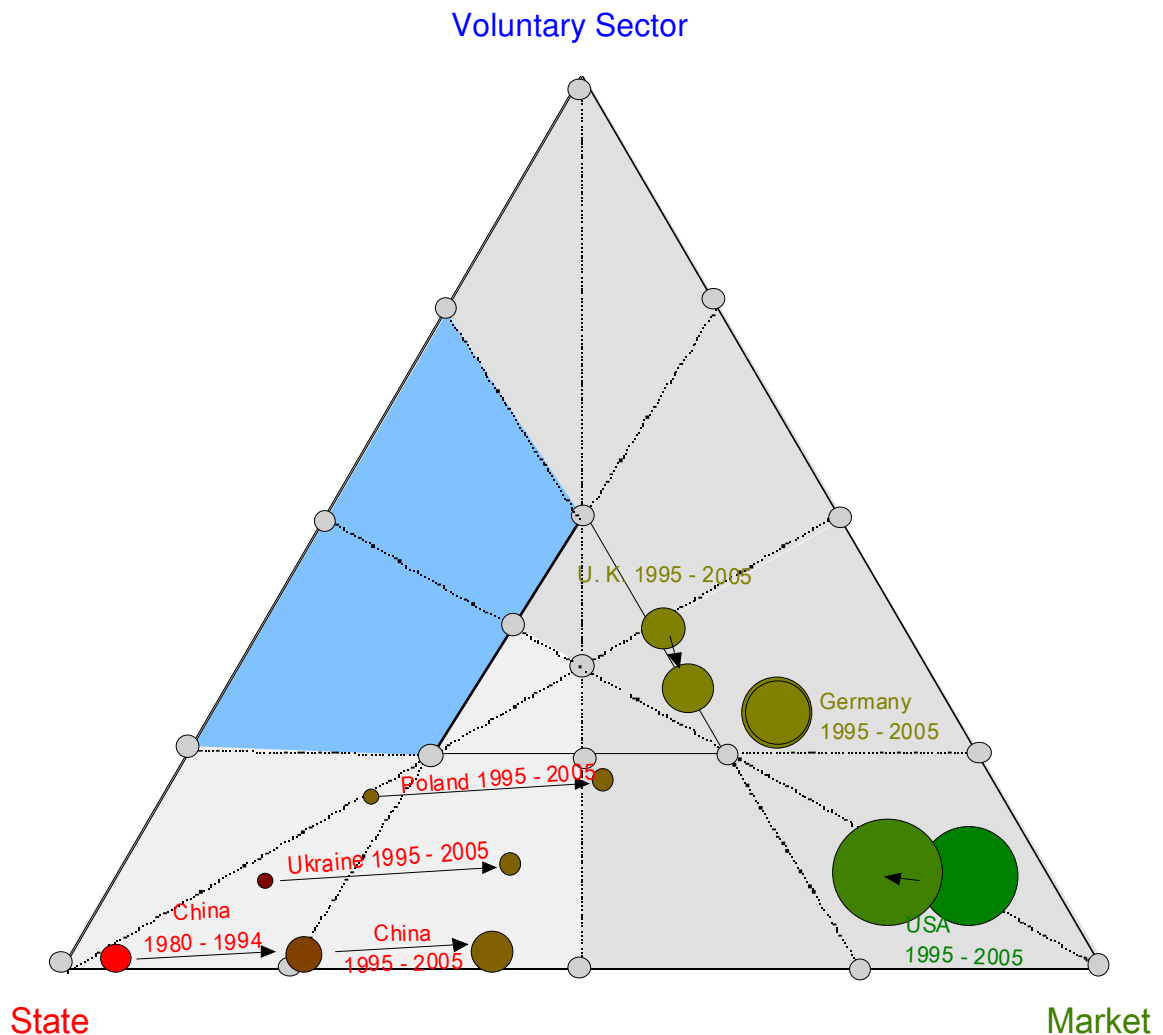
In figure 15 the broadcasting systems of these countries have been placed into the familiar triangle space. In this case the dots do not stand for single broadcasters, but represent the averages for the sum of all broadcasters of the countries considered for this international comparison. The different sizes of the dots again represent the differences in resources, in this case the countries' total revenues from broadcasting,² and the locations again represent their revenue structures, as proportions of commercial funding, state funding, and third sector funding.

The location of the dot for the *U.K.* demonstrates that public service broadcasting in this country is relatively closely related to the voluntary sector (the civil society), further away from both the state and the market. This position has been rather stable over time; although some observers believe that over 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-commercialization of the BBC) in the U.K..^{3,4}

tures 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 have to be adjusted in accordance with the countries peculiarities, e.g. the different practices of the governments of license fee funding. See chapter 3.5, above, for the adjustment of data for the German broadcasting order. For details also see KOPS 2001, KOPS 2006. 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).

