

**NOT FOR  
PUBLIC RELEASE**

Industrial and Corporate Change, pp. 1 of 25  
doi:10.1093/icc/dtn042

---

# No “Third Way” for economic 5 organization? Networks and quasi-markets in broadcasting

---

**Simon Deakin, Ana Lourenço and Stephen Pratten**

---

We present two linked, longitudinal case studies of the use of quasi-markets in  
United Kingdom broadcasting over the past decade: one looks at the regulated  
10 outsourcing of programme making to independent producers, the other at the  
development of an internal market system within the British Broadcasting  
Corporation (BBC). New network forms are shown to have arisen from the  
interaction of legal regulation, contracts, and property rights. However, these  
organisational forms are also seen to be associated with increased transaction  
15 costs and with signs of deterioration in programme quality and innovation. We  
suggest that for such networks to be a viable “third way” between markets and  
hierarchy, closer attention needs to be given to the issue of institutional design.

## 1. Introduction

For the past decade and a half, British broadcasting has been the subject of a unique  
20 institutional experiment in the viability of different forms of economic organisation.  
Two linked reforms were instigated. The first, initiated by legislation, required  
terrestrial broadcasting companies to outsource a fixed proportion of their pro-  
gramming to external producers; the second, brought about largely by administrative  
action, created an “internal market” inside the British Broadcasting Corporation  
25 (BBC), the principal custodian of public service broadcasting. The reforms were  
interpreted by many, critics and supporters alike, as a significant step towards the  
complete marketization of the sector. However, partly out of respect for the values of  
public service broadcasting, core features of a market model—universal pay-per-view  
and the complete unbundling of production from broadcasting—were resisted. The  
30 question now facing practitioners and policy-makers is the following: what precisely  
is the nature of the structure which has emerged from the past 17 years of change,  
and can it be relied upon to deliver the creativity and diversity of programme  
production, which are core aims of current broadcasting policy?