Institutionalist Theoretical Approaches for Media Economics

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Contents

Abstract

The starting point of this contribution is a brief characterization and classification of institutional theories. In addition, characteristics of the object of study of this handbook – the convergent communications sector – are highlighted, from which specific challenges and requirements arise regarding the applicability of individual institutional approaches. Subsequently, neo-institutional approaches are assessed in terms of their application to media economics. Finally, in order to extend the limits of neo-institutional approaches, the combination with other theoretical approaches to media economics research of the convergent communications sector is recommended.

Keywords

Institutional economics · Neo-institutionalism · Media economics · Convergence · Governance · Evolution · Complexity

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1 Introduction: Mediamatics as the Object of Investigation

This chapter discusses the contribution of institutional theories to the study of media economics in the convergent communications sector. Of central interest here is the new institutional economics in combination with and supplemented by institutionalisms from neighboring disciplines, especially sociology and political science.

Due to the great abundance and diversity of institutional approaches, the special features and requirements of the field of study are first highlighted, allowing for a preselection in the search for helpful analytical approaches. The focus of this handbook is on the convergence phenomenon, on the thereby transformed societal communications system called "mediamatics" (created and characterized by digitalization, Internet and mobile communication), and its convergent media industries and markets (for an overview Latzer, 1997, 2013a). Such a focus draws attention to the coevolutionary interplay of technology, economics, politics, and society. This dynamic setting continuously gives rise to a multitude of new and changed control systems, institutions, and organizations, both regarding communications companies and regulatory bodies. Their emergence, development, and effects must be analyzed not only in purely descriptive terms but also on the basis of institutional categories. Only in this way can the dynamics of the institutional ecosystem of the convergent communications sector be adequately grasped. The center of attention is the Internet, understood as a flexible, digital modular system, a multipurpose media infrastructure, and an innovation machine (cf. Latzer, 2013b). The conceptual integration of technology as an institution proves to be a special analytical challenge here, as it is often treated as an exogenous variable in traditional economic and political science approaches. With a view to these characteristics and challenges of media convergence in the communications sector, theoretical approaches that are synergistically linked to institutionalism prove helpful, such as (co)evolution and complexity theories as well as institutional evolutionary innovation theories (cf. Latzer, 2013b).

2 Institutionalisms for Media Economics Under Convergence Conditions

2.1 Systematization

Institutional approaches are extremely diverse and multifaceted. They can be divided (1) according to their history of origin into old/new and (2) according to disciplinary approaches.

1. Old and New Institutionalism

In economics, the division into "old" and "new" institutionalism is characterized by quite a few similarities but also by fundamental differences in approaches (for an overview Rutherford, 1996; Klein, 2000; Göbel, 2002; Richter & Furubotn, 2010; Hasse & Krücken, 2005; Menard & Shirley, 2008a).

The old institutional economics is influenced by the work of American institutionalism, especially Thorstein Veblen and John Commons, as well as by the Austrian and historical schools of economics. It emerged in opposition to orthodox neoclassical economics by reintegrating the political (institutions and interests) in economics in the sense of a political economy. This restored a combined approach that had existed before in classical economics. An additional contribution of institutional approaches is that *institutions*, and thus also *organizations* as their special form, are explicitly examined in order to better understand everyday (economic) life as well as change and growth. These have remained largely unnoticed by mainstream neoclassical economics, relegated to the noneconomic realm. In contrast to neoclassical economics, old institutionalism is characterized by a focus on explaining social change, a correspondingly historical perspective (keyword path dependency), the inclusion of psychological approaches to support behavioral assumptions (keyword bounded rationality), a methodological collectivism/holism, and an increasingly empirical and evolutionary orientation (cf. Klein, 2000).

