

COMPARING THE FINANCING OF MEDIA IN SWEDEN, MEXICO, THE USA, AND CHINA

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I. INTRODUCTION

While reading a newspaper, listening to radio, or watching television, it is easy to overlook how much the content is affected by how it is financed, because financing usually is in the background of how people experience media content. For example, it is more enticing to be drawn to whether a television advertisement is funny, outrageous or silly, than to analyze how the use of advertising as a revenue source affects the look, sound, and feel of the television programming. Yet advertising, like all methods of financing, has a monumental impact not only on the design of media content, but ultimately on the freedom of people to access certain content.

This paper discusses the impact of financing on media content, defined as the provision of money or services in order to produce media content. The paper focuses on comparing the primary sources and methods of financing for newspapers, radio, and television across four countries: Sweden, Mexico, the USA, and China. These four countries provide very different models for financing media content. In identifying

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the sources and methods of financing, conclusions can be drawn about direct and indirect effects of the various financing methods on the shaping of the content and the relative freedom that audiences have to access certain kinds of information. A general overarching principle is that the broader the mix of financing used by a media organization, the less beholden that media organization is to producing and delivering media content that meets the goals and objectives of a single source of financing—such as a government, a corporation, or a mass audience—.

As might be expected, there is no universal approach to financing content in newspapers, radio, and television in a particular country. Rather, as Robert Hilliard and Michael Keith point out in *Global Broadcasting Systems*, different media content is paid for by different combinations of financing models that have developed within the constraints of prevailing geo-political and economic forces. For example, in many developing countries, the disposable income of the general population is not substantial enough to support advertising as a dominant financing model. In other words, there are not enough people with enough money to purchase advertised products. As the number of electronic media outlets (internet radio, satellite and cable television), has proliferated across the world, advertising and user fees have become more widespread as methods of financing media content. In contrast, government allocation as a method of financing has generally been on the decline or has held steady, as governments have sought to reduce expenditures on public services, which in some countries includes the production and distribution of media content. This trend is addressed in *New Media Politics: Comparative Perspectives in Western Europe*, edited by Denis McQuail and Karen Siune. Additional readings that discuss the financing of media include *Electronic Media and Industrialized Nations*, by Donald R. Browne, and *The Economics of Television* by Richard Collins, Nicholas Garnham, and Gareth Locksley.

II. METHODS OF FINANCING

1. Advertising

Advertising is a method of financing in which a provider of media content sells space or time to a vendor so that the vendor can promote a

product or service to the audience. Advertising is commonly used to finance newspapers and private radio and television broadcasters. The basic path of advertising as a method of financing media is usually as follows. A vendor pays a media organization to advertise a product or service to the targeted audience. Then, in theory, the targeted audience pays for the product or service in greater numbers than if they had not seen or heard the advertisement. Media professionals typically describe this process as selling the ability to access an audience, to advertisers. Academics sometimes describe this process bluntly as media selling audiences to advertisers. The type of advertising used depends on the medium. Newspapers sell space to advertisers, broadcasters sell time to advertisers, and web sites sell both space and time to advertisers.

Sponsorship is a variation of advertising in both commercial and non-commercial media content wherein space and time are “underwritten” by a vendor. In a typical underwriting agreement, the vendor is mentioned throughout the media content, in exchange for money. Sponsorship agreements with non-commercial (usually public-service) broadcasters ordinarily stipulate restrictions on how the vendor’s product or the vendor itself can be described during the mentions. Such restrictions ordinarily include limitations on both the amount and placement of sponsorship, the qualitative claims that can be made to describe the product or service, and calls-to-action for the audience to try or buy the product or service.

Advertising tends to be used in countries influenced by a Libertarian philosophy of media operations where there are capitalist, market-based economic systems. Two main assumptions lie behind the perceived worthiness of advertising as a method of financing. One assumption is that government should not be involved in financing the business of media, and individuals should not be required to pay for media. Rather, the financing of media should be a voluntary outgrowth of a commercial marketplace in which individuals freely select media content from the choices that are available. In this marketplace, a vendor pays for media content that is popular with audiences, by purchasing time or space within that content to advertise the vendor’s products and services. The second assumption is that individuals can indirectly select the choices of media content that will be offered by forming large enough audiences that entice vendors to continue to pay for the content through advertising. In

other words, media content that is not selected by individuals forming large enough audiences will expire because of the failure to generate enough advertising revenue.