- ¹ See KOPS 2001, KOPS 2003, KHABYUK 2004, EICKHOFF/HUTT 2004, KOPS 2005a, KOPS 2006a, KOPS 2006b, KHABYUK 2007, KOPS/OLLIG 2007.
- ² The dot for Germany, for instance, represents the sum for all German broadcasters (15.254 m €, which equals 19'583 m US \$, see table 7, p. 43, and figure 11, p. 45), and the dot for China represents the sum for all Chinese broadcasters (4,240 m. US \$, see Kops 2006, 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.
- ³ See PADOVANI/TRACEY 2003; UBIQUS REPORTING 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.
- ⁴ Some observers also claim a shift toward the state pole (as a consequence of increased political pressure on the BBC after the Gilligan affair). As there are no secure data on that, we only mention this shift to the state pole here, but do not consider it in figure 15. 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.

Figure 15:
Changes in Revenue Structures of Selected Broadcasting Systems over Time



Also in *Germany* the broadcasting order in total is relatively independent both of the state and of the market. The strong position of the German public service broadcasters, which are a decisive counterweight to the German commercial broadcasters, were mentioned as a main cause above (see section 3.5.). Over time this situation has been rather stable, since the powers in favor of a higher influence of the market and in favor of a stronger and transparent embedding into civil society have almost cancelled each other out;¹ and the powers in favor of a higher influence of the state and in favor of a higher political independence of broadcasters have also been offset.²

¹ 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 re-increased. On the other hand, similarly to the U.K., also in Germany there are several indications for a partial self-commercialisation of public service broadcasters.

² 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 de-



Compared to Germany and the U.K., the broadcasting orders of most other countries are much more commercialized. The *USA* is the most prominent example. Broadcasting there 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 criticism against commercialization has become more vociferous and elements of non-commercial broadcasting have been strengthened (this explains the slight upward shift in figure 15). In addition, the US Government has intensified its political control and influence on US broadcasters over time, especially after the attack on the World Trade Centre in 2001 (this explains the leftward shift in figure 15.)¹

In contrast, the broadcasting systems in many countries have traditionally been controlled by the state (like in the former communist states in Eastern Europe). However, with the transformation process the broadcasting systems in these countries are shifting away from the state and nearer to the market. And states where this transformation started sooner, like *Poland*, have gone further than states like the *Ukraine*,² where this transformation only recently began.^{3,4}

Also for *China* a steady and considerable decrease in state control can be observed since the beginning of the 1980s. According to official voices, China's media are on a clear and fast trend moving from the state sector to the market sector (see figure 15). 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

termine the amount of the license fee by an independent board of experts (the "KEF", see footnote 2 on p. 35; 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. 29 et seq. for details about this conflict and for the possible impact on the independence of the German public service broadcasters.

¹ See LEONE/ANRIG 2003.

² The recent changes of the Polish broadcasting order have been described by JAKUBOWICZ 1998. JAKUBOWICZ 2003, for recent developments in the broadcasting order of the Ukraine see KHABYUK 2007, for Mongolia see MYAGMAR 2001, MYAGMAR/NIELSEN 2001.

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 15 also unveils the different 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. 25) 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. 23), 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.

foreign investors to form a joint venture with Chinese companies for the production of films in 2002 and when the “Provisions on the Administration of Sino-foreign Cooperation in the Production of TV Programs” came into force in 2004 has meanwhile been substituted by less optimistic expectations. The pace of opening its markets to foreign investment has been rather slow, and there are still many restrictions for foreign companies.¹ Considering more recent developments in this area some observers even think that since 2005 the liberalization of the media sector has stagnated or even been inverted:² For instance, the so-called February 2005 Notice limited the scope of the TV Joint Venture Regulation and the possibilities for foreign media companies to form joint ventures,³ and during the summer of 2005 Chinese authorities blocked the release of most foreign (and in particular, US) films to boot.⁴ 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.⁵

4.3.2. Changing Revenue Structures of the International Broadcasting System I: Diminishing Influence of the State – Increasing Commercialization

If we generalize: in most parts of the world changes in the observed national broadcasting systems, a decreasing influence on the part of the state and an increasing commercialization become apparent. One reason for this might have been the observation that state broadcasting seldom has been to the benefit of the public, but has almost always promoted the interests of (authoritarian or democratic) governments. In particular, state broadcasting, especially in the form of government broadcasting, and to a smaller extent also in the form of parliamentary broadcasting, has never provided equal opportunities for public communication, e.g. for the competition of ideas between governments (or parliaments) on the one hand and parliamentary (or non-parliamentary) political opposition on the other hand. From that perspective the broadcasters' release from the state can only be welcomed.

Another reason for commercialization might be the common belief that international competition between alternative political systems has proven a preponderance and superiority of the market – an enthusiasm which especially in the transforming countries often is transplanted on all spheres of society without further inspection and without the knowledge about the preconditions for well-

¹ KOPS 2006, pp. 33 et seq.

² 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 in a far more transparent and comprehensible way (see CARNABUCI 2004, BENSINGER 2005, GUO 2004).