Toward the end of the twentieth century, institutionalism experienced a strong revival as *neo-institutionalism* and rapidly outstripped old institutionalism in importance within economics. Inspired by the early, pioneering questions of Ronald Coase (1937, 1960) on the existence and role of *firms*, why firms – i.e., hierarchies – exist and why not all transactions are left to the market, as well as his explanatory approaches based on transaction costs and comparative institutional analysis, neo-institutional approaches have grown rapidly since the 1970s. They were mainly shaped by the subsequent work of Oliver E. Williamson (1975, 1985) on transaction costs and *institutions of governance* (institutional arrangements: organizations and contracts). Among the pioneering efforts directed against the neoclassical picture of frictionless markets are also the economic-historical works of Douglass North (1990), who directed attention away from firms and toward the importance of the broad institutional environment – to the "rules of the game," to formal and informal norms and values that guide individual behavior, and in particular to the influence of *political* and *social* institutions on transaction costs and thus market development (cf. Menard & Shirley, 2008b). This results in a rough *dichotomy* of institutional economic analyses, on the one hand focusing on the institutional *environment* (general rules that guide action) and on the other hand focusing on institutional *arrangements* (concretely negotiated guidelines) (cf. Klein, 2000). Both groups of studies are relevant for media economics. On the one hand, media (companies) are examined as social rules of the game and as systems of norms and values in societies; on the other hand, the specific institutional arrangements of media organizations are also evaluated and compared.

For the assessment of the impact of political institutions on (economic) policy and regulation, rational and public choice approaches are used in new institutional economics – however not exclusively – but above all also in political science institutionalisms (cf. Mueller, 1979, 1989; Weingast, 1996). The rational pursuit of utility and conflicts of interest between actors form the core of rational choice institutionalisms, which methodologically often make use of game theory approaches.

New institutional economics continues the focus on economic, social, and political institutions and also on comparative, empirical institutional research, but in contrast to old institutionalism, it builds on neoclassical economics and accordingly applies a methodological individualism. This means that individual actions and their conditions form the basis for explanations. In this way, it also differs from sociological and political science institutionalisms, which, like old institutionalism, assume a methodological collectivism. Compared to neoclassicism, new institutional economics shifts from a behavioral model of complete rationality (maximisers) to one with bounded rationality (satisficers). Another key distinguishing feature is the consideration of transaction costs in economic and political markets, which are largely ignored in neoclassical economics due to the assumption of frictionless markets. Other features are the shift from static to *dynamic* theories, the *interdisciplinary* perspective, and the focus on *change* and *governance*.

The focus of new institutional economics is on the *governance role* of institutions (cf. Wildman, 2006). It should be noted that this is predicated on a broad concept of governance that differs from those of other disciplines. Governance is also understood and applied differently within communication studies, with a fundamental distinction between governance *of* the media and governance *by* the media. Often in the tradition of political economic special interest theories of regulation, the first group analyzes how media development can be governed by (sector-specific) rule making (laws, regulations, self-regulation, etc.). The second group refers to the institutionally controlling effect of the media as a general rule of the game in society.

According to Williamson (1985), the various governance structures are forms of control systems (control and monitoring systems) that are located between the poles of market and hierarchy. By means of institutions, *order* is created by both the state and the private sector by controlling individual behavior. On the *private* side, these are coordination mechanisms based on central economic institutions such as the market and the firm or on contracts. The framework for these private governance activities is created by *state* institutions in the form of rules and norms. Institutional or organizational arrangements are studied as institutions of governance (cf. Klein, 2000). Organizational arrangements are thus forms of governance that support production and exchange, although here, in contrast to neoclassical economics, perfect information, unrestricted rationality, and free transactions (frictionless markets) are not assumed (Menard & Shirley, 2008b). Accordingly, formal and informal institutions and thus spaces of opportunity for action are created in order to also pursue the general societal objective of reducing transaction costs. Overall, institutional economics proves to be a helpful analytical tool to understand the choice of governance modes (markets, firms, contracts, behavior, etc.) and in particular the effects of path dependencies and bounded rationality. In this general form, this can also be well applied to the convergent communications sector.

Even though institutional economics originally emerged in opposition to or as a counter-program to neoclassical "mainstream" economics, over time it has established itself in its neo-institutional form as a complement to the latter. It also creates a bridge between economic and managerial analysis.

