Control the money, control the media: How government uses funding to keep media in line

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Control the money, control the media: How government uses funding to keep media in line

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Abstract
The media industry has been ravaged by the economic crises. Some media, mainly those covering tabloid fare and digitally savvier than others or those backed by deep-pocketed investors, are surviving or even thriving. But independent journalism outfits, particularly outside the Western world, have been grappling with serious financial problems. This article is an analysis of how government uses funding, directly and indirectly, to capture the media. It describes trends in how governments use funding to control media by not financing independent journalism, but choosing to fund instead media outlets that advance the government agenda and the interests of its allies and supporters, either political groups or businesses.

Keywords
Funding, journalism, government, politics

This article is an analysis of trends in how governments use funding mechanisms to control media, particularly to stifle critical journalism and advance the government agenda and the interests of its allies and supporters, either political groups or businesses.

The media industry is in bad nick after nearly a decade of economic crises. Some media, particularly outlets focusing on tabloid fare and fast in adapting to digital channels, have gradually recovered. Others, launched with hefty investments, are thriving.

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But media outlets doing solely independent journalism, especially those serving audiences outside the Western world, have either succumbed to financial crises or are hardly surviving. Government is playing a major role in this problem by unfairly distributing public funding. This article is looking into how government uses funding, directly and indirectly, to capture the media.

The phenomenon is widespread globally. An Open Society Foundations (OSF) study found that in 31 out of 55 countries worldwide, the government used state funding to manipulate media. In nine of them, there was no hard evidence showing that this was happening but that did not rule out government manipulation (Dragomir and Thompson, 2014). In particular, media outlets in countries from Eastern Europe, former Soviet Union, and the Middle East are the most affected by discriminatory use of public funds. But examples of countries where this is happening such as Argentina, Colombia, and Peru in South America, Guatemala and Nicaragua in Central America, and Indonesia and Malaysia in Asia indicate that the phenomenon has a much broader scope. Hard evidence on the use of public funding to capture media is thin in Africa mostly because it is hard to collect such information. But biased editorial coverage toward government-friendly media and lack of transparency of funding in media outlets give credence to suspicions that this is happening there as well (Dragomir and Thompson, 2014).

Government-funded broadcasting such as Australian Broadcasting Corporation (ABC), the BBC in the United Kingdom or the Finnish Yle are held up around the world as models of impartial and balanced reporting and high-quality programming. Many transition countries have sought to emulate such models. But in too many countries, particularly in Eastern Europe or in countries with polarized political climates, governments have used funding as a way of 'capturing' the media and making it subservient to state aims. That was mainly the result of failed transitions to democracy. These countries are the subject of this article, which outlines some of the main mechanisms that government uses to control the media.

Regulation, legislation, physical attacks, and threats against journalists or media owners are effective methods used to capture the media. But funding is arguably the most effective method of all. By financing media and journalists willing to toe the government line and by not funding independent, critical media, authorities manage to suppress large parts of the media sector. In some countries, the entire media industry is controlled by governments, directly or indirectly.

There are four main categories of financial strategies and tactics that authorities use to dominate the media sector:

- Public funding for state-administered media;
- State (or official or public) advertising;
- State subsidies;
- Market-disruption measures.

The first three types of financial stratagems are in essence forms of direct funding. The last category encompasses strategies, financial in nature, aimed at distorting the market logic, hurting the financial health of unaligned, critical media or bankrolling media that are chummy with governments.

In some countries, the distinctions between the first three types of funding are blurred. License fees collected by government-appointed bodies, state advertising spending, or allocations from government budgets: all that money, dished out to media outlets through a spate of arrangements and contracts, are all forms of government money.

However, identifying and studying the distinctions between these forms of funding is important for understanding the actual funding-related mechanisms used by the government to capture media, or, in other words, how governments exercise the power money gives them to suppress critical journalism.

Public funding for state-administered broadcasters, including state-owned media or public service TV and radio channels, is effective in capturing media chiefly in countries with anemic commercial media. This is the purest form of government investment in the media among the types of funding analyzed here. In the form of either license fees collected from households or government budget allocations, the funding for state-administered broadcasters is used by governments to ensure that these broadcasters follow the government agenda.

State advertising is probably the most insidious form of government funding in the media. Governments use money from their own budgets or from state-owned companies to run social campaigns or advertise products and services offered by the companies they own. In reality, they use this money to basically buy favors from media and journalists. In many countries, decisions not to buy advertisements in specific media outlets, particularly smaller, independent ones, condemn them to extinction. Such decisions are an even more powerful method to bring media into the fold (WAN-IFRA, Hungary; Lansner, 2013a).

State subsidies are arguably the least accountable form of state funding in the media. The government decides at its own discretion to offer subsidies to media outlets, justifying that as an act to help independent media and journalism thrive. In fact, that is a form of discretionarily rewarding friendly media.