³ See KOPS 2006, *ibid.*

⁴ *ibid.*

⁵ For details see KOPS 2006, OLLIG 2007, KOPS/OLLIG 2007.



functioning markets. It has often falsely been transplanted to sectors that do not fulfill these preconditions, also to the mass media and broadcasting, which not only should serve private commercial interests, but which also have to fulfill common interests, especially the promotion of free individual and public communication.¹ From that perspective the general shift from the state to the market is an ambivalent process, positive on the one side, as it weakens the state's control over broadcasting, negative on the other side, as the influence of the markets also threatens the provision of unbiased, pluralistic and manifold programs and the broadcasters' role as promoters of free public communication.

Nonetheless it is positive to note that from a secular perspective all countries are distancing themselves from the governmental sector. This is first and foremost the result of fundamental changes in political and ideological beliefs about the role of the state in modern society, which has had massive effects on the political systems of many states but becoming most obvious through the transformational processes in the former communist countries in Eastern Europe. This has of course also affected the governments' influence on broadcasting, as one of the most crucial and most effective instruments to combat the states' power (both in its illegal form as dictatorships and in its legal form as democracies).

4.3.3. Changing the Revenue Structures of the International Broadcasting System II: The Civil Society as an Alternative to the Market?

From a secular perspective almost all countries in our survey are approaching the commercial corner; the further they are away from it, the faster they are moving toward it (only in the USA, which has furthest approximated a pure commercial broadcasting system already, such movement cannot be observed). In other words, most countries have adopted the commercial solution of the USA, no country adopts the British model. Even the U.K. itself has shifted closer to the commercial corner.

This is an ambivalent development. It corresponds with the broadcasters' requisite distance from the state on the one hand, however it conflicts with objections against an overbearing orientation towards commercial purposes on the other. To prevent such market dominance and at the same time move away from the state, a shift towards the voluntary sector (civil society) could be an alternative, even perhaps the better solution.² Unfortunately, the common downward shift of the majority of national broadcasting systems observed indicates that the ad-

¹ See section 1.

² It is this choice that seems most important to us for the future of the national and international broadcasting and media order. From that regard we also only partly agree with KLEINSTEUBER (2007), who generalises the main changes of broadcasting systems as a form of "transformation". Such transformation is not sufficiently described as a move away from the state, but one also needs to determine if it moves towards the market sector or the voluntary sector.

vantages of a strong independent sector are not held in high esteem. There are only a few countries that evaluate the advantages of an autonomous sector higher than the efficiency of the market (like Germany and the U.K.), although even in these countries commercial powers are becoming more influential.

There are several reasons for this decline of the civil society model (including the public service model as a workable variation). A first reason was mentioned already: Many people have taken the high capability of the market to produce industrial mass products efficiently and effectively as proof for its general preponderance to the other allocation mechanisms – also for goods for which the presuppositions of a provision by markets are not fulfilled. It is therefore a prominent task for the supporters of public service broadcasting, especially for those with an economic background, to create public awareness for its preconditions – and for failures if these preconditions are not met.

Another reason for the decline of the civil society model was also mentioned above: Public broadcasting that serves the common good is in and of itself a common good – and as such has to suffer the difficulties of being provided by individual acts: Even if it were highly esteemed by many citizens, there are no sufficient private initiatives to finance and provide it. On the other hand, examples of other public goods have proven that intelligent arrangements and alliances can solve the problem of public good, and can promote public engagement. Those who feel beholden to the idea of public service broadcasting should think along these lines and intensify their personal efforts to combat its decline by fostering such institutional arrangements.¹

A third reason might be that it is more complicated and takes more time to establish the political culture and the institutions that are necessary for workable civil societies and workable public service broadcasters² than to establish markets. It is a kind of vicious circle: Where no strong civil societies exist, public service broadcasting can hardly be established and strengthened: And on the other hand it is difficult to develop civil societies without strong public service broadcasting. This chicken and egg problem can only be solved slowly and gradually by fostering the few basic elements that can serve as nuclei for all civil societies, be they of ethical, religious or cultural origin. In addition transnational networks and NGOs could also donate external support.³ In comparison, commercialization

¹ With regard to the Post-Communist Societies SZTOMPKA (1993) recognises a "civilizational incompetence", i.e. deficiencies in entrepreneurial culture, civic or political culture, discourse culture, and everyday culture. In political science new forms of the state are discussed that contain elements of the third sector/civil society, and the market sector. See CLARK 2003; GENSCHEL/ZANGL 2007; ALBERT/STEINMETZ 2007.

² See PRICE/KRUG 2002, who in detail describe the "enabling environment for free and independent Media".

³ SZTOMPKA (1993, p. 85) argues that "the agents able to undermine and slowly eliminate civilizational incompetence must be sought among the elites most insulated from the impact of real socialism, and at the same time most exposed to the in-



is less complicated. The transformation of the post-communist countries has demonstrated that little leadership and no ambitious concepts are necessary to pave the way for (unregulated) markets.¹ In this regard governments follow the easy path when they allow or even encourage their former state broadcasters to increase the portion of commercial revenues. Also the citizens often support such a policy, as it reduces the risk of governmental abuse of broadcasting, as it increases the broadcasters' economic efficiency and as it limits the citizens' financial burden to fund non-commercial broadcasters.