2. Multidisciplinary Institutionalisms

From a multitude of disciplinary institutionalisms, the new institutional economics is of central relevance for media economics. In addition, however, links with neo-institutional approaches from sociology should be noted (for an overview DiMaggio & Powell, 1983; Powell & DiMaggio, 1991; Scott, 2001, 2003), whose starting point is often the social theory of Berger and Luckmann (1967) or American organizational research (cf. Hasse & Krücken, 2005). In addition, contributions from political science are also relevant (for an overview see Hall & Taylor, 1996; March & Olsen, 1989), whose neo-institutional approaches emerged in distinction to behavioralist theories (cf. Göhler & Kühn, 1999). All in all, the (further) development of institutionalism is an *interdisciplinary* project (cf. Klein, 2000) with many facets and approaches, which partly contradict each other but above all also inspire, challenge, and complement each other – for example, the economic focus on *exchange relations* with the sociological focus on *power relations*. It is often this combination that is relevant for the institutional study of the communications economy, where questions of communication studies are explained by means of economic approaches and where the dual character of the media as economic and cultural goods has to be taken into account. Even though (organizational) sociological institutionalism emerged in opposition to economic neo-institutionalism, it eventually developed in a complementary manner (cf. Göhler & Kühn, 1999). The remaining scientific disputes focus on the extent of rationality in the behavioral model of institutional economics (*Homo economicus*) or its limitation by cultural and sociocultural factors of influence in sociological and political science institutionalisms.

An overarching common feature of the disciplinary institutionalisms is the focus on different types of *organizational research* (cf. Scott, 2003; Schimank, 2007) and thus on *order*. They thus concentrate on the *mesolevel* and form a link between structural considerations at the macrolevel and action or actor analyses at the microlevel.

2.2 Applications of Institutionalisms in Media Economics

2.2.1 Incentives

In summary, the integrated consideration of economics and politics, the empirical-comparative perspective, the mesocharacter, and the focus on change, organizations in a broad sense, and, above all, on governance prove to be helpful when institutionalisms are applied in media economics.

While neoclassical economics examines how individuals act via markets, institutional economics additionally focuses on the actions of individuals via firms and other organizations as well as on their shaping by general systems of norms and values in societies. Among the major *advantages* of applying the new institutional economics in media economics are assumptions that are *closer to reality* than in neoclassical economics (cf. Heinrich & Lobigs, 2003) and that central questions of business economics are not ignored (cf. Göbel, 2002). The following considerations contribute to this: the consideration of bounded rationality (cf. Simon, 1962, 1972), of opportunistic pursuit of interests (cf. Williamson, 1985), and of motivation problems in the behavioral model; the inclusion of the (transaction) costs of market use, i.e., costs of cooperation and of exchange of goods and services; and the integration of the economic with the political. The transferability of economic principles to noneconomic fields is helpful for media economics. The empirical-comparative perspective on firms, sectors, or countries also makes it possible to understand the different impact of diverse designs and arrangements and to discuss their transferability. Overall, the institutional approaches bring advantages both to macroeconomics and to business-oriented media economics, which are linked by a common perspective. In a media world shaken by convergence phenomena and characterized by increasing complexity and uncertainty (cf. Latzer, 2013b), the selection, creation, and design of institutions or of organizations that establish order and thus serve a broadly understood governance in the communications sector play a crucial role. For an understanding of current media change, the division of institutions according to the highly different speeds and frequencies of their change (from constant change to stability over hundreds of years) also offers a valuable starting point (cf. Williamson, 2000).

Overall, institutional approaches are particularly well suited to establishing the intended *bridging function* of media economics between communication studies and economics and to creating links to political science and sociology. This also creates a theoretical bracket for the individual subfields within communication studies (e.g., media politics, media history, media sociology, media economics). Institutional approaches also serve as a bridge to approaches of coevolution and complexity, which are central to the analysis of convergence. Finally, institutionalisms also build a bridge to mediatization research. This applies centrally to those approaches to mediatization that focus less on the social-constructivist perspective and more on media logic and accordingly analyze them in institutional terms (for an overview, see Lundby, 2014).

