

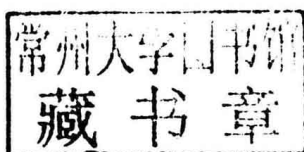


The Informal Media Economy

Ramon Lobato &
Julian Thomas

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The Informal Media Economy

Preface

The Informal Media Economy is the culmination of research projects that we have individually and collaboratively pursued for a number of years. In earlier books, we studied the contours of informal media distribution and consumption and the historical background of formalization in cinema and print markets. In this book, we turn to the question of interactions: how the various elements of the media landscape come together and pull apart.

Many of the ideas in this book emerged out of our research on piracy – its history in digital and pre-digital environments, its logics and effects, and the public controversies that shape discussion around this topic. We found piracy, as a changing legal and extra-legal category that indexes a set of cultural-economic claims, to be a fascinating platform for research into media industries. In part, this book is intended as a corrective to today's partisan and unnecessarily antagonistic 'piracy debate', in which media industry problems (revenues, rights, business models) are discussed parochially without reference to wider issues in economy and society. Our basic aim in this book is to build a bridge between that media-specific discussion and a relevant, but disconnected, field of inquiry that bears very directly on those issues – social science research on informal economies.

Many people have helped us along the way. Heartfelt thanks are due to Alexandra Heller-Nicholas for her expert editing and research, and for her deep knowledge of the fringes of media culture. We are indebted to James Meese, Juan-Diego Sanin and Leah Tang for research assistance, and to Tom O'Regan, Megan Richardson, Patrick Vonderau, Stuart Cunningham, Leah Tang and Jock Given, who

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Some ideas in this book have been tried out in earlier publications: 'Histories of user-generated content: Between formal and informal economies' (co-authored with Dan Hunter), *International Journal of Communication* vol. 5 (2011): 899–914, reprinted in the edited collection *Amateur Media: Social, Cultural and Legal Perspectives* (Routledge, 2012, with D. Hunter and M. Richardson); 'The business of anti-piracy: New zones of enforcement and enterprise in the copyright wars', *International Journal of Communication* vol. 6 (2012): 606–625; 'Informal media economies', *Television and New Media* vol. 13.5 (2012): 1–4; and 'The fine line between the media business and piracy', *Inside Story*, 2 April 2012.

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Introduction

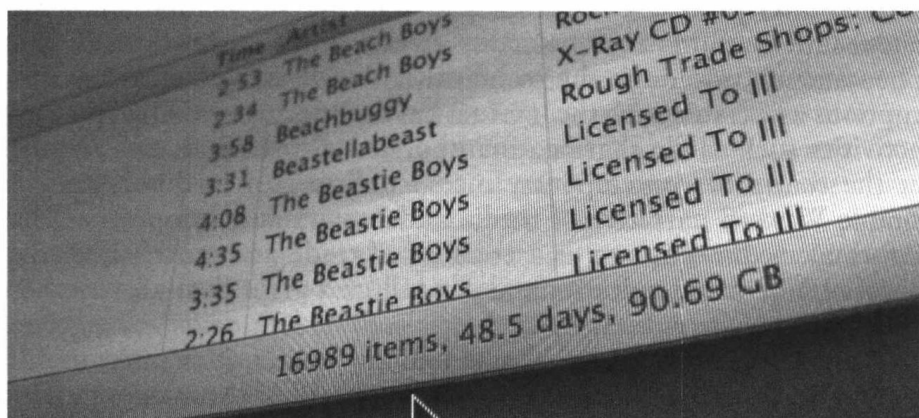
This book is about informal media: flows of communication, information and entertainment in unregulated spaces. It is about the people who work in these spaces, from hackers and pirates to smugglers and street vendors, and the diverse media systems they create. It is also, importantly, a book about media companies and the strategies they use in their dealings with these people. As we wrote the book, we realized that the most important aspect of informal media might not be its exotic, shadowy existence in a parallel world, but its presence – sometimes unnoticed – in the most mainstream parts of the media industries, and in the most mundane and everyday media experiences. Consequently, we have become fascinated by the question of how formal and informal media systems interact. This book is the result of our research and experiments in this area.