Finally, market-disruption is by far the most complex strategy governments use to capture media. It is also highly effective and comes in a plethora of forms including laws designed to financially hobble media companies, decrees to underwrite debts of supportive media or state guarantees offered to private lenders to secure loans for friendly media outlets (Papathanassopoulos, 2013).

Public media: A government investment

In February 2016, Sieglinde Baumert, a 46-year-old woman from the small town of Geisa, in the German region of Thuringia, made headlines as she was imprisoned for failing to pay the license fee, a tax that all German households are mandated to pay to finance the country's public service media system. The funding covers the operational costs of the TV channels ARD and ZDF and of the German public radio.

Ms Baumert spent 2 months in prison. She had been originally sentenced to 6 months behind bars, but in April 2016, she was freed as the German public broadcaster dropped the case against her. Ms Baumert thus became the first person ever imprisoned for refusing to contribute to the public media budget.

But she is not the first taxpayer trying to dodge the license fee. In 2015 alone, the agency charged by the German government to collect this fee sent more than 25 million warnings to households who appeared on the bad payer list. That was an increase of roughly 20 percent compared to the previous year (Dragomir, 2017).

Germany is not an isolated case. Funding of public media, mostly by taxpayers, is increasingly stirring bitter controversies. As media content is now ubiquitous online, taxpayers are, understandably, questioning why the law obliges them to fund a specific media outlet and not one of their choice; or, for that matter, why a law obliges them to fund media at all (Knight, 2016).

Moreover, these broadcasters are generally controlled by governments, which often meddle in their editorial operations and decision-making process. That does not go well with the public. In most countries where some form of public service broadcasting exists, these institutions are the most classic type of media capture.

Public service media have been traditionally privileged by state authorities. The very establishment of this system was a state-led process. In some countries, particularly in Western Europe, the creation of public media was driven by the idea that public broadcasting was crucial to the very existence of the public sphere (Curran, 1991).

According to UNESCO, public service broadcasting can serve as 'a cornerstone of democracy' but only when it is guaranteed with editorial independence, accountability, and transparency. UNESCO (2008) also lists 'appropriate funding' as a prerequisite for the public service system to truly work and serve its audiences.

The public media system is envisaged to bring social and cultural benefits to society; thus, some form of public funding, managed by the government, is justified. The four main sources of funding for public service media today are license fees, government subsidies, advertising revenues, and donations from viewers. There is no public media system that is funded from one source of funding alone. Most of them employ a combination of the four.

In some Western European countries, public media has built a solid reputation for high-quality programming, including news output. Therefore, public support, including people's willingness to fund them, is strong. In Britain, for example, BBC is identified by large swathes of the public with quality drama and objective news reporting. In Germany, ZDF and ARD are the go-to source for unbiased news. In Scandinavian countries, public television is renowned for its objective journalism and quality cultural programming.

Public service media tend to devote more airtime to news and current affairs than private media companies, according to a study from the Reuters Institute for the Study of Journalism (RISJ) published in 2016. People in countries with public service media are politically savvier than in those nations without such media, according to the same study (RISJ; Nielsen et al., 2016).

Public media also increases the quality of democracy, according to the European Broadcasting Union (EBU), a club of public service media from Europe, some former Soviet Union nations and Middle East and North Africa (MENA) region. A 2016 study from EBU found that in countries where public media have a healthy audience, corruption 'tends to be more under control'. EBU also argues that right-wing extremism is less marked in nations where public media commands high ratings mainly because public media are believed to promote tolerance and diversity (EBU, 2016).

But only few public media, mostly Western European, really have such positive impact on society. The public there has a high respect for these institutions, and governments generally refrain from interfering with their editorial policies. According to the RISJ, independent, relatively well-funded, and popular public service media have a positive impact on political participation (Nielsen et al., 2016).

Nonetheless, outside Western Europe, the public service media is far from being a successful project. In Eastern Europe, these broadcasters are associated by the public with state-controlled media in charge of disseminating the government's agenda. Public service media there became (or remained) a form of state propaganda, part of government's media capture strategies and tactics.

Governments use a bevy of methods to bring public service broadcasters in line. These methods are mostly related to governing structures and funding. Governments, for example, control at every step the appointment of board members and management of these broadcasters. They also have the power to dismiss them. But funding is an equally important method, if not the most effective one, to capture the public service media.

Funding is a key mechanism authorities use to influence, directly or indirectly, the editorial policies and output of public media. They do that programmatically, using the privileged position they have in these institutions.

When news programs on public media criticize authorities, governments slash the budgets of these broadcasters or threaten to freeze their future funding. When ratings of public service media go up and their coverage is laudatory of government policies, authorities beef up funding. When coverage of government is still positive, but audience is down, funding is significantly trimmed.

