SMALL COUNTRIES AND THE LEGEND OF THE FREE MARKET: AUSTRIA IN THE EUROPEAN CONTEXT

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Abstract

Over more than the past decade, there has been a surge of interest in the economic role and potential of the media. Within the context of "Information Society" and other policy initiatives, policymakers as well as investors have placed an increasing stress on the economic role of the media and cultural industries.

This paper deals with the de- and reregulation of the mass media sector, and the pros and, in particular, the cons of the market approach. The mass media sector displays typical characteristics of traditional market failure and, at the same time, provides output with strong political relevance. Therefore public policy measures are even more important than in other industries. Historically, state regulation of the media sector (at least in Europe) has been politically and economically broadly accepted. At this time media output was still a "national" good. This paper will show how political and economic changes led to commercialisation and privatisation of the media sector at an international level. This development resulted in Austria in high concentration of power and oligopoly structures. The transformation from state to market regulation did not succeed. Lately, the necessity of "reregulation" is being discussed. The paper addresses the questions of which are the options regulatory reforms have in a sector of strong concentration and globalisation, the reasons for, and the success of regulatory reforms.

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Taking a closer look at the mass media[1] sector from the economic point of view, we have to deal with the difficulty that, on the one hand, there is no such thing as a "free market" to be found while, on the other hand, the insufficiency of public service broadcasting (PSB) cannot be viewed as highly desirable.[2] The aim of this paper is to present an overview of the regulatory changes in the mass media industries on the EU level and especially in the small European country of Austria, and to explore whether and what can be done to unravel or publicly control the processes of media concentration. In my opinion, the concentration process in an industry which delivers a political product is a questionable, if not dangerous tendency, since mass media products have an important impact on the political landscape and help shape the contours of the democratic process. Demonstrably the success of regulatory reforms depends highly upon the nature of the goods provided by the sector, on the size of the country, on "national" institutions and on the importance of national borders. The Austrian mass media sector is characterised by a number of specificities. One daily, the *Kronen Zeitung*, has a reach of more than 40%. PSB which was granted (sending) monopoly power until 1993, still has a dominant role within broadcasting. Television in Austria is under a strong German influence. This is evident in ownership of press enterprises, private TV stations and TV programme, and in the general influence of foreign language programme dubbed in German. Despite being a small country in terms of production, Austria has some innovative products (at least for the German speaking world), e.g., in the TV sector *Club 2* (political discussion forum), and in *Kottan* or *Mundl* (serials with a strong regional specific context, social realism, proletarian background and irony).

Globalisation, Concentration and EU Media Policies

An increasing process of concentration can be observed within the mass media industries internationally. This holds for different forms of concentration: ownership, markets for input factors, advertising and (only for newspapers) numbers of titles published (Bagdikian 1990; Garnham 1990; Herman and Chesney 1997). This is by far not a new development, but an increasing one in the times of deregulation. The concentration process can be alleviated by regulation policies, unless it is analysed as having the source in regulatory measures. As I will argue below, it is the "market regulation" itself which enforces concentration.[3]

Especially in the last two decades, a change in both media markets and regulatory regimes from a national to a European or even international level can be observed. What were the reasons for the deregulation pressures that went along with, and enforced, this development?

- Broadcasting was appraised an expanding and profitable industry sector; an increase in advertising expenditures was necessary for this shift from a former public good;
- The focus of economic policy shifted from "market failure" to "state failure" (growing importance of neoliberalism);
- A growing distrust in politics;
- New social movements;
- Technological changes which enable a wider range of channels, and new forms of distribution (cable, satellite).[4]

Another central feature of changes in the organisation of the media sector in the recent past is globalisation or internationalisation. For some, this suggests the arrival of "the global village," where regulations on a national level are said to become obsolete. In this paper I argue that my research findings lead me to reject this view.

