Development and Effects of Finnish Press Subsidies

ROBERT G. PICARD AND MIKKO GRÖNLUND Turku School of Economics and Business Administration, Finland

ABSTRACT This article explores Finnish press subsidies during the second half of the twentieth century, tracing their development as a mechanism for supporting democratic principles. The article shows how subsidies have been provided, how the mechanisms of support changed during the period, and the effects of subsidies on the newspaper industry. The study shows that support rose significantly in the 1970s and 1980s but declined in the 1990s. Nevertheless, the cost of support in 2000 was 60 per cent higher than in 1970. The study reveals that despite €2.6 billion in support (at constant prices) between 1951 and 2000, only 6 per cent of the newspapers maintained political affiliations by the beginning of the twenty-first century and that state funds subsidised only 10 per cent of total newspaper circulation by 2000. The research revealed that papers representing dominant political parties have been the primary recipients of aid.

KEY WORDS: Subsidies, Newspaper Subsidies, Finnish Press, Finnish Newspapers, State Aid, State Intervention

Press subsidies exist in Finland as public policy mechanisms to support political and social goals, as in most Western, and especially Nordic, nations. There are three major types of press subsidies in Finland: selective general support through the Council of State, party paper support provided through the parties (called the parliamentary subsidy), and distribution subsidies. Together, these subsidies provided FIM 7.87 billion (€1.33 billion) in current prices or FIM 14.38 billion (€2.44 billion) in fixed prices to the Finnish press between 1951 and 2000.

This paper reviews these press subsidies and their application in Finland, revealing how they have developed and have changed in the past half century, and the effects that they have had on the press.

Press Subsidies as State Aid

Press subsidies are one form of state aid to industry. States employ subsidies to intervene in the economics of a competitive market to provide additional resources or reduce the costs of the industry or specific firms.

State aid takes a variety of forms including subsidies, fiscal advantages, and regulatory relief. Subsidies, in the purest use of the term, consist of actual cash transfers. Fiscal advantages provide reduced rates for services or obligations to government or quasi-government agencies, such as the postal system, state rail systems, or tax authorities. Regulatory relief exempts from or reduces firms’ obligations regarding certain regulations applied to other firms or sectors, thus providing a fiscal or competitive advantage.

A variety of precise descriptions exist for the administrative and decision-making processes of state aid to newspapers, and these have been summarised in a recent comparison of aid in four European nations (Mutschet, 1997). Most relevant are the concepts of direct and indirect aid and selective and general intervention. Direct aid is given directly to firms while indirect aid assists a firm but does not directly enter a firm’s accounts. Selective aid is one for which a decision to extend the aid to a specific recipient is required while general aid is provided to all firms meeting broad guidelines.
From the financial perspective, it is also useful to consider state aid in terms of where it enters or affects the operating statements of firms and, thus, the overall effect it has on the financial performance of the company (Picard, 1995). This provides evidence of how the accounts of firms are affected and views of how the aid is actually employed by the recipients.

Several rationales for state support for the press have been employed in providing aid in European and other developed democratic nations. The rationales have been used to argue for varying types of state support and they have produced varying success in achieving the goals associated with them. Among the most widespread rationales are to preserve and promote the needs of linguistic or ethnic subcultures, to encourage political discourse, to provide short- or limited-term industrial development or transition designed to develop new media industries or assist transitions to new technologies or business models, and to alleviate newspaper mortality because newspapers are socially desirable.

The linguistic/ethnic subculture support rationale has been used to justify state aid for newspapers and other publications in minority languages and for subcultures that are ignored or not served well by the dominant-language press of a country.

The political discourse rationale is used to justify support to help fund mechanisms to promote political discussion and debate. This support is often based on providing political parties and other recognised groups support for their information activities or support for party-affiliated newspapers.

Short- or limited-term industrial development or transition support has been justified as a means of assisting newspapers and other publications in adjusting to new market conditions. Such aid has been used to help media firms acquire technologies that will increase their competitive abilities, to provide training for employees and management to provide skills needed to improve their productivity, and to finance initiatives to expand markets or operations to improve their ability to survive.

The rationale for supporting failing newspapers directs aid specifically to papers based on the argument that newspapers are desirable and serve important social functions not equally served by other media. This rationale emerged during the wave of newspaper closures during the 1960s and 1970s and has been used to provide funds to help pay operating costs for newspapers in difficult financial conditions and, in some nations, to provide funds to secondary papers regardless of their financial situation.