On the contrary, the massive disadvantages such a commercialization has in the long run are not overt, but subtle and hard to prove empirically.² This makes the effects of commercialization even more harmful, as it might unconsciously and irreversibly change the viewers' and listeners' program preferences and – even worse – their willingness and capabilities to participate in public debates on public affairs. Also from this point of view it would be appropriate to strengthen the non-commercial elements of public service broadcasting, instead of further commercializing it. We should prevent the economy dictating the contents and form of this debate, but instead assure that the economy is subservient to democracy, or – as McCHESNEY (1999, p. 283) put it – “democratic debate can take place, and then the organization of the economy should result from that debate”.

4.4. Normative and Positive Analyses

In the last section our triangular model mainly was used to describe and compare existing broadcasting systems, i.e. for positive analyses. However, some normative statements were also made, e.g. about the merits of non-governmental and non-commercial broadcasters. For instance if we were to take the German broadcasting system as a benchmark,³ the normative advice would be

fluence of modern, Western culture." For Uzbekistan and Kyrgyzstan ADAMSON 2002 discusses the potentials and problems of international democracy assistance. MENDELSON/GLENN (2002) and MENDELSON (2002) discuss the role of transnational networks and NGOs in post-communist societies. Also see JAKUBOWICZ 2003, JAKUBOWICZ 2004.

¹ For the Ukraine this recently has been stated by KHABYUK 2007.

² In section 2.2. we mentioned the most important forms of broadcasting specific market failures, like the increase of majority (or “mainstream”) programming (and the relinquishment of minority programming), the narrowing and simplification on economically relevant programme contents (and the relinquishment of educational, cultural, religious, and local programming), and the increase of attention gaining programmes (like fast, loud, selfish, violent, sensational, spectacular, aggressive, affective, confirming, and separating programmes) to the debit of (slow, gentle, cautious, profound, questioning, caring, communitarian, and integrating) programmes, that fail to catch mass attention due to its content or making.

³ 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

that neither the state nor the market should dominate. For our triangular model this would mean that as a result national broadcasting systems would be positioned sufficiently far away from the state pole and from the market pole. A second piece of well-intentioned advice would be to strengthen the civil societies' influence on the broadcasters¹ (in the triangular model this would mean an upward shift), either by founding or expanding civil society organizations or public service broadcasters that provide own programs or by civil society exercising a stronger influence on the existing (state, commercial or mixed) broadcasters.² It is an advantage of our model that it can be used both for positive and such normative purposes.³

Also a combination of normative and positive elements is possible. We illustrate this by means of the Germany broadcasting system that has been described in greater detail in section 3.5. If, for instance, the present German broadcasting system (the brown dot in figure 16 with the revenue structure 31%, 16%, 51%)⁴ were regarded as too commercialized,⁵ it could be set in contrast to a less commercialized system, (in figure 16 e.g. represented by the green dot with a

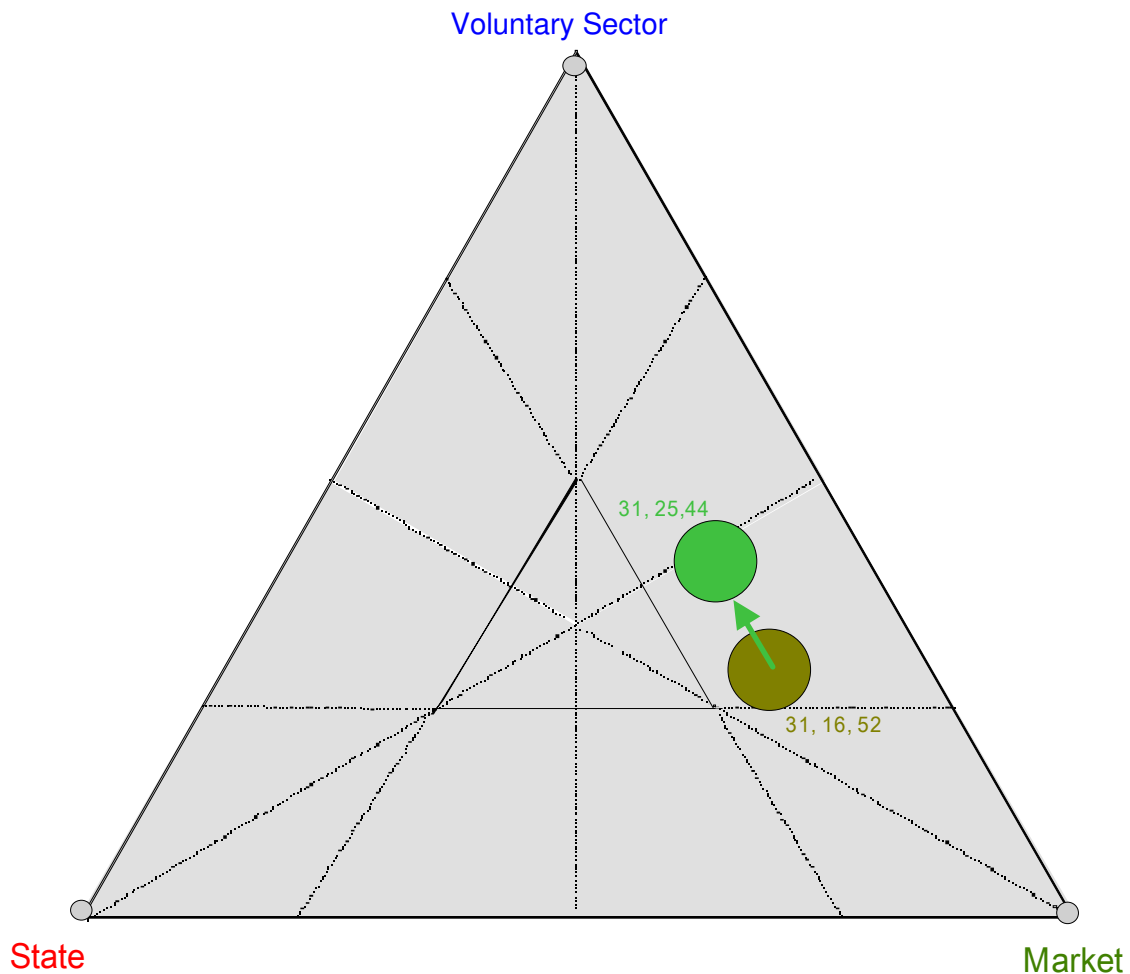
to be considered. As the conceptions of a well functioning society differ between the nations, especially about the role of the state, a broadcasting order that is well suited for one country definitely differs from the broadcasting order we consider best for another. International comparisons therefore, as usual, cannot render simple answers. But they can describe and enlarge the set of options from which a state can choose. See KOPS 2006a, pp. 33 et seq.