As regards globalisation within the media sector, the process is generally taken to be less developed in the case of the newspaper industry when compared to other areas such as broadcasting, the music industry or telecommunications. But a closer examination is required to identify the form and extent of internationalisation at different levels of the mass media industry. It must be stressed that the importance of borders varies for the different parts of the sector. For newspapers the readers and buyers side is mostly national, if not regional; the distribution for print products in Austria is a duopoly. The capital market side is an international one, the paper industry a world wide oligopoly with a continuing high rate of competition.[5] The advertising side can be best described as half and half, the type of advertising ranging from small ads for local or regional products to continental and international advertising campaigns for many of the highly standardised products of multinational corporations. As for the production of information on the input or content side, this is globally organised and concentrated as well.[6]

Within the TV sector distribution is highly concentrated: Leo Kirch's empire may serve as one example, TV channels have a high concentration of ownership, cable companies are local monopolies, and a few satellites supply TV programmes all over the world. On the production side we have two different forms of market structure: the Hollywood empire on the one hand, small independent producers on the other. The paradox of the mere economic conditions of the TV sector can be demonstrated by an bizarre Austrian example: Austria´s public service broadcasting ORF is being forced out of the Bavarian cable net because its channels attract too many viewers: they offer, unlike German private TV stations, movies without advertising breaks. Therefore Bavarian people prefer to watch ORF. The German private TV stations dislike that, and their shareholder, being the owner of extensive film rights as well, press to either charge the ORF more for the film rights or to get out of the Bavarian cable net (Kleinsteuber 1997).

The utopian visions of competition and its benefits, despite the reality of increasing concentration, raise the question of what options regulatory reforms should adopt in small open economies. This question is especially challenging in an era and sector which heralds expanding forms of globalisation. The tendencies toward increasing concentration and globalisation described above are, of course, true for all countries. But for small countries they are more threatening. In such cases, greater menaces arise from the dominance of the "big neighbour," and they also have the mere, but severe problems which arise from size, e.g., a lack of economies of scale.

Limits of EU Media Policies

The main aim of the European Union is to strengthen the "home market," the economic role of the EU compared to and in competition with other global players as the United States and Japan. This emphasis on competition, e.g., in the policy of the EU, means protectionism and subsidising the European market by closing it to the "rest of the world;" that is the other side of the coin. The increasing economic and political integration of the EU may be viewed as an intensified regional expression of

globalisation processes. Within the EU, on the other hand, the European Commission as the most appropriate supranational body has not shown itself actively interested in mass media products as radio or the newspaper sector. This contrasts with its very active, sometimes dominant role in policymaking for communication industries such as TV or telecommunication and in new or emergent multimedia fields. Most likely this is because the radio and newspaper industry is not perceived as an area of growth potential.[7]

The national character of electronic media within the EU has changed since the publication of the Green Book *Television Without Frontiers* (CEC 1984). It is not surprising that the EU introduced directives on liberalising the broadcasting sector (CEC 1989) which was viewed as an economically expanding sector. At the same time the EU was not concerned enough about the decline of newspapers in the European countries to introduce measures against the growing concentration.

"If we were starting again, I'd start with culture," Jacques Delors said about the EU integration project. This emphasis on the importance of the cultural component is, indeed, not to be seen in the past or recent EU policies; e.g., the EU views broadcasting as a *Dienstleistung* (a service), not as a cultural good. The main EU ideology is "the market," not cultural policy. Although a process of media concentration can be observed in Europe, many contemporary analyses and suggestions for solutions refer to, and rely heavily on, the ideal of a competitive market with perfectly working market mechanisms (CEC 1992; Sánchez-Tabernero 1993).

Structural Characteristics of Small Countries

Having chosen to look at small open economies, the first question to address is whether or not the size of a country matters when examining concentration in the mass media sector, and whether it is therefore justified to give importance to countries as opposed to regions. Referring to studies which focus on economic and political peculiarities of small countries, Mjøset (1992) states that the economic studies tend to focus on drawbacks, whereas the political ones focus on specific advantages.

Economic characteristics of small states include the small home market and a large share of imports and exports. In their relation to international economic co-ordination, small countries are most severely affected by the processes of internationalisation, but have the least influence on it (Höll 1983). On the political side it is stated that small countries have better conditions for collaborative politics: citizens internalise norms more easily, the different interests are clear and there are fewer interests to be considered, therefore consensus is easier to establish than maintain. For Katzenstein, this corporatism enables small countries to practice flexible adaptation in industrial policy, this being counterparted by a solid welfare state system in many cases (Katzenstein 1985).

Mjøset recommends the definition that "small countries are those which cannot be analysed unless we also analyse large countries," and considers challenges to the validity and the importance of the small countries concept. He suggests a distinction be made between great powers and other countries (small or large). I will draw upon that approach in this article, looking at a small country with a big and powerful neighbour who speaks the same language and to whom close economic relations and dependencies exist.

