“Frozen” Media Subsidies During a Time of Media Change:

A Comparative Analysis of Media Policy Drift in Six Western Democracies

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Abstract

Media systems around the world have changed in significant ways in the early twenty-first century. In this article, I analyze how various forms of media subsidies have changed in response to these transformations in a sample of six different affluent democracies. On the basis of interviews, official documents, and secondary sources, I show that media subsidies have largely remained frozen in their late-twentieth century form. The absence of major reform means that media subsidies are increasingly subject to policy drift, a process by which the operations and effectiveness of policies change not because of deliberate reform, but because of changing conditions on the ground. Analysis of interviews with relevant stakeholders suggests that the main obstacles to reform across all six countries are (1) limited political attention to the problem, (2) strong incumbent industries protecting their interests, and (3) a perceived shortage of desirable, cost-effective, and governable alternatives to existing policies.

Keywords: media policy, press subsidies, public service broadcasting, media subsidies, comparative research, Western Europe, United States

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Introduction

Media systems around the world have changed in significant ways in the first decade of the twenty-first century. Across Europe and the Anglophone world, paid printed newspaper circulation has declined, television audiences have fragmented as more and more channels compete for viewers, and the rise of the internet has confronted legacy media with new competitors for both attention and advertising. Media industries are booming in much of the world, but in the "Western world", they are going through a painful transition.

In this article, I analyze how the various forms of media subsidy that have been introduced over time in part to promote the public roles media can play as sources of news, as cultural institutions, and as checks on the abuse of power, have changed in response to these transformations. On the basis of interviews, official documents, and secondary sources from a sample of six different affluent democracies (Finland, France, Germany, Italy, the United Kingdom, and the United States), I show that media subsidies have not changed to nearly the same extent as the sectors they are meant to support. The main forms of public sector support for media remain frozen in their late-twentieth century form, and overwhelmingly favor incumbents in the broadcasting and newspaper publishing industries. In a time of rapid convergence and digitization, the main forms of media subsidy across these otherwise quite different media systems (a) continue to be based on inherited and increasingly tenuous distinctions between broadcast and print media; (b) in five of the countries studied primarily take the form of license fee funding for public service broadcasters, and (c) secondarily (primarily in the case of the US) take the form of indirect support for paid printed newspapers, and, with the partial exception of France, (d) offer almost no meaningful support for online-only media organizations.

In many of these countries, critics have long argued that existing media subsidies are increasingly inappropriate for the times we live in. Fifteen years ago, Eli Skogerbø (1997) argued that the effectiveness of press subsidies were being undermined by technological changes in the media. Around the same time, debates about the transition from “public service broadcasting” to “public service media” also gathered pace. 1997 also saw W. Russell Neumann and his co-authors argue more broadly that the “communications revolution” sweeping the Western world would call for a whole new integrated approach to media policy (Neuman et al, 1997). The issues surrounding the relationship between media and policy at a time of rapid technological change have not become less pressing since, and often, communication policy researchers suggest, such periods of technological change has also prompted policy change (Bar and Sandvig, 2008; Freedman, 2008; Just and Puppis 2012). Yet, as I will show, little has changed when it comes to media subsidies across countries with otherwise very different political systems, regulatory traditions, and industry structures. Many other forms of media policy have been revised, but subsidies remain broadly the same. Interviews with political, regulatory, and industry stakeholders suggest that three major obstacles to reform are common to all six countries, transcending other important difference in media policy and policy processes. The first obstacle is relatively limited high-level political attention to the policy challenges associated with current changes in the media industries. The second obstacle is effective lobbying by incumbent industries trying to protect their interests and fearful that any reform will be at their expense. The third obstacle is a perceived shortage of politically appealing, cost-effective, and governable alternatives to existing policies. The three obstacles can be summarized as ‘the devil that don’t care’, ‘the devil you know’, and ‘the devil you don’t know.’ The analysis thus suggests that proponents of media policy reform need to deal simultaneously with a set of political obstacles and, importantly, convince a critical mass of key decision-makers that they have practical proposals that are superior to existing policies.

In the first part of the article, I discuss the role of media policy in media developments and outline my analytical approach and the rationale behind the six countries covered. In part two, I analyze the media subsidy arrangements in place in the six countries considered, examining both differences and similarities. In part three, I review the policy debates surrounding these arrangements over the last decade, and discuss the main roadblocks to reform.

Media policy and media development

Every media sector, from newspaper publishing and terrestrial broadcasting over traditional telecommunications to new internet protocol-based web and mobile services, is intertwined with different public policies. Some of these are developed via international organizations like the WTO and supranational organizations like the European Union, and many policies and paradigms are disseminated via various transnational networks, but in the case of large, affluent democracies, the main locus of media policy formation remains the nation state (Levy 1999). The media systems these policies help form develop over time shaped by a combination of economic, technological, cultural, and political forces, and one explanation for the significantly different media systems that have developed in otherwise in many ways similar affluent Western democracies is that different countries have for decades pursued different media policies (Humphreys, 1996; Hallin and Mancini, 2004).