Advertising as a method of financing media content is criticized for two major reasons. One criticism argues that when media organizations rely exclusively or predominantly on advertising as a source of revenue, misplaced priorities are given to advertising content over the arrangement of other media content. For example, newspapers are usually produced according to a system in which advertising content is laid out first. Afterwards, the rest of the content is laid out. Similarly, try this test with radio: Turn on the radio and do a "band sweep". That is to say, listen for a moment to the radio frequency at the far left of the band, and then either manually scan to the right or let the search button do it for you. Stop on each radio frequency for a few seconds. When you have reached the last frequency to the right, count up how many times you stopped on regular programming, and how many times you stopped on an advertisement. In essence, critics contend that if advertising occupies a large percentage of the space or the time available in the delivery of content, there is little room to deliver content that is devoid of profit-making potential, such as public service announcements, educational messages, artistic expressions, or just silly humor. Similarly, if advertising occupies too large of a percentage of space and time, other content gets squeezed into short and fast-paced segments that then become superficial and hurried. Critics such as Edward S. Herman and Noam Chomsky in *Manufacturing Consent*, and Neil Postman in *Amusing Ourselves to Death*, are especially vocal that when advertising squeezes news content into clipped segments, the public is denied the ability to examine deep enough content to reach an adequate understanding of weighty events.

A second criticism is that advertising effectively causes harm to society in a host of areas. The degree to which a country's regulatory bodies or the media organizations themselves will perceive any potential harms of advertising has much to do with the philosophies for media operations that are embraced. In general, countries with leanings towards a libertarian philosophy tend to place less governmental restrictions on advertising in favor of letting the marketplace regulate advertising, while countries with leanings towards a social responsibility philosophy tend to place more governmental restrictions on advertising in favor of protecting society from perceived harms such as: the innocence of children be-

ing exploited; social and political discussions having less prominence in public discourse than corporate commercialism; consumers being misled by false advertising; artists' creations being altered by advertising; the quality of media content being lowered to accommodate the advertiser goal of making content understandable to the largest possible number of people.

Supporters of advertising argue that it provides media producers with a financing model that allows media organizations to be more innovative and responsive to audience tastes. Because advertising revenue can be increased depending on the popularity of media content, media organizations theoretically have a strong financial incentive to invest in technology and content that meets audience tastes and continues to grow audience numbers, if possible. Supporters of advertising are also concerned that technologies such as TiVo, which allow viewers to record television programs and skip over the advertisements when they watch the programs, will thwart this method of financing television content.

2. License fee

A *license fee* used to finance broadcast media is a method where people are required to pay an annual fee for the privilege of owning and using television sets. Sometimes license fees are also levied on the ownership and use of radio receivers. But usually, one license fee is required only of people who own television sets, and the revenue that is generated is then used to pay for both public-service radio television broadcasting. It is important to note that license fees as a method of financing should not be confused with the use of the term licensing to describe the procedure when a government requires when a media organization (usually a broadcast organization) to be officially approved and registered before it can operate.

The British government pioneered the model of using a license fee as a financing source for broadcasting through the Wireless Telegraphy Act in 1904. Later, this fee was used to finance the British Broadcasting Corporation (BBC). Attachment 1 shows an example of the application and fee for a television license used in the UK in 2003.

The basic path for license-fee financing is usually as follows. A person who owns a television set or a radio receiver pays a fee to the gov-

ernment for the right to use the television set or the radio receiver to access media programming. The monies collected through license fees are then used to finance the production of government-sanctioned media content. Some governments in countries with license fees use vehicles with transmission-detection equipment to drive through neighborhoods in search of discovering and fining television viewers or radio listeners who have not paid license fees.

Mandatory license fees tend to be used in European countries with media systems grounded in a social responsibility philosophy, and in some countries that are former colonies of the European countries. Typically, there are three assumptions behind the worthiness of using a license fee to finance media operations. One assumption is that media use is a luxury that consumers should pay for directly out of their own pockets. The second assumption is that the design of media content should not depend on advertising financing, which caters to mass tastes. The third assumption is that direct government appropriation (discussed next) is unreliable because it can change with the political orientation of the government. The use of a license fee is designed to meet these three assumptions by generating a stable revenue source that allows media organizations to produce content, and to permit audiences to have the privilege of accessing media content.

