STATE INTERVENTION IN U.S. PRESS ECONOMICS

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Increasing state intervention in press economics in advanced Western democratic nations has drawn interest and criticism from scholars and journalism professionals in the United States during the past twenty years and has generally been viewed as an unhealthy development for freedom of the press. Their criticisms have usually included the argument that only when the state is kept out of press economics can press freedom, such as that in the U.S., develop.

The extensive intervention found in many democratic nations was made in efforts to stem newspaper mortality and concentration of ownership and to promote financial stability and economic health in the press. It has, however, been seen as unwarranted intrusion in the United States due to the prevailing American philosophy favoring private ownership, economic efficiency and accountability in the economic marketplace. This view contrasts markedly with the philosophy, held in most other Western democratic nations, that the state must protect against private abuse of economic power and control the economic infrastructure of the press in order to ensure media plurality and the opportunity for a wider variety of political views to be disseminated.

Questions about the increasing role of the state in press economics were raised as early as 1961 when Carter Bryan warned that such intervention would lead to control over the press. Later Robert Bishop questioned whether such intervention could accomplish what it was intended to do, and Robert Brown denounced European subvention, saying that such intervention provided more opportunity for interference by government. Not surprisingly, state subsidies to the press were viewed by Anglo-American libertarians as a severe threat to press freedom, so severe, in fact, that they were classed with bribes and automatically counted as a negative in Ralph Lowenstein’s PICA survey of world press freedom.

The arguments about potential dangers to press freedom raised by these individuals, however, were not borne out in the experience of Western democratic nations intervening in press economics, and a variety of individuals have suggested increased state intervention in U.S. press economics as a means of promoting independent newspapers and ensuring that diversity of opinion could appear.

Thomas Emerson, in his stellar volume on freedom of expression, argued that it might be necessary to institute subsidies or other state aid to ensure the ability of
citizens to voice their ideas and opinions in the commercially-based press. Donald McDonald, editor of the magazine published by the Center for the Study of Democratic Institutions, argued that the government should increase its assistance to the press and provide funds for new media to help promote the flow of information and ideas. Milton Hollstein, in a review of the economic situations of the press in Western Europe and the United States, suggested that deteriorating conditions in the U.S. might lead to more subsidization in order to preserve media plurality. Herbert Gans more recently argued for the establishment of a national news endowment to help existing media increase sources of their news and thus introduce more perspectives on events into news reports. Not surprisingly, their suggestions have met with considerable hostility from libertarians who oppose government involvement in press affairs.

The debate of state intervention, however, has generally ignored the significant government intervention that already exists in U.S. press economics and the fact that the U.S. government has, with the support and encouragement of the newspaper industry, regularly entered the economic arena to correct and replace the marketplace so highly regarded by libertarians. This article will review the extent and nature of that intervention and discuss its bases in and implications for the press in the United States.

Definitions

In order to explore the topic of state intervention in press economics effectively it is important to comprehend the different types of state activity pursued in that regard. Such intervention can be divided into three broad categories: advantages, subsidies and regulation.

Advantages include assistance provided to the press through preferred treatment or reduced fees for services by government agencies, entities or regulated industries. These may include fiscal advantages provided to a wide range of industries as a whole or advantages provided only to the newspaper industry. Subsidies encompass actual cash transfers from the government to the press. Regulation involves the efforts of government to organize and manage the structure and activities of an industry. In a less precise usage, some economists and political scientists use the term subsidization interchangeably with the term state intervention and the term subsidies when they actually mean advantages.

In discussions of state intervention in press economics, however, it is necessary to use more specific terms that explain the intent, administration and distribution of state assistance. The terms direct and indirect are used to indicate how state aid is extended. Direct aid is that given directly to an individual unit of the press, while indirect aid can be described as assistance — such as postal rate reductions — that is not given directly to an entity of the press but is helpful to it.