The focus of this article is on one particularly important part of media policy, namely different forms of direct or indirect public sector support for media organizations, whether public or private. Such media subsidies have historically been put in place in most affluent democracies with the stated aim of ensuring media pluralism and addressing potential market failures in content production (in particular in news journalism and, especially in European countries, domestic programming for television). Even in the United States, which has by far the most market-dominated media system of all Western democracies, federal, state, and local level governments provide direct and indirect subsidies worth more than $2 billion annually (Nielsen, 2011). Both historical and comparative analysis have clearly documented that a range of different subsidies including for example distribution support through preferential postal rates, tax exemptions for print publications, and direct public support for various kinds of public service broadcasters have all played a key role in shaping the development and democratic functions of different media systems over time (Hallin and Mancini, 2004; Starr, 2004; Kuhn, 2011). As Peter Humphreys has written (1996: 2): 'Put simply, media systems can be expected to vary significantly across countries because politics and policy have made a difference.'

Critics of media subsidies have argued that state intervention threatens the independence of news organizations, inhibits the development of commercial media sectors through perverse incentive structures, and often prop up sunset incumbent industries at the expense of innovators and new entrants (see Picard, 2007 for a review of relevant critiques). But most media scholars argue that carefully calibrated media subsidies can help underwrite the production of quality content, make media systems more diverse, and facilitate the dissemination of news to wider audiences (Humphreys, 2007; Alonso et al, 2006; and Benson and Powers, 2011). Research from Scandinavia suggests that direct and indirect subsidies there have ensured greater plurality in the newspaper sector (Gustafsson et al, 2009). Comparative research has shown that strong public service broadcasters have resulted in a more informed and more evenly informed citizenry (Curran et al, 2009). Media subsidies cannot always achieve their stated goals, especially if strong economic, technological or other forces push in a different direction (Skogerbø, 1997; Picard and Grönlund, 2003; Ots, 2009). But there is no doubt that they matter and that, when carefully calibrated, they can advance politically legitimized public interest goals.

The purpose of this article is to assess whether such a calibration, an adjustment of media subsidies to take into account changes in the industries they intervene in, has taken place in recent years in a range of different affluent democracies. The countries covered are Finland, France, Germany, Italy, the United Kingdom, and the United States. The sample includes countries with different political systems, different state formations and regulatory traditions, and different economic structures. They also represent two of each of the ideal typical media system models developed by Daniel C. Hallin and Paolo Mancini (2004), the 'democratic corporatist model' (Finland and Germany), the 'polarized pluralist model' (France and Italy), and 'liberal model' (the United Kingdom and the United States).[1] Analysis of these six countries affords an opportunity to provide an update to existing, and increasingly dated, reviews of media subsidies (Picard, 1987; Murschetz, 1998) and to examine media policy reform or the absence thereof across a wide variety of politically, economically, and media-wise different cases.

Most media policy reform is gradual as existing policies are renegotiated and tweaked periodically and new elements are added in an incremental fashion (Bar and Sandvig, 2008). Over time, various forms of media subsidy have been introduced and gradually accrued, often with little concern for how they interact with existing policies (Lund, 2009). The process often takes the form of what political scientists call 'layering', where inherited arrangements and incumbent interests are generally left unchallenged and new initiatives more often supplement than supplant existing policies (Schickler, 2001: 13).

At some points in time, however, media policy has been subject to more deliberate and large-scale reforms, often in response to rapid technological change and/or new prevailing political and ideological winds (Bar and Sandvig, 2008; Freedman, 2008; Just and Puppis, 2012). Jan van Cuilenburg and Denis McQuail (2003) suggests that media policy in Western Europe and the United States have gone through three broad paradigmatic phase.

First, a phase in the run-up to the Second World War focused on regulating telecommunication infrastructures and oriented towards state and industry interests. Second, a post-war phase lasting from the 1940s till the end of the 1980s with a broader social focus, taking into account a wider set of interests, ushered in by an ideologically diverse reform coalition that included elements of both the Left and the Right. (During these years Western Europe saw the dominance of public service broadcasting and the United States the passage of the Public Broadcasting Act of 1967. In many countries, various forms of support were put in place in response to the 'newspaper deaths' of the 1960s.) From the 1980s onwards, as many authors have noted, a new market-oriented and deregulatory paradigm has been ascendant (Humphreys, 1996; Freedman, 2006). (This is confirmed by the research behind this article—even interviewees from countries like Finland and France, with strong post-war traditions of state intervention in the media industry, often spoke out strongly against the idea of introducing new forms of media subsidies today, and tended to cast the state more as a 'facilitator' responsible for 'framework conditions'.) Public service broadcasters remain at the center of media systems in most of Western Europe, but they are subject to ever-increasing competition, and in countries where direct subsidies have been made available to private newspaper publishers, these have been cut back in recent years due to a combination of national political priorities and pressure from the European Commission (Harcourt, 2005).