The government usually decides the cost of a license fee, and collects or hires a surrogate to collect the monies. Typically, license-fee monies are allocated exclusively to public broadcasting services. Commercial broadcasters and newspapers typically do not receive any license monies.

License fees are described alternately as a tax or as a user fee. Those who support the view of license fees as a tax perceive that for the majority of a country's population, watching television is a necessity; therefore, a fee imposed on this activity by the government is viewed as a tax. Those who support the view of license fees as a user fee perceive of television viewing as an arbitrary activity that people choose to do.

License fees are criticized for three main reasons. Media professionals charge that license fees stifle investment and growth. The reasoning runs as follows: Because the revenue from license fees is dependent on a fixed segment of the population that owns television sets or radio receivers, the collectable revenue is also fixed. Consequently, broadcasters might have little incentive to improve the quality of content or the deliv-

ery of content if improvements will not increase revenue. Secondly, media professionals also criticize license fees as a source of financing by arguing that media organizations that receive such monies have unfair advantages (a stable revenue stream, and a guaranteed revenue stream) over media organizations that do not receive license-fee monies. Such critics contend that media organizations that have to look elsewhere for sources of financing are more dependent on the economic cycle and the popularity of their media products to sustain operations. Thirdly, critics argue that some people are forced to pay license fees for media content that they do not watch, listen to, or read. Fourthly, critics argue that some people who should pay license fees refuse to do so without getting caught. In response, supporters of license fees counter that, in the end, license fees enable media organizations to produce and deliver quality media content that is not as restricted by meeting demands of advertisers or pressures to achieve sizable-enough audience numbers.

3. *Government appropriation*

Government appropriation as a method of financing is where the government allocates monies or resources for the production and delivery of media content, usually on an annual cycle as part of the budgeting process for everything the government is going to finance. Government-appropriated monies or resources can be allocated to both broadcast and print media, though it is more common for monies to be allocated to broadcast media. Government-appropriated monies are allocated either as cash or as tax credits to the provider of media content. When government allocation only makes up part of the operating expenses of a media organization, the allocation is known as a *government subsidy*. Government-appropriated resources can include free postal service or utility expenses. The basic path for government appropriation as a method of financing is usually as follows: Individuals and businesses pay income tax to the government. Drawing on this general revenue, a government agency or legislature approves a portion of the monies to be allocated to designated media—usually public-service media—.

There are two main assumptions behind the worthiness of government appropriation as a source of financing. One assumption is that certain media—usually select broadcast media—should be set aside as public services made available to the general population and produced without

profit-making directives. The second assumption is that society in general should share the cost of providing public-service media content.

Government appropriation is most commonly used as a financing source in countries following Communist or Authoritarian philosophies, which seek to actively control media content, and in developing countries, which lack large enough middle or wealthy classes. As mentioned above under license fees, developing countries often cannot sustain an advertiser-supported system because of a lack of consumer demand for commercial products and services. By ensuring annual government financing, therefore, both fledgling and established media organizations can plan long-term objectives for the production and delivery of content. Government appropriation is also sometimes used in Scandinavian countries that provide subsidies to otherwise unprofitable newspapers in order to foster a wider range of political or social opinion.

Government appropriation as a method of financing is criticized for two main reasons. One is that the revenue created through general taxation is connected to swings in the national economy. In other words, a country in a recession will generate less revenue than when that country is in an economic upturn. The fluctuation in revenue generated by taxation leads to an appropriation process that never guarantees a stable allocation to media. This in turn makes it difficult for media organizations to plan the production and delivery of content. A second criticism is that, like the criticism of license fees, government appropriation forces some people to pay for media content they do not access. A third criticism is that government appropriation of financing for media permits the government to have too much control over media content. This criticism warns that if a media organization provides content that is considered to be inappropriate by powerful government officials, financing will be reduced or withheld in order to terminate the content. It is perceived that such a condition can lead to a system-wide process where providers of media content financed by government appropriation avoid producing risky content.

