

## **Economic Pressure on Media**

### **THE REAL GAME HAS ONLY STARTED**

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The role of media is extremely important in development of democracy in transition countries. And there are few things that are as slow, difficult and full of hardship as media transformation. Burdened by socialist heritage, various strains and underdeveloped media market, media painstakingly try to find their proper place in young democracies. And it is even harder for journalists who feel major hardship and pressure upon their fragile shoulders in such unsettled circumstances.

Media in transition countries have paid the highest price to the old, communist idea of the media role, i.e. being promoters of governing structures and their policies. This is why a movement for media freedom developed, generously subsidized by international organizations. The movement itself played an important role in making media free from direct and rough pressure of governing politicians. Step by step, accompanied by hardship and notable sacrifices, some general circumstances for media freedom were established and the general status of media in Southeast Europe is much better now than it used to be ten years ago. While one can be satisfied by what has been achieved, almost unnoticed and overshadowed by the general battle for media freedom, some new and previously nonexistent power centers were created that have taken control over media.

The problem is no longer pressure of politicians that media and journalists can resist successfully with the help of the international community and huge personal sacrifices. Problems today originate from new power centers: advertisers, multinational media corporations and partnership between financial institutions and politicians.

These new media pressures are not as obvious as the pressure exerted by politicians. New partnerships are much more subtle, less obvious, quite often not disclosed to the public and can be recognized by subtle preference for those views of life offered by financial centers. Media changes are obvious: tabloidization and infotainment prevail, media content is handed

over to advertisers; new media products are primarily devoted to meeting the standards of advertising and only after this has been achieved is their content “tailored”.

The public has not yet become sensitive to this new threat to media freedom because it cannot be easily identified. To be quite honest, media influenced by advertisers are much more attractive than politicized and boring mouthpieces of governing politicians that inarticulately assure the public that they are irreplaceable.

This is not a quality specific only of the Southeast European media landscape, let alone Croatian. Economic pressure on media is well known in developed western democracies, too. Back in the mid-eighties, the well known American media theoretician Ben Bagdikian issued a warning in his book “The Media Monopoly”: The world is governed by a powerful *triad*: global media corporations, multinational industry and global bank establishment!<sup>1</sup>

Politicians have become only minor-league players for the almighty *triad*. It is also true that politicians cannot do without strong financial subsidies and this is why they serve *the triad* willingly. The media have acquired their specific marketing role which is not easily seen and self-evident, but it makes it even more efficient and destructive.

The political establishment has recognized this danger, which resulted in warnings issued by responsible politicians and members of governing structures who care about public well-being. Larry Killman, Director of Communications of the World Association of Newspapers, in his article *Economic Pressure on Press Freedom* warns about increasing economic pressure on media:

“This economic model for advertising-based media can be found in every democracy on the planet. When we talk about freedom of the press and development of independent media, we are talking about achieving this model or we are not talking about freedom of the press at all. Freedom does not exist elsewhere than in these democracies. No one has come up with a better model, despite its imperfections”.<sup>2</sup>

Unfortunately, he is quite right: media freedom has been achieved only in democratic countries and their media model is based on income from advertising. Media deviations are more conspicuous in transition countries because subtle relationships have not yet been developed and regulated, which make them more obvious.

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<sup>1</sup> Bagdikian, B. (1990). *The Media Monopoly*, Boston, Beacon Press, p. 85

<sup>2</sup> [www.unesco.com](http://www.unesco.com), April 29, 2003

The 2003 Euro-Asian Media Forum participants stressed the destructive nature of economic pressure on media, exerted indiscriminately by states and private entities or new tycoons. The question they raised was whether the existence of independent media without international help was possible at all. Namely, media ownership has rapidly been concentrated in the new states of the former USSR and Central Asia. Huge responsibility has been laid upon local economy to ensure independent media coverage of their economic interests, while simultaneously avoiding accusations of using media as their marketing tool.

Concerns about new, economic pressure on media, especially in transition countries, have become topical. However, the basic question has not yet been answered: Is it not already too late?

### **Media Landscape in Croatia**

Croatia is a transition country which had, in comparison with some other Southeastern European countries, relatively developed media back in the socialist era. Due to western influences, journalists in the Titoist Yugoslavia managed to create high quality media products. Magazines published by the news and publishing house *Vjesnik* had the highest circulation figures in the former Yugoslavia. *Vjesnik* was the biggest news company on the Balkans. It was also the leader in technological applications; *Vjesnik* bought the first offset machine, it was the first to introduce computers in newspaper production, etc. Such business policies were reflected in business success and media houses had enviable success in comparison with other businesses.