Processes of policy change are influenced in important ways by such high-level paradigmatic shifts in the dominant ideas of political elites and other stakeholders. But as policy analysts underline, they are also shaped by more concrete interactions between specific formal and informal actors within a particular policy subsystem (Sabatier and Jenkins-Smith, 2007). In understanding how media subsidies have been shaped in recent years, the article combines data from official documents and secondary sources with information from interviews with select stakeholders in each of the six countries. In light of the ways in which incumbent interests tend to dominate media policy processes, the interviewees include politicians from both sides of the political spectrum, media regulators, representatives of industry associations, and representatives of journalists' associations. A total of 64 interviews with 68 people were conducted in the six countries. The interviews were carried out in 2011 and 2012 by a network of partners as part of a larger research project on the changing business of journalism and its implications for democracy. All quotes where no other source is given are taken from these interviews. The interviews were typically between 30 and 60 minutes and most were on the record. The interviewees were, as parts of longer, semi-structured interviews, asked for their views on current changes in the media industries, recent reforms of media policy, and what, if anything, governments should do to address the problems faced by news media organizations in particular.[2] The focus was on the period from 2000 to 2009 as a potentially transformative decade for the media and because policy analysts have often suggested that ten years is a suitable time frame for studying policy reform or the absence thereof (Sabatier and Jenkins-Smith, 2007).

Media subsidies, 2000-2009

Though the first ten years of the twenty-first century have seen dramatic change in Western media systems, most forms of media subsidy remains unchanged. Table 1 provides an overview over the main forms of media subsidy in place in 2008 in the six countries examined in this article (reproduced from Nielsen, 2011). It is compiled largely on the basis of country-level studies and international sources and includes the best available estimates of the value of each form of intervention.[3] (2008 is the last year on which comparable data is available from all six countries.)

TABLE 1 ABOUT HERE

As is clear from table 1, the main forms of intervention remained the same in 2008 as they had been in 2000, and are heavily weighted in favor of legacy players and industry incumbents. In all six countries examined here, governments sponsor, either via license fees or via direct appropriations, public service media organizations with a strong emphasis on broadcasting (though to a much greater extent in the five European countries than in the US). In all six countries examined, the indirect forms of subsidies offered to paid daily newspapers through various forms of tax exemptions and in some cases reduced postal rates make up the second most significant form of market intervention. Direct press subsidies exist in three of the six countries included (Finland, France, and Italy), but are in all cases less important than indirect support. France is the only country that has earmarked public support for online-only media organizations. A meager €0.5 million in 2008, it has been increased to €20 million a year starting from 2009—still a figure that pales when compared to the roughly €3 billion spent on public service broadcasters and the estimated €1.2 billion spent in support of the private press (the latter figure was increased by €200 million annually for a three year period the same year). The main recipients of these various forms of media subsidy in 2009 remained largely the same incumbent organizations who benefited from them ten years before. Very few new entrants received any significant public support.

Media subsidies remain 'frozen' in their late-twentieth century form in two ways. First, they remain structured around inherited conceptual distinctions between different forms of delivery (broadcast and print). Take just one example, the definition of what constitutes a 'newspaper' and thus merits VAT exemptions in the UK, namely '[publications that] consists of several large sheets folded rather than bound together, and contain information about current events of local, national or international interest.' (This is why the *Wolverhampton Express and Star* charges £2.34 per week for a full subscription to a print, online, and mobile package, whereas online and mobile alone—subject to VAT—costs £2.81.) Such definitions seems to be of declining relevance when it comes to understanding people's actual media use and are in any case irrelevant to the notional motivations for providing public support for media in the first place. Second, the vast majority of the public funds used directly and indirectly to support media operations continue to be channeled to legacy players that have grown out of the previously technologically distinct media markets of broadcasting and print, namely public service media organizations and incumbents in the paid printed newspaper industry.

With the exception of the modest subsidy for online news services in France, all the subsidies in table 1 were put in place before the beginning of current media system transformations. They are generally designed in ways that, often without intending to, makes it hard to integrate new, digital media. Consider just a few examples. License fees overwhelmingly fund broadcasting services. In 2009, the BBC, widely considered a pioneering PSB online, spent about 6 percent of its total budget on online services. Other PSBs spent far less than this (Brevini, 2010). Most online media sites are free to access today, so even if VAT exemptions for sales revenues were expanded to include them, the value would be limited. Indirect subsidies for the distribution of print products can be provided through favorable rates offered by national postal services, but governments have not regulated the rates charged to individual private news providers by server farms and internet service providers. Thus, while license fees and indirect subsidies to legacy players in public service broadcasting and the paid printed newspaper industry partially underwrite their online activities, these forms of support are far from platform-neutral. They are in fact heavily tied to inherited forms of distribution and the organizations built around them.