Utopia and Reality: Competition Facing Concentration

The specificity of the mass media product from an economic point of view can be seen in two ways. First, it has not only economic meaning and relevance, but also a political, opinion-forming one; it creates realities and has its part in shaping political processes. Mass media products serve a purpose other than just that of being goods. That means they cannot be viewed from an economic perspective alone in the same way as shoes, car parts or washing machines. Second, the media market represents a classical example of "market failure," as neo-classical economists would call it. This means that a lot of characteristics necessary for the functioning of the market forces, as explained in the mainstream economic textbooks, cannot be observed.

Drawing from my own and others research on this sector (Preston and Grisold 1995; Grisold 1996a), the specific economic characteristics of the sector are summarised in table 1.

TABLE 1: Economic Characteristics of Mass Media Products

- The dual market structure: the market for advertising and the market for papers/programme
- Economies of scale and scope
- Entry barriers: high fixed costs and sunk costs
- High "first copy" costs and low costs of reproduction
- Immateriality and novelty (in many, not all areas); i.e. non-homogenous goods
- Key role of distribution for cultural products
- Spectrum scarcity (in the case of terrestrial broadcasting)
- Readers loyalties: preferences of consumers
- Terrestrial broadcasting: public good characteristics (nonrival, nonexclusive)

In order to structure these characteristics of market failure, they can be considered in terms of two different categories: 1. forms of market failure that can be observed in many other areas of industry as well: imperfect information, therefore no consumer sovereignty; barriers of entry, economies of scale and scope; 2 forms of market failure that are related to the specific characteristic of the cultural product markets: the dual market; the extremely high first copy costs and the low costs of reproduction; the nonhomogeneity of goods is more elaborate and pronounced than in other industries. The existence of those "market failures," as neo-classical economists would call them, implies that a free market does not provide the best results for the consumers or for the public interest. On the contrary, competition can even be devastating for diversity of opinions in the mass media, be it the press or broadcasting. Mass media enterprises operate on two markets, the market for advertising and the market for readers or viewers, selling two products: advertising space (or better: potential readership who may look at the ads), and the content itself for and to the readers/audience. Revenues from the market for advertising have increased over time compared to revenues from consumers. The market for advertising needs a certain readership: the urban, middle aged, middle class professionals. Other, less wealthy or less consumption-orientated groups in society lose out in this game.

The often cited spiral is important in that context too: the more market power a mass medium has, the more attractive it is to advertisers; the more advertising income it gets, the more it can invest in making the newspaper or programming more attractive to readers, i.e. buyers, and so on. The existence of barriers of entry and economies of scale and scope lead to monopolistic tendencies, favouring firms already in the market and fostering enterprises the bigger, the better.

Pure competition policy would do nothing to change these structures, since it was competition which gave rise to the pressures toward concentration and the tendency to focus on the same audience group. Economic discussions in the last decade were mostly connected with competition policy, competition being defined as the main source of prosperity; at least in statements addressed to the public.

Small Countries and Media Policy: A Case Study of Austria

Austria has a population of nearly 8 million inhabitants and is located at what PR-managers tend to describe as the "heart of Europe." Austria is one of Europe's wealthy states (measured by per capita GDP) with a low unemployment rate of 4.5 per cent (ILO standard, OECD 1998). At the beginning of 1995 Austria joined the EU. Historically, Austria was the centre of an empire until World War I. The search for an Austrian identity was a major problem in the 1920s, after the break-up of the Austrian-Hungarian Monarchy, not to mention Vienna's role around the turn of the century as the city of modernity, where many questions were focused around identity, progress and individuality. The two World Wars and their consequences changed Austria's political and material position.

Institutional Characteristics of Austria

With regard to political culture and structures, Austria had been marked by a strong orientation toward social partnership, Keynesian-type economic and social policies and social democratic values in the post-war period. Returning to the field of actual policy making, a rough classification shows two different approaches toward regulation: the *competition approach* aims to foster competition conditions, the *interventionist approach* seeks to secure a desirable mass media system through an active media policy. Keeping to this rough classification, Austria was, in theory, more committed to the "interventionist approach," unfortunately often in combination with an inactive (or only reactive) media policy.

Austria's media policymaking is based on the concept of "freedom of expression," i.e. on the bourgeois concept of freedom of the individual against the strong and totalitarian state. On the other hand we find a strong tradition of neocorporatism:[8] policy based on consensus, decisions often carried out by committees whose participants are delegated from the different interest groups.

In seeking to provide a short but evocative description of Austrian economic policy, I have always liked to cite dignified old gentlemen (they were always male). One of them, Kurt Rothschild[9], characterised Austrian economic policy as a "muddling through." This is not to be viewed as overall negative. It acquires flexibility in adjusting to new and changing circumstances. But it must be said that the assessments of Austrian media policy are less favourable; they range from "nonexistence" to "the attempt not to hurt anyone."

