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23.1 Policy Intervention Is Needed

It is no secret anymore: The newspaper publishing industry is in a permanent state of flux. Information and communication technologies (ICTs), and in particular the Internet, have had a profound impact on business activities of firms in the industry, including all subsectors. Impacts concern practically all areas of business activity, most importantly internal work processes, the products themselves, distribution, marketing strategies, and interfaces between companies and their customers in general. Newspaper publishers in particular have experienced substitution effects in advertising markets (i.e., particularly the migration of classified advertisements to the Internet). As a consequence, the sector is undergoing a substantial structural change both in terms of organizational processes and with respect to the type of products and services that are produced, delivered, and consumed (Nielsen 2012; WAN-IFRA 2010; WAN-IFRA 2012).

This book volume offered the opportunity to establish a comprehensive analysis for locating *State Aid for Newspapers* within different types of economic and cultural settings in Europe and abroad. It located the current disruptive challenges of the news industry as reference point for government intervention into the press. One might expect a rich literature and ample empirical insights into the important issue of government subsidies to newspapers. However, our own preliminary review of this literature concludes that a clear picture of the relationship between public subsidies and its efficacy on newspaper economics, public policymaking, the governance of newspaper firms, and the public and has not emerged from previous studies. *State Aid for Newspapers* has tried to help closing this gap by looking into the plethora of issues involved. It explored both theoretical arguments surrounding state aid for newspapers and added knowledge on current issues of subsidy governance in various empirical contexts through case study evidence collected from

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various countries across the globe. Let us summarize a few provisional conclusions from this prolix, complex, polyphonic, and politically charged discourse.

Naturally, to publish a book called *State Aid for Newspapers* insinuates the need for political intervention. This is because we believe that that state support to newspapers is not only legitimized on pure economic grounds. Media concentration is so pervasive in the newspaper industry that *press diversity* has become a major issue of concern for regulators across the globe. Generally, there is a strong argument among Western European countries that general competition policy combined with effective media rules should ensure the plurality of titles and thus diversity of opinion. However, much of the debate over the lack of clarity as to how to define diversity and the best way to achieve it reflects the complexity of issues involved. Not only are the terms plurality and diversity often used interchangeably, but also is the relationship between plurality of ownership and diversity of opinion not straightforward. Some critics have argued that where diversity of ownership is dispersed it may still speak with one voice. Conversely, a large number of titles controlled by the same interest may express a diverse range of views. Regulating to avoid dominance or market control by a single player in the press is subject to underlying ideological controversies over press diversity as divergent as those of the free market and the social responsibility school of thought. At one pole, hard-nosed proponents of the free-market school of thought argue that diversity of opinion is automatically promoted by market self-regulation. In this light, public policy measures aim at maximizing the allocative efficiency of the press market by way of ensuring an adequate number of suppliers and protecting their ability to serve customers' needs without unnecessary interference by government. Profoundly skeptical to government intervention, they assert that self-regulating competition is best harmonizing entrepreneurial activity and market demand. As priority is given to constitutionally guaranteed publishers' ownership rights and freedom of enterprise, selective state intervention on behalf of diversity is taboo and regulation reduced to general competition policy. On the other pole, adherents to the social responsibility school of thought argue strenuously, with strong empirical evidence, that unfettered competition may lead to its obverse, economic concentration which itself may reduce independent titles and may thus severely curtail the plurality of titles and thus diversity of opinion requisite to maintain a vigorous democracy. Thus, monopolist tendencies in the economic competition of newspapers seem to advise to look for models of active state regulation, with a government playing the prominent role to safeguard and promote press diversity. Discreet financial support might be one suitable policy instrument.

The thesis that the market needs the state has also gained considerable currency among theorists who have pointed to the importance and centrality of the provision of *political* information to the proper functioning of a democratic system. Colin Sparks (1992), for example, has adhered to this role by putting forward his concerns as follows: "*From the point of view of any democratic theory, the importance attached to the newspaper press is that it is one of the main channels by means of which citizens can be informed about the world and the problems and choices facing their government, and in which they can find reasoned discussion of alternative policies and*

possibilities. Also, according to this theory, it is essential that the same quality and variety of information and debate be available to all citizens equally since, just as gender, property, and educational franchise restrictions are obstacles to full democracy, so too are systematic informational imbalances between citizens. This is the only function of the press that is important for democratic theory" (Sparks 1992, p. 43).