The license fee model was originally designed to insulate the public service media against pressures from state authorities. However, the license fee-based financing system, employed by half of the EBU's 56 countries as well as in non-European countries such as Japan or South Korea, has not always helped public media stave off such pressures. Examples abound of countries in Eastern Europe where license fee-funded public service media are overt pro-government supporters. Public service in most Western Balkans countries fit that description (Marko, 2016).

Technological advances such as digitization of broadcasting and the Internet are turning license fee into an obsolete model. In the analog times, households were legally required to pay this fee if they owned a TV or radio set where they would watch public media. Today, an increasing number of people, particularly youth, do not watch content on television sets. They do watch TV programs, including content produced by public television but mostly on mobile devices. Britain thus introduced several years ago legal provisions making license fee mandatory for all households who access content of BBC, UK's flagship public broadcaster, on any platform.

But citizens are increasingly questioning this model. Take Ms Baumert and her 25 million fellows in Germany. In Eastern Europe, the number of license fee dodgers is also growing fast (Hrvatin and Petkovic, 2016).

The typical response of the government to the practice of refusing to pay the license fee is to replace it with state subsidies. That is a recipe for disaster. Damian Tambini argues that shifts in the model of public media financing from taxpayer centered or commercial funding to government funding, as it happened in countries such as the Netherlands and Spain, are not necessarily leading to less independence (Tambini, 2014).

However, such cases are an exception. Funding state media directly from the state coffers further cements the control of government on public service media. In southeast Europe, the trend to switch from a license fee-based model to a state subsidy one is, in part, fueled by political reasons: political parties often promise to scrap the license fee to attract voters in electoral campaigns, according to a 2016 study from SEE Media Observatory (Petkovic et al., 2016). But the shift to state subsidies also illustrates 'the inability of the media themselves to explain to the public the significance of public service media in an increasingly fragmented and commercialized media environment' (Petkovic et al., 2016).

But how significant is the public service media funding? Budgets of public media have generally declined in recent years. In 2015, funding for the public media was lower compared to the year 2011 in roughly 40 percent of the EBU countries. That was a combined decline of approximately €1.78bn (US$1.87bn; EBU, 2016).

Nonetheless, despite these cuts, public service media continue to be high-budget operations. Their finances are disproportionately higher than the budgets of most private media.

In Romania, for example, the government approved in January 2017 a budget of nearly €300m for the country's public media operator, the Romanian Radio and Television (SRTV). The whole advertising market in Romania, a country of 21 million, is worth some €350m annually. SRTV spends roughly €820,000 a day. That is more than the entire annual budget of Hotnews.ro, a popular news portal in Romania, according to data collected by Catalin Tolontan, a local investigative journalist (Tolontan, 2017).

In neighboring Hungary, a country of 10 million, the public broadcaster received €290m from the state budget in 2014 (Petkovic et al., 2016). That is also incomparably higher than any other popular media outlet in the country. In both Romania and Hungary, public media have poor ratings and reach. For example, TVR1, the flagship public channel in Romania had an audience share of 2 percent in January 2017 (*Pagina de Media*, 2017). However, the government still funds it adequately as it is one of the few channels that reach rural areas where many of their voters live. In both Romania and Hungary, the public stations are widely known as staunch supporters of the government.

State advertising: Shopping for favors

In 2015, the health ministry in Malaysia announced that 5 million Malaysians were smoking, a high prevalence in a country of nearly 30 million people. Moreover, the usage of smokeless tobacco between the years 2011 and 2015 increased, according to Malaysia's authorities.

That was a clear sign that the aggressive antismoking campaigns that the government ran for years were not working. The government came thus under fierce criticism as they had poured hefty sums of money down the drain through these campaigns. A 5-year campaign run in the second half of the 2000s cost the government over US$21m.

Some accused the government of incompetence as the message failed to persuade their target audiences. But there was a much bigger problem hidden there: the corruption involved in disbursing all that money. The antismoking campaign is only a small part of the advertising spending the Malaysian government has historically used to reward friendly media and punish critical ones.

Malaysia is not an isolate case. State advertising is common all over the globe. Known in the advertising industry as public service advertising, these campaigns are normally believed and hoped to play a positive role in improving societies and teaching citizens good habits and practices. Such ads can help people quit smoking or prompt them to check their health more often. But for authorities, state advertising, or what in some countries is known as official or public advertising, is a key and highly effective form of media capture.

Most governments in the world use money from the state budget to buy ads in the media. They do that mostly to pay for public service and educational campaigns but also to disseminate information about government policies and decisions in cases of privatization of companies or tenders for public orders. They also buy space in the media to advertise services and products provided by state-controlled companies.

