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FROM CENTRALIZATION TO SELECTIVE DIVERSIFICATION: A HISTORICAL ANALYSIS OF MEDIA STRUCTURE AND AGENCY IN CHINA, 1949-2013

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ABSTRACT  This article examines the dynamics of media centralization and diversification of media in China from 1949 to 2013. Drawing on Bourdieu’s field theory, we conceptualize media structure as the structure of the media field, which encompasses 1) the field boundaries and 2) the internal differentiation of the field. Within the historically changing fields, we also explore 3) the operation of media organizations by using agency theory. We conclude that recent media diversification in China is manifested in the controlled, selective and limited widening of field boundaries; the internal diversification of media structure; and the bifurcation of the contract governing the principal-agent relationship between the party-state and media organizations.

KEYWORDS: media centralization, media diversification, media structure, media management, China

Since the launch of economic reforms in 1978, the Chinese media has become more diverse both in terms of overall structure (Wu, 2000) and the range of content (Chan, 2002; Lu, 2012). Given the absence of the official support for media diversity as a stated policy goal in a communist authoritarian state, how has media diversification actually taken place in China? As part of a larger, ongoing research project, this article represents an initial effort to systemically answer this question. More specifically, we historically examine the process of media diversification, focusing on media structure (the macro-structural level) and media...
operation (the micro-organizational level) from the founding of the PRC to the present day. Such an effort will contribute to a growing body of literature on Chinese media management (Guo, 2010; Yu, 2010; Zhang, 2010). More specifically, it will enrich our understanding of the organizational and business history of the Chinese media, particularly with respect to the changing impact of the party-state on organizational structures, business practices, and financing models. To maintain a manageable scope, this paper limits the discussion to the press and broadcasting sectors.

There are some key concepts to be clarified. First, we distinguish “media diversity” from “media pluralism”. Media pluralism is a normative concept, deeply rooted and utilized in policy debates in mature liberal democracies as well as in Western academic literature. The most elaborated concept of media pluralism may cover as many as six dimensions of pluralism. These include purposeful policies to maintain media pluralism; explicit political pluralism in the media system; pluralism of media types, genres and platforms; as well as pluralism ownership, cultural, geographic pluralism (Valcke, et al., 2010). Risks to media pluralism in the six dimensions may be measured by as many as 166 empirical indicators (ibid).

In China, however, pluralism (duoyuan) is officially differentiated from diversity (duoyang). Chinese policy documents, officials and mainstream scholars detest media pluralism since it refers to the Western democratic value system and the threat of weakening of the party’s single-source, monist message. By comparison, policy discourses in China are receptive to diversity and use it to promote a more engaging way of propaganda (i.e. tailoring the monist message of the party to different target groups). Given the rich normative conceptualization of media pluralism in liberal democracies, as well as the lack of official support for media pluralism policies in China, we prefer to use the term “media diversity” and “media diversification” in this article. Using “media pluralism” would lead to an all-too-familiar conclusion that the Chinese media is not pluralistic by Western norms. But the concept of “media diversity” and “media diversification” helps us go beyond this crude verdict to empirically investigate the how and why the Chinese media became empirically more diverse in various aspects – without, and even despite of, officially embracing the policy of pluralism.

Second, the term “media structure” has been used in the analysis of Chinese media in the post-Mao era (Wu, 2000; Zhao, 1998), but its definition remains conspicuously elusive. In this article, media structure is conceptualized by drawing on Bourdieu’s field theory, i.e., as the structure of the media field. According to Bourdieu (1993), a “field” (champ) is a structured space of social positions, in which agents and organizations with different capital endowments are bound together by forms of collaboration and competition.

In the case of media in China, the structure of the media field has two important aspects, the boundaries of the media field and the internal
differentiation within the field. The first aspect concerns with the question of who are qualified to play the game in the media field – that is, the policy of media ownership. The second is about the creation of status hierarchies within the media field as a consequence of unequal distribution of different forms of capital – notably, the political, economic and symbolic capital. Acquiring these types of capital, in the Chinese context, refers not only to the accumulated financial resources, reputation and prestige, but also editorial privileges and superiority conferred to certain privileged media types and organizations by the state.

Third, a position of media organization (media firm) in the field determines its space of structural opportunities, or what Bourdieu calls the “space of possibles”: a “space of objective potentialities, things ‘to be done’...adversaries to combat, established position-taking to be ‘overtaken’” (Bourdieu, 1996, p. 235). This space of opportunities is at once constraining and enabling. It imposes a structure that delimits what can be attempted while at the same time affording opportunities for innovative action (Emirbayer & Johnson, 2008).

We also draw on agency theory (Jesen & Meckling, 1976) to account for the trajectory of media operation in China. At the core of agency theory is the principal-agent relationship, a “contract under which one or more persons (the principal(s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent” (Jesen & Meckling, 1976, p. 309). In the Chinese media field, the relationship between the party-state and media organizations can be characterized as a contract under which the former delegates the propaganda work to the latter. Yet some key assumptions underpinning the agency theory (which was developed to explore owner/shareholder-management relationships in private capitalist economies) need to be de-Westernized in the Chinese context. Notably, the principal in question, i.e. the party-state in China, has maintained a clear desire and capacity to exert ideological control since the establishment of the PRC in 1949 up to the present day. This pervasive political intentionality sets apart the party-state from capitalist corporations as delineated in the Western agency theory. Within different historical periods, however, this principal-agent relationship went through partial transformation.