However, while few serious observers would contend that the press is simply a tool of the government in power to distort the formation of public opinion in its favor, critical analyses have dampened the enthusiasm of state intervention into the press. It has been reported that particularly selective subsidies expose the press to the danger of covert government control since they could be allocated to favor pro-government papers. State control of the press may also take on more subtle forms. Close cooperation between the state and the press in the areas of ownership, finance, or employment may be the seeding ground for the authorities' control over information. By the same token, the conglomeration of large press groups may tip the balance in favor of public intervention as their ability to influence public opinion may transgress democratic principles. Although considered as inherently antithetical to democratic participation and diversity, the contrary argument has been aired that increased concentration of ownership in the hand of a few may have positive effects when controlling the acts of firms, so preventing anticompetitive action that might harm the market. In the same tone, Alfonso Sánchez-Tabernero et al. (1992) have pushed the viewpoint that *"only strong media companies can resist the pressure of governments and other public bodies, and thus exercise their crucial function in society"* (Sánchez-Tabernero et al. 1992, p. 6).

Similar arguments have been articulated by Richard Collins and Christina Murrone (1996) when looking for new policies to tackle with the central issue of concentration of ownership in the media. From their viewpoint, *"regulators may be faced with the invidious choice between allowing a media outlet to die, resulting in increased concentration of ownership, or be taken over by an established dominant player, also resulting in an increased concentration of ownership,"* but concede that *"the harm might be minimized by permitting a merger on condition that editorial and journalistic independence were strengthened"* (Collins and Murrone 1996, p. 74). By asserting that general competition law and the market supply the necessary diversity if only the editorial independence is strengthened, subsidies lose importance as structural guarantees of diversity.

Despite differences in political culture, media history, and situational factors determining a nation's subsidy scheme, theoretical controversies are foregrounded by the state-interventionist versus self-regulated, free-market paradigm, so purporting the deep-seated ambiguity ingrained in the role definition of the press in an advanced democratic society. What some market observers and practitioners believe to be inimical to a press thought as a public service, the need to turn a profit in a *market-is-king* environment, other observers call necessary market-driven adaptations to the requirements of the readers' changing desires. Governments tend to slip between the horns of this dilemma when asked for policy reaction.

Less cynical yet critical of the provisional character of such public interest, libertarian ideas, on the opposite, often promoted by newspaper industry associations and governments leaving the market to itself, put more faith in competition to ensure diversity in the press. The policy dilemma here is to greatly ignore the built-in impetus of the press market toward failure. However, against the background of major trends led by business and technology in general, among Western-style governments that emphasize the importance of the “free market” and the fundamental links between free enterprise and democracy, there is a general reluctance to accept that the liberal market economy as such could give rise to any more serious problems in the functioning of the press in a democratic society. Originally, this “libertarian,” free-market theory of the press, introduced in 1956 by three professors of communication studies Fred S. Siebert, Theodore Peterson, and Wilbur Schramm as part of their *Four Theories of the Press*, a groundbreaking work examining on what the press should be and do by analyzing authoritarian, libertarian, social responsibility, and Soviet communist theories, rests on the leading principle that the less government becomes involved in the press the better. They argued that freedom to publish and compete in an unrestricted market will produce a press which is diverse, accountable, and representative. The perennial problem of the extent to which the government should be allowed to participate is reduced to “*the more informal type of control through the self-righting process and through the free competition in the market place of information, opinions, entertainment. The principle function of the state is to maintain a stable framework within which the free forces of individualism may interact. At times this interaction may be chaotic and the results unproductive. Nevertheless, in the long run this process is to be preferred to authoritarian direction*” (Siebert et al. 1956, p. 53). As indicated, the libertarian ideal of the press is governed by constitutional rights to freedom of opinion and speech, ostensibly providing “*a firm defence against advance censorship, licensing, political control and victimisation of journalists for reporting unpopular opinions*” (McQuail 1994, p. 130).

In many contexts, press freedom has become identified as an individual’s right to property and has been taken to mean the right to own and use means of publication without restraint or interference from government. In this context, the fundamental issue is to safeguard as much diversity as exists and is expressed by free consumers bringing their demands to the marketplace. An optimal allocation of press resources is best realized by an unrestricted market by providing a general framework offering foreseeable and stable working conditions for free enterprise. Corrections should only aim at abolishing obstacles to competition and, above all, obstacles to market access.¹

While the traditional *liberal theory of the press* is formulated largely from an Anglo-American perspective and is promoted by governments with a liberal–conservative

¹ Policy action for this “hands-off approach” taken by many Western governments during the 1980s is additionally informed by more general processes of commercialization, liberalization, privatization, and internationalization, characterizing current liberal state-constitutive activity.

makeup, the *social responsibility theory of the press*, on the other side, represents a quintessential mainland European and Scandinavian creed designed to override or supplement the allocative decisions of free-market mechanisms, promote diversity through competing titles, protect the newspaper industry, inhibit undesirable outcomes, and promote desirable ones. Theoretically, the classical veto on state involvement in the economics of the press implies the notion of a positive freedom of the press, endowing it with a social responsibility to inform and educate in the widest sense. Theodore Peterson, who first formulated the theory in 1963, clarifies its ethos as follows: “*The social responsibility theory is grounded in a school of thought which sees a purely negative liberty as insufficient and ineffective. Negative liberty, according to this view, is an empty liberty; it is like telling a man that he is free to walk without first making sure that he is not crippled. To be real, freedom must be effective. It is not enough to tell a man that he is free to achieve his goals; one must provide him with the appropriate means of attaining those goals*” (Peterson, in Siebert et al. 1956, pp. 93–94).