Problems related to the unfair distribution of state advertising budgets have been widely documented for decades. State advertising funding is often used to reward media outlets close to or uncritical of state authorities. As the economic crisis ravaged media industries all over the world for nearly a decade now, state advertising has become an even more powerful tool to keep critical media outlets in check. By stopping purchase of state advertising, authorities can provoke the demise of many media outlets, particularly small, independent ones. When the state is one of the largest ad spenders in a country and media organizations are struggling to survive, state advertising is a lifeline for many of these outlets.

Martijn de Waal (2014) argues that 'of all the means that states have to support media, state advertising is arguably the least transparent and thus the most problematic'. This resource is misused by governments to support close media and discriminate against critical journalism, according to De Waal. This phenomenon has no borders. Quid-pro-quo state advertising arrangements are rife in countries as diverse as Pakistan, Uruguay, Georgia, Argentina, Thailand, South Africa, Colombia, Kenya, Pakistan, Hungary, Moldova, Macedonia, and Spain (De Waal, 2014).

The situation is particularly bad in dysfunctional markets where the advertising industry is generally dominated by clientelism and political pressures. In these markets, large parts of the media, if not the entire industry, become part of a content-for-advertising deal-making machinery.

In Malaysia, the government was the largest advertising spender during the period 2011–2013. Most of the advertising space that state institutions in Malaysia bought in the media during those years was in outlets directly owned by or overtly friendly to the ruling coalition Barisan Nasional (BN; WAN-IFRA, Malaysia; Lansner, 2014b). Much of the state advertising budget in Malaysia is handled by Jabatan Perdana Menteri (JPM), a body subordinated to the country's prime minister. JPM is a massive bureaucracy apparatus encompassing the offices of the prime minister and his deputy, and some 50 government agencies including the Electoral Commission (EC) and the Malaysian Anti-Corruption Commission (MACC).

In the first semester of 2013, the government advertising spend in Malaysia totaled MYR531m (US$118.5m). That was bigger than the next four largest ad spenders combined. The prime minister's own office accounted for more than half of all government advertising expenditure during that period. All that funding positioned the Malaysian government, and the prime minister office in particular, as the biggest power holder in the country's media. On top of that, other forms of attacks against media outlets including takedowns of online sites and legal threats against journalists have led to a situation where in early 2017, practically one independent media outlet, the news portal Malaysiakini, was still standing.

Large amounts of state ad money thus empower authorities to capture media. But even with lower ad budgets, governments can be equally effective in capturing media if they distribute the advertising cash strategically.

In Mexico, government advertising spending was worth MXN8.4bn (US$63m) in 2012. The figure, not including advertising money from state and local authorities, represented 13 percent of the total advertising spend in the country, according to data from the Media Agencies Association, a local industry body (WAN-IFRA, Mexico; Lansner, 2014a). In Serbia, state bodies spent some €20m (US$28.8m) in 2011, which was roughly 12 percent of the total advertising spending in the country (WAN-IFRA, Serbia; Lansner, 2013b).

These are still large amounts, but they do not give the state a dominant position in the advertising market. Yet, governments find ways to capture the media by not spending in critical media while channeling most of this funding exclusively to supportive media organizations. Moreover, authorities are also in the position to make pressures on private advertisers to do the same. Many private advertisers accept that as they do not want to clash with authorities in any ways as they know that the government controls the regulatory process in the country.

In Macedonia, for example, a nation of 2 million in Western Balkans, the government was in 2013 the second-largest advertising spender in the country, but its share in the total ad market was a mere 5 percent. The Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity (VMRO-DPMNE), the party in power, also purchased advertising in the media on its own. But all that funding together did not give Macedonian authorities the power to financially control the entire media market. Yet, Macedonian authorities are known for building one of the strongest models of media capture in the world. Cunningly spending state funds coupled with the economic crisis that affected many media companies made all that possible (WAN-IFRA, Macedonia; Lansner, 2015a).

The Macedonian advertising market is small. Advertising budgets have been systematically cut by private companies. As media market has been fragmenting fast and an increasing number of players have been fighting for a shrinking piece of the advertising pie, no independent news portal gained sufficient financial power to stave off attacks from the government. Some independent news portals operate with as little as US$75,000 a year. The government knows that media outlets will fight for every dollar, and through a complex system of advertising distribution, it keeps all opposition in line.

Hungary is another country where the government has put in place a system of sophisticated use of state advertising to capture the media. Between 2006 and 2012, the share of state advertising in the total advertising market had never exceeded 4.3 percent, according to data from Kantar Media, a local media buying agency. Changes in state advertising distribution were, however, significant and had a chilling effect on journalists and media entrepreneurs. Radio stations Slager and Danubius, for example, had not received a dime in state advertising until 2009. That year, their foreign owners lost their broadcast licenses to local political groups following a dubious broadcast frequency tender. Class FM, a station that took over one of the two radio frequencies (taken away from Slager and Danubius), started to receive state advertising money as soon as Fidesz-Hungarian Civic Alliance bagged the victory in the 2010 elections. Class FM, owned by people linked with Fidesz, was awarded 58 percent of the entire state budget for radio advertising in 2012 (WAN-IFRA, Hungary; Lansner, 2013a).