Support for various incumbents thus makes up the vast majority of all public support for media in all six of the countries considered here. Figure 1 shows the total estimated value of the main forms of state intervention calculated as current Euros per capita annually to facilitate cross-national comparison (adopted from Nielsen, 2011). Support for public service media organizations is the single largest factor in all countries apart from the US. The second largest factor in five countries (the largest in the US) is indirect support for the press, mostly through VAT exemptions. Direct support to the press follows at third in the three countries where it is provided (Finland, France, and Italy). Only one country—France—provides direct public support for online-only operations. Negligible till 2008, they still amounts only to a modest €0.3 per capita annually even after the increase in 2009. The figure confirms that long-standing national differences in the scale and scope of public sector support for media remain in place—technological change, Europeanization, and the globalization of some areas of media policy have clearly not eroded all national differences.

FIGURE 1 ABOUT HERE

The dominance of indirect subsidies when it comes to public support for private media is important in particular because these subsidy arrangements (mostly VAT exemptions and distribution support) are what is usually called 'general subsidies'—as opposed to 'targeted subsidies'—and thus help an entire sector, usually on the basis of revenue and circulation (Humphreys, 2006). Direct subsidies, in contrast, are usually targeted to address specific issues, such as media plurality—in the cases of Finland, France, and Italy, where they are available, mostly to partisan newspapers and minority-language publications struggling to make ends meet on a market basis. General indirect subsidies through VAT exemptions and in some cases reduced postal rates have been favored by most governments over direct support, in part because they appear viewpoint-neutral and can be offered with limited administrative overhead and without giving politicians or bureaucrats ways of directly pressuring journalists and editors, the classic worry about direct operational subsidies (He who giveth…). They are also popular with the industry. The European Newspaper Publishers' Association, for example, called VAT privileges 'essential' in their 2011 Warsaw resolution. But, based as they are on existing print revenues, these forms of support does nothing to address the more fundamental problem of audiences and advertisers increasingly abandoning paid printed newspapers in favor of other platforms. They are cyclical, not counter-cyclical, subsidies and thus do little specifically to help newspapers through a period of decline.

Most of the media subsidies mapped here have remained basically unchanged for the last decade (and often more), despite the in some respect dramatic changes in the media systems they are supposed to shape and underpin and despite political and policy differences between the countries in question. License fees remain in place and go mostly to support broadcasting. Indirect and direct subsidies are largely unreformed and serve primarily to underpin paid newspaper industry incumbents struggling to compete with free newspaper and online-only new entrants. Pure players qualify for very little indirect and direct support. While other areas of media policy, like telecommunication and spectrum regulation, have seen considerable change over the last decade, media subsidies remain largely 'frozen' in their late twentieth century form. Though technological change has been rapid and major calls for reforms have been issued in almost every country covered here, there have been no large-scale reforms of the dominant forms of public sector support for the media.

The absence of reform does not mean that the impact of existing media subsidy arrangements have remained the same. It is increasingly clear that some of the same old tried and true forms of intervention are growing less effective in a changing communications environment. (See Picard, 2007; Ots, 2009; and Lund, 2009 for sustained criticism of the present state of Scandinavian press subsidy arrangements, and Iosifidis, 2010 for a collection of essays discussing some of the major challenges confronting PSBs.) Media subsidies today are subject to what political scientists call 'policy drift'—changes in the operation and effect of policies that themselves remain stable, driven by change in the sector they are meant to address. As Jacob Hacker (2004: 246) writes, 'the hallmark of change of this sort is that it occurs largely outside the immediate control of lawmakers, thus appearing natural or inadvertent.' Of course policy drift is neither natural nor necessarily inadvertent—it is the outcome of inaction, the absence of reform. This absence of reform in turn calls for an explanation, especially during a time of rapid technological change, as research suggests technological change have in the past prompted policy change (Bar and Sandvig, 2008; Freedman, 2008; Just and Puppis, 2012).

Three obstacles to media subsidy reform

Most of the people interviewed for this research recognize that changes in the media suggest the need for media subsidy reform. Valtteri Niiranen, Managing Director of the Federation of the Finnish Media Industry, says 'the new environment calls for new definitions.' 'The state has to accompany the media change by providing an appropriate legal and fiscal framework', says Laurence Franceschini, from the French Ministry of Culture and Communication. Sabine Nehls, who works with media policy for the German trade union confederation DGB, says 'German media policy generally reacts too slowly to changes in the media market.' In the US, Steve Coll, Pulitzer-prize winning journalist and current president of the New America Foundation, has written in an open letter to the Federal Communications Commission that 'the media policy regime we have inherited is out of date and inadequate for the times in which we live.'[4] But so far, attempts to change existing media subsidies have come to nothing.