4. User fees

User fees as a method of financing is where a media organization is permitted by law to charge a user fee to individual audience members who access that organization's media content. The user fee normally co-

mes in two forms. One is a *subscription*, where the user pays a flat and predictable fee for regular access to a newspaper, a selection of television and radio channels, or a Web site. Subscriptions are normally paid out on a monthly or yearly basis. The other form of user fee is the *per-use* fee, where a user pays for each instance of access to media content.

Both subscriptions and per-use fees are used in various ways to finance newspapers and multichannel broadcasting. In the newspaper industry, per-use financing is referred to as “sales”. Financing by sales is where the reader pays for a newspaper on the spot. In the multichannel broadcasting industry, per-use financing is referred to as “pay-per-view”. Subscription fees and pay-per-view fees are usually used to finance premium channels (particularly movie channels).

User fees are generally determined in response to a perception of what the marketplace will support. However, user fees required to access content delivered by cable and satellite broadcasters are often regulated by a local or national government if the company has a monopoly in a particular geographic market.

There are two basic assumptions behind the appropriateness of user fees as a source of financing. One assumption is that user fees allow audience members to pay only for the media content they access. This assumption is somewhat blunted in the case of satellite and cable broadcasting because user fees normally cover a package of channels, some of which audience members do not access or want. A second assumption is that user fees provide a more direct relationship between audience needs and resulting media content because the financial path between user fees and media organizations is more direct.

User fees tend to be used as the preferred model for financing in two situations. One situation has to do with whether a Libertarian philosophy for a country's media system underlines the prevailing outlook for how a content provider should operate. If a Libertarian philosophy is the predominant philosophy, the financing model of user fees is seen as an appropriate mechanism for allowing the marketplace to determine the selection of media content. The second situation in which user fees tend to be used as a financing model is when certain media content is accessed by a niche audience. For content accessed by a niche audience, user fees are seen as a more appropriate financing method than a license fee or

government allocation because these two methods are derived from a more general societal audience.

The user fee as a method of financing is criticized for two main reasons. One is that user fees only lead to the production and distribution of media content that appeals to the greatest audience possible. In other words, the user-fee financing model does not necessarily lead to the production of media content that may find a loyal audience, but one that is not economically viable. A second criticism is that user fees —particularly subscription fees— for broadcast content tend to increase on a regular basis. This criticism holds that providers of media content are in a coercive position to raise user fees for content that is delivered by satellite and cable technologies because audience members are reluctant to discontinue using expensive equipment connected to an infrastructure of wiring and cabling that runs through their residences.

5. *Donation*

Donation is a method of financing where an individual or an institution (a company or a public trust) voluntarily contributes money to a provider of media content. Usually, donations are made to non-profit radio and television stations. Donations normally go directly from the donor to the media organization.

Generally, donations are provided by two groups of benefactors. One group includes people who perceive their financing to be critical to the survival of media content reaching niche audiences —content that would otherwise be discontinued if the marketplace were left to determine its viability—. Another group of benefactors includes people and institutions seeking tax relief. Donations are rarely the chief method of financing for content dispersed widely by major media organizations, because donation monies typically pale in comparison to other methods of financing. As a result, donation monies are normally used by media organizations to supplement other methods of financing.

The main assumption behind donation as a method of financing is that it allows individuals and institutions on their own volition to contribute to media content they alone desire to be produced and distributed. A second assumption is that donation engenders a sense of community and civic duty, by encouraging citizens to take an active part in determining the media content that is produced and distributed.

Donation as a method of financing is criticized for two main reasons. One criticism is the same one leveled at government appropriation as a method of financing —namely, that donations rise with economies in an upturn and fall with economies in a downturn—. Once again, such unpredictability makes it difficult for providers of media content to plan for the production and distribution of media content on a long-term basis. A second criticism is that large institutional donors sometimes contribute monies for media content that will promote ideological causes that the institution seeks to promote to the public. Such institutions, it is argued, are in a better financial position to promote their causes than individuals or smaller institutions. However, proponents of donations regard them as a welcome method of financing specialty media content —normally artistic and cultural content— which reaches audiences who would otherwise be underserved.

III. FINANCING OF MEDIA IN SWEDEN

1. *Financing of newspapers*

In Sweden, advertising and sales are used to finance most newspapers. Figures from 2000 show that advertising financing makes up a larger percentage (about 56%) of total financing than sales financing (about 44%).