2.2.2 Characteristics and Delimitations of Institutions

Various approaches to the framing and delineation of institutions are inspiring when applying institutionalisms in media economics. These can guide a systematic analysis of the emergence, nature, and social functions of central institutions and organizations in media markets.

1. Emergence

   On the one hand, institutions can be seen as *intentional* parts of the social and economic order created by social practice (cf. Schimank, 2007) and thus as contingent. On the other hand, there are also institutions that are *not intentionally* created, the emergence of which is explained in economics with the help of the "invisible hand" metaphor (cf. Richter & Furubotn, 2010). This is different from *organizations*, a specific form of likewise order-creating institutions, where the individuals involved in each case are also considered (cf. Richter & Furubotn, 2010). Organizations are each deliberately created in connection with the fulfilment of a purpose (cf. Göbel, 2002). However, expectations regarding the extent to which institutions can be shaped vary considerably.

2. Functions

   Institutions, understood as formal and informal systems of rules including their enforcement mechanisms, serve to increase welfare from an economic point of view and to enforce individual and collective interests from a political point of view (cf. Just & Latzer, 2010). Institutions reduce uncertainties and create necessary structures for everyday life, the framework in which people interact (cf. North, 1990). The lowest common denominator of institutional approaches is that institutions create (natural and artificial) *order* and that they make a difference ("institutions matter"). From an economic point of view, institutions – not only central economic institutions such as the market, firms, and competition but also highly culturally shaped norms such as property rights and contract-enforcement mechanisms – have a significant impact on growth and development (cf. Voigt, 2002). Their *cohesion function* strengthens cohesion; the *coordination function* creates, among other things, planning security and reliability; and the *relief function* results from the restriction of the scope for action (cf. Göbel, 2002).

3. Delimitations

   The diversity and vagueness of the concept of institution, which are sometimes criticized, are inevitable and lead to putative contradictions and misunderstandings but can also be interpreted as an advantage (cf. Stölting, 1999). This is because they permit and motivate a structured examination of an investigative perspective that has spread rapidly and comprehensively in the social and economic sciences ("institutional turn," Nielsen, 2007), but from which no unified, closed theoretical strand has emerged. A detailed generally applicable definition of the term does not seem appropriate, since the appropriate institutional concept can only be meaningfully established and applied in context, for example within the framework of a specific social or economic theory and depending on specific research questions. This is a structurally similar situation to the concept of governance, which is also defined quite differently across disciplines and also plays a significant role in the various institutionalisms (for an overview see Schuppert, 2006; Benz et al., 2007; Levi-Faur, 2012).

Attempts at a uniform, generally valid definition of institutions are accordingly only moderately helpful. This also applies to attempts to clearly distinguish between institutions and organizations (cf. Göbel, 2002; Kiefer & Steininger, 2014). A rough exemplary approximation is that, especially in economics, organizations are usually understood as special forms of institutions and the new institutional economics also contains a corresponding new organizational economics (cf. Richter & Furubotn, 2010). It is only in combination with concrete research questions, embedded in theoretical approaches, that consistent, precise delineation becomes important. Even within communication studies, this leads to very different approaches/definitions in terms of terminology, level of detail, and orientation when it comes to the institutional theory study of the media, journalism, and the public sphere (cf. Künzler et al., 2013; Jarren & Steininger, 2016).

For the study of the convergence phenomenon in media economics, it is important that institutional economics can be used to analyze all kinds of economic, social, and political institutions, from general sociocultural norms to detailed organizational arrangements of media companies and regulators.

2.2.3 Approaches and Applications

In terms of economics, there are essentially three groups of approaches that can also be applied to media economics issues in different combinations. They focus on (1) transaction costs, (2) property rights and rights of disposal, as well as (3) problems of agency, predominantly at the organizational level. The common goal is the creation of efficient exchange relations (cf. Göbel, 2002; Göhler & Kühn, 1999; Schimank, 2007).