In Finland, the Ministry of Finance in particular has questioned existing media subsidies for private publishers, and many Finnish interviewees argue that subsidies should be confined to support for the PSB YLE and indirect support for private media. The most significant reforms of recent years have been the gradual dismantling of the smallest form of state intervention in media markets—direct subsidies to paid printed newspapers, which have been cut from the equivalent of about €40 million in the 1990s to €0.5 million today (Nieminen, 2010). (In 2011, a new government in addition announced its intention to go from VAT exemption to VAT reduction for printed newspapers, another marginal reform.) Ismo Kosonen from the Ministry of Transports and Communications that oversees media policy says 'I don't foresee any major philosophical changes in Finnish media policy.' Niiranen, from the Federation of the Finnish Media Industry, concurs—'I don't expect any major policy reforms or changes in the next five years.'

As noted, France has seen more reform than any of the other countries covered here, driven in part by former President Sarkozy's decision to push for change in several key areas. But even here, the 2008 decision to limit advertising on France Télévision and the 2009 expansion of existing forms of support for newspapers did little to change the basic structure of French media subsidies (Antheaume, 2010). Several high-profile reports have called for more substantial reform, but, as Franck Nouci from *Le Monde* says, 'regarding media policy there is nothing really happening in France.'

In Germany, calls from for example Jürgen Habermas and the Green Party for the introduction of direct subsidies for news media organizations have gained little traction (see Esser and Brüggemann, 2010). 'Bitte keine französischen Verhältnisse' ('no French conditions, please') as one policymaker quipped in a recent report (Weichert and Kramp, 2009). The politically powerful publishers' association BDZV has explicitly dismissed the idea of subsidies and instead concentrated its efforts on questions concerning PSBs' online remits, potential relaxations of anti-trust laws to facilitate collaboration amongst publishers, and, most intensely, strengthened copyright protection. The journalists' association DJV has supported this latter push and the German government has agreed to pursue this at the European Union level. Kajo Dohring, CEO of the DJV, underlines that much of the German media industry remains in good shape despite the challenges of recent years, and says 'we are not expecting further state actions.'

Italian publishers have called for an expansion of existing subsidy arrangements along the lines of what happened in France in 2009, but both the Berlusconi government and its Monti successor has instead reduced both the direct and the indirect support available for the press as part of more general austerity programs. Because of the dual role played by Silvio Berlusconi as simultaneously prime minister (from 1994-1995, 2001-2006, and 2008-2011) and owner of the large media conglomerate Mediaset, media policy has been higher on the political agenda in Italy that in most other countries in recent years, especially on the occasions where the European Commission and the European Court of Justice has found that policies were designed to favor Mr. Berlusconi's business interests and constituted illegal state aid. The high level of attention has not, however, let to systematic reform. Sebastiano Sortino, former General Manager of the Italian Newspaper Publishers' Association (FIEG) and Commissioner at the Italian media regulator AGCOM says, speaking in a personal capacity, 'in Italy the main problem is that there is no specific media policy. … Basically nothing has been done [to reform current arrangements].' Roberto Sambuco, Head of the Communications Department in the Ministry of Economic Development, concurs—'Unfortunately, there has been very little progress. … Because of the economic crisis, we find ourselves in a situation in which there are no resources to develop policies.'

In the UK, the basic combination of license fee funding for the BBC and VAT exemptions for the private press remains in place. Previously floated ideas of 'top-slicing' license fee funds and redirecting some of them to new 'Independently Funded News Consortia' (IFNCs) providing local news across several platforms were vigorously resisted by a wide range of stakeholders and have been shelved by the Conservative-Liberal Democrat coalition government in favor of channeling a portion of the license fee to support local commercial television broadcasting. The same government negotiated a 'freeze' of BBC license fees for the period 2010-2013 as part of wider austerity measures. Labour Member of Parliament Paul Farrelly notes that the IFNCs 'died a political death' as the incoming government chose to pursue the possibility of opening up local television to more commercial operators. Philip Graf, formerly CEO of the newspaper publishing group Trinity Mirror and Deputy Chairman of the media regulator Ofcom says: 'usually what happens is that policy changes after it is almost too late.'

Finally, in the US, the so-called 'Newspaper Revitalization Act,' introduced in 2009 by Senator Benjamin Cardin (D-MD), meant to facilitate the transformation of for-profit news organizations into non-profits with tax benefits similar to those already available for public service media in the US has gone nowhere politically and seems to have generated only limited debate. Asked whether any form of direct or indirect media subsidies should be considered for a US newspaper industry that lost more than fifteen percent of its circulation, almost twenty percent of its newsroom staff, and forty percent of its revenues from 2000 to 2009, John Ensslin, President of the Society of Professional Journalists, said 'I don't think you'll find many American journalists who want to be in any way beholden to any branch of government.' Six reform proposals put forward by the Federal Communications Commission in 2011 was summed up as 'tinkering around the edges' of a crisis by FCC Commissioner Michael Copps.[5] Only one of the six proposals has since been implemented. While some media scholars and media advocacy groups have criticized the federal government for its inaction, most of the people interviewed for this research shared the view of the veteran newspaper analyst John Morton—'I don't think there is anything government should do.' (Some people from the industry side couples this stance with calls for further deregulation of media ownership rules allowing for more cross-media ownership and greater ownership concentration. So far, this has been opposed by both Democrats and some Republicans in the Congress.)