Robert Picard introduced the concept of positive and negative freedom to media policy in his deliberations on the interdependencies between the press and the decline of democracy. While negative press freedom refers to the absence of legal and/or political prohibitions and the absence of censorship, positive press freedom relates to the effective capacity of individuals to have their opinions printed and circulated. “*Efforts to promote positive press freedom are seen in calls for social responsibility in the media, economic regulation, the right to reply, access to media, freedom of information, and state intervention in media economics (. . .)*” (Picard 1985, p. 43).

This means that governments have taken over responsibility to secure a varied choice of ideologically committed press products for readers and are thus supplementing political parties as active transaction partners in the political arena. But while most publishing houses seem unanimous in agreeing that subsidies are a tool of the government to try to gain control over editorial opinion or the way in which news are reported, some have yet not subsided to this transfer of control and have declared government subsidies a threat to the freedom of their press. On the whole, it has turned out that the long-standing paradigmatic divisions between the *free-market economics* and the *social responsibility* school of thought have sown more dissent among the modes of intervention into the press than necessary. Reconciling economic and noneconomic perspectives on press theories has become particularly advisable when considering that the standard arguments of both camps rather rest on differences in abstract assumptions than having been subjected to careful analysis.² Moreover, as has been stressed by Denis McQuail (1994),

² Although one might easily be dragged into the powerful sway of the two perspectives, Robert Entman and Steven Wildman (1992) have shown that the constructs implied by the *marketplace of ideas* metaphor that has guided much of the thinking by both camps and the ways that these constructs have been employed ought to be reassessed to find more effective communications policies (see Entman and Wildman 1992). Denis McQuail has suggested to rethink this theoretical juncture by broadening the research horizon beyond *Four Theories of the Press* and has pointed,

“underlying differences of interest and political ideology which are present in any society thus do not constitute ‘any single system’, with a single purpose or philosophy, but are composed of many separate, overlapping, often inconsistent elements of public regulation of the press, with appropriate differences of normative expectation and actual regulation” (McQuail 1994, p. 133).

Of course, *Four Theories of the Press* and its subsequent modifications have later been overturned by other models of media policy and the role of the state in shaping the structure and functioning of a media system. Here, a prominent example is Daniel C. Hallin and Paolo Mancini’s (2004) distinction between *liberal democracies* and *welfare state democracies*, and the main difference between these two categories is seen in the interventional activity of the state (e.g., *funding vs. free market*) (see Hallin and Mancini 2004, pp. 49–50).

Today, however, we know that government subsidies are to be critically discoursed as being maladjusted to safeguard economic viability and cultural diversity. Critics of public subsidies point to a plethora of failings of subsidy schemes. Subsidies may be controversial in rationale and design and thus drive market inefficient behavior of recipients and even their competitors. As a result, media economists would need to evaluate market performance as lacking allocative, productive, and—in recognition of the social responsibility function of the press—distributive efficiency.

23.2 Findings from Theory: Mixed Results

Research into the concepts for explaining the legitimacy and efficacy of *State Aid to Newspapers* has to concede that government intervention into the press is a slippery if not dangerous terrain. While acknowledging this general problem, this book has offered the opportunity to establish a comprehensive screening of conceptual and theoretical issues on *State Aid for Newspapers*. Hence, what do we know about the way newspaper markets are organized and how print media firms manage scarce resources for competitive advantage, and how governments may benevolently intervene into these markets? This review concedes that the academic field of building conceptual and theoretical frameworks that inform research on newspaper subsidies has developed rather sporadically, if not hesitantly. Nonetheless, the present reconstruction of the many concepts involved in *State Aid for Newspapers* has driven home a gallery of themes from various scholarly perspectives. Let us thus finally draw together and assess some crucial conceptual thoughts that we brought forward in this book.