Studies of Press Subsidies

A number of studies have explored the question of press support and documented how its use differs widely and questioned the effectiveness of such support.

There is no single Europe-wide approach to press subsidies. The development of the subsidies has been a matter unique to each nation, and different patterns of intervention have been produced that reflect the different economic policies, political situations, and cultural differences within the nations.

The extent and types of press subsidies began to gain the attention of policy makers and scholars in the 1970s in response to increasing newspaper mortality (Smith, 1977). Since that time several other significant studies have attempted to describe and compare national subsidy policies (Picard, 1985b; Santini, 1990; Holtz-Bacha, 1994; Murschetz, 1997).

Only a few studies have actually attempted to go beyond mere descriptive listings of the types of state support for the press provided in different nations.

Based on research conducted during the early 1980s, one study of patterns of intervention found that Finland was similar to Austria, Ireland, and Belgium in its support for newspapers (Picard, 1985a) and another found that the level of intervention in Finnish newspaper economics was at a middle level (Picard, 1984). These studies attributed differences among national policies to cultural elements and to economic policies toward industries overall.

Declining financial support as a result of economic fluctuations and austerity programmes began to significantly reduce the amount of support in Nordic nations, including
Finland, during the 1970s (Picard, 1986), and that support and the types of aid continued to decline in the 1980s and 1990s. Thus the situation experienced by Finnish newspapers and policy makers regarding subsidies today cannot be considered unique.

When considering the effects of state aid, it has been argued that many forms—especially subsidies—do little more than provide continuing operating aid. This occurs because most types of support addresses variable costs rather than fixed costs, where the real problems in maintaining newspapers lie (Picard, 1994).

As a result, most subsidies in Europe have had little effect on the financial situations of newspapers and do not provide a mechanism for real long-term viability of subsidised newspapers. Subsidies can be effective if they are used to change the financial and market conditions of the marginal or failing newspaper. If subsidies are not used to restructure an operation, to expand markets or to acquire cost-saving technology, they cannot solve the difficulties of failing newspapers (Picard, 1991).

Others have argued that clear market strategies, better management practices, and lower wages for staffs at smaller papers are necessary for improvements in the conditions of marginal newspapers. Subsidies can help papers adjust to more competitive economic environments, especially “culturally distinctive and ideologically committed newspapers on the verge of economic failure” (Murschetz, 1997).

Based on the available studies, it appears that state support can be successful in the long run only if it is utilised as more than operating aid, if it results in a change in managerial and market strategies, or if it is accompanied by a restructuring of the costs of operations.

The Finnish Newspaper Setting

The number of newspapers in Finland rose steadily after the end of the Second World War, reaching a height in the late 1980s, just prior to the depression in Finland in 1991–93 which resulted from fiscal policies and the rapid decline in markets in the former Soviet Union. Since the depression the number has declined steadily (Figure 1). As is the case in most na-
tions, non-daily papers make up the largest proportion of newspapers.

The development of newspapers during the last 50 years took place in an environment in which advertising expenditures grew dramatically (Figure 2) and newspapers maintained their position as the primary advertising medium, never falling below half the total expenditure on advertising.

Nevertheless, commercial pressures increased with the introduction of television. Yleisradio (YLE), the public service broadcaster, was partly funded through advertising beginning in the 1960s. Since the 1980s, two private commercial broadcasters, as well as cable and satellite services, have become important players in the media landscape. These developments have increased competition for advertising expenditures.

The Finnish newspaper industry is well organised and served by a national advertising sales network, Kärkimedia. That sales organisation sells advertising in major cities nationwide for all newspapers in the country and helps keep newspapers the number one advertising choice in the country. The existence of such a joint sales mechanism helps spread advertising from the larger commercial centres to even small papers in rural areas.

Finnish newspapers, like those in most Nordic nations, were linked historically to political parties through party or party foundation ownership of the papers, financial payments from parties to friendly publishers, and avowed support by newspaper owners for specific political parties. This pattern, established early in the founding of newspapers, has eroded steadily since the middle of the twentieth century (Picard, 1988; Tommila, 1988).