The article is organized into three historical sections. In Section 1, we discuss the key developments of the Chinese media field from 1949 to 1977, tracing the formation of a state-socialist media field between the late 1940s and mid-1950s and its homogenization in the subsequent years of the Mao era. Section 2 focuses on the important changes between 1978 and 2002 as a result of economic reforms, with reference to the commercialization of media operation and the processes of structural decentralization and recentralization. Section 3 zeroes in on recent changes from 2003 onwards, highlighting the selective relaxation of media ownership rules and further partial liberalization of media
operation amidst the recent, ongoing “cultural system reform”. In conclusion, we argue that media in China have been diversifying in its own way, manifested in the closely controlled and limited widening of field boundaries, the diversification of media structure, and the bifurcation of the contract governing the principal-agent relationship.

THE ESTABLISHMENT AND HOMOGENIZATION OF THE STATE SOCIALIST MEDIA FIELD (1949-1977)

Between the late 1940s and mid-1950s, the CCP established a state socialist media field through a series of interrelated policies. On the one hand, the party distributed exclusive privileges on news production and dissemination to key party mouthpieces, while promoting practices of business management to improve the financial health of communist party newspapers. On the other hand, the party selectively preserved a limited number of private media outlets in the founding years of the PRC. But this policy proved a modus vivendi to exploit private media to advance propaganda work in the newly occupied urban areas. Plagued by continued financial woes and harsh political pressure, all private media outlets were eventually nationalized in the early 1950s. Having crowded out private media and established the dominant position of party media, the CCP brought into being a new state socialist media field by the mid-1950s.

Since the second half of the 1950s, the state socialist media field had undergone a process of homogenization and centralization during political turmoil. The press field was subjected to a policy of gradual shrinking of non-party newspapers, while the broadcasting field maintained a highly centralized structure as radio and, later, television stations concentrated on the higher administrative levels. Moreover, the CCP absorbed media organizations into the institution of non-production, non-profit work units of the state, shiye danwei,¹ depriving them of any financial independence, thereby exerting pervasive control over all key aspects of media operation.

Marginalizing and suppressing private media ownership

Toward the end of the Chinese Civil War in November 1948, the Central Committee of the CCP issued two directives which provided guidelines for the treatment of the press and radio in newly occupied cities. All media owned by Kuomintang (KMT) were closed down, and their assets were confiscated to build party mouthpieces. Non-KMT private media

¹ The term shiye danwei has been translated in different ways such as “political units” (Chan, 2003) and “cause-oriented undertakings” (Zhao, 2008). To avoid confusion, this article uses the Chinese term shiye danwei. Defined in contrast to profit-making enterprises units (qiye danwei), shiye danwei also covers other organizations that provide public goods and services such as education institutions, research institutes, and government-approved social and professional organizations.
were subjected to re-register with local governments and to provide detailed information about their financial sources and political affiliations. Pro-CCP, “progressive” press and nonpartisan, “centralist” newspapers were allowed to continue their operations. The selective tolerance of private media was in line with Mao Zedong’s policy framework of “New Democracy”, which recognized the importance of private firms in boosting the early socialist economy. Moreover, the CCP leaders, while adept at rural revolutions, realized their lack of experience in running media in the cities. Hence, ideologically acceptable and controllable private media provided them with a means to engage the urban masses who were still not receptive to the didactic style of partisan press and radio (Zhao, 1998).

However, the CCP had no desire to cultivate a vibrant private media sector. To limit the presence of the private media, the CCP implemented the policy of “division of labor between newspapers” (baoye fengong) in March 1950 (Fang, et al., 1992). As a form of mandatory audience/content re-positioning, this policy ordered the surviving private newspapers to target a specific segment of local readers. In Shanghai, Wang Yunsheng, editor-in-chief of Wenhui Bao, once had the ambition to build the paper as a national news giant, but was eventually ordered to target only young intellectuals in the city (Zhang, 2012). Another influential daily, Dagong Bao, was also restructured as a local paper, only for the intellectual elite. Through the compulsory re-positioning, the CCP confined private newspapers in specific segments of local markets, ensuring the monopoly of key party mouthpieces (e.g. the People’s Daily and Xinhua News Agency) in the national press market.