- ¹ 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 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.
- ² We admit that this is a wearisome process, especially in countries where viable institutions of the civil society not yet exist. In addition we should recall that – due to the changes in the mainstream ideology mentioned above – commercial broadcasters have gained importance even in countries which possess an old and strong civil society. In these countries core elements of a voluntary “citizen broadcasting” either have failed (mainly because of scarce resources) or they have been incorporated into forms of public service broadcasting.
- ³ In this regard it resembles the typology suggested by FLECK, and it contrasts with the typology suggested by HALLIN/MANCINI which cannot be used for normative analyses, but – according to the authors – “should primarily serve exploratory purposes.” (HALLIN/MANCINI 2004, p. 5).
- ⁴ See above, table 7, p. 43 and figure 11, p. 44.
- ⁵ There are voices that plead for a reduction of the commercial influences on broadcasters, either by abolishing the present market revenues of public service broadcasters or by reducing the influence of commercial broadcasting as an element within the German dual order (see e.g. STOCK 2005). On the other hand there are voices that claim the necessity to strengthen market elements, e.g. by allowing new forms of market revenues (like product placement) and by deregulation the existing qualitative and quantitative limits for advertising. In some countries (recently e.g. in Switzerland) commercial broadcasters also have managed to claim state aids for programmes with a high public value.



revenue vector of 31%, 25%, 44%) which would then be considered as the normatively preferred target system. By comparing the location of the present (positive) system with this normative system both the direction for adjustment and its intensity/pace are clearly determined (represented graphically by the arrow in figure 16).

Figure 16:
Towards the Normative Optimum of Broadcasting Systems



4.5. Two Basic Ways to Adjust Broadcasting Systems

The different ways in which a material broadcasting system can be carried over into a normatively preferred system can be illustrated by means of the triangular model. If we recall that the overall revenue vector of all system members defines the position of a broadcasting system in the diagram, we can distinguish two basic ways to move a broadcasting system from its present, sub-optimal position towards the perceived ideal position.

Firstly, such shifts may be achieved simply by altering the broadcasters' budgets, without changing the revenue vectors of the single broadcasters. The budgets of broadcasters that are funded from revenues that ought to be in-

creased in the overall revenue vector above average have to be enlarged; the budgets of broadcasters that are funded from below-average revenues have to be cut. – This strategy is illustrated in the upper part of figure 16: The left triangle illustrates graphically that the total broadcasting system shifts towards the voluntary sector, if the budget(s) of the public service broadcaster(s) is (are) increased at the expense of the commercial broadcaster(s), even if the revenue vectors (and thus the positions of the two sub-systems) remain unchanged (figure 17 a). Similarly, the right triangle shows that the position of the total broadcasting system shifts towards the market sector, if the budget(s) of the commercial broadcaster(s) is (are) increased at the expense of the budgets of public service broadcaster(s) (figure 17 b).