The key topics in the Austrian discussion around media policies in recent years were: (1) installation of an effective anti-trust law; (2) the reform of the press subsidy system; and (3) deregulation of broadcasting. Whereas the new Anti Trust Law and the reform of the press subsidy system, both introduced in 1993, have operated since then, the deregulation of the radio sector has been in a legal dispute for some years, and the subject of starting private TV channels has been in the early stages of a "sometimes discussion." The institutions involved in media policy making in Austria are the different political parties, the ministries concerned, interest groups, big media companies, the consumers (in theory), and social partnership institutions.

An Overview of the Mass Media in Austria

Dailies, papers. Austria has 17 newspapers structured geographically into nation-wide dailies (8) and regional dailies (9). Whereas in Austria the reach of German dailies is marginal, the reach of German-speaking interest magazines of different sorts is very high. The particularities that can be seen in the Austrian structure of the newspaper sector are: a dominant position of one tabloid daily (the *Kronen Zeitung* reaches more than 40% of the Austrian population over 14 years of age); a relatively small number of dailies in total (16, compared to approximately 80 in Switzerland or Sweden), and a high percentage of foreign ownership. In Austria the two biggest dailies (by circulation), the tabloids *Kronen Zeitung* and *täglich Alles*, reach more than 60% of all newspaper readers. In contrast to many other European countries, the tabloid papers do not only reach the CDE social categories (MA 1997). Not surprisingly, the high concentration can be seen in advertising revenue as well: the three biggest dailies get two thirds of the advertising expenditure in newspapers, leaving the meagre last third for the other 13 papers. Looking at geographical concentration, we find market leaders amongst the regional dailies, for example in the Tirol region, the *Tiroler Tageszeitung* has a reach of 60 per cent.

The second noteworthy trend in the Austrian print media is the high percentage of *foreign capital*. Here a key role is played by big German media enterprises who hold major shares in many Austrian papers. For example, the German media corporation WAZ (Westdeutsche Allgemeine Zeitung) has a 49% share in the biggest and the third biggest daily in Austria, and owns a number of influential Austrian magazines as well. Springer has shares in Austrian papers as well. In the last 10 years Austria had to face a sharp increase in foreign shareholding of the press. One important reason for this is seen in the lack of an anti-trust law in Austria, in striking contrast to a rigid anti-trust law in Germany. But that is not the only cause. Another crucial factor is the structure of enterprises in Austria. Most are small or medium sized enterprises, they are risk averse, and most of them have neither the necessary capital structure nor the media know how which would encourage investment in the industry.[10]

Broadcasting. The public service broadcasting organisation ORF offers two TV channels with 24 hours of broadcasting and four radio stations, one with nine regional divisions (one for each Bundesland). ORF held the broadcasting monopoly until the summer of 1993. With the other European countries opening the broadcasting sector toward competition, the push for abolishing the broadcasting monopoly grew stronger within Austria. The complaints against the monopoly of the ORF have been going on for years, but were never as loud as in recent years. A new law providing for creating additional radio stations was adopted in July 1993. It followed a period in which two

proposed laws to allow more suppliers were discussed at different levels of the political system.

The bigger, newly installed private radio stations operate on a regional basis: licences have been granted by the *Privatradiobehörde* (a national neocorporatist committee). The ownership of those regional private radio stations follow a common pattern: a 26 per cent share (maximum set by the law) is held by the biggest regional daily, the remaining shares are owned by banks, insurance companies and other media enterprises (e.g., publishing and printing houses). For each Bundesland, one regional private radio station has been granted a licence, and 42 local ones are allowed to operate as well. Fifteen of them started to broadcast on April 1, 1998, and have been on air for only a few months (Götschl 1998).

In considering the prospects and proposals for competition in the television sector in Austria, we have to distinguish between two different aspects or market definitions. First, in terms of domestic competition, the ORF's monopoly still remains, but there have been increasing pressures to introduce "competition" in recent years. Second, in terms of competition between Austrian and foreign-based services, this form of competition already exists, and it can be shown that the "home-advantage" of the Austrian PSB channels cannot be abolished easily. The percentage of households with cable and satellite is growing. By the end of 1997, more than 70 per cent of all households with TV sets have either cable or a satellite dish or both (nearly 40 per cent of the households have cable, more than one third have a satellite dish; ORF - GMF 1998). The ORF, however, still has a high audience share, especially at prime time and for information programmes. The daily audience share of the two ORF programmes is 66 per cent, the daily reach of all foreign stations together is 34.5 per cent.