Apart from this obligatory re-positioning, the CCP also imposed stringent editorial control on private media after the establishment of the People’s Republic of China in 1949. First, all private media were subject to the CCP’s propaganda disciplines. In covering major international and domestic news, both private newspapers and radio stations were required to use the official press releases from Xinhua News Agency (Zhang, 2012; Fang et al., 1992). Moreover, private papers were forbidden from scooping party newspapers with major breaking news. In the face of these restrictions, private papers found it impossible to build competitive differentiation with respect to the coverage of major events, thereby losing valuable opportunities to expand audience share and build journalistic reputation. Second, private media were put under periodical surveillance. In Shanghai, for instance, private radio stations needed to submit daily reports about their programming to the government (Du, 2009). In July 1950, the city’s private newspapers

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2 Mao put forward the framework of “New Democracy” in 1940, promising that all private firms, except those owned by foreign and bureaucratic capitalists, could continue their business for a long period under Communist rule (So, 2002). The framework was abolished in 1953 amid the socialist transformation of national economy.

3 In August 1949, the Wenhui Bao ran a story about the liberation of Changsha city before any of party newspapers. But the CCP criticized this scoop as an example of the capitalist journalism.
were also ordered to submit monthly self-reviews about news content (Zhang, 2012).

These control policies significantly narrowed the space of opportunities available to private media. Private newspapers found impossible to produce the kind of attractive content that once generated advertising revenue. For instance, private papers in Southwest China struggled to break even since they were seldom commissioned to publicize government notices, a major source of advertising revenue at the time (Sun, 1998). Private radio stations also ran into financial plight. In March 1951, the Shanghai government ordered the city’s private stations to shorten advertising time and allocate 20% of their airtime for propaganda programs (Li, 2009, p.26). As a result, private stations could not devote sufficient airtime to such marketable entertainment content as local opera music. By late 1952, many private radio stations in the city struggled to pay staff salaries (Du, 2009).

Given these persistent financial difficulties, private media outlets have chosen to either close their business or seek a merger with state-owned media. In the press field, the Shanghai-based Dagong Bao was nationalized through the state-private joint venture scheme as early as July 1950 (Sun, 1998). By 1952, all private newspapers underwent the similar process of nationalization. In the broadcasting field, all private radio stations in Shanghai were absorbed into a joint-broadcasting station with state-private ownership in October 1952 (Guo, 1986). Then in September 1953, the joint-station was merged into the Shanghai People’s Radio Station (Du, 2009).

With the waning of private media, a new state socialist media field begun to take shape by the mid-1950s. The field boundaries were sharply defined by the absence of private media ownership. Internal differentiation was clearly marked by administrative levels – from central, provincial to local levels. The press field can be further divided into two spheres: the party and non-party newspapers. The party press was sponsored by party committees of various administrative levels, while the non-party press was run by government ministries (e.g. People’s Railway Daily by the Ministry of Railways) and other state-affiliated organizations (e.g. Workers Daily by the All-China Federation of Trade Unions). As of 1953, there existed 151 party newspapers, representing 59% of the total number of newspapers in China (Fang et al., 1992). Non-party papers still enjoyed a healthy presence, but their influence was nowhere close to that of the key party organ People’s Daily.

From experimentation with business management to the danwei system

In conjunction with marginalizing private media, the CCP tried to improve financial viability of state-owned newspapers by promoting practices of business management. In revolutionary war period, the economic survival of the party press was based on “free supply system” (gongji zhi) under which the CCP provided funding for daily operation
and personnel salary. However, as new party newspapers were quickly established across the country in the founding years of the PRC, the free supply system put great pressure on the financially strapped party. Worse yet, the soaring prices of newsprint, the bulk of which were imported from Western countries, took a further toll on the finances of party newspapers. In 1949, 16 newspapers including party mouthpiece *People’s Daily* incurred a total loss of 50 million tons of rice, which would be consumed by 380,000 people for a month at the time (Huang, 2012).

To ease the financial burden of supporting the party press, in December 1949, the General Administration of News (GAN) decided to devolve certain decision-making power to newspapers and provide incentives for operational efficiency at a major conference of industry professionals.⁴ The document produced by the conference – *Decisions of the National Conference of Newspaper Managers* – encouraged the party press and private newspapers alike to expand revenue base, cut operational costs and enhance financial self-monitoring. Party newspapers were not only permitted to raise newspaper prices moderately, but also encouraged to increase revenue through advertising (e.g. medicines, tobacco, clothes, and industrial machinery). In addition, the document urged the press to enforce cost reduction schemes and install economic accounting systems. Thanks to these measures, the *People’s Daily* and some provincial-level party organs began to break even by 1953 (Huang, 2012).

However, with the completion of the socialist transformation in 1956, the experimentation of business management at the party press came to an end. Media organizations were then absorbed into the work unit (danwei) system as a kind of non-production, non-profit state units or shiye danwei. More precisely, they became shiye danwei, state units which took propaganda as their key responsibility. Under the institution of danwei system, the party-state exercised firm control over all crucial aspects of media operation.