Research revealed that various specificities for printed news qualify for applying the *paradigm of market failure*. Market failure sources range from the in-built feature of product and cost characteristics of media goods, to forces driving

inter alia, to Robert Picard’s distinctive “social democratic” version of press theory, stressing the notion of public intervention into the press, “so as to ensure true independence from vested interests, access and diversity of opinion” (McQuail 1994, p. 132).

competition toward failure, on both the supply and the demand side of a market transaction, to constraints embedded in the organizational structures of markets. In addition, dominant firms may raise market entry barriers or try to control successive value stages under their single roofs through strategies of ownership concentration and vertical integration. The consequences of failure can be profound: Resources are allocated inefficiently and consumers are not catered to their tastes and preferences. However, we have to admit that the theory of market failure is fallacious: It builds on the neoclassical model of market equilibrium under perfect competition and applies this model as benchmark for failure. All markets that fail to meet these requirements automatically fall victim to this verdict.³ These standard assumptions (e.g., multitude of firms as price-takers, goods as perfect substitutes, no market entry and exit barriers) of neoclassical economics are, however, widely criticized as unrealistic in real-life economic media practice. As it stands, market failure theories may still be considered as an option under conditions that these assumptions are *not* met while other models of competition may come closer to explaining reality. Despite this paradigmatic hiatus in applying the paradigm of market failure to issues of newspaper market failure, we insist on analyzing our big issue from multiple perspectives in order to provide significant explorations of the fissures within this discourse. Explanations from game theory and behavioral economics hopefully furthered this need for paradigmatic opening.

It has been reported that particularly selective subsidies expose the press to the danger of covert government control since they could be allocated to favor pro-government papers. But state control of the press may also—unrelated to subsidies—take on more subtle forms (Picard 2008). Close cooperation between the state and the press in the areas of ownership, finance, or employment may be the seeding ground for the authorities' control over information. By the same token, the conglomeration of large press groups may tip the balance in favor of public intervention as their ability to influence public opinion may transgress democratic principles. Although considered as inherently antithetical to democratic participation and diversity, the contrary argument has been aired, namely that increased concentration of ownership in the hand of a few may have positive effects when controlling the activities of firms. In this view, only strong media companies can resist the pressure of governments and other public bodies and thus exercise their crucial function in society. National press regulation should thus better aim at protecting the internal market by fortifying the national champion(s) through lenient anti-concentration laws. Similar arguments have been put forward to tackle new policies for central issue of concentration of ownership in the media (Baker 2007; Downing 2011). From that angle, regulators may be faced with the invidious choice between allowing a media outlet to die, resulting in increased concentration of ownership, or be taken over by an established dominant player, also resulting in an increased concentration of ownership, but the harm might be minimized by

³ Demsetz (1969) called this approach *Nirvana approach* as it benchmarks market failure with the utopian model of perfect competition.

permitting a merger on condition that editorial and journalistic independence was safeguarded. When asserting that general competition law and the market will supply the necessary diversity if only the editorial independence is strengthened, subsidies would lose importance as structural guarantors of diversity. As a result, research into the wider impacts of government subsidies into the press and its role in society at large should be driven by ethical claims toward more transparency and accountability before the larger background of press regulation, media governance, and accountability as such (*BBC Media Action* 2012; Bardoel and D'Haenens 2004; Besley and Prat 2006; Eberwein et al. 2011; Meier 2011; Meier and Trappel 2007). This book has tried to contribute to this end.

Subsidies are given to a broad spectrum of industries—agriculture, energy, higher education, and banks during the financial crisis, to name but a few.⁴ However, the political nature of subsidy allocation and individual industry characteristics expose similarities and differences across sectors, making it difficult to generalize their specific rationales to the print media. We have learned that some arguments which are in favor of subsidies to the print media seem to be the same as those of industrial subsidies. However, there are significant differences. The most important seems to be the political dimension of print media and that of political power and the ability to shape opinion for political gain. Consequently, maintaining a business for private gain with public money raises a host of thorny questions that go beyond usual arguments about asset specificity, economic efficiency, or political ideology. Dirk J. Wolfson (1989) helps us to understand this: “*Things do not receive subsidies, people do. Behind every subsidy there is someone reaping the benefits. That is the crux of the political economy of subsidization*” (p. 16). This means that public money can be used to alter not only the range of beneficiaries from the public purse but also the rule that the system uses to create beneficiaries in the first place. If given out to the wrong beneficiaries, subsidies to (not only) the print media may thus be used to create and perpetuate the same actors in power, so undermining democratic legitimacy and perceptions of accountability. In extremis, public subsidies might even create bottom-line profits for media conglomerates which are profitable in some business activities but loss-making in others.