The two largest nationwide newspapers in Hungary, the left-wing *Nepszabadsag* and the right-wing *Magyar Nemzet*, gobbled up 12.7 percent and 7.4 percent, of the total newspaper state advertising spend in 2008, respectively. In 2012, *Nepszabadsag*, which remained the key opposition newspaper after Fidesz won the 2010 elections until it was shut down following a suspiciously sudden decision in 2016, received a petty 3 percent of Hungary's newspaper state advertising budget despite its solid circulation. Government-supportive *Magyar Nemzet*, the second largest in circulation, was awarded 22 percent of that total.

State-owned companies are also part of the game. As they handle a large part of the government advertising money, they also play a crucial role in the media market. In Malaysia, these companies are known as Government-Linked Corporations (GLCs) and Government-Linked Investment Companies (GLICs). All of them are for-profit operations. The government has either shares or a controlling stake (via board members, management, or capital) in these companies. They operate in a broad array of industries, including banking (Maybank, the largest bank in Malaysia by revenues), utilities (Tenaga Nasional, Malaysia's flagship power provider), and telecommunications (Telekom Malaysia, the country's flagship telco). Many of these state-controlled companies are managed by people supportive of the ruling party (WAN-IFRA, Malaysia; Lansner, 2014b).

In Serbia, state-controlled companies use advertising to meddle in the editorial content of the country's media. Such terms are often nailed down in the actual advertising contracts they sign with media outlets. The thermal power plant Nikola Tesla and local broadcasters RTV Mag and TV Gem jotted down in the advertising contract precise details about the length of positive TV reports about the plant. In a separate case, the power provider Elektrodistribucija Cacak and local media outlets in Serbia signed advertising contracts that included provisions allowing the state power distributor to use these media outlets as platforms for their own agenda. For example, the contract allowed for broadcast of 'other important messages, at the request of the advertiser'.

In Europe, governments regularly use funds from the European Union (EU) to pay for advertising campaigns. This funding is officially earmarked by the EU for 'development', whatever that means. During the period 2007–2012, the Bulgarian government spent some BGN71.6m (€36.6m) on communication campaigns promoting EU operational programs. How the money was distributed remains a mystery mostly because the contracts for disbursing these funds, between individual ministries and media outlets, were handled by advertising agencies and never made public (WAN-IFRA, Bulgaria; Lansner, 2016).

But how do governments get away with all of that without any consequences? The answer is simple: hide it all.

Governments as a rule do not publish data on government advertising spending. Organizations that engage in investigating spending of state advertising money like the Congress-funded Center for International Media Assistance (CIMA), the media arm of

America's National Endowment for Democracy (NED), and the World Association of Newspapers and News Publishers (WAN-IFRA) hired investigative journalists to unearth such information in a dozen of countries.

A comparative survey carried out by the Reporters Without Borders (RSF), a Paris-headquartered nongovernmental organization (NGO), and studies from WAN-IFRA and CIMA found that state advertising is spent in a nontransparent manner, without any accountability mechanisms in place. Governments do not share information about how they decide to allocate advertising budgets in countries as different as Cambodia, Colombia, Mongolia, Tunisia, Malaysia, Mexico, Serbia, Macedonia, and Montenegro. Even when rules for advertising spending allocation are in place, they are not implemented. In the Philippines, the state has in place a system of rules and principles for distribution of state advertising, but no information on compliance with these rules is publicly available.

Finally, some governments do not even bother to hide how unfairly they dole out state advertising money. In Kazakhstan, the practice of purchasing advertising in friendly media, locally known as *goszakaz*, is a well-known fact in the local media industry. A form of state procurement of media services, *goszakaz* consists of a set of provisions related to how advertising from the state is presented that also include requirements related to the editorial line of media outlets that receive this funding (Rudusa, 2014).

State subsidies: Santa Claus is coming to town

Back in September 2013, Farhat Syukri, the head of the state-controlled TVRI, Indonesia's public service broadcaster, allegedly ordered his news reporters team to air the presidential convention of the Democratic Party that was held at a swanky hotel in Jakarta, the country's capital city. Mr Syukri did that as he was reportedly seeking political protection to remain at the helm of the station (Nurhasim, 2013).

TVRI, like many other state-administered TV stations across the world, is a government bastion, overtly promoting the agenda of Indonesia's political power. The station's management traditionally toe the government line. Much of that obedience is bought with money in the form of state subsidies (Ambardi et al., 2014).

All forms of public funding awarded to media described in this article are in reality government funding. License fees, state advertising, and subsidies from the government budget: all that cash is, in fact, revenue from taxpayer contributions disbursed by government-subordinated agencies to selected media outlets.