Television in Austria was long viewed as impossible to open to competition. The small market did not make it attractive for potential investors, the big spillover plus the possibility of cable and satellite reception, reinforced this. On the other hand, the complaints about the insufficiency of the ORF grew stronger. What do I mean by insufficiency? First of all, I mean the German word *Unzulänglichkeit* — the mix-up between public service targets (*öffentlichem Auftrag*) and the pressures to imitate private channels for a growth of market shares cannot be viewed as highly desirable. The other political, as well as ideological, argument is that a public service enterprise is increasingly seen as one that produces inefficiently, whereas this question is not even posed when speaking about privately owned firms. In that case it is assumed they produce efficiently because they want to make as much profit as possible. Here I have to note that it is often neglected to recognise that big enterprises tend to be bureaucratic, no matter who owns them.

Mass Media Policy Making

The different forms of Austrian media policymaking will be discussed in this chapter, starting with policy forms which can be applied to different mass media sectors (e.g., anti-trust law), and then looking at mass media policies for specific media sectors.

The anti-trust law. The aim of an anti trust law is to deal with mergers and acquisitions, to hinder (or even forbid) the abuse of dominance and anti-competitive agreements, thereby assuring that competition is maintained and the assumed benefits of market forces can operate. Underlying important concepts and issues include the definition of the relevant market, the concepts of dominance of an enterprise, and

possible abuses such as predatory pricing and share acquisition, i.e. investment in an competitor.

For a long time Austria had no effective anti-trust law at all, this not being seen as necessary. Mergers were always viewed as positive for Austria's competitiveness against other countries (Reitzner 1989), and, so far the data about economic growth and wealth have not proved it wrong. In 1993 the Austrian parliament passed a new anti-trust law, which for the first time had special, stricter requirements for mergers between media enterprises. However, this was only applicable to the print industries, not to broadcasting. Being strict in the conditions for future mergers, this law does not include any decartelisation measures, stating once more that freedom of speech is to be understood as freedom of the entrepreneurs, in which no one is allowed to interfere. Therefore, the law is sometimes referred to as a "*cementation of the status quo*." The main problem with decartelisation is that of political acceptability. Another argument often used against decartelisation is that it would have a bad effect on the competitiveness of the home industry compared to foreign companies, because the absence of economies of scale and scope would also reduce the quality of mass media products.

In general, there is always the problem of implementation and control of antitrust measures, particularly in blocking the many possible routes to avoid obeying them. All this leads to the succinct characterisation of anti-trust law as: "It might not do any good, but at least it does not do any harm."

Another field that has so far not been tackled by Austrian policymakers is the one about *upstream and downstream firms*. Especially in small countries the means of production and distribution (printing facilities, distribution systems) may be a problem for smaller or incoming newspaper publishers who are not part of a big emporium (Wessely 1997). With printing facilities the technology is so advanced and complex that it is very costly to establish a newspaper print shop. On a small scale such shops seldom work to capacity. The distribution of newspapers to retailers or buyers in small countries has the characteristics of a natural monopoly.[11] A few years ago the Austrian chancellor Vranitzky spoke about "a last possibility in the form of compulsory contracts,"[12] meaning that big media enterprises could be obliged to commission work from smaller firms at market prices, e.g., in the field of printing or distributing. The problems and ambivalences of compulsory contracts are to be seen in the price-setting and the quality of the goods and services provided: because we are talking of highly oligopolistic markets or even natural monopolies where a "just" market price does not exist. So, either the dominant firm or the government will have to set a price. The first is not desirable, the second not acceptable for "free entrepreneurs," and could be answered by low quality standards.

Foreign ownership is a particularly important challenge for small countries, as they are less capital intensive and feel a greater vulnerability in terms of foreign influence. Does it matter whether domestic or foreign capitalists own mass media firms, is the first question to ask here, and if so, then in what ways?

The economic interests of the capitalists do not differ, in general, between domestic and foreign entrepreneurs. Both of them share the same motivation to become capitalists, i.e. they want to make a profit. Nonetheless, differences can be distinguished between those groups: big international companies have a greater range of action, a greater flexibility of capital than most of the Austrian (small countries) enterprises. The possibility to react faster to unfavourable economic conditions could be followed

by a faster retreat of the company, i.e. closing down the plant and moving somewhere else. The mere threat of this possibility does lead to uneven preconditions. Because a foreign company does not have that strong boundaries (say the firm is in financial difficulties), foreign investment tends to withdraw easier, there are less political and social commitments, and the adversity to conflict in the home country is bigger. That means the power potential of international companies is bigger than that of domestic ones.