Finland’s press history is deeply linked to its origin supporting the cultural nationalist movement at the end of the nineteenth century, which turned into a voice for independence and then party politics in the first half of the twentieth century. The importance of the press in cultural and political processes makes it a highly respected social institution and the newspapers enjoy one of the highest rates of penetration into households anywhere in the world. In 2000, 207 daily and non-daily newspapers served a population of 5.1 million and readership was 545 per 1000 population.
There traditionally has been strong links between papers and political organisations. In 1946 nearly two-thirds of the circulation of Finnish newspapers published more than twice per week was explicitly linked to political parties, but by 1998 politically independent newspapers provided 95 per cent of the circulation (Figure 3). This is not to indicate that “independent” newspapers have no political views, only that they are no longer avowedly supporting specific parties, receiving direct financial support from those parties or in some fashion linked to the parties through ownership.

Unlike many countries where newspaper survival issues have arisen from issues caused by local markets with morning and evening newspapers, time of publication has not been a significant issue because Finnish papers have operated as morning papers for decades. Today, only two newspapers—both national tabloids—claim to be afternoon papers. However, because of geographical and distribution time issues, both are printed in the morning and available to the majority of Finnish readers in the morning hours.

The majority of Finnish newspapers are small. The median circulation for daily newspapers is 21,881 and the median circulation for non-dailies is 5361. Because of their size, papers tend to have few employees. The median for dailies is 35 and it is three for non-dailies.

The Finnish news agency is an important source for non-local editorial content and a news agency subsidy would seem to be an appropriate means of supporting the press. News agencies’ subsidies were, in fact, provided between 1980 and 1992. Although such subsidies provide indirect aid to newspapers, their effect is small because news agency costs contribute only about 1 per cent of overall costs to the average newspapers. Such a subsidy is also general in scope and does not directly target specific newspapers for assistance.

**Finnish Press Subsidies**

Press subsidies were provided throughout the second half of the twentieth century. The first
of these was transportation support through the postal system. This subsidy began in 1951 and lasted until 1995, when it was ended when the postal system was reorganised into a semi-private entity.

Transportation support cost FIM 7 million in 1951 and rose to a height of FIM 357.5 million in 1989. Large increases in the mid 1970s and early 1980s rapidly expanded the amount of this support for newspapers (Figure 4). The large increase in the mid 1970s followed a government review of subsidies that identified additional press-related costs that had been previously absorbed by the postal service and obscured in its budget. These were transferred to the transportation support subsidy and funding was increased to cover the costs beginning in 1976.

During the period in which transportation support was provided, more than FIM 4.3 billion (FIM 6.4 billion in fixed prices) was invested. This figure does not include the costs absorbed by the postal service prior to 1976.

This support and the growing economy, however, proved to be minimally effective in assisting the newspaper industry, especially the daily newspaper sector. Although Finnish daily newspapers reached an apogee of 70 in 1955, that number began a downward movement. It fell to 60 by 1972 and reached a low point of 53 in 1981. Today there are 56 daily papers in the country.

The mortality, combined with a trend toward independent newspapers, was cast as a threat to political and social discourse and arguments for state support for newspapers gained support, as they did in other Nordic nations. A governmental inquiry into newspaper mortality and its causes resulted in parliament approving direct selective subsidies, and the parliamentary press subsidy based on parliamentary representation began in 1971. Because of the nature of these subsidies and their administration, political parties play a stronger role in the Finnish press subsidy system than parties in the subsidy systems found in Sweden and Norway, where there are specific efforts to separate subsidies from politics.

The total annual expenditures for these selective and parliamentary subsidies rose steadily
from FIM 7.5 million in 1971 to FIM 122 million in 1991. During the 1991–93 depression, parliament slashed state spending. Despite the economic recovery and strength of the national economy in the second half of the 1990s, parliament did not return these direct subsidies to their former level (Figure 5). Nevertheless, by 2000 the state had invested a total of FIM 1.88 billion (FIM 2.52 billion in fixed prices) in these subsidies.

Beginning around 1980, new types of direct press support, about 5 per cent of the total expenditure, were allocated for news agencies, opinion and religious journals, and joint newspaper distribution systems. These were almost entirely dropped in the 1990s.

News agencies received support between 1980 and 1992 and obtained a total of FIM 62.2 million (FIM 92.8 million in fixed prices) from the state. A subsidy for joint distribution systems from 1980 to 1995 provided a total of FIM 175.5 million (FIM 221.1 million in fixed prices). Religious journals were provided FIM 25.4 million (FIM 46.9 million in fixed prices) in state support between 1979 and 1993. The only type of this expanded direct support that still continues provided FIM 56.3 million (FIM 68.4 million in fixed prices) between 1979 to 2000 to opinion journals.