With the partial exception of France, where the Sarkozy government has changed the funding model for the PSB France Télévision and have substantially expanded existing forms of indirect and direct subsidies for the paid printed press, we have thus seen little real change in media subsidy arrangements in the last ten years in the six countries covered here. In the French case, we have seen more of the same, in most cases, simply the same, and in Finland, Italy, and to some extent the UK, less of the same.

From the outside, policy drift of the kind happening in the media subsidy area can appear as the inadvertent consequence of changing conditions combined with political passivity. But as policy analysts often note, the absence of action—'negative policy' (Freedman, 2008)—calls for explanation as much as action does, especially because technological change has often prompted policy change in the past. It is clear from both public debate and interviews in each of the six countries covered that many stakeholders are acutely aware that existing forms of media subsidy risk becoming marginalized unless they are changed to take into account current changes in the media sector. Why has there then been no reform?

Interviews suggest that the actors involved in the six countries see three main obstacles to substantial media subsidy reform. The first obstacle is an apparent lack of interest amongst political elites in the issue of media reform. In most countries, senior politicians have generally avoided the issue and left it to more junior figures, civil servants, and industry stakeholders. France is a partial exception. There, former President Sarkozy has taken an active and leading role. It is also the country that has seen the most substantial reform. In the absence of deliberate, high-level intervention, media policy seems to be characterized by a relatively high degree of regulatory capture and often highly technical policy-making processes where a high degree of stakeholder involvement allows for many veto points and much willful obstruction. Even in France, Christophe Pauly, General Secretary of the trade union Syndicat national des médias CFDT, says 'there is a lack of engagement on the policy side.' Part of this is probably about the absence of a clear political upside to pushing media subsidy reform—hardly an issue to inspire vast swathes of the electorate, but certainly one that can alienate politically powerful industries. Part of it may simply be about top politicians having other things on their mind during a time of war and economic crisis. The Conservative Peer and Chairman of the House of Lords Communications Committee in the UK, Lord Inglewood, says: 'the political establishment … have never properly grasped the implications of what is going on [in the media] and how this is going to change the world we live in.' We might call this first obstacle the 'the devil don't care'-factor.

The second obstacle to reform highlighted in the interviews is the strength of industry incumbents protecting their interests against each other and against new entrants. This includes both public service media organizations and their supporters defending license fees against top-slicing and similar proposals, as well as publishers' associations and large private media companies protecting existing privileges including indirect and direct subsidies. All are worried that they have more to lose than to win from potential reform, especially given the budgetary pressures of the current economic climate. In Finland, Jorma Miettinen, the former director of the commercial broadcasters' association, says 'I'm lucky I'm retired now, because the entrenched interests here are so strong that nothing ever changes. False arguments and inaccurate claims are intentionally used to further complicate things. The issues are important, but I really can't see any hope for reform, at the national level or in the EU or other international organizations.' In Germany, both Nehls from DGB and Dohring from DJV remarks on the political power of the major publishing houses. Paolo Gentiloni, a former Communications Minister from the left-wing Partito Democratico in Italy, says 'there is no doubt that … the defense of well-established interests delays [media policy reform].' We might call this second obstacle the 'the devil you know'-factor.

The third obstacle is less narrowly political and more intellectual and to some extent ideological. It is uncertainty about the attractiveness, cost-effectiveness, governability, and possible wider political ramifications of reform and of new forms of media subsidy and regulation. While existing forms of subsidy, largely irrespective of their actual effectiveness, are to a large extent naturalized and accepted as part of 'business as usual,' the case for reform still seems intellectually underdeveloped at the level of concrete policy proposals. (This obstacle is further reinforced by the more general, paradigmatic shift towards a more market-oriented approach to media policy discussed by van Cuilenburg and McQuail (2003).) Pauly from the French trade union federation CFDT says 'there is a lack of competence and knowledge on current developments and the transformation process and that is why politicians are not capable of discussing these problems.' Stewart Purvis, former Chief Executive of ITN and Partner for Content at the UK media regulator Ofcom says 'policymakers … struggle to understand convergence and struggle to know what to do about it.' We might call this third obstacle the 'the devil you don't know'-factor.

Despite all their differences, in terms of political systems, economic structures, and in what technological change has meant for their media industries, these three obstacles are highlighted in interviews in all six countries analyzed here. Across both "liberal", the "democratic corporatist", and the "polarized pluralist" media systems, interviewees see limited high-level political interest in media reform, the strength of incumbent interests, and the absence of clearly articulated reform proposals as key obstacles to media subsidy reform.