The terms general and specific are used to refer to aid in terms of their basic purposes. General assistance is extended to generally assist in a newspaper's opera-
tion, but not allocated by the state for a specific purpose. Specific aid is provided for a specific purpose, such as acquisition or modernization of physical facilities. These terms are sometimes used, improperly, in place of the terms direct and indirect.

Even these terms, however, are not descriptive enough to cover all discussions of state involvement in media economics. The words interventionistic and noninterventionistic are used to describe the effects of state assistance. Interventionistic aid is that which directly affects the economic operations of a newspaper — a cash subsidy for newspaper consumption, for instance — the absence of which would immediately affect the financial situation of the newspaper. Noninterventionistic aid can be described as having a less immediate impact of financial conditions, and includes such intervention as exemptions from paying sales taxes.

Aid is referred to in administrative terms by the words selective and mandated. Selective intervention is that for which the decision to intervene in a particular newspaper's situation is made by an administrative body or official; mandated aid is that for which an administrator or official body does not have the discretion to extend or withhold because the legislative mandate for the intervention stipulates what types of enterprises shall be involved and under what conditions intervention shall be made.

State intervention can also be discussed in terms of the purposes it serves, and three classifications cover these purposes. First, intervention can be classified as being made for the purpose of promoting general conditions conducive to the good health of all entities in the newspaper industry. Types of intervention which serve this purpose include exemptions from regulations with which other industries must cope, funds spent to help train journalists, and government public information personnel who provide aid and information to newspapers.

The second category of intervention covers activities that have the purpose of helping the press reduce operating costs. Included in such intervention are postal rate reductions, telecommunications advantages and exemptions from certain taxes.

The third category of intervention is that given with the purpose of providing capital funds for operating expenses of newspapers. This category includes subsidies, loans and grants.

Advantages have been widely accepted in Western democratic nations since the invention of the printing press, but subsidies have not been as widely accepted. Nevertheless, European nations have increasingly instituted subsidies in the last two decades. Similarly, indirect and noninterventionistic aid have been looked upon more favorably than direct and interventionistic aid. For the most part, specific, mandated, industry-wide intervention aimed at reducing the cost of producing and distributing newspapers has been the norm.

Advantages are the predominant forms of intervention in the United States and only a few subsidies have been instituted. Indirect, noninterventionistic, mandated forms of intervention are the most prevalent type of state involvement in press economics found in the U.S.
Types of U.S. Intervention

State intervention in the U.S. economy has been divided into four categories by James O'Connor: 1) facilities valuable to a specific industry or group of industries, such as railroads, ports, roads and communication and power facilities; 2) intervention in the economic infrastructure through education expenditures, general business advantages and credit guarantees and insurance; 3) expenditures to stabilize the political environment to promote profitable business conditions through urban redevelopment programs, Medicare payments, unemployment benefits and anti-poverty programs; and 4) foreign aid activities that benefit U.S. companies through subsidized purchases of U.S. products, banking advantages and guarantee programs.11

In the realm of press economics, U.S. intervention has generally fallen into the first three categories, but the bulk of the intervention has occurred in the area of infrastructure intervention. Most of the intervention involves general business advantages, particularly in taxation areas, but U.S. state intervention in the press has also included special communication advantages, regulatory relief and subsidies. The major intervention includes:

TAXATION

Specific newspaper tax advantages

- Sales of newspaper copies and home delivery sales are exempt from sales taxes in most states.
- Advertising expenditures are exempt from sales taxes on services in most states.
- Expenditures for telephones used for the purpose of gathering news are exempt from excise taxes.
- Non-profit status is provided some newspapers and magazines, which exempts them from a variety of taxes.