The press: belated policy. Most European countries have a number of indirect press subsidies, i.e. measures that involve a cost reduction for the newspaper firms (tax cuts, low postal rates, etc.). So does Austria. Quite unique for Austria and a few Scandinavian countries are direct press subsidies. The term "*direct press subsidies*" means that, according to certain fixed criteria, money is given (mostly from the state) directly to the newspaper firms, without a specified usage. There are two different sorts of allocation criteria for those direct subsidies:

The more interesting one is the special press subsidy (*besondere Presseförderung*). This one applies to dailies which play an important part for the political opinion-forming in at least one region in Austria, without being in a dominant position[13], and whose market is considered too small to survive without temporary help of the government. In 1997 a total of 152 m ATS (10.9 m ECU) was given to papers through this subsidy system. With the special press subsidy Austria introduced political measures to stop the process of concentration and of newspaper firms closing down. Unfortunately, this happened only after the death of some regional dailies and one national daily, at a time when the dominance of one national tabloid paper (which reaches 43 per cent of all readers of dailies) was "well established" and therefore impossible to overcome. Before the introduction of the special press subsidy, Austria's newspaper industry had already arrived at a high rate of concentration and market power (of one daily and of ownership), and the plunge of weaker papers first into financial crisis and then into non-existence could be observed.

The *general press subsidy*, often referred to as *Gießkannenprinzip* (watering can principle), means that all Austrian papers get about the same amount of money through a general press subsidy. In 1997, 60 m ATS (4.3 m ECU) were spent this way. In Austria almost all dailies get this subsidy regardless of their market share, content, advertising income or ownership structure: therefore it is a subsidy for profitable dailies as well, generally promoting the industry. This general subsidy has a historic explanation: in 1973, with a big tax reform, newspapers became subject to (reduced) VAT taxation. Complaints from the Association of Austrian Newspaper Editors (Verein Österreichischer Zeitungsherausgeber) led to the introduction of the press subsidy as a compensation for the "burden" of taxation. Introduced as a way to recompensate newspapers for becoming subject to VAT taxation, it never really served as a media policy measure.

Direct press subsidies are said to embody the danger of excess of power from the state to the press. So far the empirical evidence on newspaper content does not prove that this subsidy leads to a docile, government-friendly press. The Austrian "Bund" tried to overcome the criticism by making those press subsidies a law and the committee which prepares the decisions for the Bund a neocorporatist body, composed of two representatives each of the Chancellors Office, the Association of Austrian Newspaper Editors, and the trade union of journalists. Indirect press subsidies are introduced to facilitate conditions for press enterprises compared to other industries. This can be

the reduction or abolition of VAT for newspapers[14], or a lowering of the prices of telecommunication services or postal rates, to name only the most common measures.

It is highly questionable whether the preferential treatments of the newspaper industry in the form of indirect subsidies (compared to other industries) is a way toward greater diversity or quantity of newspapers. It may help occasionally to keep financially weaker media enterprises in the market, but, in general, it subsidises the bigger firms more: the higher the expenditures, the higher the subsidies. In this field of high concentration and oligopolistic structures, it would be preferable to introduce policy measures which strengthen smaller firms or firms which operate on a smaller market.

Radio: go and lose policy. Among the different mass media products discussed in this article, radio is the "cheapest" medium. Therefore, radio is said to have potential for a real democratic medium: no big financial basis is needed to broadcast, and the technical skills can be learned easily. What happened to the regulation of this media form in Austria?

The *Private Radio Law* (1993) was based on proposals advanced by the ruling coalition, composed of representatives of the two ruling parties, the Social Democrats and the conservative Peoples Party. It provided for the setting up of one commercial station in every Bundesland (region). Under this policy, non-commercial stations are not forbidden, but they are not encouraged either. Cross ownership is limited, but a very wide set of legal limitations has been adopted. The reform aims to formulate a framework that makes it possible for commercial stations to financially survive, but at a regional basis, within the borders of the Bundesländer. It requires a lot of frequencies to deliver service to all the different parts of a Bundesland, but the other reason for only allowing one radio station per Bundesland is that profitable private radio stations are favoured.