With respect to financial management, like other types of shiye danwei, media organizations received the budgetary allocations that covered operational costs and staff wages from the Ministry of Finance (MOF) and remitted all surpluses, if any, to the state’s coffers. Moreover, there existed “loss subsidies” (kuisun butie) to cover any losses incurred. As a consequence, media organizations were deprived of any financial decision-making power and incentives to undertake profit-making activities. With respect to personnel management, the CCP held the power to appoint or dismiss key personnel through the principle of “the party controls cadres” (dangguan ganbu) (Zhou, 2009). Considering all these aspects, media organizations in fact were made a part of the party-state apparatus itself. The contract governing the principal-agent relationship was characterized by 1) total control of the media operation by the state, and 2) the strict alignment of the goals of the state and

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⁴ Established in November 1949 and dismantled in February 1952, the General Administration of News was the regulatory body for the press and radio during the early years of the PRC.
media organizations. Under these circumstances of state planning, the behavior of media organizations became highly predictable and economically non-profitable since they were left no room to make choices on their future development.

**The homogenization of the state socialist field**

Between 1957 and 1976, the Chinese media field became increasingly homogenized and centralized amidst successive waves of political campaigns – from the Anti-Rightist Movement (1957-1958), the Great Leap Forward (1958-1960) to the Cultural Revolution (1966-1976). In the press field, the CCP closed down many non-party newspapers, further consolidating the dominance of party mouthpieces. While the number of party organs accounted for approximately 59% of the total number of newspapers in 1957, it jumped to an average of 76% in the 1960s and 1970s (Yu, 2004, p.41). In the broadcasting field, radio and television stations existed only at the central (national) and provincial levels. China’s first television station, Beijing Television Station (renamed China Central Television in 1978), went on the air in May 1958. By the end of 1960, 20 television stations and 16 experimental television stations were established in China (Huang & Yu, 1997, p. 567). However, the economic downturn in the 1960s forced the government to cut the number of television stations by half. The number did not bounce back until the end of the Cultural Revolution.


Starting with the launch of economic reforms in 1978, the state socialist media field in China experienced profound changes at both the structural and organizational levels. First, commercialization of media operation took place under the framework of “*shiye danwei* under business management” (*shiye danwei, qiyehua guanli*). From 1978 to the 1980s, the CCP re-introduced practices of business management to media operation and (re-)legitimized advertising and other profit-making activities. From the second half of the 1980s, the party also gradually reduced subsidies to media organizations. Then in the early 1990s, the party severed the subsidies to all but a small number of national media

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5 Adverting still existed after the completion of the socialist transformation. However, most advertisements were about raw materials of industrial production, instead of consumer goods (Huang, 1997). Advertising was banned during the Cultural Revolution.

6 Due to our focus on press and broadcasting, this article does not address the use of locally installed public loudspeakers in the Mao era. Yet it is worth noting that loudspeakers functioned as an important tool of political propaganda and mass mobilization during this period. From 1957, loudspeakers were distributed nationwide (Brady, 2008). As of the early 1960s, 70 million loudspeakers were installed in rural villages and urban public spaces (Huang & Yu, 1997), reaching most villages and towns in the country.
outlets. These measures not only gave media organizations limited financial and managerial autonomy, but also cultivated their motivation for profit-making.

Second, we see dramatic processes of decentralization and recentralization at the structural level. Both the press and broadcasting fields expanded rapidly throughout the 1980s. Non-party newspapers were set up across the country, especially at the lower administrative levels. Television and radio stations also proliferated at the lower levels, boosted by the plan to create a four-level broadcasting structure from the previous top-heavy, two-level system.

Yet this unprecedented media proliferation proved a double-edged sword. It diversified a once homogenous media field, while also weakened the dominant position of central (national) media. Beginning in the mid-1990s, the CCP took serious actions to recentralize what it began to regard as a fragmented media structure. Notably, in the late 1990s, the party initiated a process of media conglomeration through administrative fiat to concentrate media resources in the hands of a few socialist conglomerates. Despite these structural changes, it is important to note that the boundaries of the media field remained quite stable during this period. Private media still remained firmly excluded from the game.

The re-introduction of business management and the commercialization of media operation

The post-Mao media transformation started with the devolution of partial financial authority to a small group of national media outlets. In 1978, eight Beijing-based newspapers led by the People’s Daily made a joint request to the Ministry of Finance (MOF) for more financial autonomy (Zhao, 2008). In response, the MOF issued Measures for the Implementation of Entrepreneurial Fund at Newspapers in April 1979. This document reiterated the political function of the press as the mouthpiece of the party-state, while calling for newspapers to improve operational efficiency and implement cost accounting systems. Moreover, it allowed the eight newspapers to use a certain portion of profit through their entrepreneurial fund (qiye jijin). This means that each newspaper was allowed to create a fund equal to 5% of wage costs provided it meets eight targets (i.e. output, quality, publishing time, profit, cost, productivity, newsprint consumption, and circulating capital).

As the spillover of the industrial reform to the top echelon of the media field, the 1979 document provides the basis for what was later called “shiye danwei under business management”. That is, the media were allowed to experiment with business management in certain areas – primarily cost management and compensation system – without comprising their position as shiye danwei. By the mid-1980s, this new

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7 As part of industrial reform, the MOF proposed to re-introduce the enterprise fund to state-owned enterprises in 1978 (Shirk, 1993). Once implemented in the 1950s and 1960s in industrial sectors, this practice allowed state-owned enterprises to create a fund equal to a certain portion of their wage bill to be distributed as collective welfare and employee bonuses.
managerial framework had spread to most provincial-level newspapers (Huang & Chen, 1996).