General business advantages enjoyed by newspapers

- Unopened, imported newsprint is exempt from property taxes under the Constitution’s protection against state and local imposts or duties on imported goods.
- Profits accumulated for planned expansion are not subject to taxation.
- Investment tax credits and depreciation deductions aid the press in acquiring new press properties because they make no distinction between internal investment or acquisition of new property.
- Capital gains tax laws allow tax breaks for profits reinvested, thus increasing the value of a newspaper and reducing its tax liability.
- Expenses for financing equipment and facilities can be deducted as a cost of doing business.
- Losses can be carried forward several years, a regulation that permits acquisition of new properties at costs higher than would usually be justifiable.
- Abatement on property taxes for industrial facilities can be received for new facilities that create jobs or are part of urban redevelopment or industrial development efforts.
- Tax exempt financing can be provided for industrial construction that creates new jobs or is part of urban redevelopment or industrial development efforts.

POSTAL RATES
- Reduced postal rates for newspapers and magazines permit mail distribution at rates lower than those enjoyed by other industries.
- Reduced postal rates for non-profit newspapers and magazines allow them to make subscription appeals at lower rates than other units of the press and other industries.

REGULATORY RELIEF
- Exemption of small newspapers from federal minimum wage and overtime requirements of the Fair Labor Standards Act.
- Exemption of newspapers from anti-trust provisions under the Newspaper Preservation Act.

SUBSIDIES
- Statutes and ordinances that require government agencies and bodies to purchase advertising in newspapers to inform the public about various actions and proposals, tax delinquency rolls, etc.
- Government grants for journalists to receive special training or carry out special research in programs under such agencies as the National Endowment for the Humanities.
- Purchases of subscriptions and bulk orders of newspaper made by governmental agencies and bodies.

OTHER
- Required legal advertising by citizens and companies involved in official certification or litigation.
- Employment of government public information officers to prepare information for the media and thus allow the press to carry out their activities with fewer reporters.
- Government funded journalism and mass communication training through publicly-supported universities and colleges, thus sparing the press the cost
of developing facilities and operating training programs themselves.
- Government scholarships for students to attend private and public universities and colleges for journalism and mass communication training.

Discussion

U.S. government policy in the area of press economics is best explored in terms of what Alan Wolfe called "growth politics," in which the political parties came to an ideological agreement that industrial growth would be the dominant political emphasis in post-World War II America.12

Wolfe describes this ideology as being manifested in the belief that business is the source of all growth and that business and industry should be supported and aided by government policy to achieve growth. He maintains that the promotion of private economic health has now become the single major focus of government policies. This policy is based on the belief that growth in all U.S. industries will help improve societal conditions and that the state should intervene in economics, through spending programs, subsidies and indirect aid, to promote private sector growth.

His thesis applies well to state intervention in press economics, where it has manifested itself through policies that emphasize support for the monopoly sector of print media, i.e. owners of newspaper chains. The state has intervened in economics with tax breaks, regulatory relief and other fiscal advantages and subsidies, and tacitly accepted the social costs of growth in the newspaper industry by making no efforts to support diversity, expressions of different political ideologies or controversy in the industry's products. These general policies reflect the major macroeconomic policies of the government toward other industries.

Despite the fact that general policies toward state intervention in press economics exist, there has never been a comprehensive study of the need, purposes, and impact of such intervention. Unlike the majority of advanced Western democratic nations which have commissioned and completed significant studies of press economics and state intervention, the U.S. government has never done so, and thus does not have a policy that would emphasize the value of the industry to society and outline how government spending, subsidies and fiscal advantages could be used to promote those values. Instead, the general macroeconomic policies followed for all industries, with a few special policies haphazardly thrown in, are those used by the government in its intervention in press economics.

The lack of comprehensive state intervention policies for all purposes, not merely for the newspaper industry, has drawn criticism from observers and the argument that intervention must be reviewed and undertaken for specific purposes if the activity is to be beneficial to society. One observer has proposed that

... the question should not be whether the individual or the industry wants a subsidy. Everyone, from the most successful businessman to the poorest
welfare recipient, "wants" something from government. The question for society should be, instead, does the subsidy conform to the traditional standards used previously in the dispensing of federal assistance.

Does the subsidy increase competition? Does the subsidy fulfill a need that otherwise will go unfilled? Is the subsidy a legitimate part of the defense effort? Does the subsidy fulfill a humanitarian task?  