1. *Transaction cost approaches* aim to explain the emergence, change, performance, and impact of institutions (cf. Theuvsen, 1999; Göhler & Kühn, 1999). They are influenced by the work of Williamson (1985) and, on the basis of transaction costs incurred (e.g., information and communication costs), compare various institutional arrangements, consisting of contracts, organizational forms, and markets, which set the framework for economic activities. The starting point is the assumption that transactions incur costs and that durable organizations can reduce transaction costs and uncertainty. It is therefore a question of clarifying which governance arrangements are (better) suited for which transactions, e.g., "make-or-buy" decisions between in-house production or outsourcing to the market. Such tasks are becoming increasingly important due to the many new and changed forms of transactions in the digital Internet economy.

   North's basic idea (1990) that political institutions control the development of transaction costs, for example by enforcing contracts or securing property rights, is also central to the understanding of the convergent mediamatics sector, with its traditionally strong role of the state (regulation and public ownership of companies). Institutional research designs for analyzing the regulation of utilities (Spiller & Tommasi, 2008) or regulatory entities are also well transferable to the communications sector. Overall, transaction cost approaches prove useful for empirical comparative regulation research, both for the study of organizations and norms. They can be applied to gauge institutional public policy implications in the field of communications regulation (cf. Levy & Spiller, 1994), are suitable for evaluating licensing and franchising agreements in the convergent communications sector, and lead to a changed view of antitrust policy (cf. Klein, 2000). Transaction cost approaches also help to explain convergence-induced changes in industry structures in the market for Internet applications, such as the growing phenomenon of the sharing economy (cf. Henten & Windekilde, 2016).

Such transaction cost analyses are not limited to economics but have also led to the emergence of corresponding research strands in neighboring disciplines such as sociology, political science, and law.

2. Approaches to *property rights* and *rights of disposal* are based on the assumption that they can be used to control the allocation and use of resources. Such approaches view transactions as contractual transfers of these rights and enquire about efficient institutional arrangements, such as whether regulation/nationalization or privatization seems justified or whether, in the case of jointly usable resources (commons) and collective action, their destruction is inevitable, leading to the "tragedy of the commons" (Hardin, 1968). These rather pessimistic assumptions are also reflected, for example, in the theory of collective action (Olson, 1965). In contrast, Elinor Ostrom (1991, 2005) points to institutional alternatives to state regulation (especially self-organization), as well as to pure market solutions to the commons problems. Increasing and new problems of intellectual property protection in digitalized, convergent media markets as well as the growing attention to the problem of the commons on the Internet, for example in connection with the net neutrality debate (Kruse, 2011), are rapidly increasing the relevance of these institutional approaches to analysis. These approaches can also be profitably applied to the commons challenges of journalism (cf. Kiefer, 2011) and especially of the Internet as a digital commons and the resulting competition problems (Haucap & Stühmeier, 2016). With convergence, the economic value of the frequency spectrum is also increasing. The determination of rights of use over frequencies, such as the "digital dividend" (frequencies that become free as a result of digitization), is accordingly becoming more economically and politically controversial (cf. Börnsen et al., 2011).
3. *Agency approaches* examine problems of representation and control in the relationship between principals and agents. Strategies for action are examined and developed depending on institutional and organizational structures. Mechanisms are sought to reduce agency costs (monitoring costs of the principal, retention costs of the agent, residual loss) in view of possible "moral hazards" of agents, the temptation of an opportunistic pursuit of self-interest by the contractors at the expense of the principals (cf. Klein, 2000). The basic ideas behind this are conflicts of interest, the principal's limited opportunities for control due to information asymmetries, and, accordingly, incomplete contracts between principal and agent.

   Kiefer and Steininger (2014) point to possible applications of these approaches in media economics, for example for the discussion and (regulatory) shaping of relationships between media entrepreneurs (agent) and audiences (principal) and thus also journalism. Among other things, the importance of media brands, metamedia (e.g., program guides), and media criticism can be explained on the basis of the principal-agent problem between users and media companies (cf. Von Rimscha & Siegert, 2015). Siegert and Brecheis (2010) use the principal-agent approach to explain the relationship between advertisers (clients) and media companies (contractors), whereby conflicting goals and information asymmetries put a strain on the contractual relationship. Napoli (1997) reflects on the implications of the principal-agent approach for the analysis of media content production. Wang and Ang (2010) discuss principal-agent problems for the state-controlled media system in China and identify state media ownership and party control as key reasons. Both economic and sociological institutionalisms for analyzing corporate communication, journalism, and public relations (PR) can also be found in Fengler and Ruß-Mohl (2007) and Sandhu (2013).