Conclusion

Despite often substantial change in the media sector in the early twenty-first century, this article has shown that the media subsidies meant to underpin media organizations and their role as public institutions have remained largely frozen in their late twentieth-century form in much of the "Western world". The consequence of the combination of media change and the absence of reform is policy drift, as both the consequences and relative effectiveness of media subsidies change and often erode even as the policies themselves nominally remain the same. The two most important existing forms of media subsidy, direct funding for public service media organizations and indirect support for paid printed newspapers, are both particularly subject to drift—with public service media organizations increasingly competing with industry incumbents from other sectors as media platforms converge, and with the value of VAT-exemptions and distribution support declining as paid newspaper circulation drops even as unchanged subsidy arrangements perversely encourages publishers to devote extra attention to important, but declining, legacy platforms. Public service broadcasters still clearly makes a difference in terms of, for instance, keeping the population informed about public affairs (Curran et al, 2009), and newspaper subsidies can contribute to more diverse media markets (Gustafsson et al, 2009). But public service broadcasters face a range of challenges in their transition to a new role as public service media in changing communication environments (Iosifidis, 2010) and the efficiency of state support for printed newspapers is rapidly eroded by audiences' move towards digital platforms (Ots, 2009). The media continues to change, and this challenge the effectiveness of inherited and largely unchanged forms of media subsidies.

Communication policy research suggests that in the past, technological change has often prompted policy reform (Bar and Sandvig 2008, Freedman 2008, Just and Puppis 2012). Even after fifteen years and many critics raising the issue, this has not happened when it comes to media subsidies. The analysis of interviews with different participants in media policy processes suggests that across all six countries examined, and across all the three "types" of media systems considered, three important obstacles to reform are (1) a relative lack of interest in media policy from many leading politicians ('the devil that don't care'), (2) the role of industry incumbents who are, whether in the public or the private sector, keen to protect their existing privileges and fear that any reform will leave them as the losers ('the devil you know') and (3) uncertainty about what reform would look like and how it could be made both effective and governable ('the devil you don't know'). The current economic climate only makes reform harder.

Even if reform is complicated, politically difficult, and uncertain in both outcome and consequences, the changing character of media systems mean that inaction—the absence of reform—is a highly consequential policy choice too. Doing nothing will not maintain the status quo, as economic, technological, and cultural forces will continue to change media systems even if media policies remain the same. With the partial exception of license fee-funded public service media organizations—which are accompanied by their own policy challenges—existing forms of intervention are less and less effective and continue to protect incumbents against new entrants. Therefore, there is a strong case for revisiting existing media subsidies. But reform will not be easy. Those who wish to thaw the 'frozen' media subsidy arrangements analyzed here need to develop proposals that can build political awareness around the issue, bring together a coalition of change agents that can overcome incumbent opposition, and outline concrete solutions that address the specific problems at hand in ways that are politically legitimate, cost-effective, a well as governable.

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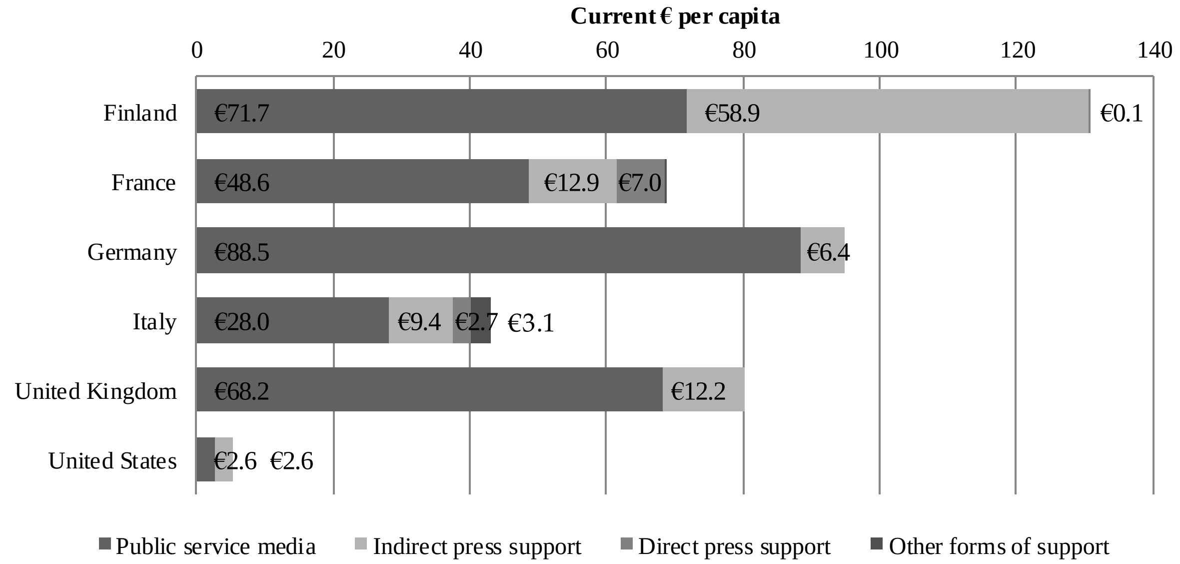
Table 1 – Main forms of media subsidy (2008)