Consider the example of iTunes, Apple's digital media player, which is firmly at the centre of our digital media retail and entertainment industries. Since its release in 2000, iTunes has become an integral part of the media economy – and our lives – in ways that few could have predicted. iTunes version 1.0 was a music player and library for our burgeoning MP3 collections. Extending the features of early freeware players, it provided randomized party soundtracks and office distraction for millions of people worldwide. Subsequent versions introduced additional features, like iPod syncing, playlists, MP3 disc-burning and cross-fading. In 2003, iTunes morphed into a music store, offering a vast emporium of digital music for sale in track or album format and then, in 2005, TV episodes and movies. With the release of the iPhone in 2007, iTunes went mobile, joining

us for the commute to work and the gym workout. By now, a generation of consumers was happily ensconced in the Apple economy, downloading tracks at 99 cents each, watching *Desperate Housewives* on their iPhones, and buying iTunes gift cards. Fast-forward to today, and iTunes – with its sibling, the App Store – is the premier global portal for digital content, channelling billions of dollars' worth of music, movies and software to consumers around the world.

The legend of Apple and its founder Steve Jobs has been told on many occasions, but there are aspects of iTunes' history that diverge from the usual tales of visionary innovation, suggesting different, less familiar narratives about how media industries work. We are referring, among other things, to Apple's deep reliance on – and exceptional application of – non-professional systems of media production and distribution. A great deal of the technological innovation behind Apple products, and commercial media software in general, has an unofficial pre-history of bedroom tinkering and experimentation. The basic architecture of iTunes, with its visualizers, plug-ins, metadata downloads, and playlists, came from a predecessor program, Soundjam, acquired by Apple in 2000; this, in turn was inspired by programs like the freeware MP3 player Winamp, created by three US college students in the late 1990s. The legacy of free software can still be seen today in the iTunes user interface. Similarly, the Compact Disk Database (CDDb) – now known as Gracenote – that allows iTunes to identify ripped tracks also began as an amateur, crowd-sourced effort. Apple's rise from computer manufacturer to media and communications behemoth is premised on these borrowings, deals and interactions.

Scratch the surface of iTunes and you will find many other connections to what we call informal media. Consider your own iTunes library: you probably have a rag-tag collection of audio files acquired from different places, possibly in a range of different formats (MP3, AAC, FLAC). They might have been imported from CD, copied from a hard drive or memory stick, downloaded as podcasts, or purchased from digital music stores or directly from artists. Depending on how you feel about intellectual property, you may also have a storehouse of pirated tracks that have been downloaded from BitTorrent, one-click hosting sites and MP3 blogs, or audio-ripped from YouTube. Each of these objects has its own circulatory history, and the slick iTunes interface does its best to flatten the differences between them. But there is no denying that the popularity of iTunes was premised on unauthorized sharing: in the beginning, the main reason people needed iTunes to play their MP3 files was because they had collected them using Napster, Limewire and Gnutella.



The iTunes library. Photo credit: Djenan Kozic (CC BY-ND license, 2007)

Apple and other media companies seek to reduce and contain the scope of informal activity through proprietary media formats, licensed protocols, closed media environments and digital rights management technologies, and they are often criticized on this score. But as the iTunes case shows, they also incorporate and exploit many non-commercial technologies, and they rely on consumer habits formed through informal media production and exchange. There is both a fundamental tension and – of greater interest to this book – a certain kind of *interdependency* between formal and informal media. Free software cultures helped build the technical foundations of iTunes. The MP3 file sharing craze provided the consumer competencies needed for Apple's success in music retailing. Hackers continue to redefine the platform, reverse-engineering AirPlay and Apple's strict media sharing protocols.

This is not an isolated example of interdependency between formal and informal media. Companies like Facebook rely almost entirely on users for their 'content'; software markets overflow with apps designed by non-professionals; and game developers outsource their research and development to unpaid volunteers. If we look closely, we can see interdependency in older media as well – in broadcasting, publishing, telecommunications and various other well-established media forms of the modern age. In *The Informal Media Economy* we discuss many of these historical examples. We consider unauthorized retransmissions of broadcasting, from the local, wired, redistribution network radio of the 1930s to the early cable television systems. We look at instances of informal enterprise in print culture, from parallel importing of books to unlicensed printing. We explore the way intellectual property law has shaped and responded to

ground-level practices of piracy and trademark violation since the eighteenth century. So informality is not only or merely a digital phenomenon, although the technical, cultural and commercial disruptions associated with the internet have made it very visible, putting activities such as file sharing, unauthorized distribution and copying at the centre of contemporary media policy. Nor is this history a simple Western narrative of media and economic development. The informal media economy is a creature of trade and travel: it works across borders and cultures, and can tell us a great deal about other times and places.