In addition, the state provides subsidies to newspapers that rank second in terms of advertising revenue across geographic markets compared to the leading newspapers, in an effort to promote opposing opinions. To this end, the government subsidizes the number 2 newspaper in major cities. An example of such a newspaper that has received substantial government subsidy financing is *Svenska Dagbladet*, a national daily published out of Stockholm. One main effect of this subsidy is that each major market in Sweden has two newspapers that contrast with each other in terms of political opinion.

2. *Financing of radio and television*

In Sweden, private terrestrial radio and television broadcasters are financed entirely by advertising.

Private multichannel (cable and satellite) broadcasters receive financing from a mix of two sources: advertising and user fees (both subscription and per-use fees).

Public broadcasters are financed entirely by revenues from a mandatory television license fee. Public broadcasters are not permitted to carry advertising. License-fee monies are used for the production and delivery of content by the Swedish public broadcasters. For the license fee, a person who installs television-receiving equipment must fill out an application and pay a fee for the right to use that equipment. Regardless of the number of televisions in use in a household, the fee is the same. The cost of the fee is set by a government agency called Radio Service (Radio-tjänst). In 2003, the cost of a Swedish television license fee was 1740 Swedish Crowns —about 227 United States Dollars (USD) calculated according to the exchange rate in effect at the time of this writing—. These monies pay for the operations and the programming on the two public television stations (*SVT 1*, *SVT 2*) as well as the seven public radio stations (*P1*, *P2*, *P3*, *P4*, *P5*, *P6*, *P7*).

The basic path that license-fee financing takes in Sweden is as follows: A person who owns a television set must report it to Radio Service. This agency then mails out a bill for the license fee to that person. To ensure compliance, the Swedish government dispatches vehicles with transmission detection equipment to neighborhoods in order to assess radio receivers or television sets that are in use. The government will announce beforehand where the vehicles will be dispatched, to encourage voluntary compliance.

Monies collected through license fees are then distributed by the government to one of three *ownership foundations*: Swedish Radio, which manages public radio; Swedish Television, which manages public television; and Swedish Educational Broadcasting, which specifically manages educational content for both public television and radio. The three ownership foundations oversee the production of content provided to the public radio and television stations. That is to say, none of the ownership foundations produce exclusive programming for any of the television or radio channels. Each ownership foundation has a board of directors made up of members who are appointed by the Swedish government, which provides the government with a central role in the design of content. One main effect of the license fee is the establishment of national public terrestrial broadcasting in Sweden —especially television broad-

casting— as a stronger force than commercial broadcasting. Accordingly, there are three terrestrial television broadcasters in Sweden, two of which public television broadcasters financed by a license fee, and only one private, commercial broadcaster financed by advertising.

IV. FINANCING OF MEDIA IN THE USA

1. *Financing of newspapers*

In the USA, advertising and sales are used to finance most newspapers. Figures from 1997 show that advertising financing makes up a much larger percentage (about 87%) of total financing than sales financing (about 13%). The government provides no subsidies to newspapers. But there are indirect subsidies from municipal governments, which are legally required to publish “public notices” in local newspapers. Some examples of public notices include hearings, bids for government contracts, available committee memberships. One main effect of these methods of financing is that a lot of space in USA newspapers is devoted to advertising. In fact, advertising space is laid out in a newspaper before the stories are laid out. Another main effect is that reporting tends to gravitate towards the “lowest common denominator” so as maximize the number of people who will read the newspaper. In other words, reporting generally avoids depth, one-sidedness in political opinions, and elevated vocabulary—all of which serve to exclude certain audiences from being interested in reading the newspaper—.

2. *Financing of radio and television*

In the USA, private terrestrial radio and television broadcasters are financed mostly by advertising.

Private multichannel (cable and satellite) broadcasters in the USA receive financing from a mix of two sources: advertising and user fees (both subscription and per-use fees).

Public broadcasters in the USA are financed by a wide mix of sources. The two primary sources of financing are donations (membership donations and business donations) and government appropriation (federal and state). The monies collected through these two methods of financing comprise about two-thirds of the financing of the production and deliv-

ery of content on radio stations that are members of NPR (National Public Radio), or television stations that are members of PBS (Public Broadcasting System). Other sources of financing include sponsorships and foundations. Advertising is not permitted on public broadcasting.