Coinciding with the adoption of business management by the media, the (re-)legitimization of advertising and other commercial activities also took place. In January 1979, the first post-Mao print and television advertisements were released by Shanghai-based Liberation Daily and Shanghai TV station, respectively (Huang & Chen, 1996). Ten months later, the Central Propaganda Department (CPD) officially endorsed the return of advertising by promulgating Notice on the Publication and Broadcast of Advertisements of Foreign Products. In this policy document, the CPD permitted media organizations to publish advertisements of domestic and foreign goods. Although advertising provided an additional source of revenue, many newspapers still struggled to break even in the face of the skyrocketing cost of pulp in the 1980s.

In March 1988, the General Administration of Press and Publication (GAPP) and the State Administration for Industry and Commerce issued Provisional Measures Concerning Paid Services and Commercial Activities by Newspapers, Periodicals and Publishing Houses to formally allow print media to diversify into a wide range of profit-making activities (e.g. information services, commercial photography, training, etc). In the broadcasting sectors, the Ministry of Radio and Television (later reorganized into the State Administration of Radio, Film and Television, SARFT) also encouraged television stations to diversify their revenue base in 1983, with the intention to compensate for the lack of funding for a new four-level television structure.

Meanwhile, weighed down by the gigantic obligation to subsidize a rapidly expanding media sector, the government started to reduce the subsidy for media in the mid-1980s (Chen & Lee, 1998). The severance of the media subsidies came on the heels of Deng Xiaoping’s famous Southern tour in early 1992. In June 1992, the Central Committee of the CCP and State Council issued Decision on Accelerating the Development of Tertiary Industry which pushed for “autonomy in management” and “self-responsibility for profits and losses” in a wide range of services industries including the press and broadcasting sectors. The same year, the GAPP called for all but a handful of key party organs to achieve financial self-reliance by 1994 (Chen & Lee, 1998).

These reform measures led to a conflict of goals in the principal-agent relationship between the party-state and media organizations. In addition to fulfilling the propaganda goal, media organizations in the era of commercialization were also obliged to meet the commercial goal for financial survival. It is evident that these two goals are not necessarily in harmony with each other. The propaganda goal requires the media organizations to dutifully transmit the party’s political message and tip-toe the party line, whereas the profit-making goal prompts the media to answer market demands.
The proliferation of non-party press and lower-level broadcasting organizations

In addition to the commercialization of media operation, the media field also experienced the structural decentralization and rapid quantitative proliferation during this period. In October 1983, the Central Committee of the CCP promulgated On the Program of Radio and Television to encourage the establishment of television stations at the municipal and county levels, in addition to the central and provincial levels. This document set off an unprecedented expansion of the broadcasting field. Between 1983 and 1990, the number of television stations increased almost ten-fold from 52 to 509 (Huang, 1994). By 1996, the number of television stations at the city and county levels already grew to 302 and 609, respectively (ibid.).

The press field also experienced two periods of proliferation as the CCP allowed non-state actors (e.g. party-affiliated mass associations and professional societies) to establish newspapers (Wu, 2000). The first wave took place between 1980 and 1987, when the total number of newspaper titles increased over nine-fold from 180 to 1661. The second wave arrived from 1992 to 1996 when the number of newspaper titles rose from 1657 to 2163 (Liang, 1996). In particular, the market-oriented metropolitan press broke into the scene in the mid-1990s and subsequently became tremendously popular among urban residents. Between 1993 and 1997, 60% of 374 newspapers launched were such mass-appeal city newspapers (Tang, 1999).

The proliferation of media outlets at the lower administrative levels, i.e., the mushrooming of hundreds of municipal and county television channels and thousands of commercially oriented yet state-owned city newspapers in the vast country, undermined the dominant market position of the central, national media. By the end of 1993, audience share of CCTV-1, the flagship of CCTV, declined to 57.6 % (Lu, 1999). The shrinking circulation of party newspapers was even more pronounced. Although the total number of party papers increased from 222 to 345 between 1992 and 1996, their total circulation declined from 25.2 million to 22.9 million during the same period (Chen & Lee, 1998, p.581). In 1992, the People's Daily still boasted a circulation of 3.04 million. Yet this figure dropped to 2.08 million in 1996, down 66.23 % from its peak in 1979 (China Publishers' Yearbook, 1993, 1997). The People's Daily was also the most profitable newspaper in 1990, generating 29 million yuan in advertising revenue (Chen & Huang, 1996). By 1994, however, it already did not appear on the list of top 10 newspapers with largest advertising income in China (ibid).

Recentralizing media structure through conglomeration

The commercialization of media operation and the decentralization of media structures caused what media regulators identified as problems related to “fragmentation” (san) and “chaos” (luan). These included
notably, the spread of politically incorrect content, wasteful allocation of resources, unhealthy self-interests of local media, and unruly competition for advertising (Cheng, 1999). In the mid-1990s, the party started to fix the undesirable consequences of media proliferation. Major policy measures include tightening licensing requirements and closing down less important media types (e.g. “internally circulated newspapers” run by state-owned enterprises and universities).

