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

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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 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 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 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 programming to external producers; the second, brought about largely by administrative action, created an “internal market” inside the British Broadcasting Corporation (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 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?