Nowadays, Croatian media landscape has 19 television outlets, 143 radio outlets, 11 daily papers and a few hundred magazines, some of which have respectable circulation figures, while others barely survive on the insecure market.

Various state structures, from government to counties, are still majority media owners.

“Symptomatically, almost 70% of local radio outlets are in the partial or dominant ownership of local governments”, Mr. Zeljko Matanic, Secretary of the Croatian Radio and Newspaper Association (HURIN), stressed.<sup>3</sup> Even a 25% share of *Radio 101*, highly praised for its independence, is owned by the city of Zagreb. The Croatian government still owns or

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<sup>3</sup> Presentation at the meeting “Media Independence” held in Zagreb, February 17, 2005

controls the daily papers *Vjesnik* and *Slobodna Dalmacija*, the news agency HINA, the printing-house *Vjesnik*, and quite a number of small media outlets.<sup>4</sup>

The Catholic Church as a media owner is no less important. It owns the news agency IKA, national Catholic radio, the respected weekly *Glas Koncila*, quite a number of magazines and a TV production.

International media corporations are new, but powerful players in the media arena. The most powerful is WAZ, omnipresent in Southeast Europe. The company owns a total of 519 papers, 29 of which are dailies (Austria, Germany, Hungary, Bulgaria, Croatia, Czech Republic, Serbia and Montenegro and Romania). WAZ controls 40 - 50% of the newspaper market in Croatia because it is a 50% owner of the biggest newspaper and publishing company Europa Press Holding.

The Austrian Styria is the owner of the best-selling daily *Vecernji List*, and it has just started publishing a new daily called *24*. The Finnish Sanoma is also significantly present on the Croatian market. Considerable presence of some other media, such as Springer, is also to be expected.

A feature of Croatian media relationships is that significant and independent owners have completely disappeared. *Feral Tribune*, the most internationally awarded weekly for its role in the struggle for media freedom, received loans from Independent Media Loan Fund, which is a partial owner of *Novi List* from Rijeka. *Nacional* weekly also has foreign investors in its portfolio; this shows that there are no foreign-ownership free independent media in Croatia.

The impact of ownership upon media independence is crucial. There is no way for media to be independent if they are owned by the state. There are no journalists or editors who can annul the influence of the state on editorial policies. Listeners, readers and viewers are deprived of balanced and unbiased information and, quite often, the very authenticity of reporting is to be questioned. Is it to be expected from a journalist to be critical or to disclose local government abuses if his/her salary depends on local politicians?

The role of local radio outlets in Croatia is important precisely for dissemination of local information. If 70% of local radio outlets depend on local governments, it actually means that

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<sup>4</sup> Malovic, Stjepan: Croatia, published in "Media Ownership and its Impact on Media Independence and Pluralism", ed. Brankica Petkovic, SEENPN and Peace Institute, Ljubljana, 2004

the vast majority of the population gets controlled information about local news and, consistently, does not know whether the local government performed its duty well or not. Of course, this also implies that the public is not qualified for decision making in elections, which means that local politicians influence election results.

The situation is no better with the role of the Catholic Church as a media owner. Church authorities take a firm position on some important secular issues, such as abortion, medically assisted fertilization, gay couples, education, etc. Media owned by the Church cannot be critical to Church activities, nor can they question the role of the Church in secular issues, and in this way church-owned media manipulate the audience.

International global media corporations directly influence media freedom by killing small and independent media that cannot compete with the giants. This leads to killing media pluralism, the voice of the independent is lost, while corporative, profit-oriented journalism prevails. Global media corporations favor tabloidization and infotainment because it sells well. Since serious and responsible journalism does not yield extra profit, they have no interest in it. Unfortunately, this diminishes the informational value of the media market. The public is informed about unimportant but sensational events, while important issues are missed out by global corporations.

This is how ownership limits media freedom, jeopardizes the independence of journalism and, in the long run, transforms media into entertainment promoters, while neglecting the role of media as a watchdog of social life.

### **Laws only on Paper**

Media legislation in Croatia is characterized by overproduction of laws and regulations that are usually not applied. New laws are passed each year, while old ones have not yet been applied. The Law on Croatian Radio and Television is paradigmatic; it was passed only a year ago and yet it will be changed soon, due to the obligation of harmonizing laws with EU standards. It seems like a joke that the present manager of Croatian Radio and Television has experienced several changes to the Law in his mandate.