Media conglomeration stands out as the most dramatic step towards recentralization (a structural adjustment of the media field). The idea of conglomeration was originally put forward by a handful of well-managed newspapers in the early 1990s. In February 1994, the Zhejiang Daily submitted a plan to establish itself as a press conglomeration. The rationale was to diversify the revenue base and improve economies of scale. In a short notice issued in May 1994, the GAPP agreed in principle to foster press conglomeration on a pilot basis. In January 1996, the Guangzhou Daily, one of the most profitable newspapers at the time, was authorized to form the first press conglomeration – the Guangzhou Daily Press Group. Between 1998 and 2002, the GAPP went on to authorize 39 press groups, including two central-level groups, 24 provincial-level groups, and 13 lower-level groups (Zhang, 2006).

Conglomeration in the broadcasting field took a slower start. In 1998, the first pilot of broadcasting conglomeration – Wuxi Radio and Television Group – was established in Wuxi city, Jiangsu province. The group consolidated all radio and television channels in the city, and restructured them into eight divisions including four production departments, a broadcasting department, a technology department, an affiliated newspaper, and a centralized finance department (Yu, 2010). The merger helped the group enhance operational efficiency and achieve savings. In November 2000, the SARFT issued an official guideline on broadcasting conglomeration in the Principle Opinions about the Pilot Work of Broadcasting and Film Conglomeration. Just one month later, the first provincial-level broadcasting group was established in Hunan province. By the end of 2002, there existed 10 broadcasting groups established in China.

Although the role of visionary media professionals in initiating conglomeration cannot be dismissed, China’s media conglomeration was primarily driven by administrative fiat. In public, media regulators justified conglomeration on two grounds: addressing internal problems caused by the fragmented media structure on the one hand, and coping with external threats from Western media moguls in the post-WTO age on the other. In fact, there might be a genuine desire to build more competitive media companies through conglomeration, but the mention of foreign competition seems merely official rhetoric, given China’s rather limited WTO commitments in the area of media industries. In the context of the recentralization of the media field, conglomeration provides a means to concentrate media assets in the hands of a few conglomerates. In this way, for the CCP, it would be easier to politically
control a small number of media conglomerates than to manage thousands of media outlets scattered around the country.

Because of the expedient use of conglomeration to re-centralize media structure, little had been done to further decentralize decision-making power to media organizations in the process of conglomeration. The lack of organizational reform amid media conglomeration deepened the conflict of goals between the principal and the agent. A case in point is the conflict between the expansionist desire of the conglomerates and the territory-bound media regulation. The socialist media conglomerates remained as shiye danwei with administrative ranks, and their activities were still limited by the designated administrative boundaries (Chan, 2003). In August 2006, the GAPP allowed press groups, in principle, to expand across provincial borders as part of Outline of the 11th Five-Year Plan for the Development of the Press Sector (2006-2010). Yet no concrete guidelines were subsequently offered. Newspapers are still regulated according to the principle of “territorial management” (shudi guanli) that gives local authorities the final say in cross-regional expansion. Generally speaking, local governments are averse to such initiatives since they would land an intruder on their home turf, which would weaken and possibly undermine their political control of media in their own land.

SELECTIVE AND LIMITED LIBERALIZATION IN THE ON-GOING “CULTURAL SYSTEM REFORM” (2003 – PRESENT)

The period from 2003 to the present witnessed two important developments that further diversified the state socialist media field of China. First, although the re-centralization of press field in some ways continued, the CCP cautiously expanded the boundaries of the media field by opening up a range of non-news segments (e.g. production of entertainment TV programs and distribution of books) to private investment in 2005. This marks the historical comeback of private media ownership that has been absent in the PRC since the early 1950s.

Second, the party launched a bold reform of media operation as part of the broader “cultural system reform” (wenhua tizhi gaige), transforming a big portion of state-owned media organizations from non-profit shiye danwei into for-profit enterprises. With these selective liberalization measures, the CCP intends to turn the media field into the new engine of economic growth without significantly compromising its ideological control. Still, key structural constraints on media diversity thus persist. The party still shields news production from any kind of private investment, while exerting a firm control over the key dimensions of state-owned media companies – from the selection of key personnel, asset structure to major investment decisions.
The selective relaxation of media ownership rules

In 2005, the State Council issued Several Opinions on Introducing Foreign Investment into the Cultural Sector and Several Decisions on the Entry of Private Capital into the Cultural Sector to selectively open up the media field to private investment (Table 1).

As shown in Table 1, some segments of the media field are open to both foreign and domestic private investors (e.g. newspaper and magazine printing); some (e.g. the production of TV dramas and entertainment programs) only open to domestic private investors; and some off-limits to both (e.g. the editorial function of newspapers). Generally speaking, the upstream media field (i.e. content production) is more restrictive than the downstream (i.e. distribution/transmission). Within the upstream segment, the CCP is willing to open up markets of entertainment media genres for private investment while holding tight grips on politically sensitive news production.