Such questions should be asked about any intervention, as well as questions about the direct and indirect costs and benefits of intervention or nonintervention. Serious examination of the effects of intervention must also be made before and after it is undertaken to determine that its impacts will be those anticipated and desired. An example of ill-advised intervention in press economics is seen in the monopoly sector of the press, where the Newspaper Preservation Act exempts some newspapers from antitrust provisions and allows them to openly engage in monopolistic practices to the detriment of other media and of consumers by allowing newspapers to operate together, engaging in price-fixing and other activities normally prohibited.  

Similarly, general business tax policies have favored growth through chain ownership. Significant tax advantages accrue to companies that acquire additional newspapers and independent newspaper owners often find themselves forced to sell inherited papers in order to pay estate tax laws that base taxes on the "fair market values" only newspaper chains are able to afford.  

As indicated earlier, the U.S. government makes almost no direct or specific intervention in press economics to help the press achieve actual growth by modernizing or acquiring new facilities and equipment, as other Western democratic nations do. Instead, it prefers to pursue policies that promote general conditions conducive to the good health of the entire industry and to help reduce operating costs. Its most extensive policies involve the use of tax incentives to encourage reinvestment and growth, but these policies act to discourage independent ownership and reduce employment through the creation of economies of scale in the industry since they are not formulated to preserve plurality by aiding the most needy press enterprises.

The most interventionistic assistance is provided through postal rate reductions and government advertising. Although postal rate subsidies are being reduced, they still account for significant reductions of operating costs for some papers. Government advertising is also important to newspapers since it requires little effort from advertising sales departments and brings substantial revenue to many newspapers, but advertising dollars generally go to the most established units of the press and thus do nothing to improve the economic health of smaller papers.

The fact that the U.S. government is involved in press economics in so many ways seems to have escaped the many critics of state intervention in press economics in European nations, and — if they truly believe that intervention is harmful — they should be casting a more critical eye on the U.S. situation. One suspects, however, that they are not critical of the situation because it supports the infra-
structures of the corporatist commercially-based industry and helps make the newspaper industry one of the most profitable industries in the United States.16

Whether or not the newspaper industry should receive state support, and to what extent, depends on one’s view of the place of the press in modern American society. If the industry is defined as an economic-based activity, with the purpose of returning profits to its owners, then it deserves no more public intervention in its economics than other commercial entities. If, however, the industry is defined as a social or political activity on which democratic society is dependent, and its economic viability is pursued for the purpose of providing the industry the resources necessary to survive and grow, then the industry deserves significant public support.

The majority of advanced Western democracies have accepted the latter view and state intervention in press economics in those countries has been made with the purpose of freeing those media from the restraints of economic competition so media and message plurality may survive. In the United States, however, state intervention has been made with the former view in mind, although occasional forays — such as the counterproductive Newspaper Preservation Act — have been made in the name of diversity.

Future consideration of state intervention in the U.S. and Europe should be made with cognizance of the differing purposes of intervention. A national study group should be established to determine what the purpose of such intervention should be, and general outlines of what types of newspapers and competition should be promoted with the taxpayers’ dollars and taxpayer-supported incentives should be established. Unless a comprehensive press policy is established, state intervention in U.S. press economics will continue to support monopolization and concentration of ownership, and provide assistance allowing large papers more resources to pursue marketing and other strategies to the detriment of competing newspapers.

The purpose of state intervention in press economics should be to support newspaper plurality and opportunities for more views to be carried in the press. Policies to accomplish those goals may require subsidization to purchase space for divergent views, controls on chain ownership, and tax policies that encourage independent operation rather than the growth of newspaper chains and media conglomerates. Direct, specific, selective and interventionistic aid may have to be instituted to support the goals of a free press; a free press that is a press for the public, not the media owners, a press in which the diverse views of the people will be carried for the betterment of a truly democratic society.

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