However, differences exist between all these forms of funding. In the case of state subsidies, this is probably the most discretionary form of state funding for media. Governments decide to allocate state subsidies to media as they wish. TVRI in Indonesia is one of those media benefiting from such subsidies. Between 2008 and 2013, the government subsidy to TVRI increased from IDR360bn (US$31.1m) to IDR864bn (US$74.6m). There was no clear indication how the state decided to increase its grant to TVRI.

Direct subsidies are another form of state funding authorities use to control media. Preferential allocation of funding from state coffers has long been an effective method to tame critical media or keep supportive media in business.

In Serbia, throwing state subsidy cash at media outlets is an old, entrenched practice. Its history is intertwined with the procrastinated privatization of a slew of state-owned media outlets, including TV stations, newspapers, and news agencies that state authorities have traditionally funded before 1990. Some 100 in 1000 media outlets in Serbia were still state owned in 2013. That is not a high percentage. The problem is that many of these state-controlled outlets are prominent, influential media (WAN-IFRA, Serbia; Lansner, 2013b).

In the Balkans, local media that massively rely on state funding are vulnerable to state pressures. A 2011 survey from the Balkan Investigative Reporting Network (BIRN) found that 21 of 33 local municipalities in Serbia paid subsidies to local media companies. The main purpose of these subsidies was to cover the core expenses of these local media. However, there is little transparency in how this funding is allocated. Only few of the 21 media reported how they spent the money (WAN-IFRA, Serbia; Lansner, 2013b).

In Montenegro, a European nation of some 621,000 people, state subsidies are included in a bigger 'state aid' package. A commission, appointed by the government, is in charge of monitoring spending of the state money. In 2014, some €28m were disbursed from this coffer, but the media outlets and other institutions that received the cash were not identified by name. Expenditures in this package are broken down in vaguely defined categories such as 'support to development of media pluralism' or 'public broadcasting services of Montenegro' (WAN-IFRA, Montenegro; Lansner, 2015b).

In Russia, the state has nearly institutionalized the practice of covering the expenses of those media outlets that are openly supportive of state authorities. The government, for example, used to cover all of the distribution costs incurred by the *Rossiyskaya Gazeta* newspaper (Rudusa, 2014).

The OSF 2014 survey found that governments awarded subsidies to media in 35 countries. In 28 of those 35 countries, the state subsidy was considered 'significant' compared either with the total budget of these media outlets or with the size of the local media market. In half of those 28 countries, the study found evidence that the funding was used to manipulate funded media (Dragomir and Thompson, 2014).

Indeed, state subsidies are probably the least accountable form of state funding in the media. While state advertising comes packaged in contracts and agreements and funding for public media is governed by a series of legal provisions and rules, state subsidies are awarded outside any contractual format, allowing greater room for manipulation and pressures.

There are examples of countries where the system of state subsidies for media is working fairly well. Sweden, for example, has a particularly well-designed subsidy system that was created back in the 1970s (Nordenson, 2007). But these are rarities. In most of the countries where subsidy schemes have been investigated, accusations of unfairness and corruption abound.

When state illogic collides with market logic

Media observers and journalists were stunned by plans of the Hungarian government unveiled back in 2013 to introduce an advertising tax. There is nothing unusual about taxes. Citizens are usually upset about them. But this tax in Hungary was devised in such a way to financially cripple one TV station in particular, the German-owned RTL Klub.

At the time the tax was introduced, RTL Klub was known for not bowing to the Hungarian government. The station was striving to provide impartial news. Shutting down media outlets by force is not a specialty of the Hungarian government. Thus, the government's number crunchers were asked to calculate how much money they should wring out of RTL Klub through a legally adopted tax to hurt the station's profitability.

Concocting an advertising tax that would clobber RTL Klub's budget was an ingenious 'legal' method to put pressure on the station's finances. The legal provisions eventually introduced by the government consisted of a progressive tax on advertising revenues that hurt chiefly companies with revenues in excess of a level clearly defined in the law. The government refuted allegations that these provisions were tailored to hurt specific media players in the market. The tax led to a decline in the net profit of the RTL group from €535m in the first three quarters of 2013 to €306m in the same period the following year (*Financial Times*, Vasagar and Byrne, 2014).

Disrupting the market logic is a complex, highly effective form of media capture strategy. Financial in nature, this form of capture consists of either incentives or penalties devised to coerce media into adjusting their editorial coverage to requirements and orders coming from authorities and their close businesses. Such indirect pressure takes oodles of forms ranging from legal provisions aimed at hurting the financial health of specific media companies to tax exemptions adopted for the benefit of cheerleading media outlets to underwriting unpaid taxes or debts to the government.

Such pressures are mostly opportunistic. Authorities adopt such methods at specific moments in time when coverage of some media becomes intolerably critical or when such measures help authorities and their close businesses build strong media companies or alliances that neuter or marginalize critical voices.