If we wish to understand contemporary media, it is often useful to look for answers in other, less familiar parts of the economy. The history of media that we explore here is a story of firms, corporations, governments and institutions, but it is also a story of pirates, smugglers, hackers, fans and parallel importers. This means that a wide-angled view of media industry evolution is needed to make sense of current problems. To understand the challenges that the internet presents for the book trade, for example, we need also to understand the history of parallel book importing and textbook photocopying; to understand contemporary music retailing, we should know something about the history of street vending, piracy and free software development; and to understand mobile telecommunications, it is helpful to be familiar with phone unlocking businesses, reconditioners and grey importers.

Disentangling the intertwined histories of formal and informal media poses an interesting challenge for scholars of cultural industries. It also provides opportunities to rethink familiar narratives of industry change. A new wave of media scholarship is taking up this challenge, producing alternative vocabularies for industry analysis (Caldwell 2008; Holt and Perren 2009; Mayer, Banks and Caldwell 2009; Szczepanik and Vonderau 2013) and riveting histories of informal systems (Johns 2009; Sterne 2012; Brunton 2013). Such work does not comprise a consistent, coherent corpus – it represents a remarkable spectrum of ideas and disciplines. But we feel that there is a conversation that can be continued, and some useful connections to be made across the disciplines. *The Informal Media Economy* aims to get this conversation under way.

A Different Approach to Media Economy

Our general argument can be summed up as follows. Today's media landscape is characterized by a deep interdependency between formal

and informal economies. Formal economies are industrially regulated. Informal economies operate without, or in partial articulation with, regulatory oversight. Neither zone can be fully understood without considering the other. Media history is a story of *interactions* between and across the formal and informal zones. These zones can be separated only for the purposes of analysis; in practice, they are engaged in constant cross-fertilization. As with a Rubik's cube, changes in one area of the media landscape produce realignments in unexpected places. In this book, we offer a series of explanatory concepts and examples to illustrate these interactions, showing how they can be analysed in a way that connects with longstanding concerns of media and cultural studies.

For simplicity, 'media' is used throughout this book to evoke a wide range of historically distinct, but now connected, consumer markets in communication, information and entertainment, from personal computing to recorded music. 'Media economy' is used in a similarly expansive way, to refer not just to media companies and the commodities they produce, but also the vast web of non-industrial activity (including non-market, domestic and criminal activity) around them. The media economy has both formal and informal elements, which are interconnected, as we saw in the iTunes example above; it encompasses the home, the street, online marketplaces, BitTorrent, Pirate Bay and VLC Player, as well as Sony, CBS and Apple.

It will perhaps be obvious by now that this book is not a work of conventional media economics. Although we are concerned with media economies, especially informal ones, we are not economists; we have come to this task as media scholars trained in critical analysis and cultural history, with an interest in economic structure and organization. *The Informal Media Economy* is our attempt to engage economic research from the outside, in a tangential but hopefully productive way, around issues of common concern – namely, the ongoing structural mutations in our media landscape and what this means for the way people communicate, work, consume and play.

Why study media economies at all? The topic may seem technical, even dry, but in our view it is a vital issue for social and cultural inquiry. After all, systems of communication shape our understanding of the world and help us define who we are, as individuals and communities. They are central to 'capital-P' politics and are deeply bound up with the subjective lifeworlds of the everyday. Media economies – as systems that organize this communicative capacity – are gateways for power, politics and pleasure. Defined in this way, the study of media economy has an inherently critical potential and is not simply a matter of forecasting trends, evaluating effectiveness of

particular policies, or tinkering with the levers of industry. Our attention throughout, then, is with the production, distribution and consumption of media services, goods and commodities. Although issues of policy and politics arise throughout, we do not focus on the politics of media texts and communities; nor do we cover underground or resistant media systems, such as alternative publishing, activist media or *samizdat* networks.

Media economies are important, and the way they are organized and regulated has social consequences. So far, so good. But how exactly should we go about studying them? *The Informal Media Economy* is a synthetic book, which draws on – and modestly extends – a range of theories and approaches. We like to think of this book as a kind of ‘add-on’ for media industry research frameworks, like a web browser extension or a Photoshop plug-in. It does not replace established approaches, but it does augment them, extending their capacity to communicate with each other in useful ways and allowing them to see and respond to a wider array of phenomena. Attending to informal processes, actors and systems permits a certain kind of structural analysis, a certain kind of media sociology, a certain kind of economic theorizing, and so on. In many cases, simply expanding the definition of media industries to include informal agents brings a new set of interactions and analytic possibilities into view.