2.2.4 Multidisciplinary Combinations

In addition to and especially in combination with these central approaches of institutional economics, applications of institutionalisms from other subdisciplines in communication studies should also be considered from the perspective of media economics, for example, the view of *the media* as socially effective institutions, which is primarily influenced by media sociology (cf. Saxer, 1980; Schudson, 2002; Sparrow, 1999, 2006; Donges, 2006), or of *journalism*, which is institutionally and symbiotically linked to it, as a social institution that is significant for democracies (cf. Kiefer, 2010). From this, more specific questions of media economics can then be discussed, such as those concerning the financing of journalism and consequently of the public and private media (cf. Kiefer, 2011).

The journalistic media (usually understood as media companies) can be understood not only as economic but also as political institutions (cf. Sparrow, 1999, 2006; Schudson, 2002) that emerge and act in response to economic, professional, and informational uncertainties. They become effective as political actors by generating news on the basis of shared norms and values, thus shaping not only the political culture but also the economic regulatory systems of societies. In this context, media companies can be conceived as part of an *interorganizational field* that also includes other political communicators (cf. Sparrow, 1999).

In line with this, the media are classified as a pattern of control (cf. Saxer, 1980) or as a system of norms and values in society to whose logic parties, interest groups, and companies adapt (cf. Donges, 2006, 2008). These adaptations of organizations to the media logic take place on the basis of widely homogeneous ideas about the institutional functions and effects of the media or media systems in societies (cf. Donges, 2013).

Consequently, the online media, which have moved center stage in the course of media convergence, are leading to *institutional change,* which, due to the multi-optionality and decentralization of the Internet, is characterized by far less stable and homogeneous structures and corresponding expectations of new online media/formats than is the case for the traditional media and their online counterparts (cf. Neuberger, 2013). At the same time, the importance of technology and its institutionally controlling effects are also increasing. Algorithms as institutions, for example, increasingly determine the evolution and use of the Internet and are thus a factor that contributes to the emergence of social order, of shared social reality (Just & Latzer, 2017; cf. below).

In sociological neo-institutional organization theory, *isomorphisms* are used for the examination and explanation of the *legitimacy*, homogeneity, and developmental dynamics of institutions and organizations, which are of particular importance for media change research (cf. Scott, 2001). Such structural similarities emerge through imitation, normative pressure, or coercion, and with Powell and DiMaggio (1991) connections can be made between properties of the relevant organizational field (relevant social environment) and the nature and extent of isomorphisms. This can be applied to the analysis of the isomorphies of media companies (cf. Sparrow, 1999), to public relations (cf. Sandhu, 2013), or – in combination with the neo-institutional insight that normative and cultural-cognitive components of institutions have to be considered in addition to regulative ones (cf. Scott, 2001) – to the analysis of *media regulation* as an institution and organization (cf. Puppis, 2013).

Overall, it should be noted for media economics that the neo-institutional approaches of sociology are also applied to the analysis of economic structures, companies, and competitive behavior, with the focus being more on explaining *legitimacy* and less on interpreting efficiency (cf. Hasse & Krücken, 2005).

In addition, *constitutional economics* approaches that determine social goals (cf. Buchanan, 1987; Buchanan & Vanberg, 1989), in combination with transaction costs, rights of use, and agency approaches that investigate the enforcement/achievement of these goals, can be profitably applied to media regulation or to governance challenges in the communications sector (cf. Lobigs, 2007). This also applies, for example, to the discussion of the concept of the public sphere, which is central to communication research (cf. Kiefer, 2007), and of journalism as its central institutional structure. Finally, the *actor-centered institutionalism* of political science (cf. Mayntz & Scharpf, 1995) also proves helpful in considering the action-guiding effects of institutions in the (tele)communications sector.

