

Steps to a Free, Financially Viable Media

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The existence of a free and functioning media, long associated with any successful democracy, turns out to have equally strong links with market economies capable of growth, job creation, and poverty alleviation.

The link of a functioning media to economic progress has lifted questions of media freedom and viability out of a purely political sphere of discussion. If a flourishing press seems to go hand-in-hand with better economic outcomes—including measures such as lower child mortality—then institutions like the World Bank and the United Nations Development Program must begin to support media development as one of the contributing elements in a broader economic and social development.

However, the interaction between the media and the surrounding economy isn't simple. The media contribute to economic activity, but the state of the economy itself impacts the health of the media, most directly by affecting the audiences and advertisers that news organizations look to for their financial independence. Experiences in various countries illustrate the ways that press is embedded in the economy, both contributing to it and drawing from it—at least when laws, policies, and business acumen of media managers permit.

In Poland, the major daily newspaper, *Gazeta Wyborcza*, endured the grim years of communist martial law, running the press by hand and struggling to support jailed staff members. Democracy, an end to iron-fisted government controls, and a general economic reordering radically changed the environment for media activity. In the mid-1990s *Gazeta* privatized, moved into radio, television, and the Internet, and tapped Poland's growing private sector for advertising. Zofia Bydlinska, an editor at the once-beleaguered daily, did some calculations at one stage in the expansion and figured that her shares in the media company, acquired early on in the transition at preferential prices, had soared to a value of \$2.3 million.

Media companies don't always follow this trajectory, however. In January 1999, Anderson Fumulani, an enterprising reporter and editor in Malawi, launched *Business Watch*, an independent quarterly magazine covering business and economic developments in the

recently democratized southern African state. He economized by hiring journalists-in-training who expected little if any pay, and he worked tirelessly to attract advertising from Malawi's private sector. But after four issues—none of which drew more than 500 paying readers—Business Watch folded. Rather than calculating his increased share values, Mr. Fumulani was still sifting through invoices two years after the publication collapsed. "I still haven't finalized the phone bills," he complained.

Malawi, one of the world's poorest countries, is constrained by high rates of illiteracy, weak distribution networks, and a business sector that remains subject to political influence. While foreign investors have poured millions of dollars into Poland's promising media business, most see Africa's struggling independent presses as heroic money-losers, lacking audiences and advertising bases to generate much of a profit, even if laws and policies turn benign, as some have. Advertising often comes mostly from the state. Even independent companies may be sufficiently concerned about government reprisals that they are reluctant to advertise in publications critical of the government.

Behind the often passionate debates over media rights and responsibilities is a simple fact too often overlooked by the international organizations shaping media support projects: The media is a business. And as the Polish and Malawian cases illustrate, the news business is capable of creating both soaring financial successes and dismal failures. Like any business it is profoundly affected by surrounding economic realities. But it must do more than ride waves of GDP growth and contraction up and down. Rather, media successes arise from strategies for building readership, reputation, and profits in a variety of economic conditions.

As more analysts recognize a functioning media to be a "development good," capable of contributing to improved accountability, efficient markets, and information-rich societies, it is important to recognize that all these benefits are derived from the media's financial independence. And that independence, in turn, is a function both of the surrounding economy and a particular media company's ability to turn a given economic environment to its advantage.

The Quest for Financial Independence

The quest for financial independence is seldom easy.

Financial pressures may push news organizations toward rescuers who assure their solvency, but exact a heavy price in terms of their independence. Financially weak media in fragile democracies are vulnerable to absorption by political or economic interests inclined to operate news organizations less as businesses than as propaganda units.

Tatiana Repkova, who established a business weekly in the early years of Slovakia's transition and later became editor of Pravda, a major Slovak daily, writes: "In formerly communist countries media censorship as the main constraint to freedom of speech has been replaced, largely, by economic pressure. . . . For independence, this is a good thing, although it is not always understood that way."

This sentiment was echoed in an October 2001 online newsletter of the International Center for Journalists (<http://www.ijnet.org>). According to this report: "Print media in Serbia face formidable economic problems and are often looking for financial support. As a result, 'they become an easy prey for politicians,' Dragan Janjic, editor-in-chief of the Beta News agency, told a roundtable in mid-October organized by the Institute for Philosophy and Social Theory."

According to the report, Janjic added that major changes in the media would become visible only when major changes in the economy occur. "Before that, there is nothing we can look forward to," Janjic said.

As the Serbian editor's testimony underscores, worsening economic pressures often push news organizations to seek a safe harbor, which can mean turning to politicians or special interests for support. Doing this, however, may damage their editorial independence. The paper or broadcaster might be chalking up business losses, but if it is helping to swing an election, or locking in a desired legislative or regulatory advantage, the proprietor would likely conclude that the media unit had earned its keep.