There are two basic paths that donations take: One path involves individuals or institutions (for-profit and non-profit) that seek to become “members” of a public broadcast station pay a monthly or yearly fee. Typically, there are various levels of membership depending on the dollar amount that is donated. The second path involves individuals or institutions that provide donations to public broadcasters during campaigns known as “fundraising drives”, which normally occur 2-4 times a year. During a fundraising drive, the public broadcaster uses air time to solicit donations from the audience. The monies that are collected from both of these kinds of donations go directly to the local public broadcaster to cover the production and distribution of content.

The basic path that government appropriation takes is as follows: During annual appropriations for all public expenditures, Congress allocates a portion of this fund to the Corporation for Public Broadcasting (CPB), a private, non-profit, non-government corporation. The CPB then provides partial funding for the operations of public broadcasters, as well as full or partial funding for the production of content by NPR and PBS that is then distributed to member stations.

The main effects of these methods of financing are as follows. Like newspapers, the content on private broadcasts in the USA includes a lot of advertising (typically 12 minutes per half hour in prime time), and tends to gravitate towards the lowest common denominator. Also, content on public broadcasters tends to be under financed, but is nonpartisan, and is free from advertising pressures to appeal to the largest audience possible. However, content aired by public broadcaster stations during “fundraising drives” —typically twice per year— is devoted largely to asking (some would say “begging”) the audience to donate money.

V. FINANCING OF MEDIA IN MEXICO

1. *Financing of newspapers*

In Mexico, newspapers are financed by advertising, sales, and government subsidies. Government subsidies are provided to newspapers

through three methods. One method —called “paid insertions”— is where the national government, state governments, and municipal governments place advertisements in newspapers. This method of subsidy encourages some favorable coverage of the government by the given newspaper. At the national level, the government purchases paid insertions as needed. At the state level, usually the government enters into annual contracts with regional newspapers to reserve daily or weekly space on a particular page for government publicity. Usually, paid insertions contain publicity about recent accomplishments made by a government department. Attachment 2 shows an example of a full-page paid insertion, which appeared in a regional newspaper based in the state of Veracruz. This particular insertion is a report by the Veracruz Agriculture department. The report makes statements about the Agriculture department growing more crops, increasing exports, opening up many more jobs, and establishing new trading partners. A second method of government subsidy involves the direct payment from state government to a regional newspaper with statewide circulation. And a third method involves secret payments by government representatives to journalists to elicit coverage of a story in such a way as to present a positive image of government. This method is not condoned publicly, but nonetheless has been somewhat common. The payment is particularly attractive to journalists because their salaries are so low. There is no law requiring that newspapers disclose their financing, so percentages of revenue sources are generally kept secret. However, it is estimated that many newspapers receive up to 40%-60% of revenue from government-subsidized paid insertions. Some papers receive even more than 60% of their revenue from government-subsidized paid insertions, and some newspapers receive as low as 3% of revenue from the government.

Main effects of these methods of financing include the following: Newspaper editors and writers are reluctant to criticize those government agencies that purchase advertising space. Similarly, newspapers consistently provide defacto positive publicity for government agencies that purchase advertising space, or people who provide the under-the-table monies.

Finally, newspaper offerings (titles) in Mexico are prolific, though many of them have relatively small readerships —which would otherwise prevent them from economic viability if government financing was suspended—.

2. Financing of radio and television

In Mexico, private terrestrial radio and television broadcasters are financed entirely by advertising.

Private multichannel (cable and satellite) broadcasters in Mexico receive financing from a mix of two sources: advertising and user fees (both subscription and per-use fees).

The national government does not fund public television. State governments fund public television. A combination of federal, state and, to a lesser extent, private-sector funding is provided for a quasi public radio broadcast network called *IMER* (Mexican National Institute of Radio). IMER consists of 26 radio stations, each formatted individually, ranging from Rap to Classical. IMER stations carry advertising as well. In addition to the IMER stations, seven public radio networks are financed by state governments. These state public radio networks are allocated funding on a yearly basis, and are not allowed to carry public broadcasting.

The basic path that government appropriation takes is as follows: during annual appropriations, state legislatures in México allocate funding to public broadcasters operating within individual states. The monies are generated at the state level by state income tax. The monies are generated at the federal level from revenues from the sale of oil and electricity.