In practice the struggle concerning broadcasters' budgets is therefore often only a means to change the location of the overall broadcasting system.¹ This may be achieved directly, e.g. by politically determining the public service broadcasters' budgets (especially the level of the license fee), or more indirectly, e.g. by setting the legal and institutional frame for public service broadcasters and commercial broadcasters. Presently there are debates in many countries, for instance, regarding to what extent public service broadcasters should provide new on-line services (like newsgroups, chat-services, portals, search-machines, etc.),² and to what extent its budgets should be increased for these new services. With regard to the revision of the European TV-Directive (now: Directive for Audiovisual Services) there are also intensive debates on the European level relating to the question to what extent these new audiovisual services, need to be regulated or can simply be released to the market.³

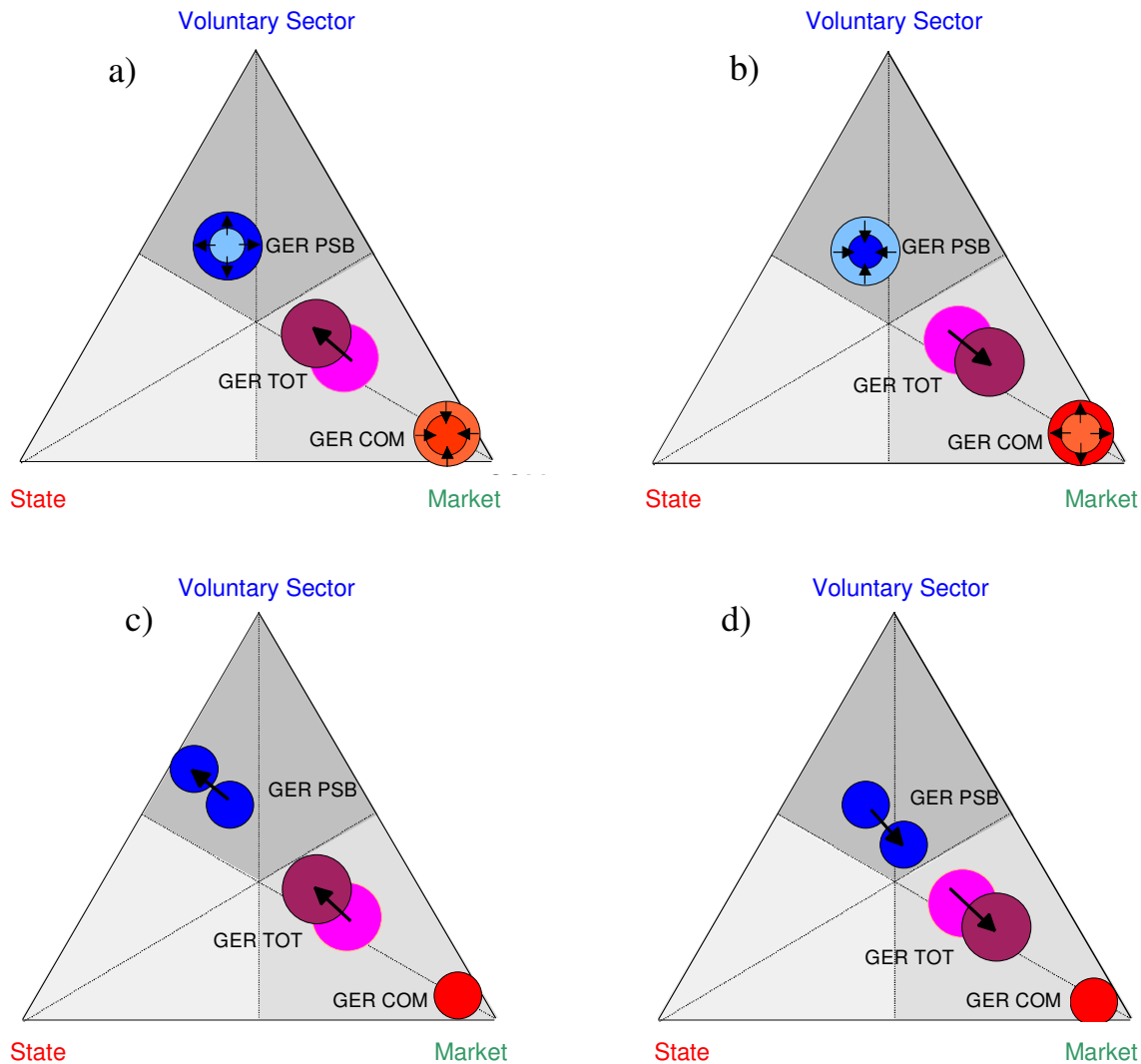
¹ As such it can be regarded as a kind of rent-seeking, for the political actors that use the media for its political targets (see HOSP 2003), for the commercial sector that tries to increase the share from commercial media products, audience attention and the citizens' media budgets', and also for the civil society organisations that also compete for attention and revenues (with other civil society organisations, but also with the state and the commercial sector).