Russia: A Flowering and a Downturn

Nowhere has this link to the surrounding economic conditions—and the ups and downs of a rocky economic transition process—been more starkly illustrated than in Russia. The country experienced a flowering of media freedom in the first two years after the fall of the Soviet Union, but this new media culture then hit the bleak economic realities that followed. As per capita income

plunged more than 50 percent over the decade, and advertising outlays stagnated, much of the media fell into the hands of new and highly politicized sponsors, both public and private, who have used the media to their own narrow ends.

After the demise of the Soviet Union, most Russian media sought both editorial independence and financial sustenance from public authorities or business sponsors. It was a formula for failure. Not only have the payments from government authorities been too small to assure the creation of modern media companies, but the continued dependence on partisan sponsors has done little to create quality journalism or to convince readers of the value of the media in the new post-Soviet environment.

One analyst of Russian media patterns, Ellen Mickiewicz of the Terry Sanford Institute of Public Policy at Duke University, finds that typical media consumers have adjusted permanently to these distortions: Russian readers and viewers, she says, have little expectation of accuracy and reliability, and hold to an understanding that "information isn't in and of itself a stable commodity." From this vantage point, Russians look at media output as a multiplicity of slanted reports, offering in combination a mosaic of information from which consumers must extract their own versions of what's true and accurate.

Regional governments still today allocate a significant slice of their budgets to mass media, and while these subsidies aren't enormous in monetary terms, they're enough to cause headaches for independent competitors, who must survive without the financial or political collaboration of the local government. It can be problematical to compete for advertisers against subsidized rivals who are able to cover part of their costs with government funds and offer lower rates to advertisers.

Media companies that did not become dependent on political authorities fell into the hands of the financial and business empires that emerged in Russia in the 1990s. The notorious "oligarchs" tended to run media units not as quality information and news concerns but as propaganda arms for other interests. The media units became embroiled in the battle between the oligarchs and the government, and their "independence" was as restricted as those dependent on political good will.

Yet, many Russian media managers say the country is

slowly emerging from the most difficult phase of its transition and will soon be more like Poland or the former East Germany. It will be crucial to establish a steadier economy, along with a new capacity to build a financial base from private advertising rather than government largesse or oligarch subsidies.

Digital Divides, Digital Frontiers

As concern intensifies over the world's "digital divide," it is useful to note that high-tech connectivity generally tracks with low-tech media saturation. In "Digital Divide: Civic Engagement, Information Poverty and the Internet Worldwide," Pippa Norris writes: "Info-rich countries like Sweden, the United States, and Australia are not just ahead in terms of the Internet but also in the distribution of other media such as newspaper readership, radio and television sets, personal computers, and mainline and mobile cell telephones. There was little distinction between use of old and new media; the proportion of those online in each country was most strongly related to the distribution of hosts, telephones, and personal computers, but it was also significantly and strongly related to the distribution of radios, TV sets, and newspaper readership in each nation. This means that people living in poorer societies excluded from the world's flow of communications such as Burkina Faso, Yemen, and Vietnam were largely cut off from all forms of info-tech, including traditional mass media like radios and newspapers as well as modern ones such as mobile phones and personal computers."

Still, online opportunities are helping some journalists sidestep state controls imposed on traditional media. One of the world's more interesting media evolutions has occurred in Malaysia, an Asian tiger economy where the Mahathir government enforces a law barring "malicious" news and permitting the government to shutter "subversive" publications. All news publications must be licensed annually. A Sedition Act and Internal Security Act further restrict criticism of government policies.

However, the new media platforms of online services and the Internet enjoy a highly protected status in Malaysia, which sees itself emerging as a high-tech power and wants to avoid ensnaring the emerging information technology sector in the same tangle of constraints that surround the mainstream news media.

Steven Gan, a pioneering journalist who often found himself at loggerheads with the government, in late 1999

launched Malaysiakini, an Internet newspaper, and has succeeded in keeping it afloat since, with a readership of between 120,000 and 150,000. Bringing in seed money from the Southeast Asian Press Alliance, Gan found that Malaysiakini had attracted 100,000 readers after 18 months of operation, five times the 20,000 he had hoped to draw. Meanwhile, the paper lined up private advertisements covering 50 percent of its operating costs.

The business strategy is tailored to the economic and political realities in Malaysia, where a comparatively vibrant advertising base exists, and where audiences were curious to read online what was missing in the mainstream media. Most crucial was the opening created by the government's divergent policies for old media and new media. "The government has promised not to censor the Internet while keeping tight controls over the traditional media," Gan said. "We're exploiting that loophole."

Those countries that have made the most rapid progress—such as the fast reformers in Central and Eastern

Europe—have made the creation of an effective news media an integral part of the public sector and economic reform agenda. Not only have these countries insisted that the media be privatized and taken off the budgets of the national and regional authorities, they have pursued economic and regulatory policies aimed at creating an environment in which the media business—and an information-based economic system—can take hold. They have also learned to live with the criticism that the news media are inevitably directed against public authorities, recognizing that such criticism is in itself one of the ways that governments adjust their policies and correct their mistakes.

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