The second set of reform proposals was advanced by one opposition party, The Greens, together with the "Pressure Group Freies Radio" (Pressure Group for a Free Radio), but, with the existing political power relations, it was never likely to be adopted. This second initiative proposed the possible establishment of noncommercial and minorities radio services, subsidised by *funds* which would obtain money from a three-per-cent levy on advertising revenues. It was proposed that this should be added to the advertising tax already existing in Austria. In the Green's paper, radio is not seen mainly as an economic good, but as a cultural good which can and should be used for human rights purposes and for democratic targets, especially freedom of speech for minorities. Therefore, it is recognised that noncommercial radio services produced by those groups needs to be subsidised. (One problem here was that the definition of minorities is such a broad one that almost every group can claim to be one.) As could be guessed easily, this proposal has not been taken into consideration.

Most important criteria for granting a licence was the economic strength and background of the applicants; cultural factors were not taken into account. Therefore it is not surprising that the regional licences were allocated in a way that intensified already existing market power in the regions. Despite the limits for cross ownership (26-per-cent share), the largest regional newspapers play a dominant role in the newly set up radio stations as well. Together with other media enterprises and financial partners (banks, insurance companies), they produce "middle of the road" programmes, with almost no news, and with no innovative potential whatsoever.

Radio policy can be considered as "being afraid of the unfamiliar." Anticipating economic conditions of concentration in the form of regional monopolies, the regulation

body introduced them from the start by law, without even thinking about cultural targets as well. Advertising time and ownership is being regulated, but no content regulations are considered.

TV: policy under pressure. There have been short flickerings of a discussion about commercial TV channels in Austria for many years. But they appear and disappear quite soon. However, there have been some renewed proposals for increasing competition in the Austrian TV arena. In one of those discussions (back in 1993) the Social Democratic Party (SPÖ) proposed the possibility of a third channel, owned by private capital; representatives of other big media enterprises suggested the privatisation of the second ORF channel. These days not only the two conservative parties but also the SPÖ (traditionally in favour of public service enterprises) claim to be in favour of competition even in the TV sector. The difference between the two parties (forming the coalition government in power) is not so big, at least in what they say about the virtues of competition. But there are big differences in how they want to achieve it, and maybe it is in what lies behind this argument. The conservative position was to privatise one of the two ORF channels, the social democratic proposal to allow a third, privately owned channel in addition to the two public service broadcasting channels. Josef Cap, former general secretary of the SPÖ, was interviewed about the possibilities of privately owned TV channels in Austria. Being confronted with the argument that a third TV channel in Austria has no chance to survive, Josef Cap answered: "Ojeoje!" (meaning something like: "Oh, isn't that a pity!").

In recent years a commercialisation of the ORF programme structure can be observed as a reaction to the threat by foreign channels. This had the positive effect on the growing reach of the two ORF channels, and a better financial situation of the ORF caused by advertising income. The negative side was that the ORF lost its innovative potential, and the room (as well as money) for home production other than game shows and weather reports became tighter.

Conclusion

For small, open-economy Austria, the "end of the nation" cannot be seen, and mass media policy still has a dominant national component. The supranational EU policies which mainly focus on competition policies are not applicable for Austria, because the economic characteristics necessary are even less evident than in bigger or more powerful countries. Small countries are not important for the development of the global market, nor are they amongst the leaders in R&D or in the application of the new findings of R&D, yet they are nonetheless affected by what is going on in the market. Although often simplisticly viewed as old-fashioned, backward, underdeveloped, we should also view Austria's media policy from another angle: being slow can sometimes (and not only seen by Nadolny in his bestseller novel *Die Entdeckung der Langsamkeit*[15]) be a benefit, insofar as it enables us to look at the mistakes the others make and not follow the same track, but to chose a better option.

Two different approaches toward regulation can be distinguished: the "competition approach," which states that one has to ensure the market can function as it should ideally, and the "interventionist approach," securing a desirable press system through an active media policy. A closer look shows that the "competition approach" implies strong and active interventions in the market as well, because market forces will always tend toward concentration. The competition policy approach cannot be seen in Austria,

and Austria is by no means exceptional in this respect. A form of interventionist approach was introduced in Austria with the "special press subsidy," but unfortunately, it was applied only after the concentration process was in full swing, and therefore too late to be fully successful, but at least it stopped further concentration.