Critical scholarly research posits that quality journalism plays a vital role in keeping the public informed and maintaining democratic processes. It is commonly agreed that news media should play a core role in the successful working of democratic societies: they guarantee that citizens have access to information, are accurately informed, and actively take part in the political process. And, a crucial factor for the effective fulfillment of these democratic functions is an adequate level of journalistic quality (Curran et al. 2009). But that essential function has come under threat as emerging technologies and changing social trends, sped up by global economic turmoil, have disrupted traditional business models and practices, creating news ecosystems in dynamic change. A purpose of this book was to critically

⁴The European Commission even differentiates between “non-crisis aid” and “crisis aid for the financial sector” (CEC—Commission of the European Communities 2012).

investigate this presumption, at least when it is held dogmatically. In fact, we conclude that the press is vital to democracy. Quality journalism is to contribute to this goal. To claim that it is the political duty of government to support this function, however, is to imply that state intervention for the preservation and promotion of the public value dimensions of the press is entwined with press freedom to control government. Good governance is to resolve this dilemma in the best of possible ways. News media are important in furthering democratic governance, provided they are set up in ways that allow them to act as effective watchdogs, agenda setters, and gatekeepers. The devil is in the details. Our research found that while governments in many countries subsidize their newspapers with the intention to guaranteeing high journalistic quality, it is much a matter of which types of subsidies are used in what type of policy culture in order to deliver the goods.

There is no European-level legislation on newspaper subsidies. The European Commission only ensures that national governments apply state aid and subsidy rules correctly. However, when subsidies distort or threaten to distort competition by benefiting certain undertakings or products or if such aid affects trade between Member states, the Commission is set to intervene more actively. In 2009, for example, the European Commission has formally proposed, under EC Treaty rules on state aid, appropriate measures to Sweden to make a Swedish scheme providing for state support to Swedish newspapers compatible with EU state aid rules. The Commission's investigation found that while aid can be compatible with the Single Market if it pursues a goal of common interest, is proportionate, and does not give beneficiaries an undue advantage over their competitors, the Swedish press aid scheme did not meet the proportionality test. Instead, it gave an excessive amount of aid to large press groups that publish wide circulation metropolitan newspapers, without fixing a threshold in relation to the total operating costs for publishing the newspapers. *"The commission recognizes the importance of media pluralism for the cultural, democratic and public debate in member states and the importance of newspapers in this context,"* EU Competition Commissioner Neelie Kroes said. *"However, running a newspaper is also a commercial activity and the commission has a duty to prevent undue distortions of competition and trade resulting from public subsidies,"* Kroes added.⁵ But while the Commission acknowledged the overall benefits of the Swedish state aid system, its recommendation was largely restricted to advocate lowered subsidy ceilings for the metropolitan press (CEC 2009). In all, the European Commission's work on State Aid confirms the necessity of intensified research in this matter. Its goals are already set out clearly across industries: lesser and more targeted aid (CEC 2012).

Only few can imagine public press policies veering off in a wholly new direction, but described pressures of change from outside the schemes together with inherent current deficits have forced governments into the need for reform. Yet wary of unleashing drastic cuts in subsidies as part of a radical rethink, current

⁵ <http://www.swedishwire.com/jobs/342-eu-tells-sweden-to-dump-newspaper-subsidies>

governments in many countries have sent out mixed signals as to how to adequately react to criticisms and adapt to changing economic and technological environments. Soul-searching gives some pointers as to where the future of *State Aid for Newspapers* might lie. Locked up in a power struggle between the government and the newspaper business, regulators grapple with the need for change of the schemes. On the one side, in a fit of neoliberalism, they now shift general attention to cash-neutral policies, thus pinning hopes on effective antitrust regulation, with rigid equity ownership rules the believed winning formula for a diverse press landscape. On the other side, subsidies are still considered a homemade answer in response to the heterogeneous problems of the newspaper industry, particularly high costs of production and distribution, accelerated concentration of ownership, a volatile advertising market, and a disengagement of readers. We think that the media governance concept is of great value for describing, explaining, and criticizing politics, politics, and policies in the media sector.

A key issue in effectively *designing a subsidy scheme* is to determine its policy targets (e.g., consumer, producer, value adding factor) and the desired output targets (how many titles should benefit from a scheme, what is the real value of subsidization for each paper, which title segments need state help, which content markets should be addressed, etc.), all in a transparent and, importantly, societally accountable way. Here, the main difficulty in such subsidy design work lies in recognizing the fact that state intervention into the press generally needs to balance between the economic objective of promoting competitiveness of print media in the wider media grid and the objectives of securing plurality of titles, diversity of views, content quality enhancement, innovativeness, and more, all in favor of satisfying reader needs and the wider public. After subsidy vision, mission, and objectives are identified, an effective governance strategy plan needed to formulate a subsidy-welfare roadmap. Such roadmap would have to analyze and understand the inner workings of an industry in terms of its market environment, the player's resources, competences, and capabilities, their corporate objectives and strategic plans, as well as civic stakeholder expectations. Further, as indicated above, targets should never be left out of sight and the market impacts be monitored regularly. All this is a herculean task and when aligned to a market failure test—and other important questions such as freedom of expression, corruption, and transparency needed to be addressed here as well—these indicative governance plans become complex. As a result, few would criticize that these circumstances impacting on an efficient design of a subsidy scheme are difficult to be tackled and resolved. Comparative experience indicates that subsidies have unintended adverse effects, could be difficult to sustain, and may lack accountability (OECD 2010). In my view, careful design is thus required.