Among all these forms of pressure, penalizing companies for failure to pay taxes is frequently used. In Turkey, only those media who refuse to serve the government and the parties in power are punished when they fail to pay taxes. A frequent target of such punishments is Dogan Group, which publishes the daily *Hurriyet* and operates the broadcaster CNN Turk (Tunc, 2015).

In 2011, the A1 TV station in Macedonia folded due to inability to pay taxes. Its owner was imprisoned. But MRTV, the Macedonian public broadcaster did not suffer any consequences for failing to pay at the time some €1.5m in taxes although that sum made MRTV one of the worst tax offenders in Macedonia. Instead of being scalped, ironically, the public broadcaster was awarded €4m in state subsidies (WAN-IFRA, Macedonia; Lansner, 2015a).

Small outlets in particular are extremely vulnerable to tax-related pressures. *Kikindske*, a tiny local newspaper in Serbia, saw its accounts frozen because of a difference of €5000 in owed taxed. In contrast, Pink, a mighty TV group with operations in Serbia, was not touched by authorities despite debts worth millions of euros that they owed to the Serbian tax office (Hrvatin and Petkovic, 2016).

What all the media organizations targeted by tax bureaucrats have in common is their critical editorial line. In contrast, media outlets that are not targeted by tax auditors, despite sometimes even larger unpaid debts to local tax offices, are unstinting government supporters:

> Financial relations have planted a thriving field of inscrutable irregularity, of abuse and public resource theft between the media and the state, or rather between media owners and ruling political parties. All this comes at the expense of journalism and the public. (Hrvatin and Petkovic, 2016)

Some governments employ even more sophisticated financial schemes to suppress criticism in the media. The advertising tax in Hungary was not only tailored to neuter critical media. It was also aimed at compromising negotiations to sell TV2, a broadcaster outside the government's influence. Government stooges calculated that one effect of the tax would be to reduce the market value of all TV stations in Hungary, which would scare off potential investors and eventually make TV2 cheaper to acquire by people close to the government. TV2 was eventually bought by a friend of Hungarian prime minister Viktor Orban.

Financial logic also influences decisions or strategic moves of broadcast regulators, which in most countries are government-controlled bodies. For years, state authorities in Mexico postponed tenders to license new broadcasters because the entrance of new players was very likely to shake the duopoly of Televisa and Azteca channels in the television market. That would have dented into the stations' turnover. The government, which had close relations with the broadcasters, did not want to hurt them (De Waal, 2014).

Governments often use regulatory authorities to intervene in the media market. Such interventions are indirectly aimed to dissuade media outlets from reporting critically about state policies or prevent new voices from entering the market. But in some countries, governments do business with private, nonmedia companies to defend close media outlets. In Montenegro, for example, the government offered guarantees worth millions of euros to the privately owned banks Societe Generale of France and Austrian-owned Erste Bank to secure loans to recapitalize the daily *Pobeda*, a formerly state-owned daily known for its pro-government agenda. The funding helped *Pobeda* stay afloat (WAN-IFRA, Montenegro; Lansner, 2015b).

Self-censorship, biased coverage

Back in 2013, a leaked wiretapped conversation involving the Bulgarian prime minister, a prosecutor, and a minister revealed the premier's frustration with the critical media. He bitterly complained about how unflatteringly media covered him despite all kinds of 'technical assistance' the government provided to those media outlets. By 'technical assistance', the minister meant money. Millions of euros were poured into the media. To rustle up a mere Facebook page, a media outlet received some €51,000 (US$53,000) from the government. All that money came from a development program of the EU. In other words, money collected from taxpayers across Europe was used by Bulgarian authorities to pay for positive coverage in the media (WAN-IFRA, Bulgaria; Lansner, 2016).

Evidence that governments use funding at their disposal to buy positive coverage and annihilate critical media abounds. What is truly worrying is that all these practices are feeding into a set of systematic attacks on media freedom that are a key element of the media capture identifiable in a raft of countries all over the world.

A report on the state of soft censorship in Bulgaria concluded that

> […] the impact of such practices on media freedom is highly negative. Many outlets that are chronically short of funding compromise editorial integrity by offering favorable coverage of official institutions in exchange for financing. (WAN-IFRA, Bulgaria; Lansner, 2016)

Funding gives the state excessive control over large swathes of media market. A progress report of the European Commission in 2014 indicated that the government advertising strategy in Macedonia cements ‘indirect state control over the content that media operations produce’ (WAN-IFRA, Macedonia; Lansner, 2015a).

But what kind of media coverage do countries whose media are captured end up with? Usually, the news media en masse avoid topics that could hurt authorities. This is the case in countries where there are few alternative independent media for citizens to get informed. Such topics are thus only covered by the few online news media that usually reach out to ‘the converted’, those audiences who actively seek out other sources of information than the mainstream, authority-controlled ones.