In this sense, our approach can be distinguished from several established traditions of economic research on mass media – including political economy of communications, Frankfurt School culture industry critique, neoclassical media economics and regulatory analysis. Typically focusing on consolidated and nationally regulated sectors (publishing, film, TV, radio, telecommunications) and major media players (whether public institutions like the BBC or corporate behemoths like News Corporation), scholars working in these fields have raised awareness of problems that matter deeply to citizens of all nations – issues of competition and concentration among media corporations, market domination, labour practices, and regulatory failure. The political economy of communications tradition, which stretches back to the pioneering work of Harold Innis in the 1950s and Dallas Smythe in the 1960s and 1970s, and finds contemporary expression in the work of eminent scholars including Janet Wasko, Dwayne Winseck and Robert McChesney, has been a natural home for much of this research.

Political economy, despite its acrimonious relationship with neoclassical media economics, shares a similar epistemology in that it focuses on the ‘institutions, subsidies, market structures, firms, support mechanisms, and labor practices that define a media or

communication system', and the government policies that enable or restrain media industries (McChesney 2013: 64). Such an agenda has been forged against a twentieth-century backdrop of mass-media institutions, corporate takeovers, and structural concentration. The emergence of the internet, and the powerful new media and communications businesses that dominate it, has inspired renewed attention to the corporate sector and the problems that bedevil it, including vertical integration, monopoly and policy capture by elites – issues that seem ever more relevant in the 'winner takes all' economy of online services, apps and social networking. This orientation also reflects the norms of a particular tradition of positive analysis, in the sense that political economists tend to focus on large, publicly listed firms whose activities can be scrutinized in line with established social science and economic methods.

We are strongly influenced by both economics and political economy, and we do not intend this book as a critique of one or another tradition. Such critiques have appeared before and do not need to be made again. Let us instead make an uncontroversial claim about the limits of structural analysis. Most established ways of studying media economy take a top-down approach; they are not always equipped to deal with the more fast-moving and ephemeral aspects of our media landscape – the kind of phenomena we are interested in here. They also struggle to address a series of far-reaching changes that together have made the twentieth-century morphology of the media almost unrecognizable: the emergence of broadband and the mobile internet as new platforms for entertainment and information, for example, or the prospect of the end of the telephone system as a regulated, universally accessible communications network. As our opening story about iTunes demonstrated, a lot of significant and dynamic activity in global media happens at the edges of, or entirely outside, formal businesses and public institutions. We need to keep these edges in mind if we wish to understand how the media are changing today.

The Informal Economy: Uses and Abuses

So far, we have explained our take on media, and on media economy. Now let's consider the other, more mysterious word in our title: *informal*. The informal economy is an analytic concept that refers to a range of activities and processes occurring outside the official, authorized spaces of the economy. A challenging and contentious idea, the informal economy has generated a four-decade-long

argument in social science, while curiously remaining disconnected from media studies. In this book, we want to make the case that an understanding of informal economy dynamics can greatly enrich how we think about contemporary media industries, but first we need to consider what this term means and where it has come from.

A basic definition of the informal economy would be something along the lines of 'the sum of economic activity occurring beyond the view of the state'. This includes activities like unregistered employment, domestic homework, street trade, non-market production and backyard tinkering. Most experts follow this general definition, although definitions vary from study to study. For example, some analysts include criminal activities in the informal economy, while others do not. This slipperiness is part of the character of informality. As Manuel Castells and Alejandro Portes (1989: 11) note, the informal economy is probably best understood as 'a common-sense notion whose moving social boundaries cannot be captured by a strict definition without closing the debate prematurely'.

These moving social boundaries can be seen in the range of normative claims made about the informal economy. Many commentators argue that informality is a threat to modern governance, portending the erosion of the hard-won gains of the regulating state. From this point of view, the informal economy is all about tax evasion, corruption, organized crime, under-the-table employment, unsafe workplaces and exploitation. But the informal economy is about desire as well as danger. Some ideas about informality have a utopian character, whether in the form of a romantic longing for a pre-modern, trust-based, face-to-face society; a quicksilver 'new economy' freed from the shackles of over-regulation; or a laissez-faire dream of unfettered individual entrepreneurialism.

Research on the informal economy began in the postwar years, and reflects the sociopolitical realities of postwar reconstruction, which involved a fresh wave of organizational reform in political processes, education systems, consumption patterns, regulatory architectures and technological research and development. The modern social sciences were a central part of this process. Sociology and economics took as their primary object of analysis the paradigmatic publics produced by the institutions of the formal economy: industrial workforces, consumer markets, urban populations and broadcast audiences. Their methodologies were shaped by the governmental needs of the modern state.

Against this backdrop of strong formalization and positive social science, a specific strand of economic research on informal activities began to emerge, first in anthropology and development studies,