	Public service media funding	Indirect press subsidies	Direct press subsidies	Other forms of support
Finland	€381 million License fee (€216/household) for integrated PSMO YLE.	€313 million General VAT-exemption for subscription sales, newsprint, composition, and plant. General distribution support through the postal service.	€0.5 million Targeted subsidies for Swedish and national minority language newspapers.	None
France	€3028 million License fee (€116/household) for several PSMOs, most importantly France Télévisions and Radio France.	€801 million General reduced VAT for registered newspapers. Zero-rated professional tax for several groups of newspaper employees. General reduced rate for postal service.	€438 million General direct subsidies for distribution. Targeted direct subsidies for newspapers with low advertising base, for modernization of plant/production, for investments in new technologies, etc. State support for the news agency AFP.	€0.5 million Support provided for 'online press services', i.e. journalistic pure players. (Increased to €20 million in 2009.)
Germany	€7265 million License fee (€204/household) for PSMOs ADF, ZDF, and Deutschlandradio.	€525 million General reduced VAT for single copy sales and subscriptions.	None	None
Italy	€1676 million License fee (€106/household) for integrated PSMO RAI.	€560 million General VAT reduction for single copy sales, subscriptions, newsprint, composition, and plant. Generally reduced postal and telephone rates. (Additional minor subsidies are provided for press services and in the form of loan facilities.)	€161 million Targeted subsidies for newspapers with at least two members of parliament amongst the owners or published by co-operatives of journalists. Targeted subsidies for newspapers in national minority or regional languages.	€184 million Diverse direct subsidies to local television in the Italian regions for 'informational activities'. Also some support for minority language broadcasters and for party-affiliated broadcasting.
United Kingdom	€4185 million License fee (€190/household) for PSMO BBC.	€748 million General VAT-exemption for copy sales and subscription sales (est. £594 million).	None	None
United States	€779 million Federal appropriations for CPB ($393m). Federal grants and contracts for PSMOs ($80m). State and local appropriations for PSMOs ($673 million).	€804 million Various federal- and state-level tax breaks, mostly for sales revenue, advertising sales, and expenditures for expanding or maintaining circulation (more than $900 million). Reduced postal rates for newspapers and magazines (est. $282 million).	None	None

Sources: Public service media funding from YLE (Finland), European Audiovisual Observatory (France, Germany, Italy, and the UK), and the Corporation for Public Broadcasting (US). Indirect press subsidies from Nieminen (2010) with further details provided by personal correspondence (Finland), Cardoso (2010) (France), Germany, Italy, and the UK estimates from Nielsen (2011), and Cowan and Westphal (2010) (US). Direct subsidies from World Press Trends, Cardoso (2010) (France), and DIE plus IEM (Italy). Other support is from Cardoso (2010) (support for pure players in France) and from DIE (2011) (support for local television and radio in Italy). When collected in other currencies, GBP have been converted to Euros at an annual average exchange rate of 1.26 for 2008 (taken from HRMS), USD to Euros at an annual average exchange rate of 0.68 for 2008 (taken from the IRS). Exchange rate fluctuations may distort comparison. See Nielsen (2011) for more details.

Figure 1 – Media subsidies in relative terms (2008)



Data: as for table 1, population data from the World Bank.

[1] Many critics have argued that the UK media system, with its partisan national press and strong public service broadcasting, has more in common with the German 'democratic corporatist' media system than with the US 'liberal' system. The subsidies mapped here support that proposition—see in particular figure 1.1.

[2] The interviewees were selected and carried out by researchers familiar with the country in question. Kari Karppinen did the interviews in Finland, Edda Humprecht the interviews in France and Germany, Alessio Cornia the interviews in Italy, and the author the interviews in the UK and the US. In each case, the interviewer was tasked with selecting interviewees that reflected the main stakeholders in media policy making processes in the country in question. In total, 16 interviews were completed with politicians, government officials, and regulators, 34 interviews were completed with industry associations and representatives of individual companies, 7 interviews were completed with representatives of journalists' associations or unions, and 7 interviews were carried out with outside analysts. In all cases, the interviews have been supplemented with public material on media policy.

[3] Figures on the precise value of various forms of media subsidy are not always available. As suggested by the sources given for table 1, I have relied on a combination of official sources including both precise figures from the accounts of public service broadcasters as well as government-commissioned estimates of the value of indirect subsidies, such as the Cardoso (2010) report from France. In some cases, most notably the value of indirect subsidies for the press, no official figures exist, and I have relied on estimates and figures provided by academics, including Nieminen (2010) for Finland, Cowen and Westphal (2010) for the US, and figures produced by the media economist Timo Toivonen on Germany, Italy, and the UK (reported in more detail in Nielsen 2011).

[4] http://www.cjr.org/cover_story/reboot.php?page=all&print=true (accessed November 28, 2012).

[5] http://www.fcc.gov/document/copps-information-needs-communities-report (accessed November 28, 2012)