Both private and public broadcasters receive additional subsidized financing from state governments and the federal government through agreements to guarantee the dissemination of government publicity, similar to the paid insertions in newspapers. Under these agreements, the government purchases time from broadcasters to disseminate government information about government initiatives that are ostensibly in the public interest. Examples include road construction projects, health initiatives, and annual department reports.

There are two main sources of government monies for these methods of government subsidies. At the state level, financing is generated by income or property taxes. At the federal level financing is generated by oil, gasoline or electricity revenues.

Main effects of these methods of financing include the following. Private broadcasters run a lot of advertising, and provide content that appeals to the lowest common denominator. Also, there is a lack of national public service broadcasting since this kind of content is financed only at the state or regional level. And, all broadcasters are reluctant to

strongly criticize government institutions, though there is widespread criticism of individual politicians as well as well-known corruption allegations and cases.

VI. FINANCING OF MEDIA IN CHINA

1. *Financing of newspapers*

In China, newspapers are financed mainly by advertising, sales, and government subsidies. Figures from 2001 show that advertising revenue accounted for 60% of total financing compared with sales, which made up almost 40% of financing.

In 2003, the General Administration of Press and Publication released guidelines for separating newspapers' daily operations from government organs, which allowed publications to have more autonomy over financing, personnel, and distribution. In 2004, the government relinquished its monopoly on newspaper distribution under the World Trade Organization (WTO) agreement, which allows foreign companies to enter the market and compete with China Post for distribution rights. However, the government continues to allocate subsidies to influential national newspapers, including the *People's Daily*, *Guangming Daily*, and *Economic Daily*. The subsidies take the same path as for broadcasters with direct payments made to selected newspapers via government agencies and Party branches. The main purpose of subsidizing preferred newspapers is to allow the government to maintain at least one financially viable Party newspaper within key competitive markets.

However, another method used to finance newspapers is under-the-table payments to journalists or publications by businesses and individuals for positive coverage of the products and services of a company. Though the government considers this method to be "official corruption", and has instructed the media to expose such breaches publicly, the practice continues as media organizations pursue profitability, and as journalists feel the pressure to supplement poor salaries. In 2004 the government's Xinhua News Agency released the names of 11 journalists—including four from its own agency—who were paid hush money by a mining company to cover up the extent of a workplace disaster that killed 38 miners in northern China's Shanxi province.

2. Financing of radio and television

In China, public broadcasters (there are no private broadcasters) are financed mainly by a mix of advertising, subscription fees, and government appropriation. About 55% of financing comes from advertising, and about 15% of financing comes from central and local government (Communist Party branch) subsidies. Other broadcasting revenues are derived from subscriptions, program and video sales, and promotional publications for sale related to television and radio programming.

The basic path that government appropriation takes is as follows: The annual meeting of the Communist Party and National Congress decides on the monies to be parceled out to Party branches and government agencies such as the State Administration of Radio, Film and Television (SARFT) and the Ministry of Information Industry (MII). The monies are directly allocated by these Party branches and agencies to designated public broadcasters, with priority given to national broadcasters such as China Central Television (CCTV), Central People's Radio and international broadcaster China Radio International. The monies generated at the level of central government are from the sale of electronics, petroleum, and chemical engineering. The monies generated at the level of local government are from income taxes and business taxes.

Multichannel (cable and satellite) broadcasters receive revenues from a mix of two sources: advertising and user fees (subscription and per-use fees). Users subscribe to the "per-use" digital services, paying additional fees to digital cable television operators in each city. These digital services include stock reports, movies, and sports scores. Subscribers receive these services using a set-top box decoder or digital-dedicated television. One of the main developers of the localized encryption services is British company NDS Group, a subsidiary of global media player News Corporation.

These monies are used by television and radio broadcasters to purchase, produce, and deliver content that is approved by the two main regulatory bodies, SARFT and the MII. The monies are also used by broadcasters to expand the rollout of digital services by the year 2015, as mandated by the central government.