Table 1: Segments of the Chinese media fields open to private investment

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<thead>
<tr>
<th>Newspapers, Magazines &amp; Books</th>
<th>TV &amp; Radio</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Content Creation</strong></td>
<td></td>
</tr>
<tr>
<td>• Certain types of foreign magazines can enter China through copyrights cooperation</td>
<td>• Domestic investors can produce TV drama and non-news programs subject to license approval by the SARFT.</td>
</tr>
<tr>
<td>• Domestic investors can partner with state-owned publishers to produce books on technology, business and finance, tutoring, music and arts, and children’s books.</td>
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<tr>
<td><strong>Distribution/ Transmission</strong></td>
<td></td>
</tr>
<tr>
<td>• Both domestic and foreign investors can engage in the distribution of newspapers, magazines and books</td>
<td>• Domestic investors can construct and operate cable TV networks provided that the state-owned companies hold the majority stakes.</td>
</tr>
<tr>
<td><strong>Other Segments</strong></td>
<td></td>
</tr>
<tr>
<td>• The printing of newspapers, magazines and books is fully open to domestic investors and partially open to foreign investors.</td>
<td>N/A</td>
</tr>
<tr>
<td>• Domestic investors can acquire a minority stake in advertising operations of state-owned newspapers.</td>
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</tr>
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</table>

Sources: “Several Opinions on Introducing Foreign Investment into the Cultural Sector” (July, 2005); and “Several Decisions Concerning the Entry of private capital into the Cultural Sector” (August, 2005).

8 Given our focus on the press and broadcasting, Table 1 does not cover the film industry which is included in the original policy documents.
The partial transformation of media organizations into business enterprises

In the most recent (and still ongoing) period of media reform that started in 2003, the CCP has integrated the reform of media operation into a broader transformation of the culture sector dubbed “cultural system reform”. In June 2003, nine cities and provinces, together with 35 cultural organizations (including 21 news organizations) were selected as the pilots of the reform. The pilot reform eventually gave rise to the promulgation of Several Opinions Concerning Deepening the Cultural System Reform (Document No. 14) in December 2005. In this document, a crucial distinction was made between “public cultural institutions” and “commercial cultural enterprises” (the State Council, 2005). On the one hand, “public cultural institutions” include party newspapers and periodicals, radio and television stations, news agencies, news websites and political publishers. On the other hand, “commercial cultural enterprises” include production companies for television dramas and entertainment programs, non-political newspapers (i.e. those specializing in culture, arts, lifestyle and technology), non-political publishers, film studios and exhibitors. Put it differently, “public cultural institutions” are primarily news media which continue to play an essential role in transmitting party ideology. By comparison, “commercial cultural enterprises” are less important to propaganda as they mainly engage in the provision of entertainment and non-political information.

Based on this new categorization, the CCP designed different reform policies. Media organizations in the rubric of “public cultural institutions” are still defined as shiye danwei, but their non-editorial operations (i.e. printing, advertising, distribution and signal transmission) can be separated into profit-making enterprises. Media organizations in the category of “commercial cultural enterprises” are no longer shiye danwei and should be transformed into for-profit state-owned enterprises. Moreover, spin-offs of “public cultural institutions” can absorb private capital. “Commercial cultural enterprises” are also open to private capital with the precondition that the state holds the majority stakes.

Widely regarded as a milestone of the cultural system reform, Document No. 14 also offers a blueprint for nationwide experimentation. In March 2006, the government expanded the pilot scheme to 89 cities and provinces as well as 170 cultural organizations across the country (except the politically sensitive Xinjiang and Tibet regions) (Qin, et al., 2011). Sector-specific plans within the cultural system reform were also unveiled. In June 2008, Liu Binjie, Director of the GAPP, further announced a timetable for the reform of the press sector. As of the end of 2012, 3271 newspapers had completed the restructuring process to become enterprises (Li, 2012).

From the perspective of agency theory, the vertical separation between editorial and commercial functions within state-owned media companies leads to the bifurcation of the contract in the principal-agent
relationship. That is, the party-state employs two different contracts to manage its relationship with state-owned media – one controls content production and the other affords greater economic freedom. In the case of Beijing Youth Daily (Zhang, 2010), the CCP firmly controls the paper's editorial operation – from the appointment of key editors to the direct inference in the daily content production. Meanwhile, it gives the organization considerable autonomy in managing their commercial operations, including advertising, printing, distribution, trading of print-related materials and event organising. With this limited autonomy, in December 2004, the Beijing Youth Daily launched an IPO on the Hong Kong Stock Exchange, gaining access to the global capital market. Through the bifurcation of the contract, the party-state further decentralizes managerial authority, but in the meantime ensures the strict control of ideologically critical news production.

CONCLUSIONS

Drawing on sociological and managerial theories, in this article we examined the historical process of China’s media diversification from 1949 to the present, particularly with respect to the key changes of: 1) the boundaries of the media field; 2) the internal differentiation of the media field; and 3) the operation of media organizations, as summarized in Table 2.