Non-application of regulations brings about a total mess on the media market in which the strong and the unscrupulous dictate the rules of the game. The Law on Media explicitly regulates the media obligation to publicize annually relevant data on ownership structure, editorial policies, business results, number of readers, listeners and viewers, income figures,

etc. This data determines the position of each media outlet on the market and transparency of the data influences both public reactions and business operations because advertisers know who they buy advertising space from and are able to identify the possible effects of advertising.

The publishing of data required by the Law on Media would clarify some doubts about the ownership structure, point out the connections among owners and clarify the media market situation. Despite the unambiguous provisions of media laws, no one has been able to prove the existence of monopoly because there is no correct data available.

“There is no monopoly on the Croatian newspaper market”, representatives of the Agency for Protection of Market Competition claim. They base their claim on some second-class data or data provided by media owners themselves rather than on a transparent market survey. Failure to respect legal regulations makes implementation of other media regulations impossible, too. The circle is closed; off the record everyone knows what it is about and major decisions are made in power centers. Consequently, the owners of major media become key players in the country; connected with advertisers and financial institutions, they influence political decision making, form unnatural coalitions and disregard the media role as the fourth authority in any given society.

### **The Power of Advertisers**

The contemporary idea of media industry is based on advertising income. It was a long time ago when major newspaper income came from selling papers at booths while a minor part was obtained from advertising. Today, the situation is reversed. Media outlets live off advertising and the advertising industry turns huge money. In 2004, advertisers spent more than three billion Kunas on advertising (approx. 400 million €). This huge cake is divided among three major beneficiaries. Television took 2,096,575,336 Kunas for advertisements, or 66%. The press is significantly more moderate; paper pages displayed advertisements in the total value of 845,730,829 Kunas, or 26%. Other forms of advertising, known in marketing jargon as “outdoor”, earned a total of 259,814,713 Kunas, or 8%.

The listed data comes from MediaNet and includes only advertisements that have been registered. Other types of business arrangements that include promotional reports also exist, but they are not publicly disclosed; the conclusion is that huge sums of money are involved in the media business. The advertisers themselves make the decision on what media space to buy and the length of the contract, annual or even longer. There is not a single media

manager who is indifferent to contracts with advertisers. In what way and to what degree do advertisers affect media editorial policies? We shall discuss it later, but without much optimism.

Economic pressure is never as easily seen and identifiable as political pressure. Influence on media is much more subtle and quite often it anticipates certain attitudes, which makes it almost imperceptible. There is very little direct pressure or threat to cancel advertising if any critical articles are published about a particular company. Economic measures are much more efficient when they create an economic environment in which media operate in advance; this is why quite often there is no need for rough, shotgun measures that are so often used by political or other power centers.

### **The State: Measures that Dictate Business Operations**

The state has numerous ways of exerting economic pressure upon media. It is a paradox that media organizations in Croatia are still predominantly owned by the state and that the state puts media into an economically unenviable situation.

The highest economic pressure of the state upon media is the obligation to pay VAT at the single rate of 22%. As soon as VAT was introduced, media companies cried out against it because it would have a devastating impact on media position, particularly newspapers, because readers would not be able to buy expensive papers. All was in vain; VAT decreased newspaper circulations. Croatian citizens buy relatively expensive papers in comparison with European countries (6 Kunas or 0.85 € for a daily), which has led to a decrease of newspaper circulations. It has been calculated that as little as 30% of the population buys newspapers. Citizens often stress that newspapers are too expensive. A monthly expense for one daily is 180 Kunas, and this is a lot compared with monthly radio and television subscription of 59 Kunas.

On the eve of each parliamentary election, the ruling party flirts with publishers, promising a VAT decrease after the elections, but this has never happened even when the party was re-elected.

Public television also depends on the Government because it directly controls the subscription rate. But not only that. The Government and Parliament decide on legally permitted advertising time for public TV, as well as commercial televisions, hence limiting advertising income. Croatian Radio and Television not only collects subscription, it can also

sell expensive advertising time, which makes it the richest media company in the country; such business success is the result of Government decisions rather than the company's market success.

The Government can also economically jeopardize media by increasing transport and fuel costs, postal fees and newspaper distribution.

However, state influence does not end with control of the circumstances of business operations. The state also regulates tax rates for journalists as individuals. (Non)recognition of tax deduction for journalists, especially freelance journalists, directly affects their professional operations. Journalists depend on their after-tax fees; if they have to pay enormously high taxes for medical and retirement insurance, they cannot operate independently and their critical attitude declines. It is a paradox that the state, without much deliberation, provides much better conditions for pop singers who earn much more than journalists, and yet, journalists' tax deductions are significantly limited. Of course, pop singers do not criticize the government and journalists do not sing pop songs.