2.3 Additions in the Light of Current Media Change

In general, institutionalisms are suitable for explaining order and how it changes. For a better consideration of the specifics of the current media change, some additions are suggested. The current media change, characterized by digitalization and convergence, has increased both the importance of technology and complexity. It thus raises new demands for communication studies and media economics in their analyses (cf. Latzer, 2013a). This is primarily due to the main features of convergence, specifically digitization and the unbundling of communication technology and content in a liberalized sector, the resulting innovation boom, and the associated increase in complexity, which is characterized by a rapid growth in the number of actors and the increasing networking between them.

In response to this, views of *technology as an institution* that address the governance function of technology and also treat it as a policy issue are gaining strength (Just & Latzer, 2017). Technology is understood as design or reality construction (Floyd, 1992) or as a law (Reidenberg, 1998; Lessig, 1999) that shapes human behavior (Winner, 1986). This is particularly true of software technology, especially algorithms on the Internet, which help shape reality construction and thus social order – and do so in a crucially different way than traditional mass media (Just & Latzer, 2017). As institutions, algorithms control both supply and demand in the convergent media sector (Orwat et al., 2010; Napoli, 2014; Latzer et al., 2016); they delineate the scope of action for this sociopolitically explosive economic space and thus demand democratic control (Saurwein et al., 2015). Overall, from an institutional perspective, technology is both an instrument and a result of governance (cf. Katzenbach, 2012).

Supplemented by and in combination with (co)evolutionary innovation approaches (Frenken, 2006), these institutional approaches are suited to contributing to a more realistic picture of the role of technology and the current interplay between technological and economic/societal change (Latzer, 2013b). Thus Cunningham and Flew (2015) also argue for a plurality of approaches in media economics, such as a combination of neoclassical and institutional economics, critical political economy, and evolutionary approaches to discuss the future of public service media in the convergent communications sector.

The link between institutionalism and evolutionary theories is not new. From the beginning, institutionalism has been closely linked to evolutionary approaches. Both old and new institutional economics have been shaped by evolutionary theoretical work (cf. Rutherford, 1996). Coevolutionary approaches overcome the firm opposition between the technological and social determinism that is also frequently argued in communication studies. In institutional economics, technical innovation processes are understood as evolutionary processes (Nelson & Winter, 1982), which are characterized by the central evolutionary features of variation, selection, and adaptation. Cooperation, as an additional, defining (success) characteristic of evolutionary processes simultaneously forms the connecting point to the discussion of the creation of social order, in which cooperation plays an important role, as well as the emerging phenomenon of the sharing economy (cf. Benkler, 2004; Lessig, 2008; Belk, 2010; Rifkin, 2014) in the Internet age. Evolutionary explanations are used to explain the emergence of institutions, rules of the game, and behavioral practices. For example, evolutionary game theory is used to examine competing behavioral strategies or the probability of survival (cf. Voigt, 2002). Institutions either arise naturally through habitualization, in which case their enforcement undergoes an evolutionary process involving the basic mechanisms of variation, selection, and adaptation. The second variant is that institutions are consciously implemented or centrally decreed or are based on a contract (cf. Göbel, 2002).

A greater consideration of evolutionary, complexity theory concepts also comes from media ecology approaches (Scolari, 2012). Following from the institutional work of Innis (1972, 1991) on the connection between media technology and social forms of domination and influenced by the provocative remarks of McLuhan (1964) and Postman (1985), the media ecology tradition, which understands media as environments, is becoming more important in view of the challenges of explaining current media change.

By linking the institutional and evolutionary perspectives, the increasing complexity of systems is taken into account, for example digital online platforms, characterized by nonlinear developments, by emergence and feedback loops, and by large networks of interconnected components, which are increasingly encountered in the convergent, liberalized media economy. Evolutionary or complexity economics approaches (Beinhocker, 2007), which build on institutional economics theories, also differ substantially from economic rational choice approaches, as they question and qualify the heavy emphasis on rational decision models and the central focus on top-down governance. Furthermore, they differ from the static approaches of mainstream economics, which consider technology as an exogenous factor.