Austria has good working regulations in "the old way" (PSB finance and programme schedule; enabling the remaining weaker papers to stay in the market). Austrian institutions are prepared to do this well and have experience in doing it. But so far Austrian policies failed in the "new regulation regime," i.e. competition policy: that has both good and bad effects. PSB was not ruined (neither TV nor radio), it still provides two TV channels and four nation-wide radio stations with a wide range of programming (something for everybody). Therefore a "liberalisation" of the radio sector would not have been necessary, but is possible from an economic point of view. Policymakers were afraid to say "we turn private radio into a non commercial good" (like some Scandinavian states did), and they were afraid to really enable competition. In this case the compromise turned out to empower the powerful. The political rhetoric for the private radio law was competition, the reality lobbying: more concentration (across different media industries), no innovative structures, but "more of the same" was the result; for private radio stations the Phil Collins index (Falter 1998) is very high. Therefore it can be stated that Austrian policy making lost its ability to provide the room for cultural production.

Austrian media policy gets criticised in many ways. The strongest criticism is that it was almost non-existent in a period when the process of concentration was taking place. Austrian policymakers never succeeded to combine active and explicit political attitudes with media policy. For example, the Private Radio Law has no effective news requirement. A different example is the Canadian regulation which states that expenditures for advertising are only tax deductible for enterprises if they are placed in media with a majority of domestic ownership.

What are the consequences for economic and media policy which can be drawn from the experiences of Austria examined in this research? The interests of those groups in society who have low purchasing power and/or no market power are not going to be represented via the market forces. If this situation is not regarded as desirable, then the state has to actively intervene in the market. But more than those two groups are involved in the regulatory process: entrepreneurs and corporate institutions can play their part as well. The category of consumers is not organised (and not "organisable"), and most likely not homogenous in their interests. Therefore someone has to represent them, or their interests will not be considered at all.

Notes:

1. This paper will primarily focus on the press and broadcasting arena.

2. I have carefully not chosen the word "inefficiency," because in my opinion the concept of efficiency is in general not applicable to cultural goods.

3. For example, the newspaper market in Austria did not face active regulations of market forces, therefore the ongoing concentration process within the newspaper industry cannot be ascribed to regulatory measures. The process of concentration is not at all limited to small countries, as shown by Colin Sparks in the case of national dailies in the UK in an earlier issue of this journal (Sparks 1995). Nonetheless many contemporary analyses and suggestions for solutions refer to, and rely heavily on, the ideal of a competitive market with full working market mechanisms (CEC 1992, Sánchez-Tabernero 1993).

4. For a different view see Garnham (1990), who sees the scarcity of frequencies as a political decision only.

5. To highlight the consequences, let me use the example of the paper mill Leykam in Austria, now owned by the Sappi group: a new paper machine was set up, built with parts which were "to a substantially part" manufactured in Austria. The number of workers was reduced by 500, the Austrian location secured for the next decades, as one Saari executive said (Standard 1998).

6. When it comes to news from abroad, few news agencies are located all over the world, and to have their own correspondents is an expensive cost factor for newspapers.

7. In the context of the contemporary construction of new Euro-identities, the newspaper is also viewed as a medium that is too strongly associated with the development of nationalism in the past.

8. Established after World War II, and basis of the *Wiederaufbau* (reconstruction after World War II).

9. One of the best known contemporary Austrian economists (not to be mixed up with the Austrian School; see King (1994) for an overview of his work in English).

10. But to avoid moaning about the bad state of small countries and their dependency towards the big neighbour too much, I have to say that Austria exports to Germany as well: Austrians are chief managers in private German TV stations, some Austrian music travels well to Germany (Falco, EAV, to name a few), and so do the magazines *Basta* and *Wiener*.

11. One firm can supply the industry output more efficiently than multiple firms. In Austria the daily *Standard* was suing the distribution firm of the big media conglomerate Mediaprint for abusing its dominant position in the market by refusing to distribute the Standard, but distributing other papers which are not owned by the Mediaprint group.

12. "Letzte Möglichkeit eines Kontrahierungszwangs," Franz Vranitzky,s speech at the Enquete of the *VÖZ* (St. Pölten), December 9,1991.

13. The original text reads: "an Tageszeitungen mit besonderer Bedeutung für die politische Meinungs- und Willensbildung, denen jedoch keine marktbeherrschende Stellung zukommt" (Presseförderungsgesetz 1985).

14. In most European countries newspaper sales are subject to reduced VAT: Austria, 10%, Ireland, 12,5%, in the UK there is no VAT on newspapers.

15. The discovery of being slow.

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