The state has a few more aces up its sleeve, just in case. It owns the biggest printing company, it controls radio and television transmitters and location licenses for newspaper booths, it issues radio and television licenses, etc.

This possible pressure is connected to political pressure and must be viewed as a coherent system of mass media manipulation and control.

### **Media Moguls: Closing the Market**

Media moguls strenuously defy any pressure on their business operations, but at the same time, they do not shrink from limiting the freedom of small, independent media and from economically subduing them. It is important to control the market and take the leading role, thus ensuring negotiations on equal footing with advertisers and other power centers. The global media trend is agglomeration of ownership, which is effectively obtained by buying small media outlets and creating big corporations.

Corporative journalism logic is disastrous for media pluralism and directly endangers media freedom the same way that any other aspect of media manipulation jeopardizes it. Corporative journalism does not follow the general postulates of the media role in society; it only aims at making biggest profits. If it means tabloidization, that is fine. If it means firing a

journalist, that is fine. If it means hiring incompetent, uneducated, but compliant journalists, that is fine. The only important thing is to have a product that attracts advertisers. In this way, newspapers become a portfolio for carrying ads, while radio and television programs only fill in time between ads and sponsored shows. Journalists are clothed by their sponsors, they report about events that their sponsors send them to cover and not because it is the editorial policy.

Media moguls close markets by subduing competitors' products. Association with advertisers is crucial. Small, independent media have no chance if all advertisements are channeled to corporative media. Circulation figures drop and they are no longer interesting to other advertisers; such media are doomed to slow, but inevitable failure. Small media outlets publish information, but never reach the audience because it is flooded by big media. The big can unscrupulously take over their information and take the cream although it is not their share. The strong get even stronger. Journalists flee from small media outlets because their salaries are not satisfactory and their professional work conditions become inadequate. The big buy them, offering huge salaries and excellent working conditions, but at the same time they take their edge off because some topics are forbidden, some individuals are not criticized, some wrongdoings are not challenged. Following this pattern, corporations blunt journalism and, in the long term, destroy it.

### **Advertisers: Media Decision Makers**

Advertisers are extremely important for contemporary mass media. We already mentioned the size of the annual advertising pie in Croatia. Media cannot do financially without advertising income. An advertisement is income, but it is also a piece of information important for media consumers. It tells us where to buy cheap, where we can find new, important products, it informs about cheap flights and how to have a more comfortable life. An advertisement affects a great number of decisions we make. Contemporary advertisements also affect our life attitudes; an advertisement for a beverage does not inform about the quality of the beverage itself, but displays people who have a great lifestyle and, by the way, drink the beverage. Since we also want to experience a great lifestyle, the message is subconsciously embedded that we can experience the same great lifestyle if we drink the advertised beverage. However, if we do not experience it, we will enjoy drinking the beverage.

Thus, the media circle is closed and advertisers become a major factor in the economic survival of media. Those who advertise most, achieve best results on the market. We

become familiar with their products because they have been imposed on us as a symbol of great lifestyle by the media.

The biggest advertisers in Croatian newspapers in 2004 were:

T-HT	36 million
VIP NET	25 million
AGROKOR	12 million
OPEL	9.7 million
RTL	9.6 million
ZABA	9.4 million
PZ AUTO	9.2 million
HYP0	9.1 million
INA	8.6 million
BEIERSDORF	8.6 million

The ranking is hardly surprising: the first two on the list are mobile phone network operators. Mobile phones have become top ranking communication means and users spend enormous amounts of money for their use. Operators use clever tactics; they bring back a part of their earnings to media, reaching existing consumers and acquiring new ones. The sixty-four-dollar question for readers is: How many serious, critical reports have you read about the poor service of mobile telephone operators and are they in any realistic proportion to mobile operators advertising?

The top ten advertising categories in Croatian newspapers are:

	<b>Branch of business</b>	<b>% of advertising presence and income</b>
<b>1</b>	Daily papers and magazines	25.05%
<b>2</b>	Telecommunications	11.86%
<b>3</b>	Cars	11.31%
<b>4</b>	Finance	10.80%
<b>5</b>	Shops, department stores, sales	3.29%
<b>6</b>	Various institutions	2.31%
<b>7</b>	Interior design, home	2.07%
<b>8</b>	Computers	1.74%
<b>9</b>	Games of chance, betting	1.66%
<b>10</b>	Civil engineering	1.58%

Source : *MEDIANA FIDES*

The data is interesting. The most advertised in the newspapers are newspapers themselves! Bizarre? Perhaps not. Corporate managers calculate well. Newspapers sell better if they are advertised. And there is no one who is better at using their own medium for advertising. Not to mention the accessibility and the cost negotiations. It also coincides with the latest hype of selling books and CDs with newspapers, which has resulted in best selling records of both books and newspapers. It is proving to be a profitable business worth the heavy advertising.