While the news industry is struggling to find new revenue streams that can reshape their broken business model, the industry's future will be defined by *experiments in news media monetization*. This will also include content that is guided more than ever by the audience and ad revenue. The new publishing business model is indeed evolving, and companies are looking for new revenue streams, while also using cost-cutting as a tool to drive the business toward

innovation. But the advertising and subscription business models that supported traditional media companies in the past appear to do *not* so in the digital age (Picard 2005). Addressing the capitalization gap for news media and quality journalism raises the fundamental questions of how it will manage to survive as traditional sources of revenue shrink. Solving this issue is vital as the legacy subsidy model through advertising is failing. Advertising has found many outlets, atomized into thousands of blogs, *Facebook* pages, and specialized television and radio stations, so that nobody can make a living from it anymore, notably not print media.

23.3 Case Study Evidence: A Final Assessment

Now, let us learn some summary lessons in the context of selected empirical research evidence collected from case studies on *State Aid for Newspapers* around the world.

Australia has one of the most concentrated newspaper industries in the developed world. Policymakers have tended to counter related concerns about diversity of opinion in newspapers with measures promoting diversity of ownership of broadcast media including restrictions on newspaper control of other media. While subsidies to newspaper production have not been a feature of media policy, the industry has benefited from several direct and indirect assistance measures at various times in its 200-year history. As in many other countries, newspaper circulation has been declining for decades, but the primacy of newspapers in the advertising market was not seriously challenged until the recent rapid rise of the Internet as an advertising medium. The consequential structural adjustments have raised concerns about the future sustainability of the crucial role that newspapers play in a democratic society and have led to calls for government assistance and the issue was considered by recent federal government-initiated media inquiry on media and media regulation. However, while the inquiry acknowledged the difficulties facing the industry it stopped short of recommending financial assistance.

Austria has introduced a direct general government subsidy scheme for newspapers already in 1975. Operating across all daily and weekly newspapers, a unique feature in Europe, it was built on the original idea of compensating publishers for the then newly introduced value-added tax. While this general scheme is still running and distorts the market structure in favor of the market leading boulevard press, Austria introduced a selective financial subsidy scheme in 1985, the so-called *special subsidy for the maintenance of variety*, granted to secondary daily newspapers based on criteria of circulation and advertising volume. Today, the current scheme is set to be overhauled by the federal government, and its future is widely discussed by academics, lobbyists, political party representatives, and NGOs. At stake are principles, design, total amount of subsidies given, and general purpose to safeguard the future of the press and quality journalism, all difficult issues in a country of high press concentration and a low level of quality journalism. By extension, critical observers demand from government that the license fee funding to the Austrian public service broadcaster ORF (ca. 600 million euros per year)

should be taken into consideration when deciding upon the new subsidy budget to print media (VÖZ 2011). Finally, the notion that public advertising funds are spent for boulevard newspapers and some politicians in government were allegedly benefitting from these “information subsidies” left a bad aftertaste in the public mind. It even triggered an inquiry in Parliament for subsidy abuse.

The chapter on *Belgium* depicted the situation in Flanders, the Dutch speaking part of Belgium. In 1997, when the Flemish government decided to stop direct financial support to newspapers, it replaced it by specific projects: Government advertising campaigns (approx. 3.5 million euros yearly), support for investigative journalism projects (this resulted in the support of a permanent Fund), new media activities of newspapers (one of the important results was the development of a digital newspaper archiving service, called *Mediargus*), support for the *Raad voor Journalistiek*, a self-regulating ethical body, support for training of journalists, and support for a project that aims at stimulating the reading of newspapers by children and teenagers (Raeymaeckers et al. 2007) were replacing these direct grants, all paid out ad hoc). Flanders proved an interesting case as government measures to support innovation not only fit the strategic policy imperatives of the Flemish authorities to turn Flanders into a knowledge economy by 2020 but also served as test case for looking to the future of subsidies. To go there, newspapers need to take a more creative and proactive approach if they wanted to enjoy support measures. Innovation grants, it was suggested, could be a welcoming new source of funding for Flemish press companies.

While current media laws and regulations in *Bulgaria* do not foresee any direct state aid for newspapers, research revealed that several mechanisms allow for unofficial and shadowy practices to support the press with public funds. In Bulgaria, where corruption and kickbacks remain a significant problem, indirect subsidies come to support government by means of tax-funded promotional purposes, positive coverage for political parties in power, and private banks holding deposits of state enterprises which themselves finance newspapers. Today, Bulgaria is called on its government and other aid donors to publish more and better information about the money they give, who is involved in the transactions, and who benefits.