² Whereas some voices consider these services as forms of marketable individual communication and consequently refuse public service broadcasters to provide these services, others perceive them as new forms of mass communication that partly substitutes traditional broadcasting. These voices consequently support that public service broadcasters provide these services (and that their revenues are raised to pay them). For the German public service broadcasters these discussions are described by SCHULZ/HELD 2002; for the theoretical background of this discussion see SCHULZ/HELD/KOPS 2001. For strategic consequences in general and in selected countries see LOWE/JAUERT 2005; NISSEN 2005; for the BBC the scope of services is discussed in DCMS 2006; for Canadian Broadcasting it is discussed by HOSKINS/MCFADYEN/FINN 2001, JACKSON/THOMAS 2001, CANADIAN GOVERNMENT 2005.

³ For details about the history and for the actual state of the revision of the European TV directive see EUROPEAN AUDIOVISUAL OBSERVATORY 2006, HOLTZ-BACHA 2007.



Figure 17:
Ways to Optimize Broadcasting Systems



A second way to adjust the location of the overall broadcasting system is to alter the revenue vectors of one, several or all broadcasters (now: without varying its budgets). In the actual overall revenue vector of the system revenues that have a higher share than in the ideal vector must be cut, whilst revenues that have a lower share must be increased. These changes can be minimal for the revenue vectors of broadcasters with high budgets (which strongly influence the overall revenue structure of the system), whereas they must be more major if they are applied exclusively to broadcasters with lower budgets (that only influence the overall revenue structure of the system minimally). – This strategy is illustrated in the lower part of figure 17. There the left triangle exhibits that the total broadcasting system shifts upwards (towards the voluntary sector), if public service broadcasting is funded to a larger proportion by third sector resources (figure 17 c), and the right triangle reveals that the total broadcasting system

shifts downwards (towards the commercial sector), if public service broadcasting is funded to a larger extent by market revenues (figure 17 d).

In practice this strategy is also often not applied explicitly or transparently, sometimes it is even the unintended consequence of wrong internal gratifications or a misunderstanding of the broadcasters' mission.¹ Public service broadcasters, for instance, are endangered by self-commercialization, if they increase their market revenues from commercials, sponsoring, product placement, or program sales. While this is usually officially justified as an attempt to limit or reduce the financial burden for the license fee payers, it is often in fact merely an attempt to expand budgets – at the expense of its public mission and to the disadvantage of the public service broadcasters' credibility and legitimacy. But also the revenue vectors of commercial broadcasters often change without public awareness and explicit political decision-making. As a result of altered business models the ratio of revenues from commercials, for instance, decreases subsequently, and the ratio of revenues from subscriptions and transactions (merchandising, telephone calls etc.) increases. In some countries state aids for commercial broadcasters also become more important, e.g. for programs with high public value.

Of course, both ways to adjust the position of a broadcasting system can be combined: Public service broadcasters could for example attempt to increase their budgets (in relation to the budgets of the commercial broadcasters) and at the same time change their revenue structures (e.g. by increasing the proportion of non-governmental public revenues). Size effects and structural effects then work in the same direction (pulling the average from the market corner to the PSB corner). Likewise commercial broadcasters could try to increase their budgets on debit of the public service broadcasters, and at the same time could change their revenue structures in a favorable direction (e.g. by increasing the portion of market revenues on debit of governmental revenues). Analogous steps could be undertaken to shift the position along the other conflict lines, i.e. for the position between third sector corner and the state corner, and between the state corner and the commercial corner.

In pluralistic and open societies many different persons, institutions and companies permanently attempt to improve their positions within this space – and they attempt to pull and push the other players into less favorable positions. By the sum of these individual actions the position of the total broadcasting system also changes permanently and gradually. Once in a while the institutions that are responsible for broadcasting politics should therefore check the results of these powers and compare them with the normative reference position, which is elaborated in the public dialog and is determined by the public (but preferably non-governmental) process of collective decision-making. If these normative

¹ See section 2.2., above



positions diverge too much from those of the actual conditions of the existing material broadcasting system, adjustments become necessary.

The paper at hand has tried to offer a methodology by which the necessity for such adjustments can be detected, either by means of national longitudinal comparisons or by international comparisons of the broadcasting systems; and it has tried to offer a methodology to perform these adjustments in a quantitatively visible and politically explicit way.

5. Summary

1. The market, the state, and the voluntary sector ("third sector") are the basic institutions for the provision of goods. Since each has its advantages and disadvantages, all existing economies are "mixed" economies, using all three of these institutions. Its relative importance differs, however, depending on the countries' political, economic, social and cultural peculiarities, and on the citizens' evaluation of its relative capacities (which strongly is influenced by historic experiences).

The market, the state, and the voluntary sector can also provide broadcasting programs. In most countries these goods are also provided by a mixed system, i.e. a mixture of state broadcasters, commercial broadcasters, and voluntary sector broadcasters (also understood here as civil society broadcasters). Again, the relative importance of these types varies between the broadcasting systems of the world.