From 1971 to 2000 the state invested FIM 2.2 billion (FIM 2.9 billion in fixed prices) in the various forms of direct subsidies (Figure 6). When combined with the transportation subsidy, the state invested a total of FIM 7.9 billion (FIM 14.4 billion in current prices) into the press through the state support, with massive amounts provided annually between the late 1970s and early 1990s (Figure 7).

Political parties intent on aiding newspapers that support their viewpoints or facilitate party activities have been influential in policy debates over subsidies. Press organisations have been primarily concerned that policy be transparent and equitable, although in recent years they have argued that the parliamentary subsidy should be labelled a political party information subsidy rather than a newspaper subsidy. Because Finland is one of the largest paper-producing nations in the world, and the condition of the word pulp and paper-making
Figure 6. Total annual expenditures for press subsidies by type, 1971–2000 (million FIM, fixed prices)

Figure 7. Total annual expenditures for press subsidies 1950–2000 (million FIM, fixed prices)
industry influences national policy, one might think that their interests would lead them to promote newspaper subsidies. The paper production industry, however, has not played an important role in policy debates regarding newspaper subsidies.

**Subsidies in the 1990s**

A study for the Ministry of Transport and Communications has revealed patterns behind the awarding of subsidies during the 1990s. It shows that the four largest political papers are the largest recipients of subsidies and that those papers supporting the Social Democratic and Centre Parties are the biggest beneficiaries of the subsidies. That study further showed that there is an uneven geographical distribution of subsidies when compared with population (Grönlund et al., 1999).

Within the subsidy programmes, selective subsidies were found to have increasingly been provided to daily rather than non-daily newspapers and within the parliamentary subsidy (party subsidy) funds have been increasingly directed toward non-daily rather than daily newspapers.

The study also shows that papers receiving subsidies are increasingly dependent upon those funds and that subsidies provide 34 per cent of the total turnover of subsidised newspapers. Nevertheless, it revealed that 28 per cent of the recipients are in serious financial trouble and that the value added of subsidised newspapers is about half that of the average Finnish newspaper and declining.

Since the 1980s, the number of papers subsidised annually has declined (Figure 8). Today it represents only about 10 per cent of the total number of newspapers in Finland. The biggest factor in this decline has been the general decline in newspapers combined with the trend toward independent political status, which reduces eligibility for parliamentary support.

The number of subsidised papers that have received both selective and parliamentary support has declined over time (Figure 9). Although nearly 90 per cent of subsidised papers received both subsidies in the 1970s, that
number has declined to less than 60 per cent today.

The average amount of direct support provided subsidised newspapers rose to a height of FIM 2.9 million (fixed prices) in 1988 and stood at FIM 2.3 million (fixed prices) in 1999 (Figure 10).

The amount of newspaper circulation provided by subsidised newspapers has declined dramatically (Figure 11) and is today about one-quarter of the size it was at its height in 1983 and represents about one-tenth of the total circulation of Finnish newspapers.

Although the amount of subsidised circulation has declined, the cost of subsidising circulation has increased in real terms. When direct subsidies began in 1971 the state provided FIM 8 to subsidise each copy circulated. Today, that amount has risen to FIM 222 (Figure 12).

When considered by the size of newspaper receiving direct subsidies, newspapers in the top quartile of circulation received about ten times more subsidy per circulation than those in the lower quartile (Figure 13).

This study does not explore the individual recipients of current subsidies, answer questions regarding the necessity of subsidies to the survival of current recipients, or focus on the political, cultural, or social roles the recipients play. Significant information about the recipients, their finances, and the contemporary distribution patterns of subsidies are found in the study *Lehdistötuki 2000: Lehdistöjen jakoperusteet, voitotutkimus ja tuottoasteen tarpeet* (Grönlund et al., 1999).

**Summary and Discussion**

This study has revealed several significant trends and changes in the Finnish press and public press support during the past half century. The most important findings are that:

- The number of newspapers in Finland grew until the 1990s and has since declined.
Figure 10. Average direct subsidy per newspaper (million FIM, fixed prices)

Figure 11. Total circulation of the subsidised newspapers, 1971–99
Figure 12. Subsidy per circulated copy of directly subsidised newspapers (FiM, fixed prices)

Figure 13. Average direct subsidy by newspaper circulation size (FiM)
The number of politically affiliated newspapers has been dramatically reduced and now represents only 6 per cent of Finnish newspapers.

The amount of funding for press support leaped dramatically in the late 1970s but has declined since the 1991–93 depression and the withdrawal of the transportation subsidy.