The main effects of these methods of financing are as follows. The vast majority of content that covers the government is positive or neutral,

since essentially, all media in China are funded to operate as public relations vehicles for the Central Communist Part and the government. At the same time, however, because of the increased use of advertising, content that deals with social (not governmental) issues —such as celebrity news or health issues— tends to include both criticism and debate. In addition, content that deals with popular culture (e.g. hit music, the melody drama) tends to be regularly presented.

VII. COMPARATIVE SUMMARY

In summary, five methods of financing are routinely used by media organizations to pay for the production and delivery of media content: advertising, license fees, government allocation, user fees (subscription fees and per-use fees), and donation. Certainly there are other methods of financing the production and distribution of media content that are not described in this paper —such as investment returns, copyright fees, the sale of goods and services, barter trades, and the rental or leasing of production facilities to outside parties. However, the five methods of financing described in this paper represent the bulk of the financing for most media organizations across the globe.

Attachment 3 provides a summary table comparing financing of media across the four countries. In each country, the most predominant source of financing is advertising. All four countries have newspaper content, radio content, television content, and web content financed by advertising. In all countries, advertising is used to partially finance newspaper content, along with subscription and per-use (sales) fees. In the USA, advertising makes up a much larger percentage of the total financing of newspapers than the other countries. The breakdown of advertising as an approximate percentage of newspaper revenue for each country is as follows (obtained from *World Press Trends* 2002): USA, 87%; Sweden, 64.5%; China, 60%; Mexico, unavailable.

In terms of broadcasting, the countries where advertising is not permitted to finance public television and radio include Sweden, the USA, and Mexico. In China, advertising is permitted to finance public television, and is permitted also to partially finance public radio.

Government appropriation is used to finance media content in all four countries. In Sweden, government appropriation is used to finance sec-

ond-tier competing newspapers in major cities. In the USA, government appropriation is used to partially finance public radio and public television. In Mexico, government appropriation for government advertising (publicity) is used to finance newspapers. Also in Mexico, government appropriation from the national government is used to finance public regional radio, while government appropriations from state governments are used to finance public television in individual Mexican states. In China, government appropriation is used to finance newspaper, radio, and television. License fees are used to finance public radio and television content in Sweden.

In all of the countries, user fees are used to finance media content. The pattern of user-fee financing is the same for most of the countries. User fees in the form of subscriptions are used to finance newspapers, along with advertising. User fees in the form of subscriptions and per-use fees are also universally used to finance multichannel (cable and satellite) television.

In the USA, donations are substantially used to finance public radio and public television. This method of financing was not identified as a major source in the other countries, though certainly donations occur.

In addition to the five methods of financing summarized above, under-the-table payments (otherwise known as bribes) have been commonly used to finance newspaper content in México and China, and Lebanon. Because of the clandestine nature of this method of financing, it is difficult to say to what extent it occurs in the other countries as well.

Media that rely exclusively on single sources of financing, or media that rely mostly on a particular source of financing, will tend to offer content that is subject to the goals and objectives of the main source of financing. In general, this relationship exists in the four countries as follows. In Sweden, broadcast media content are strongly impacted by the license fee, while newspaper content is somewhat affected by government subsidies. In the USA, media content in both newspapers and broadcasting is strongly impacted by advertising. In China, media content in both newspapers and broadcasting is strongly impacted by government appropriation, and slightly affected by advertising. In Mexico, print media are strongly impacted by government advertising (publicity), while broadcast media are strongly impacted by advertising and somewhat impacted by government advertising. In general, the broader the

mix of sources financing is, and the more equal the percentages of financing are that come from the sources, the freer a newspaper, a radio broadcaster, or a television broadcaster will be to offer any and all kinds of content.

VIII. TABLE COMPARING FINANCING OF MEDIA
IN FOUR COUNTRIES

	<i>Newspapers</i>	<i>Public Radio*</i>	<i>Private Radio*</i>	<i>Public Television*</i>	<i>Private Television*</i>
Sweden	Advertising Government subsidy User Fees	License fee	Advertising	License fee	Advertising User fees
USA	Advertising User fees	Government Allocation Donations	Advertising	Government Allocation Donations	Advertising
Mexico	Advertising User fees	Government Allocation	Advertising Government Publicity	State government Allocation	Advertising Government Publicity
China	Advertising Government Allocation User fees	Advertising Government Allocation		Advertising Government Allocation	

* Terrestrial broadcast radio and television.

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