2. Each sector has specific kinds of revenues. Market broadcasters mainly finance through advertisements, thus their programs are only a means to catch the viewers' and listeners' attention for the advertised products. If the programs can be excluded (by decoding), subscriptions for program packages (pay per channel) and single programs (pay per view) are a possible type of market revenues, too. In addition, there are revenues from sponsoring, product placement, merchandising, program sales, etc. – State broadcasters finance by taxes or grants, which they receive from the state (either from the government or the parliament). – Voluntary broadcasters finance by donations that are given to them by the voluntary sector (the civil society), either in cash or (more usually) in-kind (e.g. as journalistic, technical or administrative activities from citizens).

The revenues determine the incentives for the broadcasters. Market revenues cause incentives to maximize the broadcasters' profits and the incomes of its staff; state revenues cause incentives to maximize the states' (governments or parliaments) political power, and third sector revenues maximize the incentives to maximize the influence of the donating members of civil society and its underlying intrinsic motives (which often are of a journalistic, artistic, ideological or charitable type).

As these motives in turn determine the content of the broadcasting programs, its target audiences, and its journalistic and artistic style, the broadcasters' program outputs are a result of its revenue structures. Although there are some intervening variables, and although the causality is not obvious for mixed broadcasters, which are funded by different types of revenues, this is a basic assumption of the paper at hand. It is in line with economic theory in general, and it is confirmed by empirical studies.



3. Based on this assumption, broadcasters are classified into three pure forms ("pure commercial broadcasters", "pure state broadcasters", "pure voluntary broadcasters"), and seven mixed forms ("NGO influenced commercial broadcasters", "commercially influenced voluntary broadcasters", "state influenced voluntary broadcasters", "NGO influenced state broadcasters", "commercially influenced state broadcasters", and "equally mixed broadcasters").

Public service broadcasters are classified in this typology, too. Depending on the influence of civil society and the state, they are either "state influenced voluntary broadcasters" or "NGO influenced state broadcasters". A closer look at the German public service broadcasters reveals that they are to be classified as "state influenced voluntary broadcasters", since strong precautions are taken to limit the state's influence, even though the state provides the German public service broadcasters with the legal power to yield a license fee. In other countries the state's influence on public service broadcasting is stronger; in which case they are to be classified as "NGO influenced state broadcasters". In some countries state control is so strong (and the influence of civil society so weak), that they even are to be classified as "pure state broadcasters". The official label as "public service broadcaster" is therefore misleading (the same is true for some countries where they are funded primarily by market revenues).

According to our approach, public service broadcasting is a hybrid system. Its mission is to be the mouthpiece of non-governmental, non-commercial civil society, and it needs the support and legitimacy of civil society; however, in order to be funded sufficiently it also needs the state's or/and the market's support.

Using our typology, all broadcasters can be located within a triangle. The three pure types of broadcasters that we have distinguished are located at the corners of the triangle, and our seven types of mixed broadcasters are located inside the triangle. The exact position is determined by the broadcasters' revenue vector, i.e. the proportion of revenues they receive from the market, the state, and the voluntary sector, respectively. For some types of revenues, which are mixed revenues in and of themselves (as is the case with the license fee, for instance, which possesses elements both of the state and the voluntary sector), a de-composition is necessary first, and the different components then have to be allocated to the three pure revenue types. This requires detailed knowledge about the specific country's legal and institutional framework.

4. If one compares our approach with other typologies that consider the revenue structures of broadcasters, some similarities can be found (e.g. with FLECK 1984, McKINSEY 1999, or HALLIN/MANCINI 2004). However, these typologies usually only consider types of broadcasters that exist in reality, and they neglect types that are possible in theory, but that are rare in reality or do not exist at all. In addition, many typologies (e.g. the one by McKINSEY



1999) are based on forms of revenues that are common in practice but cannot be allocated to one of the "pure" types of revenues of or approach.

If one reallocates the McKINSEY dataset, which is comparatively broad (but somewhat outdated), an international comparison of national broadcasting systems becomes possible. For many countries they can be classified as public service broadcasters, either in the form of "state influenced voluntary broadcasters" or "NGO influenced state broadcasters". For other countries they can be classified as "equally mixed broadcasters". Pure broadcasters (either in the market, the state, or the voluntary sector) are rare in reality, (which confirms the results of those typologies in the literature that are restricted to materially existing broadcasters).

Our classification also can be used to describe changing revenue structures over time. If one compares the results based on the McKINSEY 1999 data set with newer data (McKINSEY 2004 and additional qualitative information), a general shift away from the state and the voluntary sector towards the market sector becomes visible. We discuss the pros and cons of this commercialization, and we discuss, if a shift towards the voluntary sector would be a better alternative, especially for the former communist states in Eastern Europe and Asia.

Finally we illustrate that our approach can be used both for positive and normative analyses, and that the position that is positively (empirically) determined for a countries' broadcasting system can be compared with the position that is normatively preferred. Two basic ways (and mixtures of both) are presented for adjustment.

The paper at hand thus offers a methodology by which the necessity for such adjustments can be detected, either by means of national longitudinal comparisons or by international comparisons of the broadcasting systems; and it offers a methodology to perform these adjustments in a quantitatively visible and politically explicit way.

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