The number of newspapers being subsidised has been reduced and papers are more likely to receive support from only one of the two direct subsidies than in the past.

Only about 10 per cent of Finnish newspaper circulation is now subsidised.

The cost of subsidising circulated copies is 28 times higher today in real terms than it was 30 years ago.

Newspapers supporting the dominant political parties receive the bulk of the available support.

In a number of countries, the number of political party papers and their circulation have declined because parties have chosen to close smaller papers and concentrate resources on a single larger paper. Thus one can argue that the subsidies, while not saving newspapers, may still play an important role in preserving political voices for the parties and their supporters. This practice is not seen in the Finnish data on the major parties and their subsidised papers, however.

Between 1975 and 2000 the number of papers receiving parliamentary subsidies through the political parties declined 47 per cent and the combined circulation of those papers dropped 87 per cent. This suggests that parties themselves were moving away from close involvement with papers as a voice for the party.

If one considers the average circulation of papers receiving subsidies through the four major parties, it is apparent that both the National Coalition and Centre Parties gave up subsidising most of their affiliated papers without shifting or replacing the circulation in the 1990s (Figure 14). In fact, their papers were purchased by non-affiliated commercial media companies and no longer received party subsidies. The National Coalition Party dropped
during the period from a high of seven subsidised papers to one and the Centre Party dropped from a high of 15 to five subsidised papers in 2000.

The problem for newspapers affiliated with the left parties is, apparently, one of lack of interest among their supporters and other readers. Average circulation of papers subsidised through the Social Democratic Party declined steadily across the period. The party dropped from a high of 15 subsidised papers to 12 (a 20 per cent loss) between 1975 and 2000; however, 67 per cent of its total subsidised circulation disappeared. In contrast the party lost only 6 per cent of its seats in parliament during the period. This would indicate that people who were supporting the party in elections were not choosing to read the newspapers subsidised by the party.

The Left Alliance also declined from a high of seven subsidised papers to four papers (a 43 per cent loss), but it lost 82 per cent of its subsidised circulation. At the same time it lost half of its seats in the parliament, a proportion still far below the loss of circulation. This also suggests that people supporting the Alliance were not reading the subsidised papers supportive of the Alliance.

Such developments and the overall developments in the Finnish newspaper subsidy system make it clear that the impetus and intended role of press subsidies as a promoter of political and social discourse are not as relevant today as in the past. In fact, the rationales for continuing the press subsidies in their current form are unclear today.

The rationale for political party support would seem to be based on the rationale of promoting political discourse, but the mechanisms of the support make this more of a political information and activity subsidy than a newspaper or media subsidy. Indeed, there is no absolute requirement that the funds support newspapers.

The Council of State selective subsidy to newspapers in financial difficulty would seem to be based on the rationale that newspapers are significant social entities and that all newspapers deserve preservation. Their success in maintaining newspapers is questionable given the newspaper mortality in the latter half of the twentieth century but the extent to which subsidies have prolonged the existence of some papers is unclear.

Finnish press support is being offered in forms that resemble operating aid, do not induce change in managerial or market strategies, and are not supporting changes in the costs of operations. The support, then, does not meet the criteria for success found in previous studies.

Perhaps the press subsidy that remains most relevant and effective today with respect to the original purposes of subsidisation is the subsidy for opinion journals. That subsidy today provides FIM 5 million to non-newspaper publications devoted to political and social opinion. It represents about 6 per cent of the subsidy expenditure.

Because of the changes in the necessity for subsidy and what is actually achieved by the press subsidy system today, it is perhaps time for a serious reconsideration of the rationale, purposes, and provision of subsidies in Finland. It might also be well to ask whether the reasons behind press subsidies remain relevant given the new avenues of communication that exist and whether a full reconsideration of what actually is desired and funded needs to be undertaken.

Some observers have argued that Finland, one of the world’s leaders in information and communications technology adoption and mobile telephony, could more effectively serve the purposes of diversity and party support if it shifted some of the financial support currently provided to newspapers to those technologies. In fact, both the National Coalition and Centre Parties have now begun using the parliamentary subsidy to support an online communication site.

This study provides insight into the development and effects of the Finnish press subsidy system and is intended to make informed debate about the subsidies possible. It does not offer specific proposal for changing current policy, but has shown that current state support is not effectively serving its original purposes and that there may be better methods for achieving stated goals or directing support in a more focused manner to achieve desired outcomes.
References