Second, there is a growing number of countries where captured media are becoming overt supporters of the authorities. They cover controversial topics, but in a blatantly biased way favoring those in power. In Hungary, the news portal Origo took an aggressively pro-government line after it was sold by German telecom giant Deutsche Telekom to a local media company close to the party in power. Since then, its home page constantly featured attacks on the favorite targets of the country’s premier, Viktor Orban: migrants, opposition parties, and philanthropist George Soros.

In Hungary, decisions about state advertising allocation have a direct effect on how newsrooms operate. Increasingly, Hungarian journalists are censoring themselves. They tend to avoid conflicts with both private advertisers and the government. TV2, the second-largest station in Hungary by audience, employed a right-wing journalist after the 2010 elections to serve as a special advisor to the station’s CEO in a move aimed at winning more state advertising contracts (WAN-IFRA, Hungary; Lansner, 2013a).

Hungarian investigative journalism outlet Atlatszo.hu documented a string of cases where state funding is directly linked with changes in the editorial coverage. Many of these media outlets are local media, which are particularly vulnerable to control by local governments. They often succumb to pressures and become propaganda channels serving local municipalities. The local municipality in Debrecen, controlled by the ruling party Fidesz, has regularly provided funding to most local media companies, both those close to the local authorities and those independently owned. Municipality-owned media are mere propaganda channels for the local government. Those independently owned, with funding coming in from municipalities, tend to also become loyal to the local bosses. Some of them choose to remain ‘apolitical’ not to endanger funding from local authorities.

In Mexico, advertising contracts concluded with local media commonly include commitments of these media to run pre-approved interviews with officials as well as provisions about specific editorial coverage of authorities. State advertising is often presented in the form of disguised news reports.

But state funding is not only having a negative impact on journalism. It also leads to distortion of the market and hurts competition. This is also part of the media capture. The weaker the market, the less space for diverse voices to survive.

State subsidies undermine free-market competition as it gives recipients a stronger position in competing with other players. In Serbia, the privately owned news agencies Beta and Fonet, which have been operating for some two decades, were badly hurt by the decision of the government to regularly subsidize state-controlled news agency Tanjug, a competitor. In 2012, Tanjug and Beta produced a relatively similar quantity of news output with relatively the same amount of revenues. But a cash injection into Tanjug that year, which nearly helped double its budget, gave the state news agency a spectacular competitive advantage in the marketplace.

Governments rigidly guard information about their spending in the media. However, misuse and abuse of funding by governments have been widely documented. The problem is that not much is changing. Despite numerous journalistic stories and reports, no official investigations that would put paid to such practices have been carried out.

Solutions, anyone?

Cases of countries where civil society called for more transparent spending of government funding, such as Brazil and Peru, are rare. Solutions-based, policy-oriented advocacy is needed particularly in these dire times for independent journalism. Paradoxically, the solution to dismantling media capture by government is the tool itself that the government uses to exert its power in the media: money. The funding used by government through all the schemes described in this article to finance media would be more than sufficient to solve the financial predicament independent journalism finds itself in many places all over the world. Equitably spread among more media outlets, all that public money would revive independent journalism today.

All that requires a volte-face from authorities as well as concerted advocacy work of civil society. Authorities should be open to accept revisiting policies and regulation about state spending in the media.

New rules, ensuring transparency and equitable spending of public money in the media, should be put in place. As authorities seem firm on hiding information about how they spend state money in the media, this will not be a cakewalk. Advocacy by civil society groups and concerted coverage by media and journalists of issues related to funding in the media could be a way to tackle the problem. As this is a problem concerning the society, as it concerns taxpayer money, advocacy should be extended to reach out wider groups of citizens. In some countries, there is a momentum to open such a debate as citizens are increasingly aware of where their tax money goes and want a say in that.

When it comes to actual changes in policy and funding mechanisms, three things are needed. First of all, a mechanism to make publicly available the data about all government funding going into media and journalism should be created. For this mechanism to work, it should consist of monitoring functions to make sure detailed accounts of spending are made public.

Second, the debates and the decision-making process about the amount of funding earmarked for journalism and media, and criteria to spend that money, should be opened up. Representative organizations, including professional and industry bodies, academic units, and civil society groups should have access to these debates as well as power to influence decisions.

Third, as all this funding is exclusively coming from taxpayer contributions, governments should involve civil society as well as the journalistic community, in a reasonable and meaningful manner, in revising or creating media policies and supporting programs for journalism. Especially today, when access to information has grown spectacularly, thanks to the Internet, people do not want to be forced to support certain media outlets. However, independent journalism is a public good and the past decades have clearly shown that the commercial model is not fit to support such work. The solution is public funding. But any form or model of public support for journalism has to be built from scratch, in close consultation with representative civil society groups. For any public model of funding journalism to work, the public's buy-in is crucial.

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