The application of institutional approaches, which have been expanded by evolutionary and complexity considerations, leads to essentially changed findings and policy recommendations in media economics and policy (cf. Latzer, 2013b, 2014). This is because increasing complexity means, among other things, both decreasing predictability and controllability and increasing unintended consequences of governance efforts. Altogether, this leads to changes in (innovation) economic and political strategies both in media companies and in communications policy (cf. Latzer, 2013b, 2014).

A substantial part of the emerging Internet economics focuses on institutional change, be it the economics of Internet standards, copyright, privacy, interconnection, or Internet architecture, with the consideration of technical change assuming a prominent role in each case (for an overview, see Bauer & Latzer, 2016). Traditional economics and especially institutional economics approaches are complemented in Internet economics by views of the Internet as a complex system (cf. Schultze & Whitt, 2016) and by approaches of network science (cf. Schneider & Bauer, 2016). For Internet economics, overall, it can be said that it brings together mainstream, institutional, and evolutionary theories with complexity economics, political economy, and network science approaches. It is this multidisciplinary bridging that allows for a more realistic view of contemporary changes in the convergent, digital communications economy. Multiple kinds of institutionalisms form the starting point and core of these efforts.

3 Summary

Institutional economics, which emerged in opposition to orthodox economics, underwent rapid growth toward the end of the twentieth century, converging with mainstream economics and becoming highly differentiated. In addition to old and new institutionalisms, a variety of disciplinary approaches have been established, which altogether result in an interdisciplinary project, from which, however, no unified body of theory has developed. What began as a strict opposition to mainstream theories or between disciplinary institutionalisms has in many cases embarked on complementary tracks, such as neoclassical and new institutional economics or economic and sociological institutionalisms.

The “institutional turn,” which became widespread in the social sciences at the end of the twentieth century, affected communication studies and, in the course of this, also media economics. The analysis of institutions and organizations as a specific form of them became the new normal. The basic ideas and characteristics that were still considered revolutionary in the early days of institutionalism have largely become established, such as the action-guiding, enabling, and at the same time constraining effect of institutions, the bounded rationality in everyday decision-making, and a more dynamic, empirical, and evolutionary orientation in analysis.

The main categories of communication studies, such as the media, journalism, and the public sphere, are examined on the one hand as general action-guiding guidelines or rules of the game in societies, and on the other hand also media companies and regulatory bodies are assessed as specific arrangements for concrete (economic) exchange relationships that are determined and varied by the institutional characteristics of media companies and regulatory organizations. More realistic model assumptions and diverse bridging functions are recognized as advantages. These include both the cross-disciplinary perspectives, the combination of macroeconomics and business economics approaches, and the institutional meso-perspective, which combines the structural macro-approaches with action theory, actor-based micro-approaches. The applications focus on a broadly understood ordering and governance function of institutions and organizations. Conceptualizations and criteria are often taken up from different institutionalisms in an eclectic and problem-oriented manner, with the application of sociological approaches seeming to predominate in communication studies. Institutional economics approaches to transaction costs, property rights and rights of disposal, as well as problems of agency and control are becoming more important with convergence and digitization-related upheavals, as well as with the increasing economization of the digitized communications sector. They are increasingly being applied – often in combination with sociological and political science approaches.

The analytical challenges of the increase in complexity and the growth in the significance of technological change that accompany media convergence draw attention to a coevolutionary innovation economics that complements traditional institutional approaches. Analyses of the Internet increasingly focus on the governance function of technology as an institution. For example, the importance of both the specific architecture for innovation activity and investment and the design of algorithms for the construction of realities in societies is emphasized. Among the consequences of a changed, complexity theoretical, institutional governance perspective is that it results in fundamentally different strategic policy recommendations. Evolutionary, complexity theory extensions result in a counterpoint to rational choice approaches and establish a further step toward a more reality-based theoretical foundation for the study of the convergent, digitalized communications economy.

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