Telecommunications is on top of both charts, which only proves its financial capacities. Two more branches of business are also important: cars and finance. Other branches of business used newspaper advertising much less.

Data shows the power and impact of the advertising sector in newspapers. It would be illogical for an advertiser to be indifferent to a critical report published in the same newspaper in which it buys expensive advertising space. There have been some examples of threats. The Media Council of the Croatian Helsinki Committee warned of "relationships between media and advertisers: recently it was found out that a big company had withdrawn advertising from *Vecernji Lis* due to critical reports. This is a clear case of a retrograde trend of suppressing the critical and controlling role of media for which political authorities of the country are primarily to be blamed."

It is therefore obvious that pressure exists, but it is not publicly displayed because neither advertisers nor media want the public to know about it. Some serious newspaper analysts point from time to time to an odd connection between a growing number of advertisements of a company and an increase in the number of stories about the same company; interviews with their CEOs although they had not previously appeared in public or favorably opinioned texts. There are stories among journalists that some editorial offices receive CDs with completely edited stories that only need to be placed on specific pages in a newspaper. Since this is classified as a top business secret, it is impossible to verify.

This brings us to the issue of disguised advertising, the worst form of disregard for basic ethical principles. Disguised advertising is spread throughout all countries of Southeast Europe, not only Croatia. It is most obvious in pre-election campaigns when some politicians constantly appear in newspapers and literally sleep at radio and television outlets, give numerous interviews and react to any event. Disguised advertising is a mode of survival of small newsrooms and, at the same time, good "moonlighting" for journalists that helps them increase their income. Some newsrooms openly talk about this; how to appear in a talk show

of a Zagreb local television station was openly made known. The information met general disapproval, but it did not deter politicians from appearing in the show. Viewers did not know whether they had given a list of questions to be asked to the “journalist” along with the money.

Immorality of disguised advertising has long-term consequences like self-censorship. A disguised advertisement, like an octopus, penetrates all media and manipulates public opinion. Unfortunately, journalists are not keen to talk about it, partly due to the fact that they are ashamed, but quite often because they do not think it is wrong.

There is one other form of economic pressure, but it is rarely talked about. Radio and television journalists often advertise certain products in their shows, they speak favorably about some restaurants, hotels or cars. This is paid advertising, but read by the journalist. Listeners and viewers cannot discern the role of the journalist in such cases: is he/she an advertisement reader or a journalist who provides information? For the reader, the difference is not significant, because they perceive certain journalists by his/her voice and his/her figure and in his/her role of advertiser. Of course, the practice is prohibited by the code of ethics, but nevertheless, it is not considered to be a special sin. In the course of time, boundaries between journalistic stories and advertisements disappear and confused media consumers do not understand what it is about. Advertisers gain profit, because they buy journalists cheaply, which they would not be able to do legally.

### **Following the Global Trends**

Economic pressure on media came as an addition to capitalism, market economy and western media model. It had existed in communism, too, but it had been less important in comparison with pressure imposed by the communist party.

The negative role of advertisers has been recognized. The Media Council of the Croatian Helsinki Committee “...acknowledges the tendency of some media owners and marketing companies to limit independence and freedom of journalists and their financial status in order to gain profit. The Council encourages journalists to maintain professional solidarity and to protect reputation and professional independence by exercising trade union activities and advocating editorial office democracy. The Council asks journalists to seek protection for their professional and material rights from associations for human rights protection, in accordance with directions of the International Federation of Journalists.”

This appeal was sent to the public in 2004, but it did not have much response. The mentioned European Federation of Journalists points out similar phenomena that endanger media independence and pluralism. This appeal has not had much response either.

The power of economic pressure is calculated in billions of euros. The chart of advertisers tells us that they are all global companies. Telecommunications are international companies, there are no domestic car manufacturers and all major banks in Croatia are owned by foreigners.

The whole issue is neither a Croatian specialty, nor a relic of the old, communist system. It has come to us from countries with media freedom. I will recall Larry Killman's warning. Ahead of us is a big and serious battle for fundamental media freedoms and this time it is a battle against the strongest opponent; *the triad* that rules the world.

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