First, the boundaries of the media field in the immediate years of the PRC remained relatively wide due to the CCP’s preservation of politically acceptable private media. However, the co-existence of privately owned and state-owned media did not last long. A series of restrictive measures soon taken by the CCP severely limited the space of opportunities open to private media. By the mid-1950s, all private media outlets ceased to exist amidst the state socialist transformation. The disappearance of private media ownership narrowed the field boundaries, providing a key prerequisite for the emergence of the state socialist field of the Mao period. The remaining years of the Mao period featured the absence of private ownership in the media field. The situation continued well into the 1980s and 1990s when the media field underwent a series of wrenching reforms. It was not until the early 2000s that private capital was officially re-introduced to some segments of the media field as part of the recent, ongoing “cultural system reform”. In terms of field boundaries, the recent selected, controlled and limited relaxation of ownership rules has widened the field boundaries.

Second, the media structure in the Mao era was highly centralized both in political and geographic terms. A handful of central (national) organs of the party in the press and broadcasting fields (e.g. the People's Daily, Xinhua News Agency, CCTV and China Central Radio) enjoyed the biggest audience and commanded the greatest prestige. The overwhelming majority of television and radio stations existed at the central and provincial levels. However, with the launch of economic
reforms in 1978, the media structure of China was decentralized and diversified. A new four-tier broadcasting structure replaced the Maoist two-tier structure. During the 1980s, state-allowed proliferation of newspapers led to a sharp increase of non-party newspapers and the declining audiences of the central party mouthpieces. This process of decentralization created the problems of “fragmentation” and “chaos” in the eyes of the CCP. As a policy response from the mid-1990s onwards, the party began to recentralize media structure. Notably, socialist media conglomerates were created through administrative fiat to consolidate media resources and re-exert control. County-level local newspapers were eliminated and the establishment of the county-level television stations was halted. Despite of these policies against local media, in terms of internal differentiation, the structure of the media field as a whole has become much less centralized and more diversified. A high number of targeted and competing print and broadcast media types (most notably, the market-based metropolitan newspapers) contributed to diversification.

Third, in terms of the operation of media organizations, the contract governing the principal-agent relationship between the party-state and the media has shifted from a contract based on total party-state control of media management to one based on partial managerial control. Practices of business management were enforced in the early 1950s to address the financial woes of state-owned newspapers. After private media had been suppressed in the mid-1950s, all media outlets operated as non-profit, non-business state units, shiye danwei, subject to the state’s pervasive control. As part of media commercialization between 1978 and the early 1990s, media organizations were given partial financial and managerial power under the policy framework of “shiye danwei under business management”. This framework re-introduced the principle of business management to media operation without changing the nature of media organizations as shiye danwei. Media organizations were also incentivized to enhance organizational effectiveness and efficiency as a means of achieving financial self-sufficiency. Since 2003, the party has transformed a wide range of non-news media from shiye danwei to for-profit enterprises during the ongoing cultural system reform, further delegating decision-making authority to media organizations. This actually leads to the bifurcation of the contract – one focusing on content control, and the other seeking economic growth – in the principal-agent relationship. Although there still exists stiff media control in China (e.g., top-level managers are party members, appointed and potentially dismissed by the party), in certain areas the party-state has used a more selective as well as less repressive and intrusive contract to govern its relationship with media organizations. Moreover, the party-state itself is in flux, relatively factionalized in several ways, experiencing pressure to reform and open in the context of ongoing economic liberalization, deep changes in the social structure, and pressing social issues. Against this multi-stakeholder, transitional
backdrop, the Chinese media field appears to be undergoing a “managerial revolution” (Walder, 2010), a selective unwinding of bureaucratic control and the slow, gradual widening of managerial autonomy. The behavior of Chinese media firms is no longer preordained and will get more precarious, albeit within the structural limits set by the party-state. With more managerial discretion, media managers under the bifurcated contract are likely to pursue self-interests (Williamson, 1964). A potentially fruitful direction for future research is to adapt the behavioral theory of the firm to the Chinese context. The behavioral approach offers useful conceptual tools such as goals, expectorations, choice (Cyert & March, 1963) that enable us to better explain the organizational decision-making process in the selectively diversified media environment of the PRC.

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REFERENCES


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<td>Media structure - Field</td>
<td>• The rise of market-oriented newspapers.</td>
<td>• Towards the three-level broadcasting structure.</td>
<td>• The establishment of the core of press structure.</td>
</tr>
<tr>
<td>Media organizations - The principal-agent relationship</td>
<td>• The establishment of media organizations as shiye danwei (state units).</td>
<td>• The establishment of media organizations under business management.</td>
<td>• The establishment of media organizations under business management.</td>
</tr>
<tr>
<td>Investment</td>
<td>• The expansion of field boundaries.</td>
<td>• The expansion of field boundaries.</td>
<td>• The expansion of field boundaries.</td>
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Table 2. The processes of media centralization and diversification in China