In recent decades, the media landscape in *Finland* has undergone fundamental changes. As a result of digital convergence and fragmentation, public governors have changed their priorities and increasingly treated news journalism more as a commodity product, while the ideals of public interest and social values traditionally attached to Finnish news journalism have given way to market values. These changes have strongly affected all forms of government-mandated public newspaper subsidies. At its final stage, the direct state aid subsidy scheme which was directed at the ailing party press in order to promote political pluralism was judged as a violation of the EU State Aid directive and was accordingly slashed by Finnish government in 2008. The only subsidy left is the selective subsidy granted to newspapers published in national minority languages (such as Sami and Romany) and in Swedish language (and corresponding electronic media) and grants for the production of Swedish-language news services. The Finnish government also introduced two crucial new policy measures: The long-standing policy according

to which newspapers were exempted from VAT was canceled and from 2012 a VAT of 9 % was imposed. Second, following the implementation of the EU Postal Directive, the Finnish Government decreed that the previous policy of cross-subsidizing the newspaper delivery costs from other postal income was classified as illegal state aid according to the new EU regulation. As a result, Finland is one of the few countries in Europe—if not the only one—where newspapers enjoy neither direct (apart from minority language subsidies mentioned above) nor indirect forms of state aid.

In *France*, the government press subsidies scheme is both one of the most extensive and at the same time most criticized subsidy systems. Created at the end of the Second World War, this system is characterized by a more than confusing pile of grants built up over decades. Evidently, the newspaper business model has come to automatically include these subsidies to such an extent that a cut or drastic reduction would trigger newspaper closures. The chapter authors criticized French subsidies for not being effective at all since they had done little to fulfill its original mission, namely to preserve a vivid, vibrant, and pluralistic press. Even worse, they are said to have triggered market failure effects by granting subsidies to print news outlets that needed no support and giving out money to newspapers on an utterly selective allocation mechanism.

Germany has acted very restrictively on any type of policy intervention in the press. While government subsidies to newspapers are still strongly rejected by most stakeholders, alternative models of funding newspapers are currently brought to public debate. As a country with a relatively large total reading audience, little local competition, and substantial profit margins over the years, the printed press is said to be in a healthy state. Still, publishers pledge for better copyright protection, fewer restrictions in their ambitions for M&A, or state protection against Internet spin-offs of public broadcasters. The authors peered far into the future of the funding for newspapers and suggested that new funding models such as crowd-funding, private sponsoring, establishing a public foundation for safeguarding the future of quality journalism, and reallocating some amount of the new public broadcasting license fee introduced in 2013 would be practicable alternatives to an otherwise unloved government subsidy scheme.

Much troubled *Greece* has not been governed by a clear legal framework for newspapers ever since. Government subsidies were handed over to the press through various rather clandestine practices. The author argued that a clientelist culture of Greek politics which has held together the state and the press in a network of mutual benefits is to be made responsible for this situation. It is questionable whether the current financial crisis will finally ruin the last remnants of a model of press support and government intervention and so undermine the long-lived interdependent relationships between the press owners and the state, its respective governments, and its politicians.

Lack of quality content and decreasing pluralism give evidence to market failure in the newspaper publishing industry of *Hungary*. There, daily newspapers are closely aligned with political parties, and their revenue streams are influenced by state advertisements. No doubt, the state plays an important role in the market, and

when the new right-of-center ruling *Fidesz* party entered office in April 2010, the revenue stream from public funds for the small left-wing daily *Nepszava* simply vanished. Now, government intervention also works without directly funding the media as government advertising does play a crucial role in the country. It comes as no surprise that some experts argue for a more transparent system where publicly accessible and nominal government grants allow for more stability in the market. As it stands, the author argued that the current form of state subsidies to print media is unlikely to contribute to building a more democratic society in the country.

In *the Netherlands*, the governance of rejuvenating journalism has brought to bear several government stimuli for innovation which should support and shape the future of Dutch newspapers. Many of these initiatives have been cofinanced by the Netherlands Press Fund, an independent government agency to support government press initiatives. The Dutch authors stressed the importance of innovation, a term used frequently and often loosely when discussing the future of the newsmedia industry, as a new and strong governance motive in the country. Based on survey results of *World Newsmedia Innovation Study* (Stone et al. 2012) that innovation will be driven by new product development and business opportunities for the emerging (digital) business of news which come from *outside* traditional sources, the authors presented initiatives to subsidize press innovation from a governor's point of view as has happened in the Netherlands. They acknowledged that the Fund has increasingly acted as a cornerstone and a driving force of news media innovation policy. While the government stimulated newspaper innovation as a "duty of care" policy in the public interest, and the Press Fund's impact on the press industry has become bigger and at the same time more clearly outlined, responsibility for innovation, the authors claim, must remain in the hands of newspaper managers, executives, and journalists. Indeed, the Press Fund's position is that of a responsible facilitator keeping a respectful distance from the initiatives taken in the sector.

In modern *Russia*, government financial support is right at the center of the newspaper business and its importance is equal only to financial support of newspapers undertaken by big and medium-sized enterprises from outside the industry or businessmen personally, be they overt or hidden in nature. Without these monies, the author claims, almost all dailies would operate with chronically uncovered losses. In Russia, state subsidizing not just supplements other revenue sources but is vital to keeping the daily press alive, especially the regional press. As shown, in many cities and regions the volume of state support can even exceed the volume of traditional commercial advertising for general interest dailies. At the same time, one can witness another specificity of Russian media governance: too often, financial state subsidies go to titles that are state controlled, state affiliated, or openly loyal to federal and regional authorities. These assumptions illustrate a trend whereby state support does seem not to stimulate pluralism but minimizes diversity of views. This is because, in effect, it weakens the market position of the independent and alternative press.

In *Sweden*, a long-standing best-practice Nordic model country for a very proactive government attitude to intervene into the economic well-being of the newspaper industry via financial subsidies and other measures, the question

whether or not financial subsidies are still viable tools to regulate an industry has been around for some time now (Picard 2007). But while the Swedish newspaper industry is going through what we could call a *disruptive change*, it remains more than doubtful that these changes and the challenges they pose for the industry will be properly resolved when thinking about building an effective subsidy scheme for the future. The author shares this pessimism and posits that although the Swedish model has preserved newspaper titles, the scheme's original idea of providing the media audience with a choice between different local newspaper providers appears increasingly futile. One major problem is the transition from print to digital and the absence of successful examples of how a future media subsidy scheme should be designed.

In *Switzerland*, the press has until recently benefitted from two forms of public subsidy: Selected press products have been indirectly subsidized through discounted postal transport prices, and secondly, a reduced value-added tax rate has been applied to certain printed matter. Here, the authors discussed the issue of indirect subsidies in the context of changes in the postal regulation. When a new Postal Act came into effect in 2012, it also reformed the indirect press subsidy scheme. While the scope of the subsidy was not changed significantly, Swiss Post's role as an intermediary in the subsidy scheme is now much clearer. This is because postal subsidies per title are now determined by a simple and transparent allocation mechanism. However, bigger changes are looming around the corner. In December 2012, the Federal Council adopted a proposal concerning the consolidation of the Federal budget. This included savings measures with a terminal effect on postal subsidies: They may be abandoned at short notice from 2015 onwards. All depends on whether the Swiss Parliament will approve the abandonment of these indirect subsidies.

In the *United Kingdom*, seen as a classical *no-subsidies* country, debates surrounding government support for newspapers have centered around the dogma that this type of intervention into press affairs would smack of too great a degree of interference with the press's editorial independence. Indeed, subsidies in the form of discretionary grants have until today been miniscule. Only Welsh language newspapers receive some subsidies via the *Arts Council of Wales* and the *Welsh Books Council* (Jones 1999). Recently, however, the debate has again been stirred by the conservative MP Louise Mensch who is worried about the consequences of the decline of the local press in the UK and what it means for local government accountability and democracy.⁶ She wanted a serious review and is calling on the government to introduce subsidies and tax advantages for local newspapers. It is known that the UK is awash with local "town hall pravda-type" propaganda news-sheets put out by local authorities and financed by council taxpayers. Other below-the-line subsidies come in the form of public notice advertising, again partly run through publications issued by the local councils across the UK (Greenslade 2012). Local newspapers have also got to compete against regional BBC television, again funded by the public. In this book, the author found that subsidies and support for

⁶ <http://www.guardian.co.uk/media/2012/apr/25/louise-mensch-subsidies-local-newspapers>

local publishers in Britain as yet emerge as opaque, informal, and multidirectional means of support. Were policymakers and media corporations openly to acknowledge the need and also appetite for public subsidies, a wider, better-informed public debate might take place about alternative models of local media engagement with civil society and the sustainability of media which bring public benefit.

In the *United States of America*, the issue of *State Aid for Newspapers* has gained increasing acclaim among scholars and politicians who argue that public policy interventions are needed to save the ailing industry in the country. Newspapers in the USA often are assumed to be entirely products of the market, beyond the reach of state intervention. This folk theorem is what the author aimed at reversing. He claimed that the American polity's thinking about the potential for media subsidies is currently constrained by misinformation and ideology. But if it can move beyond those constraints, the contemporary moment could be an opportunity to firmly establish an autonomous public media system really devoted to the interests of the public. While the time may have come for the state to step in to save a troubled industry, proposals for press subsidies considered radical several years ago are now gradually being mainstreamed. They range from financial grants to selected newspapers on the verge of failure, to tax breaks to hire additional journalists, to government-owned news organizations. In all, it seems as if the present moment is an opportunity to transition from a commercial newspaper model to a public service media model, the author concluded.

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